Corporate Social-Environmental Reporting and Firm Performance of Listed Firms in Nigeria

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ABSTRACT
Financial performance and reporting of company social and environmental expenses were examined. Researchers and businesses throughout the world are increasingly interested in understanding the effect of corporate social and environmental spending on bottom line results. The analysis relied on information from the listed companies' financial statements from 2010 to 2019. Linear regression was used for the analysis in this study. Based on the statistics presented, it appears that CSR reports have a negative effect on the ROI that was originally targeted. Corporate social environmental spending reporting also has a detrimental effect on the mandated return on assets and earnings per share. According to the findings, Nigerian investors are less interested in firms that use their profits to benefit society than they are in those that generate a high return on investment and perhaps offer a sizable dividend. More education and awareness on the topic of corporate social and environmental performance of the firms was recommended in the study rather than focusing on the shareholder group that is more inclined towards the profit motive of the firm. This is because it could change the perspectives of investors to place a high value on firms that consider the needs of all stakeholders, especially the society and environment where they operate.

***Keyword**: Corporate social-environmental expense reporting, Earning management, Firms*

1.0 INTRODUCTION

Maintaining a going concern by a firm that will bring about an attractive profit and shareholders wealth is viewed as the optimal prospects of a firm. However, it does not come without a cost. Costs associated with rule breaking, environmental degradation, ecological system breakdown, and employee safety concerns all factor in (Skouloudis, et al., 2019). Stakeholders have voiced worry over these issues, prompting businesses to respond by adopting new policies that will make them more environmentally and socially responsible (Khan, 2019). It is still up for debate what information corporations should make public as part of their corporate social environmental reporting in order to be responsible in the communities in which they operate. In today's fast-paced world, not only are markets becoming more competitive in how they are handled, but the requirements of stakeholders are also altering on a daily basis, none of which helps the problem. The future success and efficiency of the businesses is so threatened. This economic phenomena is crucial because it increases the flow of long-term capital and enhances the level of governance in all companies (Balkhi, 2010). To ensure the safety of its stakeholders and the continued success of their business, companies functioning in today's fast-paced global economy must overcome a number of obstacles (Mahmood, et al., 2019). This issue should be taken into consideration because for firms to continue operations they have to be socially responsible for sustaining the environment which is a resource for their existence. The human capital are major assets used by firms for their operations the adverse effect on this phenomenon is also a thing of concern. Humans are needed as they are players in firms performance, but for this past years their has been no improvement in their living standards as the challenges grows with a higher speed. The public opinion of a firm need to be enhanced for better performance through its social expectations ranges firm ethical, legal, social and economic activities.

Businesses do not operate in isolation there is an interaction with a phenomenon like an environment, which businesses interact with to achieve the aim of its existence. The activities of a business Enterprise is being influenced by the activities of the environment where they are domiciled. The business enterprise is not to operate for a one-off. Ordinarily, the major aim of an organization in the business is to maintain growth for profitability and competitiveness in the business environment. The activities of the organization are being influenced by the environment where they operate either negatively or positively. Organizational growth depends on how organizations manage their earnings. The information irregularity in earnings management through manipulation of financial records to portray the profit margin of the organization is one with potential and not ideal. Organizations are subsections of a large section which has a negative or positive influence on their operation and thereby reciprocate accordingly to keep the relationship (Omoye, and Eriki, 2014).

The environment where the organization operates is an unpredictable one due to the dynamics facing the economy. There is a collapse of quality environmental resources. The environmental hazard experienced in the world today has been a thing of concern which not only governments are looked up to but business is to be part and sources of the solution. Utile (2016) reported that the loss of natural habitat is associated with industrialization. As organization seeks to meet up with their primary function of producing for human consumption, it also affects the environment and society at large so it is, therefore, important that the environment and society are being informed about the activities of the organization. As the financial performance of the organization needs to be disclosed to enable the environment to know what is obtainable in the process of their operation in that environment. The reports that are made available by most organizations do not reflect the impact of their operations on the environment. Uwalomwa, Daramola, and Anjolaoluwa, (2014), posited that financial reports presented by the organization have been criticized because they don't show the true representation of so many aspects of the organization's value on their financial reports.

