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Impact of Social Costs on Business Reputation Among Listed Firms in Nigeria: Structural Equation Modeling Approach

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ABSTRACT: *There are frequent disruptive developments in the contemporary business environment, which is chaotic. A restriction is the inability of an organisation to predict future performance with certainty. To improve company performance and develop their reputation, organisations must strike a balance between the economic (removal of societal costs) and non-economic (business reputation) sides of their operations. Consequently, this study examined how social costs impact the business reputation of listed companies in Nigeria. The study used survey research designs. The population was made up of 168 firms that were listed on the Nigerian Exchange Group as of December 31, 2022. To collect primary data, a standardised and verified questionnaire was used. For the analysis, a structural equation model was employed. The results of the first hypothesis refuted the findings of the initial hypothesis, which demonstrated a strong positive correlation between social costs and business reputation. The study yields a standardised estimate of 0.840 (t-value = 8.116, p 0.001), demonstrating that social costs significantly affect the reputations of listed firms. The second hypothesis postulates a positive relationship between innovation and a company's reputation (standardised estimate = 0.547, t-value = 4.562, p 0.001). The relationship between business ethics and reputation is still negligible, with a standardised estimate of 0.116, a t-value of 0.669, and a p-value of 0.503. The study recommends that corporate managers work harder on social responsibility to boost the reputation of their businesses. Governmental agencies in Nigeria should set up a system encouraging companies to prioritise social responsibility projects.*
KEYWORDS: social costs, business reputation, listed firms, Nigeria:

INTRODUCTION

The contemporary business environment could be more manageable, with changes occurring frequently and needing clarification. It restricts an organisation's capacity to predict performance in the future confidently. Organisations must assess how successfully they manage the conditions in light of the organisation's performance, regardless of how slight or significant the differences are (Selvam, Vasanth, Lingaraja & Marxiaoli, 2016). For an organisation to succeed in the commercial context in which it operates, some expenses must be incurred. However, academic researchers and professionals must focus more on the contentious question of how much money should be spent to maintain the disruptive activity (Koli-Stani & Jurii, 2021). Only the efficient utilisation and maximisation of resources were expected of corporate organisations by society. Modern businesses must consider elements besides profit, such as moral and environmental considerations, resulting from technological improvements (Krasavac, Karamata, Soldi-Aleksi & Radosavljevi, 2021).

According to Agbiogwu, Ihendinihu, and Okafor (2016), businesses should care about society because it influences organisational effectiveness. It went on to say that companies must address urgent social challenges generated by their business operations in the neighbourhood. According to Falope, Okafor, and Ofurum (2019), internalising the destructive externalities that their economic activity to society has caused will help solve the problems of negative externalities as a social expense. Agbiogwu, Ihendinihu, and Okafor (2016) claim that toxic waste, waste generated by their commercial activities, and environmental harm or pollution are among the societal problems.

The number of external elements influencing corporate performance has increased, and as a result, business practices have changed significantly. Society is necessary for a corporation to survive (Valjakka, 2013). Businesses are supposed to establish processes that improve the quality of life in the community where they operate, according to Ma and Osiyevskyy (2017). It was also said that businesses can no longer ignore the society in which they operate. According to Sayilir and Victor (2020), the organisation must reduce its social costs to foster a favourable environment for its commercial activity. Additionally, the company must internalise all negative externalities that result from its economic activities. Negative externalities affect organisational performance, which may diminish the firms' return on assets and harm their reputation as a company, according to Okoye, Modebe, Ahmed, Okoh, and Okojie (2017).

For listed companies to succeed in today's cutthroat business world, their reputation is essential. Managing social costs has emerged as a critical component influencing a firm's reputation as stakeholders and investors become more concerned about corporate social responsibility (Cabrera-Luján *et al*., 2023). According to Krasavac, Karamata, Soldi-Aleksi, and Radosavljevi (2021), each organisation cherishes its standing in the industry. Without a strong reputation, success is further limited, and the organisation's long-term future is questioned. According to Abugre and Anlesinya (2019), organisations should incorporate CSR activities into their business strategy to shift the emphasis from profit maximisation to stakeholder optimisation. According to Alzghoul, Elrehail, Saydam, Alnajdawi, and Al'Ararah (2016), corporate social responsibility

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enables a company to adjust to changes in the business environment and technological, economic, and managerial strategy.

