

Effect of Financial Performance on Social Sustainability of Listed Industrial Goods Firms in Nigeria

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Abstract

This study examined the effect of financial performance on the social sustainability of listed industrial goods firms in Nigeria. The study population comprised thirteen listed industrial goods firms in Nigeria, from which nine firms were selected as the sample. Secondary data were obtained from the annual reports and accounts of the sampled firms covering the period from 2012 to 2024. The study employed Panel-Corrected Standard Error (PCSE) regression analysis to test the stated hypothesis. The results revealed that financial performance, measured by net profit, exerted a positive and statistically significant effect on social sustainability, proxied by corporate donations, among listed industrial goods firms in Nigeria ($\beta = 0.006643$, $p = 0.0000$). The findings suggest that financially strong firms are more capable of supporting social sustainability initiatives through sustained investments in community development and stakeholder welfare. Consequently, policymakers should design incentive-based policies, such as tax reliefs and public recognition programmes, to encourage profitable firms to commit a greater proportion of their earnings to impactful and measurable social sustainability projects.

Keywords: Financial Performance, Net Profit, Social Sustainability, Corporate Donations, Listed Industrial Goods Firms, Nigeria.

1.0 Introduction

In recent years, social sustainability has emerged as a critical aspect of corporate operations as organizations increasingly seek to balance economic objectives with their responsibilities to society. Social sustainability refers to the ability of firms to generate positive social outcomes through their business activities, stakeholder engagement, and community-oriented initiatives while maintaining economic viability (Li et al., 2024). The concept encompasses a wide range of practices, including charitable contributions, employee welfare programmes, community development projects, and ethical business conduct. It reflects the growing expectation that firms should create value not only for shareholders but also for the broader society in which they operate

(Ukoh et al., 2024). Within the Nigerian industrial goods sector, firms play a significant role in national economic development through manufacturing activities, employment generation, and infrastructural investments. However, these firms are increasingly expected to demonstrate social responsibility by addressing societal needs through sustainable social initiatives and corporate citizenship programmes (Usman, 2024; Musa et al., 2024; Nzereogu & Onyali, 2023).

The relevance of examining social sustainability has become more pronounced as stakeholders place greater emphasis on the societal contributions of business organizations. Existing evidence indicates a steady rise in corporate philanthropy and sustainability-related investments across the globe. According to a 2024 report by the World Economic Forum, global corporate donations for climate and nature increased by 127% in dollar terms, rising from \$268 million to \$607 million (World Economic Forum, 2024). Similarly, several Nigerian industrial goods firms have devoted considerable resources to community development and charitable causes while maintaining strong financial records (See Appendix A). For instance, Dangote Cement contributed approximately ₦1.2 billion to social causes in 2020 while recording a profit of ₦352.6 billion during the same period. Such initiatives suggest that strong financial performance may enhance a firm's capacity to undertake social sustainability activities. Nonetheless, evidence from firms such as Beta Glass and Meyer Plc indicates that high profitability does not always translate into substantial social contributions. This contrast necessitates a deeper investigation into the relationship between financial performance and social sustainability within the Nigerian industrial goods sector.

The growing emphasis on social sustainability reflects changing societal values and evolving expectations regarding corporate behaviour (Ukoh et al., 2024). Contemporary stakeholders, including investors, customers, regulators, and host communities, increasingly evaluate firms based not only on their financial outcomes but also on their environmental, social, and governance (ESG) commitments (Akinsola, 2025). Within this framework, social sustainability represents a vital component because it focuses on how organizations improve societal welfare through responsible business practices. This expectation is particularly relevant to industrial goods firms, whose operations frequently attract scrutiny because of their substantial consumption of natural resources and potential environmental impacts (Liao et al., 2023). Consequently, businesses are under increasing pressure to demonstrate commitment to ethical labour practices, community engagement, and social development programmes. Research by McKinsey & Company revealed that more than 60% of consumers are more likely to support companies with strong ethical and social sustainability records (McKinsey & Company, 2023). As a result, many firms have integrated social sustainability considerations into their strategic and operational decisions.

