CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE IN NIGERIA: THE MEDIATING ROLE OF STAKEHOLDER INFLUENCE CAPACITY

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DOCTOR OF PHILOSOPHY

UNIVERSITI UTARA MALAYSIA

May 2016

CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE IN NIGERIA: THE MEDIATING ROLE OF STAKEHOLDER INFLUENCE CAPACITY

By

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Thesis Submitted to
Tunku Puteri Intan Safinaz School of Accountancy
University Utara Malaysia
In Fulfillment of the Requirement for the Degree of Doctor of Philosophy

on

TUNKU PUTERI INTAN SAFINAZ SCHOOL OF ACCOUNTANCY

COLLEGE OF BUSINESS

Universiti Utara Malaysia

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Program Pengajian
(Programme of Study) : **Doctor of Philosophy**

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Abstract

Previous studies showed that the level of corporate social responsibility (CSR) disclosure in Nigeria is low and the relationship between CSR and financial performance is inconclusive. Therefore, this study examines the mediating role of stakeholder influence capacity (SIC) in the relationship between (CSR) dimensions (community, employee, investor, customer and supplier relations and environmental concern) and financial performance of listed firms in Nigeria. SIC uses as a mediating role since consistent CSR creates SIC and accumulated stock of SIC will increase the performance of company. Data was collected from the senior management officers at the head office of sampled Nigerian listed firms using a cross-sectional study design. The study utilizes a stratified random sampling technique to select 130 responding firms and questionnaires were distributed and collected based on a single questionnaire per firm. The study collected 99 questionnaires through personal administration method. Partial least square structural equation modelling was used to test the study hypotheses. The study finds that employee, investor and customer relations are important factors for the financial performance of Nigerian listed firms. The findings revealed also that firms' stakeholder influence capacity depend on the degree of community, employee, investor and supplier relations, and an environmental concern of the firm. Interestingly, the result further shows that with a better stakeholder influence capacity stock, community, employee, investor and supplier relations, and environmental concern influences financial performance of Nigerian firms. The results of the study provide significant input to Nigerian listed firms, policy makers and researchers that SIC stock could improves the performance of company. The Nigerian listed firms should emphasize on all corporate social responsibility dimensions in order to boost their financial performance. Policy makers should encourage Nigerian listed firms to invest in corporate social responsibility activities for a better profitability.

Keywords: corporate social responsibility, stakeholder influence capacity, community, employee.

Abstrak

Kajian-kajian terdahulu menunjukkan tahap pendedahan tanggungjawab sosial korporat (CSR) di Nigeria adalah rendah dan hubungan di antara tanggungjawab sosial korporat dan prestasi kewangan adalah tidak konklusif. Oleh itu, kajian ini menyelidik peranan perantara kapasiti pengaruh pihak berkepentingan (SIC) dalam hubungan antara dimensi CSR (komuniti, pekerja, pelabur, perhubungan pelanggan dan pembekal dengan keprihatinan terhadap persekitaran) dan prestasi kewangan syarikat tersenarai di Nigeria. SIC digunakan sebagai peranan perantara disebabkan oleh CSR yang teratur akan menghasilkan SIC and stok SIC yang terkumpul akan meningkatkan prestasi syarikat. Data dikumpulkan daripada pegawai pengurusan kanan di ibu pejabat sampel firma-firma yang tersenarai di Nigeria dengan menggunakan reka bentuk kajian keratan rentas. Kajian ini menggunakan teknik persampelan rawak berstrata untuk memilih 130 buah syarikat sebagai responden dan soal selidik telah diedarkan dan dipungut berdasarkan satu soal selidik bagi setiap firma. Kajian ini mengumpul 99 soal selidik melalui kaedah tadbir kendiri. Persamaan permodalan berstruktur 'partially least square' telah digunakan untuk menguji hipotesis-hipotesis kajian. Dapatan kajian mendapati bahawa pekerja, pelabur dan perhubungan pelanggan adalah faktor-faktor penting bagi prestasi kewangan syarikat-syarikat tersenarai di Nigeria. Dapatan kajian juga menunjukkan bahawa kapasiti pengaruh pihak berkepentingan syarikat bergantung kepada tahap komuniti, pekerja, perhubungan antara pelabur dan pembekal serta keprihatinan terhadap persekitaran oleh syarikat. Menariknya, hasil keputusan kajian ini seterusnya menunjukkan bahawa dengan stok kapasiti pengaruh pihak berkepentingan yang lebih baik, komuniti, pekerja, perhubungan pelabur dan pembekal, serta keprihatinan terhadap persekitaran mempengaruhi prestasi kewangan syarikat-syarikat di Nigeria. Hasil kajian ini memberikan input yang signifikan kepada firma-firma yang tersenarai di Nigeria, penggubal dasar dan penyelidik bahawa stok SIC boleh memperbaiki prestasi syarikat. Syarikat-syarikat tersenarai di Nigeria harus memberikan penekanan kepada semua dimensi tanggungjawab sosial korporat untuk meningkatkan prestasi kewangan mereka. Pembuat dasar perlu menggalakkan syarikat tersenarai di Nigeria untuk melabur dalam aktiviti-aktiviti tanggungjawab sosial korporat bagi mendapatkan keuntungan yang lebih baik.

Kata kunci: tanggungjawab sosial korporat, kapasiti pengaruh pihak berkepentingan, komuniti, pekerja.

Acknowledgement

I would like to express my profound gratitude and appreciation to ALLAH (SWT) for blessing me with the physical and mental health to successfully undertake this research work. May his blessing and mercy be upon his servant and greatest Prophet Muhammad (SAW).

It is a pleasure to acknowledge my gratitude to my supervisors Associate Professor Dr. Zuaini Ishak and Dr. Noriah Che-Adam who work very hard to see this work through. My gratitude also goes to my institution, Bauchi State University under the leadership of Professor Ezzeldin M. Abdurahman for giving me the opportunity and financial assistance to undertake this program. I also wish to extend my appreciation to the Nigerian Tertiary Education Trust Fund (TETFUND) for giving me research grant to carry on this study.

My profound gratitude goes to my parents and members of my extended family whose support I enjoyed in one way or the other during the period of my study. This commendation cannot go without mentioning my father Alhaji Ibrahim Muhammad Karaye, sister Hadiza, brother Abubakar and all the rest for their moral and financial support, may Allah reward them abundantly.

I will use this opportunity to thank friends and colleques for their invaluable suggestions and inspiring support, particularly; Nura Aliyu, Nasiru Abdullahi, Abdullahi Gorondutse, Murtala Aminu, Yusuf Kofarmata, Ajetunmobi Tunde Abdullateef and all the rest not mentioned.

Finally, my appreciation goes to my wife Zahra Nasir Ahmad and kids Ibrahim, Nasir and Aliyu for their patience, care, support and endurance during the pursuit of this programme.

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List of Abbreviations

AMOS	Analysis of Moment Structures
ANCOVA	Analysis of Covariance
AVE	Average Variance Extracted
BSR	Business for Social Responsibility
CAP-EXP	Capital Expenditure
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CFI	Comparative Fit Index
CFO	Chief Financial Officer
CFP	Corporate Financial performance
CIA	Central Intelligence Agency
COI	French Organisational Change and Computerization
COM	Community Relation
COM-VAL	Company Market Value
CRE	Customer Relation
CSID	Canadian Social Investment Database
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSRD	Corporate Social Responsibility Disclosure
DSR	Discretionary Social Responsibility
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	European Commission
EMP	Employee Relation
ENV	Environmental Concern
EPS	Earnings Per Share
ERIS	Ethical Investment Research Services
FCI	Foreign Capital Inflow
FCO	Foreign capital Outflow
FEFA	Federal Environmental Protection Agency
FP	Financial Performance
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IFI	Incremental Fit Index
INR	Investor Relation
JIT	Just in Time
KLD Index	Kinder Lydernberg Domini Index
MLB	Major League Baseball
NAFDAC	National Agency for Food and Drug Administration and Control
NEEDS	National Economic Empowerment Development Strategy

NFI	Normed Fit Index
NFL	National Football League
NGO	Non-Governmental Organisation
NON-OR CSR	Non Operations Related CSR
NOP	Net Operating Profit
NOPAT	Net Operating Profit After Tax
NPC	National Planning Commission
NPM	Net Profit Margin
NSE	Nigerian Stock Exchange
OR CSR	Operations Related CSR
PAT	Profit After Tax
PBT	Profit Before Tax
PE RATIO	Price Earnings Ratio
PLS	Partial Least Square
PPE	Profit Per Employee
RMSD	Root Mean Squared Deviation
RMSEA	Root Mean Squared Error Average
RMSR	Root Mean Squared Residual
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sales
ROTA	Return on Total Assets
SEC	Security and Exchange Commission
SEM	Structural Equations Modelling
SIC	Stakeholder Influence Capacity
SME	Small and Medium scale Enterprises
SMEEIS	Small and Medium scale Enterprises Equity Investment Scheme
SON	Standard Organisation of Nigeria
SUR	Supplier Relation
TLI	Tucker-Lewis Index
TQM	Total Quality Management
UNIDO	United Nation Industrial Development Organisation
VIF	Variance Inflated factor
WAPCO	West African Portland Cement PLC
WBCSD	World Business Council for Sustainable Development

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The concept of corporate social responsibility (CSR) has continued to receive global recognition due to its impact in creating competitive advantage and high business performance. The need to achieve higher corporate performance has encouraged companies to provide more information on their CSR activities. For example, GreenBiz (2013) indicated that out of the 250 world largest corporations, 93% of those companies' published CSR reports in 2013 as against 71% of these firms in 2008. Additionally, more companies are engaging in voluntary activities that are likely to minimize their negative impact on both the society and the environment (White, 2012). This development is because firms are not only interested in subscribing to best business practices but are also under intense external pressure from stakeholders to comply with regulatory provisions concerning CSR activities.

Additionally, the huge decline in the profitability of some world leading business organisations such as Neiman Marcus Group Ltd and Staples Inc., had further encourage businesses to embark on CSR activities. For example, Neiman Marcus Ltd reported a decline of profit from USD 19.8 million to USD3.8 million within the period of 2015 to the first quarter of 2016 alone (Wall Street Journal [WSJ], 2016). Similarly, Staples Inc. reported a profit declined from USD59 million to USD41 million (Jamerson, 2016). Furthermore, a similar development was reported about Nigeria, where a number of firms experienced a series of decline in their profitability.

For example, companies such as Access Bank, Eco Bank and Okomu Oil Palm Co Plc. have reported a one year decline in their profitability by 19.9%, 48.4%, and 95.2% respectively (Annual report, 2013). This has triggered companies to incorporate CSR initiatives in their business strategies. Notably, a global survey conducted by Mckinsey and Company reported that paying attention to environmental, social and governance programs improves corporate financial performance (Bonini, Brun & Rosenthal, 2009).

Dramatic increase in the CSR investment of business organisations and the level of CSR reports have clearly accorded CSR an important position in both business and accounting literature. In fact, scholars have acknowledged the value relevance of CSR initiative to corporate financial performance (Malik, 2015). This is because the proponents of CSR initiative believed that business firms must respond to the needs of the various stakeholders to improve business performance in today's business environment (Harjota, 2016). In essence, business corporations exist to generate profit for investors to justify the reasons for their investment. While it is important to generate profit, it is equally more important to consider other factors whose business relied upon to function effectively. This is because business corporations do not operate in isolation from the society and largely depend on the external environment to function (Hopkins, 2004).

Additionally, in Nigeria, business firms over the last two decades have paid little attention to the development of CSR activities to corporate financial performance. Wali, Amadi and Andy-Wali (2015) argued that business firms in Nigeria have neglected the importance of CSR activities in advancing sound business interest.

Scholars have argued that there is a poor disclosure of CSR initiatives by financial firms in Nigeria.

Though majority of studies in developed economies have reported positive relationship between CSR and corporate financial performance, there is still disagreement concerning the hypothesized benefits of CSR. Crifo, Diaye and Pekovic (2016) contended that CSR is rather seen to be ambiguous and complex and its impact is yet to be established. Specifically, majority of empirical studies have reported mixed finding regarding the relationship between CSR and firm financial performance. For example, studies conducted by Tsoutsoura (2004), Bird, Hall, Momente and Reggiani (2007), Nicolau (2008), Godfrey, Merrill and Hansen (2009) and Bonini et al. (2009) reported positive relationships between CSR and firm performance. On the other hand, Brammer, Brooks and Pavelin (2006), Clacher and Hagendorff (2012), Fauzi, Mohoney and Abd Rahman (2007) and Inoue, Kent and Lee (2011) among others reported negative relationship between the variables, while few studies have reported mixed relationships between CSR and firm performance (Lee & Park, 2009; Lin, Yang & Liou, 2009; Makni, Francoeur & Bellavance, 2009).

The above previous studies suffer some deficiencies such as use of single dimension of donation for CSR (Brammer et al., 2006; Inoue et al., 2011; Lin et al., 2009), use of simple percentage in analyzing data (Bonini et al., 2009), use of only 2 dimensions of CSR (Godfrey et al., 2009), use of the criticized historical data from disclosure (Fauzi et al., 2007), use of criticized forward looking data that focus only on investors, the market financial performance (Bird et al., 2007) and use of small sample (Lee & Park, 2009). All of them fail to account for the indirect effect of CSR on financial performance.

In the context of Nigeria, studies have largely examined the direct relationship between CSR and corporate financial performance. While most of these studies reported positive relationship (Duke II & Kankpang, 2013; Ebringa, Yadirichukwu, Chigbu & Ogochukwu, 2013; Fasanya & Onakoya, 2013; Uadiale & Fagbemi, 2012), others have reported negative relationship (Akano, Jamiu, Yaya & Oluwalogbon, 2013; Bello, 2012; Oba, 2011). These studies have neglected the use of contingency approach to examine the relationship between the variables in Nigeria (Achua, 2008; Adeboye & Olawale, 2012; Mamman, 2011; Uwuigbe & Egbide, 2012). Many scholars in the Nigerian context call for the mitigation of the mixed findings through strategizing CSR (Helg, 2007; Nwachukwu, 2009; Tanko, Magaji & Junaid, 2011). Conducting CSR based on stakeholder perspective is a good strategy that could improve financial performance (Freeman, 1984; Jones, 1995).

For example, Rowley and Berman (2000) asserted that future studies should consider observing the conditions and situations that cause the mixed findings. They also opined that future studies need to explore how and why (causal link) CSR leads to financial performance. In fact, to augment the problem of mixed findings, several studies have suggested the incorporation of a mediating variable (Carroll & Shabana, 2010; Crifo et al., 2016; Goll & Rasheed, 2004; Peloza & Papania, 2008; Pivato, Misani & Tencati, 2008; Rowley & Berman, 2000; Tsoutsoura, 2004). Specifically, Barnett and Salomon (2012) suggested the need for future studies to test the mediating role of stakeholder influence capacity (SIC) on the relationship between

CSR and firm financial performance. SIC simply refers to an intangible asset that accrue as a result of consistent CSR practice which if adequately accumulated may enable firms to benefit from their CSR activities (Barnett, 2007). The present study argue that SIC can mediate the relationship between CSR and financial performance considering SIC as an outcome of consistent investment in CSR that creates an intangible asset that help by improving firm's financial performance.

1.2 Problem Statement

Corporate social responsibility is still at low pace in Nigeria due to several legal, socio-economic and environmental issues (Mamman, 2011). Though the Security and Exchange Commission's corporate governance framework has highlighted the importance of CSR practices in Nigeria, there are no clear provisions or sanctions concerning non-compliance. This has made it possible for firms to scarcely comply and engage in CSR activities. Similarly, majority of firms in Nigeria consider CSR as a philanthropic activity and take advantage of seemingly intense poverty to carry out some lip services as CSR initiative rather than a strategic business decisions. Essentially, the CSR practices of Nigerian firms reflect the shareholder supremacy mentality and shareholder wealth maximization principle (Amaeshi, Adi, Ogbechie, & Amao, 2006). Hence, companies are viewed as private actors that are exclusively run in the interests of shareholders, thereby neglecting the importance of CSR activities. Thus, a number of issues have been identified as a part of the problems that constrain the effectiveness of CSR activities visa-vis effective firm performance. Below constitute some of the factors that affected the effectiveness of CSR in Nigeria:

Firstly, companies fail to embark on strategic business advancement through the use of CSR. Mostly, the managements of the firms are more self-centered; profit oriented who are only concerned about maximizing profit and ignoring investing in CSR activities. Though CSR can boost financial performance by improving product recognition (Parket & Eilbirt, 1975), augmenting employee state of mind (Brammer, Millington, & Rayton, 2007; Rupp, Ganapathi, Aguilera, & Williams, 2006) and enhancing the company's image (Fombrun & Shanley, 1990), CSR practices in Nigerian is either relatively low or neglected (Achua, 2008; Adeboye & Olawale, 2012; Mamman, 2011; Uwuigbe & Egbide, 2012). For example, Achua (2008) mentioned that CSR was not properly implemented in Nigeria due to reasons that include regulation laxity, endemic corruption, inauspicious macroeconomic environment and self-induced vices which negatively affect firm financial performance (Bello, 2012). Similarly, a study conducted by Ojo (2009) revealed that 74% of firms engaged in philanthropic CSR, thereby seeing it as an activity that reduces firms profit level (Nwachukwu, 2009),

Secondly, most of the studies on CSR that examines the design, use and possible effects of CSR on firm financial performance have been conducted in western and some Asian countries. In the context of Nigeria, there is paucity of studies that indirectly examined the effect of CSR on the performance of listed firms. For example, Helg (2007) commented on the lack of CSR studies in Africa and particularly in Nigeria. Hence, the need to conduct a study to see how CSR can be best implemented in order to improve firm's financial performance. Tanko, Magaji, and Junaid (2011) recommended that Nigerian companies should strategize CSR in such a way that it would reduce cost and improve profitability. Additionally, lack of professionalism in management style has seriously impugned the effectiveness of CSR practices in Nigeria (Nwachukwu, 2009).

Thirdly, most of these studies on CSR and financial performance had reported mixed results where majority reported a positive relationship (see Abdulrahman, 2013, 2014; Bolanle, 2012; Tanko *et al.*, 2011), and some negative relationship (see Akano et al., 2013; Bello, 2012; Oba, 2011). The contradictory and inconclusiveness of the CSR and financial performance study's findings triggered many calls for renewed explanation of the indirect relationship through a mediator (SIC) which may help explain the nature of the relationship and boost it as recommended by Baron and Kenny (1986), Rowley and Berman (2000) and Carroll and Shabana (2010).

Finally, the adoption of SIC as a mediator is motivated by some factors most fundamentally due to the need for strategical implementation of CSR or management of organizations in Nigeria as recommended by some authors (see Helg, 2007; Nwachukwu, 2009; Tanko, Magaji & Junaidu, 2011) that such will enhance performance. Hence, this study sees that knowing the link from CSR practice to financial performance can guide practice of management to embark on profitable CSR practice. Therefore, the present study has responded to the call of these previous studies mentioned above, and specifically to Barnett and Salomon (2012), by testing the direct effect of CSR on SIC and also testing the mediating effect of SIC in the CSR and financial performance relationship. In addition, the study has developed a measurement scale for SIC in response to the call of both Barnett (2007) and Barnett and Salomon (2012).

In a nutshell, this present study addresses the gaps identified in the literature by examining the mediating role of SIC on the relationship between CSR and financial performance.

1.3 Research Questions

The above problem leads to the following research questions, which enables further investigations. Therefore the study seeks to know:

1. Does CSR have a significant relationship with the financial performance of sampled firms quoted on the Nigerian stock exchange?
2. Does CSR have a significant relationship with SIC of sampled firms quoted on the Nigerian stock exchange?
3. Does SIC have a significant relationship with the financial performance of sampled firms quoted on the Nigerian stock exchange?
4. Does SIC mediate the relationship between CSR and financial performance of sampled firms quoted in the Nigerian stock exchange?

1.4 Research Objectives

The general aim of the study is to examine the relationship between CSR and financial performance, assessing the mediating ability of SIC on the relationship in the Nigerian stock exchange.

The specific objectives of this study are:

1. To examine the relationship between CSR and CFP of sampled firms quoted on the Nigerian stock exchange;

2. To examine the relationship between CSR and SIC of sampled firms quoted on the Nigerian stock exchange;

3. To examine the relationship between SIC and CFP of sampled firms quoted in the Nigerian stock exchange,

4. To examine the mediating effect of SIC in the relationship between CSR and financial performance of sampled firms quoted in the Nigerian stock exchange.

1.5 Significance of the Research

The present study offers more understanding on the relationship between CSR dimensions (community, environment, employee, investor, supplier and customer relations) and financial performance in Nigeria. The study provides more explanation on the mediating effect of stakeholder influence capacity (SIC) on the relationship between all the CSR dimensions and financial performance of firms listed in the Nigerian stock exchange.

The study contributes to the theory by empirically testing the relationship between the six most populous CSR stakeholder dimensions and financial performance in Nigeria. Previous studies have agreed on the importance of CSR in enhancing financial performance. Conversely, many studies have examined the impact of some dimensions of CSR on financial performance, but these was lacking in Nigeria especially the test of the effect of community, environment, employee, investor, customer and supplier relations on financial performance. CSR practice and studies are inadequate in Nigeria (Achua, 2008; Adeboye & Olawale, 2012; Mamman, 2011; Uwuigbe & Egbide, 2012), hence this study is among the very few that investigates the effect of multiple CSR dimensions on financial performance in Nigeria.

Moreover, the study contributes by examining the mediating effect of SIC in the relationship which would assist in shaping the way CSR leads to financial performance. The consistent CSR practice creates an intangible asset in the eyes of the respective stakeholders. These give the stakeholders the zeal to compensate the firm by relating well, that consequently improves financial performance. Maintaining good relationship with the employees for instance creates good image (SIC) of the firm in the eyes of employees that leads to reduced absenteeism, reduce employee turnover rate, enhanced productivity that will boost financial performance of the firm. Likewise CSR in the area of customer relation will enhance customer loyalty, in the area of environmental concern will boost good relation with the regulatory agencies, suppliers will reduce lead time and community will guarantee license to operate etc. Hence, the study contributes to the advancement of the body of literature on CSR and financial performance. The study also contributes by conducting a study in the context, Nigeria. Most of CSR research is the context in the United States (Lichtenstein, Drumwright, & Braig, 2004; Matten & Moon, 2008; Simmons & Becker-Olsen, 2006), and this study expanded the research context by investigating non-American (Nigerian context) CSR and financial performance relation with SIC as a mediator.

Furthermore, the study contributes to the literature on CSR and financial performance by developing some measurements for SIC construct. The construct was measured in the past using KLD index as a proxy (Barnett & Salomon, 2012), which is also a proxy in some other studies for CSR (Waddock & Graves, 1997) and stakeholder relations (Berman, Wicks, Kotha & Jones, 1999; Mitchell, Agle & Wood, 1997). The

KLD index was an imperfect measurement for SIC and therefore, future studies should develop valid and reliable measures for it (Barnett & Salomon, 2012). Therefore, valid and reliable measures of SIC are developed in this study. A questionnaire items were used on a 7 point numerical scale to measure the construct. This is a contribution to the methodology and body of knowledge in the CSR and financial performance area.

The study further contributes to the CSR practice in Nigeria by guiding firms on the nature and relationship of some CSR dimensions to their profitability and highlighted the contribution of SIC in explaining this relationship. Managers can use the study as a guide to avoid agency loss in their CSR activities and follow the right path of CSR to financial performance. The study is also useful to government and its agencies in developing policies on issues relating to firms and society in Nigeria. Specifically, since the outcome of the present study highlighted the benefits of CSR, government can impose CSR on firms or amend laws such as the SEC's code of corporate governance to include compulsion of CSR practice as against the present emphasis on only CSR disclosure. This will go a long way in developing both firms and societies. The study proves to be beneficial to CSR practice as discussed above. It is also beneficial to future researchers, investors, agencies (SEC, NSE, etc.) and general public at large.

1.6 Scope of Research

The study focusses on corporate social responsibility, financial performance and stakeholder influence capacity within firms listed on the Nigerian stock exchange. The financial performance is investigated based on the trend in the literature and the argument of Milost (2013) that non-financial performance can only supplement financial performance but cannot replace them. The adapted CSR dimensions are: 1) community relation, 2) environmental concern, 3) employee relation, 4) investor relation, 5) customer relation and 6) supplier relation (Rettab, Brik, & Mellahi, 2008). The financial performance also was adapted from Rettab *et al.* (2008) and it includes market share and size compared to competitors, firms performance compared to competitors, returns on investment, return on assets, sales growth and profit growth compared with competitors. The mediating variable of the study, stakeholders influence capacity (SIC) was conceptually developed by Barnett (2007) and tested using a proxy (KLD index) by Barnett and Salomon (2012). Due to lack of properly validated measurement for SIC, the present study answered the call of Barnett (2007) and Barnett and Salomon (2012) by developing and validating a set of reliable questionnaire items to measure it.

The scope of the organizations surveyed includes all firms listed on the Nigerian stock exchange. The study focusses on the organizational level management perception of CSR, SIC, and financial performance. There are 196 listed companies in the Nigerian stock exchange as at December 2014 and the sample was 130 listed firms using Dillman (2000) and Weaver (2006) sample size determination formula. Each participating firm has answered only one survey questionnaire and the data was collected at once making the study a cross-section. The study aimed response from CEOs or CSR officers, but due to their tight schedules, mostly middle and higher level managers have the higher response frequency. Nigeria was selected because, despite the emphasis on CSR activities and disclosure by Nigerian government through the issuance of the code of corporate governance in 2011, only a few firms are complying. According to Owolabi (2008), in their study on Nigerian environmental disclosure of twenty companies across ten sectors for five years, reported that the level of disclosure of those companies in social and environmental activities was only 35%.

The study of Uwuigbe and Ajibolade (2013) also on the CSED in Nigeria, uses data from 2006 to 2010 on forty companies and reported that the disclosure level was reduced to 24.29%. Additionally, it was reported that 74% of Nigerian firms practice philanthropic CSR (Ojo, 2009) whiles the global CSR is beyond philanthropy. Tanko *et al.* (2011) while commending the developed countries on their strategic CSR practice encouraged Nigerian companies to shift from philanthropic to strategic CSR. According to Ojo (2009), if CSR is properly imposed, has the possibility of improving Nigeria's economy. Therefore, the present study is trying to highlight the importance of building a good relationship with various stakeholders and creating a goodwill called SIC that later impact positively on financial performance.

1.7 Definition of terms

1.7.1 Corporate Financial performance

Corporate financial performance is defined as anything that contributes to ameliorating value-cost pair, and not only which adds to cost reduction or value increase (Lorino, 1995).

1.7.2 Corporate Social Responsibility

Corporate social responsibility was defined as being socially responsible, in fact, means beyond legal requirements, corporations accept to bear the cost of more ethical behavior (European Commission, 2007). They mean by willingly committing, for instance, to improving employment conditions, prohibiting child labor and not working with countries that do not respect human right. The definition included protecting the environment and investing in equipment that reduces the carbon footprint, developing partnerships with NGOs and providing funds to charity (European commission, 2007). Additionally, it was defined as the complete relationship of the firm with all of its stakeholders. These include customers, suppliers, communities, owners/investors, government, employees and competitors (Khoury, Rostani, & Turnbull, 1999).

1.7.3 Stakeholder Influence Capacity

Stakeholder influence capacity was defined as the ability of a firm to identify, act on and profit from the opportunities to improve stakeholder relationships through CSR (Barnett, 2007).

1.8 Organization of the thesis

The present study is organized into 8 chapters, starting with chapter 1that outlines the introduction of the study. The sub-sections under introduction include background of the study, problem statement, research questions, research objectives, significance and scope of the study. Chapter 2 is on Nigerian historical background that discusses the history, its CSR and development in the area of CSR and disclosure. Additionally, chapter 3 concentrates on review of previous literature on financial performance, SIC and CSR. On each of the constructs, the study reviews relevant literature on the definition and overview, typology, antecedents, consequences and empirical studies.

Chapter 4 presents the theoretical framework and hypotheses development of the study. This section starts by discussing the underpinning theories of the study and how they relate to the variables of the study. These was followed by the theoretical framework and hypotheses development, there are 19 hypotheses of the study, 13 direct relationship hypotheses, divided into 6 direct relationship between CSR and financial performance, 6 direct relationship between CSR and SIC and 1 hypotheses between SIC and financial performance. The study also develops 6 mediated relationship hypotheses that propose the mediation of SIC between CSR and financial performance.

Chapter 5 explains the research method followed in the study. The research design, data collection strategy and measurement of variables are highlighted in the chapter. Additionally, the questionnaire design, model specification, data analysis and pilot study are also discussed. Chapter 6 presents the SIC construct scale development process. The chapter explains the introduction, theoretical guidance on the construct intended to be measured, generated items of SIC construct, the measurement format and expert review. Furthermore, the chapter presents the new SIC scale development study, the items evaluation and chapter summary.

Chapter 7 describes the results and findings of the study. This chapter explains the data screening and coding, the screening was conducted using SPSS version 19. The response analysis, non-response and common method biases were also presented in the chapter. The various assumptions of multivariate analysis were evaluated and explained. The measurement and structural models of the study were analyzed using smart PLS-SEM 2.0 and reported. Finally, the results of the hypotheses were reported together with the various post estimation test in the chapter. Chapter 8 presents the discussions of the study's findings arranged in the order of the study's hypotheses. In addition, the study presents the implications of the study, where some theoretical, methodological and practical implications were offered. The chapter also describes the research limitations and future study's directions were suggested and the conclusions of the study were finally stated.

CHAPTER TWO

NIGERIAN HISTORICAL BACKGROUND

2.1 The Nigerian Context

2.1.1 History

Nigeria occupies an area of 923,769 square kilometers divided into 909,890 square kilometers of land and 13,879 square kilometers of water area making it the 32nd largest nation in the world (Maps of World, 2014). It borders with the Gulf of Guinea and Benin to the south, Cameroon and Chad to the east and Niger by the north. Abuja is Nigeria's capital city, Lagos is its largest city and Kano is the largest commercial city. The country is located at 4° to 14° latitude and 2° to 15° longitude (Maps of World).

The climate varies from equatorial in the south, tropical in the center and arid in the north. The terrain of the country is lowlands merge into central hills and plateaus in the south, mountains in the southeast and plains in the north (CIA fact book, 2015). Nigeria is endowed with natural resources such as natural gas, petroleum, tin, iron ore, coal, limestone, niobium, lead, zinc and arable land. The country is facing environmental issues ranging from soil degradation, rapid deforestation, urban air and water pollution; desertification, oil pollution including water; air and soil have been damaged by oil spills, loss of arable land and rapid urbanization (CIA fact book, 2015).

Nigeria is a party to many international environmental agreements such as Biodiversity, Climate change, Climate change-Kyoto protocol, Desertification, engendered species, Hazardous waste, Law of the sea, marine dumping, Marine life conservation, Ozone layer protection, Ship pollution and Wetlands. The population of Nigeria is 177,155,754 making it number 8 most populous countries in the world as at July 2014 estimate (CIA fact book, 2015).

Nigeria's population growth rate was 2.47%, its birth and death rate was 38.03 and 13.16 births/ deaths per 1000 population respectively according to 2014 estimate. Nigeria's urban population was 49.6% as at 2011 estimate, and the urbanization rate was estimated at 3.75% per annum for the period of 2010 to 2015. The major urban areas include Lagos, Kano, Ibadan, Abuja (capital), Port Harcourt and Kaduna (CIA fact book, 2015).

The health expenditure of Nigeria stood at 5.3% of GDP in 2011, It's physicians density stood at 0.4 physicians per 1000 population based on 2008 estimate, the HIV/AIDS adult prevalence rate was 3.1% based on 2012 estimate, people living with HIV/AIDS amounted to 3,426,600 and HIV/AIDS deaths reach 239,700 according to 2012 estimates. The literacy rate of 15 years and above is 61.3% divided into 72.1% males and 50.4% females based on 2010 estimates (CIA fact book, 2015).

Nigerian economy is said to be the largest economy in Africa with GDP estimated at USD502 billion after rebasing in 2014. Oil has been the major source of Nigeria's revenue since the 1970s. The economy is growing at 6-8% per annum before rebasing. The GDP purchasing power parity stood at USD478.5 billion, GDP official exchange rate was USD502 billion, real growth was 6.2% and GDP per capita was USD2, 800 according to 2013 estimate. The gross national savings amountes to

15.5% of GDP and GDP composition by sector of origin was 30.9% for agriculture, 43% for industry and 26% for service sector in the 2012 estimate (CIA fact book, 2015).

Nigerian labor force stood at 51.53 million and the unemployment rate is 23.9% in 2011 estimates. Population below the poverty line is 70% in 2010, public debt is 19.3% of GDP and inflation rate for consumer prices is 8.7% according to 2013 estimates. The Central bank of Nigeria discount rate was 4.25% (31/12/2010), commercial bank prime lending stands at 15.5% (31/12/2013).

Nigeria's crude oil production amounts to 2.524 million barrels per day as per 2012 estimates; crude oil export reaches 2.341 million barrels per day according to 2010 figures and there are no crude oil imports during the periods (CIA fact book, 2015). Nigerian natural gas production amounted to 31.36 billion cu m based on 2011 figures; Natural gas consumption is 5.03 billion cu m according to 2010 estimates, natural gas export reached 25.96 billion cu m based on 2011 estimates. There are no natural gas imports over the period, and carbon dioxide emission from consumption of energy amounted to 75.96 million MT based on the 2011 estimates.

Nigeria is battling with insecurity ranging from Niger delta militancy, ethnic/religious killings and book haram massacres and bombings in the northeastern part of the country (Adejumo, 2011). Akpong (2014) attributes the problem to scarce resources, political clout, poverty, joblessness, poor distribution of wealth and corrupt politics. Igbinijesu (2013) mentioned the causes of insecurity in Nigeria to include tribalism, resource control, religion, trade and land disputes. Some authors exercise fear that insecurity situation leads to fear and discouragement on the part of the investors (Adejumo, 2011). Hosenball (2015), states that Nigeria being Africa's second largest economy and top oil exporter should be a destination for investment, but reports on violence have tarnished the country's image.

2.1.2 Corporate social responsibility: A Nigerian perspective

To have the capacity to comprehend CSR from Nigerian point of view, it is important to investigate in summary structure the drivers for, and the history and advancement of CSR in Nigeria.

The world Business Council for Sustainable Development WBCSD (2006), examines CSR with business and non-business partners in various countries across the globe with the aim of understanding local points of view better and to get a distinctive impression of what CSR ought to mean from various diverse societies. One imperative finding in this study was that individuals were discussing the part of the private area in connection to social agenda and they saw that part as progressively connected to the general prosperity of society. Thus, the selected priorities varied in line with local necessities. Despite the fact that stakeholders over the world agreed on the significance of these issues, there are local differences concerning needs and understanding.

Visser (2006) sees the need for revisiting Carroll's CSR Pyramid for an African viewpoint. He saw Carroll's research on CSR Pyramid that lists corporate responsibility in order of importance ranging from economic, legal to ethical and finally philanthropic responsibilities from American background. Visser in his own study made an effort to see how CSR establishes itself in an African setting. In Africa, the economic responsibility still gets the most concern, followed by philanthropy then legal and finally ethical responsibilities.

Charity gets high need in Africa. As per the study, there are numerous explanations behind this. Firstly, the financial needs of the African societies in which organizations operate are huge to the point that philanthropy has turned into a normal custom. Organizations likewise realized that they cannot succeed in communities that fail. Besides, numerous African Societies have gotten to be reliant on foreign aid and there is an imbued society of Philanthropy in Africa. Thirdly, as per the report, CSR is still at an early stage in Africa, are some of the times seen as philanthropy (Visser, 2006).

A low concern for legal responsibility as indicated by the study is not because African organizations overlook the law, yet the pressure for governance and CSR is not all that big. Ethics appears to have the least effect on the CSR agenda. This is not to say that African organizations are unethical. For example, the king report in 2003, is the first worldwide corporate governance code to discuss on stakeholders and to push the significance of business accountability above the interest of shareholders.

As per a study on CSR in Nigeria by Amaeshi *et al.* (2006), it is discovered that indigenous Nigerian organizations see and practice CSR as corporate philanthropy with the objective of reducing financial challenges in Nigeria. CSR is for the most part seen from altruism viewpoint, as a method for "giving back" to the society. All respondents of the study concurred that CSR is vital in the Nigerian business society. The explanations for this reaction include the need for privately owned businesses to supplement the state in providing for the communities. Some also contended that huge numbers of the organizations operating in Nigeria make an enormous profit, and should give back to society to build up legitimacy. They contend that Nigerian firms concentrate more on community involvement, less on socially responsible employee relation and almost none on socially responsible product and services (Amaeshi *et al.* 2006).

According to Ajadi (2006), the following represents additional drivers for CSR in Nigeria:

1. The failure of the government to build up the nation.
2. The incremental transaction cost incurred by businesses due to corruption in addition to another social capital failure.
3. The history of conflict and waste in the Niger Delta region.
4. The larger part of Nigerian populace whose are less than 25 years old and is to a great extent neglected without considering their importance in the survival and future development of the country.
5. The potential advantage of an economically active and productive nation of more than 120 million potential customers (Ajadi 2006). According to Olowokudejo, *et al.* (2011) Nigerian firms in insurance industry take part in CSR to boost public image, goodwill and improve employee morale.

2.1.3 Development of CSR and Disclosure level in Nigeria

Despite the fact that Africa has its fight to battle with poverty and social injustice, Africa has as indicated by numerous, the possibility to turn into a main global player with its natural resources and low cost of labor (Helg, 2007). Jackson (2004), states that in spite of the achievements of numerous multinational organizations, it doesn't appear to be as though the organizations have figured out how to exchange this success to the communities where they are operating because of the absence of stakeholder participation and insight in stakeholder interest.

Nigeria has been a member of numerous international human right agreements as progress in CSR. Nigerian government together with Azerbaijan, Ghana, and Kyrgyzstan, have focused on the UK-led extractive industries transparency initiative, where they have focused on making open all their incomes for oil, gas and mining (http://www.commonwealth.org). Nigeria is likewise a party to many resolutions and efforts towards global harmonization of labor organization and standard organization to be in line with International Labor Organization (ILO) and International Standard Organization (ISO). The point is to urge voluntary commitments to social responsibility and will ensure a universal guidance on the definition of some concepts and their method of assessment (Helg, 2007).

The Nigerian government has likewise through its National Economic Empowerment Development Strategies (NEEDS) set the background by describing the private sector role through expressing that "the private sector will be expected to be more proactive in generating fruitful jobs, enhancing productivity, and augmenting the quality of life. It is likewise anticipated to be socially responsible by spending into the corporate and social advancement of Nigeria" (NPC, 2004).

Further, a global compact network is formally launched in Nigeria amid the twelfth Annual Nigerian Economic Summit in 2006. A number of Nigerian companies have effectively engaged on to the initiative (Helg 2007). The Nigerian oil sector is populated with multinational organizations. To make up for government's governance failure and to safeguard their own business interest, the organizations regularly take part in CSR. The history of formalized CSR in Nigeria can be drawn back to the CSR practices in the oil and gas multinationals. The CSR activities in this sector are fundamentally centered around reducing the effect of their extraction activities on the neighboring societies. The organizations provide pipe borne waters, hospitals, and schools. These activities are in most of the times ad-hoc and not always sustained (Amaeshi et al, 2006).

According to Amaeshi et al (2006), Nigerian organizations are involved in one CSR activity or the other. However, their study reveals that 85 percent of the respondents agreed that there is awareness of CSR in Nigerian yet without significant action while 7.7 percent either asserted there is no awareness and awareness with substantial actions respectively. The study reports that there is more concern about community involvement, less on socially responsible employee relations and almost none with respect to socially responsible products and processes (Amaeshi *et al.*, 2006).

Contrary to what is obtained in many other countries, the Nigerian consumer is not as empowered and is merely starting to have the essential safety of products by the National Agency for Food and Drug Administration and Control (NAFDAC), and the standard organization of Nigeria (SON) (Helg, 2007). As to environmental protection, degradation starts after the location of oil which leads to the abandoning of agriculture and focusing on oil exploration. It was after the unlawful dumping of toxic waste in Koko, in 1987, the Nigerian government declared the harmful waste Decree which controls the disposal of harmful and dangerous waste in any environment inside Nigeria. Federal Environmental Protection Agency (FEPA) was established in 1988, shouldered with the obligation of protecting and developing the Nigerian environment (Helg, 2007).

Nigeria is the first nation on the planet that attempt to legislate on CSR. The bill which recommends that organizations spend 3.5% of its gross profit on CSR has been debated in the national assembly somewhere in 2009. The motivation for the bill is on account of CSR activities by business organizations in Nigeria are inadequate. The government has felt that enactment and a supervisory body to enforce the laws are sufficient solutions. The bill was not successful due to the critics that CSR means going beyond compliance, therefore, need no legislation. Secondly, that government should consider increasing the breadth of its taxation rather than depth (Chandranayagam, 2009).

The Nigerian code of corporate governance issued by Security and Exchange Commission (SEC) in 2011 clearly states what the Nigerian public listed firms are expected to disclose in their annual reports. The code states the disclosure requirements with respect to CSR in part 'D' as disclosing the effort they made toward the interest of their stakeholders such as employees, community members, consumers and the general public. They should also consider corruption as a major threat to business and national development. They are mandated to disclose annually their social, ethical, safety, health and environmental policies and practices.

The code categorically require disclosure on the followings, business principles and code of practice, workplace accidents occurred during the year, HIV, malaria and other serious diseases policy, options that are of least damage to the environment, nature and extent of employment equity and gender policies, number and diversity of staff including their training and other development cost, conditions and opportunities for physically challenged persons or disadvantage individuals, their social investment policies and policies on corruption and compliance with the policies and their code of ethics.

However, despite the issuance of the SEC Code, its implementation seems to be too loose as it left the determination of compliance with the code and its extent, in the hands of the board of directors and shareholders. The code states that "it is not intended to be a rigid set of rules but as a dynamic code specifying minimum standards of corporate governance". The code is also at fault by shouldering the responsibility of compliance in the hands of the board of directors. Another reason why the code is at fault is that the extent of observance in the first place is to be determined by the board, and subsequent compliance with the SEC. The code also stated that in the case of non-compliance, SEC shall only send to the firm, areas of non-compliance and actions to be done to remedy the situation.

A lot still need to be done on CSR in Nigeria ranging from legislation on the activity itself and its disclosure in line with the developed nations especially the European countries, establishment of a directorate of CSR for a start and expectations of moving from directorate to ministry of CSR as did in the UK, establishment of NGO like CSR Europe to be called CSR Nigeria, enforcement of CSR disclosure by Nigerian stock exchange, the need for legislation on CSR to have a legal backing, among other as recommended by Ojo (2009). The above-unresolved problems in the Nigerian CSR lead to a very little level of CSR disclosure among Nigerian firms.

Owolabi (2009) for example, reported that the level of CSR and environmental disclosure in Nigeria is only 35%. Ajibolade and Uwuigbe (2013) also indicate that the level of corporate social and environmental responsibility disclosure among Nigerian firms was 24.29%. The themes mostly disclosed by Nigerian firms include education, health, infrastructure, poverty alleviation, sports and security (Amaeshi *et al.*, 2006). Nigerian banks disclose more of human resources and community involvement, very low on environmental concern, product quality and consumer relations (Akano *et al.*, 2013). According to Ebimbowei (2011) Nigerian firms discloses more of qualitative information on CSR than quantitative, most of the firms reported their CSR information in the directors report, very few in the chairman statements, statements of accounting policies or notes to the accounts.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

This chapter reviews related literature on corporate social responsibility (CSR) and how it affects corporate financial performance (CFP). The study reviews stakeholder influence capacity (SIC) that explains how to profit from improved stakeholder relationship. The chapter reviews the following issues for each of the variables: definition, typologies and/or dimensions, as well as measurements, antecedents, and consequences.

3.2 Overview of Corporate Financial Performance

Corporate financial performance is an important concept that was defined by many authors. According to Tatiana and Marioara (2012), CFP is defined as the creation of value for shareholders, the creation of satisfaction to clients/customers, consideration of employee opinion and welfare and respect for the environment. Although this definition considers both financial and nonfinancial performance, the definition of Bourguignon (1995), states that CFP means achievement of organizational objectives. Niculescu (2007), defines it as being both productive and efficient. It was also defined by Lorino (1995) as anything that contributes to ameliorating value-cost pair, and not only which adds to cost reduction or value increase. Performance in a broader sense was defined by Milost (2013), in measurement terms as categorized into two, narrow and broader sense. In a broader sense, they include absolute and relative figures, while in a narrow sense it only includes relative figures. The concept of performance was classified into financial and nonfinancial. The financial is based on the profitability of organizations while the nonfinancial was on the social and environmental performance of companies (Dorina, Victoria, & Diana, 2012).

Milost (2013) compares financial and nonfinancial performance and conclude that despite the importance of nonfinancial performance, they cannot replace, but complement financial performance. The term CFP was measured using three methods i.e. accounting, market and survey methods (Orlitzky *et al.*, 2003). Each of the methods has its relative advantages and disadvantages, but predominantly studies use accounting measure to measure CFP, see (Boaventura *et al.*, 2012) for details.

Corporate financial performance is determined by many variables that range from customer satisfaction, customer growth, employee satisfaction, quality of product and services and organizational reputation (Prieto & Revilla, 2006). In another vein, a number of employees (firm size), stakeholder influence capacity and spending more on advertisement determine ROA and net income (Barnett & Salomon, 2012). Raza (2010), reports that ROA, ROE, cash flow, current ratio, EPS, and dividend cover ratio, determine company share price, and they are used as measures of creating value for shareholders. Corporate financial performance exercises influence over certain variables that include CSR disclosure as in the study of Uwuigbe & Egbide (2012) that reported an influence of CFP on CSR disclosure of Nigerian firms. The concept was widely examined empirically either as predictor/independent or criterion/dependent variable.

3.2.1 Typology of Corporate Performance

Performance is classified into two, financial and non-financial performance (Dorina *et al.*, 2012; Milost, 2013; Prieto & Revilla, 2006; Tatiana & Marioara, 2012). Tatiana and Marioara (2012), for example, consider performance in terms of financial and non-financial performance. The financial performance is based on profitability and liquidity measures, whereas the non-financial is based on social and environmental performance. In the same vein, Dorina, Victoria and Diana (2012), compare financial and non-financial performance and conclude that, while financial performance is adequate and capable of its work of communicating the state of affairs of the firm, the non-financial performance may affect financial performance. Similarly, Prieto and Revilla (2006), examine the relation between learning capability and financial and non-financial performance. They find learning capability to have a positive significant relationship with non-financial performance and negative insignificant relation with financial performance. They also discover that non-financial performance has a positive significant impact on financial performance.

Milost (2013), makes distinction between financial and non-financial performance. The financial performance is as in the above studies i.e. profitability, liquidity, etc. but they consider instruments such as balanced scorecard, Navigator, and Skandia as measures of non-financial performance. Non-financial performance is termed as descriptive in nature to capture performance such as customer satisfaction, job satisfaction, management control system, etc. (Milost, 2013). Although non-financial performances are formed as a result of the failure of the financial performance to capture the true capabilities and opportunities of the firm, they can only complement, but cannot replace them because their applied value is limited (Milost, 2013).

This study concentrates on financial performance since it is more important than non-financial performance as opines by Milost (2013), that non-financial performance can only compliment financial performance but cannot replace them.

3.2.2 Measurement of Financial Performance

Corporate financial performance is defined in this study as anything that contributes to enhancing value-cost pair, and not only which adds to cost reduction or value increase (Lorino, 1995). According to Orlitzky *et al.* (2003), financial performance has been measured in three forms: market, accounting, and survey. He further explains that the first represents the appreciation of the shareholders, the second shows the internal efficiency of the management, and the last provides a subjective estimation of its performance. In the empirical studies on CSR and CFP, many researchers measure financial performance using the above categorization as follows: in the form of accounting (Aupperle *et al.*, 1985; Balabanis *et al.*, 1998; Barnett & Salomon, 2012; Crifo *et al.*, 2016; Griffin & Mahon, 1997; Rodgers *et al.*, 2013; Tsoutsoura, 2004; Yusoff *et al.*, 2013), in the form of market (Brammer *et al.*, 2006; Nicolau, 2008; Saleh *et al.*, 2008; Servaes & Tamayo, 2013; Turcsanyi & Sisaye, 2013), and in the form of perception (Fauzi & Idris, 2009; Lee, Park, *et al.*, 2013; Mulyadi & Anwar, 2012; Murray & Vogel, 1997; Rettab, Brik, & Mellahi, 2008).

The accounting based measures are further sub-divided into 8 in the study including asset utilization (ROA, PPE & asset age), profitability (ROE, ROS & ROCE), growth (T.A & 5 years ROS) then lastly, risk (Altman Z-score). The studies that uses asset utilization to measure financial performance includes Aupperle *et al.* (1985) utilises return on asset (ROA) as the measurement of financial performance that is in line with Barnett & Salomon (2012) who also uses ROA. Similarly, the study of Tsoutsoura (2004) also utilises ROA as a proxy of financial performance. Yusuff *et al.* (2013) utilise ROA to measure financial performance. Additionally, the study of Crifo et al. (2016) utilizes another method of asset utilization called profit per employee (PPE). The study of Griffin and Mahon uses additional asset utilization measure known as asset age, in addition to ROA.

