IRASS Journal of Multidisciplinary Studies
https://irasspublisher.com/journal-details/IRASSJMS
ISSN *(Online) 3049-0073*

Corporate Social Responsibility and Balance Scorecard of Manufacturing firms

Christiana Sunday Asangusung*

Department of Accounting, University of Port Harcourt, Port Harcourt, Rivers State, Nigeria.(M.Sc)

Corresponding Author: **Christiana Sunday Asangusung**

Department of Accounting, University of Port Harcourt, Port Harcourt, Rivers State, Nigeria.(M.Sc)

Article History

Received: 14 / 06 / 2026

Accepted: 22 / 07 / 2026

Published: 05 / 08 /2026

Abstract: The goal of the study was to examine the effect of Corporate social responsibility on corporate performance of manufacturing firms from Balanced scorecard perspective. The study used data from financial statements of firms listed on the Nigeria stock exchange for the period 2005 to 2024. Hausman test, Multiple Regression and various diagnostic tests were conducted on data set. Result indicates that while the various CSR strategies matter for corporate performance, their effects differ depending on the measure of performance considered. Social, economic and environmental costs all have significant effects on Returns on Assets and Net profit Margin, the effect of social cost is however positive while that of economic cost is negative. Thus, a mutually exclusive outcome of the social and economic costs exists on corporate performance of the firms. All independent variables exert significant impacts on internal efficiency; while social cost had significant negative effect, the effect of economic costs is positive demonstrating a mutual exclusive effect. Also, SOC, ECC and ENV exert significant and positive effects on growth thus demonstrating complementary effect All CSR variables have significant effects on customer loyalty although the effects are mutually exclusive. The findings of the research highlight the effect of economic and social costs could be mutually exclusive or complementary depending on the yardstick of measurement. MPS improves for firms that engage in social CSR initiatives, but not for firms that engage in economic cost CSR initiative. The study also provided evidence that it is economic costs that improves internal efficiency in terms of overall resource use by manufacturing firms in Nigeria. This outcome therefore presents a dilemma to managers who want to improve both financial performance and internal efficiency simultaneously. We recommend CSR should therefore be considered as a strategic adaptation rather than a deliberate manipulation strategy of management in order to drive long term performance, especially in relation to the market performance of firms. Social and economic Strategy of CSR are complements in terms of market performance of firms. Thus, firms that seek to improve their market performance do not need to overemphasize the need to engage in social CSR in order to influence investors' decisions. These firms can as well employ economic strategy to generate the same outcome. Economic CSR strategy improves customer loyalty. We recommend managers should improve production in order to improve their positions before customers. Results reveal that customer loyalty favors firms with heightened economic activity necessitating minimization of social costs over time.

Keywords: *Corporate Social Responsibility (CSR); Balanced Scorecard; Manufacturing Firms; Corporate Performance; Nigeria; Stakeholder Theory; Sustainability.*

How to Cite in APA format: Asangusung, C. S. (2026). Corporate Social Responsibility and Balance Scorecard of Manufacturing firms. *IRASS Journal of Multidisciplinary Studies, 3(8), 1-36.* http://doi.org/10.67564/IRASSJMS.v3.i8.0181

Introduction

In today's globalized economy, the business environment has undergone a remarkable transformation from a profit-only orientation to one that emphasizes sustainability, accountability, and stakeholder engagement. Organizations are no longer judged solely by their financial success, but also by their environmental, ethical, and social performance (Carroll & Shabana, 2010). This paradigm shift has elevated the importance of Corporate Social Responsibility (CSR) a management philosophy that integrates ethical practices, social contribution, and environmental consciousness into corporate strategy.

Carroll (1991) conceptualized CSR as encompassing four layers of responsibility economic, legal, ethical, and philanthropic each of which must coexist for firms to achieve sustainable success. Similarly, Freeman (1984), through the Stakeholder Theory, argued that organizations should create value for all stakeholders rather than focusing exclusively on shareholders. Modern business success, therefore, depends on balancing profitability with ethical operations and social legitimacy.

In developed economies, CSR is often embedded within corporate governance and performance management frameworks. However, in developing countries such as Nigeria, where weak institutions and infrastructural deficiencies persist, CSR assumes an even greater significance. Firms, especially in the manufacturing sector, are expected to complement government efforts in driving socio-economic development while maintaining profitability and competitiveness. The manufacturing industry plays a vital role in industrialization, employment generation, and value creation, yet it is also associated with adverse environmental and social externalities such as pollution, unethical labour practices, and community conflicts (Amaeshi, Adi, Ogbechie & Amao, 2006; Eweje, 2006).

Consequently, there has been growing concern about how manufacturing companies in Nigeria can align CSR initiatives with sustainable business objectives. According to Porter and Kramer (2006), CSR should not be treated merely as philanthropy but as a strategic tool that enhances long-term competitiveness through innovation, reputation, and stakeholder trust. This view links directly with the Balanced Scorecard (BSC) developed by Kaplan and Norton (1992), which provides a holistic approach to performance measurement. The BSC evaluates corporate success through four perspectives financial, customer, internal business processes, and learning and growth thereby integrating both financial and non-financial indicators.

Traditional performance metrics such as Return on Assets (ROA), Return on Equity (ROE), or Profit Margin focus mainly on financial outcomes and fail to capture intangible drivers of value such as customer satisfaction, innovation, and human capital development (Otley, 1999). The Balanced Scorecard, by contrast, extends the scope of performance evaluation beyond profit to include stakeholder value creation, learning culture, and operational excellence. Scholars such as Hubbard (2009) and Bieker (2002) have emphasized that integrating CSR into the BSC framework enables firms to measure the true impact of social and environmental initiatives on organizational sustainability.

In Nigeria, research on CSR has largely focused on the oil and gas sector, with limited attention to manufacturing firms. Furthermore, most studies assess CSR impact only on financial performance, neglecting the broader dimensions of performance that reflect long-term corporate sustainability (Okafor, 2018; Uwuigbe et al., 2020). This narrow perspective provides an incomplete picture, since corporate growth and survival depend equally on internal efficiency, customer trust, and innovation capacity (Nnamani, Onyekwelu & Ugwu, 2017).

Hence, this study examines the impact of Corporate Social Responsibility on organizational performance of manufacturing companies in Nigeria using the Balanced Scorecard framework. It integrates social, economic, and environmental CSR costs and evaluates their effects across four performance perspectives financial, customer, internal efficiency, and growth. By doing so, it provides a multidimensional understanding of how CSR contributes to sustainable competitiveness in the Nigerian manufacturing sector.

Statement of the Problem

Corporate organizations, particularly in developing economies, operate within environments characterized by complex socio-economic and ecological challenges. The manufacturing industry, while essential to economic growth, often exerts negative externalities on society through pollution, deforestation, poor waste management, and community displacement (Eweje, 2006; Nwobu, 2020). These issues have generated increasing pressure on firms to be more socially and environmentally responsible.

Despite the rising emphasis on CSR, many Nigerian manufacturing firms still treat it as a peripheral activity or public relations tool rather than a strategic component of performance management. Empirical evidence shows that while CSR initiatives may involve substantial expenditures, they also yield long-term benefits through improved reputation, legitimacy, and customer loyalty (Porter & Kramer, 2006; Suchman, 1995). However, existing studies in Nigeria largely measure the effects of CSR using financial indicators alone such as profit before tax, return on assets, or turnover without integrating non-financial dimensions such as customer satisfaction, innovation, and process efficiency (Okafor, 2018; Uwuigbe et al., 2020).

This narrow focus fails to capture the broader organizational impact of CSR and leads to fragmented performance assessments. As a result, there remains limited empirical evidence on how CSR initiatives measured through social, economic, and environmental costs affect multiple dimensions of corporate performance in Nigeria's manufacturing sector.

The core problem this study addresses is the inadequacy of traditional performance measurement systems to holistically evaluate the outcomes of CSR initiatives. Specifically, it seeks to determine how CSR expenditures influence not only financial performance but also customer loyalty, internal efficiency, and organizational growth, using the Balanced Scorecard framework as a unifying model. Addressing this problem will bridge the gap between CSR implementation and performance evaluation in Nigeria's manufacturing industry.

Aim and Objectives of the Study

The aim of this study is to examine the impact of Corporate Social Responsibility (CSR) on Balance score card of manufacturing companies in Nigeria using the Balanced Scorecard framework.

The specific objectives are to:

1. examine the effect of social cost, economic cost, and environmental cost on the Return on Assets (ROA) of manufacturing companies in Nigeria.
2. determine the effect of social cost, economic cost, and environmental cost on the Earnings Per Share (EPS) of manufacturing companies in Nigeria.
3. analyze the effect of social cost, economic cost, and environmental cost on the Market Price per Share (MPS) of manufacturing companies in Nigeria.
4. assess the effect of social cost, economic cost, and environmental cost on the customer loyalty of manufacturing companies in Nigeria.
5. evaluate the effect of social cost, economic cost, and environmental cost on internal efficiency of manufacturing companies in Nigeria.
6. investigate the effect of social cost, economic cost, and environmental cost on the growth of manufacturing companies in Nigeria.

Research Questions

To guide the study, the following research questions are formulated:

1. to what extent does social, economic, and environmental cost affect Return on assets of manufacturing companies in Nigeria?

2. how do social, economic, and environmental cost influence the Earnings Per Share (EPS) of manufacturing companies in Nigeria?
3. in what ways do social, economic, and environmental cost affect the Market Price per Share (MPS) of manufacturing companies in Nigeria?
4. what is the nature of social cost, economic cost, and environmental cost on customer loyalty of manufacturing companies in Nigeria?
5. what effect does social, economic, and environmental cost have on internal efficiency of manufacturing companies in Nigeria?
6. to what extent does social, economic, and environmental cost impact growth of manufacturing companies in Nigeria?

Research Hypotheses

The following null hypotheses are stated in line with the study objectives:

- H01: There is no significant effect of social, economic, and environmental cost and Return on assets of manufacturing companies in Nigeria.
- H02:There is no significant effect of social, economic, and environmental cost and Earnings Per Share of manufacturing companies in Nigeria.
- H03:There is no significant effect of social, economic, and environmental cost and Market Price per Share of manufacturing companies in Nigeria.
- H04: There is no significant effect of social, economic, and environmental cost on customer loyalty of manufacturing companies in Nigeria.
- H05: There is no significant effect of social, economic, and environmental cost on internal efficiency of manufacturing companies in Nigeria.
- H06: There is no significant relationship between social, economic, and environmental cost on growth of manufacturing companies in Nigeria.

Significance of the Study

This study is significant both theoretically and practically, as it provides valuable insights into the relationship between Corporate Social Responsibility (CSR) initiatives and firm performance within the Nigerian manufacturing sector.

The study contributes to the body of knowledge by enriching existing literature on CSR and performance measurement. It advances academic discourse through the integration of CSR initiatives into the Balanced Scorecard (BSC) framework, thereby offering a multidimensional approach to evaluating corporate performance in developing economies. By examining CSR through the lenses of social, economic, and environmental costs, and linking these to the four perspectives of the BSC financial, customer, internal process, and learning and growth the study provides a more comprehensive model for assessing how responsible business practices influence both financial and non-financial outcomes.

Furthermore, it adds to the understanding of CSR as a strategic management tool rather than a peripheral activity, bridging the gap between traditional profitability measures and emerging sustainability perspectives.

Practical Significance:

From a practical standpoint, the study provides actionable insights for multiple stakeholders. For corporate managers, the findings will underscore the importance of viewing CSR not as a financial burden, but as a strategic investment capable of enhancing profitability, improving stakeholder trust, strengthening brand reputation, and ensuring long-term organizational sustainability. For policymakers, the research offers empirical evidence to guide the formulation of CSR-related policies, incentives, and regulatory frameworks that promote responsible corporate behavior within the manufacturing sector.

Additionally, investors, shareholders, and other stakeholders will benefit from understanding how non-financial indicators such as CSR expenditures and community engagement reflect true corporate value creation beyond conventional financial metrics. The study thus contributes to promoting transparency, accountability, and sustainability-oriented decision-making within Nigeria’s industrial landscape.

1.7 Scope of the Study

The scope of this research is defined along three dimensions content, geography, and unit of analysis.

Content Scope

The content scope of this study focuses on examining the relationship between Corporate Social Responsibility (CSR) initiatives and organizational performance within the Nigerian manufacturing sector. Specifically, CSR is measured using three major dimensions social cost, economic cost, and environmental cost which collectively reflect the firm’s overall commitment to sustainable and responsible business practices.

The study adopts the Balanced Scorecard (BSC) framework developed by Kaplan and Norton (1992) to provide a multidimensional assessment of organizational performance. In line with this approach, firm performance is evaluated across four key perspectives:

- Financial Perspective: assessing profitability, return on assets, and other monetary indicators of success.
- Customer Perspective: examining customer satisfaction, loyalty, and brand perception as outcomes of CSR engagement.
- Internal Process Perspective: analyzing how CSR practices influence internal efficiency, innovation, and operational excellence.
- Growth (Learning and Development) Perspective: evaluating how CSR contributes to employee development, organizational learning, and long-term sustainability.

By integrating both financial and non-financial performance indicators, the study provides a holistic evaluation of how CSR initiatives affect firms’ short-term profitability and long-term strategic growth. This multidimensional approach bridges the gap between traditional financial assessment and contemporary sustainability metrics, offering deeper insights into how socially responsible investments translate into organizational value creation.

Geographical Scope

The geographical scope of this study is confined to manufacturing firms operating in Nigeria, with particular emphasis on those listed on the Nigerian Exchange Group (NGX). The focus on listed firms is informed by the availability of reliable, standardized, and verifiable financial data, as these companies are mandated by the NGX and the Financial Reporting Council of Nigeria (FRCN) to publish annual reports that disclose information on both financial performance and Corporate Social Responsibility (CSR) activities.

The Nigerian manufacturing sector represents one of the most critical components of the nation's economy due to its dual role in promoting industrialization and socio-economic development, while simultaneously generating environmental and social externalities such as waste emissions, pollution, and community impacts. These dynamics make the sector particularly suitable for evaluating the link between CSR practices and organizational performance.

Furthermore, the manufacturing industry in Nigeria is geographically dispersed across key industrial hubs including Lagos, Ogun, Rivers, Anambra, and Kano States, which collectively account for a significant proportion of industrial output and employment. The inclusion of firms from these regions enhances the generalizability of the study's findings across the national manufacturing landscape.

By focusing on Nigerian manufacturing firms, the study captures the contextual realities of CSR implementation in an emerging economy characterized by infrastructural challenges, weak institutional enforcement, and increasing stakeholder expectations for sustainable business practices. This focus provides a meaningful basis for assessing how socially responsible initiatives can contribute to both corporate performance and national development.

Unit level of Analysis

The unit of analysis for this study is the firm level. All data collection, measurements, and analyses are conducted at the organizational level rather than at the individual or departmental levels. This choice is informed by the fact that Corporate Social Responsibility (CSR) initiatives and corresponding performance indicators are typically formulated, implemented, and evaluated as corporate-wide strategies within organizations.

CSR policies such as community development programs, employee welfare schemes, environmental management practices, and ethical business conduct—are executed at the firm level, reflecting the collective decisions and actions of corporate management. Similarly, financial and non-financial performance indicators (such as turnover, profit before tax, customer satisfaction, and internal efficiency) are aggregated at the corporate level and reported in the firm's annual accounts. Analyzing data at the firm level therefore provides a more holistic and accurate representation of the overall impact of CSR on organizational performance. This approach also facilitates comparability across companies, ensuring that variations in CSR expenditure and performance outcomes reflect genuine firm-level differences rather than individual or departmental biases. Consequently, the firm-level analysis adopted in this study aligns with prior empirical research and enhances the validity of conclusions drawn regarding the relationship between CSR practices and the performance of manufacturing firms in Nigeria

Literature Review

Conceptual Framework

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) has evolved over the years as a multidimensional concept that highlights the obligation of businesses to operate ethically, contribute to economic development, and improve the quality of life of employees, communities, and society at large. CSR is often used interchangeably with terms such as *corporate accountability, corporate citizenship, sustainability, stewardship,* and *responsible business* (Banah, 2004).

Although several scholars have defined CSR differently, the central idea remains the same: firms should pursue economic success in ways that honor ethical values and respect people and the environment. Osei-Tete (2010) defined CSR as achieving commercial success while maintaining ethical standards, respecting the environment, and meeting the expectations of society. He added that CSR involves addressing the legal, ethical, commercial, and moral responsibilities expected of businesses, while balancing the interests of key stakeholders.

Historically, the concept of CSR developed from the idea of "social responsibility," which initially focused on individual businessmen before expanding to cover institutions and corporations (Davis, 1967). Over time, CSR has broadened to include environmental, social, and economic aspects of corporate behavior. Terms such as *corporate citizenship* and *corporate sustainability* later emerged as complementary expressions of the same philosophy.

CSR emphasizes that companies are not isolated from society but are integral parts of it. They are therefore accountable for the social and environmental consequences of their operations. This accountability extends beyond compliance with legal requirements to voluntary contributions toward community well-being, environmental preservation, and ethical governance. In this sense, CSR has become a key instrument for promoting a company's public image and long-term sustainability.

The International Finance Corporation (IFC, 2017) defined CSR as the obligation of businesses to contribute to sustainable economic development by collaborating with employees, their families, local communities, and society at large to improve quality of life in ways that are beneficial for both business and development. Similarly, the European Union (2001) described CSR as a concept whereby companies integrate social and environmental concerns into their business operations and interactions with stakeholders on a voluntary basis.

Carroll (1991) presented CSR as a four-layered pyramid consisting of economic, legal, ethical, and philanthropic responsibilities. In this model, economic responsibility forms the base, representing the need for profitability and efficiency. Legal responsibility follows, emphasizing compliance with the law. Ethical responsibility refers to doing what is right, fair, and just, while philanthropic responsibility involves voluntary contributions to community well-being. According to Carroll, in developing nations such as Nigeria, economic responsibility is often the most emphasized due to the need for poverty reduction and infrastructure development.

Amaeshi, Adi, Ogbechie, and Amao (2006) observed that Nigerian firms tend to interpret CSR primarily as philanthropy focusing on donations, sponsorships, and community projects as a response to socioeconomic challenges such as poverty and unemployment. Similarly, Gray, Javad, Power, and Sinclair (2001) noted that CSR practices are shaped by cultural and national differences, with African countries emphasizing economic development and social welfare.

CSR has therefore evolved into a strategic tool that allows companies to align profit-making with sustainable development. It ensures that business decisions consider their impact on society and the environment, leading to trust, loyalty, and stronger stakeholder relationships. A socially responsible organization is one whose management evaluates both the social and economic consequences of its actions before making decisions.

