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Firm Characteristics and Corporate Social Responsibility of Listed Consumer Goods Sector Firms in Nigeria

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ABSTRACT: *This study assessed the impact of firm characteristics on corporate social responsibility (CSR) of listed consumer goods firms in Nigeria for the period of eleven years covering 2013 to 2023. The study adopted firm size and firm age as proxies for firm characteristics with the addition of firm growth (explanatory variables), while corporate social responsibility served as the response variable. Based on the ex post facto study design, secondary data collected from published financial statements of sampled five companies listed on the Nigerian Exchange Group were evaluated using Pearson correlation coefficient and multiple regression analysis based on OLS technique assisted by E-Views statistical software. The findings revealed that that firm size and firm growth had positive but insignificant impact on CSR, while firm age had negative insignificant effect on CSR practices of listed consumer goods firms in Nigeria. The study recommended that larger firms should dedicate specific departments or teams to CSR, while smaller firms can designate responsible individuals to CSR or outsource CSR functions if needed before implementing any CSR initiatives. Also, firms should conduct a thorough assessment of their competitive advantages and competencies in order to develop a comprehensive and sustainable CSR strategy that aligns with their business objectives, enhances their reputation, to satisfy the interest of all stakeholders in order to enjoy stable operations to enhance firm growth and sustainability.*
KEYWORDS: firm age, firm growth, firm size, legitimacy, stakeholder value integration

INTRODUCTION

Corporate entities do not exist in isolation but rather exist in an environment. They exist as an entity that can sue and be sued and has impact on the social, economic, legal, cultural, ecological, technological and political environment of an economy so as to achieve the stated goals and objectives of the entity in the long run. Due to this, firms are being seen to be more concerned about what benefits them more than the environment they are situated. Ibrahim and Hamid (2019), posited that in the past firms have been seen traditionally to be self-centered by only aiming to achieve organizational profit, thereby assuming that the betterment of the standard of living of people in the society is solely on the government.

According to CBN (2018), consumer goods firms in Nigeria contributed over 16% of country's total Gross Domestic Product in the 2018 fiscal year. Firms are expected to contribute positively to the environment where they carry out their operation and to the growth of the economy at large. However, most of these firms production process, waste or disposal pattern sometimes does more harm to the environment they operate than good especially the manufacturing companies. As a result of this, corporate social responsibility (CSR) has been employed as a crucial element of business strategy to curtail the environmental and social brunt, the activities of firms does to the environment where they carry out production and other activities (Hosam, et al., 2019).

The generally acceptable CSR given by Rasche et al. (2017) is that CSR is the integration of an organization's social, ethical, environmental, and philanthropic responsibilities towards society into its processes, operations, and core business strategy in cooperation with relevant stakeholders. Nwude and Comfort (2021) further said that, CSR is an act where corporate firms include in their social values a strategic arrangement that will enable it to behave responsibly towards society. The extent to which a firm will meet up with its planned CSR as agreed by the board in a financial year largely depends on the board and firms characteristics such as the board diversity, board independence, board size, firm size, firm age etc. Nwude and Comfort (2021), Onipe and James (2021) and Adamu, et al. (2020), asserted that there is a connection between the board of directors' characteristics, firms characteristics and corporate social responsibility.

Firm characteristics can be seen as the wide varieties of information disclosed in the financial statement of business entities that serve as the predictors of the firm's quality of accounting information and performance. It is made up of firm structural characteristics and firm performance characteristics. The firm structural characteristics include firm age, firm size, capital expenditure, firm leverage, and management efficiency while firm performance characteristics include profitability and firm growth (Shehu, 2009, Shuaibu et al., 2019).

The financial statement of an organization is expected to show with accuracy the information on CSR for the stakeholders to know since it is a disclosure required by the standard. Despite the fact that CSR is planned and budgeted for by entities, it is pertinent that the effect of such act on profit maximization and shareholders is at a minimal because prospective investors tend to look at firms age, firm size, asset composition, sales volume, profit distribution and dividend of a firm before making vital investment decision. Onipe and James (2021) agreed that CSR is desirable and also valued by all the stakeholders of a firm but even with the desire, most shareholders will prefer to earn a high dividend and capital gains on their investments.