The relationship between financial performance and social sustainability has attracted considerable scholarly attention over the years (Ramadani et al., 2025; Hermawan & Mulyawan, 2014). One perspective suggests that financially successful firms possess greater resources to invest in social sustainability initiatives. Firms with strong profit performance can allocate part of their earnings toward charitable giving, educational support programmes, healthcare interventions, employee development initiatives, and community projects without compromising operational stability (Nzereogu & Onyali, 2023). This argument aligns with observations from several Nigerian industrial goods firms that have consistently combined high financial performance with meaningful social investments. For example, Dangote Cement has sustained substantial profitability while simultaneously supporting numerous social programmes in education, healthcare, and infrastructure development (Dangote Cement, 2025). Evidence from other firms, such as Berger Paints and Cutix Plc, further demonstrates how healthy financial outcomes can

facilitate social sustainability commitments, even when the absolute value of donations differs across firms (See Appendix A).

Conversely, some scholars have argued that financial performance alone may not be sufficient to explain variations in social sustainability practices across firms (Ibikunle, 2024). Several highly profitable organizations allocate relatively limited resources to social initiatives despite possessing the financial capacity to do so. Available evidence suggests that firms such as Beta Glass have recorded substantial profits over the years while making minimal contributions to social sustainability causes. This inconsistency implies that profitability does not automatically translate into stronger social commitment (Usman, 2024). Factors such as managerial priorities, corporate culture, governance structures, and strategic orientation may equally influence the extent to which firms engage in social sustainability practices. In some instances, organizations may perceive social sustainability activities as compliance obligations rather than integral components of long-term value creation (Chen et al., 2008). Additionally, firms may prioritize expansion projects, technological investments, or cost-management strategies, thereby limiting the resources allocated to social programmes. Despite growing awareness of social sustainability, significant variations remain in the commitment levels demonstrated by firms within the Nigerian industrial goods sector. While organizations such as Dangote Cement and Lafarge Africa have consistently linked strong financial outcomes with substantial social contributions, others have exhibited limited engagement despite favourable financial performance (See Appendix A). This divergence is further illustrated by cases where less profitable firms occasionally engage in notable social activities, whereas highly profitable firms remain largely inactive in this regard. Such disparities suggest that the relationship between financial performance and social sustainability may be more complex than commonly assumed. Consequently, there is a need for empirical evidence capable of clarifying whether financial performance significantly influences social sustainability among listed industrial goods firms in Nigeria. The consequences of weak commitment to social sustainability can be far-reaching for both firms and society. Organizations that neglect social responsibilities risk damaging their reputations at a time when ethical conduct and sustainability considerations significantly influence stakeholder decisions (Douye & Gospel, 2023). Investors increasingly favour organizations that demonstrate responsible business practices, while customers show stronger loyalty toward firms perceived as socially responsible (Robinson, 2022). Failure to invest in social sustainability may therefore result in reputational damage, diminished stakeholder trust, reduced competitiveness, and the loss of strategic opportunities for long-term growth. Furthermore, inadequate support for community development initiatives may weaken relationships with host communities and undermine broader sustainable development goals. Consequently, understanding the factors that drive social sustainability has become an important concern for both policymakers and corporate decision-makers. Against this background, this study examined the effect of financial performance on the social sustainability of listed industrial goods firms in Nigeria. Specifically, the study investigated whether improvements in financial performance increase the propensity of firms to engage in social sustainability activities through corporate donations. The study contributes to existing literature by analysing social sustainability from the perspective of financial performance and by evaluating donations relative to firm profitability. Through this approach, the study provides empirical evidence on the extent to which financially successful firms translate their economic achievements into meaningful social sustainability commitments within the Nigerian industrial goods sector.

2.0 Literature Review

2.1 Conceptual Issues

Social sustainability refers to the extent to which a firm integrates social considerations into its operations and decision-making processes in a manner that promotes societal welfare and long-term stakeholder well-being (Douye & Gospel, 2023). It encompasses a wide range of activities designed to enhance the quality of life of employees, host communities, customers, and other stakeholders. Such activities may include community development programmes, charitable donations, employee welfare schemes, ethical business conduct, diversity initiatives, and responsible sourcing practices. Through these actions, firms seek to create lasting social value while strengthening stakeholder relationships and enhancing corporate reputation (Nworie & Aniefuna, 2024; Nworie & Orji-Okafor, 2024). Among the various indicators of social sustainability, corporate donations remain one of the most visible and measurable expressions of organizational commitment to societal development (Onyali et al., 2024; Nzereogu & Onyali, 2023). By dedicating financial resources to philanthropic and community-oriented causes, firms demonstrate their willingness to contribute beyond the pursuit of economic gains. Consequently, corporate donations serve as an appropriate proxy for evaluating social sustainability because they reflect both the commitment and the capacity of firms to invest in the welfare of society.

