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CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFOMANCE OF MANUFACTURING FIRMS LISTED ON THE NIGERIAN STOCK EXCHANGE

Igbekoyi Olusola Esther
Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria

Correspondence: Igbekoyi Olusola Esther, Department of Accounting, Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria, E-mail: **olusola.igbekoyi@aaua.edu.ng**; +2348036352377

ABSTRACT

Prior to recent time, performance of firms has been solely based on the financial evaluation yardsticks in terms of profits, return on investments, return on assets among others. It is however discovered that in this era of sustainable development, the yardstick for evaluation of firms have included their social and environmental performances. The study therefore examined the effect of corporate social responsibility on financial performance of listed manufacturing firms in Nigeria; by incorporating employee relations and diversity. The study covered consumer goods, basic materials and industrial sectors because of their high dominance in the manufacturing sector. A total of 74 firms form the population; out of which 27 firms were selected using Purposive Sampling Technique. Data were collected from annual reports of selected firms; and Nigerian Stock Exchange factbook for period of 2002-2016. Data collected were analysed using descriptive statistics and ARDL co-integration test; in order to determine the short run and long run effect of the variables. The study found that community relations, employee relation, board diversity and board size have significant positive relationship with return on assets in the short run while only community relation and board diversity are significant in the long run. The study concluded that social factors are significant in explaining financial performance. It is therefore recommended that corporate social responsibility of firms should go beyond community relations alone but extend to other social factors to maximize financial performance.

Keywords: Corporate social responsibility, community relations, employee relations, board diversity, board size, financial performance

INTRODUCTION

In today's competitive world, companies have realized that maximizing profits at any cost is no longer the most beneficial way to operate to maintain and improve their competitive advantage. This assertion was supported by the instrumental stakeholder theory, which states that companies with superior social performance tend to perform better financially than their competitors. Several empirical studies have supported the proposition about the development in corporate social responsibility (see Amole, Adebiyi, & Awolaja, 2012; Bagnoli & Watts, 2003; Lev, Petrovits, & Radhakrishnan, 2008; Orlitzky, Schmidt, & Rynes 2003) have supported the proposition about the development in corporate social responsibility. These studies have shown that socially responsible firms are focused not only on increasing current profits but also on fostering future relationships with stakeholders. These current assertions have put companies under pressure to meet a new obligation across the globe by being accountable for the outcome of their actions to the society and the natural atmosphere. They are also being requested to show the inclusion of social and environmental anxieties in business processes and in communications with stakeholders (Babalola, 2012; Igbekoyi, 2015).

Management is expected to take conscious steps to improve their financial performance because it forms a cogent area of concern for the owners who are providers of capital in line with the agency theory. Fauzi, Svensson and Abdul-Rahman (2010) stated that when there is high financial performance, it leads to increase in wealth of stakeholders; so, management are committed to factors that will increase profits and shy away from projects that will lead to additional cost. This submission was confirmed in studies conducted by Ejumudo, Edo, Avweromre and Sagay (2012); Adeyemo, Oyebamiji and Alimi (2013) as stated that although companies have embraced the corporate social responsibility concept in Nigeria, the rate of community agitation experienced in recent time is still high. This is because most times these social responsibilities are done with the consciousness of minimizing cost and maximizing profits. Waddock and Graves (1997) however stated that improving social performance creates corporate opportunities to improve financial performance.

Studies have conducted to investigate the relationship between corporate social responsibility (CSR) and financial performance; and they found a significant relationship (Joseph & Michah, 2016; Vintila, 2013; Naser & Hassan, 2013; Abu-Sufyan, 2010); it was however discovered that most studies concentrated on the community relations as proxy for CSR. Although these approach does not undermine the findings of the previous studies, but other factors have been scarcely used. Fapounda (2012) stated that despite today's business environment, employee relation is one of the pillars and crucial functions of organizational financial performance, but it is not given the attention needed. Kaliski (2014) and Gulsah (2012) corroborated this is separate studies as stated that unhealthy relations between employers and employees among firms operating in the globally and locally economy have become the challenge. Apart from employee relation, diversity in work place has become a subject of global discussion and it forms part of the dimensions for corporate social performance as developed by kinder Lydenberg Domini (KLD) and Council on Economic Priorities (CEP) accepted for global business practice (Mahoney & Roberts, 2007). Diversity in work place has various perspectives to it, but in the context of this study, it is viewed from the diversity of the board. The logic behind this perspective is that whatever happens in the board will flow down to other organs of the organization, considering the board as the centre force.