The studies that uses profitability to measure financial performance includes Balabanis *et al.* (1998) who use return on equity (ROE) to measure financial performance. In addition, Griffin and Mahon (1997) also uses the same ROE to measure financial performance. Moreover, the study of Yusuf et al. (2013) also uses ROE and ROS to proxy for financial performance. Additionally, Balabanis (1998) uses another measure of profitability, known as return on capital employed (ROCE) to proxy for financial performance in his study. Another method of accounting is growth, studies that use this method includes Griffin and Mahon (1997) who uses total assets (T.A) and 5 years return on sales (5 years ROS) to measure financial performance. Another important accounting measure of financial performance used by studies is risk. One of the studies that uses risk include Rodgers et al. (2013) that uses Altman Z-score to proxy financial performance.

Some of the studies that use the market measurement of financial performance include the study of Brammer *et al.* (2006) which uses the stock returns to measure financial performance. Similarly, the study of Nicolau (2008) utilises share price valuation as the proxy for financial performance. The study of Saleh *et al.* (2008) makes use of stock market return and Tobins Q to measure financial performance. Servaes and Tamayo (2013) utilise Tobins Q to proxy financial performance similar to Saleh *et al.* (2008). The study of Turcsanyi and Sisaye (2013) make use of stock price movement as a measurement of financial performance.

Some studies use a number of instruments to capture perception as a measurement of financial performance. Some of these studies include Fauzi and Idris (2009) who use the instrument of Ventakraman (1989) to capture profitability and growth. The study of Lee *et al.* (2013) also utilises an instrument to capture the perception of employee on their performance and attachment to their organisation in relation to CSR activities. Mulyadi and Anwar (2012) use perception measurement to capture firm value and profitability in the Indonesian context. Similarly, the study of Murray and Vogel (1997) uses the instrument to obtain the perception of firms on the goodwill to the firm as a result of CSR activities. Rettab *et al.* (2008) in their study on CSR and financial performance in Dubai, use the instrument developed by Deshpande *et al.* (1993), Jaworski and Kohli (1993) and Samiee and Roth (1992) to capture the perception of the firms on their financial performance.

Tsoutsoura (2004) in her study reviews the arguments of experts on the best method of measuring financial performance. While accounting measures are criticized for being historical in nature and subjected to managerial manipulations or differences in accounting procedure, the market measures are forward-looking and are less subjected to different accounting method. They supply the information required by investors (Tsoutsoura, 2004). However in practice, the usage of each of the financial performance measure is summarized in a meta-analysis by Boaventura *et al.* (2012).

They reported that return on asset (ROA), is the financial performance measure most widely used, almost forty-eight percent (48%) of the studies reviewed use ROA to measure financial performance, followed by return on equity (ROE) (29%), sales growth (22%), return on sales (ROS) (16%), contribution margin (15%), Tobin's Q (10%), etc. In addition, accounting-based measures of CFP are more correlated with CSR (Orlitzky *et al.*, 2003).

3.2.3 Antecedents of Corporate Financial Performance

Financial performance is affected or determined by many variables. Capon, Farley, and Hoenig (1990), submit that there is large and diverse literature on financial performance which could be found in many fields of study, reflecting widespread of interest in its determinants. Some variables impacted positively, some negatively on financial performance and some serve as mediators or moderators of the relationship between a predictor variable and financial performance.

Some of the variables that determine financial performance include non-financial performance. Prieto and Revilla (2006), in their search for the determinants of FP find a strong relationship between non-financial performance and financial performance. The composition of their non-financial performance includes customer satisfaction, customer growth, employee satisfaction, quality of products and services, and finally, organizational reputation. In a similar study, employee relation and product safety/quality are found to have a direct influence on financial performance (Berman, Wicks, Kotha, & Jones, 1999). Similarly, Bolanle *et al.* (2012), report a causal effect of CSR expenditure on profit after tax, proxy for financial performance in the Nigerian banking sector. In addition, Yang, Lin and Chang (2010) found previous

CSR causing subsequent ROA among Taiwan listed companies. Makni et al. (2009) found environmental dimension of CSR causing a negative ROA, ROE and market returns.

Capon, Farley, and Hoenig (1990), conducts a comprehensive study on the determinants of financial performance. They divide the predictors into three groups, namely the environment, strategy and organizational issues. They use two methodologies in their analysis, namely, counting and analysis of covariance (ANCOVA). It reports under environmental variables that industrial concentration, growth, capital investment, size, and advertisement are having an influence on financial performance using both counting and ANCOVA methodologies. They also reported that industry minimum efficient scale, geographic dispersion of production, barriers to entry and economies of scale has a positive influence on financial performance under the counting method. They report under the strategy variables that growth, low capital investment, firm advertisement, market share and research and development have an influence on financial performance under both counting and ANCOVA methodology. Similarly, they report that product and service quality, vertical integration, corporate social responsibility, lower level of debt and less diversification to have a positive influence on financial performance under the counting method. Finally, under organization issue, only capacity utilization was found to influence financial performance under both methods.

Smith and Wright (2004) in their study reported that customer loyalty was having a significant influence on the sales growth rate and return on assets (ROA). In a similar study, strategic human resource effectiveness was found to determine firm financial performance (Huselid, Jackson, & Schuler, 1997). Ahmad, Mehra, and Pletcher (2004) reported that just-in-time (JIT) practices influence managerial perception of firm financial performance. In a similar study by Claycomb, Germain and Dröge (1999), just-in-time was also found to have a positive influence on the return on investment (ROI), profits and return on sales (ROS). The study of Fullerton, McWatters, and Fawson (2003), reported a similar result that the degree of just-in-time (JIT) practice has an influence on profitability.

Orlitzky *et al.* (2003) studied 388 correlations that could be seen as equivalent to 33,878 samples on corporate social responsibility and corporate financial performance. They reported a positive, bi-directional and simultaneous correlation between CSR and CFP. Similarly, the study of Margolis, Elfenbein and Walsh (2009) reported a positive impact of CSR on CFP but not up to a significant level. Barnett and Salomon (2012) reported that firm size proxy as a number of employees is positively correlated with net income and weakly correlated with ROA. They also reported that net KLD (Kinder Lynderberg Domini) score, (a proxy for stakeholders, CSP, SIC, and CSR) and spending more on advertisement expenses are correlated with both net income and ROA. The study of Margolis and Walsh (2003) report that almost fifty percent (50%) and above of the studies reviewed in a meta-analysis of one hundred and nine (109) studies, revealed a positive link in CSR and CFP relationship. Hendricks and Singhal (2001) reported on total quality management (TQM) and financial performance that small firms perform better than large ones, and that firms that are more mature in TQM perform better than otherwise. Again it was found that less capital-intensive firms perform better than more capital-intensive firms and more focused firms perform better than diversified firms.

Some variables were found to affect financial performance indirectly either as mediator or moderator in the relationship between a predictor variable and financial performance. Fullerton and Wempe (2009) reported in respect of lean manufacturing and financial performance that non-financial performance has the mediating ability in the relationship between lean manufacturing and financial performance. The study of Hofer, Eroglu, and Hofer (2012), report on the relationship between lean production implementation and financial performance that inventory leanness is partially mediating the relationship between lean production and financial performance. Finally, the study of Agus and Abdullah (2000) reported that customer satisfaction mediates the relationship between total quality management (TQM) and financial performance. Berman *et al.* (1999), report that employee relation, product quality/safety, diversity, environmental concern and community relations moderate the relationship between strategy and financial performance.

In the Nigerian context, the study of Fasanya and Onakoya (2013), relates CSR using both perceptions of workers and corporate donations with profit before tax. They found that CSR influences CFP. Similarly, the study of Olowokudejo, Aduloju, and Oke (2011) found in Nigeria that CSR in the insurance industry is perceived to influence profitability, sales, financial strength and other non-financial performance. The study of Duke II and Kankpang (2013) reported that waste management and pollution abatements are positively and significantly related with ROCE while social action, fines, and penalty are negatively and significantly related with ROCE. Uadiale and Fagbemi (2012) reported that ROE is influenced by community and environmental relations at 5% level of significance, and with employee relations at

10% level of significance in Nigeria. They also reported that ROA was influenced by only community relations.

The above discussed studies are not free from limitations mostly they have some elements of deficiencies. The study of Copon *et al.* (1990), for example suffers from the inherent deficiency of a meta-analysis of lack of homogeneity in measures among selected articles, publication bias and quality of publications selected for the study. Additionally, the study of Prieto and Revilla (2006), while discussing on learning capabilities, failed to consider inter organizational learning, they focus on internal organizational learning. Furthermore, the study of Huselid *et al.* (1997), considers their HRM as a composite ignoring the dimensions therein. And also some of their construct (technical HRM effectiveness & business related capabilities) records low internal consistency evidence by their Cronbach's alpha of less than the minimum threshold of 0.7.

Similarly, the study of Claycomb *et al.* (1999) lacks a valid and reliable measure of JIT; they use percentage of purchases, sales and production carried out on JIT basis as a proxy. Likewise, Barnett and Salomon (2012) in their study on CSR, SIC and financial performance submitted that KLD measure is an in perfect proxy for SIC and called on to future studies to develop a valid and reliable measure for SIC. Equally, the study of Fullerton and Wampe (2009) had a moderate sample size and response rate, and they use a no random sampling technique. Likewise, the study of Hofer *et al.* (2012) records a small response rate of only 8.6%.

In the Nigerian context, the study of Fasanya and Onakoya (2013), is conducted on a single firm, Cadburys Nigeria PLC and they utilized Chi square to analyzed the data. Also, the study of Olowokudejo *et al.* (2011), is conducted on only 10 insurance companies, only 80 responses were received and single tribe, Yoruba are surveyed. Moreover, the study of DukeII and Kankpan (2013), uses a non-random method (judgmental) of selecting industries to study and despite their utilization of secondary data, the study was a cross sectional type where only data of 2011 was analyzed. Lastly, the study of Uadiale and Fagbemi (2012), utilize only 40 annual reports of Nigerian firms.

The exploration of determinants of financial performance is ongoing since they are many and it is not likely that a single factor will emerge as sole determinant of financial performance (Capon *et al.*. 1990). Additionally, most of the studies are criticized for one or more flaws as discussed above, and the fact that the determinants are many and still loading from explorations, this review concluded that there is need for more investigations on the factors that affect financial performance either directly or indirectly.

3.3 Overview of Corporate Social Responsibility

Corporate social responsibility is an important concept that is defined by many authors. Some of the definitions include that of Bowen (1953) "a method employed by a corporation to pursue policies, decisions, and actions for the social purpose and value." Another definition is that of Frooman (1997), "an action by an organization, which the organization chooses to take, that significantly affects an identifiable social stakeholder's welfare." The variable is found to be categorized into single and multiple dimensions. The highest dimension of CSR is KLD's thirteen dimensions which include employee relations, product quality and safety, community involvement, environmental concern, human right, corporate governance, diversity, dealing in alcohol, gambling, tobacco, firearms, military contracting and nuclear. It is measured using forced choice questionnaire, reputational indices, content analysis, behavioral and perceptional measures, and case study (Waddock & Graves, 1997).

Three of these measures are widely used by studies on CSR; these include the forced-choice survey (Aupperle, Carroll, & Hatfield, 1985), reputational indices (Fombrun & Shanley, 1990), and content analysis (Haniffa & Cooke, 2005). Many variables were found to determine CSR, some of which are; firm size, firm age, growth, leverage, media exposure, ownership concentration, firm origin, etc. Corporate social responsibility is found to have an influence on many variables that include profitability (Crifo *et al.*, 2016), and employee attachment and performance (Lee, Park, and Lee, 2012). It is also found to have an influence on investors perception of CSR in relation to Z-score and Tobin's q (Rodgers *et al.*, 2013), and emotional, social and functional values to customers (Green & Peloza, 2011). There are many empirical studies on CSR either as a predictor or predicted variable.

3.3.1 Definition of Corporate Social Responsibility

Corporate social responsibility is variously defined by many researchers, practitioners, international and non-governmental organizations (NGOs) etc. These definitions are many and diverse to the extent that some scholars consider CSR as not having any definition (Jackson & Hawker, 2001). These definitions are dated back in CSR literature since 1950s with the first documented write up by Howard R. Bowen in 1953. Until recently, CSR has been referred to social responsibility (SR). The first formal definition of SR is by Bowen (1953) who defines the concept as the obligation of businessmen to pursue those policies, to make those decisions or follow those lines of actions which are desirable in terms of the objectives and values of our society. Literature has record the contributions of three more definitions of CSR during this decade of 1950s. The studies were Eells (1956), Heald (1957) and Selekman (1959) and their definitions were all synonymous with that of Bowen.

The concept of CSR expands in the 1960s with many more studies trying to formalize or accurately explain its meaning (Carroll, 1999). The first definition in this era is that of Davis (1960) that defines social responsibility as business decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. Another definition in this decade that has almost similar meaning is that of Frederick (1960). He defines SR as businessman's responsibility to oversee the operation of an economic system that fulfills the expectations of the public (Frederick, 1960). He proposes that production and distribution should improve the socio-economic welfare of society. Another definition in this category is that of Joseph M. McGuirie who argues that corporations are having not only economic and legal obligations, but also certain responsibilities to the society which extends beyond these obligations (McGuirie, 1963). Keith Davis together with Robert Bloomstorm defines SR as referring to person's obligation to consider the effect of his decisions and actions on the whole system. They consider the interest of others that may be affected in the process (Davis & Bloomstorm, 1966).

In 1967 Keith Davis publishes another definition of SR that is synonymous with his old definitions particularly that of 1966 with little improvements. He defines SR as the substance of social responsibility arising from concern of the ethical consequences of one's act as they might affect the interest of others. The last definition recorded in the literature on SR in the 1960s is that of Clarence C. Walton (1967). He defines SR as the new concept of social responsibility recognizes the intimacy of the relationship between the corporation and society and realizes that such relationship must be kept in mind by top managers as the corporation and the related groups pursue their respective goals (Walton, 1967). He further explains the need for voluntarisms in SR against coercion and stress that cost is attached without guarantee of any economic return. The definitions of SR in the 1960s are somehow similar in general meaning, almost all states that SR is going beyond economic activities and relationship between corporations and society.

In the 1970s CSR recorded a lot of definitions in which scholars like Carroll (1999) consider as period that recorded proliferation of CSR definitions. Due to high number of CSR definitions in this decade, the definitions are presented in a number of related groups of definitions.

The first group to be discussed is on studies that define CSR as either community program or activity that are beyond economic. These studies varied a bit in their individual definitions but almost all included a phrase stating that CSR is program or policy that is beyond economic objectives of the firm. The studies in this category include Heald (1970) that defines SR as the community-oriented programs, policies and views of business executives. The study of Stainer (1971), defines CSR as a responsibility of the management beyond the economic to help society achieve their goals. He makes it explicit that the larger the corporation, the larger should be his responsibility.

Another definition that is in-line with this theme is that of Professor Manne who stated that for corporate action to be called or referred to social, the returns from the action must be less than its opportunity cost, must be voluntary and be a corporate expenditure (Manne & Wallich, 1972). In the same article, Professor Wallich also state his own definition to be setting a social objective, decision as to whether to undertake the social objective and lastly funding the social program (Manne & Wallich, 1972). Moreover, Keith Davis proposed another definition of CSR in 1973 which is an improvement of his previous definition. He defines SR as consideration and response to issues beyond narrow economic, technical and legal requirements by business organizations (Davis, 1973), this definition is similar to the definition of Stainer (1971). Similarly, the study of Eilbirth and Parket (1973), defines the concept of CSR as neighborliness and he further explained that corporations should not do anything that will spoil the neighborhood and they should assist in solving neighborhood problems (Eilbirth & Parket, 1973). This definition seems to be too general as it does not specify what it means by Neighborliness.

The definition of Eells and Walton (1974) is not too different from others in this category; it states that SR bothers about the need and goal of society which is beyond economic (Eells & Walton, 1974). Preston and Post (1975), define CSR as intentional and beneficial ad-hoc managerial policies and practices that have no linkages to the internal activities of corporation. They stress that it should be intentional and beneficial to the corporation and must have no linkage with the internal activities of the organization. Similarly the definition of Fitch (1976), states that it represents a serious attempt to solve social problems caused wholly or partially by corporation. The weakness of the definition is that it narrows and limits the meaning of CSR to only solving problems caused wholly or partially by the organization while there are other activities that the corporation ventures into that are not necessarily caused by them. The other definition of CSR is that of Carroll (1979), who defines CSR as economic, legal, ethical and discretionary expectations that society has of organization at a given point in time. This definition seems to be more elaborate about what CSR entails.

The second group of CSR definitions in the 1970s is the ones that specifically attribute CSR to stakeholder relationship management. Some of which are Johnson (1971), who defines CSR as a composition of four concepts, 1) balancing the interest of several stakeholders as against stockholders, 2) the generation of returns from CSR in the long-run, 3) utility maximization for example mutual benefit between the corporation and the stakeholders, and finally 4) the concept of ranking goals based on importance and attaching target to each. This definition seems to be very wide, but captures the stakeholder concept of CSR very well.

Another similar definition is that of committee for economic development (CED, 1971) that classify social responsibility into high, medium and less priority after considering social contract concept. They emphasized that production, job creation and economic growth are having high priority. The responsibility to conserve the environment, hiring and relating with employees, customers expectation for information, fair treatment and protection from injury attract a medium priority from the corporation and the issue of poverty reduction and urban blight attract less priority in their definition (CED, 1971). In addition, Backman (1975), combines the features of both group one and two in a way that makes it an additional activity to the economic deals, and also specify the example of stakeholders. The definition states that CSR is an objective or motive that should be given weight by business in addition to economic deals. He cited example of stakeholders to include employment of minority, pollution reduction, participating in community programs, improved medical care and improved industrial health and safety. All of these studies emphasized the need to consider the various stakeholders of the corporation as an act of CSR.

The third group is definition that specifies CSR in the form of an activity or performance. It explains the process of conducting the CSR, called corporate social performance (CSP). During the 1970s, there is only one definition of CSR based on CSP. Although there are studies on CSP, in Carroll (1979), for example, but only one study defines CSR based on CSP. Sethi (1975), defines CSR as composed of three stages, 1) social obligation which is composed of economic and legal responsibilities, 2) social responsibility which means going beyond legal requirement i.e. to the expectations of public norms, values and expectations, 3) social responsiveness that means adopting corporate behavior to social needs that is anticipatory and preventive in nature. In general the definitions under this category, 1970s are more general statements and more theoretical in nature. There are very few empirical studies during the period (Abbott & Monsen, 1979; Bowman & Haire, 1975; Holmes, 1976).

The definition of CSR in the 1980s gives birth to many alternative themes that are derived out of CSR (Carroll, 1999). In an attempt to develop a new or refined definition of CSR, alternative concepts are discovered such as corporate social responsiveness, corporate social performance, public policy, business ethics and stakeholder theory/management. These developments are discussed briefly in this section. Thomas M. Jones (1980), defines CSR as an obligation of a corporation to constituent groups other than stockholders and beyond that prescribed by the law and union contracts. He further states that the obligations should be voluntary not with coercion. He insists that the obligation be voluntary and with no coercion, and be conducted to stakeholders like employees, customers, suppliers and neighboring community (Jones, 1980).

Similarly, Dalton and Cosier (1982), present a model represented in a 2x2 matrix in order to explain what CSR is all about. They draw illegal and legal on one axis and irresponsible and responsible on the other axis. They present four facets of social responsibility as in the four cells of the matrix. They concluded that actions of corporations that are legal and responsible are the best CSR practices that management should follow (Dalton & Cosier, 1982). Another important definition of CSR is Strand's (1983), although not quite a new definition per se, he tries to see how social responsibility, social responsiveness and social responses are connected to organization-environment model. In 1983, Carroll elaborates his definition of 1979 be explaining that CSR means conducting business so that it is economically profitable, law abiding, ethical and socially supportive (Carroll, 1983). The discretionary responsibility is improved to include both voluntarisms and philanthropy.

In 1984, Peter Drucker attempts to extend the meaning of CSR by advancing that profitability and responsibility are compatible to each other. He stressed that business have to convert their social responsibility into business opportunities. He proposes a framework on how to convert their social problem to economic opportunity to economic benefit to productive capacity to human competence to well-paid job and finally to wealth (Drucker, 1984). Although Aupperle, Carroll & Hartfield (1985) conduct a study on CSR and financial performance, but they propose an argument on the CSR definition of Carroll (1979; 1983). They argue that the separation of economic responsibility from legal, ethical and discretionary responsibilities. The former was proposed to be called as concern for economic performance and the later collectively as concern for society.

Similarly, Wartick and Cochran (1985), recast the corporate social performance provided by Carroll (1979), on corporate social responsibility, corporate social responsiveness and social action into a framework of principles, processes and policies. They argue that ethics and responsiveness are processes while social issue is a management policy on the societal activities of the firm. Epstein (1987) defines CSR as achieving outcomes from organizational decision concerning specific issue or problem which have beneficial rather than adverse effect on pertinent stakeholders. He claimed that the concept of social responsibility, social responsiveness and business ethics are closely related and even overlapping. He merged corporate social responsiveness and business ethics into what he called corporate social policy process.

In the 1990s, there are little contributions to the definition of CSR, rather alternative themes such as CSP, stakeholder theory; business ethics and corporate citizenship were advanced. The first study is that of Wood (1991) that revisits the CSP model by 1) relating the Carroll's four domains of CSR with the principles of legitimacy, public responsibility and managerial discretion. 2) The process of responsiveness as reactive, defensive, accommodative and proactive was identified as processes of environmental assessment, stakeholder management and issues management. This study therefore contributes towards the development of CSP process. Carroll (1991) revisits his previous CSR definitions of 1979 and 1983 by changing the discretionary to mean philanthropic responsibility. Therefore the responsibilities were presented in a form of a pyramid starting with economic responsibility as the bedrock of all others followed by legal, ethical and philanthropic responsibilities of business. At this point, Carroll argues in favor of the stakeholder concept been fitted for CSR as a response to the famous argument that CSR is vague.

Similarly, Hopkins (1998) defines CSR as treating the stakeholders of the firm ethically or in a socially responsible manner. It further argues that stakeholders exist within and outside the firm and that behaving socially responsible will improve their human development. Equally, Khoury et al. (1999), define CSR as the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. This definition mentions almost all the various stakeholders that a firm should respond to. The CSR definition of world business council for sustainable development (WBCSD, 1999) states CSR to mean commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve their quality of life (WBCSD, 1999). Additionally, the definition of Frooman, (1997), states that CSR is "an action by a firm, which it chooses to take, that substantially affects an identifiable social stakeholder's welfare".

The review also discusses current definitions of CSR published from 2000 to date. The era witnesses many definitions by institutions such as world business council for sustainable development (WBCSD), business for social responsibility (BSR), commission of the European communities (CEC), IBLF, CSRwire, ethics in action award etc. Some of these definitions include that of commission of the European communities (CEC, 2001), as a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. They later amend by including stakeholders into the definition within the same year, which reads as follows a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (CEC, 2001). CEC pronounced a new definition in 2002 that advanced further to include triple bottom line, it states that "corporate social responsibility is about companies having responsibilities and taking actions beyond their legal obligations and economic/business aims. These wider responsibilities cover a range of areas but are frequently summed up as social and environmental – where social means society broadly defined, rather than simply social policy issues. This can be summed up as the triple bottom line approach: i.e. economic, social and environmental" (CEC, 2002).

In 2003 CEC produces another definition that explains various stakeholder groups that a firm is responsible to, it states that "CSR is the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large" (CEC, 2003). CEC releases another more encompassing definition in 2007 which is more elaborate that covers more areas of responsibilities. This definition states that CSR is "being socially responsible, in fact, means beyond legal requirements, corporations accept to bear the cost of more ethical behavior. It means, by willingly committing, for instance, to improving employment conditions, prohibiting child labor and not working with countries that do not respect human right. The definition includes protecting the environment and investing in equipment that reduces the carbon footprint, developing partnerships with NGOs, and providing funds to charity" (CEC, 2007).

The review also states the definitions of business for social responsibility (BSR). They define CSR as "operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Social responsibility is a guiding principle for every decision made and in every area of a business "(BSR, 2000). They later expand this definition to include environment, it states that CSR is "business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment" (BSR, 2000). BSR releases two definitions in 2003 that elaborate more on what CSR is all about. The first definition states that CSR means "Socially responsible business practices strengthen corporate accountability, respecting ethical values and in the interests of all stakeholders. Responsible business practices respect and preserve the natural environment. Helping to improve the quality and opportunities of life, they empower people and invest in communities where a business operates" (BSR, 2003a).

The second definition is very brief on the meaning of CSR. It defines the concept as "Corporate social responsibility is achieving commercial success in ways that honor ethical values and respect people, communities and the natural environment" (BSR, 2003b). The contributions of world business council on sustainable development (WBCSD) in developing definitions for CSR cannot be ignored. They offered their definition of CSR to mean "continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large". The definition covers a wide range of constituencies' even though it is a bit biased towards work force.

Ethics in action award states that "CSR is a term describing a company's obligation to be accountable to all of its stakeholders in all its operations and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholders with their need to make a profit" (Ethics in action, 2003). Marsden (2001) defines CSR as been "concerned about the core behavior of companies and the responsibility for their total impact on the societies in which they operate. CSR is not an optional add-on nor is it an act of philanthropy. A socially responsible corporation is one that runs a profitable business that takes account of all the positive and negative environmental, social and economic effects it has on society".

In Nigeria, CSR is found to mean "corporate philanthropy aimed at addressing socio-economic challenges brought about as a result of government failure (Amaeshi *et al.*, 2006)." In the Nigerian CSR, corporate philanthropy was emphasized more than legal, ethical and economic responsibilities (Amaeshi *et al.*, 2006). This is in line with the argument of Helg (2007) that the philanthropic responsibility was emphasized in Nigeria, and was seen from an economic or strategic perspective, not as philanthropy in the western world. He further stated that CSR was part of the cultural heritage of Nigerians (Helg, 2007). The study considers the definition of Frooman (1997), due to its emphases on stakeholder's welfare. The definitions of Khoury *et al.* (1999), Marsden (2001), and Ethics in Action Award (2003), are also part of the working definitions of this study due to their emphasis on stakeholders and their wider perspectives of the stakeholder concept.

3.3.2 Measurement of Corporate Social Responsibility

Corporate social responsibility is defined for the purpose of this study as being socially responsible, in fact, means beyond legal requirements, corporations accept to bear the cost of more ethical behavior. They mean by willingly committing, for instance, to improving employment conditions, prohibiting child labor and not working with countries that do not respect human right. The definition included protecting the environment and investing in equipment that reduces the carbon footprint, developing partnerships with NGOs and providing funds to charity (European commission, 2007). According to Waddock and Graves (1997), CSR is measured based on forced-choice questionnaire, reputational and social indices and scales, content analysis of disclosed information in the annual report and other company publications, behavioral and perception measures and case study methodology and social audits.

Several studies were conducted using each of the measures as follows; forced-choice survey (Ahmad & Abdul Rahim, 2005; Aupperle *et al.*, 1985; Edmans, 2012; Fasanya & Onakoya, 2013; Goll & Rasheed, 2004; Lee, Park, *et al.*, 2013; Lii & Lee, 2011; Luo & Bhattacharya, 2006; Maignan & Ferrell 2004; Mulyadi & Anwar, 2012; Murray & Vogel, 1997; Rettab *et al.*, 2008), reputational and social indices and scales (Bird *et al.*, 2007; Boesso & Michelon, 2010; Brammer *et al.*, 2006; Crifo *et al.*, 2016; Dawkins & Fraas, 2008; Flammer, 2015; Fombrun & Shanley, 1990; Ioannou & Serafeim, 2010; Servaes & Tamayo, 2013; Tang *et al.*, 2012; Waddock & Graves, 1997), and content analysis of corporate publication (Ahmad, Sulaiman & Siswantoro, 2003; Akano *et al.*, 2013; Dagiliene, 2010; Haji, 2013; Haniffa & Cooke, 2005; Harun, Yahya, Munasseh & Ismail, 2006; Ponnu & Okoth, 2009; Said, Zainuddin & Harun, 2009; Saleh *et al.*, 2008; Uadiale & Fagbemi, 2012; Uwuigbe & Egbide, 2012; Yusoff *et al.*, 2013; Ziaul Hoq *et al.*, 2010).

The forced-choice survey method of measuring CSR is widely used by authors such as; Aupperle *et al.* (1985) who developed their CSR instrument based on the Carroll (1979) CSR pyramid typology. Similarly, Goll and Rasheed (2004) use the instrument of Aupperle *et al.* (1985) to measure CSR. This method was criticized for low return rate and consistency of raters across firms (Waddock & Graves, 1997).

Fasanya and Onakoya (2013) utilise a self-administered questionnaire to collect data on CSR. Murray and Vogel (1997) use a self-administered questionnaire to capture the effectiveness of CSR in their study. Lii and Lee (2012) utilise self-administered questionnaire to measure CSR into three dimensions i.e. sponsorship, cause-related marketing and philanthropy. Edmans (2012) uses questionnaire to collect data. Lee, Park, *et al.* (2013) utilises self-administered questionnaire to capture CSR. Similarly, Salomon and Lewis (2002) use self-administered questionnaire to measure incentives and disincentives of corporate environmental disclosure. Furthermore, Rettab *et al.* (2008) utilises the instrument of Maignan and Farrell (2004) to measure CSR in Dubai. Similarly, Adebayo and Olawale (2012) on CSR in Nigeria utilises self-administered questionnaire to measure CSR. Additionally, Ahmad and Abdul Rahim (2005) utilizes questionnaire to measure CSR awareness among managers in Malaysia.

The second method of measuring CSR widely used in the literature was the use of reputational and social indices and scales. This category includes Kinder Lynderberg Domini (KLD) database, fortune index, ethical investment research services (ERIS), French organisational change and computerization (COI) and Canadian social investment database (CSID). The studies that use this method to operationalize CSR includes the study of Bird, Hall, Momente and Reggiani (2007) which relates CSR on market value using KLD index as a measure of CSR based on five dimensions. Similarly, the study of Cheung and Mak (2010) in their study on CSR disclosure and financial performance make use of KLD indices based on three dimensions. In the same vein, the study of Boesso and Michelon (2010) on stakeholder prioritization and financial performance also uses KLD index to proxy CSR based on three dimensions. The study of Flammer (2015) conducted on CSR and superior financial performance, utilises KLD to measure CSR based on twelve dimensions. In addition, the study of Ionnou and Serefeim (2010) on the effect of CSR on analyst investment recommendations uses KLD index to measure CSR.

Furthermore, the study of Servaes and Tamayo (2013) on CSR and firm value testing the moderating effect of customer awareness uses KLD to proxy for CSR. Moreover, the study of Dawkins and Fraas (2008) on CSR and disclosure practices uses KLD to measure CSR based on five dimensions. However, the study of Brammer, Brooks and Pavelin (2006) on CSR and stock market returns uses the ethical investment research services (ERIS) to proxy for CSR. The study of Crifo et al. (2016) also uses another different database to obtain CSR information in their study on CSR related management practices and financial performance. They use the French organisational changes and computerization (COI). Also, the study of Fombrun and Shanley (1990) on CSR and reputation building utilises the fortune reputation survey to obtain information on CSR. Some authors criticized method like fortune ratings for measuring the overall management of the firm rather than being specific on CSR (Waddock & Graves 1997). The above-mentioned methods are criticized for lack of a theoretical argument, and it covers a limited number of countries (Turker 2008).

Another important measurement of CSR that was widely used was content analysis of company's publications. This method uses data obtained from the annual reports of the firm and other corporate publications (hard, soft or web based) to extract CSR information. Some of the studies that use this method include the study of Saleh *et al.* (2008) on CSR disclosure and financial performance. It uses content analysis i.e. content of reporting and quality of reporting to measure CSR. The quality was measured using nature of reporting and attach weight to it i.e. quantitative disclosure earns three weight, detailed qualitative earns two, common qualitative earns one and non-disclosure of item earn zero.

Similarly, the study of Yusoff *et al.* (2013) also on CSR disclosure and CFP uses content analysis to measure CSR. Their content analysis is divided into CSR disclosure depth (sentences count), CSR disclosure breadth (CSR themes) and CSR disclosure concentration (Gini coefficient). Moreover, the study of Uadiale and Fagbemi (2012) also on CSR and CFP uses content analysis to capture CSR based on three dimensions community, environment and employee from annual reports. The study of Haniffa and Cooke (2005) on the effect of culture and governance on CSR disclosure uses content analysis to measure CSR. The content analysis was divided into CSR disclosure length and CSR disclosure index. The study of Haji (2013) on the effect of corporate governance on CSR uses content analysis to capture CSR. His content analysis was also divided into CSR disclosure extent (list or index), and CSR disclosure quality. The disclosure quality was based on weights i.e. qualitative and quantitative disclosure earns three, quantitative earns two; qualitative earns one and non-disclosure earn zero.

Furthermore, the study of Ziaul Hoq *et al.* (2010) on CSR and institutional ownership uses content analysis to measure CSR disclosure. As in previous similar studies, they also divide CSR disclosure into three with different weightings i.e. three for quantitative disclosure, two for detailed qualitative, one for common qualitative and zero for non-disclosure. The study of Ponnu and Okoth (2009) on CSR disclosure in Kenya utilises content analysis to measure CSR. Their study uses sentences and pages counting method of content analysis. Similarly, Ahmad *et al.* (2003) also uses sentence count in the annual report as proxy for CSR disclosure in Malaysian context. In addition, the study of Dagiliene (2010) on CSR in annual reports measure CSR using content analysis. They utilise a number of sentences and proportion of CSR pages in relation to all pages in the report as their content analysis. Likewise, the study of Harun *et al.* (2006) utilizes number of pages to proxy for CSR. The study of Uwuigbe and Egbide (2012) on CSR disclosure in Nigeria also uses content analysis to measure CSR in annual reports of companies. Moreover, the study of Akano *et al.* (2013) on CSR by commercial banks in Nigeria uses content analysis to determine CSR. They use a CSR disclosure index developed by Branco and Rodrigues (2006). Similarly, Said *et al.* (2009) utilizes CSR disclosure index to proxy for CSR in their study.

The method was criticized by some authors for the possibility of having a misalignment between actual and reported CSR performance in order to create a good image (McGuire *et al.*, 1988). It also largely depends on the comprehensiveness and purpose for which the original document was created for and can be biased by omission or inclusion (Waddock & Graves, 1997). They were also advocated by many authors as being the most accessible source of information (Christopher, Hutomo, & Monroe, 1997; Gray, Kouhy, & Lavers, 1995). Prior studies indicated that the majority of research on social responsibility uses content analysis to capture their data (Ernst, 1978). There are arguments that one of the problems in CSR and financial performance research is the lack in developing CSR measures based on definitions (Aupperle et al., 1985). Additionally, Turker (2009) argued that forced choice questionnaire is superior to other sources of data considering the problem of lack of generally accepted definition and measurement error in the CSR literature.

3.3.3 Dimensions of Corporate Social Responsibility

A review of the literature on corporate social responsibility indicated that the variable was classified into various dimensions ranging from single up to as multiple as thirteen (13) dimensions. This is because many authors acknowledge the multidimensionality nature of CSR construct (Clarkson, 1995; Hillman & Kiem, 2001; Mattingly & Berman, 2006; Rowley and Berman, 2000). This is because the firm has diverse stakeholders that require the management's attention, and for the firms to maintain a smooth relationship with these groups, it has to engage in various activities that meet these diverse needs (Clarkson, 1995; Melo & Garrido-Margado, 2012). In addition, it is argued that the dimensions of CSR are not homogeneous therefore need to be disaggregated to get the clear impact on performance and reputation (Hillman & Kiem, 2001; Melo & Garrido-Margado, 2012). In order to account for the diverse effect of the CSR-CFP relationship, the present study has reviewed and considered the multiple dimensions of CSR.

Previous studies on CSR have use multiple dimensions which includes (Cheah, Chan, & Chieng, 2007; Clacher & Hagendorff, 2012; Fasanya & Onakoya, 2013; Goll & Rasheed, 2004; Lin, Yang, & Liou, 2009) for single dimension. Additionally, some studies have considered multiple dimensions for the fact that single dimension of CSR is seen as a deficiency considering its nature. Some studies such as (Boesso & Michelon, 2010; Brammer, Brooks, & Pavelin, 2006; Hettiarachchi & Gunawardana, 2012; Inoue & Lee, 2011; Lii & Lee, 2011; Bonini, Brun & Rosenthal, 2009; Oba, 2011; Rodgers *et al.*, 2013; Uadiale & Fagbemi, 2012) considers three dimensions of CSR in their study.

Previous studies that use a combination of four dimensions includes (Akano *et al.*, 2013; Aupperle *et al.*, 1985; Bayoud, Kavanagh, & Slaughter, 2012; Crifo *et al.*, 2016; Duke II & Kankpang, 2013; Munasinghe & Kumara, 2013; Saleh, Zulkifli, & Muhamad, 2008; Ziaul Hoq, Saleh, Zubayer, & Mahmud, 2010), as discussed above, the more the dimensions the better will the firm addresses stakeholder issues. Additionally, there are a number of studies that uses five dimensions of CSR (Bird, Hall, Momentè, & Reggiani, 2007; Dawkins & Fraas, 2008; Melo & Garrido-Morgado, 2012; Uwuigbe & Egbide, 2012).

Moreover, many studies uses six dimensions of CSR (Godfrey, Merrill, & Hansen, 2009; Makni *et al.*, 2009; Mulyadi & Anwar, 2012; Rettab *et al.*, 2008; Servaes & Tamayo, 2013) in an attempt to capture the effect of the diverse dimensions of CSR on financial performance. Likewise, studies have used seven dimensions in the past to measure CSR, such as (Attig *et al.*, 2013; Cornett *et al.*, 2013; Fauzi, 2009; Tang *et al.*, 2012). Furthermore, studies such as Venanzi and Fidanza (2006) and McWilliams and Siegel (2000) utilize eight and eleven dimensions of CSR in their studies respectively. Additionally, the studies of Balabanis, Phillips and Lyaii (1998) and Flammer, (2015) use up to twelve dimensions of CSR.

The concept of CSR is considered as a contextual concept that considers the relationship between the firm and its environment, the concept depends on the stakeholders and their expectation (Nielsen & Thomsen, 2007). Therefore, the dimensions to large extent depend on the context of the study as suggested by (Nielsen & Thomsen, 2007). So far CSR studies in Nigeria context uses a combination of three to four dimensions. For example, Duke and Kankpang (2013), Akano *et al.* (2013) and Dandago and Muhammad (2011) used four dimensions of CSR as discussed above. While studies like Oba (2011) and Uadiale and Fagbemi (2012) used three dimensions, only one of the studies has used five dimensions; Uwuigbe and Egbide (2012).

There are some general stakeholders that maintaining good relationship with will enhance financial performance. Stakeholders such as community members, environmental concern, employees, customers, investors and suppliers of the firm can alter the financial performance of the firm either favorably or otherwise, depending on the relationship maintained with them by the firm. Present study has utilizes six dimensional CSR which include community relations, environmental concern, employee relation, investor relation, customer relation and supplier relation. These CSR dimensions are similar to those used by Rettab *et al.* (2008). The summary of dimensions of CSR used by some previous studies is presented in table 3.1 below.

Table 3.1
Summary of Dimensions of CSR

S/N	Category	Authors	Dimensions
1	Single dimension	Fasanya and Onakoya (2013), Lin *et al.* (2009) and Inoue and Lee (2011)	Charitable donation
		Goll and Rasheed (2004)	Discretionary social responsibility
		Clacher and Hagendorff (2012)	Announcement of CSR
		Cheah *et al.* (2007)	Product recall
2	3 dimensions	Hettiarachchi and Gunawardana (2012), Brammer *et al.* (2006) and Uadiale and Fagbemi (2012)	Environmental management, employee relation and community relation
		Boesso and Michelon (2010)	Employee relation, product safety, and diversity
		Bonini et al. (2009)	Environmental, social and governance
		Lii and Lee (2012)	Sponsorship, cause-related marketing, and philanthropy
		Rodgers *et al.* (2013)	Employee, customers, and community
		Oba (2011)	Community, human resource management and charity
3	4 dimensions	Aupperle *et al.* (1985), Dandago and Muhammad (2011)	Economic, legal, ethical and philanthropic responsibilities
		Crifo *et al.* (2016)	Green, social, business behavior towards customers and suppliers and quality and safety of practices
		Munasinghe and Kumara (2013), Saleh *et al.* (2008), Bayoud *et al.* (2012), Ziaul Hoq *et al.* (2010) and Akano *et al.* (2013)	Community, workplace initiative/employee relations, environmental and marketplace initiatives/product quality or customer relation
		Duke II & Kankpang (2013)	Waste management, pollution abatement, social action, and fines/penalties
4	5 dimensions	Bird *et al.* (2007), Melo and Garrido-Morgado (2012) and Dawkins and Fraas (2008)	Community, diversity, employee, environment, and product quality
		Uwuigbe and Egbide (2012)	Environmental concern, energy, product quality and safety, community relations and

			employee relations
5	6 dimensions	Mulyadi and Anwar (2012)	Economic, environmental, labor, human right, social and product
		Servaes and Tamayo (2013)	Community, employee, diversity, human right, environment, and product
		Godfrey *et al.* (2009)	Corporate governance, community, employee, diversity, environment, and product
		Makni *et al.* (2009)	Community, corporate governance, employee, environment, customers and human right
6	7 dimensions	Fauzi (2009)	Community, diversity, environmental, international issue, employee, product and business issue
		Attig *et al.* (2013) and Cornett *et al.* (2013)	Community, corporate governance, diversity, employee, environment, human right and product
		Tang *et al.* (2012)	Community, employee, customer & supplier, product, corporate governance, human right and environment
7	8 dimensions	Venanzi and Fidanza (2006)	Community, corporate governance, customers, suppliers, employees, environment, business ethics and controversies
8	11 dimensions	McWilliams and Siegel (2000)	Gambling, alcohol, nuclear, tobacco, military, community, diversity, environment, employee, product and non-US operations
9	12 dimensions	Flammer (2015)	Community, diversity, environment, product, corporate governance, employee, human right, alcohol, gambling, firearm, tobacco and military
		Balabanis *et al.* (1998)	Women advancement, advancement of ethnic minorities, philanthropy, environment and donation to political parties, subscription to economic league, effect of activities on the environment, respect for life, respect for people, trading with South Africa, military equipment and

	business operation with the least developed countries

3.4 Empirical studies on CSR and financial performance

Although the CSR practices exist for time unmemorable, the history of formal CSR can be traced back to the publication of Bowen (1953) titled "The social responsibility of business man" (Carroll, 1999). In addition, the theoretical history of business case for CSR started with the notion of conventional wisdom introduced by Johnson, (1971). He argues that businesses undertake CSR activities in order to improve their profitability, and therefore termed it as a long run profit maximizing tool (Johnson, 1971). This notion is empirically tested in 1972 with the work of Moskowitz (1972) and Bragdon and Marlin (1972). They both believe that CSR improves financial performance. Moskowitz (1972), for example, examines whether investors consider social responsibility and found positive support for the relationship. Bragdon and Marlin (1972), examines the effect of pollution control on accounting measures of financial performance and found a positive relationship. There are criticisms on these studies, i.e. Moskowitz (1972) is criticized for using a subjective measure of how socially responsible corporations are classified and for his lack of clearly stating the process (Roman, Hayibor & Agle, 1999). Consequently, the empirical examination of the CSR and financial performance relationship continues.

Other early studies especially in the 1970s that report a positive link between CSR and financial performance includes Bowman and Haire (1975), Parket and Eilbert (1975), Moskowitz (1975), Belkaoui (1976), Fry and Hock (1976), Heinze (1976), Sturdivant and Ginter (1977), Ingram (1978), Bowman (1978) and Spicer (1978).

Some studies report a no effect relationship between CSR and financial performance during this decade (Abbot & Monsen, 1979; Alexander & Buchholz, 1978; Fogler & Nutt, 1975; Fry & Hock, 1976). There is only one study that reported a negative relationship between the variables during this decade, Vance (1975). Most of the studies are criticized for lacking methodological rigor that includes failure to adjust for risk, use of small sample, lack of significance testing, inadequate performance measure (Aupperle et al., 1985), because the development of the area hasn't come when they were published (Roman et al., 1999).

In the 1980s, the literature is a bit complicated with various studies reporting positive, negative and no effect results. During the 1980s, there are more of positive reported relationships between CSR and financial performance than no effect and negative relationships. Specifically, fifteen studies report a positive relationship, nine report no effect and four reported a negative relationship between CSR and financial performance (Roman et al., 1999). The studies that got a positive link between CSR and financial performance in 1980s include Anderson and Frankle (1980), Kedia and Kuntz (1981), Strachan, Smith and Beedles (1983), Wier (1983), Shane and Spicer (1983), Cochran and Wood (1984), Pruitt and Peterson (1986), Spencer and Taylor (1987), Wokutch and Spencer (1987), Davidson and Worrell (1988), McGuire et al. (1988), Lerner and Fryxell (1988), Hoffer, Pruitt and Reilly (1988) and Bromiley and Marcus (1989).

The studies that reported a no effect relationship between CSR and financial performance during this decade includes the study of Anderson and Frankle (1980), Chen and Metcalf (1980), Ingram and Frazier (1983), Aupperle et al. (1985), Newgren, Rasher, LaRoe and Szabo (1985), Marcus and Goodman (1986), Freedman and Jaggi (1986), Rockness, Schlachter and Rockness (1986) and Cowen, Ferreri and Parker (1987). The studies that report a negative relationship between CSR and financial performance includes Kedia and Kuntz (1981), Eckbo (1983), Marcus and Goodman (1986) and finally Lerner and Fryxell (1988).

The individual studies examine some measures of CSR or CSP with some measures of financial performance to establish whether there exist any relationship and its direction. As it is observed from the mixed findings, there is no consensus on the direction of the relationship, the discussion can only mark some measure developments in the literature during the period. The individual empirical studies conducted during this decade would be discussed based on their classification to note their measures, methodologies and other attributes. The study of Anderson and Frankle (1980) compares the market returns of firms disclosing CSR on voluntary bases with that of non-disclosing firms in the fortune 500; they found the returns of the CSR disclosing firms to be higher therefore indicating value for the information disclosed.

Although, the period in general predated most of the methodological developments in CSR literature, the study can be criticized for the use of disclosure to measure more transparent companies which may favors larger firms that can afford to disclose more. The firms may also disclose only favorable accomplishment and hide those that are adverse. Strachan et al. (1983) test whether corporate crime affect stock market returns, where they find that market do react negatively to announcement of corporate crime. This supports the notion that behaving in an unethical way affects firm's performance. The study takes a small sample of only 84 firms and the analytical technique used was not sophisticated (mean-adjusted return).

Shane and Spicer (1983) study the market reaction to publication of pollution level by CEP and find that market react negatively on the returns of firms termed as high polluters by CEP. The study uses each firm to control for itself. Additionally, the study of Cochran and Wood (1984) examine the relationship between CSR measured using Moskowitz ratings and three measures of financial performance. The result reveals that best rating firms outperform honorable mention and worst ratings under operating earnings/sales and excess value. This study suffers the deficiency of measuring CSR using the traditional and biased method of Moskowitz. Additionally, Pruitt and Peterson (1986), observes the market reaction on the announcement of product recall published in the wall street journal from 1968 to 1973. They find that market react in a negative form to product recall. It uses only single dimension of CSR product recall to represents CSR.

Davidson, Chandy and Cross (1987) examines the effect of large loss (plane crash) on the market returns of US airlines. They find a significant negative return on the day of the crash which reversed to positive immediately in the days following the crash. It also uses the event study methodology and utilizes a single dimensional of CSR, large loss. McGuire et al. (1988) studied the effect of CSR on financial performance. They find that low CSR firms recorded low ROA and stock market returns than those with high CSR. This study uses the fortunes magazine reputation method of CSR which is seen as subjective evaluation method.

Additionally, the study of Chen and Metcalf (1980), examine the effect of pollution control on various financial performance measures (profitability, total risk, systematic risk & P/E ratio). The study concluded that CSR (pollution control) have no effect on financial performance. This study as the publication date pre-empt, fail to take into cognizance an indirect effect, the moderation and mediation. And they state in addition that "there is no two way relation" as an assumption in the model. Similarly, the study of Aupperle et al. (1985), examines the relationship between management's perception of CSR and ROA. They use both short term ROA and long term (5 year ROA). They observe no relationship between exist between CSR and financial performance. They use a forced choice survey to obtain CSR data. Moreover, the study of Lerner and Fryxell (1988), examine the effect of some company attributes on CSR dimensions. While having some relations between the firm attributes and some dimensions of CSR, they found a negative relationship between acid test ratio and CSR dimensions of responsiveness, women representation and minority representation.

