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Firm Liquidity, Profitability and Corporate Social Responsibility Expenditure of Listed Manufacturing Firms in Nigeria

[1]Bakari Adamu MALGWI, [2]Prof. Orbunde Bemshima Benjamin,
[3]Dr. Daniel Emmanuel Kayode
[123]Department Of Accounting Faculty Of Administration Bingham University, Karu

ABSTRACT:- *There has been growing significance of corporate social responsibility (CSR) among firms globally, and Nigeria in particular, where it has been common practice since the early 2000s. The study investigates firm liquidity and profitability and their influences on corporate social responsibility (CSR) expenditure of the listed manufacturing firms in Nigeria. The study used ex-post facto and panel data regression analysis with the aid of STATA version 13 (2025) to examine the relationship between the firm characteristics and CSR expenditure on thirty-five (35) purposively selected listed manufacturing firms in Nigeria, for the 2014 to 2023 financial years. The firm characteristics which stand as independent variables were proxy by liquidity ratio and firm profitability (FP), while firm age was used as a control variable. The findings showed that there is a negative but insignificant relationship between firm liquidity and corporate social responsibility (CSR) expenditure while a positive but insignificant relationship between firm profitability and corporate social responsibility (CSR) expenditure. However, firm age plays a more notable role in influencing CSR expenditures as it shows positive and significant relationships between the variables. It was concluded that profitability and liquidity were not significant in affecting the corporate social responsibility (CSR) expenditure of the listed manufacturing firms in Nigeria. Therefore, it is recommended that firms with higher liquidity should adopt a structured framework for CSR allocation to ensure that financial flexibility translates into tangible social and environmental contributions, and firms with high profitability should be encouraged to integrate CSR into their strategic plans if it does not already exist.*

KEYWORDS:- Corporate Social Responsibility, Firm Characteristics, Firm Liquidity, Return on Equity, Manufacturing Firms

I. INTRODUCTION

Empirical evidence shows that, over the years, firms have identified the economic importance of Corporate Social Responsibility (CSR) and made it part of their corporate plans due to the enormous benefits. CSR has developed dramatically not only in developed countries but also in emerging economies. In Nigeria, manufacturing firms are not left behind due to the global challenge. Corporate Social Responsibility (CSR) among firms has been a regular practice since the turn of the millennium. This is a fact that has become a norm among corporate entities universally and in Nigeria in particular. It seems that the relevance of this practice to corporate businesses cannot be over-emphasized. Though it is voluntary in most economies, the practice is common among firms globally. Corporate Social Responsibility (CSR) can simply be defined very simply as firms' commitment to a more sustainable development (Bissoon, 2018). Corporate Social Responsibility (CSR) is basically the incorporation of the aspirations of the communities in the business plan of companies operating in their domain at a given time (Colma & Etale, 2024). Colma and Etale (2024) further elaborate that the needs of the communities could be economic, legal, ethical, or philanthropic. While CSR activities to employees, communities, suppliers, creditors, shareholders, and other stakeholders are expected to be disclosed by entities to keep the public abreast of the contribution the company is making.

Therefore, Corporate Social Responsibility (CSR) seems to be influenced by the profitability and liquidity of the firm. However, the question raised here is; whether CSR expenditure is affected by the profitability and liquidity of the firm? Firms specific characteristics such as liquidity, profitability, firm age, and firm size of a company are considered key attributes that can influence a firm's CSR expenditure as evidenced by previous studies (Abubakar, 2016). It is against the above background that the study sought to examine the effect of firm characteristics (proxy by firm liquidity and firm profitability) on corporate social responsibility (CSR) expenditure of the listed manufacturing firms in Nigeria. The objective of the study is to evaluate the effects of liquidity on the corporate social responsibility expenditure; and to assess the impact of the firm profitability on the corporate social responsibility expenditure.

According to Nainggolan and Handoyo (2019) studies of related themes such as CSR have been presented in the academic literature for approximately 45 years. However, until now, the results of the existing research are still controversial and show different results and even contradictions between the results of research with one another. Previous reviews showed that many researchers examined the relationships of CSR with financial performance (FP) across various contexts including India and reported a variety of results. However, while studying the effect of CSR on FP, very few studies explored CSR expenditure, whereas the majority of the existing studies in India and abroad only examined CSR disclosure or initiative on the CSR domain (Kaimal & Uzma, 2024, George *et al*, 2023, Garg *et al*., 2021, & Potharla, 2018).

In Nigeria, most of the studies such as Oladipo (2015), Oladele and Mokuolo (2020) on CSR have either examined the statistical link between performance and environmental/social/sustainability costs or have focused on assessing the determinants of CSR disclosure among firms; predominantly in the oil sectors. Balarabe (2024) studied firm attributes and social and environmental disclosure: evidence of listed industrial goods firms in Nigeria. It covers both social and environmental disclosure but is restricted to industrial goods firms in Nigeria only. Ogunsola (2024), Malgwi (2024), and Abbah (2023) studied the CSR and Financial performance of listed cement manufacturing companies in Nigeria. Abdullahi (2023) examined the relationship between corporate social responsibility and firms' profitability in Nigeria using secondary data from ten (10) selected firms' annual and financial summaries between 2009 and 2018. Sadiq *et al*. (2017) examine the impact of corporate social responsibility on firms' performance measured by size for ten years (2005-2014), though conducted on manufacturing firms, there is a time frame. Albeit, there is no study conducted using firms' characteristics and CSR expenditure, especially in the Nigerian context. This has further created a gap that this study intends to fill and proffer a different view from the existing studies in Nigeria and beyond.