According to Koli-Stani and Jurii (2021), a company's reputation is its most important asset. Therefore, it is imperative to understand that any negative reputational impact can harm future success if they lose the confidence of their stakeholders, such as shareholders, customers, employees, suppliers, potential investors, and the government. According to Krasavac, Karamata, Soldi-Aleksi, and Radosavljevi (2021), a harmful effect on a company's reputation could lead to ongoing business issues for the organisation when dealing with stakeholders, such as their interactions with the government, potential shareholders who buy its shares, or customers who use their goods or services.

According to Valjakka (2013), when stakeholders' expectations are not satisfied, a company's reputation continues to lose value, negatively affecting the organisation's performance by lowering financial returns. Banks might not offer further credit facilities due to the decline in financial performance, and potential employees might not be motivated to boost business efficiency, according to Ma and Osiyevskyy (2017). According to Valjakka (2013) and Fombrun, Gardberg, and Barnett (2000), it might make companies lose the trust of their stakeholders, which would be bad for their reputation and long-term profitability.

Varied stakeholders have varied viewpoints on how organisations operate, according to Korzhevskyi and Mihus (2022); some have favourable feelings, some have negative ones, and some might not. Understanding how stakeholders perceive a firm's activity is crucial. According to Veh, Gobel, and Vogel (2018), the stakeholders' opinions differ due to varied viewpoints on the firms' behaviour. The firms must strategically plan depending on the general sentiments of the stakeholders; it was further mentioned to develop a proper image in front of the stakeholders.

According to Jeffrey, Rosenberg, and McCabe (2019), a company's ability to make socially responsible decisions and carry out actions that satisfy many stakeholders determines whether it will survive, grow, and flourish in the present business environment. Businesses should act as social actors driven by profit, community interest, and the business environment, according to Lu, Abeysekera, and Cortese (2015). According to Johnston, Amaechi, Adegbite, and Osuji (2019), businesses should fulfil their obligations in various ways, including helping improve the quality of life for their customers. It further said that customers are more likely to purchase their goods because they believe them to be socially responsible from the perspective of society's advancement and their moral attitude towards the community.

Particularly during a crisis, a company's management should focus their organisational and financial resources on improving CSR management because doing good deeds and showing compassion for the most vulnerable members of society improve a company's reputation and financial performance (Akinleye & Adedayo, 2017; Jibril, Dahiru, Muktar & Bello, 2016).According to Cabrera-Luján, Sánchez-Lima, Guevara-Flores, Millones-Liza, Garca Salirrosas, and Villar-Guevara (2023), listed firms should prioritise corporate social responsibility (CSR) initiatives, ethical business practices, and sustainability efforts to reduce the impact of social costs on business reputation. The company's reputation can grow over time by being open about these initiatives and interacting with stakeholders. Koli-Stani and Jurii (2021) also claimed that frequent social and environmental impact evaluations and any necessary adjustments would show the company's dedication to ethical business practices.

Eliminating societal cost practices is required due to Nigeria's social and environmental issues. Nigerian firms must overcome challenges in today's complex and competitive world from economic and non-economic factors. The host communities' social welfare is still something businesses operating in Nigeria must address despite their substantial profits (Akinleye & Adedayo, 2017). Therefore, to survive and thrive in the business climate, organisations must plan their actions to balance their economic activities and lower their social expenses (Jibril, Dahiru, Mukta & Bello, 2016).

Hence, the study hypothesised that:
Ho1: Social costs do not significantly impact the business reputation of listed firms in Nigeria.

Ho2: Innovation and business ethics do not significantly affect the relationship between social costs and listed firms' business reputation in Nigeria.

LITERATURE REVIEW

Petkeviciene (2015), as well as Zhou, Quan, and Jiang (2012), define business reputation as a combination of appreciation, responsiveness, methodology, and valuation of firms over time-based on their value, past performance, communication, image, and likelihood and prospective to satisfy future requirements in comparison to competitors. Building a good company reputation takes time, but it is easy to trash one, according to Jeffrey, Rosenberg, and McCabe (2019), which would cause businesses to lose their integrity. The ability to successfully communicate through the media, information flow, and the development or manufacture of a reliable product that is consistent with it are among the challenges that firms may face while trying to establish a strong business reputation. By incorporating fundamental principles into their operations, firms can show their stakeholders that they are responsible corporate citizens for all of their acts, according to Alzghoul, Elrehail, Saydam, Alnajdawi, and Al'Ararah (2016). To provide high-quality goods and services, the company must be run with the highest good faith, in the shareholders' best interest, and with fair employee treatment (Manukian, 2015).