Financial performance represents the ability of a firm to generate satisfactory economic returns from its business activities while maintaining operational efficiency and long-term sustainability (Ellinger et al., 2012). It is commonly assessed using financial indicators such as net profit, return on assets, return on investment, earnings growth, and other measures of profitability (Rashid, 2021). Among these indicators, net profit occupies a prominent position because it directly measures the extent to which a firm converts revenue into financial gain (Youssef et al., 2022). Strong financial performance provides organizations with the resources needed to support business expansion, reward shareholders, invest in innovation, and undertake socially responsible initiatives. The significance of financial performance in the context of social sustainability lies in its capacity to provide the economic foundation for community development activities, charitable giving, and other socially beneficial projects (Nzereogu & Onyali, 2023). Firms with stronger financial performance are generally better positioned to sustain social sustainability initiatives during both favourable and challenging economic periods, thereby strengthening their contributions to societal development.

2.2 Theoretical Underpinning and Hypothesis Development

This study is anchored on Legitimacy Theory, which was developed by Dowling and Pfeffer in 1975 to explain the interaction between organizations and the societies within which they operate (Dowling & Pfeffer, 1975). The theory posits that organizations can only achieve continued acceptance, support, and survival when their activities conform to prevailing societal values, expectations, and norms (Douye & Gospel, 2023). According to the theory, legitimacy constitutes an important organizational resource because stakeholders are more likely to support firms that are perceived as socially responsible and aligned with societal interests. Conversely, organizations that fail to meet societal expectations may experience reputational damage, stakeholder dissatisfaction, and loss of social acceptance (Fernando & Lawrence, 2014).

The central proposition of Legitimacy Theory is that organizations must continuously seek to obtain, maintain, and restore legitimacy by ensuring that their activities remain consistent with evolving societal expectations (Douye & Gospel, 2023). Since social values and stakeholder expectations change over time, firms are compelled to adopt strategies that demonstrate their

commitment to socially accepted behaviours. Dowling and Pfeffer identified several approaches through which firms can achieve legitimacy, including symbolic actions, organizational adjustments, and communication strategies aimed at reinforcing positive stakeholder perceptions. Such strategies often manifest through corporate social responsibility activities, stakeholder engagement programmes, sustainability initiatives, and philanthropic contributions (Fernando & Lawrence, 2014). By engaging in these activities, organizations signal their commitment to societal welfare, thereby strengthening stakeholder confidence and preserving their social licence to operate. Legitimacy Theory provides a useful framework for understanding the relationship between financial performance and social sustainability. The theory suggests that firms with superior financial performance possess greater resources to support social sustainability initiatives such as charitable donations, community development projects, and stakeholder welfare programmes. Strong financial performance enables organizations to undertake such initiatives without compromising operational efficiency or financial stability (Hermawan & Mulyawan, 2014). Furthermore, highly profitable firms often face greater public scrutiny and stakeholder expectations regarding their social responsibilities. Consequently, these firms may use social sustainability activities as a mechanism for demonstrating accountability and reinforcing their legitimacy within society (Zheng et al., 2015; Chen et al., 2008). For example, a financially successful industrial goods firm may invest in educational programmes, healthcare interventions, environmental preservation projects, or community development initiatives as a means of strengthening stakeholder relationships and enhancing corporate image. Although some firms may engage in symbolic social sustainability efforts merely to create favourable public perceptions, the theory nonetheless provides an appropriate lens for examining how financial performance influences social sustainability practices. Based on the foregoing arguments, the study hypothesizes that:

Ha: Financial performance (proxied by net profit) positively influences social sustainability among listed industrial goods firms in Nigeria.

2.3 Synthesis of Existing Empirical Findings

A review of existing empirical literature reveals substantial evidence supporting the view that financial performance influences social sustainability and related disclosures. Several studies conducted in Nigeria, including those by Okafor and Anetoh (2024), Owuoye et al. (2024), and Musa et al. (2024), found that firms with stronger profitability levels were more likely to engage in social sustainability activities and disclose related information. These findings are consistent with the argument that financially successful firms possess both the capacity and motivation to invest in stakeholder-oriented initiatives that enhance corporate reputation and legitimacy. Similar conclusions were reached by Danrimi and Aliyu (2023) as well as Nzereogu and Onyali (2023), who reported significant positive associations between profitability and corporate social responsibility expenditure or disclosure within the manufacturing sector. Furthermore, Ramadani et al. (2025), through an extensive literature review, highlighted a broadly consistent pattern linking financial performance with greater commitment to social responsibility initiatives.