Based on the above, hypotheses are therefore formulated as follows:

H_{O1}: There is no significant effect of firm Liquidity on corporate social responsibility expenditure of listed manufacturing firms in Nigeria.

H_{O2}: There is no significant effect of profitability on corporate social responsibility expenditure of listed manufacturing firms in Nigeria.

II. CONCEPTUAL FRAMEWORK

2.1.1 Firms Characteristics

Firm characteristics in the context of corporate social responsibility reporting refer to aspects of an organization that identify measures and relate to that organization. There is evidence that firm characteristics influence the firm's choice of internal governance mechanism, and environmental and corporate social responsibility reporting (Imabazi *et al*., 2024). Some of these features are: firm age, firm size, firm liquidity, firm financial performance, ownership structure, and industry classification. It is the wide variety of information disclosed in the financial statements of business entities that serves as the predictors of the firms' quality control of accounting information and performance. It is made up of firm structural characteristics and firm performance characteristics (Colma & Etale, 2024). Firm characteristics also include industry type, geographical location, business style, corporate governance method, and any other aspect that distinguishes a firm (Okoba & Chukwu, 2023). Abbah (2023) posits that these characteristics are unique to specific companies and raise a perception in the minds of the users of the information.

Abbah (2023) however, noted that companies can be distinguished from one another based on different financial and non-financial characteristics including firm size, value, profitability, structure, etc. These characteristics are unique to specific companies and raise a perception in the mind of the users of that information regarding the performance and future of the company. In the view of Colma and Etale (2024) firm characteristics also known as firm attributes simply refer to some features that differentiate a firm from other firms. Some of the features are firm age, firm size, firm liquidity, firm financial performance, ownership structure, and industry classification. Some of them are discussed below.

2.1.2 Firm Liquidity

Liquidity can be defined as the state or condition of a business, which determines its ability to honour or discharge its maturing obligations. These obligations are made up of current liabilities and long-term debts. It is a measure of the relative amount of assets in cash that can quickly convert into cash without any loss in value available to meet short-term liabilities or the ability of a firm to meet all maturing obligations without enduring its financial conditions (Daniel *et al*, 2024). Ubaka and Eleogwu (2021) viewed liquidity as a firm's ability to meet current claims and obligations as and when they become due. Umar and Abdulrahman (2021) posit that liquidity is a variable whose importance is worthy of emphasis in the financial decision-making process of any business organization whose aim is to make a profit and maximize the wealth of the shareholders. Liquidity helps a company to discharge its short and long-term financial burdens.

According to Oyeshola (2023), liquidity is particularly important to shareholders, and long-term lenders, as it provides information about a particular business' safety margin and its ability to repay loans. Zhao *et al*. (2021) described liquidity as a broad and elusive concept that is not directly observed. Generally, it denotes the ability to trade large quantities quickly at low cost with little price impact. Orbunde *et al*. (2024) posit that effective liquidity management is also essential to a company's existence. All current asset and current liability components should be maintained so that a business can maintain a proper liquidity structure. An organization can fulfill its obligations on schedule if it has enough liquid assets.

2.1.3. Firm Profitability

Profitability means the ability to make a profit from all business activities of an organization, company, firm, or enterprise. It shows how efficiently the management can make a profit by using all the resources available in the market (Ikani, 2023). Profitability can be termed as the rate of return on assets of a business (Oyeshola, 2023). Profitability means the ability to make a profit from all the business activities of an organization, company, firm, or enterprise (Ubaka & Oleogwu, 2021). Profitability is a combination of an organization's financial health, its long-term obligations, and its commitment to providing services shortly (Adenzi, 2008 in Arumonah, *et al*. 2022). Achoda *et al*. (2024) defined profitability as an excess of revenue over associated expenses for an activity over a while. Abubakar (2016) stated that it is rational to consider the level of profitability as one of the important attributes that may influence firms' CSR decisions. A firm with relatively high profits may tend to invest a significant proportion of its proportion of its profits in CSR.

Profitability is broadly seen as the ability of a firm to meet its financial objectives. The key indicator of profitability is investors' return. Investors' return is measured from the shareholders' point of view, whereas accounting return focuses on how the firm's earnings react to various managerial policies (Sharma & Kumar, 2003 in Arumonah *et al*. 2022). In the broadest sense, profitability refers to the degree to which financial objectives and being met or have been met. It is the process of measuring the result of a firm's policies and operations in monetary terms (Arumonah, *et al*., 2022). Profitability is considered the most crucial motive that stimulates firm owners, managers, and other employees as long as the firm makes more profit, the owners increase its capital, and the employees would either be sustained or increase their incomes (Achoda, 2024).
Return on Equity (ROE) is a measure of the profitability of a business concerning the equity, that is shareholders" funds. It is also regarded as a composite indicator of business success because it combines accounting-based benefits and market-based equity (Arumona et al., 2024). Thus, the return on equity focuses on just the equity component of the investment. It gives the picture of the earnings left over for equity investors after debt service costs have been factored into the equity invested in the asset. The accounting metric used in this case is: ROE = PAT/Total Equity.

