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CORPORATE SOCIAL RESPONSIBILITY ACCOUNTING AND THE FINANCIAL PERFORMANCE OF OIL AND GAS COMPANIES IN NIGERIA

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Abstract

This research paper investigated the relationship between corporate social responsibility and financial performance of listed oil and gas companies in Nigeria for a period of ten (10) years from 2010 to 2019. Corporate social responsibility activities were measured in terms of expenditures on Employee Health and Safety Programs (EHSP); Environment Protection and Remediation Activities (EPRA); and Community Engagement and Charitable Donations (CECD). Financial performance was measured in terms Net Profit Margin (NPM) and Return on Capital Employed (ROCE). Data collected through the process of content analysis from annual financial statements and analysed using panel least square (PLS) estimation method. Results revealed that EHSP had a positive and significant relationship with NPM while CECD also had a positive and significant relationship with ROCE. On the other hand, CECD had a significantly negative relationship with the NPM; EHSP had a negative and significant relationship with ROCE. EPRA had a positive and non-significant relationship with NPM while EPRA also had a positive and non-significant relationship with ROCE. It was thus concluded that corporate social responsibility activities had mixed relationships with the financial performance of oil and gas companies in Nigeria. It is thus recommended that oil and gas companies revamp their corporate social responsibility expenditures methods and strategies in order to reap more benefits from such activities; It is further, *recommended that government should provide incentives to encourage oil and gas companies to engage in more CSR activities; Finally, the society - including local communities and charitable organizations among others who benefit directly from the CSR largesse of these companies can find ways to communicate their appreciation for such act to the companies.*

Introduction

The concept of corporate social responsibility evolved around concerns relating to the negative footprint of corporate organizations on environment and society at large by way of activities linked to their business operation. These business activities have definite social and environmental costs. A look at the abundant authoritative pronouncement governing financial reports reveals that accounting is a complex body of knowledge. One reason for such pronouncements is to proliferate that accounting must reflect what is taking place in its increasingly complex environment. The continual growth and expansion of accounting practices has led to a provision and recognition for the environment in which it thrives. The environment of accounting has undergone vast changes in the last two decades and an accelerating rate of change is in prospect for the future. In response to the increasing societal pressure, many companies adopt the concept of corporate social responsibility (CSR) by introducing codes of conduct that are expected to ensure socially responsible business practices throughout the chain – from supplier of raw materials to final end-users (Mahoney, 2012).

Many firms go beyond what is required by their market and nonmarket environment and attempt to serve directly the needs of their stakeholders or, more broadly of society. For these firms, successful performance involves not only compliance with the law and public policies but also requires fulfilling broader responsibilities. This may include charitable donations and other ethical and discretionary responsibilities. Firms vary considerably in the scope of these activities. That is, the scope depends on their conceptions of the role of business in society and of corporate social responsibility. Friedman (1962) and others have argued that a corporation's purpose is to maximize returns to its shareholders, and that only people can have social responsibilities, and that corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade.

Wood (1991) enunciated the basic idea of corporate social responsibility to imply that "business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes". In the face of high levels of insecurity and poverty, the backlash against globalization and mistrust of big business, there is growing pressure on business leaders and their companies to deliver wider societal value. This is especially so if it concerns companies with a business relation in a developing country, since these companies are more confronted with CSR issues, the question however, still remained of reconciling the firm's economic orientation with its social orientation. Although, corporate social responsibility (CSR) was widely discussed in the last forty years of the twentieth century, studies on corporate social responsibility (CSR) are relatively rare. This is to be expected in the field of CSR that is still 'emergent' (Jones & Bartlett, 2009)). It is only in the last decade that businesses have begun to exhibit serious evidence of CSR in their strategic management and stakeholder social reporting. A number of studies indicate that the understanding and practice of CSR is socio-culturally framed (Bamigbaiye, 2008). Despite this fact, research on management and CSR in Africa is relatively scarce and to a large extent based on a developing-developed world paradigm (Goddard, 2005). This research is thus set to improve the body of knowledge on CSR in Africa by investigating the relationship between corporate social responsibility accounting and the financial performance oil and gas companies in Nigeria.