The need for financial disclosure is on the increase as well as the growth of awareness on ecology matters in this global world which is very important to economic growth. This will make organizations achieve their aims to sustain their operations in the long run and compete favorably with their competition. The recent global financial situation has put many pressures on accounting to report and open up the various areas of firms' value. Oil and gas companies operating in the upstream sector in Nigeria are to blame, say Achi, Lyndon, and Bingilar (2003), for the country's catastrophic environmental and ecological conditions.

This has left the oil-producing community with serious health challenges which have affected their social economic and environmental structures. Despite KPMG's request in 2005's International Survey of Corporate Sustainability Reporting that oil companies voluntarily improve their sustainability performance and reporting in countries with inadequate environmental laws to show a level of commitment, the problem is still staring such communities in the face, full stop, despite the enforcement of Sustainable Development Goals (SDG) environmental laws. According to Adams (2020), sustainability reports should be incorporated into companies' yearly financial performance reports. The daily rise in human existence, consumption rate, and output has a consistent impact on the quality and quantity of natural resources, which in turn allows humans to know what is happening in their process of operation. The natural process of the planet is disappearing, starvation, the social system disintegrating, etc. Business organizations are part of the problem faced by the environment and they must take responsibility for proffering solutions to the environment through sustainable social responsibility.

Sukanya and Yudhvir, (2015) posited that humans activities have a disastrous effect on the future environment in line with this assumption organizations should help in averting risk. Unerman et al (2007) posited that's the only way for this solution to be maintained and sustainable is only when we look at it in the long run. The license of an organization can be tied or threatened in the short run if stockholders see the significant variance between their values and that of the organization. The organization should be able to report favorably to the environment of their operations because there is an increase in the knowledge that organizations have been made to answer responsibly for the consequences of their activities on the environment and how it has affected the social activities of the inhabitant's host of the communities.

Corporate social-environmental expense reporting has been an important matter trending firms should see it as an obligation not only to their shareholders but to the social environment where they operate from, which will, in turn, boost their earnings. Corporate social-environmental reporting is like a social security benefit an obligation that is provided by the organization to its domain environment. Degradation of environments at the place value because it has caused so much damage that human imagination. It is therefore important to note that the sustainability of any organization depends on how involved they are in social-environmental expense reporting. Organizations that misrepresent their reports attend to have a short lifespan in the business domain. If it does not see reasons to include the concern of ours primary environment which can enhance its long-run sustainability. Capital markets throughout the world react to news regarding an organization's financial and environmental performance. News concerning harmful effects on the environment (such as oil spills or permission breaches) may cause a negative reaction, whereas stories about organisations' efforts to clean up the environment may elicit a favourable one (Dasgupta & Mamingi, 1998).

Several studies have examined the connection between a company's financial success and its ability to manage its environmental costs effectively. Nevertheless, the results of these research have varied widely depending on the proxies and control variables employed and the country' preexisting environmental policies (Priyanka, 2013; Uwuigbe et al., 2017). CSR and corporate financial performance have been the subject of numerous studies in both developed and developing economies (Uwuigbe et al., 2017; Amiolemen, Uwuigbe, Uwuigbe, Osiregbemhe, and Opeyemi; Ajide and Aderemi, 2014; Okegbe and Egbunike, 2016). (Aras, Aybars, and Kutlu, 2009; Crisostomo, Freire, and De Vascincellos, 2011). Despite the abundance of literature on the topic, few studies have looked at how reporting on corporate social and environmental expenses affects business performance in Nigeria. So, the study analysed the connection between CSR and profit maximisation in business.