Conesa, Acosta, and Manzano (2016) claimed that a strong corporate reputation for prospective customers could indicate stunning quality, successful human resource management, and highly innovative goods and services. According to Manukian (2015) and Harrison & Enz (2005), other factors that might boost the perception of an organisation's progress include, attracting investors and highly qualified worker; charging competitive prices; keeping loyal customers; and entering international markets with fewer restrictions.

According to Jeffrey (2019), a company's reputation encourages good client communication, defines clear expectations of the organisation, and generates favourable word-of-mouth advertising. Customer expectations and how well a firm is significantly seen impact its reputation (Manukian, 2015; Roper & Fill, 2012). Companies ultimately assume responsibility for the effects of their economic operations on society through the social costs process (Johnston, 2011). It further said that internalising the detrimental actions brought on by the company's financial operations can move beyond the "win-win" scenario where businesses are viewed as "doing good," thereby bolstering their reputation or brand and boosting shareholder earnings.

According to Krasavac, Karamata, Soldi-Aleksi, and Radosavljevi (2021), adverse social effects can sour relations with various stakeholders, including partners, suppliers, and local populations. It further said that the stress may impact supply chain management, business operations, and expansion plans. According to Jeffrey, Rosenberg, and McCabe (2019), businesses with a bad reputation due to social costs may need help achieving long-term viability. Furthermore, it was mentioned that maintaining competitiveness in many industries is becoming increasingly dependent on sustainable business practices and positive social impact.

THEORETICAL FOUNDATION

The stakeholder theory, which considers an organisation's beneficiaries, serves as the theoretical basis for this study. All other theories, including the theories of legitimacy, institutions, the triple bottom line, and information asymmetry, consider the stakeholders' interests. According to the stakeholder theory, when conducting business, the corporation should consider the interests of all its beneficiaries. A firm must also take the necessary actions to guarantee that its activities are transparent and follow economic rules and principles (Freeman, 1984). The idea also makes it possible for the firm's management to acknowledge the engagement of parties besides the shareholders, such as the staff, customers, suppliers, governmental organisations, the neighbourhood where they operate, trade groups and unions, financial institutions, and political organisations. The firms could maintain an equal balance among the stakeholders and engage in fair relations with them if they conducted business ethically and eliminated knowledge asymmetry.

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The theory allows an organisation to incorporate community practices and norms. Businesses need to be able to assess whether their actions fit within the social construction system of norms, values, and beliefs of the society in which they operate if they are to prosper and expand sustainably (Johnston et al., 2019). Businesses can exist if they fulfil customer expectations (Manukian, 2015). When a group is alleged to be violating social norms, there is a legitimacy gap, nevertheless (Falope et al., 2019). By limiting the organisation's operations, limiting its access to resources, and reducing product demand through boycotts, society can penalise the organisation at these times (Deegan & Rankin, 2002).

EMPIRICAL REVIEW

Businesses should be required by legislation to acknowledge and internalise the social costs or negative externalities that their economic actions have on society, according to Johnston, Amaechi, Adegbite, and Osuji (2019). In addition, it was clarified that the phrase "corporate social responsibility" should only be used to refer to how companies voluntarily recognise and deal with their operations' consequences on the neighbourhood. The pricing did not include volunteer work for social issues expected to enhance business brand value and improve the world. Due to the costs, CSR could be utilised as another cost-effective technique to lessen economic activities' social or detrimental external effects. According to Falope, Offor, and Ofurum (2019), environmental pollution prevention costs, environmental protection costs, and environmental recycling disclosure all impact the return on assets of listed construction businesses in Nigeria. According to the report, regular and continuing environmental evaluations would boost an organisation's sales and profitability and ensure that environmental and situational needs are continually met to protect its reputation.