The European Foundation for Quality Management (EFQM, 2004) identified three primary dimensions of CSR: social, environmental, and economic responsibilities.

Social responsibilities include activities such as staff development, health and safety, respect for human rights, and community engagement.

Environmental responsibilities focus on minimizing pollution, promoting renewable energy, and ensuring sustainable production processes.

Economic responsibilities involve ensuring fair business practices, ethical governance, innovation, and long-term profitability.

In Nigeria, environmental responsibilities have become increasingly important due to industrialization and pollution challenges. The Environmental Impact Assessment (EIA) Decree No. 86 of 1992 makes it mandatory for organizations to assess and manage the environmental consequences of their operations before embarking on any project. This legal framework reinforces the environmental dimension of CSR and ensures that companies integrate sustainability into their planning and decision-making processes.

Drivers of Corporate Social Responsibility

CSR practices are influenced by both internal and external pressures. Rahul (2008) identified major drivers such as globalization, reputation management, stakeholder pressure, consumer activism, and financial incentives. For multinational and local firms in Nigeria, CSR adoption is also motivated by community expectations, industry competition, and government regulation (Adeyanju, 2012).

Furthermore, improved information technology and media coverage have increased public awareness, compelling firms to act responsibly to avoid reputational damage. CSR has therefore become both a moral duty and a strategic necessity for survival in competitive markets.

The adoption of Corporate Social Responsibility (CSR) is influenced by a combination of social, economic, and environmental factors that compel firms to act beyond profit maximization. Rahul (2008) identified several key drivers that have contributed to the increasing relevance of CSR across the world. These include globalization, pressure from non-governmental organizations (NGOs), consumer awareness, the spread of CSR practices across regions, the bottom-line impact of CSR, and reputation management. Each of these drivers is discussed below.

Globalization

Globalization has played a critical role in promoting the acceptance and integration of CSR into global business practices. Rahul (2008) observed that since the mid-1990s, CSR has become part of the global economic agenda. Multinational corporations, in particular, have been compelled to adopt socially responsible standards to maintain legitimacy and meet international expectations. Globalization has also exposed firms to global scrutiny from international media, civil society, and investors, making ethical conduct and social responsibility essential parts of corporate identity.

Pressure from Non-Governmental Organizations (NGOs)

Non-Governmental Organizations (NGOs) have become powerful actors influencing corporate behavior. According to Rahul (2008), NGOs use advocacy, campaigns, and partnerships to hold companies accountable for their social and environmental impact. They apply market-based incentives and public pressure to compel corporations to act responsibly. Because businesses are sensitive to issues that affect their profitability, such as investor confidence, media image, and consumer trust, they often respond to NGO pressure by adopting stronger CSR initiatives.

Consumer Awareness and Expectations

The modern consumer is increasingly aware of how products are made and demands transparency in business practices. Rahul (2008) emphasized that consumers now seek information on whether products are produced ethically—respecting fair labor standards, protecting the environment, and upholding human rights. This change in consumer behavior has become a strong driver of CSR. Companies are now expected not only to provide quality products but also to demonstrate social responsibility. In response, firms have integrated CSR into their marketing and branding strategies to align with the values of socially conscious consumers.

Diffusion of the CSR Trend

The spread of CSR practices beyond Western economies has also contributed to its global acceptance. Rahul (2008) noted that CSR, which initially developed in Europe and North America, has expanded to Asia, Africa, and Latin America. This diffusion is supported by international conferences, CSR awards, and best practice exchanges that encourage firms in developing countries to adopt socially responsible standards. As a result, CSR has been adapted to local contexts and cultures, creating indigenous versions that reflect domestic values and traditions. This localization process has made CSR more practical and relevant across different regions.

Bottom-Line Impact of CSR Implementation

Another major driver of CSR is its influence on the financial performance of firms. Rahul (2008) argued that companies are realizing that reputational damage can have a greater cost than product failure. Firms with poor social or environmental records often suffer loss of consumer confidence and declining market share. On the other hand, well-managed CSR programs can enhance a company's financial stability, reduce equity risk, and improve share price performance. Supporting this view, the McKinsey Global Investor Opinion Survey cited by Rahul (2008) showed that investors are willing to pay a premium for companies with strong corporate governance and social responsibility ratings.

Reputation Management and Employee Engagement

Reputation management is one of the most powerful motivators for CSR adoption. Corporate scandals such as those involving Enron and WorldCom created widespread distrust toward large corporations and intensified the need for ethical conduct in business (Rahul, 2008). Consequently, many firms now view CSR as a strategic tool for rebuilding public trust and maintaining a positive corporate image. By engaging in transparent and socially responsible practices, firms not only protect their reputation but also enhance employee morale and loyalty. CSR initiatives that involve employees in community and sustainability projects help to foster commitment, motivation, and a sense of purpose among staff members.

CSR as a Differentiation Strategy

In highly competitive markets where products and services are often similar in quality and price, CSR can serve as a differentiation tool. Rahul (2008) observed that socially responsible companies stand out by connecting with customers' ethical and emotional values. Consumers increasingly consider the social and environmental footprint of the products they buy, and they prefer brands that reflect their personal values. This consumer-driven pressure, particularly in retail and fast-moving consumer goods sectors, has made CSR an essential component of competitive strategy.

Types of Corporate Social Responsibility (CSR) Initiatives

Corporate Social Responsibility (CSR) encompasses a broad range of socially responsible actions and programs undertaken by organizations to contribute positively to society and the environment. Kotler, Roberto, and Lee (2005) identified five major types of CSR initiatives: cause promotion, cause-related marketing, corporate social marketing, socially responsible business practices, and corporate philanthropy. These categories capture the various ways in which firms can engage stakeholders, improve community welfare, and reinforce ethical business conduct.

a. Cause Promotion:

The goal of this initiative is to create awareness and public concern for social causes by disseminating relevant facts, information, and statistics. Cause promotion encourages individuals to make enquiries, donate resources (time, money, or materials), and participate in community events. Support for these causes is not tied to the sale of products or services; rather, it focuses on mobilizing action and visibility for important social issues. Typical activities include distributing educational materials, organizing awareness campaigns, volunteering, sponsorship, and partnerships with social organizations.

b. Cause-Related Marketing:

In cause-related marketing, a firm pledges to contribute a specific portion of its revenue or profit to a charitable cause, often linked to the sale of a particular product or service. This type of CSR initiative establishes a symbiotic relationship between commercial objectives and social benefits. For example, a company might donate a percentage of every purchase to a charity for a defined period. The strategy not only raises funds for social causes but also strengthens brand image and increases customer loyalty (Kotler et al., 2005). The marketing department usually drives this initiative, as its implementation aligns directly with product promotion and revenue generation.

c. Corporate Social Marketing:

Corporate social marketing focuses on influencing behavior change that benefits public health, environmental sustainability, or social well-being. Under this initiative, organizations support or develop campaigns that encourage safe driving, proper waste disposal, healthy lifestyles, energy conservation, or savings culture. Unlike cause promotion, which raises awareness, social marketing seeks to change behavior through education, communication, and community involvement. It demonstrates how corporate resources can be deployed to achieve measurable social impact while aligning with corporate objectives.

d. Socially Responsible Business Practices:

This initiative involves the adoption of discretionary business policies and investments that promote social welfare and protect the environment. These actions are not legally mandated but are undertaken as part of a firm's ethical responsibility. Examples include implementing fair labour practices, reducing carbon emissions, investing in eco-friendly technologies, and ensuring transparency in operations (Kotler et al., 2005). Such practices reflect a company's moral and ethical commitment to the well-being of all stakeholders, including employees, customers, suppliers, and local communities. In essence, socially responsible business practices signify a firm's willingness to integrate sustainability principles into everyday operations.

e. Corporate Philanthropy:

Corporate philanthropy represents the most traditional and widely recognized form of CSR. It entails direct contributions to charitable causes, either in cash, goods, or in-kind services. Organizations may donate to educational institutions, health programs, disaster relief efforts, or community infrastructure development. Philanthropy also includes the provision of technical expertise, equipment, or the use of corporate facilities for social purposes. Frequently referred to as *community giving*, *corporate citizenship*, or *community affairs*, philanthropy enhances corporate reputation and fosters goodwill between the company and its stakeholders. In the Nigerian context, many firms view philanthropic CSR as an avenue to build strong relationships with host communities and mitigate potential conflicts.

Benefits of Incorporating Corporate Social Responsibility in an Organization

Integrating Corporate Social Responsibility (CSR) into an organization's core operations provides both tangible and intangible benefits. Organizations that embed CSR in their strategic framework often experience improved reputation, operational efficiency, and stakeholder trust. CSR not only fulfills ethical obligations but also enhances long-term profitability and competitive advantage (Asa, 2007; Reimann, 1975; Tupodolo, 2009; Elizaveta, 2010).

Key benefits of incorporating CSR include increased brand value, improved access to finance, a healthier and safer workplace, stronger corporate governance, risk reduction, motivated workforce, customer loyalty, and greater stakeholder confidence. Additionally, CSR contributes to positive community relations, environmental protection, and the overall sustainability of the business.

Mirfazli (2008) emphasized that failure to fulfill social responsibilities can cause reputational and financial harm to a business. In an era of social media and investigative journalism, unethical practices attract negative publicity and loss of public trust. Conversely, companies that demonstrate ethical behavior and social responsibility tend to attract and retain highly skilled employees, thereby enhancing productivity and innovation.

Elizaveta (2010) further observed that firms engaging in CSR activities are more likely to enjoy customer loyalty, investor confidence, and employee satisfaction. Such organizations are perceived as responsible corporate citizens and often become the preferred choice among consumers and job seekers. On the other hand, companies that neglect CSR face higher risks of social backlash, reduced competitiveness, and potential business decline.

In the African context, CSR also plays a developmental role. Many African economies, including Nigeria, suffer from infrastructural and governance deficiencies. Consequently, corporate involvement in community development projects such as road construction, education funding, and healthcare delivery helps bridge institutional gaps and promote socio-economic welfare. Amaeshi, Adi, Ogbechie, and Amao (2006) observed that indigenous Nigerian firms often practice CSR through philanthropy as a response to the socio-economic challenges in their host communities.

Amole, Adebiyi, and Awolaja (2012) found that organizations demonstrating strong CSR commitment enhance their profitability in the long run. Their study, grounded in the stakeholder theory, highlighted that social investments make the business environment more conducive for sustained operations. Similarly, Osemene (2012) reported that CSR activities in Nigeria’s telecommunication sector have contributed positively to employee welfare, environmental quality, and stakeholder engagement.

Adeyanju (2012) also concluded that CSR initiatives strengthen corporate goodwill and improve firm valuation. He argued that socially responsible companies enjoy greater peace within their host communities, attract cheaper and more competent labour, and achieve better market positioning. CSR thus provides both direct economic advantages and long-term reputational gains. For the broader society, CSR contributes to infrastructure development, environmental sustainability, and enhanced living standards, thereby fostering a more inclusive and resilient economy.

In essence, the incorporation of CSR transforms businesses into agents of societal progress. It establishes mutual trust between corporations and stakeholders, mitigates operational risks, and ensures that economic growth aligns with ethical and social imperatives. Companies that internalize CSR principles not only enhance their profitability but also secure their long-term sustainability in a competitive global environment.

The Effects of Corporate Social Responsibility on Profitability

In contemporary business practice, the relationship between Corporate Social Responsibility (CSR) and profitability has become a central theme in management and financial research. Although CSR scholarship initially focused on developed economies, recent attention has shifted toward developing nations where social, economic, and environmental challenges are more pronounced. Businesses in these regions are increasingly integrating CSR into their strategic frameworks, aligning social needs with core operations and long-term profitability objectives.

CSR is now viewed as more than a moral obligation; it has evolved into a strategic tool for competitive advantage and value creation. Companies that embed CSR in their strategic decision-making tend to experience enhanced corporate reputation, customer loyalty, and employee commitment, which collectively drive financial performance. However, scholars have long debated the precise nature of the relationship between CSR and profitability due to the multidimensional character of both concepts (Sen & Bhattacharya, 2001). Understanding this complex relationship is valuable for shareholders, managers, and policymakers seeking to balance financial returns with social legitimacy.

Kotler et al. (2005) assert that CSR contributes to long-term profitability through stakeholder satisfaction and improved business reputation. By addressing the needs of stakeholders employees, customers, suppliers, communities, and regulators firms strengthen their social license to operate and minimize reputational risks that could adversely affect their financial outcomes. Profit maximization remains an essential objective for business growth, but CSR provides a framework through which companies achieve this goal responsibly and sustainably. In essence, while profit drives business expansion, social responsibility ensures ethical legitimacy and societal acceptance.

In developing economies such as Nigeria, CSR has become a strategic avenue for bridging economic disparities and promoting sustainable growth. Strategic innovation such as eco-efficient production, fair labour practices, and community partnerships enables firms to operate competitively in the global market while contributing to social welfare. Nonetheless, several firms still face constraints in adopting CSR practices due to perceived high costs, limited financial resources, and lack of technical expertise. These challenges often hinder full implementation despite widespread recognition of CSR’s long-term benefits.

Empirical evidence on the CSR profitability relationship has shown mixed outcomes. While some studies report strong positive correlations, others indicate moderate or insignificant effects depending on industry characteristics, firm size, and time horizon. Cyrus (2013) observed a moderate positive relationship between CSR and firm performance, suggesting that socially responsible firms tend to outperform their counterparts over time. This supports the notion that CSR investments may not yield immediate financial gains but generate sustainable value through improved reputation, operational efficiency, and stakeholder goodwill.

In conclusion, the effect of CSR on profitability is both direct and indirect. Directly, CSR can enhance brand image, attract socially conscious investors, and increase sales through customer trust. Indirectly, it fosters a stable business environment, reduces regulatory conflicts, and improves employee morale all of which contribute to long-term financial performance. Thus, corporate social responsibility should be viewed not as a cost, but as a strategic investment that aligns ethical conduct with economic success.

Common Characteristics of Corporate Social Responsibility

Corporate Social Responsibility (CSR) encompasses fundamental principles and attributes that define how organizations engage with their stakeholders and society. According to the European Foundation for Quality Management (2004), CSR initiatives share several common characteristics that distinguish them from conventional business activities.

Commitment to Sustainability:

CSR emphasizes meeting the needs of current stakeholders without compromising the ability of future generations to meet their own needs. This principle aligns with the concept of sustainable development, ensuring that business growth does not occur at the expense of environmental degradation or societal well-being. Given the quest for profit, many corporations have historically overlooked the environmental consequences of their operations; CSR seeks to correct this imbalance by promoting responsible stewardship of natural and social resources.

Voluntary Adoption:

CSR practices are typically adopted voluntarily rather than imposed by legal mandates. Organizations often choose to engage in CSR because they recognize its long-term benefits in building trust, reducing operational risks, and enhancing competitiveness. Voluntary participation reflects a proactive ethical stance rather than compliance-based obligation, reinforcing the organization's commitment to social values.

Integration of Economic, Social, and Environmental Concerns:

A key characteristic of CSR is its integrative nature. It requires organizations to align social responsibility with economic and environmental objectives in their daily operations. This integration ensures that corporate strategies, decision-making processes, and performance evaluations reflect a balance between profitability and sustainability. Such holistic integration strengthens stakeholder relations and fosters inclusive growth.

Strategic and Core to Business Management:

CSR is no longer considered a peripheral or charitable activity; it is now viewed as an essential component of corporate strategy. Effective CSR is embedded in an organization's vision, mission, and management systems. When integrated into the strategic framework, CSR enhances corporate governance, strengthens brand identity, and ensures accountability to stakeholders. It becomes a continuous process of aligning corporate goals with societal expectations.

In summary, CSR is characterized by sustainability orientation, voluntarism, integration, and strategic alignment. These attributes transform CSR from a mere philanthropic gesture into a comprehensive management philosophy that promotes ethical conduct, environmental protection, and long-term organizational success.

Dimensions of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is commonly viewed as a multidimensional construct that captures the various ways firms contribute to sustainable development. According to the European Foundation for Quality Management (EFQM, 2004), CSR comprises three core dimensions social, economic, and environmental responsibilities which together ensure a balance between profitability and societal welfare. Each dimension reflects a different aspect of a firm's responsibility to its stakeholders.

a) Social Cost

Social cost refers to the expenditure incurred by a company to improve the well-being of its employees, customers, and the host community. It encompasses all activities that directly or indirectly enhance the social conditions of the environments where a business operates. These include employee training and development, scholarship programs, healthcare initiatives, community infrastructure, and poverty alleviation projects (Brammer & Millington, 2005).

Social costs are often seen as investments rather than expenses because they build goodwill, loyalty, and long-term stability. When firms engage in social projects, they demonstrate genuine concern for stakeholders, thereby enhancing their corporate image and reputation. In return, this strengthens community trust, minimizes social unrest, and promotes a more favorable business environment.

In the Nigerian context, several manufacturing firms have incorporated social responsibility into their operational strategies. For instance, Dangote Group has invested heavily in educational scholarships, health interventions, and community infrastructure across several states. Similarly, Nestlé Nigeria Plc promotes nutrition awareness, women empowerment, and water accessibility programs to support community well-being. Such efforts help companies maintain their social license to operate and foster harmonious relationships with their host communities.

Beyond philanthropy, social costs also involve ethical treatment of employees and ensuring a safe, inclusive workplace. By prioritizing employee welfare and adhering to fair labor standards, companies can reduce turnover, enhance morale, and improve productivity. Thus, social responsibility contributes not only to societal development but also to sustainable corporate performance.

b) Economic Cost

Economic cost relates to the financial resources that organizations commit to responsible and ethical business practices. It includes the cost of compliance with legal and regulatory frameworks, corporate governance requirements, fair trade standards, and quality assurance systems (Carroll, 1991). Firms that implement high ethical standards often invest in transparency, innovation, and efficiency to ensure long-term financial sustainability.

Although these expenditures may appear to reduce short-term profits, they create substantial benefits in the long run. Porter and Kramer (2006) argued that firms that integrate CSR into their strategic planning often enjoy improved competitive advantage, brand reputation, and customer loyalty. Economic responsibility thus aligns profit-making with ethical conduct by ensuring that businesses operate efficiently while maintaining accountability to stakeholders.

Examples of economic costs in Nigerian manufacturing firms include adopting transparent procurement systems, adhering to local content policies, and ensuring fair pricing practices. These activities promote trust among investors, suppliers, and customers, which in turn leads to stronger market performance. Moreover, companies that demonstrate fiscal discipline and sound governance often attract higher investor confidence and experience reduced financial risk.