Research Problem

Environmental pollution as a result of the activities of oil and gas companies continue to cause a lot of concern in Nigeria especially in the Niger Delta region where most of the oil and gas exploration takes place. Companies in the industry have been variously accused of either polluting the environment or neglecting their responsibilities to local and host communities. This state of affairs caused a lot of insecurity in the region as communities take matters in their own hands in their effort to salvage the situation. In reaction and in an effort to continue operating unhindered, oil and gas companies are beginning to take action to remedy some of the situation. Thus, a lot of the companies now embark on visible CSR activities. However, oil and gas companies also complain about the financial toll their social obligations take on their bottom-line. Thus, the sustainability of CSR activities also becomes an issue of concern for the organisations.

Socially responsibility is neither necessary nor sufficient for successful financial performance. Blowfield and Murray (2008), and Frederick, (1994) noted that the CSR-related management-focus tends to avoid reflecting on conflicts between ethical and profit motives. More recently, some have questioned the blissful facade of CSR, asserting that corporations are prone to use CSR as a front for a pathological search for profits, or are simply not suited for social roles. Many companies base their socially responsible actions on the belief that these actions provide or will provide some benefit to the company, a strategy referred to as enlightened self-interest. Alternatively, CSR could lead to higher costs and thus to worse financial performance. Notwithstanding the numerous researches on CSR in Nigeria, this research will contribute to knowledge by incorporating new data and information regarding the CSR practices of oil and gas companies in Nigeria.

Purpose of Research

The aim of this research is to investigate the effect of corporate social responsibility accounting on the financial performance of oil and gas companies in Nigeria. This above aim will be achieved using the following specific objectives.

- Evaluate the relationship between employee health and safety programs and net profit margin.
- Evaluate the relationship between employee health and safety programs and return on capital employed.
- Investigate relationship between environmental protection and remediation activities and net profit margin.
- Investigate relationship between environmental protection and remediation activities and return on capital employed.
- Determine the relationship between community engagement and charitable donations and net profit margin.
- Determine the relationship between community engagement and charitable donations and return on capital employed.

Theoretical Underpinning

The legitimacy theory operates with the notion that a social contract exists between the corporations and the society/environment in which they operate. As a result, organisations take steps towards legitimizing their business operations by providing corporate social responsibilities activities to the society and by that means obtain societal approval to continue operating (Deegan & Unerman, 2006). The social contract as explained by the legitimacy theory signifies numerous hopes by the society on the organisation on how it will go about its business operations. In addition, Martin (2002) stated that legitimacy theory comes from the ideology that for a company to operate in a particular environment, it must stick to the rules and regulations of that environment, by doing so the company or the organisation is portraying how socially responsible it is. It has also been argued that for a company to be legitimate, it must maintain a cordial relationship with all its stakeholders especially the key once (Adams et al., 1998).

The core thesis of legitimacy theory is also emphasized by social contract theory which according to Donaldson (1982) suggests an implicit social contract between the business venture and society and the contract contains some indirect obligations to be performed by the business organisation to the society. Donaldson viewed the business and society relationship from the philosophical perspective. The key notion behind this view is that the business organization function by public agreement in order to aid productively fill the needs of society satisfactorily (Van-Marrewijk, 2003).

Therefore, the social contract theory explains that there is an invisible contract between the society and the business organisation and that contract should reflect in the disclosure of its corporate social responsibility activities. Thus, whenever the organisation discloses its corporate social responsible conduct, it should confirm to the society how it has helped productively in meeting the needs of the society, which is its social responsibility.

Review of Empirical Literature

Edafetano, and Jonathan (2021) investigated the relationship between corporate social responsibility and performance of selected quoted companies in Nigeria. The researchers adopted the ex-post facto research design for which data was collected from a sample of 30 companies listed on the Nigeria Exchange for 2020. Findings of the research showed that corporate social responsibility expenditure of the companies had a significant effect on return on assets, return on equity and net profit margin. It was thus suggested that corporate organizations make effort to increase their commitment to social responsibility activities in the country.

Adopting the Slack resource theory, Kludacz-Alessandri, and Cyganska (2021) evaluated whether financial performance affects corporate social responsibility adoption in energy sector companies. Analysing an international sample of 219 companies from thirty-two countries for 2020, the researchers concluded that a statistically significant relationship existed between financial performance and the implementing of the corporate social responsibility strategy of the energy industry companies. The outcome if the research is claimed to have implications for firms' investment policies in social initiatives and highlighted the relation between the financial performance and corporate social responsibility initiatives of the energy sector companies.