Yi-Chun, Hung, and Wang (2018) researched the effects of mandatory CSR disclosure on corporate profitability and social externalities in China. The study found that companies required to report on CSR operate less profitably due to the requirement. Additionally, the study demonstrated that political/social factors rather than economic ones drive CSR spending, increasing the political/social pressure the required CSR disclosure places on a company's CSR activities. At the expense of shareholders, it was decided that enforcing CSR disclosure changes company conduct and benefits society. A company's performance, as measured by its profitability and reputation for CSR, are positively correlated, claim Sayilir & Victor (2020). Using the Fortune Most Admired Companies list, they examined the effects of previous business outcomes on later corporate reputation. They discovered that market return and return on sales influence future corporate reputation.In their investigation into the possible impact of socially conscious company practices, Krasavac et al. (2021) discovered a link between corporate reputation and CSR. They stressed the strategic value of CSR and how it affects a company's customer reputation.Nguyena et al. (2020) investigated the function of CSR in Vietnam's tourist and hospitality sectors. They discovered that firm size has a beneficial effect on both financial success and CSR. Additionally, they found a link between corporate reputation and consumer satisfaction and how well organisations do financially.Ma & Osiyevskyy (2017) highlighted the significance of corporate reputation for established businesses and new operations. They discovered relationships between business reputation and increases in market share, more substantial capital and asset returns, and above-average net profit margins. Reputation helps young businesses win over investors and customers.

METHODOLOGY

The research adopted a survey design through a structured questionnaire, examining the relationship between social costs and business reputation. The researcher employed a survey research design through Structural Equation Modeling to examine the relationship between social costs and business reputation.

Model specification

The study consisted of two variables: independent and dependent variables. The dependent variable is a business reputation. The independent variable is social costs. The moderating variables are innovation and Business Ethics. The model for the variables denoted in the following equations:
Y= f(X)
Y= Business Reputation
X= Social Costs (SOCO)
y= Business Reputation (REP))
y= REP
x = Social costs (Internalising negative externalities)
Z = z1, z2
z1 = Innovation (INNOV)
z2 = Business Ethics (BUETH)
The functional representation of the study based on the objective of the study is given as follows;
REP = *f*(SOCO) ……………………………….……..…………………..……….3.1
REP = *f*(SOCO, INNOV, BUETH) ……………………………….………..…...........3.2
Therefore, the regression model is given as:
REPi = β0+β1SOCOi + *ei* ……………………….……..…………….………..………….3.3
REPi = β0+β1 SOCOi + β2 INNOVi + β3BUETHi+ *ei* ………………………………….3.4

Model Evaluation Techniques

The significance of social costs on business reputation was evaluated at $\alpha = 0.05$, employing the t-statistics. F-statistics assessed the aggregate or combined effect at the same significance level.
The null hypotheses on the impact of social costs on business reputation will not be rejected if computed F-statistics's associated probabilities are more than the stipulated 5% and 10% significance levels in each of the hypotheses. The null hypothesis of the individual effects of

each independent variable on the dependent variables would not be rejected if the *t*-statistics results were less than the absolute value of *t*-tabulated at 5% and 10% levels of significance. The probabilities of the *t*-test should be greater than the stipulated 5% and 10% levels of significance. Besides, the R^2 and the adjusted R^2 would also be used to judge the estimated model's goodness of fit.

Results/findings

The section discusses the Structural Equation Modeling used to assess the impact of social costs on business reputation among listed firms in Nigeria. The section is structured as follows: Section 5.4. hypothesis-testing on the Structural Equation Model and discussion of findings for the objectives, while Section 5.5 centres' on the implications of the findings.

Hypothesis Testing for Structural Equation Model Estimates

The critical path analysis in Table 1 shows the details of the outer loadings, coefficients, and the *t*-statistics, which are explained in the tables below.

Research Hypothesis One:

Social costs do not significantly impact the business reputation of listed firms in Nigeria.

Table 1: The Impact of Social Costs on Business Reputation of Listed Firms in Nigeria

Panel A: Long Run Coefficients

Dependent Variable: REP				
Variables	Coefficients	Standard Error	t-stat	Prob.
SOCO	0.840	0.065	8.116	0.000
Panel B: Diagnostic Test			Stat	Prob
R-Square			0.705	

Note: Table 1 examines the impact of social costs on listed firms' business reputation in Nigeria. The dependent variable is the business reputation (REP), and the explanatory variable is social costs (SOCO).

Source: Researchers Computation (2023)

Interpretation

$$REP_i = \alpha_1 SOCO_i + \varepsilon_i$$

$$REP_i = 0.840 SOCO_i$$

The findings of structural equation estimations for the effects of social costs on the corporate reputation among Nigeria's listed companies are presented in Table 1. Significant results were found, offering proof to disprove the null hypothesis. The link between societal costs and corporate reputation had a standardised estimate of 0.840 (t-value = 8.116, p 0.001). This suggests a strong and positive correlation between societal costs and listed companies' corporate reputations in Nigeria. Contrary to what was initially thought, it can be inferred that social expenses significantly impact the commercial reputation of listed firms.