In the discussion of corporate social responsibility, the host communities have been concentrated upon majorly because of the external relationships that they share with companies. Despite the significance of the employees to the survival of firms, limited studies have been conducted to ascertain its effect on financial performance. This study therefore incorporates employee relations and work place diversity into the community relations in explaining corporate social responsibility in a bid to reveal the short run and long run effects of the variables on financial performance.

In what follows, the paper presents the literature review, method of data collection and analysis, presentation of results, discussion of findings, conclusion and recommendations.

LITERATURE REVIEW

The concept of corporate social responsibility has received attention in the academia as well as professional class for a while now. It is however observed that majority of the researches conducted in this area, captured social responsibility basically as the relationship between an organization and its immediate environment (Akinlo & Iredele, 2014; Waddock & Graves, 1997). This study however broadens the scope in line with the submission of Lo and Sheu (2010) who stated that companies that are socially responsible adopts business approaches that integrates economic, social and environmental dimensions into its business activities to create long term stakeholder management relationship value. This therefore mean that aside from profit creation, companies must capture the non-financial criteria quality of management, corporate governance structures, reputation risks, human capital management, stakeholder relation, environmental protection and corporate social responsibilities. For the purpose of this study, the corporate social performance measurement developed by Michael Jantizi Research Association Inc. as adopted by Maloney and Roberts (2007) in a study conducted on social and environmental performance was adopted. The study used variables such as community issues, diversity in work place and employment relations to explain corporate social performance.

Adam (2014) describes financial performance as the measurement of the results of a firm’s policies and operations in monetary terms. King (2001) stated that in relation to financial performance measures, empirical studies typically use accounting-based measures, such as ROS, ROA, ROE and Tobin’s Q, and/or market-based measures, such as return and risk-adjusted measures. It can be suggested that ROA is the most widely used by market analysts as a measure of firm performance (Vafaei, Ahmed, & Mather, 2015). Return on assets (ROA) is an accounting-based measurement that indicates the ability of the firm to produce accounting-based revenues in excess of actual expenses from a given portfolio of assets. ROA is measured as amortized historical costs and provides insights into the ability of management to perform well with the given resources (Dharmadasa, Gamage & Herath, 2014). ROA is sensitive to management’s choice of asset valuation principles and because of the long-term value focus of this study it adopted Return on Asset (ROA) as the proxy for financial performance of firms.

Several authors question the value creation mechanisms which could explain a positive link between CSP and CFP (Preston & O’Bannon, 1997; Margolis, Elfenbein & Walsh, 2007). The substantive mechanism theory seeks to explain the link by exploring how CSP has a positive effect on costs savings, risk reduction and revenue enhancement. The reputational effect theory posits that the appearance of behaving in socially responsible way is enough to attract customers, shareholders and employees and then generate a positive financial performance (Campbell, 2007). According to Margolis, Elfenbein and Walsh (2007) both mechanisms (substantive and reputational) could be at work simultaneously. Other authors have shown the existence of neutral interactions

(McWilliams & Siegel, 2001; Gond, 2001) or even more complex links (Barnett & Salomon, 2012). The impact of social practices on financial performance could depend on the degree of complementarity or substitutability between responsible practices and other firm specific strategic issues (Cavaco & Crifo, 2010).