Therefore, economic cost in CSR is not limited to financial expenditure; it also represents the value generated through ethical decision-making and transparent operations that support sustainable profitability.

c) Environmental Cost

Environmental cost represents the investment a company makes to minimize or eliminate the negative impact of its operations on the natural environment. It includes expenditures on waste management, pollution control, renewable energy, and sustainable resource utilization (Gray, Javad, Power, & Sinclair, 2001). In recent years, the growing global awareness of climate change has intensified the demand for companies to adopt eco-friendly production methods and comply with environmental regulations.

Manufacturing activities, particularly in developing economies such as Nigeria, often generate significant environmental challenges, including air and water pollution, deforestation, and waste disposal issues. As a result, firms are increasingly expected to invest in technologies and processes that mitigate these effects. For instance, several cement manufacturing firms have adopted dust control systems and waste recycling initiatives to reduce emissions and conserve resources.

Environmental costs can also include payments for environmental permits, impact assessments, and community sensitization on environmental protection. Firms that implement such initiatives not only preserve natural ecosystems but also enhance their legitimacy and credibility among regulators, investors, and communities. This is consistent with Legitimacy Theory, which suggests that businesses can maintain societal approval by aligning their practices with environmental expectations.

Furthermore, integrating environmental responsibility into corporate strategy can yield operational and financial benefits. Efficient energy use, waste reduction, and recycling can lower production costs while promoting innovation. Thus, environmental cost should be viewed as an investment that protects both the ecosystem and the firm's long-term sustainability.

In Nigeria, environmental sustainability has gained policy backing through instruments such as the Environmental Impact Assessment (EIA) Act (Decree 86 of 1992), which mandates all private and public sector organizations to assess and mitigate the environmental impact of their projects. Compliance with such regulations reinforces the environmental component of CSR and encourages firms to adopt cleaner and safer production systems.

Carroll's Pyramid of CSR (1991)

Carroll's model of Corporate Social Responsibility remains one of the most widely accepted frameworks for understanding the various layers of a firm's responsibility to society. In his seminal work, Carroll (1991) conceptualized CSR as a four-tier pyramid comprising economic, legal, ethical, and philanthropic responsibilities. These four components are interconnected and collectively define the full scope of a corporation's obligations to its stakeholders.

Carroll's model emphasizes that while businesses are expected to generate profits, they must also comply with the law, behave ethically, and contribute voluntarily to the welfare of society. The model presents these responsibilities in a hierarchical order, with economic responsibility forming the base of the pyramid, followed by legal, ethical, and philanthropic responsibilities at the top. Each level builds upon the previous one, creating a comprehensive structure for balancing business objectives with societal expectations.

i. Economic Responsibilities

Economic responsibility forms the foundation of Carroll's pyramid. It reflects the basic duty of a business to be profitable and financially sustainable. According to Carroll (1991), profitability is essential because it ensures that the firm can survive, grow, and meet the needs of stakeholders such as employees, shareholders, and customers. In the absence of economic success, a firm would be unable to fulfill its other social or ethical obligations.

In Nigeria, economic responsibility includes generating employment, contributing to national income through taxes, and stimulating economic growth within host communities. Companies that perform well financially are better positioned to engage in community development projects, support local businesses, and invest in corporate sustainability initiatives. Thus, economic performance provides the foundation for achieving other aspects of CSR.

ii. Legal Responsibilities

The second layer of Carroll's pyramid represents a company's obligation to obey laws and regulations established by government authorities. Legal responsibility ensures that firms conduct their operations within the framework of societal rules that define acceptable business behavior. Compliance with tax laws, labor laws, environmental regulations, and corporate governance standards is essential to maintaining legitimacy and avoiding penalties.

In developing economies such as Nigeria, legal responsibility also extends to adherence to sector-specific laws such as the Environmental Impact Assessment (EIA) Act of 1992 and the Companies and Allied Matters Act (CAMA). By complying with these laws, firms not only protect themselves from legal sanctions but also build trust with regulators, investors, and the public.

Carroll (1991) argued that legal responsibilities represent society's codified ethics, meaning that what society expects morally is often later transformed into law. Therefore, fulfilling legal responsibilities demonstrates a firm's commitment to operating within socially acceptable boundaries.

iii. Ethical Responsibilities

Ethical responsibility refers to the obligation of a company to do what is right, just, and fair, even when not compelled by law. It encompasses the values, norms, and moral standards that guide corporate decision-making. According to Carroll (1991), ethical responsibilities reflect the expectations of society that go beyond legal compliance.

Ethical behavior includes fairness in employee relations, honesty in marketing, transparency in accounting, and respect for human rights. It also involves avoiding harm to stakeholders, protecting consumers from exploitation, and maintaining integrity in all business dealings. Ethical responsibility is particularly important in environments like Nigeria, where weak institutional systems sometimes lead to corruption, unethical competition, and exploitation. Companies that uphold high ethical standards can differentiate themselves, attract loyal customers, and build long-term sustainability.

Carroll emphasized that ethical expectations evolve over time, meaning that what was once considered acceptable may later be deemed unethical. Hence, firms must continually adapt their practices to align with changing societal values and stakeholder expectations.

iv. Philanthropic Responsibilities

Philanthropic responsibility represents the highest level of Carroll's pyramid and refers to voluntary actions taken by firms to improve the quality of life in the communities where they operate. These activities go beyond economic and legal obligations and are motivated by goodwill and moral duty rather than profit. Philanthropic actions include donations, sponsorships, scholarships, and community development programs.

According to Carroll (1991), philanthropy reflects the corporate desire to be a "good citizen" by contributing to the social and cultural well-being of society. In Nigeria, many companies have embraced philanthropy through charitable activities such as constructing schools, providing scholarships, funding hospitals, and supporting environmental clean-up initiatives. Firms like MTN Nigeria, Dangote Group, and Guinness Nigeria Plc have established foundations dedicated to social development projects that complement government efforts.

Although philanthropic responsibility is voluntary, it yields significant reputational benefits. It helps firms strengthen relationships with their stakeholders, attract positive publicity, and demonstrate empathy toward societal challenges.

Relevance of Carroll's Model to the Study

Carroll's pyramid provides a comprehensive framework for understanding how businesses can integrate multiple layers of responsibility into their operations. The model aligns with the central focus of this study, which explores how Nigerian manufacturing firms combine economic, legal, ethical, and philanthropic responsibilities to achieve better performance outcomes.

In the context of this research, Carroll's model underscores that CSR should not be seen as a separate or charitable activity but as an integral part of a firm's strategy for long-term sustainability. By balancing profitability with legality, ethics, and philanthropy, organizations can create value for both shareholders and society at large.

Carroll (1991) explained that while economic and legal responsibilities are mandatory, ethical and philanthropic responsibilities are voluntary but equally important for reputation and long-term success.

Figure 2.1: Carroll's Pyramid of Corporate Social Responsibility

Table 2.1: Economic and Legal Components of Corporate Social Responsibility

Economic Components (Responsibilities)	**Legal Components (Responsibilities)**
1. It is very vital to perform in a manner consistent with maximizing earnings per share	1. It is to perform in a manner consistent with expectations of government and law.
2. It is important to be committed to being as profitable as possible.	2. It must comply with various federal, state, and local regulations.
3. It is to maintain a strong competitive position.	3. It is very important to be a law-abiding corporate citizen.
4. It is important to maintain a high level of operating efficiency.	4. It is important that a successful firm be defined as one that fulfills its legal obligations.
5. It is important that a successful firm be defined as one that is consistently profitable.	5. It is important to provide goods and services that at least meet minimal legal requirements.

Source: (Carroll, 1991) "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders"

Table 2.2: Ethical and Philanthropic Components of Corporate Social Responsibility

Ethical Components (Responsibilities)	**Philanthropic Components(Responsibilities)**
1. It must be perform in a manner consistent with expectations of societal and ethical norms.	1. It must be perform in a manner consistent with the philanthropic and charitable expectations of society.

2. It must recognize and respect new or evolving ethical moral norms adopted by society.	2. It is important to assist the fine and performing arts.
3. It is important to prevent ethical norms	3. It is important that managers and employees participate in voluntary and charitable activities within their local communities.
4. It is important that good corporate citizenship be defined as doing what is expected morally or ethically.	4. It is important to provide assistance to private and public educational institutions.
5. It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.	5. It is important to assist voluntarily those projects that enhance a community's "quality of life."

Source: Carroll, A. (1991) "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholder

The Balanced Scorecard and CSR Performance

The Balanced Scorecard (BSC)**,** developed by Kaplan and Norton (1992), is a strategic performance management framework that integrates financial and non-financial indicators to provide a more comprehensive assessment of organizational performance. It addresses the limitations of traditional financial measures by including dimensions that reflect operational efficiency, customer satisfaction, innovation, and long-term sustainability.

In the context of Corporate Social Responsibility (CSR), the BSC provides a useful model for linking social and environmental initiatives with measurable business outcomes. It demonstrates that CSR is not merely a moral or philanthropic activity but a strategic tool that can enhance firm competitiveness, stakeholder value, and sustainability (Husted & Allen, 2007).

The Balanced Scorecard operates through four major perspectives financial, customer, internal business process, and learning and growth each of which can be influenced by CSR practices.

a. Financial Perspective

The financial perspective evaluates the extent to which CSR contributes to profitability, cost reduction, and shareholder value. CSR initiatives can have significant financial benefits by improving brand reputation, reducing operational risks, and enhancing investor confidence. Companies with strong CSR reputations tend to attract loyal customers and enjoy premium pricing, which contributes to higher profitability (Bhattacharya & Sen, 2004).

Moreover, firms that adopt responsible environmental practices—such as energy efficiency, waste reduction, and pollution control—often experience long-term cost savings. Socially responsible investment (SRI) trends have also led investors to favor firms with strong CSR records, thereby improving access to capital. In Nigeria, manufacturing firms that actively engage in CSR activities such as community development and environmental protection are more likely to gain regulatory support and public trust, leading to better financial stability and growth.

b. Customer Perspective

The customer perspective assesses how CSR influences customer satisfaction, retention, and loyalty. Bhattacharya and Sen (2004) found that consumers are increasingly aware of and influenced by a company's social and environmental behavior. When firms demonstrate genuine commitment to ethical practices, product safety, and community welfare, customers tend to reward them through continued patronage and positive word-of-mouth.

CSR initiatives also strengthen a firm's relationship with its host communities. For example, Nigerian firms such as Nestlé and Unilever have implemented nutrition awareness programs and environmental education campaigns that promote social welfare and foster strong emotional connections with consumers. Through such activities, CSR becomes a driver of customer trust, brand differentiation, and long-term competitiveness.

c. Internal Business Process Perspective

The internal process perspective examines how CSR improves the efficiency, quality, and innovation of internal operations. Hoque and James (2000) noted that socially responsible firms tend to adopt better management systems, transparent processes, and sustainable technologies that enhance productivity. CSR-oriented firms are more likely to implement efficient waste management systems, ethical supply chains, and environmentally friendly production techniques.

In manufacturing firms, integrating CSR principles into internal processes such as sourcing raw materials responsibly, ensuring workplace safety, and adhering to environmental standards enhances both efficiency and compliance. This perspective also encourages innovation by prompting firms to develop new products and technologies that meet sustainability standards and societal needs.

d. Learning and Growth Perspective

The learning and growth perspective focuses on the role of CSR in promoting innovation, employee development, and organizational learning. Husted and Allen (2007) emphasized that CSR initiatives provide opportunities for employees to engage in meaningful work, acquire new skills, and align personal values with corporate goals. When employees perceive their organization as socially responsible, they tend to exhibit higher motivation, job satisfaction, and commitment.

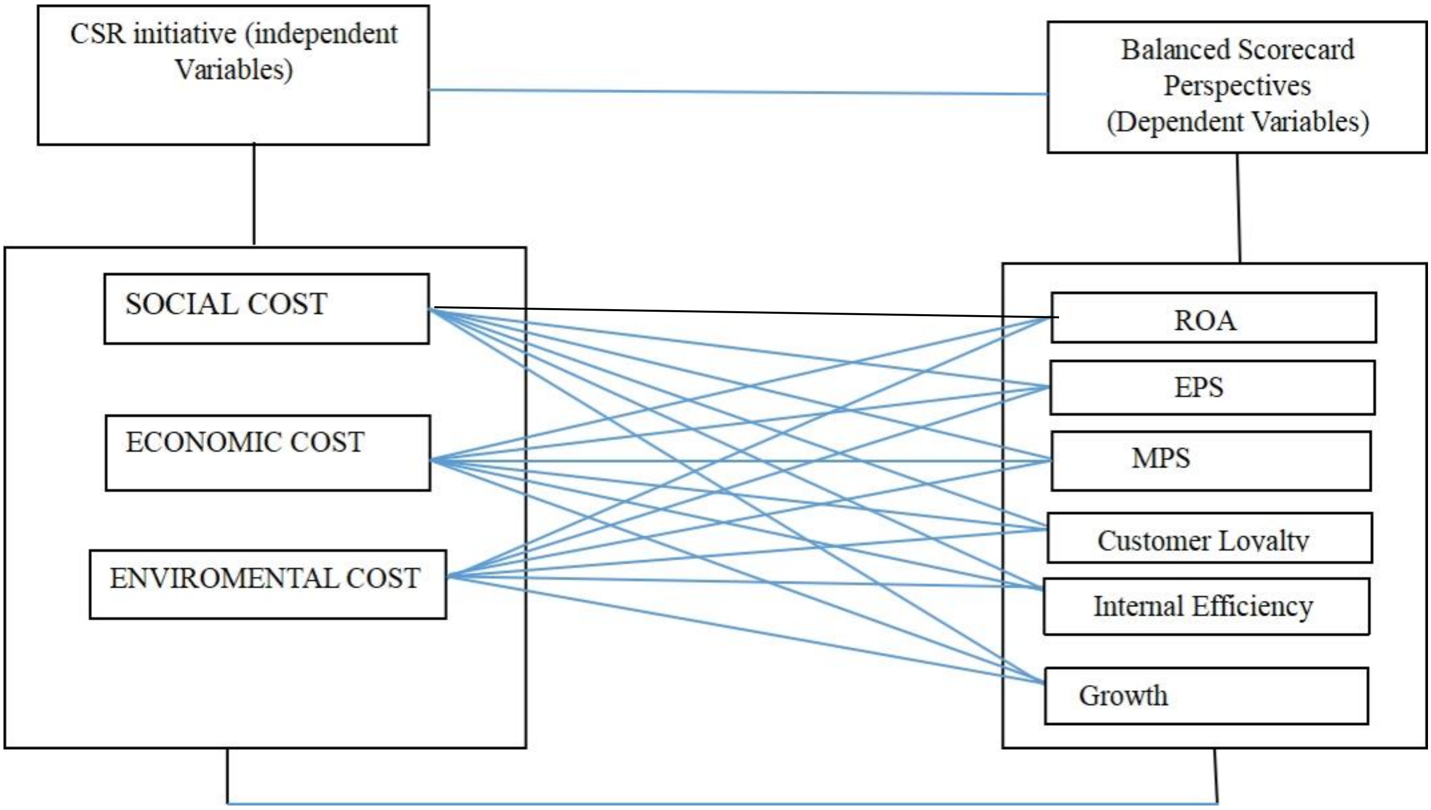
CSR also fosters a culture of continuous improvement and adaptability. By investing in employee training, knowledge sharing, and ethical leadership, firms can build internal capabilities that enhance long-term performance. For Nigerian manufacturing firms, such initiatives can help attract and retain talented employees, reduce turnover, and improve overall productivity.

Integrating CSR into the Balanced Scorecard Framework

Integrating CSR within the Balanced Scorecard approach allows organizations to align social responsibility with strategic objectives. This integration demonstrates that CSR is not only an ethical obligation but also a source of competitive advantage **and** sustainable growth**.**

Through this approach, CSR performance indicators can be incorporated into each perspective of the BSC for example, tracking employee welfare under the learning and growth perspective, monitoring community relations under the customer perspective, and measuring cost efficiency through environmental management under the financial perspective. This alignment ensures that CSR outcomes are quantifiable and strategically relevant.

For manufacturing firms in Nigeria, adopting the Balanced Scorecard framework provides a structured means to measure the tangible and intangible impacts of CSR on organizational performance. It enhances accountability, supports strategic planning, and promotes a holistic understanding of corporate success that balances profit with social value.



Source: Operationalized framework of corporate socaila responsibility and balance scorecard of manaufacturing firms in Nigeria.

Theoretical Framework

Stakeholder Theory (Freeman, 1984)

The Stakeholder Theory emerged as a counterargument to Milton Friedman's (1970) "shareholder value" perspective, which asserted that a firm's only responsibility is to maximize profits for its owners. R. Edward Freeman (1984), in his landmark book *Strategic Management: A Stakeholder Approach*, redefined the purpose of business, arguing that organizations exist to create value for a broad spectrum of stakeholders, not just shareholders.

Freeman (1984) defined stakeholders as *"any group or individual who can affect or is affected by the achievement of an organization's objectives."* This definition expanded the managerial focus from shareholders to a network of relationships involving employees, customers, suppliers, governments, communities, and the environment.

The theory is grounded on three core propositions (Donaldson & Preston, 1995):

- Descriptive aspect: explains how corporations actually operate within complex networks of stakeholder relationships.
- Instrumental aspect: demonstrates that effective stakeholder management leads to improved financial and non-financial performance.
- Normative aspect: provides an ethical rationale for balancing stakeholder interests based on fairness and accountability.

Major Principles and Implications

According to Freeman, Harrison, Wicks, Parmar, and De Colle (2010), stakeholder theory emphasizes *mutual value creation*, cooperation, and long-term sustainability. Firms should not treat CSR as a cost or obligation but as an investment in social capital that yields reputational, strategic, and financial benefits.

Stakeholder engagement improves customer loyalty (a BSC customer perspective), employee productivity and innovation (internal process and growth perspectives), and ultimately financial performance. Jones (1995) empirically demonstrated that firms practicing stakeholder-oriented management experience superior trust-based exchanges that enhance competitive advantage.

In the context of Nigerian manufacturing firms, Stakeholder Theory provides a strong justification for CSR adoption. Manufacturing operations often affect multiple stakeholders including host communities, regulators, and the environment. By engaging in CSR initiatives such as community development, pollution control, and employee welfare, firms strengthen stakeholder trust and reduce conflict (Amaeshi et al., 2006; Ojo, 2020).

This trust translates into tangible outcomes like improved customer satisfaction, operational efficiency, and innovation, aligning with the four Balanced Scorecard perspectives. Thus, the theory explains *why* CSR initiatives influence not only financial metrics (e.g., Return on Assets) but also non-financial measures such as internal efficiency and growth.

Critics like Jensen (2001) and Sundaram & Inkpen (2004) argue that stakeholder theory lacks specificity in resolving conflicts between stakeholder interests and may dilute corporate objectives. Nonetheless, Phillips (2003) defended it as a pragmatic and ethical foundation for sustainable management in complex environments.