The R-square value of 0.705 indicates that social costs can account for about 70.5% of the variation in company reputation among listed enterprises in Nigeria. This reveals a significant impact of social expenses on these corporations' corporate reputations. Additionally, the statistics on model fit show that the suggested model and the gathered data suit each other well. The CMIN/df value of 1.835 shows an acceptable model fit. The standardised root mean square residual (SRMR) value of 0.369, the root mean square error of approximation (RMSEA) value of 0.046, the goodness-of-fit (GFI) value of 0.959, the Tucker-Lewis Index (TLI) of 0.949, the Comparative Fit Index (CFI) of 0.958, and the Tucker-Lewis Index (TLI) of 0.949 all point to a satisfactory fit of the model.

These results demonstrate how social costs have a big influence on listed companies in Nigeria. The findings highlight how crucial it is to effectively manage and handle social costs in order to improve the corporate reputation of listed corporations. It is advised that companies in Nigeria invest funds to reduce and manage social expenditures as this might help to maintain and enhance their company reputation.

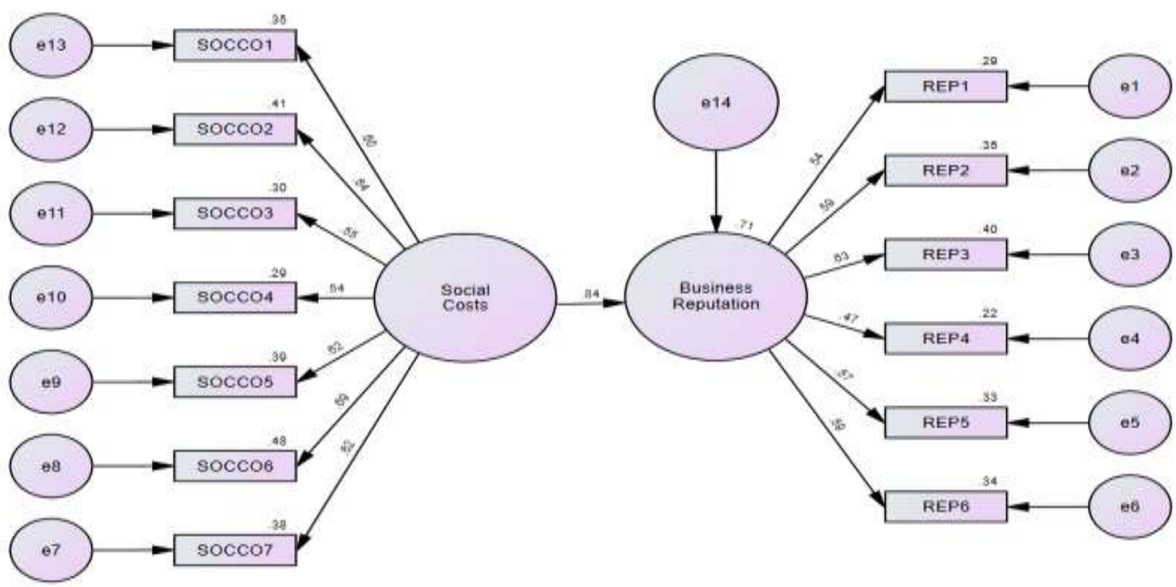

Figure 5.4.1: Structural Equation Model Critical Path for the Level of Significance.
Source: Researchers Computation (AMOS) (2023)

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Research Hypothesis Two:
Moderating innovation and business ethics variables do not significantly affect the relationship between social cost and business reputation.