Makni, and Dammak (2021) investigated the relationship between corporate social responsibility and financial performance of 25 countries located at Europe, Asia, Africa, and South and North America. The research focused on a sample of 3274 listed firms over the period 2009–2016. Using four OLS regressions, findings of the research revealed that on the one side that corporate social responsibility had a positive and direct impact on corporate financial performance. On the other side, we show that CR mediates the relationship between CSR and CFP: CSR has a significant and positive impact on CR and that CR has a significant and positive influence on CFP. The results of this study add to CSR-related literature by providing international evidence and provide direction for a comparison across countries.

Gaio, and Henriques (2020) analysed whether companies that pursue corporate social responsibility based policies have a higher level of financial performance in comparison to those that do not. The researchers proposed three empirical models - combining both traditional accounting measures vis-à-vis; ROA, ROE and a measure sensible to market values - Tobin's Q to assess the financial performance. Using a sample of 266 listed companies from fifteen European countries across fourteen industries on the STOXX Europe 600 index. Findings of the research suggested that companies pursuing corporate social responsibility policies financially out-perform their peers. The research thus highlighted the idea that companies pursuing corporate social responsibility policies put a considerable effort on building a stronger corporate reputation which in turn generates short and long term benefits, leaving behind the idea of the traditional companies that focused only on financial performance.

Ango, and Aliyu (2020) investigated the relationship between corporate social responsibility accounting and financial performance of insurance companies in Nigeria. The research design adopted for the study is expo facto research design. A sample of 25 insurance companies was selected base on their size. Findings show a significant relationship between corporate social responsibility accounting and return on capital employed and net profit margin, while a negative relationship with earnings per share. The implication of the findings is that there is evidence of conscious effort of the sampled insurance companies to discharge their social responsibility. The study recommends among other that management should be proactive and ensure that their social responsibility policies are adequately implemented, and ensure that Nigerian companies comply with government laws regarding business regulation in the country.

Devie, Liman, Tarigan, and Jie (2019) evaluated the relationship between corporate social responsibility, financial performance and risk in Indonesian natural resources industry. Findings revealed that CSR positively affects CFP, although the correlation is stronger in the long run. Significant negative influence to risk is also discovered. However, risk has a significant adverse correlation with CFP when two years' lagged value is used. Hence, CSR affects CFP through risk in the long-term, both directly and indirectly. The empirical result suggests that CSR serves as a tool in managing the risk of enterprises and performance, especially in the long-term. Accordingly, firms should incorporate CSR as a strategic investment and manage a strong relationship with stakeholders.

Ohaka, and Ogaluzor (2018) used a cross section survey design to research on corporate social responsibility accounting and effect of donations on profitability of oil and gas companies in Nigeria. Data collected were analyzed through the Simple Regression Analysis and Partial Correlation. Results of the study revealed that: Donation significantly affects Return on Equity and Donation significantly affects Net Profit of the oil and gas companies in Nigeria. Hence, from the findings of the research concluded that there is a significant positive relationship between CSRA and profitability. The research recommended that companies should carry out operational impact evaluation. This is in order to evaluate the effect of their operation on the community, the environment and the people as this will be able to audit and control their CSR practices.

Nyeadi, Ibrahim, and Sare (2018) assessed the relationship between corporate social responsibility and financial performance nexus in South African listed firms. The research implemented a broad-based measure of corporate social responsibility created by the public investment corporation data set and the combination of accounting and economic means of measuring firm financial performance. Findings of the research revealed that corporate social responsibility had a strong positive impact on firm financial performance in South Africa. The researchers concluded that when corporate social responsibility is decomposed further into its major components, governance performance positively impacts a firm's financial performance with no evidence of any relationship between social components and firm performance and between environmental components and firm performance.

Yuanyuan, Shouming, Yuexin, and Su (2018) investigated the relationship between corporate social responsibility and firm value in China based on longitudinal data of Chinese manufacturing firms listed at the Shanghai and Shenzhen Stock Exchange between 2010 and 2015. Using OLS regression estimation technique for data analysis, they concluded that corporate social responsibility had a positive relationship with firm value and that the relationship between corporate social responsibility and firm value was weakened for firms with higher advertising intensity, as corporate social responsibility by these firms gain negative stakeholder responses. Furthermore, state-owned corporations were revealed to benefit more from corporate social responsibility.

Umobong, and Agburuga (2018) examined the relationship between financial performance and corporate social responsibility using secondary data from the financial statement of firms quoted on the Nigeria Stock Exchange between 2005 and 2015. Findings indicated that ROA and ROCE relate positively with employee management and negatively with community development. Furthermore, firms with higher ROA are likely to disclose CSR than firms with higher returns on capital employed. Market price of a share has negative relationship with CSR. Larger firms are likely to disclose CSR than smaller firms while large firms that do not pay dividend are likely to disclose CSR information than those that pay dividend. The study also revealed that firms with higher Tobin's Q disclose CD information and lower EM. Also, firm growth, firm size and leverage are positively related to EM, ROA and ROCE.