Legitimacy Theory (Suchman, 1995)

Legitimacy Theory originates from Institutional Theory (Meyer & Rowan, 1977) and asserts that organizations must conform to the norms, values, and expectations of their societies to survive. Suchman (1995) defines legitimacy as *"a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."*

The theory is grounded on the "social contract" notion (Shocker & Sethi, 1973), which states that businesses operate with the implicit approval of society. When firms violate societal norms through pollution, corruption, or exploitation they risk losing legitimacy, which may endanger their survival.

Dowling and Pfeffer (1975) explained that organizations use disclosure strategies, community engagement, and CSR programs to demonstrate their alignment with societal expectations and maintain legitimacy.

Forms of Legitimacy

According to Suchman (1995), legitimacy can take three forms:

- Pragmatic legitimacy: based on the self-interest of stakeholders who support the firm as long as it delivers benefits.
- Moral legitimacy: grounded in ethical and socially acceptable conduct, such as environmental responsibility.
- Cognitive legitimacy: arises when organizational practices become taken for granted as part of the social fabric.

These dimensions illustrate how firms deploy CSR initiatives environmental cleanups, community investments, and public reporting to build, maintain, or restore legitimacy.

In the Nigerian context, where manufacturing activities often result in environmental pollution, deforestation, and community displacement, firms implement CSR to repair social damage and sustain their license to operate (Eweje, 2006). CSR therefore becomes a tool for legitimacy management rather than mere altruism (Deegan, 2002).

Legitimacy Theory directly aligns with this study because it interprets social, economic, and environmental costs as investments made to sustain legitimacy in the eyes of society. When firms voluntarily disclose CSR expenditures and demonstrate responsiveness to stakeholder concerns, they strengthen their public image and reduce regulatory pressure (Nnamani et al., 2017).

This improved legitimacy enhances customer loyalty, investor confidence, and overall firm performance dimensions captured by the Balanced Scorecard framework.

Empirical and Theoretical Support

Empirical evidence supports the legitimacy-performance link. Patten (1992) found that firms increase CSR disclosure following negative environmental publicity. Cormier and Gordon (2001) also reported that environmental disclosures significantly influence firm reputation. Uwuigbe et al. (2020) found that Nigerian firms engaging in environmental and social responsibility enjoy improved market valuation and stakeholder confidence.

Legitimacy theory is often criticized for being reactive, suggesting that firms adopt CSR mainly to repair image rather than as part of genuine ethical practice (Gray, Kouhy, & Lavers, 1995). It also lacks predictive precision because legitimacy expectations vary across societies and time. However, scholars such as Deegan (2002) and Suchman (1995) defend its importance, noting that legitimacy remains essential for long-term organizational survival, especially in sectors like manufacturing that heavily impact society and the environment.

Balanced Scorecard Theory (Kaplan & Norton, 1992)

The Balanced Scorecard (BSC) Theory, proposed by Kaplan and Norton (1992), emerged from the field of strategic management and performance measurement. Traditional accounting systems were criticized for focusing excessively on short-term financial outcomes while neglecting intangible assets that drive future performance (Eccles, 1991).

Kaplan and Norton introduced the BSC as a strategic performance management framework that integrates financial and non-financial indicators. The theory posits that financial results alone cannot explain how firms create long-term value; therefore, performance must be assessed from four interrelated perspectives:

- **Financial perspective:** evaluates profitability and shareholder value through indicators such as Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS).
- **Customer perspective:** assesses customer satisfaction, loyalty, and retention as drivers of future revenue.
- **Internal business process perspective:** measures efficiency, innovation, and quality in operational processes.
- **Learning and growth perspective:** focuses on organizational capability, employee development, and innovation capacity (Kaplan & Norton, 1996).

Core Assumptions

The theory assumes that non-financial measures are leading indicators that drive financial outcomes, while financial measures are lagging indicators reflecting past performance. Effective organizations must balance these perspectives to achieve sustainable success.

Hoque and James (2000) and Figge et al. (2002) extended the model to sustainability contexts, showing that integrating CSR metrics into the BSC framework allows firms to assess the environmental and social dimensions of performance alongside traditional financial measures.

Relevance to CSR and This Study

For this study, the Balanced Scorecard theory provides the analytical lens for assessing how CSR initiatives influence overall firm performance. It conceptualizes CSR not merely as a cost but as a strategic investment that drives improvements across multiple dimensions:

- **Financial performance:** CSR enhances brand value and profitability.
- **Customer perspective:** socially responsible firms attract and retain customers.
- **Internal efficiency:** ethical and responsible operations increase productivity.
- **Growth perspective:** CSR fosters innovation and learning through stakeholder collaboration.

Hence, by examining social, economic, and environmental costs within this multidimensional structure, the study presents a holistic model of corporate governance that aligns with the modern emphasis on sustainable value creation.

Bieker (2002) and Hubbard (2009) empirically confirmed that firms integrating CSR into the Balanced Scorecard achieve superior sustainability outcomes. Hoque (2014) also demonstrated that incorporating environmental and social indicators enhances decision-making effectiveness. In Nigeria, Okafor (2018) and Uwuigbe et al. (2020) found that firms using both financial and non-financial measures perform better than those relying solely on financial metrics.

Critics such as Otley (1999) argue that the BSC can be too rigid and that causal linkages among the four perspectives are difficult to validate empirically. Others, like Norreklit (2003), note that its implementation depends heavily on managerial interpretation. However, despite these limitations, the BSC remains a powerful theoretical and managerial tool for integrating CSR into strategic performance management.

Theoretical Integration

The three theories complement one another to form the conceptual backbone of this research:

- **Stakeholder Theory** explains *why* firms undertake CSR to meet the expectations and needs of multiple stakeholder groups.
- **Legitimacy Theory** explains *how* CSR helps firms maintain social acceptance, avoid reputational risks, and justify their existence within society.
- **Balanced Scorecard Theory** explains *how to measure* the impacts of CSR initiatives holistically, using financial and non-financial indicators.

In synthesis, CSR initiatives (social, economic, and environmental costs) represent both strategic and legitimacy-enhancing investments that contribute to sustainable performance across Balanced Scorecard perspectives. The integration of these theories provides a robust foundation for evaluating the multidimensional effects of CSR on firm performance in Nigeria’s manufacturing sector.

Empirical Review

Many empirical studies have been conducted on corporate social responsibility (CSR) and organizational performance across different economic contexts. However, the results remain mixed, particularly regarding how CSR initiatives influence Balanced Scorecard (BSC) performance indicators such as financial performance, customer satisfaction, internal business processes, and learning and growth. Recent studies relating to Nigerian manufacturing firms and similar environments are reviewed below.

Olawale, Emmanuel, Olatunji and Ogundipe (2025) A study on the impact of CSR disclosure on the financial performance of industrial goods firms listed on the Nigerian Exchange was carried out by these scholars. The study adopted a panel data methodology, using fixed-effects regression on a ten-year dataset (2014–2023). Their findings revealed that CSR disclosure significantly enhances both Tobin’s Q and Return on Assets, demonstrating that CSR is considered by investors as an intangible asset capable of increasing firm value.

Adegbite and Nwankwo (2025) analyzed the influence of corporate social responsibility initiatives on the Balanced Scorecard performance indicators of manufacturing companies listed on the Nigerian Exchange Group. The study assessed how CSR components environmental sustainability, employee welfare programmes, ethical responsibility and community development affect the financial, customer, internal business process, and learning and growth perspectives of the Balanced Scorecard. The researchers collected secondary panel data from the published annual reports of 22 listed manufacturing firms over a period of six years from 2019 to 2024. A final panel of 132 firm-year observations was obtained and processed using the fixed and random effects model estimation techniques with EViews 12 after conducting classical assumption tests. The results revealed that employee welfare initiatives and ethical responsibility significantly influence internal process efficiency and employee productivity, while community-related CSR had a strong positive effect on customer satisfaction and corporate image. The study also found that environmental CSR exerts a positive but statistically weaker effect on the financial performance perspective of the BSC. Furthermore, firm leverage was shown to moderate the relationship between CSR and financial performance, but it did not moderate the relationship between CSR and customer satisfaction. The researchers noted that limited CSR disclosure among smaller firms constrained the robustness of the findings and recommended improved reporting transparency.

Olabisi and Hassan (2025) examined the direct relationship between CSR environmental initiatives and the financial and internal business process perspectives of the Balanced Scorecard among multinational and indigenous manufacturing companies in Nigeria. The population consisted of 41 manufacturing firms, out of which 18 were purposively selected based on consistent CSR reporting between 2018 and 2023. The study utilized a descriptive quantitative design and employed panel regression analysis with multiple regression models to assess the differential effects of CSR indicators. The results revealed that environmental sustainability initiatives, including waste management practices and emission control investments, have a significant positive effect on internal process performance but exhibit only a marginal effect on financial performance due to the long-term nature of environmental returns. The study further demonstrated that customer-focused CSR initiatives significantly improve the customer perspective of the BSC by enhancing consumer trust and brand reputation. However, employee development initiatives showed no significant influence on the financial perspective despite improving the learning and growth dimension. The limitations of the study were associated with inconsistent CSR disclosure formats across firms, which posed challenges to data harmonization.

Asangusung (2025) Your study examined the effect of CSR funding on agricultural development in Akwa Ibom State. Using survey research design and quantitative analysis, you found that CSR funding significantly improves agricultural output, community livelihood, and infrastructural development. Your findings further showed that CSR contributes to community empowerment and long-term socio-economic growth, supporting both stakeholder theory and the Balanced Scorecard's community perspective.

Nathan (2025) Nathan conducted research on CSR and financial performance among listed agricultural manufacturing companies in Nigeria. The study applied regression analysis on secondary financial data from 2013 to 2023. The findings show that CSR activities such as employee welfare and community development significantly enhance Return on Assets, Return on Equity, and Profit After Tax.

Chukwuemeka and Lawal (2024) investigated the effect of CSR practices on the customer and internal business process perspectives of the Balanced Scorecard using manufacturing firms in the Nigerian consumer goods sector. The study employed panel data obtained from 12 firms over the period 2017–2023 and utilized the generalized least squares model to address issues of heteroscedasticity. The results showed that CSR activities related to product quality enhancement and customer safety significantly improve customer satisfaction and loyalty. Additionally, CSR investments in supply chain development and operational efficiency positively influence the internal business process perspective. However, philanthropic CSR activities such as donations and sponsorships exhibited an insignificant effect on both customer and internal process performance. The study was limited by the absence of standardized BSC metrics across the firms, causing some inconsistencies in the measurement of internal process performance.

Bariweni (2024) The researcher assessed CSR and financial performance in the Nigerian oil and gas sector using ex post facto design and panel least squares regression. Findings showed that environmental compliance CSR positively affects Return on Equity, while employee training has a negative effect on Return on Assets. Community development spending did not significantly influence financial outcomes.

Okeke and Peters (2024) analyzed the effect of corporate social responsibility disclosure on Balanced Scorecard performance indicators of firms quoted in the industrial goods subsector of the Nigerian Exchange. A total of 25 firms constituted the population, while 10 firms were selected using purposive sampling. Data were collected for the period 2016–2022 and analyzed using structural equation modelling to determine the direct and indirect effects of CSR on BSC perspectives. The study found that CSR disclosure significantly influences the customer, financial, and learning and growth perspectives of the Balanced Scorecard. However, its influence on the internal business process perspective was weak and insignificant. The results further indicated that firm reputation mediates the relationship between CSR and customer performance. The study's limitation was the lack of publicly available detailed BSC performance indicators, which led to the use of proxie.

Umar and Ezenwa (2024) investigated CSR initiatives and the Balanced Scorecard performance of cement manufacturing companies in Nigeria. The population of the study consisted of 14 cement and building material firms, out of which 7 were sampled based on availability of CSR expenditure data. The researchers analyzed secondary data covering the period 2015–2022 and applied multiple regression models complemented by correlation analysis. The findings revealed that environmental CSR initiatives such as pollution control have significant positive effects on internal process efficiency, while employee welfare CSR significantly enhances learning and growth performance. CSR directed toward education and community development had a positive but insignificant effect on financial performance. The study was limited by the concentration of CSR spending in a few thematic areas, making it difficult to assess the effect of less common CSR initiatives.

Ojo and Adebayo (2023) analyzed the relationship between corporate social responsibility initiatives and the customer perspective of the Balanced Scorecard in the Nigerian food and beverages manufacturing sector. The study focused on how CSR activities such as customer safety programmes, quality assurance initiatives and community outreach influence customer satisfaction, trust and loyalty. The population consisted of 27 manufacturing firms, and 11 firms were selected based on consistent publication of CSR and customer-related metrics from 2017 to 2022. The study adopted descriptive quantitative methods and employed Multiple Regression Analysis after carrying out the necessary classical assumption tests. The findings showed that CSR initiatives related to product safety and quality exert a significant positive effect on customer satisfaction, while philanthropic CSR such as donations and sponsorships exhibit only a marginal effect. The results further revealed that firm size moderated the relationship between CSR and the customer perspective of the BSC, but ownership structure did not. The study's limitation was the absence of standardized customer satisfaction measurement tools across firms.

Ibrahim and Salami (2023) investigated the effect of CSR employee-related initiatives on the learning and growth perspective of the Balanced Scorecard among Nigerian manufacturing firms. The research examined CSR components such as employee training programmes, safety measures, welfare investments and skill development projects. The study population comprised 30 large-scale manufacturing firms, from which 12 firms were purposively selected based on the availability of employee-centered CSR data covering the period 2016–2022. A descriptive quantitative approach was used and the data were analyzed using panel regression after conducting multicollinearity and autocorrelation tests. The findings indicated that CSR investments in employee training and workplace safety significantly enhance the learning and growth perspective of the BSC by improving employee competence and reducing workplace accidents. However, CSR programmes aimed at welfare and incentives had a positive but statistically insignificant effect. The study was limited by the reliance on secondary data extracted from annual reports, which often provided insufficient details of internal employee programmes.

Nwankwo and George (2023) examined the direct relationship between CSR environmental sustainability initiatives and the internal business process dimension of the Balanced Scorecard in the Nigerian building materials manufacturing industry. The population consisted of 19 firms, and 8 firms were selected based on the availability of environmental CSR expenditure reports from 2015 to 2021. The study employed panel data analysis using fixed effects and random effects models after performing the Hausman test. The results indicated that CSR environmental initiatives such as waste recycling, pollution control and energy efficiency investments significantly reduce production disruptions and improve internal process efficiency. However, the study found that CSR activities targeted at community development did not significantly affect internal processes. The analysis also showed that firm age moderates the relationship between environmental CSR and internal process performance, with older firms showing stronger effects. A major limitation of the study was the poor quality of CSR environmental reporting among smaller firms.

Oluwole and Eze (2022) analyzed the influence of CSR disclosure on Balanced Scorecard financial performance indicators among companies in the Nigerian industrial goods sector. The study reviewed CSR disclosure across social, economic and environmental dimensions and compared them to BSC financial measures such as revenue growth, cost efficiency and return on assets. The population was 33 listed industrial firms, and 15 were sampled due to consistent CSR disclosure between 2014 and 2021. The researchers employed descriptive statistical analysis combined with multiple regression. The findings revealed that CSR environmental disclosure significantly enhances long-term financial performance, while economic CSR disclosure has an immediate positive effect on revenue growth. Social CSR disclosure showed no significant effect on financial performance. The study was limited by the absence of a standardized CSR reporting framework in Nigeria, which made comparison across firms difficult.

Aremu and Obi (2022) investigated the effect of CSR customer-related initiatives on the customer and financial perspectives of the Balanced Scorecard among manufacturing firms listed on the Nigerian Exchange. Data were collected from 10 firms over the period 2016–2020 and analyzed using structural equation modelling to determine both the direct and indirect effects of CSR. The results showed that CSR activities targeting customer education, product improvement and complaint-handling systems significantly improve customer satisfaction and retention. The analysis further revealed that improved customer satisfaction acts as a mediating variable in the relationship between CSR and financial performance. However, CSR philanthropic activities such as donations exhibited insignificant influence on both customer and financial perspectives. The study was limited by the use of proxy measures for customer satisfaction due to unavailability of standardized firm-level data.

Ede and Musa (2022) examined the influence of CSR human capital development initiatives on the learning and growth perspective of the Balanced Scorecard in Nigerian pharmaceutical manufacturing companies. The population consisted of 17 firms, and 7 were selected based on the presence of detailed human-capital-related CSR data from 2015 to 2021. The researchers used descriptive quantitative research and adopted Multiple Regression Analysis to assess the relationship between CSR and BSC performance. The findings revealed that CSR initiatives focusing on employee development and occupational health significantly enhance employee innovation, knowledge acquisition and overall learning and growth outcomes. However, CSR activities directed toward community health did not significantly influence the learning and growth perspective. The study was limited by the reliance on secondary data that may not fully reflect internal human resource practices.

Adebisi and Lawal (2022) The researchers evaluated CSR expenditure and market share growth among cement manufacturing firms in Nigeria using secondary financial data and panel regression. Findings indicate that CSR investments in community infrastructure and environmental safety significantly increase market share and customer acceptance.

Odunsi and Falana (2022) The authors examined CSR and customer perception in Nigerian manufacturing industries using cross-sectional survey design. Findings indicated that CSR activities significantly influence customer trust, loyalty, and purchase intentions; customers are more likely to support firms that actively engage in CSR.

Adetunji and Ugochukwu (2021) analyzed the impact of CSR sustainability practices on the internal business process perspective of the Balanced Scorecard using data obtained from the Nigerian textile manufacturing industry. The population included 26 textile firms, and 9 firms were sampled based on consistent environmental CSR reporting between 2014 and 2020. The researchers employed a descriptive research design with panel regression estimation. The results demonstrated that CSR sustainability activities such as energy conservation, pollution control and the adoption of environmentally friendly production techniques significantly enhance operational efficiency and reduce machine downtime. However, CSR activities involving philanthropic contributions were found to have no meaningful effect on internal processes. The study was limited by inconsistencies in CSR expenditure categorization across firms.

Mohammed and John (2021) investigated the relationship between CSR environmental initiatives and the financial perspective of the Balanced Scorecard in Nigerian cement manufacturing firms. The population consisted of 11 firms, out of which 6 were selected based on the availability of panel data spanning 2013–2019. Using fixed effects regression, the researchers found that environmental CSR initiatives significantly improve financial performance in the long run by reducing regulatory penalties and enhancing operational stability. However, short-term effects were found to be statistically insignificant. The study's limitation was the small sample size, which limited the generalizability of findings.