In exploring the relationship between community relations and financial performance, most studies centred on the ways corporations use to establish and maintain good relationship with their host communities; and the relationship is expected to be a mutual beneficial one that results in community support, community loyalty, company goodwill, higher employee morale, among others. Most studies conducted on CSR in Nigeria centred on its effect on the oil industry and in the Niger Delta community in particular. Studies conducted by Egbe and Paki (2011); Idemudia and Ite (2006); and Ogula (2012) showed that CSR undertaken by the oil companies in the Niger Delta are inadequate and it's not making the desired impact on their host communities.

Although recruitment theories suggest that organizational attributes, such as corporate social performance, may influence applicants' initial attraction to firms, little research has investigated such effects (Rynes, 1991). Some empirical evidence suggests, however, that organizational attributes do influence an organization's attractiveness as an employer. For example, Turban and Keon (1993) found that applicants were more attracted to firms that were decentralized in decision making and to firms that based pay on performance rather than on tenure. Gatewood, Gowan and Lautenschlager (1993) and Igbekoyi (2017) found in their studies, that potential job applicants' intention to pursue employment in a firm is related to their perceptions of the firm's image.

Board diversity is unsurprisingly, a very hot topic in academic research. Valsan (2013) opines that, in all advanced societies of today, it is unacceptable to doubt the value of diversity, and rightfully so; because of the unique characteristics of diversity in corporate practices. This study focuses the measurement of board diversity only on gender diversity among other characteristics of board diversity. This is because gender is the easiest distinguished demographic characteristic compared with age, nationality, education or cultural backgrounds (Luckerath - Rovers, 2013). More so, the choice of gender diversity was formed on submission to the debate that women directors have a greater "other-orientation" and hence are more committed to the development of stakeholder relationships and the long-term firm value (Langerwoort, 2011). The results obtained from empirical studies conducted in different countries showed positive (Dezso & Ross, 2012; Ugedo & Minguez, 2014; Vafaei *et al.,* 2015); as well as negative relations (Abdullah, Ismail and Nachum, 2016; Ahern & Dittmar, 2012; Darmadi, 2013) while the findings of Rose (2007) neither indicate a positive or negative relationship between gender diversity and firm financial performance. These diverse results make it hard to draw general conclusions about the association between female board members and firm financial performance in organisations.

Board size refers to the total number of directors on the board of any corporate organization (Ogbechie & Koufopoulos, 2010). Determining the ideal board size for an organization is very important because the number and quality of directors in a firm determine and influence the board functioning and corporate profitability (Ogbechie &

Koufopoulos, 2010). Topal and Dogan (2014) investigated the impact of board size on financial performance in Turkey. The result showed that a significant positive relationship exists between board size and financial performance. Moscu (2013) conducted a study on the impact of board size on firm performance in Romanian listed company on the floor of the Stock Exchange. The study revealed that board size has a positive and insignificant on firm performance proxy by ROA and ROE. Mak and Yuanto (2003) examined the relationship board size and firm performance and found a negative relationship between board size and firm performance. Aggarwal, Isil, Rene and Rohan (2007) also examined the relationship board size and firm performance; and found out that no significant relationship exist between board size and firm valuation

Most of the studies conducted in the area of social performance focussed on corporate social responsibility. The findings of the studies conducted in developed; developing countries including Nigeria tend to show the significance of corporate social responsibility to financial performance from the perspective of the relationship between the companies and their host communities. Amalendu and lakshmi (2015) conducted a study on the impact of corporate social responsibility on firm's profitability: a case of Maharatna companies in India. The study aimed to investigate the impact of corporate sector responsibility on firm's profitability of seven Maharatna Companies in India. The study used correlation and simple regression to analyse data collected from 2004-2013 and found that corporate sector responsibility affects the firm's profitability positively in the case Gas Authority of India Ltd; and negative in the case of rest of the companies under study. Babalola (2012) had same findings when examining the impact of corporate social responsibility on the profitability of firms in Nigeria. Studies on corporate social responsibility and financial performance in banks also found same results (Ajide & Aderemi, 2014; Akinpelu, Ogunbi, Olaniran & Ogunseye, 2013; Amole, Adebiyi & Awolaja, 2012; Keffas & Olulu-Briggs, 2011). Although the results of the studies prove that community relationship is a vital component of social performance, it is however important that with the recent highly competitive market and economic advancement, performance evaluation of firms needs to be holistic especially from the social perspective in order to avoid marginalization of some stakeholders.