2.0 REVIEW OF RELATED LITERATURE

2.1 Theoretical Framework

This study relied on the stakeholder and the legitimacy theories

2.1.1 Stakeholder theory

According to proponents of this approach, business leaders must take into account and strike a balance between the needs of various stakeholder groups (Freeman, 1984). To paraphrase the theory's proponents, "stakeholders" include "future generations," "suppliers," "government," "customers," "community," "workers," "community," "environment," etc (Freeman, 1984). The notion diverts attention away from creating corporate success and towards the distribution of that success. Hence, reporting on corporate social and environmental performance can help strengthen ties between businesses and their communities. Stakeholders should also be respected, since the notion holds that if they are disregarded, this might lead to the downfall of a company because it failed to exercise the necessary level of care (Freeman, 2004). As a result, businesses should do everything they can to earn the respect of their stakeholders.

2.1.2 Legitimacy theory

This idea questions the generally held belief that corporations are good for society. The idea discusses how businesses may adopt socially conscious practises in order to win the approval of the community in which they operate (Guthrie & Parker, 1989). The idea proposes that corporations should operate in ways that don't just maximise profit for the company, but also increase wealth for shareholders and minimise negative effects on local communities (Anbumozhi, Chotichanathawewong, & Murugesh, 2011). According to this view, successful legitimising development depends on maintaining social interaction between host communities and corporations (Mathews, 1993). The disruption of clear and fundamental terms of the agreements, however, might put the partnership at risk under this perspective. If the legitimacy process breaks down, firms may not survive. Corporate Social and Environmental Reporting has been frequently attributed to this notion (O'Donovan, 2002). Today's investors expect more from their companies than just a return on their investment in the form of dividends; they want banks to take whatever measures are necessary, at whatever cost, to protect the environment, their customers, their employees, and the communities in which they do business (Deegan & Rankin, 1997; Uwuigbe, 2012).

2.2 Empirical Review

Existing literature on social-environmental reporting and earning management are provided different conclusions, between reports on environmental, social, and economic activities and the performance of firms.
One hundred Malaysian public limited firms were used in Norhasimah's (2016) study of the impact of environmental reporting on financial performance, and the results showed a strong correlation between environmental disclosure and profits. Research conducted by Kwaghfun (2015) utilising data from 64 firms listed on the NSE between 2002 and 2012 reveals a favourable correlation between sustainability reporting and return on assets, return on equity, earnings per share, and net profit margin. With the advent of the Global Reporting Initiative, the concept of sustainability reporting has become increasingly important in the modern world (GRI). As a "thing of idea," the amount of environmental degradation cannot be imagined; the social lives of persons in this environment are being harmed without regard from this business parastatals, making the benchmark for this closure or sustainability performance of businesses' assets extremely low.

Laskar and Miyi (2016) investigated the breadth and growth of sustainability reporting in India's commercial sector. They found that many Indian businesses are disclosing their eco-friendly initiatives. They found evidence supporting the hypothesis that CSR reporting is associated with improved business outcomes.

Ortas et al. (2015) used content analysis and the GRI framework to assess the quality of corporate sustainability reports from 59 different nations. A positive relationship was found between reporting sustainable practices and financial performance in a study examining the relationship between corporate sustainability reporting and financial metrics. Researchers Chen et al. (2015) found positive relationships between corporate social responsibility, respect for human rights, and financial success.

In 2017, Halkus and Skouloudis investigated the extent to which the Greek financial system cares about the need to adapt to climate change as a result of the activities of Greek businesses. Few Greek businesses were found to disclose their agreement with the cause of climate change in their financial reports.

Analysis of the different dimensions of corporate social responsibility and firm performance by Qianguian, Tianlun, Chien-liang, Tiejun, and Tachia (2021) revealed that the technique dimension of corporate social responsibility was negatively related to firm performance, while the content dimension was positively related to firm performance.
There is empirical evidence that discretionary accounting procedures harm both the public's perception of businesses and their ability to remain in business over the long term, as demonstrated by Rodriguez- Ariza, Martinez-Ferrero, and Bermego- Sanchez (2016). Nevertheless, they also found that high levels of concentration of ownership were correlated negatively with family control and the ability to effectively manage profits. When it comes to managerial choices, profits management, and the resultant damage to the company's reputation, family-owned businesses have a vested interest in keeping a tight rein.