Despite this dominant perspective, some empirical studies have reported contrary findings. For instance, Ibikunle (2024) found that profitability did not significantly influence corporate social responsibility disclosure among listed oil and gas firms in Nigeria, suggesting that sector-specific characteristics may moderate the relationship. Likewise, Usman (2024) observed a negative relationship between profitability and sustainability reporting among industrial goods firms, implying that some organizations may prioritize financial objectives over social disclosure

activities. These contradictory outcomes suggest that factors such as industry characteristics, governance structures, stakeholder pressure, and strategic priorities may influence whether financial performance translates into stronger social sustainability engagement.

Nevertheless, the majority of empirical evidence supports a positive linkage between financial performance and social sustainability. Studies by Udu et al. (2024) and Onyali et al. (2020) further established that firms with stronger financial results were more likely to invest in social responsibility programmes and communicate such activities transparently to stakeholders. The consistency of these findings across different industries, study periods, and analytical techniques, including Ordinary Least Squares (OLS), Generalized Least Squares (GLS), and panel data regressions, provides considerable empirical support for the argument that financial performance serves as an important driver of social sustainability. However, variations in findings across sectors underscore the need for industry-specific investigations capable of revealing contextual factors that shape corporate social sustainability behaviour.

2.4 Gap in Literature and Contribution to Knowledge

While previous studies have largely focused on examining the relationship between financial performance and social sustainability disclosure or corporate social responsibility activities, limited attention has been devoted to understanding the magnitude of firms' actual financial commitment to social sustainability initiatives. Most existing studies have concentrated on establishing statistical relationships without evaluating the proportion of financial resources devoted to social sustainability activities relative to firms' profitability levels. This study addresses this gap by analysing trends in corporate donations in relation to net profit, thereby providing deeper insights into the extent to which financial performance translates into measurable social sustainability commitments. Through this approach, the study contributes to knowledge by offering evidence on the intensity and consistency of social sustainability investments among listed industrial goods firms in Nigeria.

2.5 Trend Analysis of Corporate Donations and Financial Performance

An examination of the relationship between corporate donations and financial performance reveals notable differences in social sustainability commitment among listed industrial goods firms. Among the highly profitable firms, Beta Glass consistently reported net profits exceeding ₦1.3 billion between 2012 and 2024, reaching a peak of ₦13.6 billion in 2024. Despite this impressive financial performance, the firm recorded no donations in eleven out of the thirteen years examined. Its only reported donation, amounting to ₦18.6 million in 2022, represented approximately 0.40% of net profit for that year. Similarly, Meyer Plc achieved its highest net profit of ₦1.1 billion in 2020 but did not report any donations throughout the study period. These observations suggest that strong financial performance does not automatically result in greater social sustainability commitment, indicating that factors beyond profitability may influence donation behaviour.

In contrast, firms such as Dangote Cement and CAP Plc demonstrated a more consistent relationship between financial performance and social sustainability. Dangote Cement reported annual profits ranging from ₦152.9 billion in 2012 to ₦1.02 trillion in 2024 and maintained regular donations throughout the period. Donation values ranged from ₦587 million in 2015 to ₦9.6 billion in 2024, representing approximately 0.22% to 1.12% of annual net profit. Likewise, CAP Plc made donations in virtually every year under review, contributing amounts ranging from ₦2.3 million to ₦16 million, with donation-to-profit ratios generally falling between 0.15% and 1.31%.

These patterns indicate that firms with strong financial performance and a commitment to stakeholder welfare are more likely to engage consistently in social sustainability activities. Interestingly, some firms with relatively weak financial performance displayed unusual donation patterns. Austin Laz experienced net losses in nine of the thirteen years examined, including a loss of ₦158.9 million in 2014, yet still donated ₦1.4 million during that year. More remarkably, the company recorded a net profit of only ₦315,000 in 2017 while donating ₦710,000, resulting in a donation-to-profit ratio of approximately 225.4%. Similarly, Lafarge Africa reported a loss of ₦13.2 billion in 2017 but still contributed ₦661.6 million to social causes. In 2018, the company generated a net profit of ₦4.1 billion and donated ₦868.8 million, equivalent to approximately 20.98% of its earnings. These instances suggest that factors other than financial performance, including corporate values, stakeholder pressure, reputational considerations, and strategic sustainability objectives, may significantly influence social sustainability practices among firms.