There are some notable developments in the CSR literature, especially the relationship between CSR and financial performance that took place during this decade (1980s). One of them is the publication of a theory that support business case for CSR, the stakeholder theory which is published by Robert Edward Freeman in his book titled "Strategic management: A stakeholder approach" in 1984. This is a landmark achievement to the advocates of CSR practices. Furthermore, there are studies that conducted a wider literature review to determine the nature of the relationship during the period. Arlow and Gannon (1982), for example reviews 7 previous studies that examine the relationship between CSR and financial performance, and they concluded that there was no relationship between the variables. In addition, Cochran and Wood (1984) conduct another literature review analysis on 14 articles that examines this relationship. They concluded in favor of positive relationship. Equally, Aupperle et al. (1985), and Ullmann (1985), investigates the relationship between CSR and financial performance by conducting a wide literature search. They study 10 and 13 articles respectively, and reported a non-existence relationship between the variables. Another major study conducted in the period under review was that of McGuire et al. (1988), who conduct a study on CSR and financial performance. They report a positive relationship between the variables. The debate was far from being over at this decade as indicated by the mixed nature of the relationship.

The literature witnesses a rapid development in the 1990s evidenced by so many achievements ranging from digesting and classifying stakeholder theory into descriptive, instrumental and normative theories (Donaldson & Preston, 1995), to development of instrumental stakeholder theory (Jones, 1995). Other important advancements witnessed by CSR and financial performance literature in this decade include the typology of the CSR – financial performance relationship (Preston & O'Bannon, 1997), the empirical test of the stakeholder theory (Berman et al., 1999). During this decade, the empirical studies are also mixed but with more studies reporting positive relationship, followed by no effect and lastly negative relationship between CSR and financial performance (Beurden & Gossling, 2008). They summarize the findings of CSR and financial performance relationship. Their summary under 1990s shows that thirteen studies reported a positive relationship, four reported a non-significant and one reported a negative relationship.

Some of the empirical studies that tested the effect of CSR on financial performance in this decade stating with those that reported a positive relationship begins with the study of Klassen and McLaughling (1996), observe the market reaction to environmental events like awards and crises. They find high market returns for environmental awards and low returns for environmental crises. This supports the arguments that CSR leads to competitive advantage. This study suffers some limitations from the use of single dimension of CSR to use of financial performance proxy that favors only investors (stock market returns). Additionally, Preston and O'Bannon (1997) find a positive significant relationship between CSR and financial performance and between financial performance and CSR. Therefore, they conclude that the relationship is synergistic and positive between the variables.

Similarly, the study of Waddock and Graves (1997), find a positive synergistic relationship between CSR and financial performance (ROA & ROS) forming a vicious circle. The study fails to observe the effect of each CSR dimension on financial performance, they resort to a composite CSR which could be a limitation. They also concentrate on a direct effect of CSR on financial performance neglecting the indirect path that leads to the causation of the relationship. Furthermore, the study of Russo and Fouts (1997), examine the effect of environmental performance on financial performance (ROA). They find a significant positive effect of environmental performance on ROA especially where there is industry growth. Therefore, they find a moderating effect of industry growth on the relationship between environmental performance and ROA. The use of environmental performance as a proxy for CSR is a limitation to the study. In addition, the use of only ROA as a measure of financial performance is also a limitation since it was criticized for being historical in nature.

Moreover, the study of Stanwick and Stanwick (1998), investigate the relationship between CSR and organizational attributes such as size, financial performance and environmental performance. They find a positive effect of CSR on all the three attributes in 1987 and 1990. They further reported a positive effect of CSR on size and financial performance. The use of pollution emission data as a proxy for CSR is inadequate. The sample selection is biased towards large organizations. The study of Brown (1998) also reported a positive relationship between CSR as corporate reputation and average market returns. They conclude that investors are accepting reputation as insurance to their investments. The study use reputation which is criticized for being subjective to proxy for CSR and failure to account for dimensions of CSR serves as some of the limitations of the study.

Likewise, the study of Grave and Waddock (1999), examines the effect of CSR both as a composite and as individual dimensions on three financial performance measures (ROA, average total returns & ROS). They find a positive relationship between the composite CSR and all the financial performance measures. They also find a positive effect of employee relation with all the three financial performance measures. The community relation is positively related with ROS and a weak relationship with ROA significant at 10%. The product/customer and environmental dimension is weakly significant with average total return and ROA (10%). The study fails to account for the causal link between CSR and financial performance, they concentrate on a direct link.

In contrast, some studies reported either a non-significant or negative relationship between the variables under review. The study of Guerard (1997), examines the difference between socially screened and socially unscreened companies in order to determine whether market rewards socially minded firms. They find no statistical difference in the market returns of the two classes of firms. Therefore concludes a no effect relationship between CSR and financial performance. The study fails to include a control variable and concentrate on the direct effect of CSR on financial performance ignoring the causal link, i.e. indirect effect. Additionally, the study of Boyle, Higgins and Rhee (1997), report a negative relationship between being a member of an ethical business group (DII) and abnormal market returns. Both DII members and non-members experience negative abnormal returns which are more negative for DII members. They conclude that the relationship between CSR and financial performance is negative. The study also fails to use control variable in the study. They try to relate CSR with financial performance directly without examining the indirect effect, i.e. causal link between the variables. Additionally, the negative effect may not necessarily be as a result of being a member to DII since non DII members also experience negative returns, therefore need more exploration.

The last category of studies on the relationship between CSR and financial performance combine studies conducted in the last two decades (2000-2016). These studies, like the others, are further divided into positive, negative and mixed relationship. Most of the studies reported a positive relationship between CSR and financial performance in this decade. The studies that reported a positive relationship include the study of Tsoutsoura (2004), on CSR and financial performance (ROA, ROE & ROS), reported a positive and significant relationship between the variables.

The study fails to account for the indirect link between CSR and financial performance. In addition, the study of Bird et al. (2007), examines the market reaction to regulatory and voluntary environmental requirements. They report a negative market reaction on violation of environmental requirements. The use of market returns to proxy financial performance has been criticized for focusing on investors.

Moreover, the study of Nicolau (2008), on CSR and value reports that on the general stock market respond positively to CSR announcement. Likewise, the study of Godfrey et al. (2009) on CSR and shareholders value from the risk management perspective reported that CSR creates value that reduces negativities. The study group CSR dimensions into only two therefore deprive exploration of the effects of individual dimensions on shareholder value. In addition, the study of Bonini et al. (2009), survey 238 chief finance officers (CFO) within the US, they report that environmental, social and governance program creates shareholder's value. This study uses simple percentage to analyze the data obtained from the survey.

Furthermore, the study of Ioannou and Sarafeim (2010), examines the relationship between CSR and investors recommendation in US. They reported that CSR creates value in the long run for their firms. Also, Green and Peloza (2011) conduct a qualitative study on the values created by CSR to customers in North America. They report that CSR creates three types of value to customers, i.e. emotional, social and functional. This study although went deep in the quest, cannot be generalized to the whole of North America due to its qualitative nature. Additionally, Cai, Jo and Pan (2012), investigate the effect of CSR on firm value in the US controversial industry.

They find CSR to be positively affecting Tobin's Q therefore concludes that top management of firms in the controversial industry are socially responsible.

Furthermore, Hettiarachchi and Gunawardana (2012), conduct a study on CSR and financial performance. They find that CSR as a composite has a positive significant effect on both ROA and Tobin's Q. The study utilizes CSR disclosure which has been criticized for being more of a tool of advert to management, to ascertain CSR in their study. Likewise, the study of Setyorini and Ishak (2012), examines the effect of CSR reported by Indonesian listed firms on ROA, size and debt/equity ratio. The result reveals a positive significant effect of CSR disclosure on ROA and size. The study utilizes CSR disclosure not real performance. Additionally, the study of Crifo et al. (2016) investigates the effect of CSR management practice on returns on employee. The study found that CSR dimensions impact differently on financial performance, and composite CSR has a positive and significant effect on financial performance. The study uses reputation indices (COI) for the data on CSR which is criticized for being too subjective.

Moreover, the study of Turcsanyi and Siseye (2013) examines the effect of CSR engagement on stock market price of Johnson and Johnson pharmaceutical company. They reported a strong correlation between engagement in CSR and stock market price. The study was conducted on a single American company, Johnson and Johnson pharmacy. Equally, the study of Attig, El Ghoul, Guedhami and Suh (2013) examined the relationship between CSR and credit rating in the US. They found a significant positive impact of CSR on firm credit ratings in terms of both aggregate CSR and individual dimensions. The study utilizes reputation indices to obtain CSR data that was criticized for being subjective.

Likewise, the study of Rodgers, Choy and Guiral (2013), examines the investor's reaction to CSR initiative. They found that CSR impact on financial health which in return impact on the Tobin's Q. therefore they concluded that investors value commitment to social responsibility. They also use the KLD index to proxy CSR which is seen as a subjective measure. Additionally, the study of Flammer (2015), investigates the effect of shareholders vote on CSR related issues on ROA and NPM and they found a positive and significant relationship between the variables. The study uses shareholder vote for or against CSR policy as a proxy for CSR.

Some of the studies during this era reported a negative relationship between CSR and financial performance. Some which are (Brammer et al., 2006; Clacher & Hagendorff, 2012; Fauzi, Mohoney & Abd Rahman, 2007; Inoue et al., 2011; Lee & Heo, 2009). The study of Brammer et al. (2006) conducted an investigation on CSR and stock market returns. They reports that firms low in CSR outperform firms high in CSR. The study uses charitable donation to proxy for CSR. In addition, the study of Clacher and Hagendorff (2012), examine the effect of CSR announcement on stock returns. They testify no strong evidence of the effect and therefore conclude that CSR doesn't create value.

Furthermore, the study of Fauzi, Mahoney and Abdul Rahman (2007), also examine the effect of CSR on ROA and ROE. They found no effect between CSR and both ROA and ROE using both slack resource and good management hypotheses. The study uses disclosure to proxy CSR despite the critics that disclosure may not be the same as performance. Additionally, Inoue, Kent, and Lee (2011), in their study on CSR and financial performance of professional teams reported that on aggregate, CSR regardless of the time lag has an insignificant effect on both attendance and operating margin. The individual league analysis reveals that CSR maintained a neutral effect on attendance and a significant negative effect on operating margin for MLB and NFL teams. The annual charitable donation is used as the proxy of CSR in the study despite call to consider multi-dimensional nature of the construct.

Some of the studies on CSR and financial performance reported mixed findings. The study of Lee and Park (2009), on CSR and financial performance in hotels and casinos for example, reported a simultaneous positive connection among CSR and CFP in the hotels but find no relationship in the casino. Lin *et al.* (2009), also observe the influence of CSR on CFP considering research and development investment. They state that CSR has no significant positive relationship with ROA, but the ROA of higher CSR portfolio is better than that of lower CSR portfolio. Both of the above studies have limitations, for example Lee and Park (2009), use a small sample of twenty three firms producing eighty five observations, and Lin et al. (2009) utilizes donation as a proxy for CSR.

Additionally, the study of Makni *et al.* (2009), examines the causality between CSR and financial performance. The study indicated no significant relationship between aggregated CSR and financial performance except for market returns and found a unidirectional negative causal relationship between environmental CSR and all the three financial performance measures. Likewise, the study of Kang *et al.* (2010), examine the effect of positive and negative CSR on firm performance. They reported a positive impact of positive CSR on Tobin's Q and price-earnings ratio but reported no significant effect of both positive and negative CSR on ROA for hotels and restaurants. The study of Kang et al. (2010), suffers a small sample especially for hotels (46) and casinos (58).

Furthermore, the study of Bhattacharya and Nag (2012), examines the relationship between CSR and financial returns. They report that CSR do not benefit the firm in short run, not in a year time, most CSR disclosed by firms may not have a significant impact on ROA and PE ratio, and that environmental CSR may have a negative impact on ROA and PE ratio. The study utilizes CSR disclosure in measuring CSR not actual CSR performance. In addition, the study of Mulyadi and Anwar (2012) on the effect of CSR on Tobin's Q and ROA, found no relationship between CSR and Tobin's Q, but revealed some evidence of a relationship with ROA, ROE and NPM. The study uses small sample of thirty firms for three years forming a ninety year observation.

In the last analysis, the study of Yılmaz (2013), examines the relationship between social and financial performance in Turkey. They report a significant positive bi-directional effect between CSR and net operating profit. They further reported an inconclusive result between CSR and NOP/total asset (NOPAT), ROA, and ROE. This study utilizes CSR disclosure to proxy CSR. It has been confirmed based on the reviewed literature that findings on the relationship between CSR and financial performance is mixed with positives, negatives, non-existent and mixed results. This reason leads to another line of enquiry based on contingency approach and indirect relationship.

The contingency approach to CSR and financial performance relationship has attracted researchers due to failure to obtain a uniform result from the relationship. Rowley and Berman (2000), for example, considering the mixed findings in the relationship seek studies to turn to observation of conditions and situations that causes the relationship to be positive, negative, significant or non-significant. They call for studies to explore how and why (causal link) CSR leads to financial performance. They propose that stakeholder action to sanction – reward or punish the firm will be a good mediator that determines the relationship (Rowley & Berman, 2000). Additionally, Peloza and Papania (2008), propose stakeholder identification/dis-identification as mediators that determine the nature of the relationship between CSR and financial performance. Equally, Barnett (2007), proposes a contingency approach by proposing the moderating effect of SIC on the effect of CSR on stakeholder management which later affects financial performance.

Furthermore, the study of Orlitzky (2003) proposes and tests a contingency approach using meta-analytical study. The study finds reputation to be a good mediator and measurement strategy as a good moderator in the relationship between CSR and financial performance. In addition, Barnett and Salomon (2012), examine the link between CSR and financial performance and found a curvilinear relationship. They argue that high CSR firms have accumulated enough SIC stock and the low CSR firms has not spent their resources on CSR, causing them to get the highest financial performance compared to moderate CSR firms that were stuck at the middle (Barnett

& Salomon, 2012). They argued that SIC moderates the relationship between CSR and financial performance.

Several empirical tests are conducted by many authors testing a contingency approach to CSR and financial performance relationship (Crifo et al., 2016; Fauzi & Idris, 2010; Goll & Rasheed, 2004; Lee, Park & Lee, 2013; Lee & Hoe, 2009; Lee, Seo & Sharma, 2013; Lee, Singhal et al., 2013; Luo & Bhattacharya, 2006; Servaes & Tamayo, 2013; Tang et al. 2012; Torugsa, O'Donohue & Hecker, 2012). The study of Crifo et al. (2016), argues that interactions between CSR dimensions moderate the relationship between CSR and financial performance. Likewise the study of Fauzi and Idris (2010) conduct a contingency approach to CSR and financial performance. They found business environment, decentralization and reliance on combination of diagnostic and interactive control system to be moderating the relationship.

Additionally, the study of Goll and Rasheed (2004), finds support for the moderation of environmental munificence and dynamisms in the CSR and financial performance relationship. Moreover, the study of Lee, Park and Lee (2013) reveal support for the mediation of perception of CSR activity in the relationship between CSR, perceived cultural fit and employee attachment and performance. Similarly, the study of Lee and Hoe (2009) found that customer satisfaction fail to mediate the relationship between CSR and Tobin's Q. In addition, the study of Lee, Seo and Sharma (2013), find support for the positive moderation of oil price in the relationship between operations related CSR and financial performance and a negative moderation between non-operations related CSR and financial performance.

Furthermore, the study of Lee, Singhal and Kang (2013), find a non-significant relation between operations related CSR, non-operations related CSR and financial performance under periods of recession. They also found a negative effect of non-operations related CSR, and positive effect of operations related CSR with financial performance. Equally, the study of Luo and Bhattacharya (2006), find support for the mediation of customer satisfaction and moderation of firm capabilities on the relationship between CSR and financial performance. Additionally, the study of Servaes and Tamayo (2013), report a positive moderation of customer satisfaction on the relationship between CSR and financial performance. Moreover, the study of Tang, Hull and Rothenberg (2012), reveal a positive moderation of relatedness of CSR activities, consistency in CSR activities and path that a CSR activity follows on the relationship between CSR and financial performance. Likewise, the study of Torugsa, O'Donohue and Hecker (2012), find support for the mediation of proactive CSR on the relationship between capabilities and financial performance.

The contingency approach suggests that there are many contingent variables that can mediate or moderate the relationship between CSR and financial performance (Carroll & Shabana, 2010; Rowley & Berman, 2000). Since it is argued that CSR is context oriented (Nielson & Thomsen, 2007), there is possibility of having varieties of contingent variables influencing the CSR and financial performance relationship. Furthermore, it is argued that benefits of CSR are not homogeneous, and effective CSR initiatives are not generic (Carroll & Shabana, 2010). Additionally, it was further argued that effective CSR depends on developing an appropriate strategy (Smith, 2003; Smith, 2005). Therefore previous studies call for more exploration of mediating variables in the relationship between CSR and financial performance (Carroll &

Shabana, 2010; Crifo et al., 2016; Goll & Rasheed, 2004; Peloza & Papania, 2008; Pivato et al., 2008; Rowley & Berman, 2000; Tsoutsoura, 2004). The study of Barnett and Salomon (2012), suggest that SIC can mediate the relationship between CSR and financial performance after considering that SIC is an outcome of consistent CSR practice and it creates an intangible stock that have greater effect on financial performance.

3.5 Causation in the CSR and financial performance relationship

There is disagreement on the nature of the direction of CSR and financial performance relationship (Scholtens, 2008). Some scholars are of the view that better CSR practices lead to a better financial performance (Donaldson & Preston, 1995; Freeman, 1984; Jones, 1995). They argue that balancing the implicit claims of various stakeholders improves and paves way for a better relationship between the firm and these stakeholders which will consequently be translated into improved financial performance through cost savings, improved productivity or enhanced customer patronage. Preston and O'Bannon (1997), in their attempt to shed more light on the relationship between CSR and financial performance, develop six theoretical hypotheses. They argue that the social impact hypothesis supported that CSR impact positively on financial performance. They discuss on another line of argument where available financial performance determines how much to invest in CSR as argued by some scholars (McGuire et al. 1988; Preston & O'Bannon, 1997). This line of argument supports the slack resources hypothesis that the positive relationship between CSR and financial performance starts from financial performance that leads to CSR (Preston & O'Bannon, 1997).

The second argument on this relationship is that CSR leads to a negative financial performance as is supported by two hypotheses, namely trade-off and managerial opportunisms hypotheses (Preston & O'Bannon, 1997). The trade-off hypothesis argue that CSR is negatively related to financial performance, that the cost associated with CSR put socially minded firms in an economic disadvantage state compared to non-socially minded once (Friedman, 1970; Preston & O'Bannon, 1997). The managerial opportunism hypothesis claims that managements might misuse the opportunity of CSR investment by reducing the cost of CSR activities for their personal gains when the financial performance is strong and invest in conspicuous programs when financial performance deteriorates to justify the disappointing result (Preston & O'Bannon, 1997). This hypothesis predicts a negative relationship between CSR and financial performance due to the opportunistic behavior of the management.

The third argument presented by Preston and O'Bannon (1997), is the synergistic relationship between CSR and financial performance. They argued that the relationship can form either positive or negative synergy. The positive synergy hypothesis claims that CSR is positively related to financial performance; therefore investing in CSR will boost financial performance which will later provide more funds to be injected into CSR hence creating a vicious circle (Orlitzky et al., 2003; Preston & O'Bannon, 1997). The negative synergy hypothesis claims that CSR is negatively related with financial performance; therefore investing in CSR deteriorates financial performance which will later reduce the available funds to be invested in CSR thus creating a vicious circle (Preston & O'Bannon, 1997).

Considering the typology of Preston and O'Bannon (1997), four hypotheses have indicated causal link of the CSR and financial performance relationship in clear terms i.e. social impact, slack resources, trade-off and managerial opportunism hypotheses, while two are two sided, i.e. positive and negative synergy hypotheses. Three out of the four hypotheses shows that the causal link is from CSR to financial performance i.e. social impact, trade-off and managerial opportunism hypotheses without considering their disagreement on the sign of the relationship. Slack resource hypothesis indicated that the causal link is from financial performance to CSR. The causality between CSR and financial performance has been debated for a long period of time without reaching any consensus (Scholtens, 2008).

In support of the above, Bolanle (2012), test for the causality between CSR and financial performance of Nigerian banks. The study finds support that CSR causes financial performance. Similarly, the study of Yang, Lin and Chang (2010) makes an enquiry into the causal link between CSR and financial performance in the Taiwan listed firms using correlation and regression techniques. They find a correlation between previous CSR and later financial performance and the reverse for previous financial performance on CSR. Using a regression analysis, they found a significant relationship between previous CSR and later ROA and found the reverse for previous financial performance on later CSR (Yang et al., 2010). In another development, Makni et al. (2009) examines the causality between CSR and financial performance using granger causality technique. They find that financial performance (ROA, ROE & stock market returns) do not granger caused CSR. It further reveals negative unidirectional granger causality between CSR and stock market returns. It provides support for the trade-off hypothesis (Makni et al., 2009). Another line of studies find a positive synergistic relationship between CSR and financial performance. That CSR positively affect financial performance and vice versa (Yilmaz, 2013; Orlitzky et al., 2003; Waddock & Graves, 1997).

In contrast, there are some studies that produce a reverse causal link between CSR and financial performance. Preston and O'Bannon (1997), for example, find correlations between CSR composite and dimensions with ROA, ROE and ROI for financial performance lead, lag and contemporaneous relationships. They conclude that financial performance lead (previous financial performance to later CSR) after recording higher correlations values and highest frequencies of significant correlation, as representing the causal link of CSR and financial performance. Therefore, supporting slack resources hypothesis that available resource determines the level of investment in CSR (Preston & O'Bannon, 1997). The above argument concurs with the findings of McGuire et al. (1988) that the prior financial performance is a better predictor of CSR than the subsequent financial performance, given support for the same slack resources hypothesis.

Additionally, Scholtens (2008) investigates the causal link between CSR and financial performance using an advanced technique, granger causality method. The study conducted a lag regression and granger causality to determine the causal link. It was found, under three lags that there is unidirectional granger causality between financial performance and CSR, that is financial performance granger cause CSR and the reverse is not (Scholtens, 2008). The study discovers under five lags that, there is bidirectional granger causality between CSR and financial performance providing support for positive synergy hypothesis. That is CSR granger caused financial performance and likewise financial performance granger caused CSR (Scholtens, 2008).

Although there are mixed arguments on causality between CSR and financial performance as indicated above, most of the studies favors slack resources hypothesis, that is financial performance causes CSR (Kraft & Hage, 1990; McGuirie et al., 1988; Preston, Harry & Robert, 1991; Preston & O'Bannon, 1997; Scholtens, 2008). Because of the nature of the problem this study intends to address, and the fact that studies like Preston and O'Bannon (1997) reported in addition that a positive synergistic relationship was also found between the variables suggesting that CSR also causes financial performance, the social impact hypothesis of Preston and O'Bannon (1997) was considered. That is the relationship that was investigated is from CSR to financial performance.

3.6 The direction of the relationship between CSR and financial performance

There is great disagreement between scholars on the direction of CSR and financial performance relationship (Boaventura et al., 2012; Buerden & Gossling, 2008; Margolis & Walsh, 2003; Orlitzky et al., 2003). The arguments depend on some theoretical underpinnings that are diverse. The argument begins by the statement of Thomas Friedman in 1970 that the business of the business is to maximize their shareholders wealth provided they act within the rules of the game (Friedman, 1970). Freeman responds in 1984 by stating that firms should consider balancing the needs of their various stakeholders as against only shareholders if they are to make some profits (Freeman, 1984). The theory supporting the argument of Friedman (1970), is agency theory which supports that taking part in CSR deteriorates financial performance which may push the firm into a competitive disadvantage thereby breaching the agent-principal agreement between management and the shareholders (Friedman, 1970). Stakeholder theory in contrast argues that balancing the claims of all stakeholders enable the firm to maximize profitability in the long run (Freeman, 1984).

The nature of the relationship has been extended by Preston and O'Bannon (1997), to include social impact hypothesis that support the positive effect of CSR on financial performance, followed by the slack resources hypothesis that supported a positive effect of financial performance on CSR, then positive synergy hypothesis that supports both social impact and slack resources hypotheses. It states that CSR leads to better financial performance which in turn improves the firms CSR forming a vicious circle (Preston & O'Bannon, 1997). The remaining typology includes trade-off hypothesis that supports the negative effect of CSR on financial performance, the managerial opportunism hypothesis that also supports a negative effect but, of financial performance on CSR, and finally the negative synergy hypothesis relationship that supports both trade-off and managerial opportunism hypotheses. It proposes that CSR decreases financial performance which later reduces subsequent CSR forming a vicious circle (Preston & O'Bannon, 1997).

There have been empirical supports in respect of each of the theoretical underpinnings. The majority of the studies report a positive relationship between CSR and financial performance. The sign of the relationship between CSR and financial performance can best be discussed considering the meta-analytical studies in the area. This study reviews seventeen meta-analytical studies in order to observe the sign of this relationship. The result of this review is diverse but summarized into three categories, negative, positive and complex/ambiguous relationship between the variables.

Mostly, early meta-analytical studies on CSR and financial performance although found some evidence of positive relations, concludes that there is no relationship at all. The study of Arlow and Gannon (1982), after reviewing seven studies on CSR and financial performance found three studies reporting a positive, two negative, one non-significant, and one mixed relationship between the variables. They concluded that there is no clear positive or negative relationship. Similarly, Aupperle, Carroll and Hartfield (1984), review ten articles and found five studies for positive, one for negative, two for non-existence, and one for u-shaped relationships. They conclude that although many reported a positive relationship, studies with sound methodology did not find any relationship therefore concluded that there is no relationship between the variables (Aupperle et al., 1985).

Equally, Ullmann (1985), reviews thirteen studies on CSR and financial performance and found more results in favor of positive link (8/13), single study report a negative link (1/13) and four (4/13) reported no relationship. The study concludes that there is no relationship and suggested a shift to contingent framework (Ullmann, 1985). Another study that is more recent that share the same conclusion with the above is Margolis, Elfanbein & Walsh (2009), who investigates two hundred and fifty one CSR and financial performance relations reported in two hundred and fourteen studies and find an overall positive correlation of 0.103. They conclude that the relation is too small, although positive, compared to the effort made to justify the business case for CSR. They discourage the firms from investing in CSR (Margolis et al., 2009).

The second category is of the meta-analytical reviews that conclude that there is a positive effect of CSR on financial performance. Cochran and Wood (1984), reviews fourteen studies on the relationship under review and found nine (9/14) reported a positive link, three (3/9) report no relation and one (1/14), report a negative relation between CSR and financial performance. They concluded that a positive relation exist between CSR and financial performance. Preston and O'Bannon (1997) find in their study on CSR and financial performance, that the relationship is positive. Other recent meta-analytical reviews that concluded on an overall positive relationship between CSR and financial performance include Richardson, Welker and Hutchinson (1999), Roman, Hayibar and Agle (1999), Orlitzky and Benjamin (2001), Orlitzky et al. (2003), and Margolis and Walsh (2003). These studies review different numbers of articles and found positive relationship outweighing the whole relationship. They review for example twenty two, fifty two, eighteen, fifty three and one hundred and twenty seven studies respectively.

Additionally, there are additional recent meta-analytical reviews that favor a positive relationship between CSR and financial performance. Allouche and Laroche (2005), for example found a strong correlation between CSR and financial performance after reviewing eighty two studies on the relationship. Other studies that follows the same line include Margolis, Elfanbien and Walsh (2007), although found small positive correlation, Beurden and Gossling (2008), Horvathova, (2010), and Boaventura et al. (2012). They study different number of previous literatures and found more support for a positive relationship. They study one hundred and ninety two relations in one hundred and sixty seven studies, thirty four articles, sixty four relations in thirty seven studies and fifty eight studies respectively. Based on the above review on CSR and financial performance that encompasses almost all the reviews of the relationships from 1972 to 2012 in which most of the studies concludes that a positive relationship exist between the variables, the present study is of the opinion that a positive relationship exist between CSR and financial performance.

3.7 Empirical Studies on CSR in Nigeria

In Nigeria, studies on CSR are relatively scanty compared to the need for it. The studies are categorized into two, those that investigate the existence of CSR practice or its effect on social development in Nigeria, and those on the economic consequences of CSR to corporate Nigeria. Studies that belongs to the first category includes that of Terungwa and Achua (2011), that examines the pattern of bank loans to SMEs in Nigeria pre and post the introduction of a central bank of Nigeria program called Small and Medium Scale Enterprises Equity Investment Scheme (SMEEIS). The study finds and reported that loan to SMEs proxy as CSR by the authors does not improve after the introduction of SMEEIS. Obalola, (2008) reported that firms in the Nigerian insurance industry strongly supported CSR and it was perceived as corporate philanthropy. Achua (2008) reported some of the reasons hindering proper implementation of CSR to include regulatory laxity, inauspicious macroeconomic environment, endemic corruption and self-induced vices among others in Nigeria. Adewuyi and Olowookere (2010) reported that CSR investment of WAPCO is insignificant compared to their turnover in Nigeria.

Ihugba (2012), reports the importance of regulation of CSR emphasizing that it has the great potentials of improving CSR. Ejumudo, Osuyi, Avweromre and Sagay (2012), report on the importance of controlling gas flaring in the CSR of oil multinationals in Nigeria. Emphasizing that oil firms have spent a lot on CSR but conflict, violence and vandalisms are still high due to the exclusion of gas flaring in their CSR. Osemene (2012), explore the factors determining CSR adoption in Nigerian telecommunication sector and the impact of the sector on its immediate environment. They find factors like competition, subscriber demand, pressure from civil and human right group, service quality, legal requirements and infrastructural decay to be significantly influencing CSR adoption. Similarly, the study of Dandago and Muhammad (2011) investigates the level of CSR of Nigerian banks operating in Kano. The result reveals a strong agreement between the perception of the respondents and economic, legal and ethical responsibilities while there is little support for philanthropic responsibility among Nigerian banks.

The study of Amaeshi *et al.* (2006), on the meaning and practice of CSR in Nigeria revealed that there is CSR awareness among Nigerian corporations but without significant action. Their study provides evidence that CSR is more of philanthropy as a way of giving back to the society. They also report that the themes mostly used include education, healthcare, infrastructure, poverty alleviation, sports, and security. Ebimobowei (2011), on the social accounting disclosure practice in Nigeria reported that most of the companies made social accounting disclosure, and they disclose more of qualitative than quantitative information. They also revealed that more than half of the companies reported social accounting information in the chairman statement.

Helg (2007) studies CSR from a Nigerian perspective and reported that philanthropy was given more priority, CSR among local companies was more of an ad hoc initiative and that CSR seems to be part of cultural heritage of Nigerian firms. Hashimu and Ango (2012), examine the CSR activities of multinational corporations in Nigeria. They find a positive significant relationship between ethical treatment of customers and their patronage. They also report another significant positive relationship between the firm's social contribution to communities and improved social and economic status of the local communities. Furthermore, David (2012), determine the effect of CSR on Nigerian societal progress and reported that CSR leads to the infrastructural development of the society. They also report that it leads to the creation of goodwill which creates an economic advantage.

Studies on the second category of Nigerian CSR examine the economic consequences of CSR. This part is also divided into positive and negative consequences of CSR on CFP. Studies on the first part include Tanko, Magaji and Junaidu (2011), who studies the value relevance of social and environmental disclosure on earnings per share, reports a slight positive correlation between CSR disclosure and EPS. They further state that there are disclosures but seems not to impact on the EPS. The study of Abdulrahman (2014), report a positive significant effect of CSR on total assets in the Nigerian conglomerate sector. Similarly, the study of Babalola (2012) reported the influence of CSR over profit after tax in Nigeria.

In another development, Abdulrahman (2013), reports a positive significant relationship between CSR and profit after tax of money deposit banks in Nigeria. Additionally, the study of Bolanle *et al.* (2012), report a positive significant relationship between CSR and CFP of First bank Nigeria PLC. Alawiye-Adams and Afolabi (2014), reports that lack of adequate implementation of CSR play a vital role in increasing conflict between firms and host communities which impacted negatively on the firm's performance in Nigeria. Additionally, Ako, Obokoh and Okonmah (2009), report that major determinants of success of most firms lie on the CSR performance to communities, stakeholders, and society at large.

Similarly the study of Adeboye and Olawale (2012), on CSR, ethics and organizational goals, revealed that employees of both the first bank and guaranty trust bank are in agreement with the impact of CSR on business ethics. They also report that employees of both banks agreed that CSR boosts financial performance of Nigerian banks. Furthermore, the study of Uwuigbe and Egbide (2012), examine the association between CSR disclosure and CFP in Nigeria. They reported a significant positive relationship between CSR disclosure and both return on total assets and audit firm size and a significant negative relationship with leverage. In the same vein, the study of Olowokudejo *et al.* (2011) examines the relationship between CSR and organizational effectiveness. The respondents agree to a certain extent about the following effect of CSR on the organization; improvement in profitability, sales improvements, financial strength, boost public image and goodwill, improve the morale of the employees, ability to create new ideas, products, and services, etc.

Akano *et al.* (2013), examine the relationship between some performance measures and CSR disclosure. They report a positive relation between CSR, total asset and number of branches while a negative relationship is observed between CSR and gross earnings. Similarly, Oba (2011) investigates the effect of CSR on the market value of

Nigerian conglomerate. He reports that Tobin's Q was positively associated with community CSR and human resource management but not up to a significant level. The study also finds that total asset was positive and significantly having an effect on market value (Tobin's q.). The study of Duke II and Kankpang (2013), examine the link between the social and financial performance of Nigerian firms, reported that waste management and pollution abatement have a significant positive relationship while social action and fines and penalty have a significant negative relationship with CFP.

Uadiale and Fagbemi (2012) also study the relationship between CSR and CFP in Nigeria. They report a positive substantial association between ROE and community relations, environmental concern and employee relations while the ROA was positively and significantly related to community relations only and a positive but insignificant relation with environmental concern and employee relations. In a study conducted by Fasanya and Onakoya (2013) on CSR and financial performance in Nigeria, reported that workers perception reveals that the motive of improving profitability encourage companies to engage in CSR.

Similarly, the study of Ebiringa, Yadirichukwu, Chigbu and Ogochukwu (2013), on the effect of firm size and profitability on CSR disclosure finds a positive significant relationship between CSR disclosure and profitability along with the origin of the company. They also report a negative relationship between CSR disclosure and firm size. The second who reported negative consequences include Oba (2011) that reports a negative effect of charitable donation on Tobin's q. Another study similar to Oba is Bello (2012) that reported a negative relationship between CSR and CFP in Nigeria.

Similarly, the study of Akano *et al.* (2013) reported a negative and significant relationship between gross earnings and CSR.

The above studies suffer a lot of deficiencies mostly on methodology, for example, the study of Fasanya and Onakoya (2013) developed an instrument to measure CSR and CFP but did not report the process they follow for the instrument development. Olowokudejo *et al.* (2011) sampled only one tribe (Yoruba) in their study. Therefore, it cannot be generalized to Nigeria. The study of Duke II and Kankpang (2013) concentrate more on the environmental dimension of CSR despite the call for recognition of multidimensionality of CSR. Abdulrahman (2013), Babalola (2012) and Bolanle *et al.* (2012) utilizes a single dimension of donation to proxy CSR in their studies. Similarly, Abdulrahman (2014) and Bello (2012) uses two and three dimensions respectively to proxy CSR. Some of the studies are theoretical in nature (Achua 2008; Ako, Obokoh & Okonmah 2009). Additionally, Adewuyi and Olowookere (2010) study only one firm.

Almost all the studies have one weakness or the other, therefore, this study takes care of the weaknesses, for example, it utilizes the already established measures of CSR and financial performance. In addition, it develops a valid and reliable measurement for SIC and the scale development process has been reported for verification. Additionally, this research uses a scientific random sampling method to generate the sample of the study across firms listed on the Nigerian stock exchange. The study considers the multidimensionality nature of CSR as against single dimension; it is based on six dimensions of CSR. It also considers a number of firms as against single firms. Furthermore, the study is based on an empirical examination not conceptual or literature review.

3.8 The Concept of Stakeholder Influence Capacity

According to Freeman (2001) "stakeholders are groups and individuals who benefits from or are harmed by, and whose right are violated or respected by corporate action." He argued that stakeholders have some right to claim from the firm. Freeman and Reed (1983) define stakeholder in two sense; the narrow which includes those groups who are vital to the survival and success of the corporation, and the wider which include individuals or groups that have an influence on, or be influenced by the corporation. Alkhafaji (1989) in Mitchell *et al.* (1997) define stakeholder as groups to whom the corporation is responsible. According to Clarkson (1995), stakeholders are divided into voluntary and involuntary risk bearers. Voluntary stakeholders invest in the firm; therefore, bear some risk voluntarily while involuntary stakeholders bear risk as a consequence of the company's undertakings.

Post, Preston and Sauter-Sachs (2002), define stakeholders as individuals and groups that contribute either willingly or unwillingly to the corporation's wealth-creating capacity and undertakings and who are, therefore, it's possible beneficiaries and/or risk carriers. Hummels (1998) defines stakeholders as individuals and constituencies who have a reasonable claim on the organization to partake in the decision-making process solely because they are affected by the organization's practices, policies, and actions. According to Clarkson (1995), the primary stakeholder group comprises of shareholders, employees, investors, customers, suppliers, the government and finally the community. In summary, the stakeholder was any group or individual that can impact or be impacted by the activities of the organization.

The importance of stakeholder can never be over emphasized as in the words of Clarkson (1995) that argued stressing that survival of the corporation depends on its ability to fulfill its economic and social purpose. Therefore, according to Donaldson and Preston (1995), an organization is a set of an interdependent relationship between stakeholders. According to Barney (1991), the resources that most likely lead to competitive advantage are the once that meet four criteria; have value, are rare, inimitable and should be non-substitutable. Using the above criteria, Leonard (1995), argues that resources that most likely leads to competitive advantage include socially complex and causally ambiguous resources such as reputation, corporate culture, long-term relationship with suppliers and customers and finally knowledge assets. Stakeholder management or building a strong relationship with primary stakeholders like employees, customers, suppliers, and the communities could lead to increased financial returns by helping the firm develop intangible, but valuable assets which can be a source of competitive advantage (Freeman, 1984; Hillman & Keim, 2001).

Stakeholder management is found to be significantly and positively correlated with market value added and also a causal relationship was discovered between them (Hillman & Keim, 2001). Stakeholders are diverse and have many individual interests or claim to the corporation that cannot be meet by the corporations due to the limitation of resources (Owen, Swift, & Hunt, 2001). According to Mitchell *et al.* (1997), management should consider the power of the stakeholder to influence the company, the legitimacy of the relationship and the urgency of their claim as three attributes in their stakeholder salience. They classify stakeholders into classes that possess one; two or all of the above three attributes and concludes that stakeholder salience will be low, moderate and high where the attributes are one, two or three respectively.

Barnett (2007) develops the concept of stakeholder influence capacity (SIC) to explain the reason for the long-standing inconsistency in the return to a corporate financial performance from CSR. He argues that CSR has a variable effect on CFP since equal investment by different firms, or even the same firm at a different point in time does not return an equal amount of financial gain as implied by more than thirty years of inconsistent findings. SIC, which was defined to be the ability of a firm to identify, act on and profit from the opportunity to improve stakeholder relationship through CSR, is an explanation of the variability in the financial outcome of CSR (Barnett, 2007). He argues that the ability of the firm to notice and profitably exploit opportunities to improve stakeholder relations through CSR depends on its prior stakeholder relationship. He further states that the action of the firm and the response by its stakeholders with respect to CSR are paths dependent, such that different firms obtain different results from CSR, depending on their unique histories (Barnett, 2007). Therefore, SIC influences how stakeholders react to CSR initiative and furthermore restrain the scope of CSR activity that a firm will seek by considering the prior knowledge of their relationship. He posited that CSR does not directly add to financial performance rather, it influences through its impact on stakeholder relations.

They argued that CSR flow forges SIC stock. SIC is made out of the varied connections a firm has with its numerous stakeholders. Every stakeholder has his fluid association with the firm, and when accumulated at a point in time, they build an intangible asset called SIC stock (Barnett, 2007). Barnett (2007) further argues that SIC is similar to corporate reputation being that both are based on how history affects current perception that influences behavior towards the firm. SIC and corporate reputation differs significantly since corporate reputation is concern about how a firm can deliver valued outcomes that mostly is financial. SIC is more concerned with the social performance of the company, rather than financial. Therefore, he proposes that SIC can moderate the link between social and financial performance (Barnett, 2007).

Barnett and Salomon (2012), argues that the relationship between CSR and CFP is positive to some firms and negative to others depending on the ability of the firm to capitalize on their social investment. They contend that SIC is a formalization of the essential reason that stakeholders see some firms as more responsible than others and reward them for their demonstration of social obligation in like manner. They argue that the relationship between CSR and CFP is neither linearly positive nor negative, but curvilinear due to the existence of some contingent variables such as SIC. They argue that the relationship is u shaped explaining that the negative relationship that forms the initial downward sloping of the curve is as a result of the cost of investing in CSR. He further argues that once the firm accumulated an adequate stock of SIC, the cost will be more than offset resulting in a positive relationship.

Depending on the stock of SIC accumulated, the relationship between CSR and CFP can remain negative, improve to neutral or leads to positive (Barnett & Salomon 2012). Empirically the study of Barnett and Salomon (2012) tests the contingency nature of the CSR-CFP relationship and prove its curvilinear nature. Taking SIC as net KLD score and CFP as a combination of ROA and net income, they reported that firms with higher ROA are those with highest and lowest net KLD score (SIC). They further reports that firms in between risk i.e. with moderate net KLD score are stuck in the middle; they recorded the worst ROA. Firms with moderate net KLD score neither benefit from the cost advantage of not spending on CSR nor benefit from the capability to use their social performance as a technique to gainfully increase stakeholder relations. The construct was created by Barnett (2007), in a conceptual paper and is tested empirically by Barnett and Salomon (2012). It is argued that since consistent CSR practice forms SIC stock and it gives the firm an opportunity to profit from their CSR, SIC can mediate the relationship between CSR and financial performance (Barnett & Salomon, 2012).

Therefore, despite the importance of this variable, it lacks both theoretical and empirical studies despite the fact that it stands a better chance to explain the contingencies between CSR and CFP that result in more than forty years of inconclusive findings. This study argues that CSR builds a smooth relationship with stakeholders that form an intangible asset (SIC) over time. This stock of SIC once accumulated, helps the firm to enjoy a wide range of opportunities that improves profitability. Therefore, this intangible asset (SIC), offers a lot of economic advantages to the firm that improves it financial performance. This explains the ability of SIC to mediate the CSR-CFP relationship. Additionally, Barnett and Salomon (2012) suggest that SIC can mediate the association between social and financial performance; therefore, the ongoing study took the challenge of examining the role of SIC in explaining how CSR leads to financial performance.

3.8.1 Measurement of Stakeholder Influence Capacity

Stakeholder influence capacity was defined for the purpose of this study as the ability of a firm to identify, act on, and profit from the opportunity to improve stakeholder relationship through CSR (Barnett, 2007). He proposed the construct to account for the variability of return from CSR investment and can be measured using KLD index. He argued that KLD index represents the level of involvement of the firm in CSR activities, and will determine the CSR history of the firm in the eyes of its stakeholders. This will enable the firm to exploit stakeholder favor profitably (Barnett 2007). Barnett and Salomon (2012) empirically measure SIC using KLD index and found it to have a U-shaped relationship with financial performance. Due to the fact that SIC was proxy using net KLD score of which previous studies have used same to proxy CSR, Barnett, (2007) and Barnett and Salomon (2012) acknowledge the imperfection of net KLD to measure SIC, therefore, called on to future studies to develop a valid measure for it. Therefore, the present study has responded to this call by developing a valid measurement for SIC.

The present study has developed a measurement of stakeholder influence capacity based on the definition of Barnett (2007) in accordance with the procedure spelled out by scale development experts such as Cabrera-Nguyen (2010), Devellis (2003), Worthington and Whittaker (2006). The scale development process begins by proposing twenty-two (22) and finally ends up with eleven (11) items based on the definition of Barnett (2007). The items were validated by six experts from both industry and academia. The validation was conducted by two (2) Professors and two (2) senior lecturers who are Ph.D. holders from the part of the academics, and two (2) top management staff of some industries in Nigeria. The details of the process followed are presented in chapter five (5) of this study.

3.9 Theories used in the CSR and financial performance relationship

3.9.1 Stakeholder theory

Stakeholder theory has been used by previous studies to explain CSR. Stakeholder theory has been identified as a theory that comprises of three theories i.e. normative, descriptive and instrumental stakeholder theories. The instrumental stakeholder theory has been widely used to explain the effect of CSR on the profitability of the firm. The theory postulated that relating with all stakeholders in a trusting and cooperating manner helps the firm to reduce cost and improve profitability (Jones, 1995). Prior to the publication of stakeholder theory, the relationship between CSR and financial performance is regarded as data in search of a theory as described by Ullman (1985).

Hence, stakeholder theory has been very important to the relationship. It is seen as fundamental to the study of business and society (Beurden & Gosslin, 2008; Maron, 2006). The theory is classified into descriptive, normative, and instrumental stakeholder theory by Donaldson (1995) the instrumental stakeholder theory is advanced by Jones, (1995) to take care of the ambiguity of stakeholder theory. In addition, another limitation of the theory of who matters to the corporation is addressed by Mitchell, Agle, and Wood (1997), and a comparison is made between normative and strategic models of the theory that supports the strategic model by Berman, Wicks, Kotha, and Jones (1999).

Earlier studies on the relationship between CSR and financial performance have make use of stakeholder theory. Studies like Barnett, (2007), Barnett and Salomon (2012), Boaventura et al. (2012), Margolis and Walsh (2003), Orlitzky et al. (2003), Peloza and Papania (2008), Rowley and Berman (2000), to mention few, tests the relationship between CSR and financial performance in accordance with the provision of stakeholder theory.

3.9.2 Legitimacy Theory

Legitimacy theory suggests that the survival and development of any social organization, businesses inclusive rely on its legitimacy (Shocker & Sethi, 1974). Lindblom (1994) defines legitimacy as achieving congruence between the objectives, ways of operation, outcomes of the organization and the expectations of those who confer legitimacy (society). According to Sethi (1979), any difference between the management's action or perception and expectations of those who confer legitimacy amounts to legitimacy gap.

The theory further stresses that survival and progression of every organization depend on its acting in a socially acceptable ways (Johnson & Holub, 2003). It states that social contract exists between the organization and members of society (Johnson & Holub, 2003). The society allows organizations to operate as long as they are perceived to fulfill the needs, and benefit the society (Brinkerhoff, 2005). Legitimacy in a short form is concerned with firm's activities aligned with socio-cultural values of the society (Brinkerhoff 2005). Meyer and Scott (1983), refer organizational legitimacy as the degree of cultural support for an organization, the extent to which array of established cultural accounts provides explanations for its existence, functioning, and jurisdiction.

Legitimacy theory suggests congruence between the organizational policies, actions, output and procedures and the societal expectations (Lindbloom 1994). It also stresses that attaining legitimacy is of great importance to existence and survival of the organizations. Many studies suggest that corporate social responsibility assists firms attain legitimacy by helping them to build reputational capital and alignment with the sociocultural norms of their institutional environment (Du & Viera 2012; Palozza & Scherer 2006). Firms that derive legitimacy from involvement in CSR can develop consumer trust and patronage (Du *et al.*, 2011; 2007). They state that CSR enhances the attractiveness of firms in the eyes of existing and potential employees (Greening & Turban 2000), it also improves their investor appeal (Hill *et al.*, 2007; Maignan & Ferrell 2004; Sen *et al.*, 2006). In the process of avoiding legitimacy gap, firms would engage in CSR activities that would cushion a good relationship between the members of the society and the firm (Du *et al.*, 2011; 2007; Du & Viera 2012; Greening & Turban 2000; Palazzo & Scherer 2012).

3.9.3 Resource Based View Theory

A resource-based view (RBV) of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier. RBV explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney 1999). The theory stresses that for a firm to achieve long-term sustainability over its competitors, it need to have a bundle of tangible and intangible resources at their disposal (Penrose 1959; Rumelt 1984). The resources should possess qualities such as being valuable in order to add to the value creating a strategy of the firm (Barney 1991; Amit & Schoemaker 1993). The firm should also possess resources that are rare so that it must not be too common to their competitors (Barney 1986). It should also be inimitable so that competitors cannot easily duplicate it (Berney 1986). Lastly, the resource should be non-substitutable; the strategy should have no substitute in the hands of the competitors (Dierickx & Cool 1989).

There are a lot of studies that suggest CSR as one of the firm resources that possesses the above qualities. This is evidenced in the study of Hart (1995) he argues that certain types of environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage. Additionally, Russo and Fouts (1997) find a positive association between environmental performances and accounting profitability using the resource-based theory.

McWilliams and Siegel (2001) argue that CSR has some strategic implications such as serving as firm level differentiation strategy and as a form of reputation building and maintenance mechanism. Jones and Bartlett (2009), explain using resource-based view theory that all CSR activities should generate a resource for the firm, which it should serve as a source of competitive advantage. They also suggest that long-term relationship with stakeholders are not easily copied by competitors, therefore, enables the firm to enjoy a sustainable competitive advantage. Stakeholder influence capacity is an intangible resource that was built by the firm in the eyes of their stakeholders based on their CSR history (Barnett 2007).