Maloney and Roberts (2007) submitted in a study conducted on corporate social performance and Institutional ownership in Canadian firms that in explaining social performance, community issues; diversity in work place and employment relations are joint indicators. Although in the Nigerian context much agitation is not seen from the employees and board members as compared to host communities because they are directly linked to the firms and their actions may result to sanctions. In a study conducted by Mohammed, Zakaree and Oladele (2016) on the impact of Corporate Social Responsibility Disclosure (CSRD) on the financial performance of listed manufacturing firms in Nigeria. The study aimed at examining the influence of four CSRD dimensions (human resources, environment, community and product) on the Earning per Share (EPS) of the sampled firms. The study revealed that all the four CSRD dimensions (employee, environment, community and product) have significant positive effect on the EPS.

The focus of this study therefore is to assess the social performance of Nigerian manufacturing firms holistically by incorporating the employees and board diversity. Although most studies conducted on board issues analysed it from the concept of corporate governance but studies have shown that there is a link between corporate governance and corporate social responsibility. Alshareef and Sandhu (2015) in a study conducted on the integration of corporate social responsibility into corporate governance structure and system found that majority of participants in the study considers corporate governance as essential foundation for sustainable corporate social responsibility activities. Amoateng, Osei, Ofori and Gyabaa (2017) also studied the impact of corporate governance practices on performance: evidence from SMEs in emerging economy. The study found that board gender has positive impact on Return on Assets. Studies have also emphasized effective employee relations strategies that enable the employees to dedicate their energy to the achievement of organizational goals. Igbekoyi (2017) in a study conducted on causal effect of corporate social responsibility on value drivers in the Nigerian manufacturing firms stated that firms which engage in socially responsible actions are seen as more attractive employers.

This study intends to reveal the significance of board diversity and employee relation in addition to community relations as components of social performance on financial performance. This is because these social factors are fast becoming a global issue, and the people affected form part of company's immediate environment irrespective of the fact that they are directly related to the companies. There is need to examine the effect of these class of stakeholders to financial performance in order to expose management to the significance of these stakeholders to firms' overall performance, hence this study.

METHODS

The study covered manufacturing firms that are listed on the Nigerian stock exchange. The sectors under manufacturing covered in this study include; consumer goods, and industrial sectors. The study used data from secondary sources. A sample size of 27 companies was selected out of a total of 74 companies using Purposive Sampling Technique. Purposive sampling technique was used in order to purposively select companies that had been in existence carrying out full business activities without break within the period of this study. Data used for the study (board size, board diversity, community relations, employee relations and Return on asset) were obtained from the annual reports of selected manufacturing companies and Nigerian Stock Exchange Factbook for a period of 2002-2016. The analysis was done using analytical tools; panel unit root test (ADF & Phillips Perron), ARDL co-integration test; in order to determine the short run and long run effect of the variables.

Model Specification

The study modified and adopted models developed by Omodero and Ihendinihu (2016) and Igbekoyi (2015) on studies conducted on impact of environmental and corporate social responsibility accounting on organisational performance of firms in

Nigeria; and performance measurement system and the Nigerian manufacturing sector respectively. The general model is specified as follows:

$ROA_t = \beta_0 + \beta_1 CR_t + \beta_2 ER_t + \beta_3 BS_t + \beta_4 BD_t + \mu_t$ ....*eqn. (1)*

Where:

ROA = Return on Asset (ratio of operating income to the summation of non-current and current asset).

CR = Community Relations.

ER = Employees Relation.

BS = Board Size.

BD = Board Diversity.

t = Period of the study (2002-2016).

μ = Error term.