It is against the aforementioned backdrop that this study sought to examine the effect of firm characteristics (proxy by firm age, firm growth and firm size) on corporate social responsibility practices of listed consumer goods firms in Nigeria bearing in mind that these companies have resultant waste from operation that can be harmful to the hosting communities. More specifically, the purpose of the study was to determine the influence of firm age, firm growth and firm size on corporate social responsibility practices of listed consumer goods firms in Nigeria. In line these goals, three hypotheses were formulated and tested.

The reminder of this paper dealt with the review of relevant literature, the methodology used in carrying out the study, the results of data analysis and discussion of findings, and finally, the conclusion and recommendations.

LITERATURE REVIEW

Conceptual Framework

Firm Characteristics

Firm characteristics also known as firm attributes simply refer to some specific features that differentiate a firm from other firms. Some of these features are: firm age, firm size, firm liquidity, firm financial performance, ownership structure and industry classification (Bassiouny, et al. 2016). Mohammed (2017) opined that firm characteristics are the factors that exist internally in the firm which influences share price of firms. According to Abdullahi (2016), firm characteristics are firm size, dividend, corporate governance, firm age, profitability, operating expenses, cash flow, and leverage.

Firm Age

Firm age is a concept which examines the years the business has been in existence in the corporate world. Yameen, et.al (2019) asserted that firm age connotes the age of a firm at the time span of assessment. It has always been thought that years of operation by a firm can influence the degree of her CSR. Mutende et al (2017) argued that firm age has an influence on its performance**.** The older companies disclose more social responsibility information than newer companies, therefore.

Firm Size

Firm size connotes the magnitude of firm's business. Astute (2015), opined that the size of a firm do have significant effect on the corporate social responsibility disclosure in her financial statement. Sritharan (2015), further stated that out of the elements of the characteristics of firm like liquidity, capital structure, performance, dividend policy and firm size, firm size gives the most competitive advantage to firms in the form of, reduced costs and economies of scale. Bujaki and Richardson (2017), concluded in their study that the expenses to be incurred with a higher disclosure level is at a minimal in big companies due to a better organized and robust internal reporting system. Masika and Simiyu (2018) then suggested that the size of a firm is strongly and positively related to financial performance of firms.

Corporate Social Responsibility

CSR is basically incorporation of the aspirations of the communities in the business plan of companies operating in their domain at a given time. The needs of the communities could be economic, legal, ethical or philanthropic. CSR activities to employees, communities, suppliers, creditors, shareholders and other stakeholders are expected to be disclosed by entities in order to keep the public abreast of the contribution the company is making. Egbunike and Tarilaye (2017), opined that CSR disclosure adequately provide all parties in the community with the information

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concerning the various positive effect the company has on the growth of its various stakeholders through community contribution, product involvement, employee welfare, and philanthropic act. The carrying out of CSR activities can build a positive image for a company than that of its competitors in the same industry. Starineca (2016), is of the opinion that communities that have enjoyed CSR programs have a better and higher standard of living than those who have not.

Theoretical Framework

Legitimacy Theory

The Legitimacy theory provided the theoretical foundation for this study to examine the effect of firm characteristics on corporate social responsibility practices of consumer goods firms in Nigeria. Legitimacy theory posits that organizations always make an effort to make sure that their operations adhere to social norms and boundaries (Deegan et al, 2002). The company's relationships with society are the main emphasis of this legitimacy theory. According to this view, an organization should adhere to the social norms that are applicable in the community since it is a part of it.

According to legitimacy theory, a company's reporting practices and business practices are shaped by the social values of the community and society in which it operates (Ahmad et al, 2003). Therefore, businesses will make an effort to obtain legitimacy if they are aware of the changes in public opinion and the need for them to be socially responsible. In order to accomplish its goals, assure its existence, and reap other benefits, the organization has to carry out a variety of socially expected acts; society undoubtedly plays a role in determining the efficacy and legality of any particular corporation's activities. Society is putting more pressure on companies to use a portion of their profits to address pressing environmental issues, worker welfare, consumer safety, and involvement in the community. This is a significant departure from the long-held belief that an organization's ability to make money is a reliable measure of its legitimacy (Muwazir, 2011).