Therefore, stakeholder influence capacity can be viewed as one of the resources of the firm that possesses all the four qualities proposed by Berney (1991), which promises a firm sustainable competitive advantage. It is valuable since it create value for the firm (Barnett 2007), it is rare as not all competitors can endure to build it since it takes a longer time to do so, and it is inimitable, can hardly be copied because strategically valuable assets of this nature cannot be bought in a strategic factor market, but have to build over time (Dierickx & Cool 1989; Berney 1986). Lastly, stakeholder influence capacity can hardly be substitutable.

Resource based view theory stated that firms that possess tangible and intangible resources that are valuable, rare, inimitable and non-substitutable stand a good chance to have a sustainable competitive advantage (Berney 1991). Many scholars argue that CSR is a strategy that possesses the four qualities of a resource that provide a sustainable competitive advantage (Hart 1995; Jones & Barlett 2009; McWilliams & Siegel 2001; Russo & Fouts 1997).

3.10 Gaps in the literature

The CSR and financial performance relationship field has witnessed proliferation of studies examining the nature, causality and their possible importance to organizations. The nature of the relationship is found to be positive, negative and even neutral or inconclusive. Initially, the direct relationship is more of negative, with improvement in measurements of variables and inclusion of control variables, the relationship turn into more of positives. Despite the improvement of measurement and control variables, still there exist some negatives and non-existed relations among the variables which call for a contingent approach to the relationship. The relationship between CSR and financial performance can never be universal (Barnett, 2007), and this is why the contingent approach comes in to determine how the relationship can be positive, negative or neutral. Furthermore, it can also assist in understanding the situations that warrant the relationship to be positive, negative or neutral (Carroll & Shabana, 2010). Although search in the contingent nature of the relationship have already began with several fruitful outcome, they suggest for more exploration of other variables affecting the relationship since there are many potential variables moderating or mediating the relationship (Carroll & Shabana, 2010).

There is an argument also as to why further exploration is solicited for in the area, CSR is a context oriented variable which depends on the requirement and needs of locality (Nielson & Thomsen, 2007), therefore further exploration unveils more variables that have significant indirect influence on the variables across different context. It is a positive development that many studies have tested the contingency approach to CSR and financial performance relationship with a positive improvement as discussed above (Crifo et al., 2016; Fauzi & Idris, 2010; Goll & Rasheed, 2004; Lee, Park & Lee, 2013; Lee & Hoe, 2009; Lee, Seo & Sharma, 2013; Lee, Singhal et al., 2013; Luo & Bhattacharya, 2006; Servaes & Tamayo, 2013; Tang et al. 2012; Torugsa, O'Donohue & Hecker, 2012), and most of these studies have called for continued exploration of the contingent relationship in the area (Carroll & Shabana, 2010; Crifo et al., 2016; Goll & Rasheed, 2004; Peloza & Papania, 2008; Pivato et al., 2008; Rowley & Berman, 2000; Tsoutsoura, 2004).

The scanty literature on CSR and financial performance that existed in the Nigerian context tests mostly a direct relationship and the result of which is also mixed. While most studies reported a positive (Duke II & Kankpang, 2013; Ebringa et al., 2013; Fasanya & Onakoya, 2013; Uadiale & Fagbemi, 2012), some reported a negative relationship (Akano et al., 2013; Bello, 2012; Oba, 2011) between CSR and financial performance. The contingency approach is not evidenced in the context and there are cries that CSR practices are lacking (Achua, 2008; Adeboye & Olawale, 2012; Mamman, 2011; Uwalomwa et al. 2012) in Nigeria. Many scholars in the Nigerian context call for improvement through strategizing CSR (Helg, 2007; Nwachukwu, 2009; Tanko et al., 2011). Conducting CSR based on stakeholder perspective is a good strategy that could improve financial performance (Freeman, 1984; Jones, 1995).

The present study argue that SIC can mediate the relationship between CSR and financial performance considering SIC as an outcome of consistently investing in CSR and creates an intangible asset that could help improve financial performance (Barnett, 2007). The SIC construct lacks proper validated measurement (Barnett, 2007; Barnett & Salomon, 2012). The lacks of validated measurement for SIC construct and non-exploration of its mediating ability in the CSR and financial performance research area is a gap that the present study tends to fill. The SIC construct was conceptualized to moderate the relationship between CSR and financial performance by Barnett (2007). The moderation effect is tested by Barnett and Salomon (2012) with a proxy measurement and they call on future studies to develop measures for the construct.

3.11 Chapter Summary

This chapter presents the reviewed literature in the research area of the study. Specifically, the overview, typology, antecedents and consequences of financial performance, CSR and SIC were discussed. A brief history of Nigeria, the nature of its CSR and its CSR development and disclosure level has been discussed. Finally, this chapter presents the underpinning theories of the study, and how these theories relate to the study.

CHAPTER FOUR

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

4.1 Introduction

After the review of relevant literature on the area, this chapter continues by narrowing down to a specific research problem the study seeks to address. As stated earlier on, the present study aims to examine the direct effect of individual dimensions of CSR on financial performance and to examine whether stakeholder influence capacity is capable of explaining the process through which CSR leads to better financial performance. The study reviews relevant literature on CSR and their theoretical explanations, in order to enable the understanding of the body of knowledge of CSR and CFP and the ability to identify the problems at stake that the present study seeks to address. As a result, the present study seizes the opportunity to develop theoretical framework taking note of the way previous studies workout similar problems and develop a hypothesis from them.

The present study seeks to discuss stakeholder theory, specifically instrumental stakeholder theory and affect theory of social exchange in explaining the link between CSR and CFP in the Nigerian context. Presently, CSR studies in Nigeria have appreciated the importance of instrumental stakeholder theory, despite the dearth of literature in the area; there are some studies that relate CSR practices of Nigerian firms with their profitability. Notwithstanding, there is a need to foster understanding of the process through which CSR leads to financial performance. Previous studies call for the incorporation of more variables into the model, and also to have an explanation of the process through which CSR leads to financial performance and contingency variables affecting the relationship. Understanding the contingent variables or situations will guide both the practitioners and researchers, and will enhance CSR practice. Therefore, this study has hypothesize the ability of SIC to explain the causal process or steps that link CSR to financial performance using instrumental stakeholder theory and affect theory of social exchange.

4.2 Theories that can explain the study

The mediating effect of SIC on the relationship between CSR and CFP can be explained from many angles. The main underpinning theory that was used to explain the present study is the stakeholder theory, specifically instrumental stakeholder theory. In addition, legitimacy and resource-based view theories can also explain the relationship. Furthermore, the affect theory of social exchange can also explain this relationship between CSR, SIC, and financial performance. For the purpose of the present study, instrumental stakeholder theory and affect theory of social exchange have been used in explaining the relationship.

4.2.1 Stakeholder Theory

Stakeholder theory proposes that firms should concentrate on balancing the conflicting interest of their various stakeholders rather than concentrating on shareholders (Freeman, 1984). The theory defines stakeholders as any group or individual who can affect or is affected by the achievement of an organization's objective. The theory outline some of the stakeholders of the firm to include shareholders, employees, customers, suppliers, community, financiers, environment, government, media, civil activist, etc. and it advocates that firms should concentrate on all rather than on shareholders. The social impact hypothesis is predicted on the stakeholder theory which advocates that when the needs of various stakeholders are met, the financial performance of the firm may enhance Freeman (1984). It further states that disappointing these groups may have a negative financial impact (Preston & O'Bannon, 1997).

A positive synergy hypothesis which is also based on stakeholder theory suggests that a higher level of CSR leads to an improvement in financial performance. They further opined that it will, in turn, provide the opportunity for reinvestment in socially responsible actions (Allouche & Laroche, 2005). There may be a simultaneous and interactive, positive relation between CSR and CFP forming a vicious circle (Waddock & Graves, 1997). According to Freeman (1984), companies that build a better relationship with primary stakeholders are likely to obtain greater returns. Greening and Turban (2000), further illustrates that companies seen as socially responsible have greater ability to recruit qualified employees. Godfrey (2005), also states that companies with socially responsible activities build moral capital among their stakeholders that promote a certain type of safety against loss of the company's reputation during a period of a negative event. CSR improves market opportunities and pricing premium (Fombrun, Gardberg, & Barnett, 2000).

Stakeholder management constitutes one of the main principles of stakeholder theory. According to Freeman (1984), stakeholder management is summarized as the organization's ability to identify who stakeholders are, their respective interest, objectives and ability to influence the organization. This assists the management to understand the process that may be used to relate with these stakeholders and to deduce what decisions best allow stakeholder interest aligned with the organization process. Harrison and St. John (1996), state that stakeholder management may minimize the negative effect of conflicting interest among stakeholders. This notion was supported by Berman *et al.* (1999), who state that stakeholder management is part of company strategy and their empirical study demonstrates support for the influence of stakeholder management on financial performance.

Business is about how customers, suppliers, employees, financiers (stockholders, bondholders, bank etc.), communities and managers interact and create value. To understand the business is to know how these relationships work (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010). They argued that managing stakeholder relationship is synonymous with capitalism. They conclude that capitalism is a set of relationships between customers, suppliers, communities, employees and financiers. Therefore, stakeholder theory is in line with the market-based approach to Friedman Milton, agency theory of Michael Jensen, strategic management approach of Michael Porter and transaction cost theory of Oliver Williamson (Freeman *et al.*, 2010). The stakeholder theory explicitly or implicitly contains a theory of three types; descriptive/empirical, instrumental and normative (Donaldson & Preston, 1995). They explain that descriptive/empirical explains how firms or their managers behave in relation to stakeholder management, instrumental describes what will happen if manager or firms behave in certain ways and normative theory explains how managers or firms should behave (Donaldson & Preston 1995).

Instrumental stakeholder theory developed by Jones (1995), views the relationship between the firm and its various stakeholders as contracts. The theory argues that contracting process gives rise to problems like agency, transaction cost and team production referred to as commitment problems due to the nature of human beings as being opportunistic. The theory argues that firms that solve these problems will have a cost advantage over those that do not. The theory suggests that firms that use ethical solutions to these problems will have more cost advantage than others. They further add that firms that contract with their stakeholders based on mutual trust and cooperation will have a competitive advantage over firms that do not. It explains that contracting in an ethical manner leads to reduced agency cost, transaction cost and team production cost that include monitoring, bonding, searching and warranty cost. It also reduces residual loss (Jones, 1995). Instrumental stakeholder theory suggested that certain CSR activities are expressions of efforts to begin a trusting and cooperative firm/stakeholder relationship. He further stated that as such, CSR ought to be positively related to a firm's financial performance. In conclusion, trust and cooperation help solve the problem of opportunisms and because of the cost associated with opportunisms, preventing and reducing it, firms that contract based on trust and cooperation will have a competitive advantage over those that do not (Jones, 1995).

4.2.2 How Stakeholder Theory Relates to CSR, SIC and Financial Performance

Stakeholder theory postulated that firms should concentrate on stakeholders as against only stockholder interest. It suggests that balancing the interest of all stakeholders stand to benefit the firm better than when it centers on profit maximization alone. Hence, the theory defines stakeholders as "any group of individual or firms that can affect or can be affected by the achievement of an organization's objective" (Freeman, 1984).

Stakeholder theory has been used in several studies to explain the positive relationship that exists between CSR and CFP (see Boaventura *et al.*, 2012). It emphasizes that CSR is an attempt to enhance the good relationship with all stakeholders that build trust and cooperation between them and the firm (Jones 1995). CSR offers firms with the means by which they can manage and influence the attitude and perception of their stakeholders. This can build their trust and enable the benefit of a positive relationship to deliver business advantages (Munasinghe & Kumara, 2013).

Instrumental stakeholder theory which is part of stakeholder theory proposed that relating with stakeholders in an ethical way through trust and cooperation will help in solving agency cost, transaction cost, and team production problems. The cost savings give the firm a competitive advantage over those that do not (Jones, 1995). According to Fombrun *et al.* (2000), instrumental stakeholder theory leads to increase in market share as a result of management of stakeholder relationship. The above discussion revealed how the theory explains the relationship between the independent variable (CSR) and the dependent variable (financial performance).

On the other hand, stakeholder influence capacity is defined by Barnett (2007), as the ability to identify, act on, and profit from the opportunity to improve stakeholder relationship through CSR. Therefore, from the above definition, it is clear that SIC is constructed like reputation and stakeholder relationship. Barnett (2007) posits that businesses that are engaged in CSR practices are better in creating SIC stock. He further argues that sufficient stock of SIC permits the businesses to integrate and exploit stakeholder approval, which in turn lead to profit from its social investment. Barnett (2007) argues that the financial return from social investment depends on the

CSR history of the individual firm. Furthermore, Cohen and Levinthal (1990), posit that the technical development of a firm depends on the investment in that area of expertise and previous knowledge of the area. Therefore, previous CSR creates SIC, which if adequately accrued leads to favorable CFP.

In summary, instrumental stakeholder theory can explain the variables of the present study. The theory, in general, has explained the process through which CSR influence CFP through maintaining good stakeholder relationship (building trust and cooperation). Therefore as the definition of SIC states that is an opportunity to profit from improved stakeholder relation through CSR. It can be deduced that Instrumental stakeholder theory can explain the variables of the study.

4.2.3 Affect Theory of Social Exchange

The affect theory of social exchange is an extension of social exchange theory. According to Emerson (1979), social exchange theory is concerned with the consequences of the relationship between parties that involves exchange. It explains social change and stability as a process of negotiated exchange between parties (Emerson, 1976). The theory posits that human relations are formed based on a subjective cost-benefit analysis and consideration of alternative (Emerson, 1976). The affect theory of social exchange is developed considering that social exchange theory failed to take into cognizance of emotion of the parties (Lawler, 2001). It is argued that social exchange can be either rewarding or punishing. It further stated that reward creates positive emotion while punishment created a negative emotion (Lawler, 2001). The theory provides that exchange is reciprocal depending on the emotion created (Lawler, 2001).

4.2.4 How Affect Theory of Social Exchange Relates to CSR, SIC and Financial Performance

The affect theory of social exchange provides that a rewarding action between parties creates a positive emotion that would be repeated simultaneously, therefore forming a positive reciprocal relationship (Lawler, 2001). The theory provides also that a punishing action between parties creates a negative emotion that would be repeated simultaneously, forming a negative reciprocal relationship (Lawler, 2001). This theory fits into this study because stakeholders take into account their relationship with the firm and it contributes significantly to determining the way these stakeholders relates with the firm in return. Firms that exchange positively with their stakeholders through CSR activities would build a good image in the eyes of the stakeholders called SIC that assist the stakeholders to reciprocate the firm by having a good relationship that may either save cost or boost profitability. Therefore, the affect theory of social exchange was utilized in the cause of discussing the relationship between the variables of the study.

4.3 Theoretical Framework

The CSR and financial performance relationship have been widely investigated with little or no consensus on the effect of the former on the latter (Bayoud *et al.*, 2012). The relationship between CSR and financial performance is surrounded by debate of two major theories, agency and stakeholder theories. The argument supported by agency theory is that CSR is an agency loss that puts a firm in a competitive disadvantage state (Friedman, 1970). In contrast, stakeholder theory argues that relating with various stakeholders help the firm to achieve a competitive advantage

(Freeman, 1984; Jones, 1995; Roman et al., 1997). These arguments further compound into more other theoretical arguments under the two major theories. These include the good management, agency loss, slack resources, managerial opportunisms, positive and negative synergies hypotheses (Preston & O'Bannon, 1997).

The empirical results are mixed with positive relationship (Beurden & Gössling, 2008; Boaventura *et al.*, 2012; Freeman, 1984; Jones, 1995; Margolis & Walsh, 2003; Orlitzky *et al.*, 2003), negative relationship (Brammer *et al.*, 2006; Wright & Ferris, 1997), and neutral (Fauzi & Idris, 2009; McWilliamsl & Siegel, 2000). A lot of scholars have attempted to understand and offer a solution to the mixed findings inherent in the relationship. For example, lack of theory, inappropriate definition of variables and inadequate data base (Ullmann, 1985), stakeholder mismatch (Wood & Jones, 1995), operationalization of variables and methodological differences (Griffin & Mahon, 1997), failure to control for risk, industry and asset age (Cochran & Wood, 1984), failure to control for research and development (McWilliams & Siegel, 2000). These suggestions have not yielded any result as the field continues to produce mixed findings as before (Barnett, 2007).

In search for a lasting solution some scholars suggested a shift to contingency approach arguing that a universal return from CSR is unattainable (Rowley & Berman, 2000; Ullmann, 1985). In response to this argument, some scholars have started testing the contingency approach for example, Orlitzky et al. (2003) mediates the relationship with reputation, Peloza and Papania (2008) uses stakeholder identification or dis-identification as mediator and Rowley and Berman, (2000) uses stakeholder action to reward or punish the firm as a mediator to the relationship. The results have been criticized to be non-interpretable due to lack of theory to explain the contingency approach (Rowley & Berman, 2000). Barnett (2007) defines the boundary of CSR to include any action that is high in both stakeholder relation orientation and social welfare orientation (Barnett, 2007). Any action that is high in one and low in the other or low in all is not CSR (Barnett, 2007). Actions high in social welfare orientation but low in stakeholder relation orientation are termed agency loss, and actions high in stakeholder relation orientation but low in social welfare orientation are termed direct influence tactics (Barnett, 2007). Actions low in both social welfare and stakeholder management orientations is called process improvement (Barnett, 2007).

After defining the boundaries of CSR, Barnett (2007) develops a contingency approach concept to remedy the situation by arguing that CSR practice forges stakeholder influence capacity (SIC) which is a by-product, then later SIC determines the stakeholder relationship of the firm (Barnett, 2007). It captures the stakeholder relationship history of the firm which has a strong influence over the future dealings between the firm and those stakeholders (Barnett, 2007). The concept suggest that SIC moderates the relationship between CSR and financial performance, and because firms may not have similar stakeholder relationship history, the relationship tend to vary depending on the level of SIC stock of a firm (Barnett, 2007). The SIC concept has been put to test and proves it moderating ability (Barnett &Salomon, 2012).

The present study sees the possibility of using SIC to explain the causal link from CSR to financial performance through stakeholder relationship. It has been argued that consistent CSR practice creates SIC stock (Barnett, 2007) and once accumulated has the opportunity of turning CSR into profitability by attracting stakeholder favors and good dealing (Barnett & Salomon, 2012). This study argues a little further that CSR practice creates SIC stock which can be both positive or negative, significant or insignificant depending on firm's stakeholder history, then SIC determines the relationship of the firm with the stakeholders to be either positive, negative, significant or insignificant that later leads to favorable or unfavorable financial performance. Another explanation can be advanced as since CSR creates SIC which is a firm level intangible asset, the resource based theory argued that such types of asset enables the firm to enjoy favorable financial performance over their competitors (Berney, 1991).

Moreover, affect theory of social exchange can also offer an explanation on this SIC mediated relationship of CSR and financial performance. Since CSR creates SIC stock (Barnett, 2007), depending on the level and nature of SIC, stakeholders may want to reciprocate the exchange by doing significant or insignificant good or bad to the firm which may, depending on the SIC, affect the financial performance of the firm (Lawler, 2001). Therefore, this study proposes a framework that tests the mediation ability of SIC in the relationship between CSR and financial performance as suggested by Barnett and Salomon (2012).

Although, Barnett (2007) has stakeholder relationship in his framework, he tested the relationship between SIC and financial performance alone, ignoring the stakeholder relation. Possible explanations for this are because stakeholder relation lacks proper measurement in itself that is why Barnett and Salomon (2012) did not test for it empirically, only concentrates on SIC proxy using KLD index and financial performance. In addition, most of studies that measure stakeholder relation proxy it using KLD index (Berman, Wicks, Kotha & Jones, 1999; Mitchell, Agle & Wood, 1997), the same proxy used by Barnett to measure SIC.

The present study did not adopt the framework of Barnett (2007), but rather attempt to respond to his call that future studies should develop measure for SIC and test its mediating effect in the CSR and financial performance relationship. The present study conceptualize SIC as a goodwill that is created from consistent CSR practice that improve relationship between firm and stakeholders which in turn favorably affect financial performance. The improvement in stakeholder relation stated in the discussion throughout this thesis is referred to the stakeholder relationship improvement embedded in the definition of SIC. The relationship proposed by this study is presented in the form of the following diagram. The CSR in the present study represents CSR practices of the firms and not disclosure, awareness or performance.

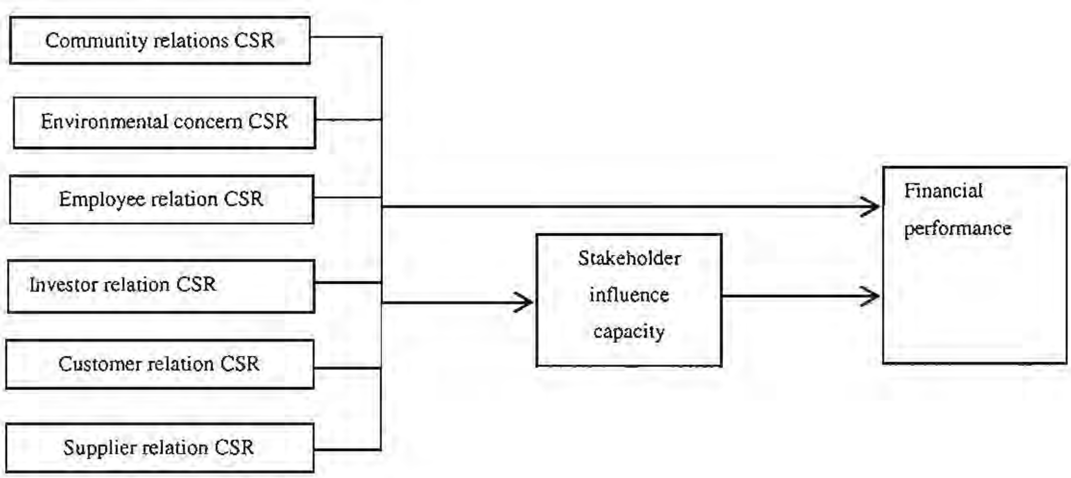

Figure 4.1 Research framework

4.4 Hypotheses Development

4.4.1 Corporate Social Responsibility and Corporate Financial Performance

Corporate social responsibility has led researchers and practitioners into a long-standing debate (Barnett & Salomon, 2012). According to Friedman (1970), CSR is considered as an agency cost and it reduces the firm's resources putting it at a competitive disadvantage. To him the one and only obligation of the company are to generate profit for its stockholders provided they act within the rule of the game i.e. payment of tax, obeying rules and regulations, obeying laws of the operating environment, etc. (Friedman, 1970). On the contrary, Freeman (1984) argued that balancing the interest of various stakeholders of the firm as against that of only shareholder help the firm to achieve competitive advantage. Specifically, instrumental stakeholder theory argued that firms that deal with their various stakeholders ethically, that is based on trust and cooperation would reduce agency, transaction and team production costs. This cost includes monitoring, bonding, searching and warranty costs, and finally, it also reduces residual loss thereby giving the firm an edge over its competitors (Jones, 1995).

Furthermore, several empirical studies have been found to support the positive influence of social on financial performance, some of which are; the study of Flammer (2015) that examines the relationship between firms vote on CSR related issues and CFP. He reported a positive and significant relationship between the variables. The study of Ioannou and Serafeim (2010) found CSR to be correlated with an investment recommendation in the long run. Similarly, the study of Turcsanyi and Sisaye (2013) found a correlation between CFP and firms CSR engagements. Additionally, Attig *et al.* (2013) reported a significant positive influence of social responsibility on company's credit ratings. Moreover, Rodgers *et al.* (2013) reported a positive relationship between lagged CSR and current accounting performance, and also between lagged accounting performance and market performance. Similarly, the study of Tsoutsoura (2004) found a positive and significant relationship between CSR and CFP. In the same vein, the study of Cai *et al.* (2012) reported a positive relationship between CSR and CFP in US controversial industry sector. Lastly, the survey conducted by Bonini et al. (2009) on 238 US CFO's reported that CSR creates shareholder value.

However, some studies reported a negative association between CSR and CFP, some of which include the study of Inoue *et al.* (2011) who reported that CSR has an insignificant effect on attendance and operating margin of professional teams. The study of Brammer *et al.* (2006) reported that firms with higher CSR reported a lower stock returns and those with low CSR outperformed. Similarly, the work of Clacher and Hagendorff (2012) reported that there is no strong evidence of value creation from CSR announcement.

In the Nigerian context, there is empirical evidence of a positive association between social and financial performance. Tanko, Magaji and Junaidu (2011) reported a positive correlation between CSR disclosure and earnings per share. Similarly, the study of Uwuigbe and Egbide (2012) reported a positive significant relationship between CSR disclosure and both return on total asset and audit firm size. Moreover, the study of Olowokudejo *et al.* (2011) reported that CSR is having a positive effect on profitability, sales improvement, and financial strength. Furthermore, the study of

Akano *et al.* (2013) reported a positive relationship between total assets, the number of branches and CSR.

However, on the contrary, the study of Oba (2011) reported an insignificant relationship between community relations and human resources management on market value. He further reported a negative relationship between charitable contributions and market value. Conclusively, the relationship between CSR and CFP is predominantly positive (Beurden & Gössling, 2008; Boaventura *et al.*, 2012; Margolis & Walsh, 2003; Orlitzky *et al.*, 2003). Therefore based on the above argument that the relationship between CSR and CFP is assumed to be positive, the present study postulate the following hypothesis.

There is a positive relationship between corporate social responsibility and financial performance.

Specifically, the individual dimensions of CSR have a positive effect on CFP as was discussed below:

4.4.1.1 Community relation and financial performance

Previous studies on CSR establish a positive relationship between community relation or involvement of firms and their financial performance (Brugmann & Prahalad 2007). It was also reported by Luo and Bhattacharya (2006) that consumers as part of the community members reward good corporate citizen through patronage. Employees also reward these firms by feeling attached to the organization and it reduces their turnover rate (Turban & Greening 1997). Moreover, it was reported that consumers consider community involvement of firms when deciding where to purchase (Gildea 1994).

There are many empirical pieces of evidence of a positive relationship between community dimension of CSR and financial performance. The study of Inoue and Lee (2011) for example reported that community relation is positively and significantly correlated with ROA in the hotel and restaurant industry of US. The study of Adewuyi and Olowookere (2010) commented that lack of community involvement by the oil companies in the Niger Delta region of Nigeria leads to kidnappings of the employees of the oil firms by the militants within the community, which reduce their production and profitability drastically. The study of Abdulrahman (2014) also reported a significant positive relationship between community dimension of CSR and total assets of firms in the Nigerian conglomerate industry. Participating in community CSR help firms to reduce cost by either enjoying tax advantage, having access to the qualitative labor force or avoiding lawsuit cases (Ullmann 1985; Waddock & Graves 1997). Additionally, the stakeholder theory strongly support the fact that community involvement help in improving relationship with stakeholders which later leads to improved financial performance. It was based on the above discussions the present study hypothesizes a positive relationship between community CSR and financial performance below:

H1 *There is a positive relationship between community relations and financial performance*

4.4.1.2 Environmental concern and financial performance

Environmental relation or concern is an important strategic tool of management to attain competitive advantage as stated by many scholars such as Bird *et al.* (2007) who reported that market responded negatively to firms that violate regulatory and voluntary environmental requirements. In addition, the study of Hettiarachchi & Gunawardana (2012) reported that CSR practices related to environmental issues are highly and positively correlated with ROA and Tobin's q. Feldman *et al.* (1997) argued that firms that take a proactive stand on environmental practices reduces their perceived risk, and also the study of Attig *et al.* (2013) reported a positive and significant relationship between environmental concern and credit ratings in the US. There are some other studies that support this argument; Ahmed *et al.* (1998) for example reported that environmental CSR improves financial and non-financial performance. This was supported also by Alvarez *et al.* (2001) that both financial and non-financial performances are affected by environmental practices. It was argued also that investment in environmental practices reduces the cost that was incurred from environmental crisis, wastage of raw materials and inefficient production processes (Schmidheiny 1992).

The market value of firms significantly increases as they involve in proactive environmental practices (Klassen & McLaughlin 1996). The study of Duke and Kankpan (2013) in the Nigerian context reported that waste management and pollution abatement relates positively and significantly with firms financial performance. They also reported a negative and significant relation between firm financial performance and social action, fines, and penalty. In the same context, the study of Uadiale and Fagbemi (2012) reported a positive significant relation between environmental concern and return on equity. These arguments testify the proposition developed by stakeholder theory that relating well with all stakeholders especially with legislators or government officials help in reducing/avoiding charges and fine on environmental issues which save cost and improve profitability (Freeman, 1984). Based on the above arguments the present study expected a positive relation between environmental dimension of CSR and financial performance, therefore the following hypothesis was advanced:

H2 *There is a positive relationship between environmental concern and corporate financial performance*

4.4.1.3 Employee relation and financial performance

Some studies on CSR and performance go extra mile to provide information on the relationship between the individual CSR dimensions and performance, some of them includes the study of Inoue and Lee (2011) on CSR dimensions and financial performance reported that employee relations were found to have a greater impact on market value in the airline industry. In addition, the study of Boesso and Michelon (2010) investigates the individual effect of CSR dimensions on five measures of financial performance. Their result revealed that employee relations have a significant positive effect on four financial performances (EBITDA, ROS, COM. VAL. and CAP. EXP). Abdulrahman (2014) also reported a positive relationship between employee relations and total assets between Nigerian firms in the conglomerate sector. According to Berman *et al.* (1999), firm's employee relations have a direct effect on firm performance. This is in line with the arguments of Turban and Greening (1997) that CSR on employee relations enhance firm-employee rapport by reducing absenteeism and turnover, improve productivity and increase the firm's attractiveness to present and potential employees. These prove the proposal of stakeholder theory that relating well with stakeholders especially employees will leads to competitive advantage (Freeman, 1984: Jones, 1995). Considering the above discussions, the present study hypothesized that:

H3 There is a positive relationship between employee relations and financial performance

4.4.1.4 Investor relation and financial performance

The positive relationship that exists between corporate governance and financial performance is a well-known fact (Black & Khanna, 2007). Corporate governance in an organization impact positively on performance indicators such as economic value added and market value added (Coles *et al.*, 2001). It has been established that investors are more interested in firms with more corporate governance mechanisms. It was further argued that they pay a premium price to buy the shares of more governed firms (Coombes & Watson 2000).

There are several studies that provide theoretical or empirical evidence of the individual corporate governance attributes on profitability, for example, board size of an organization was found to improve firm's performance (Pfeffer 1972; Klein 1998). It also contributes to the success of the firm (Jensen 1993; Yermack 1996). Women on board represent another important corporate governance attribute that contributes to performance. Women are important in the board because they understand the market better than their men counterpart; they understand the community better and their presence enable other board members to understand the environment better (Smith *et al.*, 2006).

In the area of CEO duality, it was agreed that separation of CEO and board chairmanship increase profitability. According to Jensen (1993), the duality reduces board supervision of the management which subsequently increases agency cost. Other corporate governance attributes that affect performance positively include; board qualification, most importantly professional qualification of the area of management (Nicholson & Kiel 2004; Adams & Ferreira 2007). Board experience (Child 1975), board independent directors (Elloumi & Gueyie 2001), etc. In both stakeholder and agency theories, investors relationship help the firm to have access to more capital and attain higher market valuations (Freeman, 1984; Friedman, 1970). It was based on the above discussion, the present study hypothesize as follows:

H4 There is a positive relationship between investor's relations and financial performance

4.4.1.5 Customer relation and financial performance

Customers are attached to the quality and safety of products they purchase, therefore, firms that ensure the quality and safety of their products will experience high customer attachment (Berman *et al.*, 1999). It was argued by many scholars that customers are likely to purchase from firms engaged in CSR practices that they found appropriate and personally relevant (Sen *et al.*, 2001). They further argued that certain CSR activities such as ethical advertising and consideration of disabled persons enabled the customers to feel happy and proud of the firm which at the end leads the firm to competitive advantage. Customers can easily boycott the product of poor CSR performing firms, which may have a direct link with a reduction in turnover and subsequently reduces their profitability (Berman *et al.*, 1999). Rose (1990) reported in their study on airline safety and performance that high profitability in the airline industry is highly correlated with reduced accidents and accident rate. Inoue and Lee (2011) reported a significant positive relationship between product quality and safety and market value in the US airline industry. The study of Abdulrahman (2014) also revealed that significant positive relationship exists between community relations and total assets in Nigerian conglomerate sector. The study of Rodgers, Choy & Guiral (2013) reported a positive significant relationship between customer relation and financial health. Furthermore, Najah *et al.* (2013) reported a significant positive effect of customer relation on credit ratings. In the Nigerian context, it was reported that customer relation is having a positive significant impact on customer patronage (Bulus & Ango 2012). Additionally, it is the provision of stakeholder theory that balancing the needs of stakeholders including customers helps in attainment of economic advantage (Freeman, 1984). The above discussion enabled this study to expect a positive relation between customer's relation and profitability. Therefore, the following hypothesis was advanced:

H5 There is a positive relationship between product quality and safety and financial performance

4.4.1.6 Supplier relation and financial performance

There is considerable consensus that maintaining a close relationship with suppliers help firm to reduce lead time (Scannell *et al.*, 2000). In the words of Langfield-Smith and Greenwood (1998), performance improvement and competitive advantage can be achieved by cooperative relations with suppliers, which include trust, supporting suppliers to improve their processes, information sharing, supplier involvement in new product development and long-term relationship. According to Wisner (2003), supplier and customer management strategy have a positive effect on supply chain strategy and performance. In addition to that, the study of Al-Abdallah, Abdallah and Hamdan (2014) revealed that for firms to attain superior performance, they must maintain good supplier relationship by either maintaining partnership with them or reducing supplier lead time. Moreover, the provisions of stakeholder theory suggests that maintaining good relationship with stakeholders like suppliers help the firm improve their financial performance (Freeman, 1984). Based on the above arguments that supplier relationship is important to financial performance, the present study advances the following hypothesis:

H6 There is a positive relationship between supplier relation and corporate financial performance

4.4.2 Corporate social responsibility and stakeholder influence capacity

The actions of the firm and the response from their stakeholders are paths dependent as opined by Barnett (2007). Firms that are involved in a good relationship building activities improves their image in the eyes of their stakeholders and firms involved in the relationship destructive activities got otherwise (Barnett, 2007). It was acknowledged by instrumental stakeholder theory that CSR practices are means of improving the good relationship with diverse stakeholders which in turn leads the firm to competitive advantage (Jones, 1995). This theory opines that relating to stakeholders based on trust and cooperation helps the firm to improve the relationship and reduce transaction cost which in turn improves profitability. Therefore, consistent CSR practice can build a stronger relationship with stakeholders than inconsistent. According to Tang *et al.* (2012), firms that consistently engaged in CSR practices get more positive financial outcome than firms that do not.

Furthermore, consistent CSR practice improves stakeholder relationship of the firm and in the process also creates a record of social performance in the eye of the stakeholders for the firm called SIC (Barnett, 2007). Therefore, CSR investment over a long period creates SIC stock for a firm which later enables the firm to get a favorable financial outcome (Barnett, 2007; Karaye, Zuaini & Che-Adam, 2014). Barnett (2007) defines stakeholder influence capacity as the ability to identify, act on, and profit from the opportunity to improve stakeholder relationship through CSR. The act of identifying an opportunity to improve stakeholder relationship, acting on the opportunity and deriving profit from it depends on the history of the stakeholder relationship of the firm (Barnett, 2007). From the above arguments, it can be logically deduced that CSR activities create stakeholder influence capacity. The more a firm engaged in CSR activities; the better would be it CSR history and consequently the more it would be able to benefit from stakeholder favors (Barnett, 2007).

Additionally, affect theory of social exchange argued that exchange between parties help creates either positive or negative emotions depending on the exchange. The theory posits that exchange that produces positive value leads to positive emotions and vice versa. Hence, the theory concludes that positive exchange is reciprocated with a positive reward and a negative with negative reward (Lawler, 2001). Therefore, considering this theory, CSR represents a positive exchange between the firm and their stakeholders which the firm take head to initiate. This positive exchange between the firm and stakeholders will pleases and creates an intangible asset in the eyes of the stakeholders. This asset could motivate the stakeholders to reciprocate the firm's action in the future. From the above, it can be argued logically that investing in employee relation help in boosting satisfaction and morale of the employee that consequently give the firm the ability to exercise influence and exploit their favor. The firm may exploit favors of customers to patronize their products and services once adequate SIC stock is accumulated in the area of product quality and safety. Firms may build a good relationship with government, immediate community members, and international organizations, once SIC was adequately accrued in the area of environmental concern. It is argued that CSR activities create a stock of SIC (Barnett, 2007), and therefore based on the above discussions, the following hypothesis was advanced.

There is a positive relationship between corporate social responsibility and stakeholder influence capacity

Specifically, this relationship will hold for all the individual dimensions of CSR as follows;

4.4.2.1 Community relation and stakeholder influence capacity

Investing in CSR activities in general as stated above and specifically, maintaining a good relationship with the host community help the firm build a good image in the eyes of their stakeholders (Barnett, 2007; Karaye *et al.*, 2014). According to instrumental stakeholder theory, CSR is a way of improving the good relationship with stakeholders (Barnett, 2007). Therefore, firms that take part in CSR can build a good relationship with their stakeholders and vice versa. Additionally, firms that consistently practice community CSR would have an influence on their stakeholders (Barnett, 2007).

Additionally, affect theory of social exchange argued that exchange creates emotions among relating parties, which can be positive or negative. According to this theory, an exchange that produces positive value leads to positive emotions and exchange that produce negative value produce negative emotions. Therefore concludes that exchange is reciprocal depending on the emotions it creates (Lawler, 2001). Hence, considering affect theory of social exchange, CSR in community relation can be viewed as an exchange between the firm and their stakeholders which the firm take head to initiate. This reward exchange by the firm to their stakeholders will create a feeling of happiness and an intangible asset in the eyes of the stakeholders. This asset could enable the stakeholders to reciprocate the firm action in the future. Although there is a dearth of literature on this relationship, the little discussions above could enable this study to advance that community relation CSR can create an intangible asset for the firm called SIC. Therefore, it was stated below that;

H7 *There is a positive relationship between community relation and stakeholder influence capacity*

4.4.2.2 Environmental concern and stakeholder influence capacity

Firms that are environmentally conscious operate peacefully and relate well with their stakeholders in comparison to those that do not. Environmental concern helps boost the image of a firm to the government which in turn may lead to tax incentives or favorable legislations. Conducting CSR in the area of environmental concern help the firm to maintain and improve the good relationship with stakeholders (Barnett, 2007; Karaye *et al.*, 2014). According to Jones (1995), balancing the interest of stakeholders against that of shareholders enables the firm to have a competitive advantage. Therefore, CSR in general and environmental concern in specific term helps the firm to build and maintain good stakeholder relationship. Similarly, consistent CSR in environmental concern help creates an intangible asset in the eyes of the stakeholders that that can offer the firm a financial reward in the future (Barnett, 2007). Moreover, affect theory of social exchange specifies how exchange leads to positive or negative emotions depending on its nature. It further states that exchange that produces reward leads to positive emotions while the one that produces punishment leads to negative emotions. In conclusion, the theory posits that exchange is reciprocal (Lawler, 2001). Therefore, expatiating on the thesis of this theory, firms that invest in CSR of environmental concern creates joy in the mind of their stakeholders. In response, the stakeholders may be willing to reciprocate the firm accordingly. There is lack of empirical literature on this relationship, but considering the above theoretical arguments, this study advanced the following hypothesis

H8 There is a positive relationship between environmental concern and stakeholder influence capacity

4.4.2.3 Employee relation and stakeholder influence capacity

Conducting CSR in the area of employee relation helps the firm to decrease employee turnover, improve productivity and employee attachment to the firm (Turban & Greening 1997), which will give the firm competitive advantage over firms that do not have such resources. This type of investment helps the firm by building a good image in the eyes of their stakeholders (Barnett, 2007). Instrumental stakeholder theory postulated that firms that transact with their stakeholders based on trust and cooperation enjoy cost savings than firms that do not, thereby giving them a competitive advantage (Jones 1995). According to Barnett (2007), consistent CSR in employee relation will help create a good image of the firm in the eyes of their stakeholders, especially employees called SIC that may offer the firm advantage in the future. Likewise, affect theory of social exchange provides another explanation on how CSR creates a good image for the firm. The theory states that exchange generates emotions that could be positive or negative. The exchange that produces reward creates positive emotions and that which produces punishment leads to negative emotions. Then the theory concludes by positing that exchange is reciprocal (Lawler, 2001). Therefore, CSR is an act of improving stakeholder relationship (Barnett, 2007; Freeman, 1984; Jones, 1995), and considering affect theory, stakeholders may reciprocate the firm. This act can happen through the creation of an intangible asset called SIC in the eyes of the stakeholders which may enable the firm to reward the firm by reciprocating. The empirical literature on this relationship is lacking, but relying on the above theoretical arguments, the following hypothesis is developed.

H9 There is a positive relationship between employee relation and stakeholder influence capacity

4.4.2.4 Investor relation and stakeholder influence capacity

Previous studies have produced a positive link between corporate governance and firm's profitability (Black & Khanna, 2007; Coles *et al.*, 2001). It was also established that investors consider firms with high level of corporate governance in their investment decisions (Coobes & Watson, 2000). This is why in CSR studies, CG is being considered as a proxy for firm's responsibility to investors. Therefore, firms that establish stringent corporate governance mechanisms in their organizations will be able to prevent proud and error which eventually protect the shareholders fund. Hence, these firms build a good image in the eyes of their existing and prospective investors. This is in line with the arguments of previous studies that CSR in general and investor responsibility (CG) in specific creates an opportunity for the firm to have a certain influence on stakeholders (SIC) which may give the firm some level of competitive advantage (Barnett, 2007; Karaye *et al.*, 2014). Instrumental stakeholder theory holds that firms that relate to their stakeholders based on trust and cooperation will reduce the cost of operations thereby outperform their competitors that do not (Jones, 1995).

This theory provides that CSR is a kind effort made by the firm to foster a good relationship with stakeholders. Therefore, CSR build and maintain good relationship with stakeholders, and absence of which will not. Hence, it can be deduced that consistent CSR (CG) creates a stock of an intangible asset for the firm in the eyes of their stakeholders (Barnett, 2007). Similarly, affect theory of social exchange provides that exchange generates emotions which may be positive or negative. It further provides that exchange that produce reward leads to positive emotions and which produces punishment creates negative emotions. Then, concludes that exchange, in general, is reciprocal depending what was exchanged (Lawler, 2001). Therefore, applying this theory to CSR, it may be seen as a positive exchange from the firm to their stakeholders. This exchange creates pleasure to the stakeholders and creates a kind of intangible asset (SIC) for the firm in their eyes. The stakeholders may try to reciprocate the firm in the future by doing something positive. There is a dearth of empirical literature on this relationship, but considering the above theoretical discussions, this study advanced the following hypothesis.

H10 There is a positive relationship between investor relation and stakeholder influence capacity

4.4.2.5 Customer relation and stakeholder influence capacity

The firm's investment in product quality and safety helps in creating customer attachment which eventually improves their turnover and profitability (Berman *et al.*, 1999). This implies that customers are more interested in firms with qualitative and safer products. Customers are interested in purchasing from CSR-oriented firms (Sen *et al.*, 2001) and can boycott the product of poor CSR performing firms (Berman *et al.*, 1999). Therefore, firms that ensure the quality of their products enable their customers to get value for the price they have paid. Additionally, firms that ensure the safety of their products reduces the risk of harming their customers. These firms could build an image in the eyes of their existing and prospective customers. This argument was supported by previous studies that CSR in general and customer relation in particular help the firm to have some influence on their stakeholders (SIC) which leads to competitive advantage (Barnett, 2007; Karaye *et al.*, 2014).

Instrumental stakeholder theory provides that firms that balance the need for all stakeholders will outperform firms that settle only the need of shareholders (Jones, 1995). The theory further argues that CSR in various dimensions is a way of balancing various stakeholder needs that improve their relation with the firm (Jones, 1995). Consistent CSR practice in general or customer relation help the firm by creating an image or intangible asset for the firm in the eyes of their stakeholders (SIC) that may pay financially in the future (Barnett, 2007). Similarly, affect theory of social exchange postulates that exchange creates both positive and negative emotions. It further states that exchange that produced reward leads to positive emotion and that which produce punishment creates negative emotions. It concluded that exchange is reciprocal depending on its emotion (Lawler, 2001). Therefore, CSR is a positive exchange between the firm and their stakeholders which build an image of the firm or creates an intangible asset for the firm (SIC). The stakeholders may be willing to reciprocate the action to the firm by relating nicely and feeling attached to the firm. To this end, the empirical literature on this relationship is very scanty, but relying on the above theoretical discussions, this study states the following hypothesis.

H11 There is a positive relationship between customer relation and stakeholder influence capacity

4.4.2.6 Supplier relation and stakeholder influence capacity

It was revealed by previous studies that maintaining a close relationship with suppliers helps the firm by reducing their lead time (Scannell, Vickery & Droge, 2000). It was also reported that cooperative relationship with suppliers helps the firm to attain performance improvement and competitive advantage (Langfield-Smith & Greenwood, 1998). Investing in CSR help the firm by improving the good relationship they have with their stakeholders (Jones, 1995). In another word, CSR creates a good image of the firm in the eyes of their stakeholders (Barnett, 2007; Karaye *et al.*, 2014). Instrumental stakeholder theory provides that firms that respond to the demands of their various stakeholders achieve a competitive advantage over those that respond to shareholders only (Jones, 1995). Additionally, consistent CSR practice (supplier relation) helps to create an image in the eyes of the stakeholders or creates an intangible asset called SIC that enables the firm to benefit positively in the future (Barnett, 2007).

Similarly, affect theory of social exchange provides that exchange creates emotions which may be positive of negative. It further provides that an exchange that produces reward will lead to a positive emotion and that which produces punishment will create a negative emotion. Therefore, it concludes that exchange is reciprocal depending on the emotion created by the initial exchange (Lawler, 2001). Considering affect theory of social exchange, CSR in supplier relation is a positive exchange initiated by the firm to its stakeholders. This stakeholder will feel happy and a very good image of the firm will be created in their eyes. This image is an intangible asset known as SIC which will enable them to reciprocate the firm for good. There is a dearth of empirical studies on this relationship, but considering the above theoretical discussions, the present study advanced the following hypothesis.

H12 There is a positive relationship between supplier relation and stakeholder influence capacity

4.4.3 Stakeholder Influence Capacity and Corporate Financial Performance

Instrumental stakeholder theory postulated that management of dealings with stakeholders can contribute to improving financial performance through the formation, improvement or preservation of ties that offers significant resources to business (Jones, 1995). SIC as defined above, enables the firm to assimilate and exploit stakeholder favor which enables the firm to benefit from their CSR investment (Barnett & Salomon, 2012). The profit to social responsibility differs with the level of SIC. Firms with sufficient SIC increase trusting stakeholder relationship that cuts transaction cost and eases the firm's capability to contract with key stakeholders (Barnett & Salomon 2012). Moreover, the affect theory of social exchange provides that exchange in relationships give birth to emotions which can be positive or negative emotion. It further states that exchange that creates positive emotion leads to positive reciprocity (Lawler, 2001). In the contrast, an exchange that produces negative emotion results in a negative reciprocity. Since CSR to diverse stakeholders represents a positive exchange that creates a positive emotions and ability of the firm to influence stakeholders, these stakeholders will be willing to reciprocate the firm with a positive behavior that could either save cost or improve profitability. In example, customers may result in customer's patronage, attachment, and differentiation of the firm's products, employees may shun away employee turnover, improve productivity and employee attachment to the firm, investors may provide more capital, suppliers may reduce lead time, community members may grant license to operate, and government may be influenced by the firm to reduce or avoid unfavorable legislation due to being environmentally friendly or as a result of being socially responsible. Based on the above arguments it can be deduced that intangible assets such as SIC are valuable resources that give the firm advantage to enjoy undue benefit from stakeholders. Therefore, the following hypothesis is advanced.

H13 There is a positive relationship between stakeholder influence capacity and corporate financial performance

4.4.4 The mediating effect of stakeholder influence capacity in the relationship between CSR and financial performance

Stakeholder influence capacity as defined by Barnett (2007:803) is "the ability to identify, act on, and profit from the opportunity to improve stakeholder relationship through CSR." It has the potential of explaining the link between CSR and CFP. According to Barnett (2007), consistent CSR investment creates a stock of SIC as discussed earlier. The more a firm engaged in CSR, it accumulates SIC stock that will give it an advantage to profitably adapt and exploit stakeholder favor. As previously discussed, accumulated SIC leads to better financial performance. Therefore, SIC is an outcome or consequences of CSR and an antecedent or determinant of CFP. Consequently, consistent CSR activity leads to SIC, and when sufficiently accumulated, SIC leads to better CFP. Hence, deducing from the above, SIC can mediate the association between CSR and CFP. In another word, the effect SIC has on financial performance is dependent on the CSR investment of the firm. Based on the above discussions the following hypothesis is postulated.

SIC mediates the relationship between CSR and financial performance

This leads to the development of the mediated hypothesis of SIC on the relationship between CSR dimensions and financial performance.