β_0 = Parameter to be estimated (is the average amount the dependent variable increase when the independent variable increase by one unit, other independent held constant).

β_1- β_4 = Partial derivatives or the gradient of the independent.

A prior expectation = $\beta_1 > 0$; $\beta_2 > 0$; $\beta_3 > 0$; $\beta_4 > 0$

Data Analysis Technique

To achieve the objective of the study, information obtained were analysed using descriptive and inferential statistics through the use of E-View statistical package. The results in the ARDL co-intergrating and long run model were used to determine the effect of social performance determinants on the financial performance of manufacturing firms listed on the Nigerian stock exchange.

RESULTS

Descriptive Statistics

The result shown in Table 1 represents the descriptive statistics result obtained for this study, it is evident from the table that Return on Asset, Board Size, Community Relation, Employee Relation, Board Diversity. It is evident from the table that all series display a high level of consistency as their mean and median values are within the minimum and maximum values of the series. The deviations of the actual data from their mean value are very low; as indicated by the relatively low values of the standard deviations. The statistics shows that the series are positively and negatively skewed which indicates that the distribution has both right and left tail, because the tail of the distribution is pointed towards the upper end of the distribution. The homogeneity of the series is measured by the low value of the standard deviation which indicates that there is little dispersion in the distribution as all the scores are relatively smaller to one another.

The statistics also shows that, the positively, negatively and symmetrically skewed which can then logically mean that the series are normally distributed. The scores are centrally spread across the distribution, as revealed in the kurtosis which shows the distribution is normal. The sum of square deviation for the distribution is large for some of the variables; which indicate that they are widely distributed the smallness of some shows that they are clustered close to the mean score.

Table 1: Descriptive Statistics of Variables

	ROA	CR	ER	BS	BD
Mean	0.088434	0.001384	0.053346	7.733333	0.213095
Median	0.085955	0.001205	0.050152	8.000000	0.142857
Maximum	0.150886	0.005373	0.086528	9.000000	1.000000
Minimum	0.031483	0.000437	0.029720	6.000000	0.000000
Std. Dev.	0.039471	0.001262	0.019377	1.099784	0.229324
Skewness	0.103424	2.274400	0.394053	-0.120551	2.895227
Kurtosis	1.559889	7.818858	1.746460	1.694184	10.68348
Jarque-Bera	1.322941	27.44561	1.370296	1.102053	57.85328
Probability	0.516092	0.000001	0.504016	0.576358	0.000000
Sum	1.326509	0.020762	0.800194	116.0000	3.196429
Sum Sq. Dev.	0.021811	2.230305	0.005257	16.93333	0.736251
Observations	15	15	15	15	15

Source: Author's computation (2018) using E-Views 9.0

Panel Unit Root Test

The unit root tests were conducted using Augmented Dickey Fuller (ADF) and Philips Perron as shown in Table 2. From the Augmented Dickey-Fuller (ADF) and PP results, it is evident that all the variables are stationary at first difference except Board Diversity and Board Size which is stationary at level. Since the results show unit root I(0) and I(1) in the variables, the optimal lag selection using AI and SI criterion before proceeding to the ARDL estimation. Using the automatic lag selection, lag 2 was automatically selected and as such the ARDL will be tested on lag 2. The bond test was also conducted in order to check for the presence of long rung relation among the variables before proceeding to the ARDL estimation. The result establishes a long run relationship between the variables as evidenced by bound test value (F = 5.145389) which falls to the right of all the upper bounds of all the critical values. The null hypothesis that no long run relationship exist is rejected.