Accounting statistics can be renovated from what they actually are to what preparers want, but doing so presents a moral hazard, as warned by Jawad and Xia (2015). The "incurred loss approach" to profits management, according to their argument, hastens the demise of organisations since it leads to the identification of enormous losses too early.
According to the findings of Sanusi and Izedonmi's (2014) research, commercial banks in Nigeria use "creative accounting" to increase the value of their stock on the market (earnings management). Yet they argued that the earnings management procedures used to reach this goal are unsustainable and ultimately bring about the downfall of the firms and a loss of investor trust in the stock market. That is to say, the truth will have to be revealed at some point since the corporation cannot permanently fool current and future investors with data produced via earnings management.

Earnings management has been shown to increase productivity, as stated by Leyira and Okeoma (2014). That is, businesses manipulate profits to make it look like their operations are successful, but critics argue that this kind of accounting technique and the scandal it always spawns may bring down any business.

Omoye and Eriki (2014) analysed the connection between earnings management practices and corporate governance procedures at Nigerian listed businesses, categorizing them as either high or poor. Among the findings: a large number of Nigerian listed businesses engage in "absolute high earnings management," and the audit committee's and the board's female representation have a negative and substantial effect on the adoption of such methods. Conversely, absolute high earnings management levels of Nigeria listed businesses were shown to be statistically significant after controlling for company size, auditors' type, and industry class.

3.0 METHODOLOGY

The study used a quantitative technique and an ex post facto research strategy, with secondary data coming from the company's financial statements. Selected financial institutions registered with the Nigerian Securities and Exchange Commission as of December 2020 made up the study's population. This analysis only includes financial institutions that have been consistently listed on the NSE between 2010 and 2019. This study relied on a secondary data source to generate its calculations and analyses, with the use of financial and statistical algorithms. Corporate social and environmental spending, leasing, and dividends used as surrogates for the independent variable, a CSR report. Return on equity, Return on assets, and Profits per share are proxies for the dependent variable, company performance (EPS). Descriptive and inferential statistics in SPSS version 25 were used to examine the gathered data. Descriptive statistics were calculated and reported as means, medians, and ranges, while other inferential statistical tests were used to learn more about the connections between and among the variables. This included a PPMC and a linear regression analysis.

Model Specification

Based on the hypotheses, the linear regression equation looked like this:

ROE = $\beta_0 + \beta_1$CSEEi+ $\beta_2 LS_i + \beta_3 DD_i + \varepsilon_i$---------------------------i

ROA = $\beta_0 + \beta_1$CSEEi+ $\beta_2 LS_i + \beta_3 DD_i + \varepsilon_i$ ---------------------------ii

EPS = $\beta_0 + \beta_1$CSEEi+ $\beta_2 LS_i + \beta_3 DD_i + \varepsilon_i$ ---------------------------iii

β_0= constant of the equation or constant term
β_1-β_3= Parameters to be estimated
β0 = Constant
CSEE = corporate social and environmental expenditure
LS = Leasing
DD = Dividend
β_1 = Co-efficient of independent variable
ε = Error term

4.0 RESULTS AND DISCUSSION OF FINDINGS

Table 1: ***Descriptive Statistics***

	N	Minimum	Maximum	Mean	Std. Deviation
CSEE	10	40.00	95.00	73.9700	17.77789
LEASING	8	3334.00	252945.00	104014.7500	103452.07205
DIVIDEND	10	4.50	20.00	11.4690	5.38155
ROE	10	.05	.73	.2822	.21410
ROA	10	.01	.14	.0462	.03895
EPS	10	3.60	86.00	29.2270	27.29948
Valid N (listwise)	8				

Author's Computation (2023)

The above table shows the summary of the descriptive statistics, the mean values of investment, leasing, dividend, ROE, ROA, and EPS are 73.9700, 104014.7500, 11.4690, 0.2822, 0.0462, and 29.2270 respectively. It is observed from the table that ROA had the lowest standard deviation of 0.03895 while leasing has the highest standard deviation of 103452.07205.