Mohammed, Saheed, and Oladele (2016) evaluated the impact of corporate social responsibility disclosure (CSRD) on the financial performance of listed manufacturing firms in Nigeria. The study utilized a sample size of ten (10) manufacturing firms drawn randomly from seven subsectors. Secondary data for the study were collected from the financial statements and multiple regression method was utilized for data analysis. The finding showed an overall significant positive association between CSRD and EPS. Furthermore, the study reveals that all the four CSRD dimensions (employee, environment, community and product) have significant positive effect on the EPS. The study thus recommended that the Financial Reporting Council of Nigeria (FRCN) should make social and environment reporting in the companies' financial statements mandatory since CSRD is beneficial to the government, the listed manufacturing companies and their stakeholders.

Okegbe, and Egbunike (2016) examined the relationship between corporate social responsibility and financial performance of quoted companies in Nigeria. Five research hypotheses were formulated the ex-post facto research design was adopted. The sample of the study comprises of thirty companies quoted in various sectors of the Nigerian stock exchange. Data was analysed using multiple regression. The findings of the study revealed a positive relationship between corporate social responsibility disclosure and return on assets in Nigerian quoted companies. It was recommended among others that the issue of corporate social responsibility should be part of the corporate mission and strategy statements and not just be regarded as a philanthropic exercise.

Methodology

This research was conducted to investigate the relationship between corporate social responsibility accounting and the financial performance oil and gas companies in Nigeria for a period of ten (10) years from 2010 to 2019. Data was collected from a sample of ten (10) oil and gas companies listed on the Nigeria Exchange (NGX). Thus, our sample size comprised of ten (10) firms. Companies of interest are: Ardova; Capital Oil; Conoil; Eterna; Japaul; MRS; Oando; Rak Unity Petrolem; Seplat

Energy; and Total Nigeria PLC. The ex post facto design was adopted as the design was appropriate for a fact gathering expedition from information sources that already exist as opposed to collecting first hand data. To this end, the content analysis was employed to extract relevant data and information from the audited annual reports of said companies.

Corporate social responsibility accounting (***CSR***) was measured with respect to Employee Health and Safety Programs (***EHSP***); Environment Protection and Remediation Activities (***EPRA***); and Community Engagement and Charitable Donations (***CECD***) while financial performance was measured using Net profit margin (***NPM***) and return on capital employed (***ROCE***). The functional forms of the above is stated thus

$NPM = f(EHSP, EPRA, CECD)$ 1

$ROCE = f(EHSP, EPRA, CECD)$ 2

And statistically as:

$NPM = \alpha + \beta_1 EHSP + \beta_2 EPRA + \beta_3 CECD + \mu_t$ . . . . . . (5)

$ROCE = \alpha + \beta_1 EHSP + \beta_2 EPRA + \beta_3 CECD + \mu_t$ . . . . . . (6)

It is important to note the necessity to perform a log transformation on *EHSP, EPRA, and CECD* being analysed. This is because the data on the 3 measures of CSR were collected in absolute Naira values while *NPM* and *ROCE* are in ratios. Thus, standardizing the data before analysis is necessary in order to obtain valid results. With natural log (ln) transformation, the above equations 5 and 6 are expressed as:

$NPM = \alpha + \beta_1 lnEHSP + \beta_2 lnEPRA + \beta_3 lnCECD + \mu_t$ . . . . . . (7)

$ROCE = \alpha + \beta_1 lnEHSP + \beta_2 lnEPRA + \beta_3 lnCECD + \mu_t$ . . . . . . (8)

It is expected that oil and gas companies being responsible corporate citizens will have a positive effect on their bottom line. This is expressed statistically as:

A priori expectation $= \beta_1, \beta_2$, *and* $\beta_3 > 0$

Data and Results

Table 1: Summary of Panel Least Squares Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.9945	0.3438	-2.8929	0.0052
LNEHSP	0.4807	0.0968	4.9683	0.0000
LNEPRA	0.0087	0.1348	0.0644	0.9488
LNCECD	-0.3434	0.1563	-2.1972	0.0315

R-squared:0.2747; F-statistic; 8.3340; Prob. (F-statistic): 0.0001; D-W stat: 1.7079

From summary regression results in table 4.2 above it can be observed that the coefficient of regression for the relationship between Employee Health and Safety Programs (EHSP) and the Net Profit Margin (NPM) gave a value of 0.4805. This implies that there is a positive relationship between the variables. This result indicates that a unit increase in expenditure on Employee Health and Safety Programs is predicted to lead to a 0.4805 units increase in Net Profit Margin (NPM). The result also indicates that the relationship between the variables is statistically significant considering the probability of t-statistic (Prob.) gave a value of 0.000 which is less than the critical value of 0.05.