4.4.4.1 Mediating effect of SIC in the relationship between community relation and financial performance

The SIC of a firm as defined by Barnett (2007), played a vital role in predicting the financial performance of the firm. But, this intangible asset (SIC) was an outcome of consistent CSR practice by the firm to their stakeholders that gives the firm some advantage of deriving benefit from stakeholder dealings with the firm. It is obvious that consistent CSR on community relations will build a very good relationship with their stakeholders that give the firm some advantages. In particular, community relation touches almost all other stakeholders, since employees, customers, investors, and suppliers are all members of the community and environmental concern also affect members of the community. Therefore based on the above, consistency in CSR of community relation will creates an image in the eyes of community members called SIC that creates a window for the firm to tap stakeholder advantages such as license to operate, recruitment of qualitative workers, low employee turnover rate, customer patronage and identifications, paying premium price for firm's share, etc. that improve profitability. Therefore, it can be established that SIC can be mechanisms through which community relation relates positively with financial performance.

The above argument was supported by instrumental stakeholder theory which provides that managing stakeholder relationship leads to competitive advantage (Jones, 1995). Similarly, affect theory of social exchange also can be used to support the argument. This theory provides that exchange leads to emotions that can be either positive or negative depending on the exchange and concludes that these exchanges are reciprocal in nature depending on the emotion (Lawler, 2001). Therefore, since CSR of community relations is an exchange that produces a positive emotion to the community members, the reciprocity of the exchange will make these community members to behave well with the firm to compensate the firm which may improve profitability. Although, several studies have reported the positive effect of CSR on financial performance (Boaventura *et al.*, 2012; Beurden & Gossling 2008; Margolis & Walsh 2003; Orlitzky *et al.*, 2003), and some studies have reported a mediating effect of some variables on the relationship (Lee & Hoe, 2009; Lee, Park & Lee 2013; Lee, Park, Rapert & Newman, 2012; Lou & Bhattacharya, 2006; Peloza & Papania, 2008; Torugsa, Donohue & Hecker, 2012), SIC represent another important variable that explains how CSR leads to financial performance. Specifically, the above arguments propose how SIC can explain the relation between community relation and financial performance which is lacking in the literature. Based on the above, the present study advances the following hypothesis.

H14 SIC mediates the relationship between community relation and financial performance

4.4.4.2 Mediating effect of SIC in the relationship between environmental concern and financial performance

The financial performance of an organization is being affected by the history of their stakeholder relationship (Barnett, 2007). The SIC of an organization determines the level of favor and cooperation a firm will receive from their stakeholder which reduces its cost of operation or improves their profitability. The SIC of an organization is an outcome of their CSR history (Barnett, 2007). It can be said that consistent CSR of environmental concern could build a good image of the firm in the eyes of their immediate environment, the government, NGOs and various regulatory agencies that lead to improved financial performance. The instrumental stakeholder theory holds that balancing the needs of various stakeholders could help the firm achieved an economic advantage over those that do not (Jones, 1995).

Likewise, the affect theory of social exchange provides that exchange leads to positive or negative emotions. This theory concludes that exchanges are reciprocal in nature depending on the emotion created (Lawler, 2001). That is an exchange that produces positive emotion could lead to another positive exchange in return and vice versa (Lawler, 2001). CSR of environmental concern is an exchange between the firm and the community members, government, NGOs and other regulatory agencies that lead to positive emotion. These stakeholders could feel happy and try to reciprocate by having good dealings with the firm that may improve financial performance. Several studies have provides a positive link between CSR and financial performance

(Boaventura et el. 2012; Burden & Gossling, 2008; Margolis & Walsh 2003; Orlitzky *et al.*, 2003). Some other studies reported a mediating effect on the relationship (Lee & Hoe, 2009; Lee, Park & Lee 2013; Lee, Park, Rapert & Newman, 2012; Lou & Bhattacharya, 2006; Peloza & Papania, 2008; Torugsa, Donohue & Hecker, 2012). The SIC construct is another variable that explains how CSR leads to financial performance. In a specific term, SIC explains how environmental concern leads to financial performance that is lacking in the previous studies. Concluding based on the aforementioned; this study states the following hypothesis.

H15 SIC mediates the relationship between environmental concern and financial performance

4.4.4.3 Mediating effect of SIC in the relationship between employee relation and financial performance

The financial performance of a firm depends largely on a range of factors. According to Barnett (2007), SIC leads to a better financial performance. The SIC (which is the image or intangible asset created by maintaining a good relationship with stakeholders) of an organization is said to be the outcome of continued investment in CSR activities (Barnett, 2007). It can be said that continued practice of employee relation can build a good image of the firm in the eyes of the employees. This could lead to low employee turnover rate, improve firm's attractiveness in the labor market and improve productivity. These could assist the firm to have a competitive advantage. Hence, it can be deduced that SIC is a means through which employee relation leads to a better financial performance. Jones (1995) provided in the instrumental stakeholder theory that stakeholder relationship management helps the firm to reduce cost. Therefore, firms that relate to employees based on trust and cooperation will reduce production wastage, reduce monitoring cost, improve productivity, avoid employee turnover and attract more interested talented future employees. Equally, affect theory of social exchange provides that exchange like CSR of employee relation creates positive emotions to the employees. The theory also provides that exchange is reciprocal in nature, therefore employees may be willing, and will definitely reciprocate by relating well with the firm (Lawler, 2001).

Considering the CSR and financial performance relationship, a lot of studies revealed a positive effect (Boaventura et el. 2012; Burden & Gossling, 2008; Margolis & Walsh 2003; Orlitzky *et al.*, 2003), and some studies reported a mediating effect of some variables in this link (Lee & Hoe, 2009; Lee, Park & Lee 2013; Lee, Park, Rapert & Newman, 2012; Lou & Bhattacharya, 2006; Peloza & Papania, 2008; Torugsa, Donohue & Hecker, 2012), SIC was introduced here as another construct that explains the process through which CSR leads to financial performance. In extension, this SIC can describe how employee relation leads to financial performance. This relationship is lacking in the CSR and financial performance relationship link. It was due to the above that this study passes the following hypothesis.

H16 SIC mediates the relationship between employee relation and financial performance

4.4.4.4 Mediating effect of SIC in the relationship between investor relation and financial performance

A positive effect was proposed between SIC and financial performance (Barnett, 2007). Consistent CSR practice creates SIC for a firm, which later enables the firm to benefit from stakeholder favors that improve profitability (Barnett, 2007). In specific terms, consistent investor relation practice could lead a firm to benefit from a wide range of advantages, more especially by the investors, that could improve their profit. In fact, investor relation practice of a firm could lead to good investor relations, premium purchase of firm's shares, provision of additional capital and attractiveness to intended investors. To explain further, the investor relation could create an image in the eyes of the investors or creates an intangible asset called SIC, which later enables the investors to deal nicely with the firm that offers the firm competitive advantages. Consequently, it can be said that SIC is an intermediary between CSR of investor relation and financial performance. The provision of instrumental stakeholder theory gives a direct support for this argument. The theory provides that firms that balance the stakeholder needs will have a competitive advantage over those that concentrate on shareholders (Jones, 1995). This theory argues that shareholders are not the only stakeholders; there are customers, suppliers, environment, community, and employees also that are having an important role in the operations and profitability of the firm (Freeman, 1984).

Additionally, affect theory of social exchange provides another explanation of the argument. The theory states that exchange leads to positive or negative emotions. Then it concludes that exchange is reciprocal in nature (Lawler, 2001). This means since CSR of investors relation is a positive exchange, would lead to positive emotion that would yield a positive reciprocity. It was as the English proverb states that every good turn deserves another. The investors could really compensate the firm by paying a premium price for their share, providing more capital, the attractiveness of the firm's share in the capital market etc. A lot of studies have provides evidence of a positive link between CSR and financial performance (Boaventura et el. 2012; Burden & Gossling, 2008; Margolis & Walsh 2003; Orlitzky *et al.*, 2003) and some provides a mediating effect in addition to the direct (Lee & Hoe, 2009; Lee, Park & Lee 2013; Lee, Park, Rapert & Newman, 2012; Lou & Bhattacharya, 2006; Peloza & Papania, 2008; Torugsa, Donohue & Hecker, 2012), this study present SIC as another mediating variable that explains how CSR activities leads to financial performance. In short, this study proposes how SIC can explain the relationship between investor relation and financial performance. This relationship is lacking in the CSR and financial performance literature. Therefore, the present study made the following hypothesis.

H17 SIC mediates the relationship between investor relation and financial performance

4.4.4.5 Mediating effect of SIC in the relationship between customer relation and financial performance

The CSR activities of a firm create an intangible asset call SIC which has an effect on their financial performance (Barnett, 2007). It was argued that firms that constantly practice CSR will be creating SIC asset that gives the firm good image in the eyes of their stakeholders and enables them to enjoy stakeholder advantages that improve their profitability (Barnett, 2007). In particular, consistent CSR in the area of customer relation could create a positive image to the customers that lead to an intangible asset called SIC. The customers may patronize the firm by identifying themselves with the firm's products, paying a premium price for the firm's products etc. that could improve their profitability. Hence, instrumental stakeholder theory proposes that considering all stakeholders of the firm help them achieve competitive advantage than concentrating on only shareholders (Jones, 1995).

In addition, affect theory of social exchange proposed that exchange leads to positive or negative emotion that later creates a positive or negative reciprocity depending on the emotion (Lawler, 2001). Therefore, using this theory, CSR is a positive exchange between the firm and their stakeholders that form positive emotions and leads to a positive reciprocity. Several studies have evidence of positive effect of CSR on financial performance (Boaventura et el. 2012; Burden & Gossling, 2008; Margolis & Walsh 2003; Orlitzky *et al.*, 2003), and some have produced a mediating effect of some variables on the relationship (Lee & Hoe, 2009; Lee, Park & Lee 2013; Lee, Park, Rapert & Newman, 2012; Lou & Bhattacharya, 2006; Peloza & Papania, 2008; Torugsa, Donohue & Hecker, 2012), this study proposed SIC as another variable that can explain the process through which CSR leads to financial performance. In particular, it provides arguments on how SIC explains the relationship between customer relation and financial performance. This relationship is lacking in the CSR and financial performance literature, and therefore, the following hypothesis was advanced.

H18 SIC mediates the relationship between customer relation and financial performance

4.4.4.6 Mediating effect of SIC in the relationship between supplier relation and financial performance

The SIC of a firm can be attained through a constant investment in CSR activities (Barnett, 2007). The SIC represent the ability of a firm to derive profit from their CSR activities (Barnett, 2007). The financial performance of a firm relies to an extent on the level of SIC they have accumulated. Firms with constant investment in CSR of supplier relation would build a strong relationship with their suppliers that produce an intangible asset for the firm in the eye of the suppliers called SIC that enables the company to enjoy some advantages that could improve financial performance. Firms with adequate SIC stock could be able to reduce lead time and maintain good allowances from their suppliers. They could also enjoy more creditors payment period by maintaining a good relationship with the suppliers that build SIC.

All of this advantages that the firm will enjoy by relating well to their suppliers could help the firm by improving their profitability. Hence, it can be established that SIC can mediate the relationship between CSR of supplier relation and financial performance. The argument of instrumental stakeholder theory states that balancing the needs of the diverse stakeholders of a firm help them achieve competitive advantage over those that concentrate on shareholders alone (Jones, 1995). Furthermore, the affect theory of social exchange provides that exchange produces both positive and negative emotions, which lead to reciprocation depending on the emotion created earlier (Lawler, 2001). Therefore, since supplier relation is a positive exchange between the firm and their suppliers that produce a positive emotion, the suppliers may be willing to reciprocate the firm by behaving in a good manner that could really help the firm achieve higher profitability.

Even though many studies have provided evidence of a positive effect of CSR on financial performance (Boaventura et el. 2012; Beurden & Gossling, 2008; Margolis & Walsh 2003; Orlitzky *et al.*, 2003), and some have provided evidence of mediation effect in the link (Lee & Hoe, 2009; Lee, Park & Lee 2013; Lee, Park, Rapert & Newman, 2012; Lou & Bhattacharya, 2006; Peloza & Papania, 2008; Torugsa, Donohue & Hecker, 2012), this study present another important variable, SIC that explains how CSR leads to financial performance. Specifically, this part of the study argues that SIC can explain how supplier relation leads to financial performance. This relationship is lacking in the CSR and financial performance literature. Therefore, considering these arguments, the present study states the following hypothesis.

H19 SIC mediates the relationship between supplier relation and financial performance

4.5 Chapter Summary

This chapter presents the theoretical framework of the study. The theoretical arguments of the research area were discussed. In addition, the hypotheses of the study were developed. The study presented direct as well as mediating hypotheses. There are 13 direct relationship hypotheses and 6 mediated relationship hypotheses. The hypotheses developed are based on theory and previous empirical studies.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 Introduction

This section deliberates on the research method followed in accomplishing the objectives of the study. The part is classified into six segments as follows; introduction followed by the study's research design, then data collection strategy, definition, and measurement of variables, model specification and finally, data analysis technique. Then the chapter was closed with a summary.

5.2 Research Design

In the opinion of Zikmund (2003), research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information. According to Vogt (1993), research design is the science and/or art of planning procedures for conducting studies to get the most valid findings. There are three categories of business research in the literature; explorative, distinct, and causal/hypotheses testing (Sekaran, 2003; Zikmund, 2003). The choice to choose the kind to be utilized relies upon the issue to be addressed. An exploratory study is conducted to highlight more on the issue yet do not offer a final suggestion. Therefore, the scholar is obliged to know the issue before constructing any model (Sekaran, 2003; Zikmund, 2003). The presence of a theory helps in guiding the hypotheses development. It is more appropriate when the researcher knows little about the problem and opportunity than when known. Therefore, it is designed to discover new relationships, patterns, themes, ideas, etc. (Hair Jr., Money, Samouel, & Page, 2007).

Descriptive study is carried out when there are at least few knowledge about the problem and the study is employed to offer a more precise interpretation of the problem (Sekaran, 2003; Zikmund, 2003). It is designed to get data that reveals the features of the issue of interest in the study (Hair Jr. *et al.*, 2007). Causal research or hypothesis testing described further the nature of the relationships among the variables being investigated (Sekaran, 2003; Zikmund, 2003). Causal research tests whether or not one event causes another. Specifically, it means a change in one event brings about a corresponding change in another (Hair Jr. *et al.*, 2007). There are four conditions usually referred to by researchers when testing cause and effect relationships. The first condition is; the cause must take place before the effect; and the second is a change in the cause must be associated with a change in the effect. Additionally, the effect must be as a result of a cause, not any other variable, and finally, there should be a theoretical support for why the relationship exists (Hair Jr. *et al.*, 2007).

This study concentrates on casual examination, where it investigates the causal process existing between CSR and financial performance. The study introduced a new variable, stakeholder influence capacity (SIC) as a mediator. The study has tested a hypothesis that explains the direct relation between the dependent and independent variable, and also, tested the indirect relationship through the mediating variable, SIC. The research setting is a cross-sectional type of research design. It involves gathering the data within a period of time or at once that help to meet the research objectives

(Cavana, Dalahaye & Sekaran, 2001). The advantage of using cross-sectional is an economy of research since data is collected at once.

5.2.1 Types of Research Design

The research design was classified into three (3) groups: 1) non-experimental or survey research design including questionnaire and interview, 2) experimental research usually carried out in the laboratory and in the field, and 3) historical or documented design which investigates using secondary information (Zikmund, 2003). The present study employed a survey design, where the scholar exercise no any control over the study variables (independent and mediator) that define their impact on the dependent variable. The researcher can only have influence on the measurement but do not alter the research settings. The study has gathered facts on financial performance, CSR and SIC. Specifically, this study has examined the relationship between CSR and financial performance by testing the effect of a mediator, SIC. Therefore, survey design using a quantitative method was utilized for this study.

5.2.2 Sampling Design

The present research has utilized organizations as units of analysis. The study is based on the companies listed on the Nigerian Stock Exchange. A total of one hundred and ninety-six (196) companies were listed on the Nigerian stock exchange as at December 2014, therefore, the population of the study is all the 196 Nigerian listed companies. The study's population is presented in table 5.1 below.

Table 5.1
Population of the Study

S/N	SECTOR NAME	NUMBER OF COMPANIES
1	Agriculture	5
2	Conglomerate	6
3	Construction/real estate	11
4	Consumer goods	29
5	Financial services	57
6	Health-care	11
7	Info. & Comm. Tech.	11
8	Industrial goods	24
9	Natural resources	5
10	Oil and gas	15
11	Services	22
	TOTAL	**196**

Given the quantity of the study's population size of one hundred and ninety-six (196), the size of the sample is calculated employing the formula proposed by Dillman (2000) and Weaver (2006). Their formula for calculating sample size is as given below:

$$n = \frac{(N)(P)(1-P)}{(N-1)(B/C)^2 + (P)(1-P)} \qquad [1]$$

$N = 196, p = 0.8/0.5, B = 0.05, C = 1.96$

$$n = \frac{(196)(0.8)(0.2)}{(196-1)(0.05/1.96)^2 + (0.8)(0.2)} = 109 \qquad [2]$$

$$n = \frac{(196)(0.5)(0.5)}{(196-1)(0.05/1.96)^2 + (0.5)(0.5)} = 130 \qquad [3]$$

where n = the computed sample size needed for the desired level of precision, N = the population size, P = the proportion of the population expected to choose, B = acceptable amount of sampling error or precision, C = Z statistic associated with a confidence level.

Considering the calculation of sample size above, the present study needed between 109 - 130 companies to be included in the study sample. This size range was suggested by Ferketich (1991) and Dillman (2000) in that the size of 109 - 130 should be considered for the study. The population sample of one hundred and thirty (130) is within Roscoe's guideline for defining sample size greater than thirty (30) and less than 500 suitable for most studies. In the multivariate study, the sample size has to be ten (10) times the number of variables in the study (Hair Jr *et al.*, 2007). In addition, the sample of 130 is also in line with the Krejcie and Morgan (1970) sample frame for 196 populations.

5.2.3 Sampling Technique

The study uses probability sampling technique. This technique gives each organization an equal chance of being selected as the sample object (Sekaran, 2003). Probability sampling assures the objects an equal and independent representation of the entire population by the chosen sample. The technique offers an objective means of choosing a sample that gives no room for biases (Salkind & Rainwater, 2003). It is considered for its greater generalization (Cavana, Dalahaye, & Sekaran, 2001). Moreover, the purpose of the present work is to conduct a cross-sector study within Nigerian stock exchange, thus, samples were drawn from all sectors of Nigerian stock exchange. Therefore, stratified random sampling is suitable and utilized for the present research, as shown by Biemer and Lyberg (2003), Hair Jr. *et al.* (2007) and Sekaran (2003). Stratified random sampling involves a process of categorization followed by selection of subjects from each stratum using simple random sampling procedure. The subjects drawn from each stratum is proportionate to the total number of elements in the respective strata.

5.2.4 Proportionate stratified random sampling

Companies listed on the Nigerian Stock Exchange were categorized into strata: a) Agricultural sector with five (5) quoted companies; b) Conglomerate sector with six (6) companies; c) Construction/real estate sector with eleven (11) companies; d) Consumer goods sector with twenty-nine (29) companies. They also include strata e) Financial services sector with fifty-seven (57) companies; f) Healthcare sector with eleven (11) companies; g) Information and communication technology sector with eleven (11) companies; h) Industrial goods sector with twenty-four (24) companies; i) Natural resources sector with five (5) companies. The remaining includes strata j) Oil and gas sector with fifteen (15) companies; and finally k) Services sector with twenty-two (22) companies. The selection of the sample size of each category of the sector was made based on proportionate stratified random sampling technique. Therefore, 66.32% (130/196 x 100) of the population elements from each stratum were selected. The breakdown of the stratified sample size for each category of the sector is as shown in Table 5.2 below.

Table 5.2
Determination of proportionate sample size

S/N	Sector	Population	Calculation. (66% of the population)	Proportionate sample size
1	Agriculture	5	3.3	3
2	Conglomerate	6	3.96	4
3	Construction/real estate	11	7.26	7
4	Consumer goods	29	19.14	19
5	Financial services	57	37.62	39
6	Health-care	11	7.26	7
7	Info. & Comm. Tech.	11	7.26	7
8	Industrial goods	24	15.84	16
9	Natural resources	5	3.3	3
10	Oil and gas	15	9.9	10
11	Services	22	14.52	15
	Total	196	129.36	130

Furthermore, a representative sample in the probability sampling design is important for wider generalization purposes (Sekaran, 2003). Even though it suffers from the disadvantage of being time-consuming, expensive and tedious, the technique guaranteed a bias-free sample and accorded the sample an ability to be generalized (Cavana *et al.*, 2001).

5.3 Data Collection Strategy

The study was purely based on primary data. The data needed for the study on CSR, SIC and financial performance was obtained using survey questionnaire. The study's data on corporate social responsibility and financial performance are obtained using the adapted instruments from Rettab *et al.* (2008) and Maignan and Ferrell (2004). The data on stakeholder influence capacity was obtained from a self-developed measurement based the definition of Barnett (2007). The scale is developed following the guidance of previous studies on scale development such as Devellis *et al.* (2003), Worthington and Whittaker, (2006), Cabrera-Nguyen, (2010).

5.4 Questionnaire Design, definition and operationalization of variables

Questionnaires are considered one of the most appropriate data collection instruments for survey research (Asika, 1991). Hence, the study has used structured questionnaire with closed-ended questions in conducting the research. However, in order to ensure the adaptation of the questionnaire was done properly, and especially for the stakeholder influence capacity that was developed, the study has conducted a process of validating the instruments by four (4) academics (2 Professors and 2 senior lecturers) and two top management officials in the Nigerian industry. The adapted questionnaires have assisted the researcher in measuring the influence of the research independent variables: CSR specifically community relation, environmental concern, employee relation, investor relation, customer relation and supplier relation, with a mediating variable, SIC, on the dependent variable, financial performance. The seven-point numerical scale was utilised by the study in measuring responses to the questions. According to Nunally (1978), seven point numerical scales are good, and the more the better up till eleven (11) points where a diminishing return was observed. Certain literature has found that a scale between 5 to 7 points is more reliable and valid than shorter or longer scales (Krosnick & Fabrigar, 1997). In order to be able to determine the mid-point of responses, the present study has used the 7 points numerical scale.

The questionnaire designed for this study consists of four (4) main sections. Section 1 consists of questions regarding the degree of corporate financial performance of firms under study, adapted and modified mainly from the findings of Rettab *et al.* (2008) and Maignan and Ferrell (2004). Section 2 includes questions related to the degree of stakeholder influence capacity accumulated by listed firms, as the mediating variable which was developed in the present study based on the definition of Barnett (2007) and in line with the procedures of Cabrera-Nguyen (2010), Devellis (2003) and Worthington and Whittaker (2006). Section 3 of the questionnaire was on the corporate social responsibility practice of Nigerian companies, which is also based on the items of Rettab *et al.* (2008), and Maignan and Ferrell (2004) as adopted. Section 4 was on the demographic data which asks respondents on firm-specific attributes such as the age of organisation from the date of incorporation, a number of employees, total assets etc. it also included questions on personal respondent attributes such as gender, age, position etc.

The variables, their operationalization and measures are listed below:

5.4.1 Corporate financial performance

The construct corporate financial performance is defined in this study as anything that contributes to enhancing value-cost pair, and not only which adds to cost reduction or value increase (Lorino, 1995). Additionally, it was operationalized as a comparison between the firm and its competitors on financial performance areas such as market share, size, ROI, ROA, sales growth, profit growth and overall performance. It was measured on a seven point numerical scale that ranges from 1 strongly disagree to 7 strongly agrees.

The items are adapted from Rettab *et al.* (2008) and Maignan and Ferrell (2004).

The items were:

1 We had a larger market share

2 We are larger in size

3 Our return on investment has been substantially better

4 Our return on assets has been substantially better

5 Our sales growth has been substantially better

6 Our profit growth has been substantially better

7 On our overall performance during last year, we performed poorly relative to our competitors

The study is on the mediation of SIC in the relationship between CSR and financial performance in Nigeria. The study adopts primary data collection for CSR as the best option to obtain a validated and reliable measurement (Turker, 2009). In addition, SIC which is an important variable in the study is presently under development process using primary source of data. And moreover in fear of possible distortion of analytical outcome as a result of merging primary and secondary data, the study resolve to go for a validated and reliable financial performance measure using a forced choice questionnaire adopted from Rettab et al. (2008). The items cover a wide range of financial performance areas such as market share, size, return on investment, return on the asset, sales growth and profitability. The instrument is designed in such a way that respondents are asked to rate their firms on the above mentioned compared to their competitors during the immediate past year as stated above.

5.4.2 Stakeholder influence capacity

The stakeholder influence capacity is defined as "the ability of a firm to identify, act on and profit from the opportunity to improve stakeholder relationship through CSR" (Barnett, 2007). Additionally, the construct is operationalized in the present study as the way firms treat their stakeholders with the intention of building good relationship that can improve profitability. The items considered are as listed below and are also measured on a 7 point numerical scale from 1 strongly disagree to 7 strongly agree.

As stated above, SIC is measured using items developed by the researcher based on the definition of Barnett (2007). The procedure and guidance of Cabrera-Nguyen (2010), Devellis (2003) and Worthington and Whittaker (2006) are being applied to develop the items (details in chapter 6).

The items are stated below:

1 Some of our stakeholders are hardly reached

2 Our firm creates new opportunities to serve our stakeholders better are quickly understood

3 Our firm quickly analyze and interprets changes in stakeholder demand

4 Our firm regularly considers the consequences of changing stakeholder demands in term of new CSR initiatives

5 Our firm record and store newly acquired knowledge on ways to improve stakeholder relations for future references

6 Our firm quickly recognizes the usefulness of new opportunities to existing opportunities to improve relations with stakeholders

7 Our stakeholders accept our new CSR initiative as a result of our CSR history

8 It is clearly known to our firm how to relate to our stakeholders for mutual benefit

9 Our firm relates to stakeholders using common medium of communication regarding CSR activities

10 Our CSR investment helps us in stakeholder management and increased patronage

11 Our development as a firm is as a result of our CSR history

The details on development of SIC were explained in chapter 5.

5.4.3 Corporate social responsibility

The corporate social responsibility construct is defined for the purpose of this study as "being socially responsible, in fact, means beyond legal requirements, corporations accept to bear the cost of more ethical behavior. They mean by willingly committing, for instance, to improving employment conditions, prohibiting child labor and not working with countries that do not respect human right. The definition included protecting the environment and investing in equipment that reduces the carbon footprint, developing partnerships with NGOs and providing funds to charity" (European commission, 2007:43). Moreover, it has been operationalized to mean CSR practices of the firm in 6 stakeholder relationship areas such as community relations, environmental concern, employee relation, investor relation, customer relation and supplier relation. The items were adapted from Rettab *et al.* (2008) and Maignan and Ferrell (2004). They are as follows:

dimension		Items
Community Relations	1	We give money to charities in the communities where we operate
	2	Help improve the quality of life in the communities where we operate
	3	Financially support community activities (arts, culture, sports)
	4	Financially support education in the communities where we operate
Environmental Concern	1	Incorporate environmental performance objectives in organizational plans
	2	Voluntarily exceed government environmental regulations
	3	Financially support environmental Initiatives
	4	Measure the organization's environmental Performance
Employee	1	Treat all employees fairly and respectfully, regardless of

Relation		gender or ethnic background
	2	Provide all employees with salaries that properly and fairly reward them for their work
	3	Support all employees who want to pursue further education
	4	Help all employees coordinate their private and professional lives
	5	Incorporate the interests of all employees into business decisions
Investor Relation	1	Incorporate the interests of all our investors into business decisions
	2	Provide all investors with a competitive return on investment
	3	Seek the input of all our investors regarding strategic decisions
	4	Meet the needs and requests of all our investors
Customer Relation	1	Provide all customers with very high-quality service
	2	Provide all customers with the information needed to make sound purchasing decisions
	3	Satisfy the complaints of all customers about the company's products or services
	4	Adapt products or services to enhance the level of customer satisfaction
Supplier Relation	1	Provide all suppliers of products and services with a commitment to a future relationship
	2	Offer all suppliers of products and services some price guarantees for the future
	3	Incorporate the interests of all suppliers of products and services into business decisions
	4	Involve all suppliers in new product or service development
	5	Inform all suppliers of products and services about organizational changes affecting purchasing decisions

The reason for the use of the above measure of CSR is because Maignan and Farrell (2000) argue that both KLD index and reputation indices lacks theoretical background therefore referred as inadequate measures of CSR. Additionally, the use of single dimension (pollution control, corporate crime etc.) in measuring CSR has been criticized to have serious limitation (Maignan and Farrell, 2000). The content analysis of annual reports was also criticized for possible variance between content and actual social performance (McGuire et al., 1988; Waddock & Graves, 1997). Therefore the present study decided to use valid and reliable forced-choice survey method of measuring CSR in line with previous studies (Aupperle *et al.*, 1985; Edmans, 2012;

Fasanya & Onakoya, 2013; Goll & Rasheed, 2004; Lee, Park, *et al.*, 2013; Lii & Lee, 2011; Luo & Bhattacharya, 2006; Maignan & Ferrell 2004; Mulyadi & Anwar, 2012; Murray & Vogel, 1997; Rettab *et al.*, 2008), since the forced choice survey enables the measurement of construct of interest based on definition and theoretical underpinning (Turker, 2009). It also enables the test for validity and reliability of construct of interest (Turker, 2009).

The variables of the study were summarized in the table below:

Table 5. 3
Variables of the study

S/N	Construct/variable	Sources	Number of items
1	Financial performance	Rettab *et al.* (2008)	07
2	Stakeholder influence capacity	Self-developed instrument	11
3	Corporate social responsibility	Maignan & Ferrell (2004); Rettab *et al.* (2008)	26

5.5 Model Specification

The model specification is referred to synchronized arrangement of variables in a study presented in a form of the equation in the order they were intended to be run to produce a result on the relationship tested. The present study has tested four (4) models simultaneously to achieve the objectives of the study. The variables of the study are abbreviated as below:

Financial performance = FP

Community relation = COM

Environmental concern = ENV

Employee relation = EMP

Investor relationship = INR

Customer relationship = CRE

Supplier relationship = SUR

Stakeholder influence capacity = SIC

Error term = e

Subscript for individual firms = i

Based on the above, the following models are formulated as the studies models:

Model 1:

$$FP = \beta_0 + \beta_1 COM_i + \beta_2 ENVi + \beta_3 EMPi + \beta_4 INRi + \beta_5 CREi + \beta_6 SURi + \varepsilon_i \ldots . [1]$$

Model 2:

$$SIC = \beta_0 + \beta_1 COM_i + \beta_2 ENVi + \beta_3 EMPi + \beta_4 INRi + \beta_5 CREi + \beta_6 SURi + \varepsilon_i \ldots [2]$$

Model 3:

$$PF = \rho_0 + \rho_1 SICi + \varepsilon_i \qquad [3]$$

Model 4:

Mediation is tested based on equation 2 and 3 above. Where equation 2 is considered as path (a) and equation 3 as path (b) in this model as presented below:

$$\text{Med} = \frac{a x b}{s(ab)} \qquad [4]$$

5.6 Data Analysis

The present study uses Partial Least Squares (Smart PLS) to analyze the data of the study. This is because of the nature of the survey respondents (one respondent per company), that is only 130 respondents are expected to participate. Additionally, due to the problem of low response rate, only ninety-nine (99) completed questionnaires were collected from the survey. According to Bart and Bontis (2003), Smart PLS is becoming popular among researchers as a technique of structural equation modeling widely used in data analysis. The use of smart PLS in this study is to help in remedying the problem of a small number of responses so far achieved (99 valid returned questionnaire). Additionally, smart PLS is a robust technique and present a clear display of interrelationship between the variables of the study simultaneously without breaking into many samples.

5.7 Pilot Study

In order to test for the validity and reliability of the survey instruments prior to the survey, a pilot study was conducted. A pilot study was conducted in order to give the researcher inside into the real condition of the problem in the context that allows the study to anticipate a potential problem and correct it before embarking the main study. The validity is concern about whether an instrument is measuring what it is intended to measure, and reliability, on the other hand, is a concern with how the items come together to measuring their construct (Sekaran & Bougie, 2010).

5.7.1 Validity Test

The study conducted content and face validity in order to test whether the constructs are really measuring what they are intended to measure. The researcher distributed a questionnaire to 10 firms for the purpose of item validation on the clarity and adequacy of the statements. They were instructed to freely make observations on the items. The CSR and financial performance constructs were the only constructs validated under this process since SIC was assessed through development sample in chapter six. Out of the ten (10) firms that were sent the questionnaire, six (6) responded with no adjustment suggestion on the items.

Additionally, apart from the industry validation, experts from academia were also consulted. Academics such as senior lecturers, associate professors and professors in the school of Accountancy (SOA), University Utara Malaysia (UUM) and Bayero University Kano (BUK), Nigeria were contacted on the validation. The items are believed to be good for the job considering the items does not include any contextual statement that may not be applicable in Nigeria; the questions are very direct and can suit every context. Additionally, the items have been used in an emerging economy, Dubai before applying it to Nigerian context. Therefore, the academic also endorsed the items as sufficient, understandable and accurate in measuring the constructs. This process was conducted by two research assistants and the researcher in the first two weeks of March 2015. The validation conducted in SOA, UUM was conducted by the researcher, and that of the industry and BUK, Nigeria was conducted by the trained research assistants.

Based on the recommendations of the experts in both the industry and academia in the above validation process that the items are good for the task, the study went ahead to conduct the pilot study. The population of the study was one hundred and ninety-six (196) firms listed in the Nigerian stock exchange as at December 2014. From the population, one hundred and thirty (130) companies were utilised for the main study, sixty-six (66) were left for the pilot study. The questionnaires were administered to sixty-six (66) companies through their branches in Kano, Kaduna and Abuja cities in Nigeria. The survey was conducted on a single branch per every listed company for the sixty-six participating firms. Out of the participating firms, questionnaires from forty-six (46) firms were collected out of which three (3) were not properly filled and, therefore, rejected from the analysis. Hence, forty-three (43) questionnaires were fully and correctly filled and returned, therefore, are used for the analysis. This gives the study a response rate of 65%, and the process took place between the last week of March and the first week of April 2015.

5.7.2 Reliability Test

There are several types of reliability test ranging from Cronbach's alpha, split half, temporal stability (test re-test) etc. (Devellis, 2003). Cronbach's alpha was widely used as a measure of reliability (Devellis, 2003). Therefore, the Cronbach's alpha was used to measure reliability in this pilot study. The reliability test was calculated using SPSS version 19. All the items were found to have high reliability from a minimum of 0.778 on financial performance to a maximum of 0.933 for customer relation. The constructs and their Cronbach's alphas were presented below.

Table 5.4

Reliability test

S/N	Construct	Number of Items	Cronbach's Alpha
1	Financial performance	7	0.778
2	Community relation	4	0.793
3	Environmental concern	4	0.848
4	Employee relation	5	0.886
5	Investor relation	4	0.894
6	Customer relation	4	0.933
7	Supplier relation	5	0.808

5.8 Chapter Summary

This chapter presents discussions on the research design of the study and the data collection strategy for the variables of the study. It further specifies the measurements and definitions of the variables of the study. In addition, a questionnaire design was presented for the three variables and a discussion of control variables was advanced. Furthermore, the model specification was presented and method used in data analysis was explained. Finally, discussion on a pilot study conducted was presented to ascertain the validity and reliability of the adapted measures used in the study.

CHAPTER SIX

STAKEHOLDER INFLUENCE CAPACITY SCALE DEVELOPMENT

6.1 Introduction

Stakeholder Influence Capacity (SIC) as one of the study's variable, suffers from validated measurement. Although it is very important, yet it does not have standard developed items to measure it. In the Past, researchers such as Barnett (2007) and Barnett and Salomon (2012) proxy it using Kinder Lydenberg Domini (KLD) index. Thus, among the objectives of this study is to develop a measurement for SIC. Hence, its development of scale follows a series of processes recommended by authors like Cabrera-Nguyen (2010), Devellis (2003) and Worthington and Whittaker (2006).

As such, the chapter presents the process followed in the development of scale for SIC construct. Specifically, the chapter explains procedures followed, such as theory as a guide, generating the pool of items, the format for the measurement, expert's review of items, development sample and finally evaluation of the items. The details of the steps are presented below.

6.2 Using theory as a guide

This is more concerned with the making sure that the construct of interest is well grounded in theory. The theory guides in determining the boundaries of the construct of interest so that the content of the scale would not drift into the unintended domain (Devellis, 2003). At this juncture, the study is conscious of the fact that theoretically, SIC is an organizational level construct and is assumed to have a role in the relationship between CSR and financial performance. This is the reason why the items are framed to specifically perform such functions as whether or not SIC is having a role to play in the CSR and financial performance relationship. Also, the process is so careful as to avoid including items of an existing construct as directed by Devellis (2003).

6.3 Generating a pool of SIC items

This process is guided by the objective of the scale development, and as is suggested by Devellis (2003), multiple items are more reliable than an individual item. In line with the above, 22 items as in Table 6.1, are generated from the definition of SIC. The SIC construct is developed after the author, (Barnett, 2007) observes the role of absorptive capacity in the relationship between research and development (R&D) and performance. Then, he argues that SIC can play the same role in the CSR and financial performance relationship (Barnett, 2007). It is argued that in the process of improving firm's performance, R&D creates an intangible asset called absorptive capacity (Cohen & Levinthal, 1990). Therefore, absorptive capacity is defined as the ability of a firm to recognize the value of new external information assimilates it and applies it to commercial ends (Cohen & Levinthal, 1990). Barnett (2007) argues as well, that in the process of improving financial performance, CSR creates an intangible asset called SIC.

Therefore, after some e-mail conversations with Professor Michael Barnett, the author of SIC, a resolution is made to consult some measures of absorptive capacity in an attempt to develop a scale for SIC. This study considers absorptive capacity measurements developed by authors like Jansen (2005), Neito and Quevedo (2005) and Szulanski (1996), and the study goes for Jansen (2005), in developing measurement for SIC based on a number of reasons. First of all, the measurement by Jansen resembles the definition of absorptive capacity which looks clearly similar to that of SIC. Secondly, it incorporates the measures of Szulanski (1996) and added much more to it. The measures of Neito and Quevedo (2005) were a bit away from the definition. Therefore, the items of Jansen (2005) were considered in developing the 22 items of SIC. This was done by observing how absorptive capacity was related to R&D and performance in the statements, and changing them to represent how SIC relates with CSR and financial performance. The items generated are listed in Table 6.1 below.

Table 6.1
Pool of items to measure SIC

S/N	Items generated
1	Our firm has frequent interactions (formal or informal) with various stakeholders to acquire information that can improve stakeholder relations
2	Our employees regularly visit some of our stakeholders to find out if there is anything we could do to improve relationship
3	Our firm interacts with stakeholders of other firms through informal ways to acquire information that can improve stakeholder relationship
4	Our firm periodically organizes special meetings with stakeholders in order to foster good relationship
5	Our firm regularly goes extra mile such as meeting third party (auditors, consultants, lawyers etc.) to acquire knowledge about ways to improve relations with stakeholders
6	Our firm is slow in recognizing a shift in our stakeholders need ®
7	Our firm creates new opportunities to serve our stakeholders better are quickly understood
8	Our firm quickly analyzes and interpret changes in stakeholder demand
9	Our firm regularly considers the consequences of changing stakeholder demands in term of new CSR initiatives
10	Our firm record and store newly acquired knowledge on ways to improve stakeholder relations for future references
11	Our firm quickly recognizes the usefulness of new opportunities to existing opportunities to improve relations with stakeholders
12	Our firm hardly utilize the opportunities to improve stakeholder relationship ®
13	Our firm laboriously grasps the opportunity to improve stakeholder relationship from new knowledge ®
14	Our firm management periodically meets to discuss consequences of stakeholder relations and new CSR initiatives
15	Our stakeholders accept our new CSR initiative as a result of our CSR history
16	It is clearly known to our firm how to relate to our stakeholders for mutual benefit
17	Our firm clearly know and divide our stakeholder needs into subdivisions
18	Our firm constantly considers how to better exploit stakeholder favor to our advantage
19	Our CSR investment helps us in stakeholder management and increased patronage
20	Our firm experienced a good relationship with our stakeholders due to our CSR
21	Our development as a firm is as a result of our CSR history
22	Our growth is linked with the way we handle our stakeholders through our CSR initiatives

The study takes care of so many issues brought up by authors like Devellis (2003) in scale development before pooling out the above items. Some of the issues taken care of are redundancy; and this is in the sense that some statements are expressing the same thing in diverse ways to achieve higher variability that boost the reliability of the measures (Devellis, 2003). The number of items pooled has been taken care of as suggested by Devellis (2003), it is better to pool large number at the initial point. Finally, while most of the items pooled are positive, some are negative such as item 6, 12 and 13 that are put in place in order to take care of agreement bias (Devellis, 2003).

6.4 Measurement format

Although several measurement formats exist in the literature, this study chooses numerical scale. The other scales documented in the literature are Thurstone scaling, Guttman scaling, equally weighted items, semantic differential, Likert scale, visual analog and finally, binary options (Devellis, 2003). The numerical scale presents a declarative statement followed by numerical options indicating the various degree of agreement or disagreement with the statement. This agrees with Likert scale, except that in numerical scale the options are represented by numbers, unlike in Likert scale where they are represented by both numbers and rating wordings. The advantage of numerical scale, which is a family of interval scale over some of the scales especially ordinal and nominal, is that it performs more powerful arithmetical operations such as mean and standard deviation and which cannot be conducted using the nominal and ordinal scales (Zikmund, 2003). The sample of the numerical scale is presented in Table 6.2 below.

Table 6.2
Numerical measurement scale

Strongly Disagree	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**Strongly Agree**

6.5 Expert review of items

After generating a pool of items, the next step is to access those items reviewed by a number of experts in the field (Devellis, 2003). The SIC items generated are reviewed by 6 experts, that include 2 Professors, 2 senior lecturers (Ph.D.) and 2 senior industry experts residing in Nigeria. After the experts review, all the 22 items are maintained with some English editing. The corrections are effected before going to the field for development study. For example, item 4 in the scale of SIC was adjusted by the academics during validation to include a bracket with example of third parties such as auditors, consultants and lawyers etc. most of the other adjusted parts were done on the items that are deleted in the process of scale development.

6.6 Development study

The scale is said to be administered to a development sample at this point (Devellis, 2003; Worthington & Whittaker, 2006). Although they suggest the sample of 300 as generally acceptable (Comrey, 1973), there are a lot of other suggestions on the development sample of the study. For example Gorsuch (1983), proposes the use of a minimum participant to item ratio of 5:1 or 10:1 (i.e. 5 or 10 participants per every 1 item in the study). In another development, Velicer and Fava (1998), discourage the use of less than 3:1 participant to item ratio. Worthington and Whittaker (2006), offer 4 guidelines concerning development study's sample size, thus: (1) sample of 300 and above is considered generally acceptable; (2) sample of 150 to 200 with commonalities higher than 0.50 or with 10:1 items per factor and factor loading approximately 0.40 are also adequate; (3) Sample less than 150 with commonalities of above 0.60 or with at least 4:1 items to factor, and factor loading above 0.60 are also adequate; (4) sample less than 100 with less than 3:1 participant to item ratio are generally inadequate in scale development (Worthington & Whittaker, 2006).

Considering the need for adequate sample in scale development, this study utilizes company branches for the development study. The questionnaire is administered to 220 branches of companies listed on the Nigerian stock exchange across all industries, out of which 142 are retrieved and valid. The questionnaire is addressed to the branch managers but not restricted to them. The commonality of the study's items ranges from 0.556 to 0.776 with the exception of only 1 item whose commonality is 0.439. The items to factor ratio are 7.3 (22 items / 3 factors), and 19 items loaded well from 0.523 to 0.949 with the exception of 3 items (SIC 4, 13 & 20) that loaded well below 0.5. Considering either option 2 or 3 of Worthington and Whittaker (2006), above, the sample of the study is considered adequate since the item to factor ratio is 7, the commonalities are mostly 0.5 to 0.7, with only 1 having 0.4, and the factor loadings range from 0.5 to 0.9.

6.7 Evaluating the items

This stage is termed as the heart of scale development process (Devellis, 2003). In this stage, the items constitute the scale are identified after evaluating their performance. This study begins by reverse coding of the negatively worded items such as number 6, 12 and 13. The item to scale correlation is examined using corrected item–scale correlation as is suggested by Devellis (2003). Summary of the result is presented in Table 6.3 below.

Table 6.3
Result of scale reliability

Item	Mean	Standard Deviation	Corrected item to total correlation	Scale Mean	Scale Standard Deviation	Scale Variance	Cronbach's alpha
SIC1	4.58	1.522	.715	100.41	22.342	499.167	.942
SIC2	4.69	1.354	.691				
SIC3	4.57	1.391	.675				
SIC4	4.25	1.518	.636				
SIC5	4.50	1.570	.603				
SIC6	4.58	1.489	.781				
SIC7	4.39	1.497	.480				
SIC8	4.68	1.412	.819				
SIC9	4.75	1.512	.846				
SIC10	4.75	1.521	.831				
SIC11	4.65	1.516	.750				
SIC12	4.77	1.486	.747				
SIC13	3.97	1.571	.401				
SIC14	4.22	1.672	.441				
SIC15	4.51	1.462	.756				
SIC16	4.68	1.495	.685				
SIC17	4.54	1.609	.683				
SIC18	4.63	1.699	.600				
SIC19	4.54	1.537	.783				
SIC20	4.40	1.473	.751				
SIC21	4.85	1.508	.139				
SIC22	4.90	1.470	.170				

The corrected item to total correlation is presented in Table 6.3 above, the values range from 0.139 to 0.846. Previous literature suggests that the higher the item to total correlation, the better for the scale (Devellis, 2003). Variance is a very important aspect in scale development (Devellis, 2003). The scale variance for the SIC construct is 499.167 as in Table 6.3 above. The items mean is within the preferred range, the center of the measurement scale. The study uses a 7 point numerical scale and the mean for all the individual items fall within the range of 3.97 to 4.90. Devellis (2003), recommends that scale mean should not be either extremely high or low; therefore, a mean value that reflects center of the measurement scale is more preferred. The coefficient alpha is an important indication of scale quality. It indicates the portion of the variance in the scale score that is attributable to the true score (Devellis, 2003). The coefficient alpha of the study is 0.942. According to Nunnally (1978), a coefficient alpha of 0.70 is considered minimally acceptable for studies. In another literature, a Cronbach's alpha below 0.60 is unacceptable, between 0.60 and 0.65 is undesirable, 0.66 to 0.70 are minimally accepted, 0.71 to 0.80 are respectable. An alpha value of 0.80 and above is considered very good (Devellis, 2003).

The study conducts an exploratory factor analysis (EFA) to determine the number of factors that emerge from the new scale. The EFA employed uses maximum likelihood method; and the correlation matrix based using direct oblivion. The study considers factor with eigenvalues greater than 1 in-line with existing literature (Cabrera-Nguyen, 2010; Worthington & Whittaker, 2006). The initial result extracted 3 factors with some items loading less than 0.5. After a series of deletion of items loading less than 0.5, the result extracted 3 factors, factor 1 with 14 items, factor 2 and 3 with 2 items each. The items deleted are SIC 13, 4, 18 and 20 one after the other and after each deletion, the factor analysis is being re-run to determine the next line of action. There is existing literature that discourages retention of factors that have less than 3 items in factor analysis (Tabachnick & Fidel, 2007). They suggest retaining factor with 2 items only if they are having a correlation above 0.70.

The second and third factors in this study are containing only 2 items each and the correlation between them is not up to 0.70. Factor 2 consists of SIC 7 and 14 and their correlation is 0.623. Factor 3 consists of SIC 21 and 22 and their correlation is 0.694. Based on the above justification, both factors are deleted living single factor containing 14 items. The items that loaded on factor 1 and that are retained for further analysis include SIC 1,2,3,5,6,8,9,10,11,12,15,16,17,19 with loadings ranging from

0.627 to 0.877. The loadings, communalities, Kaiser-Meyer-Olkin (KMO) and Bartlett's test of the study are displayed in Table 6.4 below.

Table 6.4
Scale loadings, communalities, KMO and Bartlett's test for development study

Item	Loadings	Communalities	KMO	Bartlett's test		
				Chi-square	df	Sig
SIC1	.731	.618	.951	1533.472	91	.000
SIC2	.727	.585				
SIC3	.716	.556				
SIC5	.627	.439				
SIC6	.824	.682				
SIC8	.855	.712				
SIC9	.877	.765				
SIC10	.850	.776				
SIC11	.804	.665				
SIC12	.793	.671				
SIC15	.799	.679				
SIC16	.735	.589				
SIC17	.715	.561				
SIC19	.791	.679				

It is recommended by so many scale development experts to evaluate the goodness of fit using AMOS software (Mackenzie, Podsakoff & Podsakoff, 2011). A confirmatory factor analysis (CFA) is conducted to fit SIC construct as suggested by many authors (Devellis, 2003; Worthington & Whittaker, 2006). The 14 item, single factor, SIC scale is fitted using Amos SEM CFA. The scale is re-specified after the first running which does not meet the fit indices. The study uses modification indices to re-specify the construct. It also takes caution of not allowing error terms to correlate as suggested by Cabrera-Nguyen (2010). Therefore, the items with error term that has the highest modification indices are deleted after estimation. The estimate is conducted 3 times before achieving the fit. Sequentially, in the first estimation, SIC 1 is deleted followed by SIC 16 in the second and SIC 10 in the third estimation. Finally, the study is left with 11 items as presented in figure 6.1 below.