Table 2: Panel Unit Root Test of variables using Augmented Dickey Fuller (ADF) and Philips Perron

Variable	Statistics values		P-Value	Conclusion
Return on Assets	ADF - Fisher Chi-square	10.6212	0.0312	I(1)
(ROA)	PP - Fisher Chi-square	33.9414	0.0000	I(1)
Board Size (BS)	ADF - Fisher Chi-square	10.6212	0.0312	I(0)
	PP - Fisher Chi-square	33.9414	0.0000	I(0)
Community	ADF - Fisher Chi-square	14.4298	0.0252	I(1)
Relation (CR)	PP - Fisher Chi-square	16.2121	0.0127	I(1)
Employee	ADF - Fisher Chi-square	12.7992	0.0463	I(1)
Relation (ER)	PP - Fisher Chi-square	17.2980	0.0082	I(1)
Board Diversity	ADF - Fisher Chi-square	12.0003	0.0420	I(0)
(BD)	PP - Fisher Chi-square	27.3489	0.0001	I(0)

Source: Authors computation (2018) using E-view

The results in Table 3 showed that both the short and long form of the ARDL error correction model. This result is used to determine the long and short run effect of corporate social responsibility on financial performance of manufacturing firms using the variables; community relation (CR), employee relation (ER), board diversity (BD) and board size (BS) to proxy corporate social responsibility factors and return on asset (ROA) to represent financial performance. The error correction mechanism of (-0.544147) is negative and statistically significant at 0.01 percent level. This indicates that disequilibrium in the short run is corrected, adjusted and tied to the long run equilibrium position with speed of 54.4% annually. The parameter estimates from the results generally demonstrate strong significance at 0.01 and 0.05 level of significance respectively.

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Table 3: ARDL Cointegrating and Long Run Model

ARDL Cointegrating And Long Run Form
Dependent Variable: LOG(ROA)
Selected Model: ARDL(4, 4, 0, 2, 0, 0, 0)
Sample: 1 405
Included observations: 405

Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(ROA[-1])	0.294071	0.099328	2.960600	0.0038**
DLOG(ROA[-2])	0.238704	0.095750	2.493000	0.0141**
DLOG(ROA[-3])	0.258936	0.101399	2.553633	0.0120**
DLOG(BD)	0.796963	0.112826	7.063672	0.0000***
DLOG(BD[-1])	-0.010717	0.175259	-0.061150	0.9513
DLOG(BD[-2])	-0.050771	0.175783	-0.288829	0.7733
DLOG(BD[-3])	-0.179507	0.132992	-1.349763	0.1798
DLOG(BS)	0.062204	0.098924	0.628802	0.5308
DLOG(CR)	20529.93	9984.261	-2.056230	0.0421**
DLOG(CR[-1])	17675.17	8706.172	2.030181	0.0447**
D(ER)	0.857307	0.693810	1.235652	0.2192
CointEq(-1)	-0.544147	0.092409	-5.888483	0.0000***

Cointeq = LOG(ROA) - (0.6971*LOG(BD) + 0.1143*LOG(BS) - 95.1049*LOG(CR) - 1.5755*ER + 1761.1392)

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(BD)	0.697071	0.153443	4.542878	0.0000***
LOG(BS)	0.114314	0.181548	0.629666	0.5302
LOG(CR)	95.104879	38.762829	-2.453507	0.0157**
LOG(ENVR)	0.027620	0.366228	0.075417	0.9400
ER	-1.575507	1.211400	1.300567	0.1961
C	1761.139184	716.815397	2.456894	0.0156**

Source: Author's Computation (2018) using E-view 9.0

DISCUSSION

Effect of Corporate Social Responsibility on financial performance of manufacturing firms

The results showed that at both short and long, all corporate social responsibility factors positively influence performance measured by returns on assets as expected in the aprior expectation stated in the model adopted for this study. This corroborates the findings of previous studies conducted on corporate social responsibility and the assumptions of the stakeholder theory. Orlitzky, Schmidt and Rynes (2003), highlighted that social performance measures are most strongly correlated with accounting and financial indicators and that there exist positive relationship between social responsibility and firms financial performance in variety of sectors activities under the study. It also conforms to Freeman (2004) who further developed the concept of social responsibility in his stakeholder theory, he proposed that in order to be recognised as socially responsible, an organisation should take into consideration the interests of its multiple stakeholders (consumers, employees, suppliers, investors and the community), as they all have an impact on corporate financial performance. It further conforms to the findings of Babalola (2012), who found that Nigerian firms' performances are influenced by changes in social factors. The studies conducted by Amole, Adebiyi, and Awolaja (2012); Tsoutsoura (2004); Odetayo, Adeyemi, and Sajuyigbe (2014) also found that social factors have positive effect on the performance of firms.