Inferential Analysis

Model One

In this section, the linear regression models were estimated using OLS, the result of the model estimation was presented in Table 4.2.

ROE = $\beta_0 + \beta_1$ CSEEi+ $\beta_2 LS_i + \beta_3 DD_i + \varepsilon_i$---------------------------i

Dependent Variable: ROE; Multiple Regression result based on Return on Equity.

Model Summary

Model	R	R Squ	Adj R Squ	Std. Error
1	.738[a]	.545	.204	.21489

a. Predictors: (Constant), DIVIDEND, LEASING, CSEE

ANOVA[a]

Model		Sum of Squares	Df	Mean Squ	F	Sig.
1	Regression	.221	3	.074	1.597	.323[b]
	Residual	.185	4	.046		
	Total	.406	7			

a. Dependent Variable: ROE
b. Predictors: (Constant), DIVIDEND, LEASING, CSEE

Coefficients

Model		Unstand. Coeffi.		Stand. Coeffi.	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.151	.412		-.367	.732
	CSEE	-5.508E-005	.005	-.004	-.010	.992
	LEASING	5.904E-007	.000	.254	.650	.551
	DIVIDEND	.036	.019	.807	1.935	.125

a. Dependent Variable: ROE
Source: Author's Computation (2023)
The effect of disclosing corporate social and environmental expenses on return on equity of a sample corporation is shown in the above table through linear regression. The pooled effect reveals a good fit, with 55% of the differences in turnover explained by the variables in the equation (R2 = 55%, Adj R-sq = 20%, and F-stat= 0.323).
It can be shown that the corporate social environmental reporting have a negative effect on the selected return on equity (ROE) as their (p>.05) coefficients signifying the influence of corporate social environmental reporting on earning management of listed enterprises in Nigeria are negative. As a result, the study's authors accept the null hypothesis (H01) that no connection exists between corporate social responsibility and ROE for Nigerian firms.

Model Two
The result of the model estimation was presented in Table 4.3.
$ROA = \beta_0 + \beta_1 CSEEi + \beta_2 LS_i + \beta_3 DD_i + \varepsilon_i$ ---------------------------ii

Dependent Variable: ROA; Multiple Regression result based on Return on Asset.

Model Summary

Model	R	R Sq	Adj. R Sq	Std. Error
1	.588[a]	.345	-.146	.04671

a. Predictors: (Constant), DIVIDEND, LEASING, CSEE

ANOVA

Model		Sum of Sq.	Df	Mean Sq	F	Sig.
1	Regression	.005	3	.002	.703	.598[b]
	Residual	.009	4	.002		
	Total	.013	7			

a. Dependent Variable: ROA
b. Predictors: (Constant), DIVIDEND, LEASING, CSEE

Coefficients[a]

Model		Unstand. Coeffi.		Stand. Coeffi.	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.015	.089		-.173	.871
	CSEE	-6.547E-005	.001	-.029	-.055	.959
	LEASING	1.369E-007	.000	.324	.693	.526
	DIVIDEND	.005	.004	.652	1.302	.263

a. Dependent Variable: ROA

Source: Author's Computation (2023)

In the table above, you can see the results of a linear regression analysis of the impact of disclosing corporate social and environmental expenses on ROA for the company that was chosen for this analysis. The pooled effect indicates a decent fit, with 35% of the differences in turnover explained by the variables in the equation ($R2$ = 35%, Adj R-sq = -15%, and F-stat= 0.598).