Table 2. The Moderating Effect of Innovation and Business Ethics on the Relationship between Social Costs and Business Reputation of Listed Firms in Nigeria

Panel A: Long Run Coefficients

Dependent Variable: REP				
Variables	Coefficients	Standard Error	t-stat	Prob.
BUETH	0.116	0.156	0.669	0.503
SOCO	0.327	0.098	4.562	0.000
INNOV	0.547	0.098	4.6562	0.000
Panel B: Diagnostic Test			Stat	Prob
Adjusted R-Square			0.856	

Table 2 examines the moderating effect of innovation and business ethics on the relationship between social costs and business reputation. The dependent variable is business reputation (REP), and the explanatory variables are business ethics (BUETH), social costs (SOCO), and innovation (INNOV)

Source: Researchers Computation (2020)

Interpretation

$$REP_i = \alpha_1 BUETH_i + \alpha_2 SOCO_i + \alpha_1 INNOV_i + \varepsilon_i$$
$$REP_i = 0.116BUETH_i + 0.327SOCO_i + 0.547INNOV_i$$

The moderating effects of innovation and business ethics on the connection between societal costs and the commercial reputation of listed enterprises in Nigeria are estimated using structural equation modelling in Table 2. The findings show a statistically significant relationship between social costs and corporate reputation (Social Costs -> REP: standardised estimate = 0.327, standard error = 0.098, t-value = 2.205, p 0.05). The null hypothesis may be ruled out, indicating that the link between social costs and firm reputation is not significantly affected by the moderating effects of innovation and business ethics variables. The analysis also shows a significant positive association between innovation and corporate reputation (Innovation -> REP: standardised estimate = 0.547, standard error = 0.098, t-value = 4.562, p 0.001). corporate ethics, conversely, do not statistically significantly affect corporate reputation (Business Ethics -> REP: standardised estimate = 0.116, standard error = 0.156, t-value = 0.669, p = 0.503). Therefore, the null hypothesis for the moderating influence of business ethics on the link between social costs and firm reputation cannot be dismissed because it is still non-significant.

According to the R-squared value, societal costs, innovation, and business ethics account for about 85.6% of the variation in firm reputation. The CMIN/df ratio of 2.018 indicates a good fit between the hypothesised model and the data in terms of model fit. The goodness-of-fit index (GFI) of 0.907, the Tucker-Lewis index (TLI) of 0.897, the comparative fit index (CFI) of 0.909, and the standardised root mean square residual (SRMR) of 0.0444 all demonstrate a satisfactory fit. In contrast, an RMSEA (root mean square error of approximation) of 0.051 indicates a somewhat less ideal fit. As a result, the evidence from the analysis is in favour of rejecting the null hypothesis about the moderating role of innovation in the relationship between social costs and corporate reputation. The association with the company's reputation is still not substantial. Thus, the null hypothesis for the moderating influence of business ethics cannot be disproved. These results help us comprehend the intricate interactions among societal costs, innovation, business ethics, and corporate reputation among listed enterprises in Nigeria. It can be concluded that there is evidence to reject the null hypothesis because the standardised estimate for at least one of the variables (in this case, "innovation") is statistically significant. The conclusion of the hypothesis would be that the statistically significant effect of "innovation" indicates that the moderating effect of "innovation and business ethics" on the relationship between social costs and business reputation is important. However, "business ethics" did not show a substantial impact.

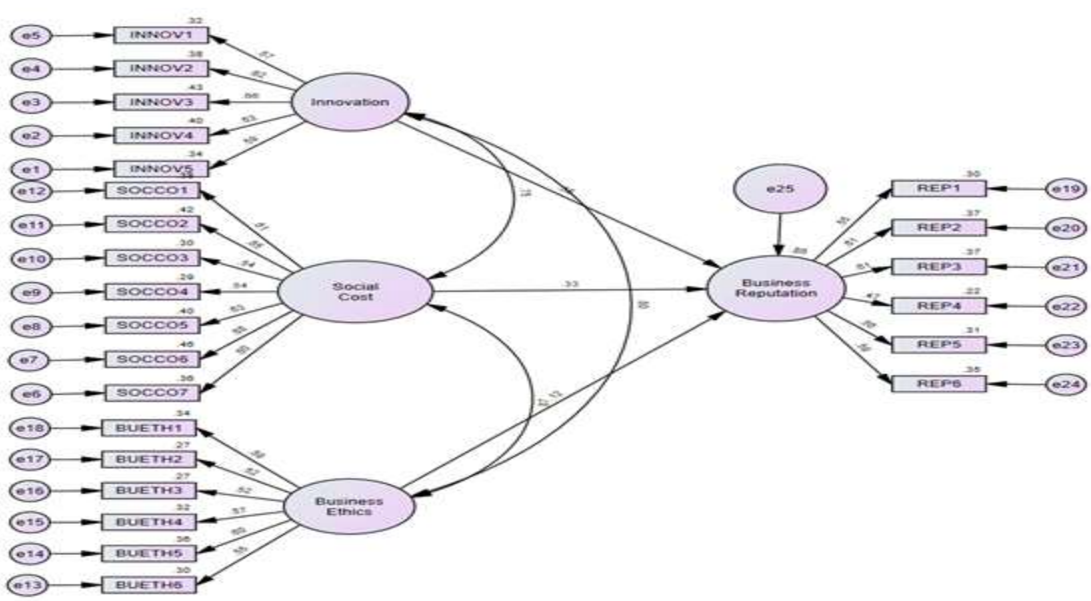

Figure 5.4.2: Structural Equation Model Critical Path for the Level of Significance.
Source: Researchers Computation (AMOS) (2020)