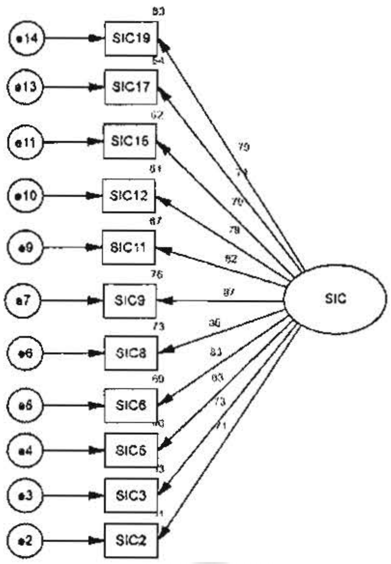

Figure 6.1

Fitted SIC scale using Amos SEM

The fit values for the construct along with the other estimate results are presented in Table 6.5 below.

Table 6.5
Construct fitness result (SIC)

Path	Standardized Estimates	Unstandardized Estimates	Squared multiple correlations	S.E.	C.R.	P
SIC2->SIC	.714	1.000	.509			
SIC3->SIC	.725	1.044	.526	.124	8.448	***
SIC5->SIC	.634	1.030	.402	.140	7.373	***
SIC6->SIC	.830	1.279	.689	.132	9.686	***
SIC8->SIC	.857	1.252	.734	.125	9.999	***
SIC9->SIC	.869	1.360	.755	.134	10.143	***
SIC11->SIC	.817	1.282	.667	.135	9.525	***
SIC12->SIC	.780	1.200	.608	.132	9.094	***
SIC15->SIC	.788	1.193	.621	.130	9.187	***
SIC17->SIC	.737	1.228	.543	.143	8.588	***
SIC19->SIC	.795	1.265	.632	.136	9.270	***
Chi square:						
P		.113				
Df		44				
T		1.263				
CFI		.989				
TLI		.987				
RMSEA		.043				
RMSR		.068				
NFI		.951				
IFI		.989				

The construct fitness indices are above the specified threshold in the literature. The Chi-square test P value is 0.113 with a degree of freedom (df) of 44 and a T-statistics of 1.263. The P value is above the minimum threshold of greater than or equal to 0.05. The comparative fit index (CFI) was 0.989 as in Table 6.5 above which is above the minimum threshold of 0.90 (Bentler & Bonnett, 1980) and 0.95 (Hu & Bentler, 1999). The Tucker-Lewis index (TLI) of the study is 0.987 which is also above the 0.90 minimum thresholds (Hair *et al.*, 1998). Additionally, the root means squared error average (RMSEA) of the study is 0.043, which is consistent with the minimum threshold of less than or equal to 0.05 (Hair *et al.*, 1998). The root mean squared residual (RMSR or RMR) of the construct is 0.068 which is less than the minimum threshold of less than 0.08 used in this literature (Hair *et al.*, 1998). The normed fit index (NFI) of the study is 0.951, which is greater than the minimum requirement of the literature >0.90 (Hair *et al.*, 1998). The incremental fit index (IFI) of this study is 0.989, of which ranges from 0 to 1 and is interpreted as the higher the CFI, the better the model fit (Hair *et al.*, 1998).

The indices presented are more of the incremental fit indexes (IFI), such as the CFI, TLI, NFI and IFI, because the study fits only 1 construct and it is not compared with another construct. The use of IFI index is suitable, since it compares the tested construct with a baseline construct (Worthington & Whittaker, 2006). The baseline model is a model in which all items are independent of each other or uncorrelated (Worthington & Whittaker, 2006). In conclusion, the scale is said to have achieved a CFA based construct fit using Amos SEM.

The construct validity of the new SIC scale is assessed by testing the effect of SIC on financial performance (FP) using Amos SEM software. It is theoretically proposed that SIC has a positive significant relationship with the financial performance of companies (Barnett, 2007; Barnett & Salomon, 2012). The result of the structural model indicates that SIC has a positive and significant effect on FP. The R^2 value is 0.61, meaning that SIC has explains up to 61% of variances in FP. The unstandardized estimate value of 1.101 indicated that for a unit change in SIC, FP increases by 1.101. The T value (CR) is very significant (8.645), therefore, the P value is 0.00 indicated by 3 stars (***), this indicates that SIC has a significant effect on FP. The evidence shows that SIC has achieved construct validity. The result of the structural relationship is presented in Table 6.6 below.

Table 6.6
Result of SIC constructs validity

Path	Unstandardized Estimate	Standardized Estimate	S.E	C.R	P
SIC->FP	1.101	.831	.127	8.645	***

The result was displayed in figure 6.2 below.

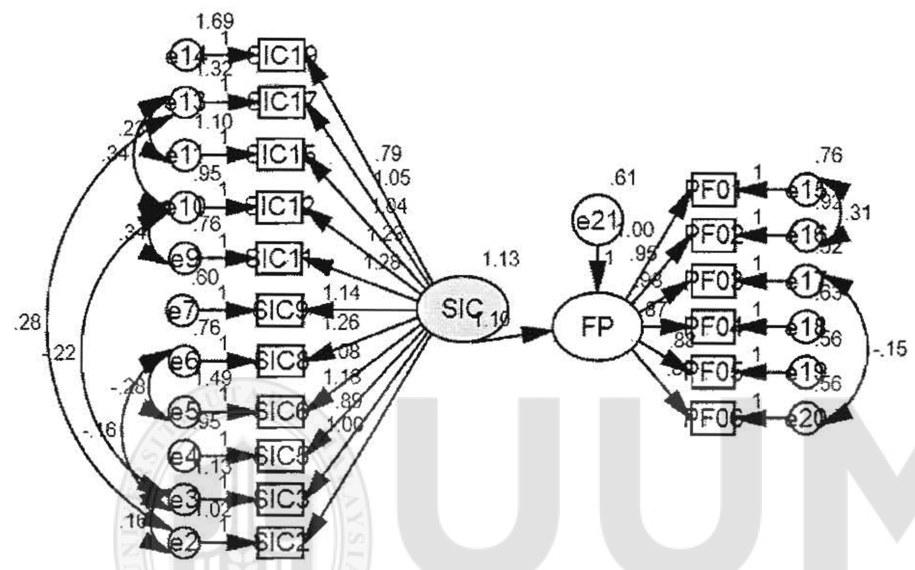

Figure 6.2
Structural model for test of SIC's construct validity

The scale items developed are renamed from SIC1 to SIC 11 after the series of deletion during the CFA, for the purpose of main study and future use. The items old and new names are presented in Table 6.7 below.

Table 6.7

Items rearrangement and renaming

S/N	Previous name	New name
1	SIC2	SIC1
2	SIC3	SIC2
3	SIC5	SIC3
4	SIC6	SIC4
5	SIC8	SIC5
6	SIC9	SIC6
7	SIC11	SIC7
8	SIC12	SIC8
9	SIC15	SIC9
10	SIC17	SIC10
11	SIC19	SIC11

6.8 Chapter Summary

This chapter presents the process undergone in developing measurement scale for SIC. The need for understanding the theoretical underpinnings of the construct that is intended to be measured is highly emphasized. The process followed by the study to generate a pool of items for the construct and the theoretical arguments are also explained. The chapter also describes the measurement format and the process of scale validation. The processes of development study for SIC construct and the theoretical arguments are discussed. Finally, the generated items are evaluated to determine the best.

CHAPTER SEVEN

RESULTS AND FINDINGS

7.1 Introduction

This chapter presents the details on the survey conducted in the study, how the data is analyzed and the results of the survey. Specifically, the chapter explains details on the survey conducted, such as the profile of the respondents, no response and common method bias, descriptive analysis of the constructs in the study, data screening and editing, scale development for stakeholder influence capacity (SIC), assessment of the measurement model, global fit measures, effect size, predictive relevance, structural model, main effect of hypothesis, mediating effect hypothesis, summary of findings and finally the chapter summary.

7.2 Data coding

The study arranges the items measuring each construct based on sections and also coded each item with a code number for identification purpose and to facilitate easy analysis. This is in line with the view of Churchill (1979), that questions be arranged based on the construct they are measuring and coded with numbers. The constructs used in this study are coded as in Table 7.1 below.

Table 7.1
Construct coding

SN	Construct	Code	Number of items
1	Financial Performance	FP	7
2	Stakeholder Influence Capacity	SIC	11
3	Community Relations	COM	4
4	Environmental Concern	ENV	4
5	Employee Relations	EMP	5
6	Investor Relations	INR	4
7	Customer Relations	CRE	4
8	Supplier Relations	SUR	5

7.3 Response Analysis

The researcher distributes a total of one hundred and thirty (130) questionnaires to the sampled Nigerian listed companies. The listed firms in the Nigerian stock exchange are one hundred and ninety-six (196) out of which sixty-six (66) have been used in the pilot study, therefore, the remaining one hundred and thirty (130) are used for the main study. The study uses a stratified random sampling method to determine the sample. Microsoft excel is used to obtain random numbers which are used to determine the sample from each sector. The exercise commenced in the last week of April 2015, after recruiting three research assistants in Lagos, Nigeria. The questionnaires are distributed to Nigerian listed companies between 23rd April to 6th May, 2015.

An effort is been made to attain higher response rates through phone calls reminders as suggested by Traina, MacLean, Park, and Kahn (2005) and use of short message service (SMS) as suggested by Sekaran (2003) to firms that provided their business card to the researcher. Personal visit by the researcher and his research team to some of the firms has been another strategy used to boost response rate in the study. The initial distribution of the questionnaire was conducted by the researcher and the trained research assistants after which he travel back to Kano. All in all four follow up visits were conducted in the process of the survey. The researcher was able to come for two follow ups out of the four, where the remaining two are conducted in his absence. Out of one hundred and thirty (130), a total of ninety-nine (99) questionnaires are returned. This gives a response rate of seventy-six percent (76%). This is possibly because almost 98% of the head offices of Nigerian listed firms are residing in Lagos, and nearly 60 to 70% of the workforce in these companies is from the tribe of Yoruba. The strategy adopted by the researcher is by recruiting his research assistants in Lagos and all from Yoruba tribe. These possibly are the reason for attaining high response rate. All the research assistants are recruited based on their completion of at least an MBA program and in addition are known to a friend residing in Lagos who is also a Yoruba by tribe.

All the ninety-nine (99) returned questionnaires are usable and, therefore, are used for further analysis. Hence, the study got 76% valid response rate. According to Sekaran (2003), a response rate of 30% is considered sufficient for a survey study. Hence, the response rate of 76% has achieved the threshold for further analysis. Additionally, the response rate achieved by the study is in-line with similar survey research in Nigeria (Gorondutse & Hilman, 2013; 2014), where they got a response rate of 82.6% and 64% respectively. The Table 7.2 below summarizes the details of distributed, returned and valid responses in the study.

Table 7.2
Summary of Response Rate Analysis

Response	**Number of questionnaires**	**Percentage (%)**
Questionnaire distributed	130	100
Questionnaire returned	99	76
Questionnaire rejected	0	0
Valid questionnaire	99	76
Unreturned questionnaire	31	24
Total	130	100

7.4 Profile of the respondents

The demographic profile of the organizations and the representatives that responded to the survey are presented in this section. Demographic information such as the type of industry and age of organization are discussed under the corporation demography. For the individual respondents, demography information such as gender, age, educational background, working experience and position in the organization are discussed. Table 7.8 below describes in a summary form, the demographic information of both the organization and that of their representatives that respond to the survey.

Table 7.8
Demographic Information of Organizations and Respondents

	Frequency	Percentage (%)
Industry		
Agriculture	2	2
Conglomerate	3	3
Construction and Real Estate	4	4
Consumer Goods	14	14.1
Financial Services	33	33.3
Healthcare	6	6.1
Information and Communication Tech.	5	5.1
Industrial Goods	12	12.1
Natural Resources	2	2
Oil and Gas	7	7.1
Services	11	11.1
Age of Organization		
20 years and below	47	47.5
21 to 50 years	38	38.4
51 to 100 years	6	6.1
Above 100 years	1	1.1
Missing	7	7.1
Gender		
Male	67	67.7
Female	29	29.3
Missing	3	3
Age of Respondents		
30 years and below	29	29.3
31 to 40 years	45	45.5
41 to 50 years	19	19.2
51 to 60 years	2	2
Missing	4	4
Educational Background		
Bachelor Degree / Higher National Diploma	71	71.7
Master/PhD/Postgraduate Diploma	15	15.2
Professional Certificate in addition to above	5	5.1
Missing	8	8.1
Working Experience		
1 to 15 years	86	86.9
16 to 30 years	10	10.1
Missing	3	3
Position		
Middle-level manager	61	61.6
Higher level manager	25	25.3
Director	3	3
Chief executive officer (CEO)	4	4
Missing	6	6.1

As described in Table 7.8, the responses are dispersed over 11 industries participating in the Nigerian Stock Exchange. Ninety nine participating companies returned their questionnaire, and none of them is rejected for any reason. Thus, the study receives 99 valid questionnaires from the survey.

Regarding industry affiliation, 33.3% of the participating organizations belong to financial services, followed by consumer goods with 14.1%. Industrial goods are represented by 12.1% of the survey, services are 11.1%, oil and gas, 7.1%, and healthcare, 6.1%. Other industries represented in the survey include ICT, 5.1%, construction and real estate, 4%, conglomerate, 3%, and finally agriculture and natural resources with 2% each.

Concerning the age of organization, 47.5% of the participating organizations fall within 20 years and below from the date of incorporation, 38.4%, for between 21 to 50 years from the date of incorporation. The participating organizations with ages in between 51 to 100 accounted for 6.1% of the sample, and only 1 organization is above 100 years from the date of incorporation in the sample representing 1%. Up to 7 organizations do not indicate their age, therefore, leading to a missing data of 7.1%.

Upon the 99 respondents representing their organizations in the survey, 67.7% are male and 29.3% are female, 3% of the respondents did not indicate whether they are males or females, therefore, leads to some missing figures. Furthermore, 45.5% of them were between the ages of 31 to 40 years, 29.3% are between 30 and below years, 19.2% belong to the 41 to 50-year-old group. Only 2% of the respondents are above 50 years of age, and 4% of them did not indicate their age.

On the educational background of the respondents, up to 71.7% have either Bachelor degree or higher national diploma (HND). In addition, 15.2% have either postgraduate diploma (PGD), master degree (M.Sc.) or doctor of philosophy (Ph.D.). Another category of respondents amounting to 5.1% of the sample have professional qualifications in addition to the above. The respondents that did not indicate their educational qualifications amounted to 8.1%.

The working experience also indicated that 86.9% of the respondents have spent between 1 to 15 years working in their organization. The category of respondents that spend 16 to 30 years working accounted for 10.1% in the present study, in addition, 3% of them failed to indicate their years of working experience. The position of the respondents is spread over a wide range of categories. Almost more than 61% (61.6%) of the respondents are middle-level managers, 25.3% higher level managers, 3% directors, 4% chief executive officers (CEO) and finally, 6.1% did not indicate their position.

7.5 Non-Response Bias

It is a norm in survey research to test the effect of the portion of the population sample that does not respond to the survey in order to ascertain whether or not their non-response causes bias in the study. The term known as non-response bias is defined by Berg (2005), as some mistakes a researcher expects to make while estimating a sample characteristic, because some type of survey respondents are underestimated due to non-response. In another development, Lambert and Harrington (1990), define it as the differences in answers between non-respondents and respondents. Singer (2006), states that there is no minimum/maximum response rate below/above which the response rate is biased/unbiased; therefore he stresses the need for its investigation.

In order to check for possible bias on non-response, the responses are classified into two (2) based on the time of returned questionnaire. A total of 66 questionnaires are returned from 66 listed companies within the first 30 days and 33 questionnaires from 33 listed companies after. Therefore, the means of the early and late responses are compared using independent sample T test as presented in the Table 7.3 below.

Table 7.3
Student T-test for no response bias

Construct	Group	N	Means	SD	Levene's Test for equality of variances	
					F	Sig
Financial Performance	Early	66	4.959	1.164	.100	.753
	Late	33	4.489	1.250		
Stakeholder Influence Capacity	Early	66	4.742	1.184	.215	.644
	Late	33	4.206	1.321		
Community	Early	66	4.599	1.269	1.643	.203
	Late	33	4.530	1.511		
Environment	Early	66	4.697	1.273	2.581	.111
	Late	33	4.277	1.534		
Employee	Early	66	4.452	1.257	.002	.965
	Late	33	4.121	1.194		
Investor	Early	66	4.771	1.414	.100	.752
	Late	33	4.174	1.394		
Customer	Early	66	5.203	1.342	.032	.859
	Late	33	4.833	1.291		
Supplier	Early	66	4.821	1.364	.926	.338
	Late	33	4.358	1.208		

Based on Table 7.3 above, the mean and standard deviation of the 2 groups do not vary significantly. Additionally, the significant value for the T test was all greater than 0.05, therefore suggesting that there is no much difference between the two groups. Based on the result of the T-test, there is no problem of non-response bias in the present study.

7.6 Common Method Bias

Common method variance is defined in the words of Podsakoff, Mackenzie, Lee and Podsakoff (2003:879), as "variance that is attributable to the measurement method rather than to the construct of interest". Common method variance has been identified as one of the major sources of measurement error in self-reporting surveys (Podsakoff *et al.*, 2003). Hence, researchers committed their time and resources in an attempt to reduce if not eradicate common method variance in behavioral studies. This study is on corporate social responsibility, financial performance and stakeholder influence capacity on Nigerian listed companies. The managers/employees of the companies respond to the questionnaire of their respective organizations. Since the managers/employees are the respondents to the questionnaire and they provide the data on all the study's variables, this poses a possibility of common method variance to exist.

Both procedural and statistical remedies to common method variance are proposed in the literature. The procedural remedies include obtaining the measures of predictor different from where one obtains the criterion variable, improving scale items, reverse coding negative items and reducing evaluation apprehension among others (Podsakoff *et al.*, 2003). Statistical remedies are also recommended in the previous literature. Methods such as Herman's single factor test, partial correlation method, use of multiple method factors among others (Podsakoff *et al.*, 2003).

In order to ensure that this research is free from common method variance, procedural remedies are employed such as improving scale item through avoiding ambiguous statements and use of simple expression, reverse coding of negative items and reducing evaluation apprehension by informing the respondents that there is no right or wrong answer to the questions and also by stating that their responses would be treated as confidential and purely for research purpose only.

In addition to the procedural remedies, the research employs a statistical method of partial correlation to test for the possible existence of common method variance in the study (Bemmels, 1994; Dooley & Fryxel, 1999; Podsakoff & Organ, 1986). The procedure of the method requires conducting exploratory factor analysis for all the variables of interest and determining the first unrotated factor. This first unrotated factor is assumed to contain the common method variance. A partial correlation is conducted in order to see the relationship between the predictors and the criterion variables controlling for the first unrotated factor (common method factor). The hypothesis of this method is to see whether a meaningful relationship exists between predictors and criterion variables of interest after statistically controlling for common method factor (Podsakoff & Organ, 1986; Podsakoff *et al.*, 2003).

The exploratory factor analysis of the variables indicates that environment, investor, SIC and some items of the community (COM A: 1 & 3) are loaded on the first factor (common method factor). Therefore, a partial correlation is conducted on the remaining variables that do not fall under the first factors such as financial performance, customer, employee, supplier and the remaining items of community hence called Com B (COM 2 & 4). The partial correlation is conducted after controlling the common method factor. Table 7.4 below summarizes the result of the partial correlation.

Table 7.4
Result of Partial Correlation

Control Variables	Variables		COM B	FP	SUR	CRE	EMP
COM A, SIC, ENV & INR	COM B	Correlation	1.000	.107	.207	.200	.080
		Significance (1-tailed)	.	.151	.022	.026	.222
		df	0	93	93	93	93
	FP	Correlation	.107	1.000	.174	.295	.186
		Significance (1-tailed)	.151	.	.046	.002	.036
		df	93	0	93	93	93
	SUR	Correlation	.207	.174	1.000	.685	.185
		Significance (1-tailed)	.022	.046	.	.000	.036
		df	93	93	0	93	93
	CRE	Correlation	.200	.295	.685	1.000	.345
		Significance (1-tailed)	.026	.002	.000	.	.000
		df	93	93	93	0	93
	EMP	Correlation	.080	.186	.185	.345	1.000
		Significance (1-tailed)	.222	.036	.036	.000	.
		df	93	93	93	93	0

The result of the partial correlation indicates that, after controlling for some part of community relation called Com A, environment, SIC and investor, the criterion variable (financial performance) is having a meaningful correlation with all the predicting variables. Specifically financial performance is related to employee relation (p-value = 0.036), customer relation (p-value = 0.002), supplier relation (p-value = 0.046). Only Com B was not significant shown by its P value (.151). This may be attributed to the division made to COM into Com A and Com B. Therefore the common method variance can be said to be absent or ineffective in this study.

7.7 Data screening

The quality of the output of any quantitative multivariate analysis largely depends upon the quality of its preliminary data screening (Hair *et al.*, 2010). This reason makes it necessary to conduct data screening and cleaning before embarking on any multivariate analysis in order to get a qualitative output. Therefore, missing data, outliers and other assumptions of multivariate analysis are checked and treated accordingly. The details of the preliminary analysis are as below.

7.7.1 Missing value analysis

Statistical package for social sciences (SPSS 19) is used for the data screening and preliminary analysis in the study. Ninety-four (94) missing cases are detected in the data. This accounted for two percent (2.2%) of the whole cases (4,356), see Table 7.5. Precisely, financial performance had a missing data of up to twelve (12) cases out of six hundred and ninety-three (693), cases equivalent to 1.7% missing data. Stakeholder influence capacity (SIC) has a missing data of two (2) cases equivalent to less than 1% of the whole cases (1,089). Environmental concern has a missing data up to 19 cases out of three hundred and ninety-six (396) cases which equal to 4.8% missing data. Community relation has a missing data of fifteen (15) cases out of three hundred and ninety-six (396) cases, amounting to 3.8% missing data. Employee and supplier relation has thirteen (13) missing cases out of four hundred and ninety-five cases each. These amounted to 2.6% missing data each for the two (2) constructs. Investor relation has a missing value of eleven out of three hundred and ninety-six cases making 2.8% missing data. Finally, Customer relations had a missing data of nine (9) out of three hundred and ninety-six (396) cases, making a missing data of 2.3%.

According to Hair *et al.* (2010), any case with up to 50% missing data should be deleted. In another literature, many researchers have agreed that missing data of 5% and below are considered insignificant, therefore, are ignored (Schafer, 1999; Tabachnick & Fidell, 2007). The study do not delete any item as a result of missing data since the highest missing data is 4.8% on Environmental concern and the least is 0.2% on SIC, all the rest falls in between. None of the constructs records up to 50% missing data, therefore going by both Hair *et al.* (2010), Schafer (1999) and Tabachnic and Fidell (2007), all our items are retained under missing data analysis. The missing data detected are replaced using series mean in line with so many literatures (Tabachnick & Fidell, 2007). The summary of missing data analysis was presented below.

Table 7.5
Summary of missing data

Construct	Missing cases	Computation of total cases	Total cases in each construct
Financial performance	12	7x99	693
Stakeholder influence capacity	2	11x99	1,089
Community relations	15	4x99	396
Environmental concern	19	4x99	396
Employee relations	13	5x99	495
Investor relations	11	4x99	396
Customer relations	9	4x99	396
Supplier relations	13	5x99	495
Total	94	44x99	4,356
Percentage of missing cases	(94/4,356*100)		2.2%

7.7.2 Outliers assessment

Outliers are extreme case score that is inconsistent with the remaining data set (Barnett & Lewis, 1994). They have the potentiality of affecting the outcome of the study negatively. They are expressed in the words of Bryn (2010), and Hair *et al.* (2010), as having an exceptionally high or low value, a construct or a unique combination of values across many constructs which make the examination stand out of the remaining data. According to Verardi and Croux (2008), data for regression analysis must be free of outliers otherwise, may cause serious distortions and leads to the unreliable result. There are two (2) types of outliers, univariate and multivariate. The former is a data point that consists of an extreme value on one variable; the latter is a combination of unusual scores on two (2) or more variables. Both outliers can influence the outcome of the analysis. Both univariate and multivariate outliers are checked in this present study using SPSS version 19. Univariate outliers are checked by detecting cases with larger standardize z-score value above +/-3.29. Any value above absolute value 3.29 is considered a univariate outlier (Tabachnick & Fidell, 2007). After checking the standardize z-score values, none is up to +/-3.29. Therefore, none of the items is deleted on the basis of univariate outlier assessment.

The multivariate outliers are detected using the Mahalanobis distance (D2) which is "the distance of a case from the centroid of the remaining cases where the centroid is the point created at the intersection of the means of all variables" (Tabachnick & Fidell, 2007:74). This research has 7 items under financial performance, 11 under Stakeholder influence capacity and 26 under the 6 dimensions of CSR, altogether making 44 items. These 44 items minus 1 item constitute the degree of freedom for the study, which are 43 and under the probability of 0.001 (p=0.001), the chi-square value is 77.42 which represent the threshold. It indicates the highest value of Mahalanobis distance considered acceptable. All rows with Mahalanobis above 77.42 should be deleted to avoid multivariate outliers. After observing the above process on multivariate outlier, none of the Mahalanobis distance for the present study is up to 77.42 they all falls below it. Therefore, this signifies that our data is free from multivariate and univariate outliers. The possible reason for the absence of outliers in the present study may be because the respondents are corporate bodies represented by their staffs that are knowledgeable enough to fill the questionnaire rightly. Therefore, the study is left with all the 99 data set to be used for further analysis.

7.7.3 Normality Test

One of the most important beliefs in multivariate analysis is the normality (Hair *et al.*, 2010; Tabachnick & Fidell, 2007). This is concerned with the nature of the data spread for the individual construct and its association with the normal distribution (Tabachnick & Fidell, 2007). Additionally, when the objective of the study is to make some conclusions, then test for normality is a basic step most especially in multivariate analysis (Hair *et al.*, 2010; Tabachnick & Fidell, 2007). It is based on the above development that this research tests for normality using both skewness and kurtosis, and also the graphical histogram methods. The skewness of the items are within the acceptable limit, it ranges from a minimum of -0.959 to a maximum of -0.264 which is all falling below the threshold maximum of 2 (Tabachnick & Fidell, 2007). The kurtoses of the items are also within the acceptable limit, it ranges from a minimum of -0.141 to a maximum of 1.038, this also falls within the threshold maximum of 7 (Tabachnick & Fidell, 2007). In addition, the data is plotted on a histogram graph to visualize the shape of the distribution with the aim of detecting whether it is normal. The data is plotted on a normal distribution histogram below.

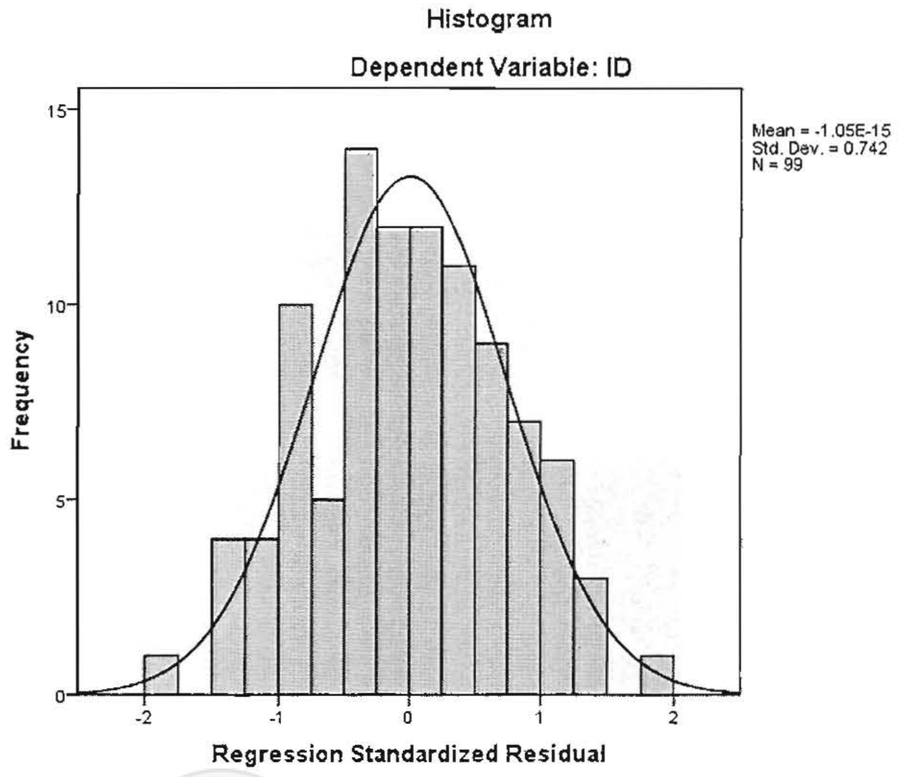

Figure 7.1

Normal probability plot (Histogram)

The fact that the data is free from being a non-normal data satisfies the assumption that the relationship between the constructs is homoscedastic, and that heteroscedasticity is non-existing (Tabachnick & Fidell, 2007).

7.7.4 Multicollinearity Test

Exogenous variables are not supposed to be highly correlated, where these happens, a problem of multicollinearity is said to be existing. Tabachnick and Fidell (2007), provides that a correlation of 0.90 and above among exogenous variables indicates the existence of multicollinearity. Once multicollinearity exists in a study, the highly correlated exogenous variables enclose unnecessary information that leads them to increase the size of the error term and subsequently weaken the analysis (Tabachnick & Fidell, 2007). To test for multicollinearity in the present study, two methods were employed. Firstly the correlation matrix of the exogenous variables was examined. In line with previous literature such as Hair *et al.* (2010) and Tabachnick and Fidell (2007), a correlation of 0.90 and above is considered high and regarded as multicollinearity. The correlation matrix indicates that none of the exogenous variables are highly correlated; therefore, there is the absence of multicollinearity in the study. Table 7.6 below shows the correlations among exogenous variables of the study.

Table 7.6
Correlation among exogenous variables

	COM	**CRE**	**EMP**	**ENV**	**INR**	**SUR**
COM	1.000					
CRE	.746	1.000				
EMP	.663	.714	1.000			
ENV	.751	.678	.590	1.000		
INR	.647	.624	.624	.751	1.000	
SUR	.767	.881	.670	.708	.648	1.000

The second method was the use of variance inflated factor (VIF) and tolerance to identify the multicollinearity problem. The VIF should not be above 10, and the tolerance should not be below 0.10, and violation of this threshold signifies the existence of multicollinearity (Hair *et al.*, 2010). Thus, this study run 6 regression analysis using SPSS version 19 taking one exogenous variable as the dependent variable and the remaining as the independent variables for all the exogenous variables, making a total of 6 regressions for 6 exogenous variables. The endogenous variables are presented horizontally on the top of Table 7.7 while the exogenous variables are presented vertically. The individual regressions are represented by columns with the endogenous variable at the top and the exogenous variables below it. The VIF and tolerance value of the 6 regressions indicate the non-existence of multicollinearity in the exogenous variables. Table 7.7 below summarizes the VIF and tolerance values of the 6 regression analysis.

Table 7.7
Summary of tolerance and (VIF)

DVs	COM	CRE	EMP	ENV	INR	SUR
IVs						
COM		.288(3.478)	.291(3.451)	.353(2.837)	.290(3.451)	.293(3.418)
CRE	.192(5.217)		.208(4.801)	.189(5.293)	.189(5.293)	.339(2.948)
EMP	.474(2.11)	.508(1.967)		.471(2.122)	.506(1.977)	.463(2.159)
ENV	.185(5.4)	.149(6.717)	.152(6.573)		.302(3.311)	.151(6.633)
INR	.191(5.237)	.187(5.354)	.205(4.883)	.379(2.640)		.188(5.309)
SUR	.187(5.339)	.326(3.070)	.182(5.489)	.184(5.443)	.183(5.465)	

Note: values outside the brackets indicates the tolerance while in the brackets are VIF

7.8 Descriptive Analysis of the Latent Variable

Descriptive statistics for latent variables of the study are presented and discussed in this section. The mean and standard deviation for the latent variables of the study are presented. Constructs of the study are measured using 7 points numerical scale ranging from 1 (strongly disagree) to 7 (strongly agree). In order to make the discussion of this section easy, the 7 point scale is converted into 5 categories, using the method of Sassenberg, Matschke and Scholl (2011) that subtract 1 from the 7 scale to obtain 6. Then, divide 6 by 5 to get 1.2, therefore, this 1.2 will be added to the upper value of each class to obtain that of the next. Hence, 1.2 is added to 1 to obtain category 1 strongly disagree (1.0 – 2.20), followed by disagreeing (2.21 – 3.40), moderate (3.41 – 4.60), agree (4.61 – 5.80) and finally, strongly agree (5.81 – 7.0). Table 7.9 below summarizes the descriptive statistics of the constructs.

Table 7.9
Descriptive statistics of latent variables

Latent variable	No. of items	Mean	Std. dev.	Skewness	Kurtosis	Min	Max
Financial performance	7	4.802	1.208	-.959	1.038	1.00	7.00
Stakeholder influence capacity	11	4.561	1.320	-.868	.535	1.00	7.00
Community relations	4	4.576	1.347	-.508	-.141	1.00	7.00
Environmental concern	4	4.557	1.372	-.264	-.517	1.00	7.00
Employee relations	5	4.341	1.240	-.545	.324	1.00	7.00
Investor relations	4	4.572	1.428	-.406	-.313	1.00	7.00
Customer relations	4	5.080	1.331	-.823	.442	1.00	7.00
Supplier relations	5	4.667	1.326	-.648	.193	1.00	7.00

Table 7.9 above indicates that the averages for the study variables range from 4.341 to 5.080. Specifically, the average and standard deviation of financial performance were 4.802 and 1.208 respectively. This explains that on average, Nigerian listed companies perceived that they are profitable. The mean of stakeholder influence capacity is 4.561 and the standard deviation is 1.320. Meaning that Nigerian firms on average perceived their SIC as moderate. Community relations among Nigerian listed firms are perceived to be moderate as evidenced by its mean (4.576) and the standard deviation (1.347). The mean (4.557) of environmental concern indicated that Nigerian listed firms perceived their concern for the environment to be moderate, and the standard deviation is 1.372. Employee relations had a mean and standard deviation of 4.341 and 1.240 respectively. This is indicating that on average, listed firms in Nigeria perceived their relationship with the employee as moderate. The firm's concern on investors was also moderate evidenced by the mean (4.572) and standard deviation (1.428). Nigerian listed companies maintain good ties with customers as indicated by their mean (5.080) and standard deviation (1.331). On average, they perceive the relationship to be good. They also relate well to their suppliers on

average as indicated by their mean (4.667) and standard deviation (1.326). The firms perceive the relationship to be good with their various suppliers.

7.9 Confirmatory Factor Analysis (CFA)

This study adapts all the study items with the exception of stakeholder influence capacity (SIC) alone which a scale is developed for it as in the previous chapter (see chapter 6). Items on corporate social responsibility (CSR) dimensions such as community relation, environmental concern, employee relation, investor relation, customer relation and supplier relation; and also financial performance are all adopted from Maignan and Ferrell (2004) and Rettab *et al.* (2008). Therefore, these adapted items are subjected to a confirmatory factor analysis (CFA) using the principle component analysis (PCA) technique to examine their suitability to our context of the study. The smart PLS has CFA inbuilt in it; therefore, the PCA is taken care by the software (Hair *et al.*, 2010).

7.10 Assessment of PLS-SEM path model results

The result of PLS-SEM is evaluated using a two-stage process that is the measurement and structural models (Henseler, Ringle & Sinkovics, 2009). The summary of the evaluation method in each stage is presented in Table 7.10 below.

Table 7.10

Two stages for result evaluation in PLS-SEM

Stage	Name	Test conducted
1	Measurement model	Assessment of internal consistency
		Assessing individual item reliability
		Assessment of convergent validity
		Assessing discriminant validity
2	Structural model	Assessment the significance of the path coefficients
		Assessing the level the R-square values
		Examining the level of effect size
		Assessment of the predictive relevance
		Examination of the mediating effect

Source: Hair *et al.* (2014)

7.10.1 Measurement model assessment

The measurement model assessment in PLS-SEM comprises of composite reliability for evaluation of internal consistency, individual item reliability, and average variance extracted (AVE) to evaluate convergent validity. An additional method known as Fornell-Larcker criterion and cross loadings are used to evaluate discriminant validity (Hair *et al.*, 2014). The figure below shows the measurement model of the study.

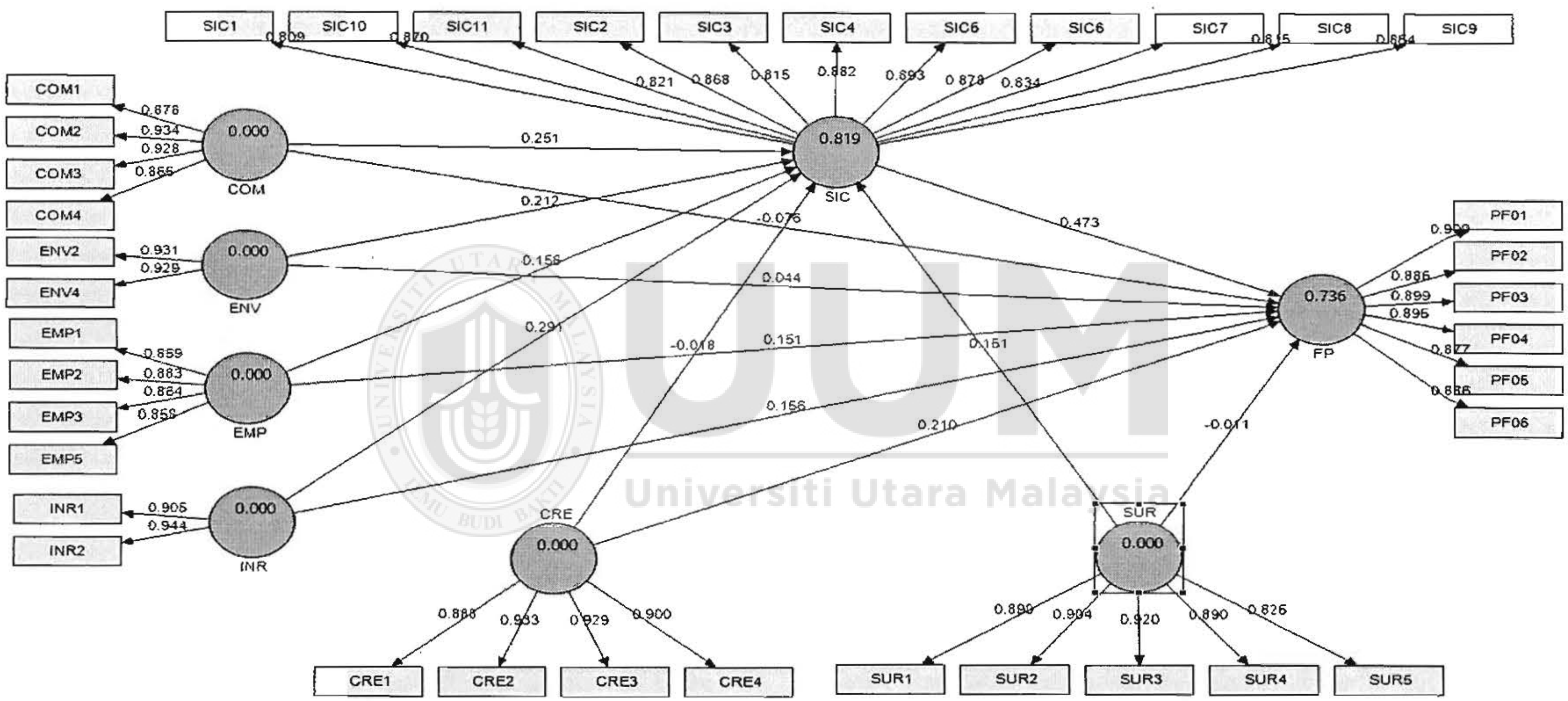

Figure 7.2
Measurement model for the main study

7.10.1.1 Internal consistency reliability

Internal consistency is defined by Bijttebier, Delva, Vanoost, Bobbaers, Lauwers and Vertommen (2000), as the extent to which items on a scale come together to measure the same concept. The Cronbach's alpha and composite reliability are used to assess the internal consistency of constructs. The Cronbach's alpha is seen as a traditional method of assessing internal consistency (Hair *et al.*, 2014). It estimates the reliability considering the inter-correlations between the items (Hair *et al.*, 2014). A Cronbach's alpha below 0.60 is considered unacceptable, 0.60 to 0.65 as undesirable, 0.66 to 0.70 as minimally accepted, 0.70 to 0.80 is considered respectable. The alpha that ranges between 0.80 and above is considered very good (Devellis, 2003). The Cronbach's alpha of the study constructs is presented in Table 7.11 below.

Table 7.11
Summary of Cronbach's alpha

S/N	Construct	Cronbach's alpha
1	Community relation	.923
2	Customer relation	.933
3	Employee relation	.890
4	Environmental concern	.844
5	Financial performance	.948
6	Investor relation	.834
7	Stakeholder influence capacity	.961
8	Supplier relation	.931

The Cronbach's alphas of the study's constructs are all within the very good range of Devellis (2003). The construct with the lowest alpha is investor relation (0.834), and stakeholder influence capacity with the highest (0.961). Cronbach's alpha suffers some limitations such as considering all the items as equally reliable, and it is sensitive to a number of items in the scale, the higher the items the higher the alpha, therefore, underestimating the internal consistency reliability (Hair *et al.*, 2014).

Due to these limitations of Cronbach's alpha another more rigorous criterion for assessing the internal consistency is developed (composite reliability). Unlike the Cronbach's alpha, the composite reliability considers the actual contribution of each item to the construct and is not sensitive to the number of items per construct (Hair *et al.*, 2014). The present study computed the internal consistency using composite reliability in order to reconfirm the reliability of the items after avoiding Cronbach's alpha for its limitations. Table 7.12 below presents the loadings, composite reliability and average variance extracted of the study's constructs.

Table 7.12
Item Loadings, Internal Consistency, and Average Variance Extracted

CONSTRUCT	Indicator	Loadings	Composite Reliability	AVE
Community Relation	COM1	.878	.946	.813
	COM2	.934		
	COM3	.928		
	COM4	.866		
Customer Relation	CRE1	.888	.952	.833
	CRE2	.933		
	CRE3	.929		
	CRE4	.900		
Employee Relation	EMP1	.859	.923	.750
	EMP2	.883		
	EMP3	.864		
	EMP5	.858		
Environmental Concern	ENV2	.931	.928	.865
	ENV4	.929		
Financial Performance	FP01	.900	.958	.793
	FP02	.886		
	FP03	.899		
	FP04	.895		
	FP05	.877		
	FP06	.886		
Investor Relation	INR1	.905	.922	.856
	INR2	.944		
Stakeholder Influence Capacity	SIC1	.809	.966	.722
	SIC10	.870		
	SIC11	.821		
	SIC2	.868		
	SIC3	.815		
	SIC4	.882		
	SIC5	.893		
	SIC6	.878		
	SIC7	.834		
	SIC8	.815		
	SIC9	.854		
Supplier Relation	SUR1	.890	.948	.786
	SUR2	.904		
	SUR3	.920		
	SUR4	.890		
	SUR5	.825		

As shown in Table 7.12, the composite reliability of the study ranges from 0.922 to 0.966. The reliability varies from 0 to 1 with the high value indicating more reliability but the minimum threshold was stated to be 0.70 (Bagozzi & Yi, 1988; Hair *et al.*, 2014). Therefore, it can be concluded that the items have achieved internal consistency evidenced by the higher composite reliability attained by the constructs.

7.10.1.2 Assessment of convergent validity

Convergent validity is concerned with the extent to which an item correlates positively with other items that are measuring the same construct (Hair *et al.*, 2014). The multiple items on a single construct are regarded as different ways of measuring the same variable. Therefore, the items are expected to share a significant amount of variance (Hair *et al.*, 2014). The average variance extracted (AVE) and the outer loading of items are considered in order to establish convergent validity.

The items that have higher loading on a construct are indicating that they have common attributes that are captured by the construct (Hair *et al.*, 2014). The rule of thumb is that the outer loading of each item should be up to 0.708 or above (Hair *et al.*, 2014). Due to the observance of weaker loadings by researchers in social sciences studies, the rule of thumb is revisited to be the deletion of items loading less than 0.40, considering deletion of items loading between 0.40 and 0.70 and retaining items loading above 0.70. Items loading between 0.40 and 0.70 are deleted only if their deletion improves the composite reliability or AVE of the construct (Hair, Ringle & Sarstedt, 2011). Therefore, the outer loadings of the present study range from 0.809 to 0.944 for all the items.

The second method used to assess convergent validity is the average variance extracted (AVE). The outer loading establishes the existence of convergent validity at indicator level while the AVE does the same at construct level (Hair *et al.*, 2014). The AVE is the grand mean of the indicator's squared loadings (Hair *et al.*, 2014). The AVE of each construct should be at least 0.50 or more than, this indicates that it has explained at least 50% of the variance in its indicators (Hair *et al.*, 2014). The AVE of the study ranges from a minimum of 0.722 to a maximum of 0.865 for the constructs which are all above the minimum threshold of 0.50 as stated by Hair *et al.*, (2014), indicating adequate convergent validity.

7.10.1.3 Assessment of discriminant validity

Discriminant validity is explaining how a construct distinguishes itself from other constructs. It is the extent to which the construct of concern is truly distinct from another construct by empirical standard (Hair *et al.*, 2014). Discriminant validity is important in order to indicate that the construct is unique and captures phenomena not represented by another construct in the model (Hair *et al.*, 2014). There are 2 measures of discriminant validity; the cross-loadings and the Fornell-Larcker criterions.

The cross loading criterion establishes the discriminant validity if the outer loading of an item is higher on its associated construct than on other constructs of the study. Table 7.13 below presents the cross-loadings of the study.

Table 7.13
Cross loadings

	COM	CRE	EMP	ENV	FP	INR	SIC	SUR
COM1	**.878**	.626	.589	.630	.536	.563	.672	.621
COM2	**.934**	.683	.611	.725	.638	.627	.743	.707
COM3	**.928**	.694	.621	.743	.649	.592	.757	.733
COM4	**.866**	.683	.570	.606	.645	.550	.725	.699
CRE1	.638	**.888**	.636	.533	.627	.488	.595	.733
CRE2	.692	**.933**	.654	.641	.700	.598	.693	.796
CRE3	.720	**.929**	.685	.638	.677	.590	.703	.844
CRE4	.669	**.900**	.631	.657	.651	.593	.699	.840
EMP1	.590	.656	**.859**	.559	.625	.551	.695	.558
EMP2	.526	.650	**.883**	.512	.694	.578	.607	.624
EMP3	.611	.585	**.864**	.520	.615	.556	.616	.603
EMP5	.574	.572	**.858**	.438	.490	.465	.553	.529
ENV2	.682	.647	.540	**.931**	.676	.702	.744	.707
ENV4	.715	.615	.557	**.929**	.643	.695	.754	.609
FP01	.544	.590	.552	.605	**.900**	.621	.675	.547
FP02	.628	.636	.701	.635	**.886**	.682	.751	.632
FP03	.648	.651	.675	.680	**.899**	.719	.755	.654
FP04	.622	.625	.565	.646	**.895**	.635	.717	.642
FP05	.604	.690	.603	.585	**.877**	.569	.725	.673
FP06	.617	.691	.660	.631	**.886**	.688	.783	.658
INR1	.526	.513	.486	.604	.568	**.905**	.649	.576
INR2	.657	.628	.651	.768	.769	**.944**	.807	.620
SIC1	.676	.591	.525	.644	.648	.613	**.809**	.640
SIC10	.727	.673	.623	.704	.748	.691	**.870**	.692
SIC11	.694	.573	.582	.697	.668	.663	**.821**	.589
SIC2	.695	.669	.679	.720	.740	.767	**.868**	.675
SIC3	.655	.647	.568	.644	.672	.637	**.815**	.690
SIC4	.709	.586	.602	.730	.723	.716	**.882**	.625
SIC5	.690	.681	.704	.702	.758	.728	**.893**	.704
SIC6	.713	.734	.701	.712	.735	.652	**.878**	.726
SIC7	.668	.600	.560	.662	.724	.727	**.834**	.630
SIC8	.632	.550	.557	.627	.595	.540	**.815**	.574
SIC9	.652	.578	.576	.677	.690	.680	**.854**	.644
SUR1	.640	.838	.661	.549	.642	.535	.631	**.890**
SUR2	.666	.768	.522	.664	.671	.618	.712	**.904**
SUR3	.729	.795	.606	.647	.647	.608	.697	**.920**
SUR4	.666	.775	.612	.630	.621	.584	.696	**.890**
SUR5	.699	.731	.574	.642	.579	.521	.676	**.825**

All the indicators loaded very high on their associated constructs than on the others, indicating discriminant validity. Cross loading criterion of discriminant validity is considered liberal in establishing validity (Hair *et al.*, 2011).