2.1.4 Firm Age

Firm age refers to the number of years since when the firm was established and started to operate in the business market. It is conceptualized as the number of years since the firm was listed in the registration authority database (Mgeni & Nayk, 2016 in Uche *et al.,* 2019). Firm age influences firms' CSR performance. Just as in the case of firm size, the age of a firm can determine its extent of CSR disclosure. Colma and Etale (2024) opined that years of operation by a firm can influence the degree of CSR. Fabian *et al.* (2021) firm age is a concept that looks at the years of existence of a corporate organization. It is thought that years of operation by a firm has something to do with the degree of its corporate social responsibility disclosure as well. Ohonbo and Ogbeide (2021) found out that there is a significant relationship between firm age and corporate social responsibility disclosure in Nigerian listed companies.

2.1.5 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) can be defined very simply as a firm's commitment to more sustainable development (Bissoon, 2018). Social responsibility of the business is "the obligation of the businessman to pursue those policies, to make those definitions as, (sic) or to follow those lines of action which are desirable in terms of the objectives and values of the society" (Egbunike & Efionayi, 2021). Wirba (2024) postulated that corporate social responsibility has multiple meanings. CSR is a complex idea and can correlate with several values. CSR is also related to the corporate environment and the environment or community it operates. CSR is considered philanthropic behaviour toward society (Wirba, 2024). Corporate social responsibility is a form of business commitment that contributes to sustainable economic development, working with employees, their families, local communities, and the wider communities to improve the quality of life (Fadrul *et al*., 2021). Clement *et al*. (2022) said CSR in simple terms, are activity that effectively connects business firms with their stakeholders. Therefore, CSR can be considered as a bonding factor between the firm and the host community.

Social sustainability can be described as a company's commitment to behave socially and environmentally responsibly while striving for its economic goals. It includes the company's relationship with all its stakeholders from market-related stakeholders (customers, shareowners, suppliers) to internal (employees, board of directors) or societal stakeholders (government, non-governmental organizations) (Ogah *et al*., 2024).

The concept of CSR has evolved considerably since it first emerged in the 1950's (Carroll, 1999; Freeman, 1984; in Garg et al. 2021). Social sustainability is one of the key pillars of sustainable development, and it is earmarked with human welfare – how people in the society can flourish: and experience the lifestyle they desire (Okoba & Chukwu, 2023). CSR is an aspect of the study that has gained attention in academia (Igbekoyi *et al*., 2019). Igbekoyi (2019) further noted that the extent of social responsibility by companies is important because it promotes the sustainable development of the nation. CSR are financial commitment an entity makes towards the external stakeholders – the society – voluntarily and without the intention of obtaining financial benefits from the society that would increase equity holders' wealth (Etoko, 2024).

2.1.6 Corporate Social Responsibility (CSR) Expenditure

Expenditures are incurred on the corporate social responsibility (CSR). It is the social responsibility cost that is committed to executing the CSR policy. The corporate social responsibility (CSR) expenditure is that expenditure on CSR of the sampled companies has not been able to impact significantly on their profit level which is used to measure their performance in the study (Oladele & Mokoulu, 2020). Due to the increase in CSR expenditures, the financial performance and profits of the firm have risen (George *et al*, 2023). Oladipo et al (2015) posit that a total of one billion nairas was reported to have been spent by eight Nigerian banks in 2012 on various community-related projects under the rubric of corporate social responsibility to identify with the society in which they operate.

Thus, in the case of India, GOI (Government of India) has come up with a corporate social responsibility (CSR) expenditure scheme, which was introduced under the Companies Act of 2013 and has created a paradigm shift in corporate governance today. According to Portharla (2018), CSR expenditure incurred by manufacturing firms in India during 2013 was 48,078 rupees according to CMIE Prowess Data. Here companies are required to contribute revenue towards certain social and environmental causes as part of their corporate duties. Kaimal and Uzma (2024) in their study examine how Indian non-financial service sector companies is influenced by CSR expenditure. It revealed a positive influence of CSR spending on financial performance measures.

2.2 Empirical Review

Ogunsola (2024) studied the CSR and Financial performance of listed cement manufacturing companies in Nigeria. The study was based on an ex-post factor research design using secondary data. The population consists of three cement manufacturing companies quoted on Nigerian Exchange Group (NGX) in which two form the sample size based on data availability, from the annual reports. The data were analyzed using descriptive statistics, correlation, and regression methods and it was statistically observed that corporate social responsibility has a positive, but negligible effect on return on asset. It was also observed that the effect of corporate social responsibility on earnings per share is positive and substantial. It was summarized that good CSR will possibly improve the financial performance of a firm. The recommendation made was that organizations should improve their financial performance by engaging in philanthropic activities to continue enjoying peaceful coexistence with the members of the host community. The study used only two cement manufacturing firms as a sample out of three. There is no need for sampling in this case. Considering the number of listed cement manufacturing firms across Nigeria this is inadequate.