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DISCUSSION OF THE FINDINGS

Hypothesis 1

The hypothesis claimed that social expenses have little bearing on the standing of listed companies in Nigeria. The investigation showed a strong positive correlation between social costs and corporate reputation, indicating that social expenses significantly impact listed companies' reputations. These findings highlight the need to manage social costs to preserve a positive business reputation and help us understand how social costs affect listed companies in Nigeria.

Hypothesis 2:

The findings support the contention that business ethics and innovation strongly mediate the link between societal costs and brand reputation. The analysis shows that innovation and corporate reputation are significantly positively correlated but that the association between business ethics and reputation is insignificant. These results underline the significance of innovation in establishing a company's reputation and encourage additional research into the function of business ethics in Nigeria.

The performance of publicly traded Nigerian construction enterprises was evaluated by Falope and Offor (2019) concerning the impact of environmental disclosure. The study used an Ex-Post Facto research strategy, and SPSS version 20.0 was used to perform a linear regression analysis to assess the hypotheses. The study concluded that the return on assets of the listed Nigerian construction enterprises was affected by environmental pollution prevention costs, environmental protection costs, and environmental recycling disclosure.

Corporate social responsibility was investigated by Johnston, Amaechi, Adegbite, and Osuji (2019) as an obligatory internalisation of social costs. According to the report, CSR should be defined and marketed as a must for conducting business rather than an optional choice, mainly when it does not assist corporate financial performance. Additionally, it was said that the management of the companies must comprehend CSR as the process of sustainable governance and externality resolution.

In China, the impact of required CSR disclosure on corporate profitability and social externalities was studied by Yi-Chun, Hung, and Wang (2018). According to the study, businesses that must report on CSR do so less profitably, following the requirement. The study also showed that political/social concerns, rather than economic ones, predominantly drive CSR spending, which adds to the political/social pressure that the mandated CSR disclosure increases regarding a firm's CSR efforts. It concluded that requiring CSR disclosure results in positive externalities for society at the expense of shareholders and changes healthy behaviour.

Agbiogwu, Ihendinhu, and Okafor (2016) examined how Nigerian manufacturing enterprises fared regarding social and environmental costs. The data for the study came from fifteen (15) randomly chosen companies in the food and beverage industry and was sourced from secondary data. Using SPSS version 20, T-test statistics were used to test the hypotheses. The study discovered that net profit margin, earnings per share, and return on assets for particular manufacturing enterprises are all highly impacted by environmental and social costs. The government is advised to ensure Nigerian manufacturing firms fully comply with all environmental rules.

Implication of Findings

Numerous implications for theory and practice can be drawn from the research aims. First, it reinforces and supports the body of empirical evidence that shows that social costs positively affect the reputations of listed companies.

Theoretical implications

The management of the listed firms can utilise stakeholder theory and legitimacy theory assumptions in their management policy in implementing societal costs and determine the effects on their business reputation:According to the stakeholder theory, management should consider what stakeholders believe about the organisation because they have diverse perspectives on how the firm operates and how they see the world. The stakeholders have a great concept of the total impressions they have added to the corporate reputation, which businesses need to work on.
According to the legitimacy theory's implications for businesses, management should spend money on projects that advance the community in which they do business. To reduce social costs, they should refrain from economic actions that would affect their operating environment.

Practical application

Following are some applications of the research on the impact of eliminating social costs on corporate reputation:

The management of an organisation should exercise caution while engaging in any activities that could harm the company's reputation, which could eventually impact the firm's profitability and cause stakeholders to lose faith in them. As a result, whether customers are buying their products or investors are buying their stocks, management must continuously operate in a way that upholds its solid corporate reputation. In contrast, if stakeholders' expectations are not satisfied, the harm to the company's reputation will continue to show, reducing sales and the company's capacity to attract investors, which will impact potential employees.