Nnaji and Okorie (2021) analyzed CSR social and ethical responsibility initiatives and their influence on the customer and learning perspectives of the Balanced Scorecard among Nigerian beverage manufacturing companies. The population of the study comprised 23 firms, and 10 were sampled based on CSR reporting consistency from 2015 to 2020. The study adopted a descriptive quantitative method and applied structural equation modelling for data analysis. The findings showed that CSR ethical responsibility initiatives strongly improve customer trust, complaint resolution efficiency and product confidence. CSR social programmes such as community support and humanitarian donations had a moderate but insignificant effect on customer retention. The study was limited by inadequate disclosure of CSR ethical practices across firms.

Uwaleke and Obi (2021) A study on CSR and operational risk reduction in food and beverage companies was conducted using secondary data analysis with regression techniques. Findings showed that environmental CSR, especially waste management initiatives, significantly reduces operational risks and improves internal processes.

Osagie and Salihu (2020) examined the effect of CSR community initiatives on the financial and internal business process perspectives of the Balanced Scorecard among quoted manufacturing firms in Nigeria. The population consisted of 37 firms, from which 14 were selected based on availability of CSR and BSC-related data between 2013 and 2019. Using panel regression analysis, the results indicated that CSR community initiatives have a weak but positive effect on financial performance, while CSR investments in infrastructure and local development projects significantly improve internal process performance. The study further revealed that firm profitability moderates the relationship between CSR and financial performance. The major limitation was the variation in CSR reporting style among the firms, which affected data uniformity.

Huang, Li and Wang (2020) The researchers conducted a meta-analysis of 437 empirical studies on CSR and financial performance. Their findings confirmed that the relationship between CSR and firm performance is generally positive but influenced by factors such as firm size, CSR disclosure quality, and economic conditions. They recommended more industry-specific studies to understand variations in CSR outcomes.

Zhu and Zhang (2020) A study conducted in the Asia-Pacific region investigated how CSR influences supply chain performance using survey research and regression modeling. Findings showed that CSR improves supply chain reliability, strengthens supplier relationships, and enhances operational efficiency, which aligns with the internal process perspective of the Balanced Scorecard.

Dabor (2019) The scholar investigated the relationship between CSR and the performance of Nigerian banks using panel least squares regression analysis. Findings reveal that Return on Investment has a positive influence on CSR activities, whereas Return on Capital Employed showed no significant effect. The study highlights mixed CSR performance outcomes in the banking sector.

Nseobot and Bassey (2019) These scholars examined CSR and employee commitment in Nigerian manufacturing firms using survey methodology. The study found that CSR in employee welfare, training, and safety significantly enhances employee loyalty, motivation, and organizational citizenship behavior.

Agburuga (2018) This study examined the relationship between financial performance and CSR disclosure among listed firms in Nigeria. Using content analysis and logit regression, the study revealed that Return on Assets and Return on Capital Employed are positively associated with employee-related CSR, while community development CSR showed weaker relationships.

Adeyemi and Ashaolu (2018) The authors studied CSR spending and performance of listed breweries in Nigeria using secondary data and panel regression. Findings showed that community development and staff welfare CSR activities significantly improve profitability, while environmental CSR showed a delayed positive impact.

Maqbool and Zameer (2018) The study examined the impact of CSR on financial performance among manufacturing firms in India using panel data regression. The researchers collected secondary financial data from listed companies over multiple years. Findings indicated a significant positive relationship between CSR initiatives and financial performance indicators such as ROA and ROE, which aligns with global evidence that socially responsible firms enjoy better market outcomes.

Okoye, Odum and Odum (2017) This study assessed the effect of the Balanced Scorecard (BSC) on the value of quoted manufacturing companies in Nigeria. Using secondary data from annual reports and multiple regression analysis, the researchers found that the BSC perspectives financial, customer, internal processes, and learning and growth have significant effects on firm value. They recommended the adoption of the BSC to improve performance outcomes.

Onyeka and Nnenna (2016) The authors examined the impact of CSR reporting on the profitability of Nigerian manufacturing firms for a period of ten years (2004–2013). The study used secondary financial data and employed regression analysis. Their findings indicate that CSR initiatives significantly enhance net profit, demonstrating that social responsibility boosts corporate financial performance.

Ogunyomi and Bruning (2016) The researchers assessed CSR and competitive advantage among Nigerian SMEs using survey design and structural equation modeling. Their findings revealed that CSR activities in product quality, customer relations, and philanthropy positively contribute to competitive advantage and business sustainability.

Wang, Dou and Jia (2016) These scholars conducted a comprehensive meta-analysis on the relationship between corporate social responsibility and financial performance across various countries. They used meta-analytic statistical techniques to analyze hundreds of empirical studies. Their findings showed that CSR has an overall positive effect on financial performance but is influenced by contextual factors such as industry type, region, and measurement methods. This suggests that CSR outcomes vary depending on firm-specific and environmental conditions.

Osisioma, Nzewi and Paul (2015) These scholars investigated the relationship between CSR costs and profitability of selected Nigerian firms using exploratory research design and time series data. The findings showed a significant positive relationship between social responsibility expenditure and profitability, thereby concluding that CSR is vital for organizational performance.

Ezejiofor, Emmanuel and Ezenyili (2014) These researchers explored CSR and financial performance of Nigerian manufacturing companies using survey design and correlation analysis. Findings revealed a strong positive relationship between CSR practices and profitability, especially in employee welfare and community support programs.

Servaes and Tamayo (2013) These authors investigated how customer awareness moderates the relationship between CSR and firm value. Using panel data analysis and customer awareness metrics, their findings revealed that CSR significantly enhances firm value when customer awareness is high. However, when customer awareness is low, CSR has little or no effect on firm value. This highlights the importance of strategic communication of CSR activities.

Olowokudejo and Aduloju (2011) These scholars examined the relationship between CSR and organizational effectiveness of insurance companies in Nigeria using questionnaire-based survey research and regression analysis. They found that CSR engagement significantly improves organizational effectiveness, concluding that socially responsible insurance firms perform better in profitability and customer satisfaction.

Akindele (2011) Akindele investigated CSR as a tool for organizational survival among four major banks in Osogbo, Osun State. The study used primary data through questionnaires and analyzed responses with frequency distribution. Findings revealed that 90% of respondents confirmed strong CSR engagement among the banks, which enhanced their operational stability and corporate image.

Anyafulu (2010) Using survey data, the researcher investigated the impact of social responsibility on organizational performance. Findings revealed that different areas of CSR contribute differently to the public image of organizations and that community-related CSR initiatives significantly enhance company reputation and stakeholder trust.

Gap Identification

Most prior studies in Nigeria have focused mainly on the relationship between CSR and financial performance indicators such as Return on Assets (ROA) and Return on Equity (ROE). However, financial metrics alone do not capture the broader impact of CSR on areas such as customer satisfaction, innovation, and employee growth.

This study therefore bridges this gap by applying the Balanced Scorecard framework to evaluate how CSR costs social, economic, and environmental affect overall firm performance. The approach provides a more holistic assessment of CSR outcomes and contributes to a deeper understanding of sustainable business practices in the Nigerian manufacturing sector.

Methodology

Research Design

The research design constitutes the framework or blueprint for conducting a study and outlines how data are collected, analyzed, and interpreted in order to answer the research questions. This study adopts an **ex post facto research design**, which is appropriate for analyzing historical data where the variables have already occurred and cannot be manipulated by the researcher. The ex post facto design is particularly suitable because the study relies on **secondary data** obtained from audited financial statements and corporate sustainability reports of manufacturing firms listed on the Nigerian Exchange Group (NGX) over the period **2015–2024**.

This design allows the researcher to examine the cause-and-effect relationship between **Corporate Social Responsibility (CSR) initiatives** (independent variables) and the **Balanced Scorecard (BSC) performance dimensions** (dependent variables) without any experimental interference. The use of this design enhances the credibility, validity, and reliability of the study's findings because the data are derived from verifiable, public sources rather than subjective responses. Furthermore, it allows the researcher to make informed inferences about patterns and trends of CSR activities and corporate performance in Nigeria's manufacturing industry over time.

3.2 Population of the Study

The population of the study comprises all manufacturing firms listed on the Nigerian Exchange Group (NGX) as of 2024. These firms are classified under the NGX's manufacturing subsectors, including industrial goods, consumer goods, healthcare, conglomerates, and agriculture.

The population is appropriate because listed manufacturing firms are mandated by regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC) to publish their annual financial statements in accordance with International Financial Reporting Standards (IFRS). They also disclose CSR-related activities, especially under the Nigerian Code of Corporate Governance (2018)**,** which encourages firms to demonstrate social accountability and sustainability.

Thus, this population provides a reliable base for analysing CSR performance relationships over the specified period.

3.3 Sampling and Sampling Technique

The study adopts a purposive sampling technique, which allows the researcher to select firms that meet specific inclusion criteria. The criteria used are:

- The firm must be listed on the NGX between 2015 and 2024.
- The firm must have published complete annual reports and CSR disclosures within this period.
- The firm must operate in the manufacturing sector.
- The firm must have consistent data for at least seven years during the study period.

Using these criteria, a sample of ten (10) manufacturing firms will be selected, representing at least two firms from each major subsector. The sample size ensures manageability of data and adequate representation across the manufacturing spectrum. This approach is consistent with prior Nigerian studies on CSR and corporate performance (e.g., Uwuigbe et al., 2021; Okafor & Adeniran, 2022).

Nature and Sources of Data

The study uses secondary data exclusively, as primary data such as interviews or surveys are not necessary for the objectives of this work. The secondary data are drawn from the following sources:

- **Annual Reports and Financial Statements (2015–2024):** These provide audited figures for CSR expenditure, firm size, leverage, profitability, and other financial indicators.
- **Corporate Sustainability or CSR Reports:** Many manufacturing firms now publish standalone sustainability reports detailing their social, economic, and environmental initiatives.
- **Nigerian Exchange Group (NGX) Factbook:** Used to confirm firm listings, sector classifications, and market capitalisation.
- **Central Bank of Nigeria (CBN) Statistical Bulletin:** For macroeconomic indicators relevant as control variables.
- **National Bureau of Statistics (NBS):** For cross-checking sector performance data and industry trends.

The use of publicly available audited sources enhances objectivity and eliminates researcher bias in data generation.

Method of Data Analysis

Data were collected through documentary review of the published annual reports of the selected firms. A data extraction template was designed to obtain:

- CSR social cost (e.g., community development, donations, scholarships).
- CSR economic cost (e.g., governance, ethical training, compliance cost).
- CSR environmental cost (e.g., waste management, pollution control).
- Financial performance indicators (ROA, EPS, MPS).
- Customer perspective indicators (customer loyalty index or proxy variables).
- Internal process efficiency measures (operational efficiency ratios).
- Growth/learning and development indicators (employee development or growth index).
- All figures were recorded in consistent formats (₦ million) to ensure comparability across firms.

Data Analysis Technique

This study employs panel data analysis, which combines cross-sectional data (observations across different firms) and time-series data (observations over several years). Panel data analysis is considered appropriate because it controls for individual heterogeneity, increases the degree of freedom, and improves the efficiency of econometric estimates (Baltagi, 2005; Gujarati & Porter, 2009).

The statistical analysis is carried out using EViews, STATA, or SPSS software, depending on availability, to ensure accuracy, reliability, and robustness of results.

Descriptive Statistics

Descriptive statistics are used to summarize and describe the basic characteristics of the data. Measures such as mean, median, standard deviation, minimum, and maximum values provide information on central tendency and dispersion of the variables and help in understanding the distributional properties of CSR components and corporate performance indicators (Gujarati & Porter, 2009).

Correlation Analysis

Correlation analysis is employed to determine the strength and direction of association between CSR components and corporate performance indicators. This analysis provides preliminary insights into the relationships among variables and helps in identifying possible multicollinearity problems before regression estimation (Field, 2013).

Panel Regression Analysis

Panel regression analysis is used to examine the effect of CSR strategies on corporate performance while accounting for unobserved firm-specific effects (Baltagi, 2005).

Panel regression is preferred because it captures variations within each firm over time, controls for unobservable heterogeneity, and enhances the reliability of parameter estimates (Wooldridge, 2010).

Fixed Effects Model (FEM)

The Fixed Effects Model assumes that firm-specific characteristics are correlated with the explanatory variables and therefore controls for these unobserved effects by allowing each firm to have its own intercept (Gujarati & Porter, 2009).

Random Effects Model (REM)

The Random Effects Model assumes that individual firm effects are random and uncorrelated with the explanatory variables. This model is more efficient when its assumptions are satisfied (Baltagi, 2005).

Hausman Specification Test

The Hausman test is used to choose between the Fixed Effects and Random Effects models. The null hypothesis supports the Random Effects Model, while rejection of the null hypothesis implies that the Fixed Effects Model is more appropriate (Hausman, 1978).

Diagnostic Tests

Diagnostic tests are carried out to ensure that the regression estimates satisfy classical linear regression assumptions.

Multicollinearity Test

Multicollinearity occurs when independent variables are highly correlated. The Variance Inflation Factor (VIF) and tolerance values are used to detect this problem. A VIF value above 10 or tolerance value below 0.10 indicates serious multicollinearity (Gujarati & Porter, 2009).

Heteroscedasticity Test

Heteroscedasticity refers to a situation where the variance of the error terms is not constant. The presence of heteroscedasticity leads to inefficient estimates and biased standard errors. Robust standard errors are therefore applied where necessary (Wooldridge, 2010).

Serial Correlation Test

Serial correlation occurs when error terms are correlated over time. The Wooldridge test for autocorrelation in panel data is used to detect this problem (Wooldridge, 2010).

Cross-Sectional Dependence Test

Cross-sectional dependence occurs when residuals are correlated across cross-sectional units. The Pesaran (2004) Cross-Sectional Dependence (CD) test is employed to detect this problem. When cross-sectional dependence is present, panel corrected or robust standard error estimators are used.

Measurement of Variables

The study examines two major groups of variables: independent variables (CSR costs) and dependent variables (Balanced Scorecard performance indicators).

Independent Variables (CSR Components)

Variable	**Measurement**
Social Cost (SOC)	Total yearly expenditure on social/community development extracted from annual reports.
Economic Cost (ECOC)	Expenditure on ethical training, governance, compliance, and economic sustainability initiatives.
Environmental Cost (ENVC)	Expenditure on pollution control, waste management, environmental conservation.

All CSR costs measured in ₦ millions, or their natural logarithm (Log form) for statistical smoothing.

Dependent Variables (Balanced Scorecard Indicators)

Financial Perspective

ROA = Profit After Tax ÷ Total Assets

EPS = Net Profit ÷ Number of Outstanding Shares

MPS = Market value of outstanding shares

Customer Perspective

Customer Loyalty Index (or proxy: customer retention ratio, sales growth ratio)

Internal Business Process Perspective

Internal Efficiency Ratio = Output ÷ Operating Costs

Or proxy: inventory turnover, production efficiency metrics.

Growth (Learning & Development) Perspective

Growth Index = employee training expenditure ÷ total operating cost

Or proxy: staff productivity ratio, new product innovation count.

Control Variables

To improve the accuracy of regression models, the following control variables may be included:

Firm Size (FSZ) = log of total assets

Leverage (LEV) = total debt ÷ total assets

Firm Age (FAG) = years since incorporation

These controls help isolate the effect of CSR from other firm-level factors.

Operational Definition of Variables:

Variable Category	**Variable Name**	**Symbol**	**Operational Definition**	**Measurement / Formula**	**Type**
Independent Variables (CSR Components)	Social Cost	SOC	Expenditures incurred on social welfare programs including donations, community development, scholarships, employee welfare and health initiatives.	Total annual social CSR expenditure extracted from annual reports (₦ million or log value).	Quantitative
	Economic Cost	ECOC	Cost associated with ethical governance, regulatory compliance, anti-corruption programs, transparency initiatives, and economic empowerment activities.	Total annual economic CSR expenditure from audited financial statements.	Quantitative

Variable Category	Variable Name	Symbol	Operational Definition	Measurement / Formula	Type
	Environmental Cost	ENVC	Expenditure on environmental protection such as waste management, pollution control, recycling, remediation, green energy, and sustainability initiatives.	Total annual environmental CSR expenditure (₦ million or log value).	Quantitative
Dependent Variables (Balanced Scorecard Indicators)	Return on Assets	ROA	Measures profitability relative to total asset base of the firm.	ROA = Profit After Tax ÷ Total Assets	Quantitative
	Earnings Per Share	EPS	Measures the value of earnings attributable to each ordinary share.	EPS = Net Profit ÷ Number of Outstanding Shares	Quantitative
	Market Price per Share	MPS	Reflects investors' valuation of the firm's shares in the capital market.	Closing market price per share for each financial year.	Quantitative
	Customer Loyalty	CUS	Measures the firm's ability to retain and satisfy customers through CSR-driven goodwill.	Customer retention ratio or sales growth (proxy where customer index is unavailable).	Quantitative
	Internal Efficiency	INT	Represents internal business process performance influenced by CSR-related operational improvements.	Efficiency ratio: Output ÷ Operating Cost, or inventory/production efficiency proxy.	Quantitative
	Growth / Learning & Development	GRO	Measures capacity for growth, innovation, staff development, and learning culture.	Training expenditure ÷ Total operating cost, or productivity/innovation index proxy.	Quantitative
Control Variables	Firm Size	FSZ	Controls for effect of company size on performance and CSR disclosure.	Natural log of total assets	Quantitative
	Leverage	LEV	Controls for financial structure and debt burden of firms.	LEV = Total Debt ÷ Total Assets	Quantitative
	Firm Age	FAG	Controls for maturity and operational experience of each firm.	Number of years from incorporation to study year.	Quantitative

Model Specification

The study specifies six regression models in line with the six hypotheses and Balanced Scorecard perspectives.