Malgwi (2024) studied social responsibility and financial performance of listed manufacturing firms: The case of Nigeria. The paper investigated the effect of return on assets (ROA) and return on equity (ROE) as they will be affected by the CSR performance of the manufacturing firms in Nigeria. It covers the periods of 2019 to 2022 using post-facto as a method of data collection. Pearson correlation regression was used to analyze the correlation that exists between corporate social responsibility (CSR) and the firm's performance using the STATA version. The correlation matrix shows that there is a strong and positive relationship between the variables. The findings provide evidence that the ROA and ROE did not play an important role in determining the CSR of the listed manufacturing firms in Nigeria. The study recommended that Corporate Social Responsibility should be maintained among the firms and social investment among firms should be improved. The proxies used for the financial performance – return on asset (ROA) and return on equity (ROE) are both measures of profitability. The number of years is just four years and there is no sample and population stated to reflect whether it is adequate or not.

Abbah (2023) examined the relationship between corporate social responsibility and firm profitability in Nigeria using secondary data from ten (10) randomly selected firms' annual reports and financial summaries between 2018 and 2019. The study made use of ordinary least squares in the analysis of data. Findings from the analysis showed that the sample firms invested less than ten percent of their annual profit to social responsibility. The coefficient of determination of the result obtained shows that the explanatory variables account for changes of varieties in selected firms performance (PAT) caused by changes in corporate social responsibility (CSR) in Nigeria. It was recommended that laws and regulations obligate firms to be recognized, adequate attention should be given to social accounting in terms of social costs and to comply with social responsibility should be enacted. The period of the study is too short – 2018 and 2019 and the number of firms as a sample is ill-represented as there are many firms. Only one proxy was used as the measure of firm performance.

Abdullahi (2023) examined the relationship between corporate social responsibility and firms' profitability in Nigeria using secondary data from ten (10) selected firms' annual and financial summaries between 2018 and 2019. The study used ordinary least squares in the analysis of the data collected. Using E-View as a tool of analysis it was revealed that there is a negative relationship between the firms' performance which was measured with PAT and investment in social responsibility. Firms invested less than ten percent of annual profits in CSR. It was recommended that laws and regulations to obligate firms to be recognized adequate attention should also be given to social accounting in terms of social costs and to comply with social responsibility should be enacted. The samples are ill-represented as there is no sector stated for the population. The period of study is also too short and only one proxy profit after tax (PAT) was used for the variable profitability. There are also other measures of profitability such as return on asset (ROA), return on equity(ROE), and earnings per share as measures of profitability.

Douye and Gospel (2023) investigated the effect of corporate attributes (firm size, firm age, and leverage) on social sustainability performance disclosure of Nigerian manufacturing firms. The global reporting index was used in analyzing social sustainability performance disclosure (SSPD) in the sustainability reports of thirty manufacturing firms for the period of 2010–2020. The study was anchored on the legitimacy theory perspective technique with Ne Wey West's robust standard errors used to analyze the data collected. Findings showed that firm size, firm age, and leverage, each have a positive effect on social sustainability performance disclosure in manufacturing firms in Nigeria. It was concluded that firm characteristics have a significant effect on sustainability disclosures. These findings imply that social interactions between a firm and its social environment increase over time and this helps to enhance the legitimacy of the firm in its community. The study used the proxies firm size, firm age, and leverage on social sustainability performance did not include liquidity and profitability, and used reporting index disclosure.

Ozele *et al*. (2022) studied corporate social responsibility and firm performance in the context of listed non-financial firms in Nigeria. It evaluates the effect of CSR disclosure on firm financial performance. The objective is to examine the impact of CSR disclosure on firm financial performance in publicly listed companies. A sample size of 30 companies was selected and utilized for the study. The study made use of ordinary least square regression analysis in the data analysis. The evidence from the study found that corporate social responsibility disclosure particularly those related to conformity to environmental and other government policies has a significant effect on ROE and ROA. The study recommends that given the corporate social responsibility dimension exerts influence on the firm's performance., directors need to be careful in taking corporate social responsibility (CSR) tasks since those magnitudes need to be compatible with the firm's overall strategy. Only return on equity (ROE) and return on asset (ROA) were used as a measure of firm performance which is inadequate. Here return on equity and return on asset were used and there is no liquidity as in the case of the study under review.

Hapsoro and Sulistyarini (2019) examined the effect of profitability and liquidity on corporate social responsibility disclosure consequences. The study was driven by the inconsistency of the results of previous studies in testing the factors that influence CSR disclosure. The study used CSR disclosure to measure the corporate social responsibility index (CSRDI) based on the index of the Global Reporting Initiatives G4 Guideline (GRI G4). The results show that profitability has a significant and positive effect on CSR disclosure, while liquidity does not affect CSR disclosure has a negative effect on the bidack spread, CSR disclosure has a positive effect on trading volume, while CSR disclosure doesn't affect stock price volatility. The study implies as the following: companies that have high profitability should have a strong commitment to disclose corporate social responsibility because it helps reduce information asymmetry. The researchers finally recommended further study to include wider samples. The study has broad measures as it incorporates stock price and volume of trading in addition to profitability and liquidity, however, it was inconclusive, hence the recommendation for further study. It used a disclosure index.