The Fornell-Larcker criterion was considered the most conservative method of discriminant validity (Hair *et al.*, 2011). The square root of AVE is compared with the latent variable correlation to assess discriminant validity (Fornell & Larcker, 1981). The square root of AVE should be greater than the construct's correlation with other constructs to establish discriminant validity (Fornell & Larcker, 1981; Hair *et al.*, 2014). Table 7.14 below presents the square root of AVE and correlations of the constructs.

Table 7.14
Square root of Average variance extracted (AVE) and correlations

	COM	CRE	EMP	ENV	FP	INR	SIC	SUR
COM	**.902**							
CRE	.746	**.913**						
EMP	.663	.714	**.866**					
ENV	.751	.678	.590	**.930**				
FP	.687	.728	.706	.709	**.890**			
INR	.647	.624	.624	.751	.735	**.925**		
SIC	.804	.739	.717	.806	.827	.796	**.849**	
SUR	.767	.881	.670	.708	.714	.648	.771	**.886**

The square root of AVE (bold) ranges from 0.849 to 0.930 for all the constructs. The square root of AVE for all the constructs is higher than their correlations with other constructs. This indicates the attainment of discriminant validity.

7.10.2 Structural Model

After confirming the attainment of reliability and validity, the next step is to assess the structural model of the PLS-SEM result (Hair *et al.*, 2014). As stated above in Table 7.10, the structural model assesses the significance of the path coefficients, the level of R-squared value, level of effect size, the predictive relevance and the mediation effects of the variables. The hypotheses of the study are tested for both main and mediating effects in this section.

The study uses PLS bootstrapping to obtain the result using 500 samples and 99 cases. The use of 500 samples as against the usual 5000 is due to the empirical conclusions of Sharma and Kim (2013), that smaller samples in PLS-SEM bootstrapping leads to smaller bias and root mean squared deviation (RMSD) than larger bootstrapping samples. The figure below presents the structural model of the study.

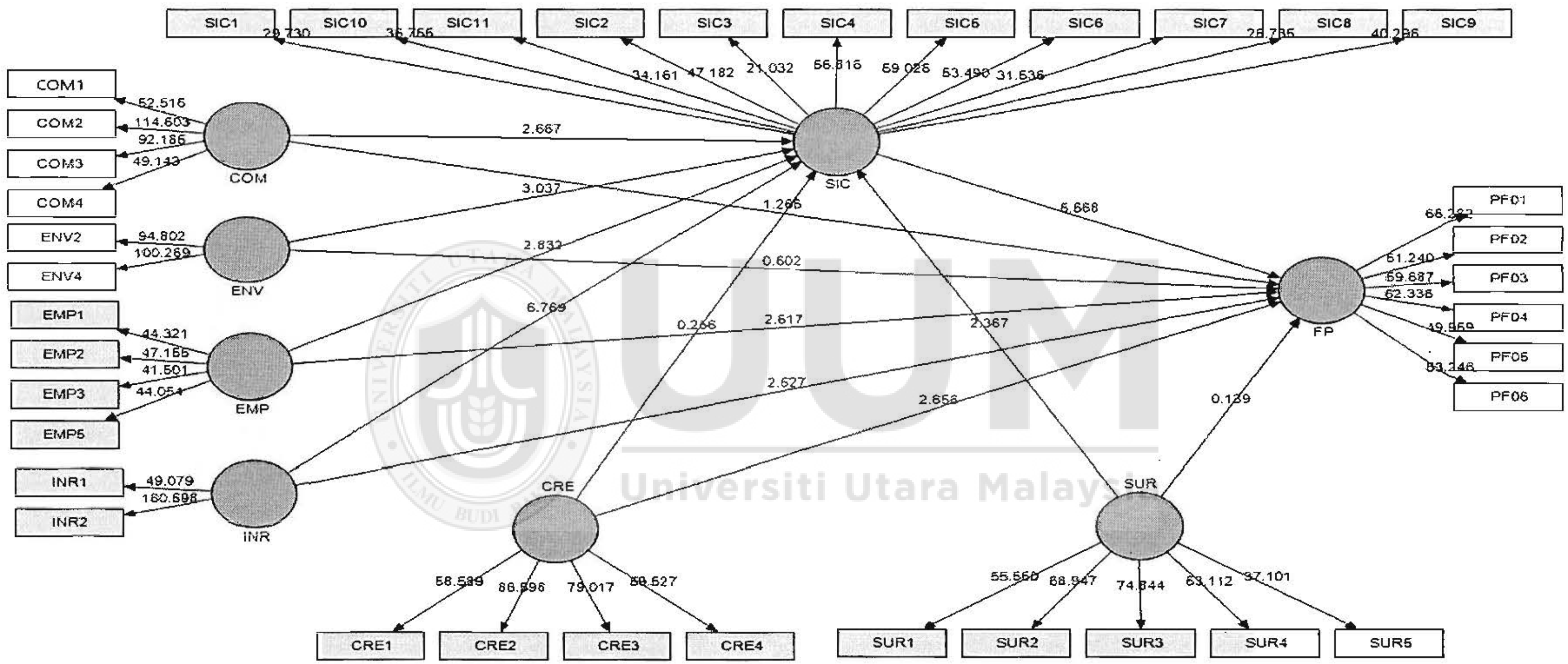

Figure 7.3
Structural model of the study

In order to test how well the model fit the data or to test the theory empirically, the hypotheses of the study are stated followed by the assessment of each hypothesis based on the empirical result as to whether it is supported and significant or not.

7.10.2.1 Tested Hypotheses of the Study

The hypotheses of the study are stated below which comprises of direct relationship hypotheses that are up to 13 in number and 6 mediated relation hypotheses.

7.10.2.2 Direct relationship hypotheses

As stated above, the direct relationship hypotheses were 13 based on the study's model, 6 were directly from the exogenous variables of the study to the endogenous variables. Additionally, there are another 6 hypotheses on the relationship between exogenous to mediator variables, and finally 1 from the mediator to the endogenous variable. The hypotheses were stated as follows;

Hypothesis 1: Community relation is positively related with financial performance

Hypothesis 2: Environmental concern is positively related with financial performance

Hypothesis 3: Employee relation is positively related with financial performance

Hypothesis 4: Investor relation is positively related with financial performance

Hypothesis 5: Customer relation is positively related with financial performance

Hypothesis 6: Supplier relation is positively related with financial performance

Hypothesis 7: Community relation is positively related with SIC

Hypothesis 8: Environmental concern is positively related with SIC

Hypothesis 9: Employee relation is positively related with SIC

Hypothesis 10: Investor relation is positively related with SIC

Hypothesis 11: Customer relation is positively related with SIC

Hypothesis 12: Supplier relation is positively related with SIC

Hypothesis 13: SIC is positively related with financial performance

7.10.2.3 Mediating relationship Hypotheses

The study further hypothesized that SIC explains the process through which the CSR dimensions leads to financial performance. This section, therefore, states the mediated hypotheses of the study

Hypothesis 14: SIC mediates the relationship between community relation and financial performance

Hypothesis 15: SIC mediates the relationship between environmental concern and financial performance

Hypothesis 16: SIC mediates the relationship between employee relation and financial performance

Hypothesis 17: SIC mediates the relationship between investor relation and financial performance

Hypothesis 18: SIC mediates the relationship between customer relation and financial performance

Hypothesis 19: SIC mediates the relationship between supplier relation and financial performance

7.10.2.4 Direct relationship

PLS-SEM analysis is conducted in order to test the relationship between the exogenous variables and the endogenous variable. The role played by each exogenous variable in explaining the endogenous variable is represented by the coefficients (Beta) values obtainable after running the PLS algorithms (Chin, 1998). This research sets the significance level at $P<0.05$ and $P<0.01$ as suggested by Hair *et al.* (2010).

The full result of the model is presented in figure 7.3 and Table 7.15. Hypotheses 1 to 6 predicts the relationship between the exogenous and endogenous variables while hypotheses 7 to 12 predicts the relationship between exogenous and mediator variables. Additionally, a final hypothesis under the direct relationship is hypothesis 13 which predicts the relationship between the mediator and endogenous variable.

Table 7.15
Summary of Results

Hypotheses	Path	Beta	S.E	T-Stat	P Value	Decision
H1	COM -> FP	-.076	.060	1.266	.104	N
H2	ENV -> FP	.044	.072	.602	.274	N
H3	EMP -> FP	.151	.058***	2.617	.005	S
H4	INR -> FP	.156	.062***	2.527	.007	S
H5	CRE -> FP	.210	.079***	2.656	.005	S
H6	SUR -> FP	-.011	.076	.139	.445	N
H7	COM -> SIC	.251	.094***	2.667	.004	S
H8	ENV -> SIC	.212	.070***	3.037	.002	S
H9	EMP -> SIC	.156	.055***	2.832	.003	S
H10	INR -> SIC	.291	.043***	6.769	.000	S
H11	CRE -> SIC	-.018	.071	.256	.399	N
H12	SUR -> SIC	.151	.064***	2.367	.010	S
H13	SIC -> FP	.473	.085***	5.568	.000	S
H14	COM->SIC->FP	.112	.046**	2.403	.018	S
H15	ENV->SIC->FP	.103	.042**	2.474	.015	S
H16	EMP->SIC->FP	.075	.030**	2.501	.014	S
H17	INR->SIC->FP	.139	.033***	4.175	.000	S
H18	CRE->SIC->FP	-.004	.034	-.123	.903	N
H19	SUR->SIC->FP	.074	.032**	2.274	.025	S

Where; N = Non supported, S = Supported

Hypothesis 1 proposes that a positive relationship exists between community relation and financial performance. The result reveals a negative and non-significant relationship between community relation and financial performance (β = -0.076, t = 1.266, p = 0.104), not supporting hypothesis 1. Similarly, hypothesis 2 predicts a positive relationship between environmental concern and financial performance. The result shows a positive relationship but not up to significant level (β = 0.044, t = 0.602, p = 0.274), therefore rejecting hypothesis 2.

Hypothesis 3 advances that employee relation leads to positive financial performance. The result is in line with the hypothesis where it reveals a positive and significant relationship between the construct (β = 0.151, t = 2.617, p = 0.005), thereby supporting the hypothesis. So also, hypothesis 4 predicts a positive relationship between investor relation and financial performance. The result provides support for this hypothesis as it reveals that ($\beta = 0.156$, $t = 2.527$, $p = 0.007$) the relationship is positive and significant leading to acceptance of hypothesis 4.

Hypothesis 5 predicts that customer relation leads to a better financial performance. The result shows a positive and significant relationship between the constructs ($\beta = 0.210$, $t = 2.656$, $p = 0.005$), therefore this hypothesis is supported. Similarly, hypothesis 6 proposes that supplier relation has a positive relation with the financial performance but the result reveals a negative and non-significant relationship between the constructs ($\beta = -0.011$, $t = 0.139$, $p = 0.445$), therefore leading to rejection of the hypothesis.

The relationship between the 6 exogenous variables and the mediator is tested and assessed in hypotheses 7 to 12. Hypothesis 7 is on the relationship between community relation and stakeholder influence capacity (SIC). The study predicts a significant positive relationship between the two variables. The result ($\beta = 0.251$, $t = 2.667$, $p = 0.004$) shows a strong support for the hypothesis as the relationship is positive and significant, therefore, hypothesis 7 is accepted. Furthermore, the positive relationship between environmental concern and SIC is proposed by hypothesis 8 which is also supported by the empirical result. The study reveals a positive and significant relationship between the constructs as shown by the result ($\beta = 0.212$, $t = 3.037$, $p = 0.002$).

The relationship between employee relation and SIC is proposed by hypothesis 9 to be positive and significant. The result ($\beta = 0.156$, $t = 2.832$, $p = 0.003$) show a very good support for the hypothesis, and, as a result, hypothesis, 9 is accepted. Hypothesis 10 predicts a positive relationship between investor relation and SIC. The result ($\beta = 0.291$, $t = 6.769$, $p = 0.000$) reveals a positive and significant relationship between the constructs. This result supported the predicted relationship of hypothesis 10.

The result of hypothesis 11 ($\beta = -0.018$, $t = 0.256$, $p = 0.399$) indicates that there is a negative insignificant relationship between customer relation and SIC. This result does not support the predicted hypothesis, as such, hypothesis 11 is rejected. Hypothesis 12 predicted a significant relationship between supplier relation and SIC. The result ($\beta = 0.151$, $t = 2.367$, $p = 0.010$) shows support for the hypothesis as it was positive and significant between the constructs.

Hypothesis 13 predicted the relationship between the mediator (SIC) and the endogenous variable. The hypothesis proposes that a significant positive relationship between SIC and financial performance. The result ($\beta = 0.473$, $t = 5.568$, $p = 0.000$) shows that SIC is having a strong positive relation with financial performance.

7.10.2.5 Mediating relationship

The present study is conducted on the role of SIC in the relationship between CSR dimensions and financial performance. There are several methods for testing mediation which includes causal steps method widely known as Baron and Kenny approach (Baron & Kenny, 1986), product of coefficient method or Sobel test (Sobel, 1982), the distribution of the product approach (Mckinnon, Fairchild & Fritz, 2007) and bootstrapping method (Preacher & Hayes, 2004). The study uses the bootstrapping method which is considered the most recent method (Hayes, 2009). This method generates an empirical representation of the distribution of indirect effect's samples (Rucker, Preacher, Tormala & Petty, 2011).

The bootstrapping method is used in this study due to its advantage over the rest of the meditation methods. For example, the Baron and Kenny causal method fail to include standard errors in their mediation analysis (Hayes & Preacher, 2010). The Sobel test method requires normal sample distribution of the indirect effect (Preacher & Hayes, 2007), and the distribution of the product strategy technique also require a normal sampling distribution (Hayes, 2009).

The bootstrapping method takes care of the above problems (Shrout & Bolger, 2002; Zhao *et al.*, 2010). The method does not require any assumption on the sampling distribution of indirect effect (Hayes & Preacher, 2010; Preacher & Hayes, 2008), therefore, it is generally concluded that bootstrapping method is used to test mediation analysis (Hair Jr. *et al.*, 2013; Hayes & Preacher, 2010).

The method starts by estimating the path model of the direct relationship between the exogenous and the endogenous variables using PLS algorithms and bootstrapping (Hair Jr. *et al.*, 2013). Secondly, the model is estimated with the mediator variable to assess whether the paths are significant or not. Finally, the product of the coefficients of the relationship between the exogenous and the mediator variables, and the mediator to endogenous variables known as paths a and b respectively are divided by standard error of the paths to determine the significance of the indirect effect$[\frac{(a x b)}{S a b}]$.

The study tests the mediation effect of stakeholder influence capacity (SIC) on the relationship between CSR dimensions such as community, environment, employee, investor, customer and supplier relations on financial performance using the bootstrapping method with 99 cases and 500 subsamples.

As stated above in the direct relation section, the significance level of the study is $p < 0.05$ and $p < 0.01$ as suggested by hair *et al.* (2010). The result of the complete model is presented in figure 7.3 and Table 7.15. The assessments of the mediated relationships which are stated in hypothesis 14 to 19 are presented below.

Hypothesis 14 predicts that SIC can mediate the relationship between community relation and financial performance. The result (β = 0.112, t = 2.403, p = 0.018) indicates that SIC can significantly mediate this relationship. Hypothesis 15 proposes that SIC can explain how environmental concern leads to improved financial performance. The result (β = 0.103, t = 2.474, p = 0.015) supports this hypothesis as it indicates that SIC mediates the relationship between environmental concern and financial performance.

The result of hypothesis 16 (β = 0.075, t = 2.501, p = 0.014) shows support for its predicted relationship. The hypothesis predicted that SIC can mediate the relationship between employee relation and financial performance. It indicates that SIC significantly mediates the employee relations and financial performance relationship. Hypothesis 17 proposes that SIC can mediate the relationship between investor relation and financial performance. The result ($\beta = 0.139$, $t = 4.175$, $p = 0.000$) shows a strong support for the hypothesis. The result suggests that SIC can significantly mediate the relationship between the constructs.

Hypothesis 18 predicts that SIC can mediate the relationship between customer relation and financial performance. The result shows that SIC does not mediate the customer relation – financial performance relationship. This result ($\beta = -0.004$, $t = -0.123$, $p = 0.903$) leads to the rejection of hypothesis 18. Unlike hypothesis 18, hypothesis 19 is supported. The study predicts that SIC can mediate the supplier relation – financial performance relationship in hypothesis 19. The result ($\beta = 0.074$, $t = 2.274$, $p = 0.025$) as pre-empted, supported the hypothesis and strongly suggests that SIC mediates the relationship.

The study under review proposes 19 hypotheses in total out of which 13 proposes direct, and 6 on mediating relationships. For all the direct relationship, 9 were supported and 4 were rejected while for the mediating relationships, 5 were supported and 1 is rejected. The total hypothesis supported were 14 and 5 rejected.

7.10.2.6 Assessment of the level of R-squared value

Assessment of the R-squared value is one of the criterions for structural model assessment in PLS-SEM (Hair *et al.*, 2014). This value also known as the coefficient of determination indicates the proportion of variations in the endogenous variable that is explained by the exogenous variable (Hair *et al.*, 2006; Hair *et al.*, 2010). The higher the R-squared, the higher will be the predictive accuracy of the exogenous variables on the endogenous variable (Hair *et al.*, 2014). Although it is difficult to determine any rule of thumb for R-squared, some researchers have shared some light that guides its assessment. The proposal of R-square of 0.10 and above as acceptable according to Falk and Miller (1992), the consideration of R-squared of 0.67, 0.33 and 0.19 as substantial, moderate and weak respectively by Chin (1998) in PLS-SEM studies. The last assessment of R-squared was that of Hair *et al.* (2011) and Henseler (2009) who state that R-squared value of 0.75, 0.50 and 0.25 is considered substantial, moderate and weak respectively in marketing and related fields.

The R-squared value is sensitive to a number of exogenous variables in the model, as a result, the value may be biased (Hair *et al.*, 2014). There is the need to adjust the R-square value to take care of the number of the exogenous variables especially when assessing and comparing different models (Hair *et al.*, 2014). The adjusted R-squared can take care of the limitations of the R-squared although the adjusted R-squared cannot be interpreted (Hair *et al.*, 2014).

The study therefore, computed its R-squared using the PLS-SEM algorithms, and the adjusted R-squared manually using the following formula as provided by Hair *et al.* (2014). $R^2_{adj} = 1 - (1 - R^2) . \frac{n-1}{n-k-1}$

Where n=sample size and k = a number of exogenous latent variables used to predict the endogenous latent variable considered.

The study has 2 endogenous variables, i.e. financial performance and stakeholder influence capacity (SIC). Table 7.16 below presents the study's R-squared and adjusted R-squared values.

Table 7.16
Coefficient of Determination (R^2) of the study

Construct	R-squared (R^2)	Adjusted R-squared (R^2_{adj})
Financial performance	73.6 %	66.8%
Stakeholder influence capacity	81.9%	80.3%

The exogenous variables of the study explain up to 73.6% of the variability in financial performance, and they also explain up to 81.9% of the variations in SIC. Therefore based on Table 7.16 above on R-squared, the endogenous variables of the study achieves an acceptable level of R-squared under all of the aforementioned literature i.e. Folk and Miller (1992), Chin (1998), Henseler (2009) and Hair *et al.* (2011).

7.10.2.7 Assessment of effect size (f^2)

The R-squared value assesses the overall effect of all exogenous variables on the endogenous variable. In order to assess the individual effects of the exogenous variables on the endogenous, the use of f^2 effect size is enormous. This method assesses the change in R-squared (R^2) value after omitting a specific exogenous variable to assess the impact of that exogenous variable on the endogenous variable

(Hair *et al.*, 2014). The effect size is calculated using the formula below (Wilson, Challaghan, Ringle & Henseler, 2007).

$$f^2 effect\ size = \frac{R^2 included - R^2 excluded}{1 - R^2 included}$$

According to Cohen (1988), f^2 values of 0.02, 0.15 and 0.35 represent small, moderate and large effect sizes respectively. Table 7.17 below presents the effect sizes of the exogenous variables on the endogenous variable.

Table 7.17
Effect size of latent variable

Endogenous	Exogenous	R-squared Included	R-squared Excluded	f-squared	Effect size
FP	COM	.736	.735	.004	None
	CRE	.736	.728	.030	Small
	EMP	.736	.727	.034	Small
	ENV	.736	.736	.000	None
	INR	.736	.728	.030	Small
	SIC	.736	.698	.144	Small
	SUR	.736	.736	.000	None
SIC	COM	.819	.800	.105	Small
	CRE	.819	.819	.000	None
	EMP	.819	.809	.055	Small
	ENV	.819	.806	.072	Small
	INR	.819	.787	.177	Moderate
	SUR	.819	.815	.022	Small

The effect size as presented in Table 7.17 shows that community, customer and employee relations has effect sizes of 0.004, 0.030 and 0.034 respectively. Based on the interpretation of Cohen (1988), their effects size on financial performance is none, small and small respectively. Environmental concerns, investor relation, SIC and supplier relation has effect sizes of 0.000, 0.030, 0.144 and 0.000 respectively. Based on Cohen (1988), the exogenous variables are having none, small, small and none effect sizes respectively on financial performance. The effect of the exogenous variables on the mediator variable (SIC) was also assessed. As presented in the same Table (7.17), community relation, customer relation, and employee relation have effect size values of 0.105, 0.000 and 0.055 respectively on SIC. Therefore considering the interpretation of Cohen (1988) the latent exogenous variables has small, none and small effect sizes respectively on SIC. Additionally, environmental concern, investor relation, and supplier relation have effect sizes of 0.072, 0.177 and 0.022 respectively. This shows that they have a small, moderate and small effect sizes respectively on SIC based on Cohen (1988), interpretations.

7.10.2.8 Assessment of predictive relevance (Q^2)

In addition to R^2 assessment, it is strongly recommended to also assess the predictive relevance of the model using Stone-Geisser's Q^2 value (Hair *et al.*, 2014). The Geisser (1974), and Stone (1974), test of predictive relevance is considered as a supplementary assessment of goodness of fit in PLS-SEM (Duarte & Raposo, 2010). The predictive relevance is estimated using blindfolding which omits some data points in the endogenous variable and replaces them with mean values, repeating the same until all data points are omitted and replaced, then it compares the true values (omitted) and the predicted values to assess the predictive accuracy of the model (Henseler *et al.*, 2009; Hair *et al.*, 2014). Where the Q^2 value of an endogenous variable is greater than zero, it indicates the predictive relevance of the model for that constructs (Henseler, 2009). The present study applied a cross-validated redundancy approach to calculating the blindfolding predictive relevance of the model which is presented in Table 7.18 below.

Table 7.18
Q^2 *Predictive relevance*

Total	SSO	SSE	1-SSE/SSO
FP	594	250.079557	.579
SIC	1089	446.430612	.590

The cross-validated redundancy (1-SSE/SSO) in Table 7.18 for financial performance and SIC was 0.579 and 0.590 respectively. The values for both endogenous variables are greater than zero, indicating the predictive relevance of the model (Hair *et al.*, 2014; Henseler, 2009). The findings of this study were summarized below in Table 7.19.

Table 7.19
Summary of findings

S/N	Path	Expected sign	Findings P-value	Direction
1	COM->FP	+	.104	(-) Not supported
2	ENV->FP	+	.274	(+) Not supported
3	EMP->FP	+	.005	(+) Supported
4	INR->FP	+	.007	(+) Supported
5	CRE->FP	+	.005	(+) Supported
6	SUR->FP	+	.445	(-) Not supported
7	COM->SIC	+	.004	(+) Supported
8	ENV->SIC	+	.002	(+) Supported
9	EMP->SIC	+	.003	(+) Supported
10	INR->SIC	+	.000	(+) Supported
11	CRE-SIC	+	.399	(-) Not supported
12	SUR->SIC	+	.010	(+) Supported
13	SIC->FP	+	.000	(+) Supported
14	COM->SIC->FP	+	.018	(+) Supported
15	ENV->SIC->FP	+	.015	(+) Supported
16	EMP->SIC->FP	+	.014	(+) Supported
17	INR->SIC->FP	+	.000	(+) Supported
18	CRE-SIC->FP	+	.903	(-) Not supported
19	SUR->SIC->FP	+	.025	(+) Supported

7.11 Chapter Summary

This section has presented the results and findings of this study. The chapter presents the response analysis of the study, non-response and common method bias, how the data is coded among others. Furthermore, the data screening is also presented which also tests all the regression assumptions of the study. Additionally, the respondents' profiles are presented, followed by descriptive analysis of latent variables and confirmatory factor analysis. The chapter presents the measurement model of the study where the validity and reliability of the data are tested. Moreover, the structural model of the study is also presented under which the results of the study are presented based on hypotheses developed in the study. And the coefficient of determination (R2), effect size and predictive relevance of the study are discussed.

CHAPTER EIGHT

DISCUSSION, RECOMMENDATION, AND CONCLUSION

8.1 Introduction

This chapter is on the discussion of the empirical findings of the study, relative to the research questions, objectives and hypotheses developed. Previous literature that supports the result is also discussed. The contributions and implications of the study findings to both the theory and practice are highlighted and discussed. Finally, the limitations and direction for future studies in the area are offered as a concluding remark.

The study, therefore, examines the mediating effect of stakeholder influence capacity on the relationship between corporate social responsibility dimensions, i.e. community relation, environmental concern, employee relation, investor relation, customer relation, supplier relation and financial performance among Nigerian listed companies. The study has a total of 19 hypotheses which are tested, and the result supports 14 hypotheses (9 for the direct and 5 for the mediating). The result is presented in chapter 6 and its discussion is presented in the following sections based on the study's research objectives.

8.2 Discussion of findings

Based on the previous literature, the study proposes a mediating effect of SIC in the relationship between CSR dimensions and financial performance. The empirical findings of the study show a positive and negative relationship between the CSR dimensions and financial performance (direct relationship) and also between CSR dimensions and financial performance through a mediator SIC (indirect relationship). Mostly the negative relationships are not significant and almost all the positives are significant with the exception of 1 which is positive and insignificant. The study's discussions of findings which are presented based on objectives of the study are as could be seen below.

8.2.1 Relationship between CSR and financial performance

The first objective of this study is to examine the relationship between 6 CSR dimensions and financial performance. In order to achieve this objective, 6 hypotheses are proposed and tested. The result of the hypotheses test reveals that half of the 6 dimensions of CSR (employee, investor and customer relations) are significantly related to financial performance. The second half (community, environment and supplier) are not having a significant relation with financial performance in the Nigerian context. The discussion on the direct relationship between CSR dimensions and financial performance are as follows.

8.2.1.1 Relationship between community relation and financial performance

The hypothesis regarding the relationship between community relation and financial performance was tested and the result was not in support of the hypothesis. It is proposed that community relation will have a positive and significant relationship with financial performance. The result shows an insignificant negative relationship between the two constructs. This result is in line with Inoue and Lee (2011) that find a significant negative relationship between community dimension of CSR and return on asset (ROA). The result is also similar to that of Brammer, Brooks and Pavelin (2006) that find a negative correlation between community dimension and share returns. Additionally, Oba (2011) finds a similar result where a negative relationship was reported between a charitable contribution and Tobin's q, and also an insignificant positive relationship between community CSR and Tobin's q. The possible explanation of this finding is that the sample of the present study is a combination of all the 11 industries in the Nigerian stock exchange. The strategic implication of each dimension of CSR depends on the connectedness of the firm's business activities and the CSR (Porter & Kramer, 2006). Therefore, in the present study, some of the industries have direct link to community and some do not, and most likely may affect the effect to be negative. There are several studies that report an insignificant positive relationship between community dimension of CSR and various measures of financial performance (Berman *et al.*, 1999; Hettiarachchi & Gunawardana, 2012; Rodgers, Choy & Guiral, 2013). Berman *et al.* (1999), reports an insignificant relationship between community dimension and ROA. In addition, Hettiarachchi and Gunawardana (2012) find an insignificant relationship between community dimension and ROA.

A similar result is reported by Rodgers *et al.* (2013), between community dimension and financial health. This result indicates that Nigerian listed companies perceive that community relations have an inverse relationship with their profitability. This is also reported by previous studies that firms in Nigeria consider CSR as a reduction to their profitability (Nwachukwu, 2009). According to a study, more than 70% of Nigerian firms practice philanthropic CSR as against strategic. Meaning that they are not expecting any returns from their CSR (Ojo, 2009). Similarly, some other previous studies on Nigerian CSR reports that it is aimed at addressing socio-economic challenges (Alawiye-Adams & Afolabi, 2014; Amaeshi, Adi, Ogbechie, & Amao, 2006; Helg, 2007; Obalola, 2008). This may be the reason why they consider community relation as an impidement to their profitability.

8.2.1.2 Relationship between environmental concern and financial performance

The hypothesis between environmental concern and financial performance is tested and the result is not significant as proposed in the hypothesis. The study hypothesized a positive and significant relationship between environmental concern and financial performance. The result reveals a positive but insignificant relationship between the 2 constructs. This result is similar to Inoue and Lee (2011), that report an insignificant relationship between the environmental dimension of CSR and both ROA and Tobin's q. in the airline industry. Additionally, Berman *et al.* (1999) also reported another insignificant relationship between the environmental dimension of CSR and ROA. Furthermore, the empirical findings of Hettiarachchi and Gunawardana (2012) reported an insignificant relationship between the environmental dimension of CSR and both ROA and Tobin's q. Some critics even report a negative relationship between environmental concern dimension of CSR and financial performance.

Hillman and Kiem (2001), report an insignificant negative relation between an environmental dimension of CSR and market value added (MVA). The result is similar to Brammer, Brooks and Pavelin (2006), who report a negative correlation between the environmental dimension of CSR and share returns. Additionally, Connier and Madnan (1997) also report an inverse relationship between pollution control record and market value. The possible explanation to the insignificant relationship is due to the fact that environment is considered as an institutional stakeholder that has relatively low direct resource exchange with the firm (Mattingly & Berman, 2006). Donaldson and Preston (1995) argue that firms engaged in environmental concern CSR to fulfil their normative expectation not instrumental goal.

8.2.1.3 Relationship between employee relation and financial performance

The hypothesis between employee relation of CSR and financial performance is tested and the result is in favor of the hypothesis. The study hypothesizes a positive and significant relationship between employee dimension of CSR and financial performance. The result finds that employee dimension of CSR is strongly related to financial performance. This result is similar to that of previous studies that reported a positive relationship between employee dimension of CSR and financial performance (Abdulrahman, 2014; Attig, El-Ghoul, Guedhami & Suh, 2013; Boesso & Michelon, 2010; Inoue & Lee, 2011; Hillman & Kiem, 2001; Rodgers, Choy & Guiral, 2013; Uadiale & Fagbemi, 2012). This result confirms the assertion of instrumental stakeholder theory that states that good relationship with the employee and other stakeholders lead to a favorable financial outcome (Jones, 1995). The result suggests that Nigerian firms perceive a strong relationship between employee dimension of CSR and financial performance. In another explanation, Nigerian firms do have a favorable financial performance from maintenance of a good relationship with their employees.

8.2.1.4 Relationship between investor relation and financial performance

The relationship between investor dimension of CSR and financial performance is hypothesized to be positive and significant. The hypothesis is tested and the result has strongly validated the hypothesis. The study finds a positive and significant relationship between the constructs. The investor relation is proxy using corporate governance mechanisms for studies using secondary data within CSR literature. This is because several studies have justified that investors are more interested in more governed firm compared to their non-governed counterpart (Graves & Waddock, 1994). Additionally, investors prefer to pay a premium price to purchase shares of more governed firms than non-governed ones (Coombes & Watson, 2000). Although this study uses a questionnaire that measures actual investor relation, the previous studies that it makes reference to, considers CG to proxy for investor's interest in the firm. Therefore, this discussion is largely on CG as it is in the hypothesis development section.

This result is in line with studies that find a positive relationship between investor dimension of CSR (CG) and financial performance. Specifically, a positive relation is reported between corporate governance (as a composite) and firm value (Brown & Caylor, 2006; Chhaochharia & Laeven, 2009; Durnev & Kim, 2005; Klapper & Love, 2004). In addition, a positive association is also reported by studies on individual CG attributes i.e. Rechner and Datton (1991), on separation of CEO and board chairperson with ROE, ROS and profit margin. Furthermore, some critics also report a positive influence of a number of independent directors with profitability (Baysinger & Butler, 1985; Ezzamel & Watson, 1993; Pearce & Zahra, 1992). The result of this study provides additional support for the argument of instrumental stakeholder theory by proving the fact that managing good relationship with the investors pays the firm financially. The result shows that Nigerian listed firms perceive a strong positive relationship between their CSR to investors and their financial performance.

8.2.1.5 Relationship between customer relation and financial performance

This research hypothesizes a strong positive relationship between customer dimension of CSR and financial performance. The hypothesis is tested and the result is fully in support of the hypothesis. The result reveals a positive significant relationship between customer relation and financial performance. This result concurs with the findings of previous studies (Inoue & Lee, 2011; Berman *et al.*, 1999; Rodgers, Choy & Guiral, 2013; Attig *et al.*, 2013; Bulus & Ango, 2012). This indicates that Nigerian listed companies are of the opinion that they benefit the good treatment they give their customers. This result provides additional support for instrumental stakeholder theory that proposed a positive relationship between CSR and financial performance. It is also proved that maintenance of relationship based on trust and cooperation with stakeholders including customers leads to a favorable financial reward.

8.2.1.6 Relationship between supplier relation and financial performance

This study hypothesizes a positive significant relationship between supplier dimension of CSR and financial performance. The result of the tested hypothesis revealed a negative insignificant relationship between the constructs. It is indicating that Nigerian listed companies perceived a negative relationship between their maintenance of good ties with suppliers and their profitability. The outcome is against the hypothesized relationship. It opposes many studies (Al-Abdallah *et al.*, 2014; Scannell *et al.*, 2000; Wisner, 2003) that report a positive relationship between the constructs. This may be due to contextual issues since the Nigerian environment is characterized by a high level of corruption that bedevils not only public but also, the private sector of the economy as evidenced by their world ranking of 136 in corruption perception index (CPI) as reported by transparency international (https://www.transparency.org/cpi2015).

Corporate management is interested in supplying and executing contracts by themselves or their associates due to corruption as reported. It is reported that management of some banks in Nigeria created more than 100 fake companies for the purposes of executing contracts, obtaining loans from depositor's money or perpetrating fraud (Sanusi, 2010). In addition, Nigeria is a country of more than 170 million citizens (CIA fact book, 2015), and with many highly talented and most of which are struggling for survival. The possible reason for a negative relationship between the supplier relation in this study and performance may be because there are more suppliers in the country than the firms, this therefore leads to competition. The supply side of supplier services outweighs the demand for it; this reduces the relevance for the supplier to the organization.

8.2.2 Relationship between CSR and SIC

The second objective of this study is to examine the relationship between the 6 CSR dimensions and SIC. To be able to achieve this objective, additional 6 hypotheses were proposed and tested, one for each individual CSR dimension. The result of these tested hypotheses reveals that 5 out of the 6 CSR dimensions (community relation, environmental concern, employee relation, investor relation and supplier relation) have a significant positive relationship with SIC. Only customer relation is negative and insignificantly related with SIC. The discussions on the direct effect of CSR dimensions and SIC stated in the following sections.

8.2.2.1 Relationship between community relation and SIC

In order to examine the effect of community relation and SIC, it is hypothesized that community relation has a significant positive relationship with SIC. The result of the tested hypothesis discloses that community relation has a strong relationship with SIC. This is explaining that Nigerian companies perceive that maintaining a good relationship with their immediate community creates an intangible asset called SIC. SIC enables the firm to identify, act on and exploit stakeholder relationships (Barnett, 2007). It is created through consistent CSR (community relation) practices that accumulate and give the firm a good image in the eyes of stakeholders (community). To the best knowledge of the researcher, this result is the first of its kind, therefore, does not coincide or contradict the findings of any study.

The finding is in line with so many theoretical arguments (Jones, 1995; Barnett, 2007; Barnett & Salomon, 2012) that CSR creates an intangible asset that benefits the firm. It also confirms the theoretical proposition developed by Karaye, Ishak, and Che-Adam, (2014), that CSR have a positive and significant relationship with SIC.

8.2.2.2 Relationship between environmental concern and SIC

The research hypothesizes a positive significant relationship between environmental concern and SIC. The result of the tested hypothesis is strongly supported, as it reveals a significant positive relationship between the constructs. This means that Nigerian companies supposed that their environmental concern generates an intangible asset for them named SIC. As stated above, SIC is a construct that represents the firm's ability to identify, act on and benefit from opportunities to improve stakeholder relationship through CSR (Barnett, 2007; Barnett & Salomon, 2012). Therefore, this signifies the firm's acceptance that environmental concern creates an image that enables them to benefit from their CSR activities.

The findings do not concur or contradict any study as explained above since there are no previous studies on this relationship to the best of the researcher's knowledge. The result is in line with the theoretical arguments of Barnett (2007), and Barnett and Salomon (2012), that consistent CSR (environmental concern) builds an asset termed SIC. They also state that SIC gives the firm a very good image that offers an opportunity to exploit stakeholder favor. In addition, the result confirms the theoretical argument of Karaye, Ishak and Che-Adam (2014) that CSR (environmental concern) leads to SIC.

8.2.2.3 Relationship between employee relation and SIC

Another hypothesis that is tested is that of a positive significant relationship of employee relation and SIC. The empirical result indicates a very good support for the hypothesis. It reveals a significant positive relationship between employee dimension of CSR and SIC. This shows that Nigerian listed companies perceived that their CSR on employee relation creates an intangible asset SIC. It is a construct that suggests the ability of a firm to identify, act and exploit stakeholder relationship through CSR (Barnett, 2007; Barnett & Salomon, 2012). This result highlighted that Nigerian firms believe that CSR on employee relation adds to their good relationship with their stakeholders.

This result does not accord or contrasts the findings of any previous study known to this researcher, therefore, this study is, to the utmost knowledge of this researcher, is the first to examine this relationship. But the result coincides with the theoretical propositions of Barnett (2007) and Barnett and Salomon (2012) which provides that CSR (employee relation) over time creates SIC and it enables the firm to exploit stakeholder favor. This result confirms the theoretical argument of Karaye, Zuaini and Che-Adam (2014) that CSR (employee relation) leads to SIC. *et al*

8.2.2.4 Relationship between investor relation and SIC

A significant positive relationship between investor relation and SIC is hypothesized and tested in the study. The empirical result reveals a positive and significant relationship between the constructs. This indicates that Nigerian companies perceive that their CSR on investor relation creates an intangible asset for them that is referred to as SIC. It is theoretically believed that SIC is created through consistent engagement in CSR activities (Barnett, 2007; Barnett & Salomon, 2012). Therefore by extension, Nigerian firms acknowledge the importance of CSR in investor relation in boosting the good relationship between the firm and their stakeholders.

This empirical result have no position on the findings of any study since to the best knowledge of this researcher, there is no previous study on the relationship between these constructs. However, it concurs with the theoretical thoughts of Barnett (2007), and Barnett and Salomon (2012), which hold that consistent CSR creates SIC stock. It also provides support for the theoretical proposition of Karaye, Ishak and Che-Adam (2014), that CSR improves the good relationship between the firm and it stakeholders and creates SIC asset for the firm.

8.2.2.5 Relationship between customer relation and SIC

The relationship between customer relation and SIC is hypothesized and tested. The empirical result reveals a negative insignificant relation between the constructs. It suggests that Nigerian companies do not perceive CSR in customer relation do creat SIC stock for the firm. It is theoretically argued that consistent CSR creates SIC stock for the firm (Barnett, 2007; Barnett & Salomon, 2012).

This empirical finding also takes no stand on any previous study since, to the best knowledge of the researcher, there are no previous studies on this relationship. On the other hand, it disagrees with the theoretical proposition of Barnett (2007), and Barnett and Salomon (2012), which submit that consistent CSR practice creates an intangible asset called SIC. In addition, it also opposed the theoretical arguments of Karaye, Ishak and Che-Adam (2014) that CSR improves the good relationship with the stakeholders and creates SIC stock. The possible explanation for this may likely be contextual. This may indicate that Nigerian firms perceive their customers as not having much concern on stakeholder relationship in their dealings with the firm. Another possible explanation is that customer relation directly impact financial performance, therefore does not need any form of intermediation of any other variable.

8.2.2.6 Relationship between supplier relation and SIC

The study hypothesizes a positive significant relationship between supplier relation and SIC. The empirical result of the relationship reveals a very strong support for the hypothesis. It shows a significant positive relationship between supplier relation and SIC. This indicates that Nigerian listed companies agree that their CSR investment improves the good relationship they have with their various stakeholders and create for the firm, an intangible asset called SIC. This study is a pioneer study based on the knowledge of the researcher that tested the relationship between supplier relationship and SIC. Therefore, the finding of the study lacks previous empirical studies to be compared with in terms of the agreement or otherwise. The findings are in support of the theoretical arguments of Barnett (2007), and Barnett and Salomon (2012), that engaging in consistent CSR creates to a firm an intangible asset referred to as SIC. In addition, it also provides support for the theoretical proposition of Karaye, Ishak and Che-Adam (2014), which states that CSR leads to improved stakeholder relation and creates SIC stock.

8.2.3 Relationship between SIC and financial performance

The third objective of this study is to examine the relationship between SIC and financial performance among Nigerian listed companies. In order to achieve this, another hypothesis is developed and tested on this relationship. The hypothesis proposes a significant positive relationship between SIC and financial performance. The empirical result indicated a significant positive relationship between the constructs. This indicated that Nigerian listed firms perceive that the SIC created by their firms through consistent CSR activities leads to a favorable financial performance to their firms. This study's findings have provided a partial support to the study of Barnett and Salomon (2012), who find a curvilinear relationship between SIC measured as KLD index, and financial performance (ROA).

It is in line with the theoretical argument of Barnett (2007) that SIC leads to improved financial performance. This finding has provides a support to the theoretical thought of Karaye, Ishak, and Che-Adam (2014). Several other theoretical arguments that support the result include Jones (1995) who asserts that maintaining a good relationship with stakeholders assists the firm in reducing transaction cost which by extension improves profitability. It is provided that good stakeholder relation improves market prospects and pricing premiums (Fombrun, Gardberg & Barnett, 2000).

8.2.4 The mediation of SIC between CSR and financial performance

The study's main thesis is to examine the mediating effect of SIC in the relationship between CSR dimensions and financial performance which is stated as the fourth objective of the study. In order to achieve this objective, 6 hypothesis are proposed and tested for the mediating effect of SIC in the relationship between CSR and financial performance. The mediation effect is tested using PLS-SEM bootstrapping method (Preacher & Hayes, 2008). The empirical result of the study shows that SIC mediate the relationship between 5 CSR dimensions (community relation, environmental concern, employee relation, investor relation & supplier relation) and financial performance. In addition, it finds that SIC does not mediate the relationship between 1 of the CSR dimensions (customer relation) and financial performance. The discussions of the study's findings based on individual CSR dimensions are presented below.

8.2.4.1 The mediating effect of SIC in the community relation and financial performance relationship

The study hypothesized the mediating effect of SIC in the relationship between community relation and financial performance. Although the direct relationship between community relation and financial performance is not significant, community relation has a direct effect on SIC. It is pretty good that community relation has an effect on financial performance through SIC. The result provides a strong mediating effect of SIC in the relationship between community relation and financial performance. This indicates that Nigerian listed companies perceive that their community relation creates a very good relationship with their stakeholders (SIC stock), which by extension leads to favorable dealings that either reduces cost or improves profitability as proposed by Barnett (2007) and Barnett and Salomon (2012). This finding does not concur or opposes any previous study because this researcher believes there are no previous empirical studies.

The finding supports the theoretical argument of stakeholder theory that balancing the need of diverse stakeholders against the only stockholders helps the firm to have a competitive advantage (Freeman, 1984). Specifically, instrumental stakeholder theory proposes that management of dealings with stakeholders can lead to an improved financial performance through creation, improving and preservation of ties that promises significant resources to corporations (Jones, 1995). It helps the firm to avoid a negative event and adverse legislation (Hillman & Kiem, 2001; Berman *et al.*, 1999). It helps attract and retain qualified and talented employees (Waddock & Graves, 1997; Moskowitz, 1972). It also helps to differentiate the firm's product and services which attract premium price (Hillman & Kiem, 2001). It can be said that the influence of community relation on financial performance is best understood through SIC. Consistent CSR practice creates an intangible stock (image) in the eyes of the stakeholders call SIC that enables the firm to benefit favorably (Barnett, 2007). This could be further explained as the community give protection, loyalty to their products/services and provide workforce desired/required by the firm.

It can be said that financial performance depends on community relation for firms with SIC. This result provides support for previous studies that put emphasis on the need for mediating variables in the CSR and financial performance relationship (Barnett & Salomon, 2012; Carroll & Shabana, 2010; Crifo *et al.*, 2016; Goll & Rasheed, 2004; Pivato, Misani & Tencati, 2008; Tsoutsoura, 2004). In conclusion, community relation creates for the firm, an image, an intangible asset (SIC) which later enables the firm to enjoy stakeholder favor that improves its financial performance.

8.2.4.2 The mediating effect of SIC in the environmental concern and financial performance relationship

This study hypothesizes the mediating effect of SIC in the environmental concern and financial performance relationship. While the direct relationship between environmental concern and financial performance is not significant, environmental concern has a direct effect on SIC. It is beautiful that environmental concern has an effect on financial performance through SIC. The empirical result of the tested hypothesis reveals a significant mediating effect of SIC on the relationship. This shows that Nigerian listed companies assume that their environmental concern create an image for the firm in the eyes of the stakeholders which in turn enables them to enjoy favorable financial outcomes as held by Barnett (2007), and Barnett and Salomon (2012). As stated elsewhere in this study, the result does not coincide or opposes any previous study because it may seem, there are no previous studies on this relationship.

The findings coincide with the theoretical argument of stakeholder theory which states that maintenance of a balanced attention and demand of a vast number of firm's stakeholders increases their profitability (Freeman, 1984). Furthermore, the instrumental stakeholder theory states that resources can be generated from creation, upgrading and preservation of good relations with key stakeholders (Jones, 1995). The result also tallies with Hillman and Kiem (2001), that stakeholder management reduces cost by avoiding an adverse regulation, legislation or/and fiscal action from the firm. It is observed that the influence of environmental concern on financial performance is best understood through SIC. According to Barnett (2007), consistent CSR practices forges SIC stock which enables the firm to have a smooth relationship with stakeholders that pays them financially. This can be explained by compliance with environmental regulations that help firms avoid fines, penalty, and lawsuits and which in effect saves cost that would have reduces profitability.

It is further observed that financial performance depends on environmental concern for firms that have adequate SIC. The empirical result presented above provides support for previous studies emphasizing on the need for mediation effect in the relationship between CSR and financial performance (Barnett & Salomon, 2012; Carroll & Shabana, 2010; Crifo *et al.*, 2016; Goll & Rasheed, 2004; Pivato, Misani & Tencati, 2008; Tsoutsoura, 2004). By way of conclusion, environmental concern brings the firm, an image, an intangible asset (SIC) which later enables the firm to enjoy stakeholder favor that improves financial performance.

8.2.4.3 The mediating effect of SIC in the employee relation and financial performance relationship

The mediating effect of SIC on the employee relation and financial performance relationship is hypothesized and tested herein. Although the direct relationship between employee relation and financial performance is significant, employee relation has a direct influence on SIC. It is plausible to say employee relation is also having an effect on financial performance through SIC. The result of the empirical examination reveals a significant mediating effect of SIC in the employee relation and financial performance relationship. This explains that Nigerian listed companies think that their employee relation created an image for them in the eyes of their stakeholders that promise them a smooth relationship and financial reward. This enables the firm to received abnormal favors from their stakeholders in their business dealings (Barnett, 2007; Barnett & Salomon, 2012). It is difficult to empirically support or oppose the finding of this study since it is assumed the first to tests this relationship.

The study is supported by theoretical arguments of stakeholder theory which holds that maintaining a good relationship with all the firms stakeholders not only stockholders, pays the firm financially. It also concurs with arguments of instrumental stakeholder theory which expresses that creation, promotion and maintenance of good stakeholder relationship lead firms to favorable financial performance (Jones, 1995). This finding is in line with other theoretical arguments such as it helps in avoidance of negative legislation (Hillman & Kiem, 2001), attract and retain quality workforce (Waddock & Graves, 1997), which helps in differentiating the firm's products and services that leads to premium pricing (Hillman & Kiem, 2001). It is understood that the effect of employee relation on financial performance is also seen through SIC. Consistent engagement in CSR activities creates SIC stock for the firm in the eyes of their stakeholders and level of SIC enables the firm to receive benefit from those stakeholders that by extension improves financial performance (Barnett, 2007). This explains that employees reciprocates the firm by increasing productivity, reducing employee turnover rate and abstains from unionism.

The finding seems to show financial performance relies on employee relation for firms that have SIC stock. The result provides support for earlier studies that call for the inclusion of a mediating variable in the CSR and financial performance relationship. Finally, this result suggests that employee relation accumulates SIC stock, which later provides the firm with some abilities to achieve a favorable financial performance.