3.0 Methodology

This study adopted an ex-post facto research design, which is appropriate for investigating relationships among variables based on historical data that cannot be manipulated by the researcher. The design is particularly useful for examining the effects of previously occurring events and conditions on outcomes of interest (Nworie et al., 2025; Ikwuo et al., 2025). Since this study focused on the relationship between financial performance and social sustainability among listed industrial goods firms in Nigeria using archival financial data, the ex-post facto approach provided an appropriate framework for analysing the phenomenon without influencing the variables under investigation. The design enabled the study to evaluate how variations in firms' financial performance affected their social sustainability commitments over the period covered by the study.

The population of the study comprised all industrial goods firms listed on the Nigerian Exchange Group (NGX) as of 31 December 2024. According to the NGX Daily Stock Listing, the industrial goods sector consisted of thirteen firms. These firms operate within various segments of the manufacturing industry, including cement production, glass manufacturing, paints, chemicals, and packaging materials, thereby making substantial contributions to Nigeria's industrial and economic development. The population of the study is presented in Table 3.1.

Table 3.1: Population of the Study

1. Austin Laz & Company Plc.
2. Berger Paints Plc.
3. Beta Glass Plc.
4. BUA Cement Plc.
5. CAP Plc.
6. Cutix Plc.
7. Dangote Cement Plc.
8. Greif Nigeria Plc.
9. Lafarge Africa Plc.
10. Meyer Plc.
11. Notore Chemical Industries Plc.
12. Premier Paints Plc.
13. Tripple Gee and Company Plc.

Source: Nigerian Exchange Group (2023)

The study employed purposive sampling to select firms that satisfied specific inclusion criteria relevant to the research objectives. Purposive sampling was considered appropriate because it facilitates the selection of companies possessing the information required for analysis. To qualify for inclusion, a firm must have been listed on the Nigerian Exchange Group throughout the study period and must have published its annual reports up to the 2024 financial year. These criteria ensured the availability of complete and reliable financial and sustainability-related information for the period under review. Based on these requirements, nine firms were selected as the sample for the study. The sampled firms are presented in Table 3.2.

Table 3.2: Sample Size of the Study

1. Austin Laz & Company Plc.
2. Berger Paints Plc.
3. Beta Glass Plc.
4. CAP Plc.
5. Cutix Plc.
6. Dangote Cement Plc.
7. Lafarge Africa Plc.
8. Meyer Plc.
9. Tripple Gee and Company Plc

Source: Researcher's Compilation (2025)

The study relied exclusively on secondary data obtained from the audited annual reports and financial statements of the sampled firms. Data were collected for a thirteen-year period spanning from 2012 to 2024. The annual reports provided information on firms' financial performance as well as disclosures relating to social sustainability activities, particularly corporate donations. Secondary data were considered suitable because they are objective, verifiable, and generated through independently audited reporting processes. The use of secondary data also enabled the study to investigate long-term patterns and relationships between financial performance and social sustainability, thereby enhancing the reliability of the findings.

The variables examined in this study were financial performance and social sustainability. Financial performance was measured using net profit, while social sustainability was represented by corporate donations. The operationalization of the study variables is presented in Table 3.3.

Table 3.3: Operational Measurement of Variables

Variable	Measurement Method
Financial Performance	Net Profit (₦'000)
Social Sustainability	Corporate Donations (₦'000)
Donations as Percentage of Profit	$(\text{Donations} \div \text{Net Profit}) \times 100$

Source: Researcher's Compilation (2025)

Financial performance was proxied by net profit because it reflects the overall profitability and financial strength of a firm. Social sustainability was measured using corporate donations, which represent tangible contributions made by firms toward societal and community development initiatives. Corporate donations were selected as a proxy because they provide a direct and measurable indication of a firm's commitment to social sustainability objectives.