Based on the statistical significance of each variable in the model, it is discovered that in the short run (using the co-integration form), community relation (CR) and board diversity (BD) are the only variables that are statistically significant to Return on Asset (ROA) with t-statistics and probability of 2.030181 and 7.063672; 0.0000 respectively. Also in the long run (long run coefficients), the community relation (CR) and board diversity (BD) are statistically significant in explaining Return on Asset (ROA) with t-statistics and probability of 2.453507; 0.0157 and 4.542878; 0.0000 respectively. The finding of the significance of community relation (CR) is not relatively new as it has been backed by various studies and it has been an issue that has been debated largely among academics and professionals. This is in conformity with instrumental stakeholder theory which states that companies with superior social performance tends to perform financially than their competitors. Studies conducted by Akinpelu, Ogunbi, Olaniran and Ogunseye (2013) they found that social factors have positive and statistically significant effect on Return on Asset of banks in Nigeria. Keffas and Olulu-Briggs (2011) found that social factors have positive and statistically significant impact on the performance of banks in U.S., U.K. and Japan.

The area of interest, which justify the purpose of this study is the statistical significant of board diversity in explaining financial performance. Although board diversity is mostly discussed in the context of corporate governance because it forms part of the issues covered in the code of corporate governance. In the dimension of this study, board diversity is viewed from the context of gender diversity. This is measured by the ratio of female members of the board to the total members of board in the selected companies. Gender diversity is a more of a social issue than governance and the finding of this study further affirm the significance of gender as stated by Mahoney and Roberts (2007) on corporate social performance and Institutional ownership in Canadian firms. The study revealed that community relation is not the only factor that measure social performance of firms but also its workplace relations and employee relationship. The findings also conform to the study conducted by Abdullah, Ismail, and Nachum (2016) to answer the question of whether having woman on boards creates value.

Conclusion and Recommendations

The study was conducted to determine the effect of corporate social responsibility on the financial performance of Nigerian manufacturing firms. The study focused on consumer goods, basic materials and industrial sectors in the manufacturing sector because of the high dominance of firms in these sectors and the impact of their activities been felt most by the stakeholders. The findings of the study revealed that all social factors investigated in this study influence financial performance of manufacturing firms. It also affirms the submission of previous studies that community relation is significant to financial performance as the result showed significant relationship at both short run and long run. Its findings also affirm the argument of this study, that apart from CR, there are other social factors that influence social performance and need urgent attention from management of companies. The finding of the study is still in line with theory because gender diversity which is used to represent board diversity in this study is a stem of community relations but the only difference is that this class of stakeholders has direct relationship with the organization. However, their interest still needs to be protected which makes this study relevant and of interest to all stakeholders. The study therefore concludes that social factors are significant in explaining financial performance of manufacturing firms listed on the Nigerian Stock Exchange.

Based on the finding of this study, it is recommended that manufacturing firms should increase their level of commitment towards social factors in their strategic plans. In order to meet up with the innovative evolution in the economic market in recent time; where investors are more particular about the social and environmental performances of firms along with its financial performance. Investors are looking for firms that are responsible to other stakeholders in the event of maximizing profits. Although board diversity has been listed as corporate governance determinant, it is fast becoming a social performance issue and companies should respond to the drive. Corporate social responsibilities have also gone beyond a philanthropy intention like the years past, but now becoming a strategic plan made by companies to achieve organizational goals. Finally, firms should incorporate social factors into their strategic plans with budgetary allocations for social responsibilities and actualization of plan should be evaluated and moderated like other financial plans of the organization in order to further maximize financial performance through social responsibility.

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