Igbekoyi *et al*. (2019) assessed the trend of compliance of manufacturing firms in Nigeria to corporate social responsibility (CSR). It was done with a view to assess the ratio of funds committed to CSR from total income (TI) and the explanatory power of the latter on the former. A sample size of 25 manufacturing firms on the Nigerian Exchange Group (NGX) was selected using a purposive sampling technique to capture only firms that are in existence consistently within the time frame of the study. Data were collected from annual reports of the selected firms for the period of 2002 – 2016. Data collected were analyzed using tables, graphs, and cross-sectional regression trend analysis with the aid of an E-view statistical package. The findings of the study revealed that the rate of compliance of Nigerian manufacturing firms to CSR is more than the rate of non-compliance. However, it was found that the firm's engagement in CSR was unstable over the period under review and statistically insignificant at a certain point in time. It was also found that the ratio of funds committed to CSR is relatively small compared to the total income derived in a given year even though TI largely explained cross-sectional changes in CSR. The study recommends that companies should make an effort to increase funds committed to CSR significantly. This study has fair sampling in the population of manufacturing firms in Nigeria. There is also an adequate timeframe for the study period.

Sadiq *et. al*. (2017) examined the impact of corporate social responsibility on firms' performance measured by size. Data were collected from annual reports of fourteen manufacturing companies for the period of ten years (2005 -2014). The study employs a time series and cross-sectional data to examine the relationship between corporate social responsibility and firms' performance measured by size. The study also revealed that there is a negative relationship between corporate social responsibility and firm's efficiency. The study recommended that manufacturing companies should also improve their CSR activities to ensure firms development. The method employed in the study is not appropriate as the period is just ten (10) years. The sample of the population studied is also small relative to the number of manufacturing firms in Nigeria. The use of size as a proxy for the independent variable is also inadequate.

2.3 Theoretical Framework

Two theories related to corporate social responsibility for this study will be discussed. They are institutional and legitimacy theories. The theoretical underpin will, however, be based on the legitimacy theory. It is a theory that responds to a variety of factors; such as environmental, social, political, and economic influences. Below is the theoretical model:

2.3.1 Institutional Theory

According to Akinpelu (2024), institutional theory was propounded by John Meyer and Brian Rowan in 1977. The theory emphasizes social concepts that are formed by the existence of an organization and functions within the organization to sustain the organization and aid in achieving organizational goals. The institutional theory postulates that firms conduct CSR activities following the prevailing legal, economic, and cultural practices of institutions (Kabir & Thai, 2020). The concept of "institutional" generally refers to accepted socio-economic beliefs, norms, and practices associated with different aspects of society, such as education, law, politics, religion, and work (Judge *et al*, 2010 cited in Nguyen, 2019).

Institutional theory is having a link with the way an organization performs its CSR practice because one of the drivers of CSR performance is the pressure exerted by stakeholders and competitors, the organization needs to meet multiple demands expected from it and act according to accepted norms in the industry, because organizational legitimacy and survival could be at stake if organization fail to conform with acceptable institutional norms (DiMaggio & Powell 1983 cited in Hamidu *et al* 2015). Norms are developed during education, thus, making it common for people from the same educational background to approach the issue in a similar way (Abugu, 2021).

2.3.2 Legitimacy Theory

Legitimacy theory was propounded by Dowling and Pfeffer in 1975. Legitimacy is defined as a condition or status that exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential exists between the two value systems there is a threat to the entity's legitimacy. A business organization throughout its survival needs to fulfill what society expects from it, by doing so the business organization is considered an entity that deserves to be in the same environment as the society it serves. The notion gives the essence of being part of society and having a legitimate right of survival (Hamidu *et al*., 2015). According to Cui *et al*. (2017), legitimacy is a critical concept in organizational institutionalism. The term "legitimacy" dates back to the down of organization theory; however, for most of the past century, research on legitimacy emerged only slowly and was fragmented across several distinct social science literatures.

The legitimacy theory argues for the role of corporations in the eyes of society. It declinates an implied contract between society that enables it to meet the expectations of society to legitimize its existence (Zafar & Suleiman, 2019). The legitimacy theory posits that businesses are bound by the social contract in which the firms agree to perform various socially desired actions in return for approval of their objective and other rewards, and this can ultimately guarantee its continued existence (Abdullahi, 2016). The legitimacy theory is grounded on the social contract between a company and a community that receives the impact of its operation and utilization of a company's economic resources (Faisal et al., 2018). Bissoon (2018) said the legitimacy theory is based on the fact that community support is vital for the survival, growth, and image of companies. However, to acquire this support, corporations constantly try to ensure that they operate within the bounds and norms of society as a result must disclose specific information to convince society that their activities are legitimate and beneficial. Based on the above, the legitimacy theory underpins the study as it is having the social contract with the community that hosts its operation.