To examine the effect of financial performance on social sustainability, the following regression model was specified:

$$SS_{it} = \alpha_0 + \beta_1(FP)_{it} + u_{it}$$

Where:

SS_{it} = Social Sustainability (Corporate Donations) of firm i at time t

FP_{it} = Financial Performance (Net Profit) of firm i at time t

α_0 = Constant term (intercept)

β_1 = Regression coefficient

u_{it} = Error term

The study utilized both descriptive and inferential statistical techniques in analysing the data. Descriptive statistics, including mean, median, minimum value, maximum value, and standard deviation, were employed to summarize the characteristics of the variables. Inferential analysis was conducted using the Panel-Corrected Standard Error (PCSE) regression technique. The PCSE estimator was considered appropriate because it corrects for heteroskedasticity and contemporaneous correlation that commonly occur in panel data, thereby producing more efficient and reliable estimates. The technique also accounts for both firm-specific and time-specific variations across the panel dataset, making it suitable for examining the effect of financial performance on social sustainability among listed industrial goods firms in Nigeria.

The decision rule for hypothesis testing was based on the probability value associated with the estimated regression coefficient. The null hypothesis was rejected where the p-value was less than 0.01, indicating that financial performance exerted a statistically significant effect on social sustainability. Conversely, the null hypothesis was accepted where the p-value exceeded 0.01, implying that financial performance had no statistically significant effect on social sustainability among the sampled firms.

4.0 Findings

4.1 Descriptive Analysis and Model Validation

Data for this study were obtained from the annual reports of the sampled firms covering the thirteen-year period from 2012 to 2024 (see Appendix A). The descriptive statistics of the study variables are presented in Table 4.1.

Table 4.1: Descriptive Statistics

	Donations (₦'000)	Net Profit (₦'000)
Mean	315653.6	45267622
Median	1181.000	468797.0
Maximum	9600000.	1027217000
Minimum	0.000000	-13223626
Std. Dev.	1022559.	136426823
Skewness	6.817408	4.393949
Kurtosis	59.79448	26.62013
Jarque-Bera	16631.16	3096.295
Probability	0.000000	0.000000
Sum	36931466	5.30E+09
Sum Sq. Dev.	1.21E+14	2.16E+18
Observations	117	117

Source: Output from EViews 10 (2025)

The descriptive results for social sustainability, measured by corporate donations, show a mean value of ₦315.65 million, indicating that the sampled firms donated an average of approximately ₦315.65 million annually toward social sustainability activities during the study period. However, the median value of ₦1.18 million is substantially lower than the mean, suggesting the presence of a few firms with exceptionally large donations that increased the overall average. The maximum donation recorded during the period was ₦9.6 billion, whereas the minimum value was zero, indicating that some firms made no donations in certain years. The standard deviation of ₦1.02 billion demonstrates considerable variation in social sustainability commitment across the firms. Furthermore, the skewness statistic of 6.82 indicates a highly positively skewed distribution, implying that the majority of observations are concentrated at lower donation levels, while a few observations exhibit exceptionally high values. The kurtosis value of 59.79 further confirms the existence of extreme observations and heavy tails within the distribution. The Jarque-Bera probability value of 0.0000 indicates that the donation variable is not normally distributed, reflecting the presence of outliers and substantial dispersion among firms.

For financial performance, proxied by net profit, the results reveal a mean value of approximately ₦45.27 billion, suggesting that the sampled firms generally recorded substantial profits during the period under review. However, the median value of ₦468.8 million is significantly lower than the mean, indicating that the average was influenced by a small number of firms reporting exceptionally high profits. The maximum net profit recorded during the study period was ₦1.03 trillion, while the minimum value was a loss of ₦13.22 billion, highlighting considerable differences in financial performance among firms. The standard deviation of ₦136.43 billion further reflects the high variability in profitability across the sampled firms. The skewness coefficient of 4.39 indicates that the distribution is positively skewed, while the kurtosis value of 26.62 suggests a distribution characterized by heavy tails and extreme values. The Jarque-Bera probability value of 0.0000 confirms that the net profit variable does not follow a normal distribution, thereby indicating the existence of outliers within the dataset.