Ogunode (2022), postulated that the legitimacy theory has to do with a social contract between communities and corporate entities where the corporate entities carryout operation. The social contract is of great importance for the purpose of peaceful co-existence between them and for also mutual benefits to both parties. The theory is of the opinion that entities should naturally agree to the existing rules, regulations, social and environmental norms of the community where they carry out operation maintaining existing peace and at the same time promoting growth. Suddaby et al. (2017), posit that legitimacy theory entails such assurance of meeting the conditions and expectations of the society, while the entity is carrying on its legitimate business.

Some authors that have adopted this theory includes: Bissadu et al. (2017), Cho et al. (2015) and Akhalumeh & Ohiokha (2018). This theory is relevant to this study because it explain the relationship that is expected to exist between a company, the community in which it operates and its stakeholders. It emphasis on the notion that no entity is assured continuity without putting the interests of one of its major stakeholders: the community into consideration.

Empirical Review

Velinov et al (2022) examined the perception of employees of brewery companies in Czech. Emphasis on this study was placed on the implementation of CSR practices in breweries across Czech in order to motivate employees. The study findings revealed that workers in Czech breweries were the least motivated because of the fact that CSR practices are not mandatory, therefore, employees' perception of CSR practices are not positive.

Cincalova and Novakova (2021) examined CSR practices of a selected Czech transport company. Primary data for the study was generated through the administration of a questionnaire on employees of the company. The findings revealed that the sampled transport company had very good CSR strategies, and the company's CSR activities were adequately disclosed in line with requirements in Czech.

Malik and Okere (2020) examined corporate social responsibility, environmental investments and financial performance with evidence from manufacturing companies. The study explored a total of 64 manufacturing companies as population from the period 2011 to 2016 and used descriptive and panel regression analysis to analyze the information obtained. Donations, staff training cost and employee benefits as variables while monetary output as reliant factor. The findings of the study revealed that environmental investments had positive significant impact on financial performance. Oladele and Mokuolu (2020) evaluated the relationship between corporate social responsibility expenditure and financial performance of quoted manufacturing firms in Nigeria between 1999 and 2015. The study used profit after tax of the firms as proxy for financial performance while total asset, working capital and leverage ratio were used as proxy for corporate social responsibility expenditure. The study results showed that CSR expenditure had positive impact on financial performance of the companies studied even though not significant.

Tarus (2020) explore the effect of board size on environmental disclosure in 27 listed firms in Kenya between the period of 2008 and 2017. The random effect regression was used to analyze the data and content analysis was used as a measurement for environmental accounting disclosure. The regression results showed that board size and environmental disclosure were significant negatively related.

Cincalova and Hedija (2020) investigated the relationship between firm characteristics and corporate social responsibility among Czech transportation and storage industry firms. Data collected from the Albertina database was evaluated using Pearson and Spearman correlation coefficients, and regression analysis. The study found significant relationship between firm size, firm financial performance and CSR, whereas, firm age and board gender diversity had no effect on CSR of Czech transportation and storage industry companies.

Igbekoyi et al (2019) explored corporate social responsibility compliance among manufacturing firms in Nigeria. A study employed a sample size of 25 and the information were obtained from the firm's financial records between 2002 and 2016 and did analysis using graph, table, cross-sectional regression trend analysis and E-view statistical package. The study concluded that the extent of compliance by Nigerian manufacturing firms to CSR is far higher than the rate of non-compliance. Mugambi and Fatoki (2019) analyzed the between corporate social responsibility disclosure and financial performance of quoted manufacturing firms on Nairobi Securities Exchange (NSE). Return on asset was used to measure financial performance, while STATA 12 software was employed to analyze the data using descriptive and inferential method. The study reached a conclusion that community disclosure and environmental disclosure of listed manufacturing companies in Kenya have a positive but insignificant effect on financial performance.