Furthermore, the results show that there is a positive relationship between oil and gas companies' expenditures on

Environment Protection and Remediation Activities (EPRA) and Net Profit Margin (NPM) in Nigeria. With the coefficient value of 0.0087 indicating that a unit increase in Environment Protection and Remediation Activities (EPRA) will lead to a 0.0087 units increase in Net Profit Margin (NPM). However, the relationship between the variables is not statistically significant considering that the probability of t-statistic (Prob.) value of 0.9488 was higher than the critical limit of 0.05.

The result also shows that there is a negative relationship between oil and gas companies' expenditures on Community Engagement and Charitable Donations (CECD) and Net Profit Margin (NPM) in Nigeria. With the coefficient value of 0.3434 indicating that a unit increase in expenditures on Community Engagement and Charitable Donations (CECD) will lead to a decrease in Net Profit Margin (NPM). The relationship between the variables is statistically significant considering that the probability of t-statistic (Prob.) value of 0.0315 was lower than the critical limit of 0.05. Finally, the results show that the adjusted coefficient of determination (Adjusted R-Squared) gave a value of 0.2418 which implies that all measures of expenditures on Corporate Social Responsibility (CSR) by oil and gas companies can account for about 24.18% 0f the variations in Net Profit Margin.

Table 2: Summary of Panel Least Squares Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.9793	7.5883	1.3151	0.1930
LNEHSP	-4.5327	2.1357	-2.1223	0.0376
LNEPRA	0.6662	2.9749	0.2239	0.8235
LNCECD	4.1112	3.4498	3.1917	0.0237
R-squared: 0.3654; F-statistic 11.540; Prob. (F-statistic): 0.0212; D-W stat: 2.1907				

From table 4.3 above it is observed that coefficient of regression for the relationship between Employee Health and Safety Programs (EHSP) and the Return on Capital Employed (ROCE) gave a value of -4.5327. This implies that there is a negative relationship between the variables. This result indicates that a unit increase in expenditure on Employee Health and Safety Programs is predicted to lead to a -4.5327 units decrease in Return on Capital Employed (ROCE). The result also indicates that the relationship between the variables is statistically significant considering the probability of t-statistic (Prob.) gave a value of 0.0376 which is less than the critical value of 0.05. Furthermore, there is a positive relationship between oil and gas companies' expenditures on Environment Protection and Remediation Activities (EPRA) and Return on Capital Employed (ROCE) in Nigeria.

With the coefficient value of 0.6662 indicating that a unit increase in Environment Protection and Remediation Activities (EPRA) will lead to a 0.6662 units decrease in Return on Capital Employed (ROCE). However, the relationship between the variables is not statistically significant considering that the probability of t-statistic (Prob.) value of 0.8235 was higher than the critical limit of 0.05.

The result also shows that there is a positive relationship between oil and gas companies' expenditures on Community Engagement and Charitable Donations (CECD) and Return on Capital Employed (ROCE) in Nigeria. With the coefficient value of 4.1112 indicating that a unit increase in expenditures on Community Engagement and Charitable Donations (CECD) will lead to a 4.1112 units increase in Return on Capital Employed (ROCE). The relationship between the variables is also statistically significant considering that the probability of t-statistic (Prob.) value of 0.0237 was lower than the critical limit of 0.05. Finally, the results show that the adjusted coefficient of determination (Adjusted R-Squared) gave a value of 0.3230 which implies that all measures of expenditures on Corporate Social Responsibility (CSR) by oil and gas companies can account for about 32.30% of the variations in Return on Capital Employed.

Discussion of findings

This thesis investigated the relationship between corporate social responsibility (CSR) activities and the financial performance of listed oil and gas companies in Nigeria. The research covered a period of ten (10) years from 2010 to 2019. For the purpose of the study, corporate social responsibility activities of the companies was measured in terms of expenditures on Employee Health and Safety Programs (EHSP); Environment Protection and Remediation Activities (EPRA); and Community Engagement and Charitable Donations (CECD). Financial performance was measured in terms Net Profit Margin (NPM) and Return on Capital Employed (ROCE). Six hypotheses were proposed and data collected through the process of content analysis from the audited annual financial statements of the companies and analysed using ordinary least square (OLS) multiple regression method.