Taking into account the signs and sizes of the coefficients representing the impact of corporate social environmental expense reporting on the return on asset (ROA) of the selected studied business, it is clear that the reporting has a negative impact on the ROA of the selected firm ($p>.05$). As a result, the study's authors accept the null hypothesis (H01) that no connection exists between CSR reporting and ROA for Nigerian businesses.

Model Three

The result of the model estimation was presented in Table 4.4.

$EPS = \beta_0 + \beta_1 CSEEi + \beta_2 LS_i + \beta_3 DD_i + \varepsilon_i$---------------------------iii

Dependent Variable: EPS; Multiple Regression result based on Earning Per Share.

Model Summary

Model	R	R Sq.	Adj. R Sq.	Std. Error of the Estimate

1	.954[a]	.911	.844	8.33260

a. Predictors: (Constant), DIVIDEND, LEASING, CSEE

ANOVA[a]

Model		Sum of Sq.	Df	Mean Sq.	F	Sig.
1	Regression	2828.011	3	942.670	13.577	.015[b]
	Residual	277.729	4	69.432		
	Total	3105.740	7			

a. Dependent Variable: EPS

b. Predictors: (Constant), DIVIDEND, LEASING, CSEE

Source: Author's Computation (2023)
Coefficients

Model	Unstand. Coeffi.		Stand. Coeffi.	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.620	15.957		.478	.658
CSEE	-.349	.211	-.316	-1.653	.174
LEASING	-1.683E-005	.000	-.083	-.478	.658
DIVIDEND	4.193	.727	1.067	5.770	.004

a. Dependent Variable: EPS

The above data is a linear regression of chosen companies' earnings per share against their disclosure of social and environmental costs. As a whole, the components in the equation adequately explain 91% of the variance in turnover (R2 = 91%, Adj R-sq = 84%, and F-stat= 0.015).

Based on the signs and sizes of the coefficients representing the impact of corporate social environmental expense reporting on the EPS of the selected researched business, it is clear that such reporting has a positive substantial influence on the EPS of the selected firm (p.05). Our research therefore contradicts the null hypothesis (H01), which asserts that no connection exists between CSR/environmental reporting and EPS growth at Nigerian firms.

5.0 Conclusion and Recommendations

This study looked at how the reporting of corporate social environment expenses affected the performance of a sample of publicly traded Nigerian companies. What is meant by "corporate social-environmental reporting" is the management of financial resources invested in the external business environment for the objective of attaining competitive supremacy over rivals."

Given that all of the organisations we looked at shared commonalities, we discovered that the ones with the strongest commitments to social responsibility were also the best performers. When the unique, unobservable factors that affect a company's bottom line are taken into account, however, we find that social commitment does have a negative impact on financial results. In this regard, organisations that prioritise social responsibility and environmental preservation tend to have weaker financial performance than their competitors, which can have a detrimental impact on their stock price.

In conclusion, the results of this study are in line with those of previous studies by Venanzi (2012), Solomon, Oyerogba, and Olaleye (2014), and Sukanya, Rebekah, and Yudhvir (2017). (2015). It's possible that the lacklustre outcomes are due to the fact that most Nigerian management still doesn't understand the significance of CSR. They don't put much stock in businesses that give back to the community, and would rather invest in ones that produce a healthy profit and can afford to pay a healthy dividend.

This study suggests that more attention should be paid to the shareholder group that is less inclined towards the profit motive of the firm, and that investors' perspectives should be shifted to place a high value on firms that consider the needs of all stakeholders, especially the society and environment in which they operate. In addition, the government must enforce stricter restrictions and punishments through regulatory agencies against businesses with inadequate environmental management practises. It is also suggested that Nigerian banks increase the amount of money they spend on philanthropic responsibility and the government should determine the quantum. CSR will increase the banks' goodwill and, in turn, their financial worth; it will also improve the banks' image, giving them an edge over other banks through increased patronage of their services. The study's author also suggests that the Nigerian government and the private sector work together to promote economic growth, and that banks in the country devote more resources to social accounting and social expenses.

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