Kajola et al (2019) examined board features and corporate social responsibility practices in Oil and Gas firms in Nigeria. Ten Nigerian oil and gas firms were used as sample with the aim of investigating the effect of three board attributes on CSR between the period 2011 and 2020 and data were then obtained from their audited financial statement. The data were analyzed using panel data analysis. The findings revealed that corporate boards should have more numbers with most of them being non-executive directors with diverse skills, experience and expertise.

Osemene and Fagbemi (2019) examined the association between corporate governance attributes and environmental reporting in Nigerian consumer goods firms using 20 listed consumer goods firms. The study covered period from 2008 – 2018 while data collected were analyzed with fixed effects estimation technique. The result of the study findings shows that board independence has a positive significant effect on environment reporting.

Inua and Emeni (2019) executed a study on the influence of corporate governance attributes on social sustainability reporting using chief executive officer tenure, executive compensation, board gender diversity and board size to measure corporate governance. The studied used 35 Nigerian financial and non-financial companies as sample for the study obtaining data between 2010 and 2016. The analytical tool employed for data analysis was panel regression and the study revealed that only board gender diversity was the only driving variable has impact on social sustainability reporting.

Ofoegbu et al (2018) investigated the impact of corporate board characteristics on environmental disclosure of listed firms in South Africa and Nigeria. The study collected data from 90 Nigeria companies and 213 South Africa companies for 2015 financial statement. The ordinary least square was adopted to analyze the data collected and they concluded that both in Nigeria and South Africa, board size and environmental disclosure were positively related.

Ali and Isa (2018) investigated the impact of board attributes on corporate social responsibility performance in Nigerian cement companies. The variables used for board attributes were board size, board composition and managerial ownership. The study used 3 cement companies and obtained data from 2004-2014. Pooled ordinary least square and generalized least square regression were used to analyze the data collected. The study discovered that board composition and CSR performance have no positive significant relationship.

Ashafoke and Ilaboya (2017) assessed the effect of board features on environmental disclosure in Nigerian listed banks between 2012 and 2014. The sample used was 10 while board features was measured with gender diversity, foreign director, board size and board independence and CSR disclosure was measured using environmental disclosure index. The OLS regression was employed to analyze the data and these showed that gender diversity has a negative and significant effect on CSR disclosure.

METHODOLOGY

Research Design

This study made use of an *ex-post facto* research design in order to achieve the objective of the study. *Ex-post facto* design was adopted due to the nature of the variables involved in this study whereby data was collected from past historical observations (secondary source). An after-the-fact research design was most suited for this study, because the data used was already in existence and the researcher lacked the capacity to manipulate the data.

Study Population and Sample Size

The study was based on consumer goods companies in Nigeria with focus on firm characteristics (using firm size and firm age as proxy) and the independent variable, with firm growth and control variable, while corporate social responsibility was used as the dependent variable for the period of 2013 to 2023. The population of the study comprised of twenty-six (26) consumer goods manufacturing companies listed on the Nigerian Exchange Group as at 2023. Through the application of purposive sampling technique five (5) companies were selected for inclusion in the study sample. These five companies were selected because their published financial statements were readily available online and the statements provided data required for the study.

Estimation Model

The study employed a multiple regression model adapted from Etale and Levi-Owonaro (2023) as stated below:

$CSR = f\ (FSZ, FGE, FGR)$

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

$CSR = \beta_o + \beta_1 FSZ + \beta_2 FGE + \beta_3 FGR + \mu$ Equation 1

Where;

CSR = Dependent variable
FSZ = Firm size
FGE = Firm age
FGR = Firm growth
β_0 = Constant
β_1, β_2 & β_3 = Coefficients of the independent variables to be determined
μ = Stochastic error term

RESULTS AND DISCUSSION

Results

This study employed descriptive statistics, Pearson correlation coefficient and multiple regression techniques for the analysis of data in assessing the effect of firm characteristics measured by firm size and firm age (with firm growth as a control variable) on corporate social responsibility of listed consumer goods firms in Nigeria. The results of the analysis and the discussions to follow are presented in this section.

Descriptive Statistics

In a bid to carry out this study, the descriptive statistics of the data used for the study were initially examined. Table 1 reports the descriptive statistics of data employed in this study from 2013 to 2023.