III. METHODOLOGY

The study adopts the ex-post factor research design due to the reason that secondary data were used. The population of the study covers all the fifty-five (55) listed manufacturing firms on the Nigerian Exchange Group (NGX) as of 31 December 2024. The sample size was determined at thirty-five (35) firms using a purposive sampling technique. The audited financial statements and annual reports and accounts of the listed firms in Nigeria for the years (2014 – 2023) under consideration provided the data needed for the study. A panel data regression was applied using STATA version 13(2025) in the analysis. The analysis employed descriptive statistics and correlation analysis to determine the relationship between CSR expenditures and the profitability of the manufacturing firms in Nigeria. The study adopted the model employed by Colma and Etale (2024) in a study conducted on firm characteristics and corporate social responsibility of listed consumer goods firms in Nigeria for the period of eleven years covering 2013 to 2023. It adopted firm size and firm age as proxies. The model was however modified to suit this study and presented in equation 1 as follows:

CRSE = f (ROE, LIQ, FA) ……………………………………………………(Eqn.1)

The above regression model was further translated into the econometric equation to facilitate the analysis:

$CSRE = \beta_0 + \beta_1 FP_{it} + \beta_2 FLIQ_{it} + B_3FA_{it} + \mathcal{E}_{it}$

CSRE = Corporate Social Responsibility Expenditure

FP = Firm profitability

FLIQ = Firm Liquidity

FA = Firm age

β_0 = Constant

β_1 & β_2 Coefficient of the independent variable to be determined

μ = Stochastic error term

Table 3. 1: Variable Definitions and their Measurement

Variable Acronym	Variable Name	Variable Type	Measurement	Source
CSR	Corporate Social Responsibility expenditure	Dependent	Natural log of actual CSR Expenditure.	Financial reports Chauhan & Amit (2014)
FLIQ	Firm Liquidity Ratio	Independent	Current asset over current liability (Current Ratio)	Abdulsalam (2024)
FP	Firm Profitability Ratio	Independent	PAT/Equity (Return on Equity)	Abdulsalam (2024)
FA	Firm Age	Control	No of years since listing	Uche *et al.* (2019)

Source: Researchers compilation, (2025).

4.1.1 Descriptive Statistics

The descriptive statistics provide an overview of the dataset's variables, namely Corporate Social Responsibility (CSR), Return on Equity (ROE), Liquidity (LIQ), and Firm Age (FA).

Table 4.1: Descriptive statistics

```
. summarize csr roe liq fa
```

Variable	Obs	Mean	Std. Dev.	Min	Max
csr	350	.6577057	1.964107	0	18.2
roe	350	9.291117	44.11545	-426.2751	281.7297
liq	350	1.405582	1.019445	.0021036	7.137457
fa	350	44.98571	19.5856	6	100

Source: Author's computation using STATA 13 (2025)

CSR has a mean of 0.658 with a wide standard deviation of 1.964, reflecting substantial variability across the observations. The ROE variable exhibits an average of 9.29 with a significantly high standard deviation of 44.12, indicating extreme outliers and variability, with a minimum value of -426.28 and a maximum value of 281.73. Liquidity is more consistent, with a mean of 1.41 and a standard deviation of 1.02, while Firm age has a mean of 44.99 and a standard deviation of 19.59, suggesting moderate variability. These descriptive statistics reveal the heterogeneity in the sample, particularly for CSR and ROE, which exhibit high dispersion. This heterogeneity is crucial for interpreting subsequent analyses, as it underscores the diverse nature of the sample and the potential for outliers to influence statistical tests.

4.1.2 Correlation Analysis

The correlation analysis evaluates the linear relationships between corporate social responsibility (csr), and liquidity (liq). Profitability (roe) and firm age (fa).

Table 4.2: Correlation Matrix

```
. pwcorr csr roe liq fa, sig
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	csr	roe	liq	fa
csr	1.0000			
roe	0.0568	1.0000		
	0.2894			
liq	-0.0958	0.1281	1.0000	
	0.0734	0.0165		
fa	-0.1646	0.0002	-0.1080	1.0000
	0.0020	0.9972	0.0434	

Source: Author's computation using STATA 13 (2025)

The correlation analysis evaluates the linear relationships between CSR, ROE, Liquidity, and Firm age. CSR demonstrates weak correlations with ROE with a correlation coefficient of 0.0568 and a p-value of 0.289, Liquidity has a correlation coefficient of -0.0958, and a p-value of 0.073, and Firm age has a correlation coefficient of -0.1646, with a p-value of 0.002. While the relationship between CSR and Firm age is statistically significant, its strength remains low, suggesting a minimal negative association between firm size and CSR activities. The other variables, including ROE and Liquidity, show no statistically significant correlations with CSR. These results suggest that linear relationships among the variables are weak, which is essential for understanding the broader patterns within the dataset and serves as an important diagnostic tool for regression analyses.

4.1.3 Variance Inflation Factor Test for Multicollinearity

The Variance Inflation Factor (VIF) test assesses multicollinearity among the independent variables in the regression model. High multicollinearity can inflate the standard errors of coefficients and reduce the reliability of estimates. The null hypothesis posits no multicollinearity, which is valid if VIF values remain below 10.

Table 4.3: Variance Inflation Factors