4.1.1 Cross-Sectional Dependence Test

Table 4.2: Test of Cross-Sectional Dependence

Residual Cross-Section Dependence Test

Null hypothesis: No cross-section dependence (correlation) in residuals

Equation: Untitled

Periods included: 13

Cross-sections included: 9

Total panel observations: 117

Note: non-zero cross-section means detected in data

Cross-section means were removed during computation of correlations

Test	Statistic	d.f.	Prob.
Pesaran CD	-0.630119		0.5286

Source: Output from EViews 10 (2025)

The cross-sectional dependence test was conducted to determine whether the residuals of the model were correlated across the cross-sectional units included in the study (Pesaran, 2021). The test is important because the presence of cross-sectional dependence may result in biased and inefficient parameter estimates. As shown in Table 4.2, the Pesaran Cross-sectional Dependence

(CD) statistic is -0.630119 with a probability value of 0.5286. Since the p-value exceeds the conventional significance level of 0.05, the null hypothesis of no cross-sectional dependence cannot be rejected. This finding indicates that the residuals are independent across the sampled firms and that there is no evidence of significant cross-sectional correlation within the panel data. Consequently, the model satisfies the assumption of cross-sectional independence, thereby supporting the reliability of the estimated results (Pesaran, 2021).

4.1.2 Heteroskedasticity Test

Table 4.3: Test of Heteroskedasticity

Panel Cross-section Heteroskedasticity LR Test

Null hypothesis: Residuals are homoskedastic

Equation: UNTITLED

Specification: DONATIONS NET_PROFIT C

	Value	df	Probability
Likelihood ratio	2027.587	9	0.0000

Source: Output from EViews 10 (2025)

The heteroskedasticity test was performed to determine whether the variance of the residuals remained constant across observations (Anaike et al., 2024). The null hypothesis states that the residuals are homoskedastic, implying constant variance. As reported in Table 4.3, the likelihood ratio statistic is 2027.587 with a probability value of 0.0000. Since the p-value is less than 0.05, the null hypothesis is rejected, indicating the presence of heteroskedasticity within the model. This result suggests that the variance of the residuals differs across firms, thereby violating the assumption of homoskedasticity and potentially affecting the reliability of conventional standard errors (Olawale & Adebayo, 2022). To address this issue and ensure more efficient statistical inference, the study employed the Panel-Corrected Standard Error (PCSE) estimator, which is capable of correcting heteroskedasticity in panel data settings (Zidi & Hamdi, 2024).

4.2 Test of Hypothesis

Ha: *Financial performance (proxied by net profit) positively influences social sustainability among listed industrial goods firms in Nigeria.*

Table 4.4: Test of Hypothesis

Dependent Variable: DONATIONS

Method: Panel Least Squares

Date: 05/15/25 Time: 06:12

Sample: 2012 2024

Periods included: 13

Cross-sections included: 9

Total panel (balanced) observations: 117

Cross-section weights (PCSE) standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NET_PROFIT	0.006643	0.000849	7.821673	0.0000
C	14946.61	29484.12	0.506938	0.6132

R-squared	0.785478	Mean dependent var	315653.6
Adjusted R-squared	0.783612	S.D. dependent var	1022559.
S.E. of regression	475668.8	Akaike info criterion	28.99978
Sum squared resid	2.60E+13	Schwarz criterion	29.04699
Log likelihood	-1694.487	Hannan-Quinn criter.	29.01895
F-statistic	421.0752	Durbin-Watson stat	1.474503
Prob(F-statistic)	0.000000		

Source: Output from EViews 10 (2025)

The model validity statistics presented in Table 4.4 indicate that the estimated regression model possesses substantial explanatory power. The coefficient of determination (R^2) is 0.785478, implying that approximately 78.55% of the variations in social sustainability, measured by corporate donations, are explained by changes in financial performance. This high explanatory power demonstrates that financial performance is a major determinant of social sustainability among the sampled firms. The Durbin-Watson statistic is 1.474503. Given that this value falls within the acceptable range and is reasonably close to 2.0, there is no evidence of severe autocorrelation in the model residuals. Therefore, autocorrelation is not considered a major concern in the estimated model.

The F-statistical probability value of 0.0000 indicates that the regression model is statistically significant as a whole. This implies that financial performance jointly explains variations in social sustainability and that the model is suitable for hypothesis testing.

The estimated coefficient of the constant term is 14,946.61 with a probability value of 0.6132. Since the p-value exceeds 0.05, the intercept is not statistically significant. This suggests that in the absence of financial performance, the baseline level of social sustainability cannot be considered significantly different from zero.

The regression coefficient for financial performance (NET_PROFIT) is 0.006643 and carries a probability value of 0.0000. The coefficient is positive, indicating that improvements in financial performance lead to corresponding increases in social sustainability activities. Specifically, a one-unit increase in net profit is associated with an increase of approximately 0.006643 units in corporate donations. The statistical significance of the coefficient demonstrates that financial performance exerts a positive and significant influence on social sustainability among listed industrial goods firms in Nigeria.