8.2.4.4 The mediating effect of SIC in the investor relation and financial performance relationship

The relationship between investor relation and financial performance can be expressed through SIC. This study hypothesizes and tests that SIC can mediate the relationship between investor relation and financial performance. Although the relationship between investor relation and financial performance is also positive and significant, investor relation is significantly related to SIC. It is interesting again that investor relation is having a strong effect on financial performance through SIC. In another explanation, the relationship has a very good magnitude and significant due to the mediation of SIC. Summarily, going by the study's findings, the influence of investor relation on financial performance is better understood through the mediation role of SIC. Therefore, this hypothesis is supported.

The empirical result indicated that discharging investor relation responsibilities of the firm enable it to build an intangible asset called SIC. Once a firm builds adequate SIC, it also enjoys favorable dealings with stakeholders especially investors that improve financial performance. It seems that financial performance depends on investor relation for firms that have adequate SIC stock. This study's finding can hardly be compared with other empirical studies at this point since there seems to be no previous empirical studies that test this relationship. The findings supported other studies that argued for the need of a mediation effect in the CSR and financial performance relationship (Barnett & Salomon, 2012; Carroll & Shabana, 2010; Crifo *et al.*, 2016; Goll & Rasheed, 2004; Pivato, Misani & Tencati, 2008; Tsoutsoura, 2004). The findings of this study tallies with the idea of both stakeholder theory and instrumental stakeholder theory that propose a financial benefit from CSR initiative (Freeman, 1984; Jones, 1995). On a final note, the result suggests that investor relation creates SIC, which would give the firm the ability to achieve a favorable financial performance.

8.2.4.5 The mediating effect of SIC in the customer relation and financial performance relationship

This research hypothesizes and tests a mediating effect of SIC in the relationship between customer relation and financial performance. The empirical result indicates that SIC does not explain the relationship between the constructs. The direct relationship between customer relation and financial performance was strongly supported. This possibly explains that the relationship between the construct share a direct effect, or have also an indirect effect but which SIC cannot account for. It is not a surprise that the relationship between customer relation and SIC was not supported as reported earlier. The possible explanation for this result could be that since firms assume that their survival depends on their customers who buy the firm's products, the need for any intangible asset on serving them is less, and their effect tends to be direct due to their influence on the sales that translate into the profitability of the firm. Therefore, the research rejected the given hypothesis.

8.2.4.6 The mediating effect of SIC in the supplier relation and financial performance relationship

The relationship between supplier relation and financial performance is explained via SIC. This study hypothesizes and testes the mediating role of SIC in the supplier relation and financial performance relationship. Nonetheless, the study approve that, the direct relation between supplier relation and financial performance is not significant. It has a direct significant relation with SIC. Interestingly, supplier relation has an effect on financial performance through SIC. In other explanations, the relationship is good and significant due to the mediation of SIC. In short, the result indicates that supplier relation's influence on financial performance is better understood through the mediation role of SIC. Therefore, this hypothesis is accepted.

This result also indicates that even though keeping good relation with suppliers does not directly improve profitability, it improves the good image of the firm in the eyes of stakeholders which by extension leads to better profits. It further supposes that financial performance depends on supplier relation for a firm that has SIC. To obtain support or opposition based on the empirical ground to the study's finding is a difficult task considering the assumption that previous empirical studies on this relationship are lacking. The result provides support for many other studies (Barnett & Salomon, 2012; Carroll & Shabana, 2010; Crifo *et al.*, 2016; Goll & Rasheed, 2004; Pivato, Misani & Tencati, 2008; Tsoutsoura, 2004) that stresses the need for mediation effect in the relationship between CSR and financial performance. The result provides support for stakeholder theory and instrumental stakeholder theory who propose that managing the stakeholder relation of the firm help them have a competitive advantage over those that are not into such practice (Freeman, 1984; Jones, 1995). In a nutshell, this result reveals that supplier relation creates SIC stock which in turn helps the firm have a smooth relation with various stakeholders that favors the firm financially.

And finally, all the study's independent variables (community, employee, investor, customer and supplier relations, and environmental concern) have either direct or indirect (through SIC) effect on the financial performance of Nigerian listed companies.

8.3 Implications of the study

The study offers some implications that can assist the firm's management, government and theory to get a clearer picture of the relationship between the study variables. The management, policy makers, and academics have invested much of their time and resources to understand clearly the nature of the relationship between CSR and financial performance. The study's implications are divided into theoretical, methodological and finally, practical or managerial. The discussions are presented below.

8.3.1 Theoretical implications

This study tests empirically the theoretical relationship between CSR dimensions and financial performance, and examines the mediating effect of SIC in this relationship. It also develops 19 hypotheses in an effort to achieve its above-stated aim. More than half of the hypotheses (14) are supported by the empirical result, 5 are rejected. Earlier studies on CSR and financial performance use various combination of dimensions, but taking community, employee, investor, customer and supplier relations and environmental concern to financial performance and testing for mediation effect of SIC receive little attention. This combination is examined in a single model and the result reveals that all the 6 dimensions of CSR have either direct, indirect or both effects on financial performance. The findings add to the literature on CSR on the importance of SIC in predicting financial performance.

The finding also provides an empirical support for the research's framework. It also contributes to stakeholder theory, specifically instrumental stakeholder theory by providing empirical evidence that supports their propositions. These theories provide that taking part in CSR by companies helps them build a good relationship with stakeholders that enable them to achieve a favorable financial performance (Freeman, 1984; Jones, 1995).

The study also contributes by examining the relationship between CSR dimensions and SIC. Barnett and Salomon (2012), provide that consistent practice of CSR activities creates SIC stock. Therefore, the good relationship of a firm with its stakeholders depends on their consistent CSR practices. Therefore, this study supports the argument. These add to stakeholder and instrumental stakeholder theories. Previous studies indicate that CSR has an influence on the financial performance of companies. As such, the literatures suggest empirical evidence of CSR's influence on financial performance indirectly through mediating variables (Berman *et al.*, 1999;

Lee & Hoe, 2009; Lee, Park & Lee, 2013; Lee, Park, Rapert & Newman, 2012; Luo & Bhattacharya, 2006; Orlitzky *et al.*, 2003; Torugsa & O' Danahue, 2012). Barnett and Salomon (2012), called for the examination of the mediating effect of SIC in the relationship between CSR and financial performance. Thus, this signifies that little or no attention is given to the mediating role of SIC in the CSR and financial performance relationship. In addition, little attention is also given to why and how CSR relate to financial performance.

As such, this study contributes to the theory by conducting an empirical examination of the mediating role of SIC in the relationship between CSR and financial performance. It follows that, to be able to improve financial performance through CSR, firms need to accumulate adequate SIC stock. By implication, these mean firms need to build adequate SIC stock to improve their financial performance. Another contribution worthy of paying attention to instrumental stakeholder theory and CSR and financial performance literature is by revealing the role played by SIC in the relationship. The study further adds to the knowledge of interested parties such as researchers and students on the mediating effects of SIC in the relationship between CSR dimensions and financial performance which has little or no earlier studies documented.

It is glaring that most studies on CSR and financial performance are institutionalized in the United States (US) (Lichtenstein, Drumwright & Braig, 2004; Matten & Moon, 2008; Simmons & Becker-Olsen, 2006), and it is observed that CSR is relatively low or neglected in Nigerian (Achua, 2008; Adebayo & Olawale, 2012; Mamman, 2011;

Uwuigbe & Egbide, 2012). Therefore, by conducting this study in Nigeria, it assists in understanding the Nigerian version of CSR and financial performance relationship and in addition, it helps to see the role played by SIC in the relationship. It also hopes to be of immense importance by shading more light on the relationship in the African and other developing countries context.

8.3.2 Methodological implications

Thus, the study offers some methodological implications in addition to the existing theoretical and managerial ones. Its first methodological contribution is the scale that is developed to measure stakeholder influence capacity. Barnett (2007), and Barnett and Salomon (2012), proxy SIC as Kinder Lydenberg Domini (KLD) index and acknowledge that KLD is an imperfect measure of SIC, thus, call for the development of a validated measurement for it. This research responds by developing items that measure SIC (see chapter 6). And this enables the study to be conducted using primary data and provides an avenue where SIC can be measured using the existing instrument in future.

Secondly, most studies on CSR and financial performance uses secondary data, as such, they utilize techniques such as regression and correlation analysis. In addition, for the few that uses primary data, they mostly utilize software such as SPSS and AMOS to conduct regression, correlation or structural equations modeling (SEM). Unless for the few studies that utilizes smart PLS to conduct structural equations modeling, most of them use AMOS. Thus, this study contributes its own share by conducting a Nigerian based CSR study using smart PLS to conduct structural equations modeling.

Thirdly, apart from SIC scale that is developed in the present study, all other variables are adapted from earlier studies conducted in US and Middle East. Testing the reliability and validity of the measures in another context is relevant for confirmation. This study contributes to the methodology by reassessing the composite reliability, convergent and discriminant validities of CSR, SIC and financial performance in the Nigerian context.

Finally, the study also adds to the methodology by conducting an African context CSR and financial performance study that considers the multidimensionality nature of CSR as proposed by many researchers (Hillman & Kiem, 2001; Melo & Garrido-Margado, 2012). It considers 6 dimensions of CSR (community, employee, investor, customer, & supplier relations and environmental concern) and performs the analysis based on the individual dimensions.

8.3.3 Managerial implications

The financial performance of firms form parts of the reasons for their existence and it provides the basis for their assessment. The need to ensure that firms are achieving a reasonable level of financial performance is of enormous importance. Many studies have indicated that CSR activities lead to improved financial performance (Boaventura *et al.*, 2012; Margolis & Walsh, 2003; Orlitzky *et al.*, 2003). This study finds some implications that could guide the management of Nigerian listed firms as follows.

Firstly, community relation dimension of CSR is discovered to have a positive effect on the financial performance of Nigerian listed firms that have developed a good stakeholder relationship. For firms that lack good stakeholder relationship, community relation may decrease their financial performance. Therefore, managers of Nigerian listed firms should decide whether to invest in community relation dimension of CSR or not considering whether or not, they have built enough stakeholder relation that creates SIC stock. Practices like donations to charity, supporting community activities, educational support, improving the quality of life of immediate communities etc. are termed as community relations.

Secondly, environmental concern shares the same characters with community relation. Environmental concern also has a positive influence on the financial performance of Nigerian listed firm with good stakeholder relations. But, for those that do not have a good relationship with stakeholders, environmental concern decreases financial performance. Similar to community relation, Nigerian managers can decide whether to invest in environmental concern or not by considering the level of good relationship they have built with their stakeholders. The environmental concern practices include, among others, exceeding government environmental regulations voluntarily, supporting environmental initiatives financially, incorporating environmental performance objectives in organizational goal, measuring the environmental performance of firms.

Thirdly, employee relation proves to significantly influence financial performance of Nigerian listed firm. This implies that both firms with a strong relation to stakeholders and those with none have an improved financial performance from their employee relation. Therefore, employee relation is an integral construct in improving financial performance. Managers should not ignore employee relation if they are to maximize their profitability. They should have a special concern for practices such as fair and respectful treatment of employees regardless of all other considerations like paying employees salary that fairly reward them for their work, support them if they want to pursue further studies, help them coordinate their personal and professional life, incorporate their interest into business decisions among other things.

Fourthly, investor relation is having similar characteristics with employee relation. Investor relation has a significant positive effect on financial performance for firms with or without good stakeholder relationship. Thus, investor relation proves to be an important variable in improving financial performance. Nigerian managers should take investment in investor relation very seriously in their effort to maximize financial performance. Nigerian managers should concentrate on practices like incorporating the interest of the investors in business decisions, providing them with a competitive return on investment, incorporating their input on strategic decisions, meeting their needs etc.

Fifthly, customer relation is an important variable that impacts positively on the financial performance of Nigerian listed firms. This important construct has a positive impact on financial performance most especially for firms that do not consider stakeholder relation. Based on this finding, managers may concentrate on relating with customers directly as it has a direct influence on their profitability. Practices such as high qualitative services, providing them with information to make a good purchase decision, satisfying their complaints about the firm's products or services, adopting products or services that enhance their satisfaction etc. are a good example of customer relation practices.

Sixthly, supplier relation has proven to have an influence on financial performance especially for companies that have built a strong stakeholder relationship. A firm that has no strong relationship with their stakeholders can destroy their financial performance by investing in supplier relation. Therefore, Nigerian managers can decide to take part in supplier relation or not by considering the level of their relation to stakeholders. Some of the supplier relation practices include assuring them of a future relationship, giving them some price guarantee for the future, incorporating their interest into a business decision, involving them in new product or services development, informing them of any organizational change that affects purchasing decision of the firm etc.

In conclusion, this study realizes that community, employee, investor, customer and supplier relations and environment concern are important strategies that lead to competitive advantage. These CSR dimensions should be considered by managers as means of achieving their profitability. In general, practicing one of the responsibilities may not necessarily pay, but taking altogether seems to promise a lot on the financial performance of the firm. Therefore, this study is of the view that CSR leads to favorable financial performance.

8.4 Limitations and suggestions for future studies

This study is not without limitations, some of which includes measurement error that may exist since the study utilizes self-reporting surveys which according to Podsakoff *et al.* (2003), is prone to measurement error. However, using partial correlation method to test for measurement error (common method bias), it is established that the study is free from the error. Nonetheless, future studies should administer their survey on multiple separate categories of respondents' i.e. financial performance data from firms and CSR and SIC data from various stakeholders. This can go a long way in minimizing measurement error.

Secondly, this study uses questionnaire method (survey) as a unit of quantitative study in gathering the data of the research. Sometimes respondents may be too busy to dedicate their valuable time to respond to the questionnaire as accurate as required, therefore, the responses may not accurately measure the study's constructs. Future researchers may consider combining both qualitative and quantitative methods in order to investigate in-depth on the CSR, SIC and financial performance relationship.

Thirdly, the study captures the responses of the objects within a single period of time. This method called cross-sectional design is sometimes restricted in providing causal relationships between the study variables (Sekaran & Bougie, 2010). The data may fail to account for the long-term effect of variables under study due to the fact that data is collected at once. Future studies should replicate this study using a longitudinal data to examine the long-term effect of the variables.

Fourthly, it investigates the role of SIC in the CSR and financial performance relationship in Nigeria. The CSR dimensions adopted by the study were restricted to the community, employee, investor, customer, & supplier relations and environmental concern. There are many other dimensions not adopted by the study such as dealing in alcohol, tobacco, gambling, firearm, nuclear and military. Future studies may consider including these dimensions in their studies.

Fifthly, performance is divided into the financial and non-financial. The present study utilizes only financial performance. Therefore, future studies can examine the relationship using non-financial performance or both.

Sixthly, Nigerian listed companies were only 196 in number as at December 2014 which is considered as the population of the study, a minimum of 109 and maximum of 130 companies were determined to be the sample of the study using the sample size determination formula of Dillman (2000), and Weaver (2006). The study got responses from 99 companies across all the industries within the Nigerian stock exchange. The observation (99) is a bit small which is due to small population (196) and a small sample (130). Furthermore, the small observation do not affect the result of the study as the software used (smart PLS) and the technique conducted (structural equation modeling) in the study is very good for small samples. However, future studies should try hard to improve the sample size or to conduct the survey based on branches of the companies as against one firm per questionnaire as in this present study.

8.5 Conclusion

This study examines the mediating role of SIC in the relationship between CSR dimensions and financial performance in the Nigerian context. To achieve this, four objectives are developed and achieved as follows. It is observed that there is little CSR participation and disclosure among Nigerian listed firms coupled with the lack of strategy in the little participation. It is also observed that financial performance of Nigerian firms is deteriorating which could be as a result of neglect of CSR investment. Deducing from the above, there is the need to encourage Nigerian firms to participate in CSR to boost their profitability. Therefore, in line with the suggestions of earlier studies, the mediation could suggest and guide firms to know an indirect route from CSR to financial performance, this study presents SIC as a link through which firms can improve their financial performance from their CSR. The study summarizes its findings below.

Firstly, objective 1 investigates the existence of a positive relationship between CSR dimensions and financial performance. This objective is somehow achieved, as the result shows a direct positive effect of employee, investor and customer relations on the financial performance of Nigerian listed companies. A negative insignificant effect is observed between community and supplier relations on financial performance. An insignificant positive relationship is discovered between environmental concern and financial performance. This objective is partially achieved.

Secondly, the relationship between CSR dimensions and SIC is examined, and the empirical result indicated that 5 out of the 6 CSR dimensions have a significant positive effect on SIC. Specifically, community, employee, investor and supplier relations coupled with environmental concern have significant positive effect on SIC. Customer relation is not having a significant positive relationship with SIC.

Thirdly, the relationship between SIC and financial performance is examined. The empirical result indicated a significant positive relationship between the SIC and financial performance. Fourthly, the mediating effect of SIC in the relationship between CSR dimensions and financial performance is examined. The result indicated that SIC mediates the relationship between CSR dimensions (community, employee, investor and supplier relations and environmental concern) with the financial performance of Nigerian listed companies. SIC does not mediate the relationship between customer relation and financial performance.

Furthermore, this study provides managerial, theoretical and methodological implications for guidance to practicing managers, theory, and methodology. Limitations of the study are outlined and directions for future studies are provided in the concluding parts.

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Appendix A

Research Questionnaire

Pusat Pengajian Perakaunan
SCHOOL OF ACCOUNTANCY

Universiti Utara Malaysia

SURVEY ON PERCEPTION OF CORPORATE SOCIAL RESPONSIBILITY, STAKEHOLDER INFLUENCE CAPACITY AND FINANCIAL PERFORMANCE

Dear Sir/Madam

I am a postgraduate student of University Utara Malaysia, and currently conducting a survey on management's perception of the role of stakeholder influence capacity on the relationship between corporate social responsibility and financial performance of Nigerian listed firms.

It is part of the requirements for the award of PhD. Degree for students to conduct a field research in his/her approved area of his/her study.

I therefore solicit for your precious time, to kindly help and complete this questionnaire as stated and required, please note that your responses will be treated with utmost confidentiality and would be used purely for academic purposes and not for any other reason what so ever. I highly appreciate your co-operations.

In all the questions you are required to either tick or circle the option that best represents your opinion. There is no right or wrong answer. Therefore, we would appreciate your honest and complete response to help me capture and reflect your views in the final analysis.

The questionnaire is divided into 4 sections. You are kindly requested to answer the questions in all the sections. You are kindly required to tick [√] or circle your responses to all the statements in each of the sections.

Thanking you in anticipation of your response.

Yours sincerely,

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Section One: Financial Performance

The following are statements about the level of your firm's financial performance for last year. Please indicate the extent to which you agree or disagree with the statements based on the numerical scale provided.

Strongly disagree	1	2	3	4	5	6	7	Strongly Agree

S/N	Statements	Level of Agreement						
	Compared to our largest competitor, during last year….							
1	We had a larger market share	1	2	3	4	5	6	7
2	We are larger in size	1	2	3	4	5	6	7
3	Our return on investment has been substantially better	1	2	3	4	5	6	7
4	Our return on assets has been substantially better	1	2	3	4	5	6	7
5	Our sales growth has been substantially better	1	2	3	4	5	6	7
6	Our profit growth has been substantially better	1	2	3	4	5	6	7
7	On our overall performance during last year, we performed poorly relative to our competitors	1	2	3	4	5	6	7

Section Two: Stakeholder Influence Capacity

The following statements assess how management perceive their ability in identifying opportunities to improve their relationship with stakeholders, acting on the opportunities and deriving profit from those opportunities for last year. Please indicate the extent to which you agree or disagree with the statements based on the provided numerical scale.

Strongly disagree	1	2	3	4	5	6	7	Strongly Agree

S/N	Statements	Level of Agreement						
1	Our employees regularly visit some of our stakeholders to find out if there is anything we could do to improve relationship	1	2	3	4	5	6	7
2	Our firm interact with stakeholders of other firms through informal ways to acquire information that can improve stakeholder relationship	1	2	3	4	5	6	7
3	Our firm periodically organizes special meetings with stakeholders in order to poster good relationship	1	2	3	4	5	6	7
4	Our firm regularly go extra mile such as meeting third party (auditors, consultants, lawyers etc.) to acquire knowledge about ways to improve relations with stakeholders	1	2	3	4	5	6	7
5	Our firm creates new opportunities to serve our stakeholders better are quickly understood	1	2	3	4	5	6	7
6	Our firm quickly analyze and interpret changes in stakeholder demand	1	2	3	4	5	6	7
7	Our firm record and store newly acquired knowledge on ways to improve stakeholder relations for future references	1	2	3	4	5	6	7
8	Our firm quickly recognizes the usefulness of new opportunities to existing opportunities to improve relations with stakeholders	1	2	3	4	5	6	7
9	Our firm management periodically meets to discuss consequences of stakeholder relations and new CSR initiatives	1	2	3	4	5	6	7
10	It is clearly known to our firm how to relate with our stakeholders for mutual benefit	1	2	3	4	5	6	7
11	Our firm clearly know and divide our stakeholder needs into sub divisions	1	2	3	4	5	6	7

Section Three: Corporate Social Responsibility

The following statements assess the perception of the management of your company, on the last year level of the firm's involvement in corporate social responsibility activities. Please indicate the extent of your firm's participation in corporate social responsibility based on the numerical scale provided below.

Not at all	1	2	3	4	5	6	7	To a very large extent

S/N	Statements	Level of Involvement						
1	We give money to charities in the communities where we operate	1	2	3	4	5	6	7
2	Help improve the quality of life in the communities where we operate	1	2	3	4	5	6	7
3	Financially support community activities (arts, culture, sports)	1	2	3	4	5	6	7
4	Financially support education in the communities where we operate	1	2	3	4	5	6	7
5	Incorporate environmental performance objectives in organizational plans	1	2	3	4	5	6	7
6	Voluntarily exceed government environmental regulations	1	2	3	4	5	6	7
7	Financially support environmental Initiatives	1	2	3	4	5	6	7
8	Measure the organization's environmental Performance	1	2	3	4	5	6	7
9	Treat all employees fairly and respectfully, regardless of gender or ethnic background	1	2	3	4	5	6	7
10	Provide all employees with salaries that properly and fairly reward them for their work	1	2	3	4	5	6	7
11	Support all employees who want to pursue further education	1	2	3	4	5	6	7
12	Help all employees coordinate their private and professional lives	1	2	3	4	5	6	7
13	Incorporate the interests of all employees into business decisions	1	2	3	4	5	6	7
14	Incorporate the interests of all our investors into business decisions	1	2	3	4	5	6	7
15	Provide all investors with a competitive return on investment	1	2	3	4	5	6	7
16	Seek the input of all our investors regarding strategic decisions	1	2	3	4	5	6	7
17	Meet the needs and requests of all our investors	1	2	3	4	5	6	7
18	Provide all customers with very high quality service	1	2	3	4	5	6	7

19	Provide all customers with the information needed to make sound purchasing decisions	1	2	3	4	5	6	7
20	Satisfy the complaints of all customers about the company's products or services	1	2	3	4	5	6	7
21	Adapt products or services to enhance the level of customer satisfaction	1	2	3	4	5	6	7
22	Provide all suppliers of products and services with a commitment to a future relationship	1	2	3	4	5	6	7
23	Offer all suppliers of products and services some price guarantees for the future	1	2	3	4	5	6	7
24	Incorporate the interests of all suppliers of products and services into business decisions	1	2	3	4	5	6	7
25	Involve all suppliers in new product or service development	1	2	3	4	5	6	7
26	Inform all suppliers of products and services about organizational changes affecting purchasing decisions	1	2	3	4	5	6	7

Section Four: Demographic Information

A. On the organization:

Please tick (√) in the appropriate box (for questions 1 and 2) and fill in the provided space (for questions 3, 4, 5, 6 and 7).

1. Industry type:

1 Agriculture [ ] 2 Conglomerates [ ] 3 Construction/Real estate [ ] 4 Consumer goods [ ] 5 Financial services [ ] 6 Healthcare [ ] 7 ICT [ ] 8 Industrial goods [ ] 9 Natural resources [ ] 10 Oil and Gas [ ] 11 Services [ ]

2. Age of organization from date of incorporation:

Between 1 to 20 years [ ]
Between 21 to 50 years [ ]
Between 51 to 100 years [ ]
Above 100 years [ ]

3. Number of subsidiaries (if any) ________________

4. Number of branches ________________

5. Number of employees ________________

6. Total assets of your organization ________________

7. Total Debt of your organization ________________

B. On individual respondents:
Please tick (√) in the appropriate box (for questions 1, 2, 3, 4 and 5) and fill in the provided space (for question 6).

1. Gender:
   - Male [ ]
   - Female [ ]

2. Age:
   - Between 30 and below years [ ]
   - Between 31 – 40 years [ ]
   - Between 41 – 50 years [ ]
   - Between 51 – 60 years [ ]
   - Above 60 years [ ]

3. Level of education:
   - Bachelor's degree / HND [ ]
   - Master degree, PhD and other post graduate degree [ ]
   - Professional certificate in addition to any of the above [ ]
   - Others (please specify) ________________

4. Duration of working in the firm:
   - 1 – 15 years [ ]
   - 16 – 30 years [ ]
   - Above 30 years [ ]

5. Position in the organization:
   - Middle level manager [ ]
   - High level manager [ ]
   - Director [ ]
   - CEO [ ]
   - Chairman [ ]

6. Department ________________

Thanks for your response

Appendix B
SIC Scale Development Questionnaire

Pusat Pengajian Perakaunan
SCHOOL OF ACCOUNTANCY
Universiti Utara Malaysia

SURVEY ON PERCEPTION OF FIRM'S STAKEHOLDER INFLUENCE CAPACITY AND FINANCIAL PERFORMANCE (SCALE DEVELOPMENT STUDY)

Dear Sir/Madam

I am a postgraduate student of University Utara Malaysia, and currently conducting a survey for the purpose of developing a scale for stakeholder influence capacity (SIC). There are 3 sections as follows, 1 financial performance, 2 stakeholder influence capacity and 3 participating firm's demographic information.

It is part of the requirements for the award of PhD. Degree for students to conduct a field research in his/her approved area of his/her study which in my situation cannot be possible without developing a measurement scale for SIC.

I therefore solicit for your precious time, to kindly help and complete this questionnaire as stated and required, please note that your responses will be treated with utmost confidentiality and would be used purely for the purpose of scale development and not for any other reason what so ever. I highly appreciate your co-operations.

In all the questions you are required to either tick or circle the option that best represents your opinion. There is no right or wrong answer. Therefore, I would appreciate your honest and complete response to help me capture and reflect your views in the final analysis.

Thanking you in anticipation of your response.

Yours sincerely,

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Dr. Noriah Che-Adam
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Section One: Financial Performance

The following are statements about the level of your firm's financial performance for last year. Please indicate the extent to which you agree or disagree with the statements based on the numerical scale provided.

Strongly disagree	1	2	3	4	5	6	7	Strongly Agree

S/N	Statements	Level of Agreement						
	Compared to our largest competitor, during last year....							
1	We had a larger market share	1	2	3	4	5	6	7
2	We are larger in size	1	2	3	4	5	6	7
3	Our return on investment has been substantially better	1	2	3	4	5	6	7
4	Our return on assets has been substantially better	1	2	3	4	5	6	7
5	Our sales growth has been substantially better	1	2	3	4	5	6	7
6	Our profit growth has been substantially better	1	2	3	4	5	6	7
7	On our overall performance during last year, we performed poorly relative to our competitors	1	2	3	4	5	6	7

Section Two: Stakeholder Influence Capacity

The following statements assess how management perceive their ability in identifying opportunities to improve their relationship with stakeholders, acting on the opportunities and deriving profit from those opportunities for last year. Please indicate the extent to which you agree or disagree with the statements based on the provided numerical scale.

Strongly disagree	1	2	3	4	5	6	7	Strongly Agree

S/N	Statements	Level of Agreement						
1	Our firm has frequent interactions (formal or informal) with various stakeholders to acquire information that can improve stakeholder relations	1	2	3	4	5	6	7
2	Our employees regularly visit some of our stakeholders to find out if there is anything we could do to improve relationship	1	2	3	4	5	6	7
3	Our firm interact with stakeholders of other firms through informal ways to acquire information that can improve stakeholder relationship	1	2	3	4	5	6	7
4	Our firm periodically organizes special meetings with stakeholders in order to poster good relationship	1	2	3	4	5	6	7
5	Our firm regularly go extra mile such as meeting third party (auditors, consultants, lawyers etc.) to acquire knowledge about ways to improve relations with stakeholders	1	2	3	4	5	6	7
6	Our firm is slow in recognizing a shift in our stakeholders need	1	2	3	4	5	6	7
7	Our firm creates new opportunities to serve our stakeholders better are quickly understood	1	2	3	4	5	6	7
8	Our firm quickly analyze and interpret changes in stakeholder demand	1	2	3	4	5	6	7
9	Our firm regularly considers the consequences of changing stakeholder demands in term of new CSR initiatives	1	2	3	4	5	6	7
10	Our firm record and store newly acquired knowledge on ways to improve stakeholder relations for future references	1	2	3	4	5	6	7
11	Our firm quickly recognizes the usefulness of new opportunities to existing opportunities to improve relations with stakeholders	1	2	3	4	5	6	7

12	Our firm hardly utilize the opportunities to improve stakeholder relationship	1	2	3	4	5	6	7
13	Our firm laboriously grasp the opportunity to improve stakeholder relationship from new knowledge	1	2	3	4	5	6	7
14	Our firm management periodically meets to discuss consequences of stakeholder relations and new CSR initiatives	1	2	3	4	5	6	7
15	Our stakeholders accept our new CSR initiative as a result of our CSR history	1	2	3	4	5	6	7
16	It is clearly known to our firm how to relate with our stakeholders for mutual benefit	1	2	3	4	5	6	7
17	Our firm clearly know and divide our stakeholder needs into sub divisions	1	2	3	4	5	6	7
18	Our firm constantly consider how to better exploit stakeholder favor to our advantage	1	2	3	4	5	6	7
19	Our CSR investment help us in stakeholder management and increased patronage	1	2	3	4	5	6	7
20	Our firm experienced a good relationship with our stakeholders due to our CSR	1	2	3	4	5	6	7
21	Our development as a firm is as a result of our CSR history	1	2	3	4	5	6	7
22	Our growth is linked with the way we handle our stakeholders through our CSR initiatives	1	2	3	4	5	6	7

Section Three: Demographic Information

A On the organization:

Please tick (√) in the appropriate box (for questions 1 and 2) and fill in the provided space (for questions 3, 4, 5, 6 and 7).

8. Industry type:

1 Agriculture [ ] 2 Conglomerates [ ] 3 Construction/Real estate [ ] 4 Consumer goods [ ] 5 Financial services [ ] 6 Healthcare [ ] 7 ICT [ ] 8 Industrial goods [ ] 9 Natural resources [ ] 10 Oil and Gas [ ] 11 Services [ ]

9. Age of organization from date of incorporation:

Between 1 to 20 years [ ]
Between 21 to 50 years [ ]
Between 51 to 100 years [ ]
Above 100 years [ ]

10. Number of subsidiaries (if any) ________________

11. Number of branches ________________

12. Number of employees ________________

13. Total assets of your organization ________________

14. Total Debt of your organization ________________

B On individual respondents:
Please tick (√) in the appropriate box (for questions 1, 2, 3, 4 and 5) and fill in the provided space (for question 6).

1. Gender:
   Male [ ]
   Female [ ]

2. Age:
   Between 30 and below years [ ]
   Between 31 – 40 years [ ]
   Between 41 – 50 years [ ]
   Between 51 – 60 years [ ]
   Above 60 years [ ]

3. Level of education:
   Bachelor's degree / HND [ ]
   Master degree, PhD and other post graduate degree [ ]
   Professional certificate in addition to any of the above [ ]
   Others (please specify) ________________

4. Duration of working in the firm:
   1 – 15 years [ ]
   16 – 30 years [ ]
   Above 30 years [ ]

5. Position in the organization:
   Middle level manager [ ]
   High level manager [ ]

Director [ ]
CEO [ ]
Chairman [ ]

6. Department ____________________

Appendix C
PLS-SEM Measurement Models

Appendix C1: Cronbach's Alpha

	Cronbachs Alpha
COM	0.923208
CRE	0.933031
EMP	0.889528
ENV	0.844093
FP	0.947783
INR	0.834016
SIC	0.961280
SUR	0.931365

Appendix C2: Composite Reliability

	Composite Reliability
COM	0.945713
CRE	0.952224
EMP	0.923250
ENV	0.927680
FP	0.958290
INR	0.922217
SIC	0.966078
SUR	0.948172

Appendix C3: Average Variance Extracted (AVE)

	AVE
COM	0.813432
CRE	0.832914
EMP	0.750482
ENV	0.865115
FP	0.792940
INR	0.855717
SIC	0.721615
SUR	0.785583

Appendix C4: Discriminant Validity:

I Fornell Larcker Criterion

	COM	CRE	EMP	ENV	FP	INR	SIC	SUR
COM	**0.902**							
CRE	0.745757	**0.913**						
EMP	0.663085	0.713984	**0.866**					
ENV	0.751257	0.678337	0.589598	**0.930**				
FP	0.686988	0.728028	0.705889	0.708810	**0.890**			
INR	0.647267	0.623537	0.624301	0.750997	0.734727	**0.925**		
SIC	0.804345	0.738607	0.717151	0.805564	0.826614	0.796337	**0.849**	
SUR	0.767273	0.881424	0.670027	0.707771	0.713896	0.648102	0.770594	**0.886**

II Cross Loadings

	COM	CRE	EMP	ENV	FP	INR	SIC	SUR
COM1	0.878082	0.625901	0.589164	0.630082	0.536415	0.563441	0.671516	0.621021
COM2	0.933899	0.683085	0.611422	0.724630	0.638407	0.626942	0.742876	0.707269
COM3	0.927935	0.693633	0.620734	0.742983	0.649148	0.592415	0.756943	0.732544
COM4	0.865720	0.683084	0.570241	0.606169	0.645116	0.550460	0.724646	0.699156
CRE1	0.637506	0.887806	0.636242	0.532870	0.626774	0.488219	0.595192	0.733180
CRE2	0.691938	0.933293	0.653905	0.641375	0.699710	0.597621	0.692746	0.795692
CRE3	0.720189	0.928591	0.684711	0.637551	0.676919	0.589593	0.702587	0.844048
CRE4	0.669393	0.900078	0.631163	0.656940	0.651219	0.593382	0.698977	0.839651
EMP1	0.589711	0.656417	0.859329	0.559225	0.624663	0.550712	0.695022	0.557810
EMP2	0.525676	0.650362	0.883195	0.512077	0.693802	0.578279	0.607255	0.624474
EMP3	0.611269	0.584764	0.864174	0.519675	0.614504	0.556090	0.615942	0.602929
EMP5	0.573553	0.571937	0.858285	0.438335	0.489996	0.464735	0.552918	0.528841
ENV2	0.682424	0.646716	0.539713	0.931166	0.675699	0.701844	0.744391	0.706614
ENV4	0.715337	0.614927	0.557212	0.929064	0.642622	0.695147	0.754227	0.609309
FP01	0.543584	0.589666	0.552437	0.605277	0.899528	0.621487	0.674954	0.546624
FP02	0.628266	0.636278	0.700769	0.634649	0.885908	0.682047	0.750553	0.631513
FP03	0.647742	0.650563	0.674697	0.679727	0.899336	0.718830	0.754978	0.654032
FP04	0.621629	0.624694	0.565182	0.646414	0.895309	0.634905	0.716975	0.642322
FP05	0.604339	0.689946	0.602672	0.584732	0.876616	0.568949	0.725432	0.673081
FP06	0.616828	0.690849	0.659946	0.631068	0.885899	0.687827	0.782839	0.658004
INR1	0.526361	0.513355	0.485899	0.603873	0.568030	0.905252	0.649444	0.576369
INR2	0.657393	0.628424	0.650922	0.768040	0.769008	0.944432	0.807358	0.620078
SIC1	0.676102	0.591487	0.525394	0.643790	0.648223	0.612678	0.809420	0.639728

SIC10	0.726635	0.673107	0.623045	0.703850	0.748484	0.691417	0.869538	0.692068
SIC11	0.694090	0.573193	0.582315	0.696735	0.668294	0.662856	0.821377	0.588928
SIC2	0.694858	0.669484	0.678774	0.719810	0.740430	0.767305	0.868297	0.674566
SIC3	0.654627	0.647064	0.568004	0.643574	0.672236	0.637303	0.814580	0.690301
SIC4	0.709344	0.586434	0.601959	0.729709	0.722588	0.715969	0.881636	0.624836
SIC5	0.690219	0.681238	0.703709	0.702397	0.758002	0.728201	0.893124	0.703661
SIC6	0.712634	0.733964	0.701268	0.712242	0.734947	0.651669	0.877753	0.726209
SIC7	0.668440	0.599696	0.560285	0.662076	0.723776	0.726672	0.834323	0.629808
SIC8	0.632386	0.549629	0.557355	0.626660	0.595058	0.540361	0.814646	0.574166
SIC9	0.651656	0.578231	0.576352	0.676795	0.689846	0.680329	0.853942	0.643996
SUR1	0.640371	0.837978	0.660644	0.548823	0.642047	0.534675	0.631323	0.890394
SUR2	0.666359	0.768025	0.522432	0.664160	0.671065	0.618274	0.712199	0.903524
SUR3	0.728924	0.795222	0.605690	0.647420	0.647159	0.608240	0.696506	0.920021
SUR4	0.665857	0.775253	0.612284	0.630469	0.621414	0.584312	0.695782	0.890194
SUR5	0.698924	0.730847	0.573839	0.642308	0.578597	0.520752	0.676310	0.824544

Appendix D
PLS-SEM Structural Models

Appendix D1: VIF Values (Normality)

Endogenous Variable	community	environment	employee	investor	customer	Supplier
Exogenous Variables						
Community		2.837	3.451	3.451	3.478	3.418
Environment	5.4		6.573	3.311	6.717	6.633
Employee	2.11	2.122		1.977	1.967	2.159
Investor	5.237	2.640	4.883		5.354	5.309
Customer	5.217	5.293	4.801	5.293		2.948
Supplier	5.339	5.443	5.489	5.465	3.070	

Appendix D2: Path Coefficients of Direct Relationship

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
COM -> FP	-0.075669	-0.067561	0.059780	0.059780	1.265779
COM -> SIC	0.251284	0.237221	0.094213	0.094213	2.667175
CRE -> FP	0.209622	0.208061	0.078937	0.078937	2.655550
CRE -> SIC	-0.018243	-0.010030	0.071300	0.071300	0.255860
EMP -> FP	0.151111	0.148320	0.057746	0.057746	2.616840
EMP -> SIC	0.155952	0.156837	0.055066	0.055066	2.832106
ENV -> FP	0.043570	0.039698	0.072378	0.072378	0.601972
ENV -> SIC	0.212245	0.212415	0.069897	0.069897	3.036522
INR -> FP	0.156116	0.154758	0.061788	0.061788	2.526645
INR -> SIC	0.290534	0.289903	0.042922	0.042922	6.768960
SIC -> FP	0.473012	0.477262	0.084959	0.084959	5.567552
SUR -> FP	-0.010577	-0.013797	0.076282	0.076282	0.138663
SUR -> SIC	0.150862	0.156395	0.063728	0.063728	2.367293

Appendix D3: Mediation Result Bootstrapping

	a(COM)	c(CRE)	d(EMP)	e(ENV)	f(INR)	b	g(SUR)	a*b	c*b	d*b	e*b	f*b	g*b
Sample 0	0.169	0.028	0.103	0.219	0.301	0.487	0.218	0.082	0.014	0.050	0.106	0.146	0.106
Sample 1	0.337	-0.015	0.238	0.177	0.273	0.450	0.021	0.152	-0.007	0.107	0.080	0.123	0.009
Sample 2	0.312	-0.073	0.139	0.114	0.302	0.363	0.259	0.113	-0.027	0.050	0.042	0.110	0.094
Sample 3	0.315	-0.052	0.119	0.233	0.306	0.405	0.084	0.127	-0.021	0.048	0.094	0.124	0.034
Sample 4	0.228	-0.111	0.119	0.356	0.271	0.450	0.165	0.103	-0.050	0.054	0.160	0.122	0.074
Sample 5	0.317	-0.081	0.025	0.216	0.297	0.474	0.255	0.150	-0.038	0.012	0.103	0.141	0.121
Sample 6	-0.015	0.105	0.241	0.257	0.315	0.492	0.133	-0.007	0.052	0.119	0.127	0.155	0.066
Sample 7	0.205	0.087	0.069	0.135	0.315	0.462	0.233	0.095	0.040	0.032	0.063	0.145	0.108
Sample 8	0.235	0.103	0.109	0.289	0.290	0.503	0.015	0.118	0.052	0.055	0.145	0.146	0.008
Sample 9	0.104	0.021	0.207	0.169	0.258	0.537	0.302	0.056	0.011	0.111	0.091	0.139	0.162
Sample 10	0.218	-0.028	0.189	0.300	0.276	0.513	0.095	0.112	-0.015	0.097	0.154	0.141	0.048
Sample 11	0.247	-0.061	0.210	0.208	0.272	0.507	0.165	0.125	-0.031	0.106	0.105	0.138	0.084
Sample 12	0.165	0.059	0.241	0.265	0.278	0.431	0.038	0.071	0.025	0.104	0.114	0.120	0.016
Sample 13	0.194	0.104	0.038	0.190	0.365	0.480	0.150	0.093	0.050	0.018	0.091	0.175	0.072
Sample 14	0.144	0.022	0.118	0.313	0.273	0.588	0.183	0.085	0.013	0.069	0.184	0.161	0.108
Sample 15	0.216	0.081	0.177	0.126	0.346	0.565	0.118	0.122	0.046	0.100	0.071	0.195	0.067
Sample 16	0.085	0.040	0.247	0.259	0.252	0.322	0.174	0.027	0.013	0.079	0.083	0.081	0.056

Sample 17	0.344	-0.038	0.143	0.141	0.270	0.536	0.190	0.184	-0.021	0.076	0.075	0.145	0.102
Sample 18	0.348	-0.077	0.182	0.215	0.283	0.637	0.075	0.222	-0.049	0.116	0.137	0.180	0.048
Sample 19	0.240	-0.031	0.245	0.155	0.293	0.482	0.107	0.115	-0.015	0.118	0.075	0.141	0.052
Sample 20	0.191	0.074	0.151	0.266	0.305	0.423	0.081	0.081	0.031	0.064	0.112	0.129	0.034
Sample 21	0.242	-0.129	0.163	0.258	0.323	0.455	0.193	0.110	-0.059	0.074	0.117	0.147	0.088
Sample 22	0.183	0.021	0.109	0.296	0.311	0.587	0.124	0.108	0.012	0.064	0.174	0.183	0.073
Sample 23	0.390	-0.125	0.183	0.153	0.274	0.476	0.169	0.186	-0.060	0.087	0.073	0.131	0.081
Sample 24	0.355	-0.072	0.056	0.122	0.313	0.523	0.256	0.186	-0.038	0.029	0.064	0.164	0.134
Sample 25	0.164	0.013	0.125	0.280	0.309	0.490	0.150	0.081	0.006	0.061	0.137	0.152	0.074
Sample 26	0.389	0.025	0.228	0.080	0.216	0.417	0.105	0.162	0.011	0.095	0.034	0.090	0.044
"	"	"	"	"	"	"	"	"	"	"	"	"	"
"	"	"	"	"	"	"	"	"	"	"	"	"	"
"	"	"	"	"	"	"	"	"	"	"	"	"	"
"	"	"	"	"	"	"	"	"	"	"	"	"	"
Sample 476	0.300	0.024	0.155	0.161	0.295	0.465	0.109	0.140	0.011	0.072	0.075	0.137	0.051
Sample 477	0.290	-0.013	0.159	0.160	0.313	0.601	0.145	0.174	-0.008	0.095	0.096	0.188	0.087
Sample 478	0.235	-0.057	0.182	0.186	0.337	0.599	0.160	0.141	-0.034	0.109	0.112	0.202	0.096
Sample 479	0.069	0.025	0.131	0.229	0.325	0.488	0.271	0.034	0.012	0.064	0.112	0.159	0.132
Sample 480	0.288	0.019	0.177	0.266	0.274	0.483	0.034	0.139	0.009	0.086	0.129	0.132	0.017

Sample 481	0.303	0.008	0.057	0.110	0.388	0.318	0.165	0.096	0.002	0.018	0.035	0.123	0.052
Sample 482	0.068	0.120	0.187	0.260	0.269	0.401	0.158	0.027	0.048	0.075	0.104	0.108	0.063
Sample 483	0.322	-0.028	0.161	0.147	0.310	0.514	0.126	0.166	-0.015	0.083	0.076	0.159	0.065
Sample 484	0.240	-0.140	0.231	0.232	0.261	0.519	0.205	0.125	-0.073	0.120	0.120	0.136	0.106
Sample 485	0.230	0.032	0.087	0.224	0.294	0.384	0.173	0.088	0.012	0.034	0.086	0.113	0.066
Sample 486	0.246	0.060	0.139	0.134	0.281	0.294	0.180	0.072	0.018	0.041	0.039	0.083	0.053
Sample 487	0.282	-0.045	0.113	0.146	0.334	0.517	0.202	0.146	-0.023	0.058	0.076	0.173	0.104
Sample 488	0.259	0.021	0.101	0.142	0.293	0.294	0.231	0.076	0.006	0.030	0.042	0.086	0.068
Sample 489	0.184	0.055	0.162	0.225	0.292	0.467	0.136	0.086	0.026	0.075	0.105	0.136	0.064
Sample 490	0.291	-0.010	0.087	0.224	0.346	0.489	0.090	0.142	-0.005	0.043	0.110	0.169	0.044
Sample 491	0.249	-0.036	0.182	0.247	0.248	0.422	0.160	0.105	-0.015	0.077	0.104	0.104	0.067
Sample 492	0.205	-0.021	0.336	0.188	0.282	0.530	0.041	0.109	-0.011	0.178	0.099	0.149	0.022
Sample 493	0.283	-0.077	0.202	0.272	0.228	0.541	0.128	0.153	-0.042	0.109	0.147	0.123	0.069
Sample 494	0.176	-0.068	0.217	0.261	0.249	0.425	0.196	0.075	-0.029	0.092	0.111	0.106	0.083
Sample 495	0.377	-0.070	0.106	0.155	0.287	0.391	0.175	0.148	-0.027	0.041	0.061	0.112	0.068
Sample 496	0.287	-0.062	0.166	0.311	0.284	0.583	0.054	0.167	-0.036	0.097	0.181	0.166	0.031
Sample 497	0.343	-0.076	0.133	0.151	0.254	0.392	0.237	0.135	-0.030	0.052	0.059	0.100	0.093

Sample 498	0.296	-0.021	0.133	0.288	0.274	0.476	0.052	0.141	-0.010	0.063	0.137	0.131	0.025
Sample 499	0.249	-0.045	0.217	0.149	0.291	0.515	0.176	0.128	-0.023	0.112	0.077	0.150	0.091

Average	0.112	-0.004	0.075	0.103	0.139	0.074
Std dev	0.046	0.034	0.030	0.042	0.033	0.032
T Statistics	2.403	-0.123	2.501	2.474	4.175	2.274
P Value	0.018	0.903	0.014	0.015	0.000	0.025

Appendix D4: Coefficient of Determination (R^2)

	R Square
COM	
CRE	
EMP	
ENV	
FP	0.736328
INR	
SIC	0.819079
SUR	

Appendix D5: Effect Size (F^2)

f2 Effect Size

Endogenous	exogenous	R-squared Included	R-squared Excluded	f-squared	Effect size
FP	COM	.736	.735	.004	None
	CRE	.736	.728	.030	Small
	EMP	.736	.727	.034	Small
	ENV	.736	.736	.000	None
	INR	.736	.728	.030	Small
	SIC	.736	.698	.144	Small
	SUR	.736	.736	.000	None
SIC	COM	.819	.800	.105	Small
	CRE	.819	.819	.000	None
	EMP	.819	.809	.055	Small
	ENV	.819	.806	.072	Small
	INR	.819	.787	.177	Moderate
	SUR	.819	.815	.022	Small

Appendix D6: Predictive Relevance (Q^2)

Q^2 Predictive Relevance

Total	SSO	SSE	1-SSE/SSO
FP	594	250.079557	0.578991
SIC	1089	446.430612	0.590055

Appendix E
Conversation with Professor Michael L. Barnett.

(His response on SIC measurement)

Barnett, Michael L. <mbarnett@business.rutgers.edu> 1/20/15

to me

Hi Yusuf. Those all seem like reasonable questions. Of course, they are quite general, and I would expect that most any manager would answer them positively, and so it's not evident how you'd get variation, or beyond the self-reporting bias. Please note that I developed the SIC concept by drawing on the literature on absorptive capacity. You might look into that literature, which is well established conceptually and empirically, to see if there are models of measurement you might adapt to SIC.

Best,
Mike

From: Yusuf Karaye [mailto:karaye2000@gmail.com]
Sent: Thursday, January 15, 2015 2:53 PM
To: Barnett, Michael L.
Subject: SIC Measurement