General Model

BSCit=β0+β1SOCit+β2ECOCit+β3ENVCit+β4FSZit+β5LEVit+μitBSC_{it} = \beta_0 + \beta_1SOC_{it} + \beta_2ECOC_{it} + \beta_3ENVC_{it} + \beta_4FSZ_{it} + \beta_5LEV_{it} + \mu_{it}BSCit=β0+β1SOCit+β2ECOCit+β3ENVCit+β4FSZit+β5LEVit+μit

Where:

BSCitBSC_{it}BSCit = Balanced Scorecard outcome for firm *i* in year *t*

SOCitSOC_{it}SOCit = Social cost

ECOCitECOC_{it}ECOCit = Economic cost

ENVCitENVC_{it}ENVCit = Environmental cost

FSZitFSZ_{it}FSZit = Firm size

LEVitLEV_{it}LEVit = Leverage

μit\mu_{it}μit = Error term

Model 1: Effect on Return on Assets (ROA)

ROAit=β0+β1SOCit+β2ECOCit+β3ENVCit+β4FSZit+β5LEVit+ϵitROA_{it} = \beta_0 + \beta_1SOC_{it} + \beta_2ECOC_{it} + \beta_3ENVC_{it} + \beta_4FSZ_{it} + \beta_5LEV_{it} + \epsilon_{it}ROAit=β0+β1SOCit+β2ECOCit+β3ENVCit+β4FSZit+β5LEVit+ϵit

Model 2: Effect on Earnings Per Share (EPS)

EPSit=β0+β1SOCit+β2ECOCit+β3ENVCit+β4FSZit+β5LEVit+ϵit EPS_{it} = \beta_0 + \beta_1SOC_{it} + \beta_2ECOC_{it} + \beta_3ENVC_{it} + \beta_4FSZ_{it} + \beta_5LEV_{it} + \epsilon_{it}EPSit=β0+β1SOCit+β2ECOCit+β3ENVCit+β4FSZit +β5LEVit+ϵit

Model 3: Effect on Market Price Per Share (MPS)

MPSit=β0+β1SOCit+β2ECOCit+β3ENVCit+ϵitMPS_{it} = \beta_0 + \beta_1SOC_{it} + \beta_2ECOC_{it} + \beta_3ENVC_{it} + \epsilon_{it}MPSit=β0+β1SOCit+β2ECOCit +β3ENVCit+ϵit

Model 4: Effect on Customer Loyalty

CUSit=β0+β1SOCit+β2ECOCit+β3ENVCit+ϵitCUS_{it} = \beta_0 + \beta_1SOC_{it} + \beta_2ECOC_{it} + \beta_3ENVC_{it} + \epsilon_{it}CUSit=β0+β1SOCit+β2ECOCit +β3ENVCit+ϵit

Model 5: Effect on Internal Efficiency

INTit=β0+β1SOCit+β2ECOCit+β3ENVCit+ϵitINT_{it} = \beta_0 + \beta_1SOC_{it} + \beta_2ECOC_{it} + \beta_3ENVC_{it} + \epsilon_{it}INTit=β0+β1SOCit+β2ECOCit+β3ENVCit+ϵit

Model 6: Effect on Growth / Learning and Development

GROit=β0+β1SOCit+β2ECOCit+β3ENVCit+ϵitGRO_{it} = \beta_0 + \beta_1SOC_{it} + \beta_2ECOC_{it} + \beta_3ENVC_{it} + \epsilon_{it}GROit=β0+β1SOCit+β2ECOCit +β3ENVCit+ϵit

These models align with your research hypotheses and provide the analytical structure for testing all Balanced Scorecard perspectives.

Results and Discussion

Results

Descriptive Statistics

The initial investigation of the dataset used in the empirical analysis is performed by considering the descriptives statistics. Table 4.1 presents annualized mean, annualized standard deviation and other summary statistics on the accrual, earnings management, and financial performance as well as other indicators for the selected firms in Nigeria. The descriptive statistics show that, for the performance variables, average return on assets (ROA) for the firms is 0.06 with a maximum of 6.17 and a minimum of negative 10.19. This shows that on average, return on assets for the companies has been quite low over the study period. This also indicates that there is weak efficiency of asset management among the firms. The standard deviation value of 0.67 is quite larger than the mean value, suggesting that there is a high level of variability in the ROA among the companies. In particular, the highly negative skewness value indicates that most of the companies in the sample had ROA values that are larger than the reported mean value. Essentially, it is very large extreme negative ROA values that led to the low mean value. Average net profit margin is close to the ROA at 0.07, also indicating low financial performance of the firms.

Table 4.1: Descriptive Statistics of the Panel Data for Firms

Variable	Mean	Max.	Min.	S.D.	Skewn.	Kurt.	J-B	Obs.
ROA	0.06	6.17	-10.19	0.67	-6.66	151.24	384001.2(0.00)	416
MPS	0.07	5.96	-2.87	0.61	4.58	46.26	33891.4(0.00)	416
GRW	15.08	1284.0	0.02	76.27	14.52	223.03	853801.0(0.00)	416
INE	22.11	4212.2	-11.41	259.92	14.68	219.73	829099.9(0.00)	416
CUS	-4.60	1.00	-898.19	61.69	-14.28	205.35	723852.0(0.00)	416
SOC	11.37	18.41	5.94	1013.20	-0.02	2.60	2.81 (0.24)	416
ECC	-0.67	90.85	-191.37	13.34	-10.54	158.21	425273.9(0.00)	416
ENV	16.58	20.43	10.96	2.08	-0.34	2.78	8.89(0.00)	416
LEV	0.86	1.00	0.00	0.35	-2.05	5.22	377.44(0.00)	416
FMS	1.33	11.00	0.00	2.16	1.95	6.62	489.54(0.00)	416

Like the ROA, the standard deviation of MPS is also large and indicates wide variability of recorded MPS values for individual firms in the sample. In terms of GROWTH (, average value for the firms is 15.08 percent, which is relatively high. The standard deviation of growth is also very large at 77.27, which indicates that many of the firms reported different growth stages that are quite different from the reported mean. Also note that the kurtosis for each of the performance variables is quite large and suggests that there are large extreme values among the firms. Average EPS for the firms is 15.08 percent, which is close to the MPS value and suggests a relatively high performance of the selected firms in terms of significance in the market. The Table also shows that certain firms had very low EPS ratios for certain years (with minimum of 0.17), while some other firms had values up to 71.94 percentage points. Average internal efficiency measure is at 22.11 percent, which is relatively low, while average customer loyalty measure is -4.6, indicating an average loyalty score that is essentially low.

For each of the firm performance variables, the J-B statistics are high and easily passed the significance tests at the 1 percent level indicating that the datasets are non-normally distributed. These show clear cases of heterogeneity of performance among the firms. Essentially, the non-normal distribution shows that there are strong firm-specific influences on the outcome of each of the performance and determinant datasets reported in the Table.

For the CSR, variable SOCs is 11.37 with a maximum of 18.14 and minimum of .94. The standard deviation also shows that most of the companies had SOC scores that are quite different from the mean value. In terms of the measures of CSR, average ECC is -0.67 which is generally, although the standard deviation score of -10.2 indicates that the actual firm scores are highly variable across the firms. For Environmental costs the mean value of 16.58 and a low standard deviation of 2.08.

Correlation matrix

The correlation matrix for the variables in the study is shown Table 4.3 below. From the Table, it is seen that, apart from SOC and ENV which has a significant and positive correlation coefficient, the three Corporate social responsibility variables do not appear to be highly correlated. This shows that when each of the CSR quality factors among the companies are increasing, the other indicators do not appear to be changing in the same direction. Thus, there is evidence that the CSR variables amongst the firms take different dimensions in terms of intensity and strategic focus.

Table 4.3: Correlation Matrix

Variable	SOC	ECC	ENV	ROA	MPS	GRW	EPS	INE	CUS
SOC	1								
ECC	-0.02 (0.74)	1							
ENV	0.11 (0.03)	0.07 (0.17)	1						
ROA	0.05 (0.30)	-0.25 (0.00)	0.07 (0.17)	1					
MPS	0.09 0.07	-0.03 0.54	0.07 0.13	0.13 0.01	1				
GRW	0.07 0.14	0.01 0.87	0.05 0.27	-0.01 0.77	-0.08 0.08	1			
EPS	0.07 0.14	0.01 0.87	0.05 0.27	-0.01 0.77	-0.08 0.08	0.98 0.00	1		
INE	-0.04 0.41	0.00 0.94	-0.03 0.49	0.00 0.92	0.00 0.97	-0.01 0.88	-0.01 0.88	1	
CUS	-0.02 (0.68)	0.59 (0.00)	0.04 (0.36)	0.00 (0.99)	-0.24 (0.00)	0.00 (0.97)	0.00 (0.97)	0.01 (0.91)	1

The correlations among the selected firm performance variables are also presented in this section. There is a positive and significant correlation between ROA and MPS, which shows that for every increase in the return on assets for the firms, market price per share also increase concurrently. There is also a positive and highly significant correlation between EPS and Growth which shows that the two market-related variables are highly related. Market performance of the firms is therefore important in terms of their relationships and outcomes. The correlation results also show that there is no correlation between customer loyalty and any of the other performance indicators, except for market price per share for which the correlation is negative. Also, there is clearly no correlation between internal efficiency of the firms and each of the other measures of firm performance among the firms in the study. The correlation tests indicate that performance measures among the firms that are used in the study vary significantly.

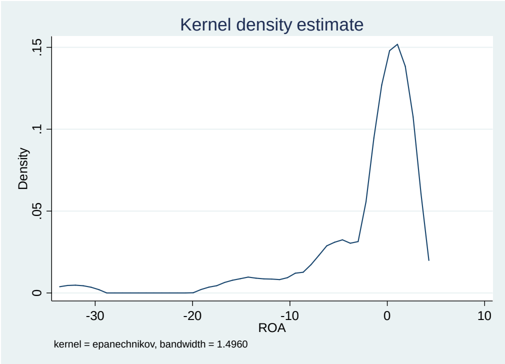
Tests of Time Series and Cross-sectional Properties of the Panel Data

Test for Normality

In this section, we report the cross-sectional properties of the data used in the analysis in other to determine the suitability for the analysis of the study. The normality (based on the Kernel tests) for the variables are reported in Figure 4.4a-h. Normally distributed density functions indicate the absence of cross-sectional problems of heteroskedasticity among the datasets. Normality of the distribution is assumed if the density function is smooth and concentrated on the centre of the plot. The kernel density plots for each of the variables in the chart shown in Figure 4.4 indicate that none of the variables is normally distributed since the kernel plots are all concentrated away from the centre of the plot and there are also mostly widely spread. This outcome is to be expected since the datasets are widely obtained as a pool of different banks over different time periods. Thus, the OLS estimation of the relationship may not be feasible.

Fig. 4.4a: Kernel Density Test for SOC

Fig. 4.4b: Kernel Density Test for ECC



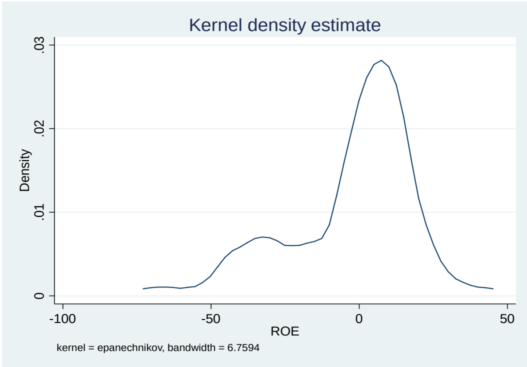


Fig. 4.4c: Kernel Density Test for ENV

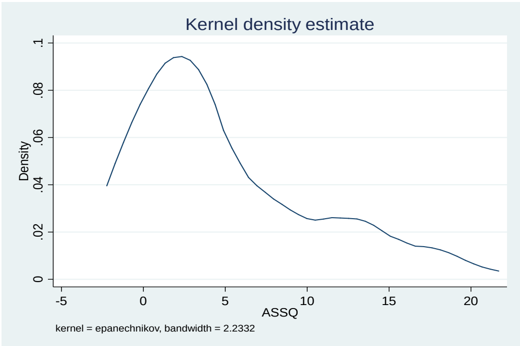


Fig. 4.4d: Kernel Density Test for ROA

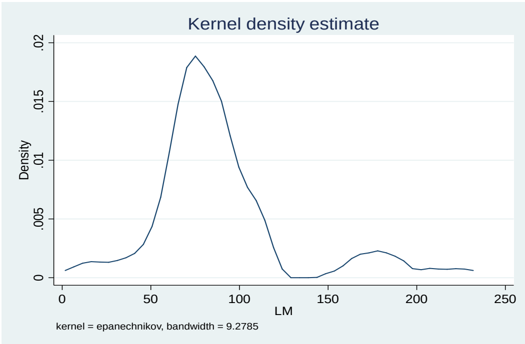


Fig. 4.4e: Kernel Density Test for MPS

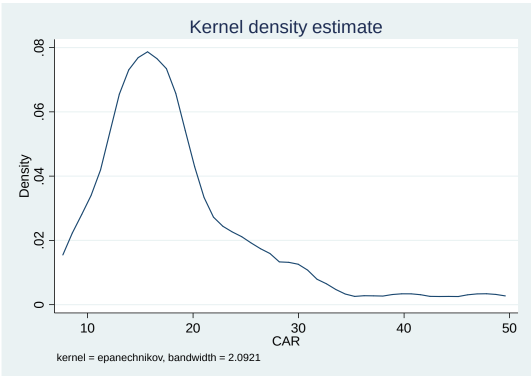


Fig. 4.4f: Kernel Density Test for GRW

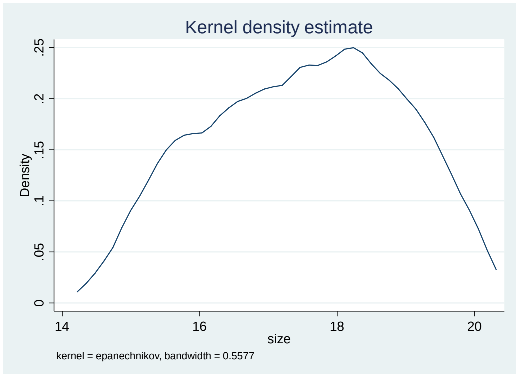


Fig. 4.4g: Kernel Density Test for INE

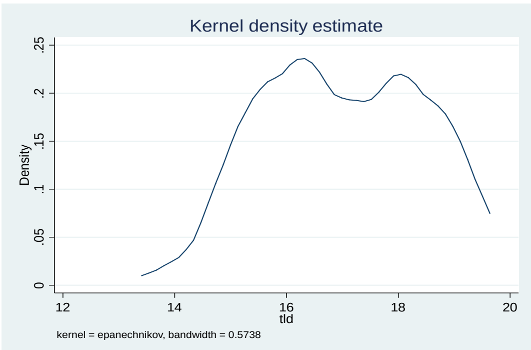
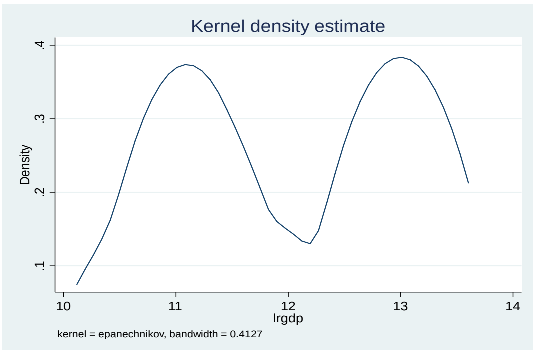


Fig. 4.4h: Kernel Density Test for CUS



Cross-sectional Dependence Test

The cross-sectional dependence tests are also conducted for each of the equations estimated in the study. Given that the non-financial firms (manufacturing firm) sampled in the study may possess certain similar characteristics that generate certain levels of interdependencies among each of the companies. The cross-sectional dependence test helps to evaluate the cross-sectional properties of the panel dataset by examining the issue of cross-section correlations in the data. The Pesaran (2004) cross-sectional dependence (CD) teste is implemented in this study. The data used in this study has a panel structure where the cross-sectional dimension (21 companies) is slightly greater than the less than the time dimension (20 years) - (i.e., N > T).Given this pattern of panel setup, the Pesarancross sectional dependence (CD) test is more appropriate. However, we include results of the Breusch-Pagan LMtest to improve on the robustness. The null hypothesis for the Pesaran CD test is the absence of cross-sectional dependence. Hence, it is expected that the test statistics fail the significance tests at the chosen level of significance (5% in this case) in order to ascertain the absence of cross-sectional dependence in the data.The Pesaran cross-section dependence test results are presented in Table 4.4.

Table 4.4: Cross-section Dependence Test Results

Variables series tested	Pesaran CD	P-value	Breusch-Pagan LM	P-value
ROA equation	7.63	0.00	300.8	0.00
MPS equation	3.28	0.00	275.4	0.00
GRW equation	3.04	0.01	277.6	0.00
EPS equation	3.04	0.00	277.	0.00
INE equation	6.03	0.00	293.5	0.00
CUS equation	9.39	0.00	337.6	0.00

Source: Author's computations

From the results reported in Table 4.4, it is seen that the statistics of both of the test components (Peseran CD and Breusch-Pagan) passed the significance tests at the 1 percent level ($p < 0.01$). This shows that there is the presence of cross-sectional dependence in the estimates. The presence of cross-sectional dependence indicates that the data may produce consistent but non-efficient regression estimates thus rendering the standard errors biased. Apply direct panel data analysis technique may not yield the efficient results that are amenable to policy recommendations. There is therefore the need to extend the analysis technique to a method that takes cognizance of the cross-sectional dependence in the panel dataset.

Unit Root and Cointegration Tests

Firm-specific characteristics (or individual and heterogeneity) and common (or homogenous) characteristics of the companies included in the sample for the study reflect in the data employed for this study. This calls for the use of panel unit root tests to check for the stationarity of the data, in order to avoid incidence of "spurious" inference. In this study, the test developed by Levin, Lin and Chu (LLC) was used to examine the stationarity properties of the homogenous panel. These tests assume identical cointegration vectors among the countries. Moreover, in order to account for the differences exhibited by individual banks in their loan strategies, the Im, Pesaran and Shin (IPS, 2003) and the Augmented Dickey-Fuller tests (which allow for heterogeneity in the panel's cross-section and assumes a null hypothesis of no cointegration in the panel data) are also conducted. All the unit root test results are presented in table 4.5

.

Table 4.5: Panel Data Unit Root Tests Results in levels

Variables	*Common unit process*	*individual unit root process*		
	LLC	**IMP**	**ADF**	**PP-Fisher**
ROA	-4.15	-0.31	159.21	98.98
MPS	-9.74	-1.78	97.47	111.1
GRW	-157.00	-27.38	111.57	79.06
EPS	-1.85	-0.24	93.02	165.2
INE	-16.21	-4.06	85.11	169.1
CUS	-2.75	-0.27	79.74	89.12

SOC	1.77	-1.15	109.6	29.82
ECC	-11.32	-3.60	135.1	155.1
ENV	-1.29	1.86	58.48	154.1
FMS	-1.96	3.67	20.13	122.6
LEV	-8.38	-3.25	131.6	179.2

Source: Estimated by the Author. *Note: ** and * indicate significant at 1% and 5 % levels respectively; IPS = Im, Pesaran & Shin; LLC = Levin, Lin & Chu*

In the unit root analysis, only the tests for level variables are reported in the results since the variables are essentially stationary at their levels. It can be seen that the coefficients of the test for all the variables in their levels are stationary (given that the critical test values are higher than the test statistic). Given this condition, it is shown that the variables are all integrated of the same order zero (i.e., I[0]). This implies that these variables will likely converge simultaneous in the same pattern, suggesting that cointegration analysis can be performed for the variables with meaningful outcomes.