Given that the probability value of the coefficient is less than the 0.01 significance threshold adopted by the study, the null hypothesis is rejected and the alternative hypothesis is accepted. The study therefore concludes that financial performance, measured by net profit, positively and significantly influences social sustainability among listed industrial goods firms in Nigeria.

4.3 Discussion of Findings

The finding that financial performance exerts a positive and significant effect on social sustainability suggests that firms with stronger financial capacity are more likely to commit resources toward activities that enhance societal welfare. This outcome implies that profitability strengthens a firm's ability to undertake social sustainability initiatives such as charitable donations, community development programmes, educational support, and other stakeholder-oriented interventions. Firms with superior financial performance possess greater discretionary resources, which enable them to pursue social sustainability objectives without undermining operational efficiency or shareholder value. The finding is also consistent with Legitimacy Theory,

which posits that organizations utilize socially responsible activities as a means of obtaining and maintaining societal acceptance. Therefore, as financial performance improves, firms are likely to expand their social sustainability efforts in order to reinforce stakeholder trust and sustain organizational legitimacy. The result is consistent with previous empirical evidence reporting a positive association between financial performance and social sustainability. For example, Ramadani et al. (2025) observed that profitable firms tend to disclose more corporate social responsibility information because they possess the resources required to support such activities. Similarly, Okafor and Anetoh (2024), Owoeye et al. (2024), and Musa et al. (2024) reported significant positive relationships between profitability and corporate social responsibility activities within the Nigerian business environment. Comparable findings were documented by Danrimi and Aliyu (2023) and Nzereogu and Onyali (2023), who established that profitability enhances corporate social responsibility expenditures and disclosures among manufacturing firms. Furthermore, Onyali et al. (2020) found that profitable firms are more inclined to undertake socially beneficial initiatives. However, the finding differs from those of Usman (2024), who reported a negative relationship between profitability and sustainability reporting among industrial goods firms, and Ibikunle (2024), who observed no significant relationship within the oil and gas sector. Despite these exceptions, the current finding is consistent with the dominant empirical position that strong financial performance enhances firms' commitment to social sustainability.

5.0 Conclusion and Recommendations

Ideally, organizations, particularly those operating within the industrial goods sector, should pursue financial performance and social sustainability simultaneously. Firms that achieve strong financial performance are expected to utilize part of their financial resources to promote societal development through community investments, charitable giving, employee welfare programmes, and other socially beneficial initiatives. Such activities enable firms to strengthen stakeholder relationships, improve corporate reputation, and contribute to sustainable development. In this ideal situation, social sustainability becomes an integral component of corporate strategy rather than a peripheral activity. The findings of this study revealed that financial performance has a positive and statistically significant effect on social sustainability among listed industrial goods firms in Nigeria. Specifically, the result indicates that firms with stronger profitability are more likely to undertake social sustainability initiatives through corporate donations. This finding highlights the importance of financial performance as both a measure of organizational success and a catalyst for social responsibility. It suggests that financially healthy firms are better positioned to support community development, strengthen stakeholder relationships, and contribute to long-term societal welfare. Based on these findings, the study recommends that policymakers should develop incentive-based programmes that encourage firms to expand their social sustainability commitments as their profitability improves. Such incentives may include tax reliefs, sustainability awards, public recognition schemes, and other policy measures designed to reward firms that dedicate a meaningful proportion of their profits to measurable social sustainability projects. These initiatives would encourage a stronger alignment between corporate financial success and societal development objectives.

5.1 Limitations and Suggestions for Further Studies

This study focused exclusively on nine listed industrial goods firms in Nigeria, representing a subset of the firms operating within the sector. Consequently, the findings may not be generalized to all manufacturing firms or businesses operating in other sectors of the economy. In addition, the

study relied solely on secondary data obtained from annual reports and financial statements. Although these documents are reliable and audited, they may not fully capture all dimensions of firms' social sustainability activities. Future studies should consider expanding the sample size to include firms from other sectors as well as unlisted companies. Such an approach would enhance the generalizability of findings. Furthermore, future research may incorporate primary data collection methods, such as surveys and interviews, to obtain deeper insights into the motivations, challenges, and strategic considerations underlying firms' social sustainability practices. This would provide a more comprehensive understanding of how organizations translate financial performance into meaningful social sustainability outcomes.

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