From the data analysis, it was revealed that there is a positive relationship between Employee Health and Safety Programs (EHSP) and Net Profit Margin (NPM) of oil and gas companies in Nigeria. This implies that corporate social responsibility activities of the companies in the form of expenditures on employee health and safety programs would lead to improvement in the net profit margin of oil and gas companies. The findings further showed that the relationship between the variables was statistically significant which implies that expenditures on employee health and safety programs was an important contributor to net profit margin of oil and gas companies. Corporate social responsibility (CSR) in terms of employee health and safety programs (EHSP) had a negative relationship on return on capital employed (ROCE). This result implies that expenditures on employee health and safety programs (EHSP) would lead to deterioration in financial performance in terms of return on capital employed (ROCE). The result also indicates that the relationship between the variables is statistically significant thus implying that expenditures on employee health and safety programs (EHSP) was an important determining factor in the return on capital employed (ROCE) of oil and gas companies in Nigeria. In a similar research, Umobong, and Agburuga (2018) revealed that that ROA and ROCE relate positively with employee management and negatively with community development. Furthermore, firms with higher ROA are likely to disclose

CSR than firms with higher returns on capital employed.

The findings also showed that there is a positive relationship between the corporate social responsibility activities of the companies in the form of expenditures on environmental protection and remediation activities and Net Profit Margin (NPM). This implies that CSR activities in the form of expenditures on environmental protection and remediation activities would lead to improvement in net profit margin. However, the relationship between the variables is not statistically significant implying that expenditures on environmental protection and remediation activities is not a major factor in the improvement in Net profit margin of oil and gas companies in Nigeria.

Furthermore, the results show that there is a positive relationship between oil and gas companies' expenditures on environment protection and remediation activities (EPRA) and their return on capital employed (ROCE) in Nigeria. However, the relationship was not statistically significant thus implying that even though expenditures on environment protection and remediation activities (EPRA) had a positive effect on return on capital employed (ROCE), the effect size was minimal. Ghosh, Basit, and Hassan (2017) in a similar research found that employee safety and waste reduction have no significant impact on financial performance. However, Greenhouse gas emission reduction has significant but negative impact on financial performance. The study concludes that reduction in greenhouse gas emission enhances returns on assets and shareholders' equity.

Corporate social responsibility activities in the form expenditures on community engagement and charitable donations (CECD) had a negative relationship with the net profit margin (NPM) of oil and gas companies in Nigeria. The finding was also statistically significant which is an indication that expenditure on community engagement and charitable donations had considerable negative impact on net profit margin. Finally, oil and gas companies' expenditures on community engagement and charitable donations (CECD) had a positive and statistically significant relationship with their return on capital employed (ROCE).

This result implies that CSR expenditures in the form of community engagement and charitable donations (CECD) was an important determining factor in the return on capital employed (ROCE) of oil and gas companies in Nigeria. Mohammed, Saheed, and Oladele (2016) in their research revealed that an overall significant positive association between CSRD and EPS. Furthermore, the study reveals that all the four CSRD dimensions (employee, environment, community and product) have significant positive effect on the EPS.

Conclusion and Recommendations

The paper concludes that CSR expenditures targeted at: employee health and safety programs as well as on community engagement and charitable donations are important contributors to financial performance. However, CSR expenditures on environmental protection and remediation activities do not contribute meaningfully to financial performance of oil and companies in Nigeria. The research thus recommended a revamp corporate social responsibility expenditure methods and strategies to optimize benefits. For example, expenditures on employee health and safety programs should be improved so as to enhance the productivity of employees. Furthermore, industry players can improve the reputation of firms in the industry by undertaking more visible contributions through donations and engagement of local communities.

The reputational benefits have the potential to attract new investors into the sector. Further, the government should provide incentives to encourage oil and gas companies to engage in more CSR activities. Incentives can include increasing the deductible tax rates from the corporate social responsibility expenditures of CSR related expenditures. Further, incentives can also include organizing awards for the best performing companies which can serve to improve the reputational values of such companies. Finally, the society - including local communities and charitable organizations among other who benefit directly for the corporate social responsibility largesse of these companies can find ways to communicate their appreciation for such act to the companies. This will serve to encourage such companies to do better in the future.

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