SUMMARY

To sustain peaceful coexistence, all going-concern objectives are to maximise profits and benefit the environments in which they operate. As a result, businesses must engage in the reduction of

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societal costs. It is assumed that businesses will spend money on mitigating the negative externalities that result from their economic activity. The costs of the negative externalities, which are issues caused by businesses in their surroundings, must be borne by such businesses. Controlling issues including waste management, pollution, and toxic waste generated as a result of their operations in the neighbourhood where they function.

The moderating impacts of innovation and business ethics are discussed in this study, along with the effects of societal costs on the business reputation of listed enterprises in Nigeria. The study found a substantial positive association between social costs and business reputation, showing that social costs significantly impact the reputations of listed companies.
The study also showed that innovation significantly moderately affects the link between societal costs and a firm reputation. However, it was discovered that the moderating impact of corporate ethics was not significant.

These findings highlight how crucial it is to manage social costs to preserve a favourable commercial reputation. It emphasises the necessity for businesses to put plans and efforts into place that successfully control and reduce harmful externalities brought on by their economic activity. Further enhancing their commercial reputation is establishing an innovative culture among listed companies.

RECOMMENDATION

The study examined how social costs affected listed companies in Nigeria's corporate reputation. According to the findings, the following suggestion was made:

i. Nigerian businesses should consider social costs: The results show that social costs greatly impact listed companies' corporate reputation. To preserve a good reputation, businesses should think about successfully addressing and controlling social expenses. This might entail implementing policies to lessen harmful societal effects, like environmental initiatives, community involvement projects, and ethical business practices.
ii. Foster an innovation-friendly culture: According to the strong correlation between innovation and corporate reputation, listed companies' reputations can be improved by encouraging an innovative culture. Companies should support technical breakthroughs, foster an environment that supports innovation, and promote creativity. This could entail funding R&D, fostering employee involvement in innovation processes, and working with outside partners to promote innovation.
iii. Take into account the ethical aspect of business practices: Although this study found no evidence of a moderating role for business ethics in the relationship between societal costs and business reputation, businesses must nevertheless be given top priority by businesses. Decision-making procedures should consider ethical issues, and codes of behaviour or ethical principles

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should be created and followed. This can promote trust among stakeholders and enhance the reputation of the company.
iv. Ongoing evaluation and improvement: Listed companies in Nigeria must constantly evaluate their social costs, innovation projects, and corporate ethics procedures. Regular assessment of these variables can assist in pinpointing problem areas, dealing with any new difficulties, and matching corporate strategies with stakeholder expectations. Additionally, monitoring changes in a company's reputation over time can offer insightful information about the efficacy of adopted strategies and guide future actions.
v. To enhance their company's reputation, corporate managers should incorporate social and environmental operating considerations into their corporate vision and commercial plan.
vi. Nigerian government agencies should create a framework to incentivise businesses to give social cost programmes priority. The government should monitor and ensure enforcement because it would allow businesses in Nigeria to project a high degree of compliance with law and order.

CONTRIBUTION TO KNOWLEDGE

By demonstrating the positive and considerable influence of social costs on a firm reputation within stakeholder theory, the study has added to the body of knowledge. Additionally, the following fields of knowledge have benefited from this study:
Governmental Measures: The study enables the government and other stakeholders to monitor businesses as they fulfil their social responsibility obligations and maintain goodwill.
Empirical Contribution: The study has significantly contributed to the empirical literature by offering solid proof of the societal costs and corporate reputation among Nigeria's listed companies. In addition, listed companies from all eleven economic sectors listed on the Nigerian Stock Exchange as of December 31, 2022, were purposefully chosen for the study.
Contribution to the Concept: conceptually, the study contributed to the existing literature by developing two (2) conceptual models. The first initial conceptual model connected social costs and business reputation. The second conceptual model linked the relationship of innovation and business ethics between social costs and business reputation.
Methodological Contributions: The study also produced econometric models that advance our understanding of structural equation modelling related to social costs and brand reputation.
The Practical Contributions: The results of this study add to our extensive understanding of the literature. The study's conclusions gave Nigerians a singular opportunity to experience infrastructure development by removing social costs.
Theoretical Contributions: The findings theoretically supported the stakeholders' theory. Through stakeholder theory, the researcher's findings shed light on the connection between societal costs and brand reputation.

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