Table 1: Descriptive Statistics

	CSR	FSZ	FGE	FGR
Mean	5.055396	7.923232	48.40000	0.781636
Maximum	6.896526	8.793314	57.00000	38.15000
Minimum	2.863323	6.960838	38.00000	-0.960000
Std. Dev.	1.031583	0.566203	5.475873	5.138131
Observations	55	55	55	55

Source: E-views Out put 2024

Table 1 presents the descriptive statistics for both the dependent and explanatory variables of the study for 55 panel observations. Corporate social responsibility (CSR) which is represented by firm donation and gift to the community reflect a mean value of 5.0554 and standard deviation of 1.0316, while 2.8633 and 6.8965 are the minimum and maximum values respectively. The standard deviation reveals that the data of CSR are far spread across the mean. This simply implies that the CSR of consumer goods firms in Nigeria are sparsely spread apart. This is further confirmed by the disparity between the maximum and minimum. Thus, the CSR of consumer goods firms varies a great deal from one company to the other.

Furthermore, the firm size (FSZ) had a mean value of 7.9232 with a fluctuation of 0.5662. This indicates that on the average, the FSZ of listed consumer goods firms stood at 7.9232 during the period under investigation. The standard deviation of FSZ in Table 1 indicates that there is a low dispersion from the mean value of FSZ recorded within the period of study. The highest FSZ recorded within the study period is 8.7933 with a minimum value of 6.9608.

Firm age (FGE) of the sampled companies, indicates that on the average, FGE of listed consumer goods firms stood at 48.400 mean value during the period under investigation. Also, as shown in Table 1, its standard deviation indicates that there is a high dispersion from the mean value of FGE recorded within the period of study. The maximum and minimum FGE recorded within the study period were 57.000 and 38.150 respectively.

Pearson Correlation Coefficients

The correlation results computer based on Pearson Moment Correlation Coeeficients are reported in Table 2. It shows that the coefficients are 0.1110 for FSZ, -0.4262 for FGE, and 0.1340 for FGR respectively. The Pearson correlation coefficients results have been relied upon for assessing the multicollinearity of the study variables. The values of Pearson correlation coefficients between the independent and dependent variables have been found to be lower than the standard value of 0.7000. Therefore, the results reveal that there is no problem of multicollinearity.

Table 2: Pearson Correlation Matrix of the Variables

Observations 55

	CSR	FSZ	FGE	FGR
CSR	1.0000	-0.1110	-0.4262	0.1340
FSZ	0.1110	1.0000	0.1888	0.1426
FGE	-0.4262	0.1888	1.0000	0.1880
FGR	0.1340	0.1426	0.1880	1.0000

Source: E-views Output 2024

Regression Results

Regression Estimates of the Model

Table 3: Regression Results
Dependent variable: CSR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.1342	5.3887	1.7000	0.0970
FSZ	0.1110	0.5797	0.0100	0.9910
FGE	-0.4262	3.1784	-0.7800	0.4420
FGR	0.1340	0.0176	0.8500	0.3970

R-squared	0.8724	Mean dependent var	5.0554
Adjusted R-squared	0.8144	S.D. dependent var	1.0316
S.E. of regression	8.9234	Durbin-Watson stat	1.9987
F-statistic	0.4245	Prob (F-statistic)	0.0003

Source: E-views Oput 2024

Table 3 presents the results of the regression. The result in Table 3 revealed an overall R^2 value of 0.8724. The R^2, which represents the coefficient of determination implies that 87 per cent of the variations in the dependent variable (CSR) of listed consumer goods firms in Nigeria is jointly explained by the combined changes in the predictor variables (firm size (FSZ), firm age (FGE)and firm growth (FGR). The remaining 13 per cent of the variation could be explained by other factors not captured in the study model but could help to enhance firm success. Table 3 further explained the nature and extent of relationship between the dependent variable and each of the independent variables of the study in terms of coefficients and the probability values.

The regression results as presented in Table 3 revealed that when all the predictor variables assume zero values, the CSR of listed Consumer Goods firms would be estimated at 9.1342 (the constant value in the equation). This simply implies that when all the other variables are not considered, there will be an insignificant improvement in the CSR of listed Consumer Goods firms to the tune of 9.1342.