Considering that unit root results strongly indicate that the stationarity status of the variables are equal with each of the variables being I[0]. The long run conditions of the variable interactions can however be established to present a stronger background for a dynamic relationship among the variables. Only the results of the Kao cointegration tests are reported since these tests accommodate lesser degrees of freedom. Table 4.6 shows the outcomes of the Kao panel cointegration test for each of the Equations. The coefficients of each of the Kao test in each Equation are all significant at the 5 percent level. Thus, there is strong evidence of panel cointegration. Based on the Kao residual-based cointegration test shown in Table 4.6, the null hypothesis of no cointegration can be rejected at the 5 percent level for each of the equations. Thus, the cointegration tests results show that there is a strong long run relationship among the variables in the study. The dynamic panel data estimation framework can therefore be employed in the empirical analysis.

Table 4.6: Panel Cointegration Test Result

Equation	**Kao statistic**	**Prob.**
ROA	-4.72	0.00
MPS	-4.71	0.00
GRW	7.02	0.00
EPS	-2.03	0.04
INE	13.14	0.00
CUS	2.10	0.04

Note: **, * indicates the rejection of the null hypothesis of no cointegration at the 0.01 and 0.05 level of significance respectively

Regression Analysis

Test of Panel Estimation Framework

The econometric analysis performed for the empirical analysis is majorly focused on estimating the panel data-based relationship between share prices and the hypothesized Environmental factors. For the panel data analysis procedure there is need to select between the fixed effects or random effects models as the best representation of the relationships. The standard Hausman test for random/fixed effects test is therefore used for identifying the time-varying conditions of the panel data in order to determine the method of panel analysis to be adopted. The result of the Hausman tests for each of the equations of the study are reported in Table 4.7. For this test, the null hypothesis is that that a random effect exists in the cross sections of the data. Thus, if the coefficient of the Chi-square is significant, the null hypothesis is rejected, then the random effect estimates become inefficient in capturing the relationships in the Equations. In the results of the Hausman tests presented in Table 4.7, the Chi-Square values for each of the Equations passes the significance test at the 5 percent level. Thus, the null hypothesis of random effects is rejected in this case. This implies that the fixed effects estimation procedure is the most efficient procedure for estimating the relationships since misspecification cannot occur when the fixed effect procedures are employed in the estimation.

Table 4.7: Result of Hausman Test of Random/Fixed Effect

Model	***Chi-Sq. Statistic***	***Chi-Sq. d.f.***	***Prob.***
ROA equation	12.41	6	0.019
MPS equation	12.25	6	0.016

GRW equation	13.47	6	0.00
EPS equation	18.03	6	0.00
INE equation	21.11	6	0.00
CUS equation	13.37	6	0.00

Source: Author's computations

However, the previous analysis has confirmed the presence of cross-sectional dependence in the dataset. Hence, the fixed effect regression alone may produce biased standard errors, thus making the estimates inefficient. The alternative in the estimation models would have been the generalized moments of methods. However, the GMM estimates only uses the internal and external instruments to control for heteroskedasticity and hence does not address the presence of cross-sectional dependence in datasets Pesaran (2021). In order to address the issue of cross-sectional correlation therefore, the panel corrected standard error (PCSE) is also employed as an estimation strategy. This method estimates panel data regression whose cross-sectional errors are correlated by reporting heteroskedasticity-robust standard errors. The method also performs better in finite samples cases where T is fixed, and N tends is large (Reed & Webb, 2010). A case in sample for the study's' panel dataset. Hence, the PCSE technique of estimating panel data is expected to yield better estimates than the fixed effect method under the given characteristics of the panel dataset used in this study.

CSR and Performance of Firms

In this section the effects of CSR on performance of the sampled firms in the study are estimated and reported. Based on the objectives of the study, six performance indicators are considered which results in six estimated Equations for the study. The panel data-based estimates of the effects of accruals and earnings management on return on assets (ROA) of the firms are presented in Table 4.8. Both the fixed effects OLS and the panel correlated standard errors estimates are reported in order to demonstrate the robustness of the PCSE. The estimates are similar only in terms of the signs of the coefficients, suggesting that the estimates for the study are robust in terms of different estimation techniques. However, the PCSE reports robust standard and corrects for cross-sectional dependence. Moreover, the diagnostic tests of the PCSE estimates are also more robust than that of the OLS. These show that the PCSE estimates are more efficient than those of the OLS. The focus of the analysis is therefore on the PCSE results. From the results in Table 4.8, it is seen that the adjusted R-squared is 0.825 which indicates that over 82 percent of the systematic variations in ROA for the companies was explained by the independent variables in the study. This indicates that the model has a high overall performance in explaining the relationship between the ROA and CSR activities for the firms.

Table 4.8: CSR and ROA

The Variable	*Panel OLS*			*Panel Correlated Standard Errors*		
	Coefficient	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**
SOC	0.011	0.80	0.43	0.010	10.66	0.00
ECC	-0.013	-5.43	0.00	-0.012	-42.94	0.00
ENV	0.015	0.91	0.36	0.013	7.26	0.00
FMS	-0.007	-0.47	0.64	-0.007	-5.74	0.00
FMA	-0.494	-1.72	0.09	-0.448	-15.02	0.00
LEV	0.213	2.20	0.03	0.212	19.51	0.00
Adj. R-sq.	0.073			0.825		

Source: Author's computations

The particular effects of each of the explanatory variables on ROA of the firms is determined by considering the individual coefficients of the estimates. Based on this consideration, it is seen that the coefficient of SOC is significant at the 1 percent level and is also positive. This result reveals that social costs have a significant positive impact on return on assets for the manufacturing firms. Essentially, the result indicates that efficiency in asset management of the firms is higher for firms that more engage in CSR activities. Thus, the form of CSR is shown to significantly improve return on assets for the firms. The coefficient of economic cost is also significant at the 1 percent level, but it is negative. This shows that economic costs have a different impact on ROA than the effect of social costs. Increased economic costs is shown to significantly reduce ROA for the firms. The coefficient of environmental costs is significant and positive. This implies that other forms of CSR significantly improve the firm performance in terms of efficiency in asset management in Nigeria. Thus, the result provides evidence that there is a form of complementarity between social and economic costs of CSR in terms of their effects of firms' ROA. While firms that focus on accruals exhibit higher ROA, firms that focus on real earnings exhibit lower ROA.

The control variables in the results in Table 4.8 show that FMS has a significant and negative impact on ROA of firms, suggesting that Higher firm size tends to weaken managerial efficiency in asset management for the firms. In the same vein, firm age also has a significant negative impact on ROA of the firms. On the other hand, leverage among firms is shown to significantly improve the ROA of the firms in Nigeria.

The results of the effects of the different CSR strategies of the firms on the market price of the firms are presented in Table 4.9. The results from the panel correlated standard errors (PCSE) estimates are also more robust than those of the panel OLS estimates. Thus, the PCSE results are considered for analysis. In the PCSE result, coefficient of variation is relatively moderate at 0.585. This shows that over 58 percent of the variations in market price of firms was explained in the model. A close look at the individual coefficients of the explanatory variables in the estimated models reveals that the coefficient of all the earnings management variables passes the significance test at the 1 percent level. This shows that all the CSR strategies has a significant impact on MPS of the sampled firms. Changes in any of the variables will exert significant shifts in the financial of the manufacturing firms in terms of net profit margins.

Table 4.9: CSR and MPS

Variable	*Panel OLS*			*Panel Correlated Standard Errors*		
	Coefficient	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**
SOC	0.021	1.66	0.10	0.018	12.46	0.00
ECC	-0.001	-0.64	0.52	-0.001	-14.10	0.00
ENV	0.014	0.89	0.37	0.013	5.85	0.00
FMS	-0.025	-1.77	0.08	-0.021	-11.50	0.00
FMA	-0.542	-2.01	0.04	-0.492	-12.91	0.00
LEV	0.208	2.28	0.02	0.192	12.81	0.00
Adj. R-sq.	0.019			0.585		

Source: Author's computations

The coefficient of SOC is however positive which shows that an increase in CSR leads to an increase in the MPS of the firms. Thus, a more aggressive CSR strategy in tends to improve the MPS of the selected firms in the study. The coefficient of ECC is however negative and shows that economic costs increase in the firms, MPS tend to decrease significantly. Thus, the results show that social and economic costs of CSR appear to be mutually exclusive, rather than being complements in relation to Market price among Nigerian manufacturing firms. In particular, firms that pursue social costs tend to report higher MPS while firms that pursue Economic costs tend to report MPS. The coefficients of firm size and firm age are negative and show that firm size and firm age lead to decline in MPS. On the other hand, an increase in leverage significantly improves market price for the firms.

The result of the CSR on Growth of firms is presented in Table 4.10. Recall that relates to the increase in the performance of firms in the market for investors. Again, the results for PCSE have more relevant diagnostic indicators than the result of OLS estimates. For the PCSE results, the goodness of fit statistic of adjusted R squared value indicates that over 65 percent of the variations in PER was captured in the model, indicating that the model has an impressive prediction capacity. The coefficients of all the explanatory variables in the model are significant at the 1 percent level. This shows that each of these variables exerts significant effects on growth of the companies.

Table 4.10: CSR and Growth

Variable	*Panel OLS*			*Panel Correlated Standard Errors*		
	Coefficient	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**
SOC	2.165	1.37	0.17	1.818	19.54	0.00
ECC	0.023	0.08	0.94	0.026	3.82	0.00

ENV	3.021	1.56	0.12	2.577	16.19	0.00
FMS	0.794	0.45	0.66	0.857	8.17	0.00
FMA	-38.869	-1.15	0.25	-30.943	-10.51	0.00
LEV	-25.426	-2.23	0.03	-23.457	-15.83	0.00
Adj. R-sq.	0.017			0.653		

Source: Author's computations

The main issue is to consider the direction of effects of each of the explanatory variables on GRW, especially the earnings management variables. From the results in Table 4.10, it is seen that all the three earnings variables have positive coefficients. This shows that while social costs have significant positive impact on GRW, economic costs and environmental costs also exert positive effects on growth of the firms. This result clearly shows that social and economic costs are complements in terms of their effects on the market performance of the manufacturing firms in Nigeria. This is because both effects are in the same direction, suggesting that a company that operates both CSR strategies will likely obtain a higher level of market performance benefits.

Another important measure of the performance of the firms is the internal efficiency of the firms which shows the efficiency in the utilization of financial resources by the firms. The results for the estimates with the internal efficiency as dependent variable are reported in Table 4.11. In the result, the adjusted R squared value for the PCSE estimates is relatively low at 0.212. This shows that only 21 percent of the variations in internal efficiency of the firms was explained in the model. The individual coefficients of the estimated variables are however all significant at the 1 percent level. This shows that both social and economic strategies of CSR exert significant impacts on internal efficiency of firms in Nigeria.

Table 4.11: CSR and INE

Variable	*Panel OLS*			*Panel Correlated Standard Errors*		
	Coefficient	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**
SOC	-4.191	-0.77	0.44	-1.233	-7.43	0.00
ECC	0.112	0.12	0.91	0.070	7.59	0.00
ENV	-4.937	-0.74	0.46	-1.083	-3.97	0.00
FMS	-4.734	-0.77	0.44	-0.728	-3.17	0.00
FMA	124.758	1.07	0.28	32.929	5.83	0.00
LEV	38.676	0.99	0.33	12.892	5.26	0.00
Adj. R-sq.	0.016			0.212		

Source: Author's computation

A closer look at the individual coefficients of the explanatory variables however reveals that while the coefficient of SOC is negative, that of ECC is positive. This shows that social costs have a significant negative effect on internal efficiency of the manufacturing firms. Efficiency in the utilization of overall resources in the firms is therefore shown to decline for firms that strategies with social costs. Since internal efficiency is critical for manufacturing firms, this result indicates that efficiency performance is firms in Nigeria is lesser for firms that engage more in social costs CSR strategy. On the other hand, the coefficient of economic costs is positive and significant, indicating that economic costs have a significant positive impact on internal efficiency of the manufacturing firms. Thus, focusing on economic activities raises internal efficiency of the manufacturing firms by up to 0.112 percentage points. This result also demonstrates that social and economic costs CSR strategies are mutually exclusive rather than complements among Nigerian manufacturing firms, when internal efficiency is being considered.

The coefficient of environmental cost is significant and positive. This shows that environmental remediation strategy tends to lead to improvement in ternal efficiency of manufacturing firms in Nigeria. The coefficient of firm size is negative and shows increase firm size tend to limit internal efficiency of manufacturing firms. On the other hand, the result also shows that the coefficients of firm age and leverage are both positive. This, increase leverage and the age of the firm tends improve internal efficiency of the firms.

Finally, the effects of CSR factors on customer loyalty of the firms are examined and the results are presented in Table 4.13. Again, the fixed effects OLS estimates perform poorly given the very low adjusted R-squared value. Moreover, only the Economic cost coefficient passed the significance test at the 1 percent level, all the other variables fail the test even at the percent level. The focus is on the estimates of the panel correlated standard errors procedure. The R-squared is high at 0.997, indicating that about 99 percent of the systematic variations in customer loyalty behavior for the firms was explained by the selected independent variables.

Table 4.12: CSR and customer loyalty

Variable	*Panel OLS*			*Panel Correlated Standard Errors*		
	Coefficient	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**
SOC	-0.258	-0.25	0.80	-0.161	-9.81	0.00
ECC	2.744	14.96	0.00	2.729	266.38	0.00
ENV	0.383	0.30	0.76	0.258	6.96	0.00
FMS	0.930	0.80	0.43	0.681	20.65	0.00
FMA	-1.186	-0.05	0.96	1.213	1.72	0.09
LEV	-7.215	-0.96	0.34	-7.266	-52.99	0.00
Adj. R-sq.	0.348			0.997		

Source: Author's computation

A quick evaluation of the individual performance of the explanatory variables shows that only the coefficient of Firm age failed the significance test at the percent level. All the other coefficients pass the test at the 1 percent level. In particular, the coefficients of SOC and ECC both pass the significance test, although the coefficient of social costs is negative, while that Economic and environmental costs are both positive. This result therefore shows that social costs of the firms lead to decline in customer loyalty. On the other hand, economic costs and environmental cost both lead to increased customer loyalty. Thus, in terms of customer loyalty, the study demonstrates that there is a form of mutually exclusive outcomes between social and economic costs of by firms. This is an important aspect for both management and shareholders in the firm. The results also show that firm size has a significant positive impact on customer loyalty. In particular, increased firm size tend to result in higher customer loyalty of manufacturing firms in Nigeria. The coefficient of leverage is however negative and suggests that more borrowings in the firms significantly lowers customer loyalty. Firm age however has no significant effect on customer loyalty among the firms.

Robustness Test

In order to establish the robustness of the estimates in the study, multicollinearity test is conducted. The multicollinearity test investigates the level of correlation among the independent variables in the model. This test is important due to two major reasons. First, it validates if the dependent and the independent variables has some level of relationship. Second it also discloses the degree of interrelatedness of the independent variables (Greene, 2018) . The existence of a high degree of correlation of about 0.7 above signifies that the models specified may suffer from multicollinearity which is a violation of one of the basic assumptions of the classical linear regression model (Ighodaro and Adegboye 2020). Hence, a test on multicollinearity was conducted. The results of the multicollinearity test are presented in Table 4.14. In the result, the focus is on the output of the uncentred variance inflation factors (VIF) variables. The VIF value must be less than 5.0 for the variable in an equation to be free from collinearity. In the report, the VIF values for all the variables are less than 5.0. Thus, it can be seen that the estimated coefficients for the equations do not integrate excessively among themselves and the estimates are therefore reliable. The heteroskedasticity test (reported in the appendix) also shows that there is presence of heteroskedasticity in the PCSE estimates.

Table 4.14: Variance Inflation Factor and tolerance levels of the independent variables

Variable	VIF	1/VIF
SOC	1.46	0.686704
ECC	1.43	0.71372
ENV	1.21	0.824935
FMS	1.11	0.898832
FMA	1.08	0.925767

LEV	2.47	0.384933
Mean VIF	**1.22**	

Source: Author's computations

Test of Hypotheses and Discussion of Findings

The tests of the hypotheses of the study are based on the estimated coefficients of the models that were specified in Chapter Three. The tests are performed at the 5 percent level of significance. The tests of the hypotheses also provide grounds for outlining policy directions as well as discussion of the results.

Hypothesis One: There is no significant effect of SOCIAL COST, Environmental costs, and Economic costs on Return on Assets of manufacturing companies in Nigeria

The test of this hypothesis is based on the result of the coefficient of SOC, ECC, and ENV in the PCSE estimates in Table 4.8. The coefficient of SOC is 0.011 with p-value that is less than 0.01, the coefficient of ECC is -.013 with p-value that is less than 0.01, while the coefficient of ENV is 0.015 with p-value that is less than 0.01. In each of the cases, coefficient of the variables passes the significance test at the 1 percent level. Hence, the null hypothesis is rejected, which implies a significant effect of social costs, environmental costs, and economic costs on Return on Assets of manufacturing companies in Nigeria actually exists. In terms of the distributed effects, that of SOC is positive, while that of ECC is negative. These results therefore show that social costs and economic costs are mutually exclusive in terms of their effects of firms' ROA in Nigeria. While firms that focus on social costs exhibit higher ROA, firms that focus on economic costs exhibit lower ROA). In particular, the results show that social costs provide the leeway for boosting asset-based management systems. On the other hand, economic costs CSR strategies tend to be more restrictive for management's subjective estimates, making it more difficult for management to use income-increasing CSR strategies.

Hypothesis Two: There is no significant effect of Social Costs, Environmental Costs and economic costs on Market Price per Share of manufacturing companies in Nigeria

In order to test the second hypothesis, the focus is on the coefficients of SOC, ECC and ENV in the PCSE estimates in Table 4.9. In the results, the coefficient of ARM is 0.018 ($p < 0.01$), that of ECC is -0.001 ($p < 0.01$), and it is 0.013 ($p < 0.01$) for ENV. Based on these estimates, the null hypothesis is rejected in this case, since each of the variables passed the significance test at the 1 percent level. This indicates that Social, economic and environmental costs, all exert significant effects on market price per share of manufacturing companies in Nigeria. In the output, the effect of SOC is positive, while that of ECC is negative. This is another form of mutually exclusive relationship between the effects of social costs and economic costs on market price per share. Firms that pursue higher social costs report higher market price per share, while firms that pursue economic costs CSR strategies tend to report lower market price. This is another interesting outcome that shows that firms are likely not going to pursue both strategies of CSR if they aim to improve financial performance. The two financial performance factors in the study therefore reveal mutually exclusive outcomes for Social and economic costs.