```
. vif

    Variable |       VIF       1/VIF  
-------------+----------------------
         liq |      1.03    0.971922
         roe |      1.02    0.983394
          fa |      1.01    0.988134
-------------+----------------------
    Mean VIF |      1.02
```

Source: Author's computation using STATA 13 (2025)

The VIF values for Liquidity (LIQ), Profitability (ROE), and Firm age (FA) are 1.03, 1.02, and 1.01, respectively, all of which are far below the critical threshold of 10. This confirms the absence of multicollinearity, ensuring that the independent variables provide distinct predictive information about CSR. The low VIF values validate the robustness of the regression model and eliminate concerns about overlapping explanatory power among the predictors.

4.1.4 Hausman Specification Tests

The Hausman Test is a statistical test that helps determine which model to use in regression analysis. It is used to compare fixed effect (FE) and random effect (RE) models. The Hausman test evaluates whether the fixed effects or random effects model is more appropriate for analyzing the dataset. The null hypothesis asserts that the random effects model is preferred due to no systematic differences in coefficients between the models.

H_{O1}: There is no significant effect of firm Liquidity on corporate social responsibility expenditure of listed manufacturing firms in Nigeria.

H_{O2}: There is no significant effect of profitability on corporate social responsibility expenditure of listed manufacturing firms in Nigeria.

Table 4.4: Hausman Specification Tests

```
.
. hausman fixed random

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
         roe |    .0003682     .0010397       -.0006716               .
         liq |   -.1338826    -.1575072        .0236245        .0561568
          fa |    .1032269    -.0039907        .1072176        .0264045
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =       10.53
                Prob>chi2 =      0.0146
                (V_b-V_B is not positive definite)
```

Source: Author's computation using STATA 13 (2025)

The chi-square statistic of 10.53 and the p-value of 0.0146 lead to the rejection of this null hypothesis. This indicates systematic differences between the fixed and random effects estimators, making the fixed effects model the more suitable choice for the dataset. The results emphasize the importance of controlling for unobserved heterogeneity that may be correlated with the independent variables.

4.1.5 Test of Hypothesis

This study relies on the fixed effect method of regression due to the results of the Hausman test above. The fixed effects regression model investigates the effect of liquidity, profitability, and firm age on corporate social responsibility while controlling for unobserved differences across entities. The null hypothesis posits that the predictors do not significantly influence CSR within entities.

Table 4.5: Fixed Effect Regression

```
. xtreg csr roe liq fa, fe

Fixed-effects (within) regression               Number of obs      =       350
Group variable: id                              Number of groups   =        35

R-sq:  within  = 0.0438                         Obs per group: min =        10
       between = 0.0762                                        avg =      10.0
       overall = 0.0244                                        max =        10

                                                F(3,312)           =      4.76
corr(u_i, Xb)  = -0.8754                        Prob > F           =    0.0029