Test of Hypotheses
Hypothesis One
Firm size (FSZ) has no significant influence on corporate social responsibility (CSR).
From Table 3, the coefficient of FSZ is 0.1110 and its p-value is 0.9910. The p-value of FSZ 0.9910 > 0.0500, the rule for accepting or rejecting the null hypothesis in all cases is if the calculated p-value is greater than the 5 per cent level of significance. Therefore at 5% level of significance, the null hypothesis one is accepted. It means that FSZ has a positive influence on CSR, giving a coefficient of 0.1110 and p-value of 0.9910 but the influence is not significant.
Hypothesis Two
Firm age (FGE) has no significant influence on corporate social responsibility (CSR).
Again from Table 3, the coefficient of FGE and the p-value are -0.4262 and 0.4420 respectively. The p-value of FSZ as shown in Table 3 is 0.4420 > 0.0500. This means that FGE has a negative but insignificant influence on CSR. So, the null hypothesis is accepted. Firm age has no significant effect on CSR.

Hypothesis Three
Firm growth (FGR) has no significant influence on corporate social responsibility (CSR).
Similar, the figures in Table 3 revealed that the coefficient of FGR and its p-value are 0.1340 and 0.3970 respectively. Again the p-value of FGR is 0.3970 > 0.0500. Therefore, the study revealed that FGR has a positive but non-significant influence on CSR of listed consumer goods firms in Nigeria. Here also, the null hypothesis is accepted.

DISCUSSION

This study revealed a positive relationship between firm size (FSZ) and CSR with coefficient of correlation value of 0.1110. This means a unit change in FSZ will lead to an increase in CSR by 0.1110 units. This relationship is however insignificant (given a p-value of 0.9910). This finding is consistent with the findings of Činčalová and Hedija (2020) who in their study investigated firm characteristics and corporate social responsibility of Czech transportation and storage industry and found that firm size has a statistically insignificant relationship between firm size and CSR practice. Also, this study revealed a negative relationship between firm age (FGE) and CSR with coefficient of correlation value of -0.4262. This means a unit change in FGE will lead to a decrease in CSR by 0.4262 units. Again this relationship is not significant (given a p-value of 0.4420). This finding also supports the findings of Činčalová and Hedija (2020), whose study investigated the relationship between firm characteristics and corporate social responsibility of Czech transportation and storage industry and submitted that firm age is not a factor affecting the CSR practice.

Finally, this found that firm growth which was introduced as a control variable has no significant influence on CSR of consumer goods firms in Nigeria. In specific terms, the relationship between FGR and CSR though positive, given the values of the coefficient and p-value as 0.1340 and 0.3970 respectively, FGR has positive but insignificant relationship with CSR. In the overall, the findings of the study are in part consistent with the findings of Tarus (2020), Osemene and Fagbemi (2019), Ofoegbu et al (2018) and Ashafoke and Ilaboya (2017).

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study assessed the impact of firm characteristics on corporate social responsibility (CSR) of listed consumer goods firms in Nigeria for the period of eleven years covering 2013 to 2023. The study adopted firm size and firm age as proxies for firm characteristics with the addition of firm growth (explanatory variables), while corporate social responsibility served as the response variable. Based on the ex post facto study design, secondary data collected from published financial statements of sampled five companies listed on the Nigerian Exchange Group were evaluated using Pearson correlation coefficient and multiple regression analysis based on OLS technique assisted by E-Views statistical software. The findings revealed that that firm size and firm growth had positive but insignificant impact on CSR, while firm age had negative insignificant effect on CSR practices of listed consumer goods firms in Nigeria.

Recommendations

The following recommendations are advanced:

1. The management of larger firms to should dedicate specific departments or teams to CSR, while smaller firms can designate responsible individuals or outsource CSR functions (where necessary) before implementing any CSR initiatives.
2. Firms should conduct a thorough assessment of their competitive advantages and competencies in order to develop a comprehensive and sustainable CSR strategy that aligns with their business objectives, enhances their reputation, and generates positive social and environmental impact.
3. Firms should ensure they satisfy the interest of all stakeholders to enjoy stable operations to enhance firm growth and sustainability.

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