Hypothesis Three: There is no significant effect of Social, Economic and Environmental costs on internal efficiency of manufacturing companies in Nigeria

The test of this hypothesis is based on the result of the coefficient of SOC, ECC, and ENV in the PCSE estimates in Table 4.12. The coefficient of SOC is -1.233 with p-value that is less than 0.07, the coefficient of ECC is 0.026 with p-value that is less than 0.01, while the coefficient of ENV is -1.83 with p-value that is less than 0.01. In each of the cases, coefficient of the variables passes the significance test at the 1 percent level. Hence, the null hypothesis is rejected, which implies there is a significant effect of social costs, environmental costs, and economic costs on internal efficiency of manufacturing companies in Nigeria. A closer look at the distributed effects shows that the coefficients are SOC and ENV are negative, while that of ECC is positive. This demonstrates a mutually exclusive relationship between the effects of social costs and economic costs when internal efficiency of the firms is being considered. This implies that adopting either of the CSR strategies result in differing outcomes on the internal efficiency of manufacturing firms in Nigeria. Since internal efficiency is critical for manufacturing firms, this result indicates that efficiency performance is firms in Nigeria is lesser for firms that engage more in social costs CSR strategies. Thus, aggressive CSR tends to limit the overall efficiency of manufacturing firms in Nigeria.

Hypothesis Four: There is no significant effect of Social, Environmental, and Economic costs on Growth of manufacturing companies in Nigeria

The test of this hypothesis is based on the result of the coefficient of SOC, ECC, and ENV in the PCSE estimates in Table 4.10. The coefficient of SOC is 1.818 with p-value that is less than 0.01, the coefficient of ECC is 0.026 with p-value that is less than 0.01, while the coefficient of ENV is 2.577 with p-value that is less than 0.01. In each of the cases, coefficient of the variables passes the significance test at the 1 percent level. Hence, the null hypothesis is rejected, which implies There is a significant positive effect of Social, economic and environmental costs on growth .In terms of the distributed effects, all the coefficients are positive, demonstrating that a complementary relationship exists between the effects of social costs and economic of CSR when market performance is being considered. Essentially, the main goal of CSR activitries is the focus on investors in terms of aiding their assessment of the firm's performance with the use of basic accounting principles such as revenue recognition and matching. Thus, the result in this study shows that, in relation to market evaluation by investors, there is no difference between the accounting strategies by the firms since both methods are complements.

Hypothesis Five: There is no significant effect of Social costs, Economic costs and Environmental costs on Customer loyalty of manufacturing companies in Nigeria

The last hypothesis of the study is tested by focusing on the coefficients of CSR variables in the PCSE results in Table 4.13. In the results, the coefficient of SOC is -0.161 ($p < 0.01$), that of ECC is 2.729 ($p < 0.01$), and that of ENV is 0.258 ($p < 0.01$). In each of the cases, the coefficients passed the significance test at the 1 percent level. Thus, the null hypothesis is also rejected in this case, demonstrating that social costs, environmental costs, and economic costs actually have significant effects on Customer loyalty of manufacturing companies in Nigeria. What is the direction of the effects? The results show that the effect of social costs is negative, while that of economic costs is positive. Thus, there is a mutually exclusive pattern of effects of social and economic cost strategies of CSR on customer loyalty. This is an important aspect for both management and shareholders. The results also show that economic costs has a significant positive impact on customer loyalty. In particular, firm size tend to result in higher customer loyalty of manufacturing firms in Nigeria.

Summary, Recommendations and Conclusion

Summary of Findings

In this study, the relative effects of CSR activities on the corporate performance of firms in Nigeria was examined. The study seeks to initially evaluate the effects of the three CSR on corporate performance, then these effects are examined in terms of being complementary or mutually exclusive. The study focused on a sample of 21 manufacturing sector firms on the Nigerian Exchange Group for the period of 2005 to 2024 (20 years). In the study three CSR strategies were examined. Five corporate performance variables were considered in the study, including return on assets (ROA), market price per share, growth, internal efficiency, customer loyalty. The panel data estimation framework was used in the estimation of the data. However, the presence of cross-sectional dependence indicated that the panel correlated standard errors estimate technique was adopted. The main outcome of the empirical analysis indicated that while the three CSR strategies matter for corporate performance, their effects differ depending on the measure of performance considered. Specifically, the following findings were made in the study

a) All the three CSR strategies (economic, social and environmental costs) all have significant effects on Returns on Returns on Asset of Manufacturing companies in Nigeria. The effect of social costs is however positive while that of economic costs is negative. Thus, a mutually exclusive outcome of the two CSR exists on the financial performance of the firms.

b) That Social costs, environmental, and economic costs exert significant impacts market price per share of manufacturing companies in Nigeria. The effect of social costs is however positive while that of economic is negative, indicating that a mutually exclusive pattern of effects exists between the two CSR strategies.

1. That Social costs, Environmental costs, and economic costs exert significant impacts on internal efficiency of manufacturing companies in Nigeria. It was however found that while social costs had significant negative effect, the effect of economic cost is positive. This also demonstrates a mutually exclusive relationship in this regard.
2. That Social costs, environmental costs, and economic costs exert significant and positive effects on Growth of manufacturing companies in Nigeria. Thus, it was shown that the effects of the CSR strategies on the market performance of the firms is complementary.
3. That Social costs, environmental costs, and economic costs have significant effects on customer loyalty of manufacturing companies in Nigeria, although the effects are mutually exclusive.

Recommendations

The findings in the empirical analysis of the study provides grounds for making important recommendations.

First, the study found strong mutually exclusive effects of social costs and economic costs on ROA of firms. Thus, there is evidence the corporate performance of firms are not influenced in the same way if the firm choses to adopt either of the CSR management strategies. It is therefore recommended that firms that seek to improve their financial position can adopt more of social CSR initiatives. By adopting aggressive and social cost initiatives, our study demonstrates that corporate performance will improve for the firms.

The study also showed that market price improves for firms that engage in social CSR initiatives, but not for firms that engage in economic costs initiatives. Thus, there is clear evidence that corporate performance of manufacturing firms is hinged generally on more social function over time. This should be a strong and strategic component of CSR initiatives by firms in Nigeria.

The study also provided evidence that it is economic CSR initiatives that improves internal efficiency in terms of overall resource use by manufacturing firms in Nigeria. This outcome therefore presents a dilemma to managers who want to improve both corporate performance and internal efficiency simultaneously. CSR should therefore be considered as a strategic adaptation rather than a deliberate manipulation strategy of management in order to drive long term performance, especially in relation to the market performance of firms.

It was shown that both social and economic CSR initiatives are complements in terms of market performance of firms. Thus, firms that seek to improve their market performance do not need to overemphasize the need for social costs in order to influence investors' decisions. These firms can as well employ economic to generate the same outcome.

Finally, there is the need for manufacturing firms to improve economic CSR initiatives in order to improve their positions before customers. Results reveal that customer loyalty favors firms with economic CSR initiatives

Conclusion

Corporate social responsibility remains an important indicator of the direction of firms, especially in terms of cashflow and investment strategies. While aggressive CSR initiatives tend to focus on deepening investors' rational expectations about the firm's corporate performance through their social CSR choices, there are other efficiency loses that may result from this. On the other hand, economic costs have been known to offer indirect deliverables to firms. In this study, the relative effects of both CSR strategies on the corporate performance of manufacturing firms in Nigeria was examined. There is evidence that apart from the clear direction of the effects on market performance (which relate more to investors), the effect on other performance indicators is mutually exclusive. This implies that the desire to be aggressive in CSR may not always generate net pay-offs that match the effort contributed by management. There is therefore the need to focus on minimizing the costs of social costs on the firm in the long run. In general, adopting a mix of management strategies is shown in this study to be more efficient for enhancing long-term performance of firms in Nigeria.

Suggestions for Further Study

This study focused on CSR and corporate performance of manufacturing firms and tried to determine if CSR strategies are mutually exclusive or complementary using autoregressive Distributed lag. Other studies can examine CSR on the same are but different industry. The industry of our study is capital intensive without much regulation. Other studies can focus on finance industry which is highly regulated

Delimitation of the study

The goal of the study was determined to determine effect of Corporate social responsibility on Balance scorecard. Corporate social responsibilities variables were social, economic and environmental costs corporate performance proxied as Return on Assets, Market price per share, Growth, internal efficiency and customer loyalty. The findings of the study is therefore limited to the variables used in the study. Secondly, the scope of the study is limited to 2005 and 2024 therefore the results of the study is limited to the content scope. The study uses Nigeria as a setting which is occasioned by weak institutions and weak enforcement of laws therefore in generalizing the study to other countries with honest regulation it is limited. Further, the findings of this study is limited to the industry of study with peculiar characteristics. The study is further limited with the inefficiencies contained in the methodologies adopted for the study. Autoregressive distributive lag used in this study suffers from the disadvantage that the data must be stationary. This can be a difficult requirement to meet. Also, there needs to be a strong cycle in your dataset for the autoregressive model to exploit and therefore one of the limitations of this study

Contribution to Knowledge

The goal of the study was to examine the effect of CSR initiatives on corporate performance from the Balanced Scorecard perspective. The study achieved its goal and contributes to knowledge by identifying the responses of CSR on corporate performance. The study found that Social and economic cost CSR initiatives are mutually exclusive to ROA, Market price, internal efficiency and customer loyalty indicating a trade-off between economic and social costs CSR initiatives in each of the cases. An increase in economic costs leads to a corresponding decrease in social costs mitigating or increasing corporate performance. The study also found economic and social costs is complementary to price earnings ratio.

Thus, the study contributes to knowledge by

a) Identifying that the three strands of Corporate social responsibility respond to corporate performance differently. This will help managers in determining the CSR strategy to adopt.
b) The study also contributes to knowledge by showing that social and economic CSR initiatives exert positive effect on Firm growth. These complementary effects imply that the duo can be used to improve corporate performance. This finding will aid regulators and standard setters in policy formulation.
c) The study contributes to knowledge by disclosing that internal efficiency of the firm can be enhanced through economic CSR initiatives
d) The study further contributes to knowledge by showing that real economic costs have positive effect on customer loyalty.
e) The study contributes to knowledge by adding to the fledging literature on the subject. Some other studies only highlight the negative effects of CSR without an appraisal of the effects of CSR on other spectrums of the firm. Customer loyalty and internal efficiency are two salient factors that can enhance firm survival. Therefore, this new findings from this study will generate a new perspective about CSR as real economic costs exerts positive impacts on firm survival mechanisms
f) Finally, the research contributes to knowledge through the formulation of an underlying econometric model

References

1. Adegbite, E., & Nwankwo, B. (2025). Corporate social responsibility initiatives and balanced scorecard performance of manufacturing firms in Nigeria. Journal of Accounting and Management Studies, 12(1), 45–68.

2. Adebisi, O., & Lawal, T. (2022). Corporate social responsibility expenditure and market share growth among cement manufacturing firms in Nigeria. Journal of Business and Economic Research, 10(2), 113–128.

3. Adeyanju, O. D. (2012). An assessment of the impact of corporate social responsibility on Nigerian society: The examples of banking and communication industries. Universal Journal of Marketing and Business Research, 1(1), 17–43.

4. Adetunji, A., & Ugochukwu, I. (2021). CSR sustainability practices and internal business process performance in Nigerian textile firms. International Journal of Operations Management, 8(3), 61–79.

5. Amaeshi, K. M., Adi, B. C., Ogbechie, C., & Amao, O. (2006). Corporate social responsibility in Nigeria: Western mimicry or indigenous influences? Journal of Corporate Citizenship, 24, 83–99.

6. Amole, B. B., Adebiyi, S. O., & Awolaja, A. M. (2012). Corporate social responsibility and profitability in Nigeria. Journal of Business Ethics, 5(2), 45–54.

7. Aremu, M. A., & Obi, J. N. (2022). Customer-oriented CSR initiatives and balanced scorecard performance of Nigerian manufacturing firms. Journal of Marketing and Sustainability, 9(1), 22–41.

8. Asa, R. S. (2007). Corporate social responsibility: An overview. Journal of Social Policy Review, 3(2), 1–15.

9. Asangusung, C. S. (2025). Corporate social responsibility funding and agricultural development in Akwa Ibom State, Nigeria. Journal of Development Studies, 14(1), 77–95.

10. Banah, S. A. (2004). Corporate social responsibility and accountability. African Journal of Business Ethics, 2(1), 12–25.
11. Bariweni, K. (2024). Corporate social responsibility and financial performance in Nigeria's oil and gas sector. Journal of Energy Economics, 11(2), 90–108.
12. Bhattacharya, C. B., & Sen, S. (2004). Doing better at doing good: When, why, and how consumers respond to corporate social initiatives. California Management Review, 47(1), 9–24. https://doi.org/10.2307/41166284
13. Bieker, T. (2002). Managing corporate sustainability with the balanced scorecard. Institute for Economy and the Environment Working Paper.
14. Brammer, S., & Millington, A. (2005). Corporate reputation and philanthropy: An empirical analysis. Journal of Business Ethics, 61(1), 29–44.
15. Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. Business Horizons, 34(4), 39–48. https://doi.org/10.1016/0007-6813(91)90005-G
16. Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice. International Journal of Management Reviews, 12(1), 85–105. https://doi.org/10.1111/j.1468-2370.2009.00275.x
17. Chukwuemeka, E., & Lawal, A. (2024). CSR practices and balanced scorecard perspectives in Nigerian consumer goods firms. African Journal of Accounting Research, 6(2), 101–120.
18. Cormier, D., & Gordon, I. M. (2001). An examination of social and environmental reporting strategies. Accounting, Auditing & Accountability Journal, 14(5), 587–617.
19. Cyrus, O. (2013). Corporate social responsibility and firm performance in developing economies. Journal of African Business, 14(1), 1–12.
20. Davis, K. (1967). Understanding the social responsibility puzzle. Business Horizons, 10(4), 45–50.
21. Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures. Accounting, Auditing & Accountability Journal, 15(3), 282–311.
22. Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. Academy of Management Review, 20(1), 65–91.
23. Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. Pacific Sociological Review, 18(1), 122–136.
24. Eccles, R. G. (1991). The performance measurement manifesto. Harvard Business Review, 69(1), 131–137.
25. Ede, O., & Musa, A. (2022). CSR human capital development and learning-growth performance in Nigerian pharmaceutical firms. Human Resource Development Journal, 7(2), 55–73.
26. Elizaveta, S. (2010). Corporate social responsibility as a factor of sustainable development. International Journal of Economics and Finance, 2(4), 102–110.
27. European Commission. (2001). Promoting a European framework for corporate social responsibility. Brussels.
28. European Foundation for Quality Management. (2004). Corporate social responsibility framework. Brussels.
29. Eweje, G. (2006). The role of MNEs in community development initiatives in developing countries. Business & Society, 45(2), 93–129.
30. Figge, F., Hahn, T., Schaltegger, S., & Wagner, M. (2002). The sustainability balanced scorecard. Business Strategy and the Environment, 11(5), 269–284.
31. Freeman, R. E. (1984). Strategic management: A stakeholder approach. Boston, MA: Pitman.
32. Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B., & De Colle, S. (2010). Stakeholder theory: The state of the art. Cambridge University Press.
33. Gray, R., Javad, M., Power, D. M., & Sinclair, C. D. (2001). Social and environmental disclosure and corporate characteristics. Journal of Business Finance & Accounting, 28(3–4), 327–356.
34. Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting. Accounting, Auditing & Accountability Journal, 8(2), 47–77.
35. Hoque, Z. (2014). Strategic management accounting. Pearson Education.
36. Hoque, Z., & James, W. (2000). Linking balanced scorecard measures to size and market factors. Journal of Management Accounting Research, 12(1), 1–17.
37. Hubbard, G. (2009). Measuring organizational performance. Journal of Business Strategy, 30(2), 21–29.
38. Husted, B. W., & Allen, D. B. (2007). Strategic corporate social responsibility. Journal of Management Studies, 44(4), 594–610.
39. International Finance Corporation. (2017). Corporate social responsibility: IFC guidance. Washington, DC.
40. Jensen, M. C. (2001). Value maximization, stakeholder theory, and the corporate objective function. Journal of Applied Corporate Finance, 14(3), 8–21.
41. Jones, T. M. (1995). Instrumental stakeholder theory. Academy of Management Review, 20(2), 404–437.
42. Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard: Measures that drive performance. Harvard Business Review, 70(1), 71–79.
43. Kaplan, R. S., & Norton, D. P. (1996). The balanced scorecard: Translating strategy into action. Harvard Business School Press.

44. Kotler, P., Roberto, N., & Lee, N. (2005). Social marketing: Improving the quality of life (2nd ed.). Sage Publications.
45. McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. Academy of Management Review, 26(1), 117–127.
46. Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations. American Journal of Sociology, 83(2), 340–363.
47. Mirfazli, E. (2008). Corporate social responsibility and its impact on firm performance. Journal of Business Ethics, 83(2), 249–262.
48. Norreklit, H. (2003). The balanced scorecard: What is the score? Accounting, Organizations and Society, 28(6), 591–619.
49. Okafor, T. G. (2018). Corporate social responsibility and firm value in Nigeria. Journal of Accounting and Taxation, 10(6), 69–77.
50. Otley, D. (1999). Performance management: A framework for management control systems research. Management Accounting Research, 10(4), 363–382.
51. Patten, D. M. (1992). Intra-industry environmental disclosures. Accounting, Organizations and Society, 17(5), 471–475.
52. Phillips, R. (2003). Stakeholder theory and organizational ethics. Berrett-Koehler.
53. Porter, M. E., & Kramer, M. R. (2006). Strategy and society. Harvard Business Review, 84(12), 78–92.
54. Rahul, S. (2008). Corporate social responsibility: Drivers and challenges. International Journal of Management Studies, 15(1), 1–16.
55. Reimann, B. (1975). Corporate social responsibility and decision making. California Management Review, 18(2), 33–44.
56. Sen, S., & Bhattacharya, C. B. (2001). Does doing good always lead to doing better? Journal of Marketing Research, 38(2), 225–243.
57. Shocker, A. D., & Sethi, S. P. (1973). An approach to incorporating societal preferences in developing corporate action strategies. California Management Review, 15(4), 97–105.
58. Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. Academy of Management Review, 20(3), 571–610.
59. Uwuigbe, U., Uwuigbe, O. R., & Ajayi, A. O. (2020). Corporate social responsibility disclosure and firm performance in Nigeria. Journal of Financial Reporting and Accounting, 18(1), 42–64.
60. Blango, V. N., & Kandeh, H. B. S. (2026). Determinants of Fertility, Child Marriage, and Family Planning Use am ong Married Women in Bo City, Sierra Leone. IRASS Jo urnal of Arts Humanities and Social Sciences, 44. https:// doi.org/10.67564/irassjahss.v3.i7.0258