------------------------------------------------------------------------------
         csr |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         roe |   .0003682   .0020864     0.18   0.860    -.0037369    .0044733
         liq |  -.1338826   .1349509    -0.99   0.322    -.3994116    .1316464
          fa |   .1032269    .028418     3.63   0.000     .0473117    .1591421
       _cons |  -3.801266   1.295604    -2.93   0.004    -6.350493    -1.25204
-------------+----------------------------------------------------------------
     sigma_u |  2.7172206
     sigma_e |  1.5263266
         rho |    .760148   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(34, 312) =     7.58             Prob > F = 0.0000
```

Source: Author's computation using STATA 13 (2025)

The fixed effects regression provides detailed insights into the relationship between CSR and the independent variables while accounting for unobserved heterogeneity. The within R-squared value of 0.0438 indicates that 4.38% of the variation in CSR is explained by profitability, Liquidity, and Firm age after controlling for group effects. This is also evidenced by the insignificant effects of the independent variables on the dependent variable. The coefficient for ROE is 0.0003682, but it is not statistically significant with a p value of 0.860, suggesting that ROE has no discernible influence on CSR. Liquidity has a coefficient of -0.1339, but it is also statistically insignificant with a p value of 0.322, indicating that it does not significantly impact CSR. In contrast, Firm age demonstrate a statistically significant positive effect on CSR, with a coefficient of 0.1032 with a p value of 0.001, meaning that a unit increase in Firm age is associated with a 0.103 increase in CSR. The constant term of -3.801 with a p value of 0.004 indicates that, when the explanatory variables are held constant, CSR decreases, suggesting that other factors may negatively influence CSR. The F-test for group effects produces an F-statistic of 7.58 with a p value of 0.001, confirming the significance of unobserved heterogeneity in the dataset. These results validate the fixed effects model as the most appropriate approach for analyzing the dataset, as it captures both observed and unobserved influences on CSR. This result indicates that liquidity has a negative and insignificant effect on the CSR of the sampled firms.

4.2 Discussion of Findings

The study aimed to investigate the effects of liquidity (LIQ) and return on equity (roe) on corporate social responsibility (CSR) using panel data and regression analysis. Two hypotheses were tested: the first evaluated the impact of liquidity on CSR, while the second examined the influence of return on equity on CSR. The findings are discussed in light of the study's empirical results and prior research.

The analysis reveals that liquidity negatively impacts CSR, but this relationship is statistically insignificant. This finding suggests that firms' liquidity levels do not decisively influence their allocation of resources toward CSR activities. This contrasts with the findings of Ogunsola (2024), who reported a positive, albeit negligible, effect of CSR on financial performance indicators like return on assets and earnings per share. While Ogunsola emphasized that good CSR could improve financial performance, the current study suggests that firms with higher liquidity may not necessarily translate financial flexibility into increased CSR investments. The insignificant effect of liquidity may indicate that other factors, such as strategic priorities or external pressures, play a greater role in shaping CSR investments.

Similarly, the result diverges from the findings of Ozele *et al*. (2022), who identified a positive effect of CSR disclosure on firm performance metrics, including return on equity (ROE) and return on assets (ROA). According to Ozele, greater liquidity might support CSR initiatives through enhanced financial capacity. However, the lack of significance observed in this study suggests that liquidity may not be a consistent predictor of CSR engagement across different firms or contexts, and firms with abundant liquid resources may prioritize operational or financial objectives over CSR commitments.

Return on equity (ROE) was found to have a positive but statistically insignificant effect on CSR. This indicates that profitability does not play a decisive role in shaping CSR investments for the firms under study. This aligns with the findings of Malgwi (2024), who reported no significant role of profitability (ROA) in determining CSR among Nigerian manufacturing firms. Malgwi's findings reinforce the notion that CSR decisions are not necessarily driven by short-term profitability metrics but rather by broader strategic or operational considerations. Similarly, Abbah (2023) noted that firms allocated less than 10% of their annual profits to CSR, with limited explanatory power of financial performance on CSR investments. These patterns align with the insignificant impact of ROE observed in the current study, suggesting that CSR investments may not be a primary function of profitability. However, contrasting findings from Ozele et al. (2022) highlight the contextual differences, with evidence suggesting that firms in some settings align CSR with profitability as a strategic decision.

The analysis also highlights the statistical significance of firm age in influencing CSR activities. The positive relationship observed suggests that older firms are more likely to engage in CSR, consistent with findings by Douye and Gospel (2023). Douye and Gospel concluded that older firms tend to enhance their social sustainability performance and disclosures over time, potentially due to the accumulation of social capital and legitimacy within their communities. This supports the legitimacy theory, which suggests that firms with a longer history are more likely to engage in sustained CSR efforts as a means of maintaining their social license to operate.

This study highlights the following key findings: a negative but insignificant relationship between liquidity and CSR, a positive and insignificant relationship between ROE and CSR, and a positive and significant relationship between firm age and CSR. These findings emphasize the marginal role of financial metrics like profitability and liquidity in determining CSR while underscoring the critical role of firm-specific characteristics such as age. They also align with studies that suggest older firms prioritize CSR to maintain legitimacy within their communities. Future research could explore the mechanisms through which firms balance financial and social objectives, particularly in varying economic contexts, to shed further light on the dynamics of CSR investments.

V. CONCLUSION AND RECOMMENDATIONS

In conclusion, this study finds that both liquidity and return on equity have statistically insignificant effects on corporate social responsibility (CSR) among listed manufacturing firms in Nigeria. These results suggest that financial performance metrics such as profitability and liquidity are not primary drivers of CSR investment decisions in this sector. Instead, firm age emerged as a significant determinant, indicating that older firms are more likely to engage in CSR, possibly due to accumulated experience, established stakeholder expectations, and a stronger commitment to maintaining legitimacy within their operating environments.

These findings contribute to the growing body of literature suggesting that CSR practices are influenced more by firm-specific characteristics and strategic considerations than by short-term financial performance. Policymakers and regulatory bodies should recognize that relying solely on financial indicators to predict CSR engagement may be inadequate. Future research should further investigate non-financial factors—such as leadership orientation, stakeholder pressure, and regulatory influence—that may better explain variations in CSR practices across firms and sectors.

Consequently, the study recommends the following:

i. Mandate CSR Reporting Standards: The government, through agencies like the Corporate Affairs Commission (CAC) or the Financial Reporting Council (FRC), should introduce mandatory CSR disclosure guidelines for listed firms. This will standardize CSR reporting and encourage firms—regardless of profitability or liquidity—to consistently document and improve their social and environmental impact.

ii. Introduce CSR-Linked Tax Incentives Through FIRS: The Federal Inland Revenue Service (FIRS) should develop and implement a tax incentive policy that provides deductions or credits to companies that commit a defined percentage of their liquid assets or profits to certified CSR initiatives. This will encourage firms to invest in socially responsible activities regardless of immediate financial impact.

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[1]Bakari Adamu MALGWI, [2]Prof. Orbunde Bemshima Benjamin,
[3]Dr. Daniel Emmanuel Kayode
[123]Department Of Accounting Faculty Of Administration Bingham University, Karu