DEPOSIT MONEY BANKS LIQUIDITY MANAGEMENT MEASURES AND CAPITAL FORMATIONS DILEMMA IN NIGERIA.

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Abstract

The study investigated liquidity management Measures of banks and capital formations in Nigeria covering the periods 1981 to 2023. Liquidity management was captured using liquidity ratio, loan-to-deposit ratio; treasury bills subscriptions by Deposit Money Banks and savings/deposit rate. Capital formations on the other hand was proxied by gross fixed capital formations (GFCF). Data on these variables were collected from the Central Bank of Nigeria (CBN) statistical bulletin. The Autoregressive Distributed Lag (ardl) approach to cointegration analysis was used to analyse the data. Results from statistical estimations revealed the existence of long run association between liquidity management measures of Deposit Money Banks and capital formations in Nigeria. The study further revealed that, short-run distortions can be significantly corrected in the long-run at the speed of 37.96 %. Based on results, it was advised that existing liquidity management measures adopted by banks should be sustained given its significant effects on capital formations in Nigeria. The said measures should further be deepened for optimum results viz-a-viz capital formations in Nigeria.

Keywords: *Deposit Money Banks, Liquidity Management, Capital Formations.*

Introduction

There is no doubt that banking business revolves around borrowing funds from different economic units and lending of same to various sectors of the economy for productive purposes. Deposit money banks borrow from customers by way of accepting various forms of deposits (savings, current and time deposits) with the understanding that these customers can always have access to their deposits under certain conditions especially in the case of time deposits, otherwise known as fixed deposits. These mobilized funds via deposits are regarded as banks deposit liabilities. More so, given that lending is an essential function of deposit taking bank with profit making motive, banks lend these deposits received to those in need of credit under strict credit administration conditions and rules. Thus, Elijah, Jaya and Jacklinne, (2017), asserted that banking is the art of borrowing on short term and lending on long term. It involves acceptance of deposits from the public and giving out loans for the purposes of consumption and investments to make a profit.

However, in the process of banks discharging their fundamental obligations of deposit taking to serve the credit needs of economic units, incurres liquidity risk. This stems from the obvious inevitable gap of maturity-mismatch that arises from the time frame involved in borrowing and lending activities. This makes adequate liquidity a necessary requirement to manage this risk. Thus, adequate liquidity is an important factor and condition precedent in banking. To be liquid relates to the ability of a bank to maintain sufficient funds to pay for its maturing obligations. It is the bank's ability to immediately meet cash, cheques, other withdrawals obligations and legitimate new loan demand while abiding by existing reserve requirements. This whole activities centres around banks' liquidity management.

Liquidity management therefore involves the strategic supply or withdrawal from the market or circulation the amount of liquidity consistent with a desired level of short-term reserve money without distorting the profit making ability and operations of the bank. It relies on the daily assessment of the liquidity conditions in the banking system, so as to determine its liquidity needs and thus the volume of liquidity to allot or withdraw from the market, (Elijah, Jaya & Jacklinne 2017). Dzapasi (2020) noted that liquidity can be managed using different approaches like holding large amounts of liquid assets as reserves, lending short term self-liquidating loans, investing in marketable securities, concentrating on the reputation and ability of the borrower to repay borrowed funds, to increasing the deposit rates offered for funds. The main essence of these measures are all geared towards having a good trade-off between bank deposits and loans. This attests to the reason why liquidity can be measured using loan-to-deposit ratio. Such loans are assets to the bank because of the recurring revenue that they create. Thus, there is no gain saying the fact that Deposit Money Banks make so much money from their lending activities which comes from banks deposit liabilities or time deposit investments. Azeez and Baruwa (2013), observed that in return for using savers funds, banks pay such savers/investors (customers) small amount of interest on their deposits, while they lend this same money out to customers at higher interest. The difference between both interests constitutes profit to banks

Bank loans are used by individuals, corporate organizations and the government for investment purposes. Such investments increase the capital stock of a country and this result to capital formation (Chirinko & Morris, 2014). Basically, capital formation is the increase in the capital stock of a country that results from investment spending. According to Dwanti (2021), it involves foregoing current consumption, and it is less than investment because of depreciation, the amount of existing capital that disappears due to normal wear and tear or due to obsolescence as technology improves. Therefore, banks in the course of managing their liquidity and carrying out their intermediation functions make funds available for investment purposes and this in turn gives rise to and as well have effect on capital formations of a country.

The financial intermediation function of banks especially Deposit Money Banks helps them to adequately manage their liquidity needs and meet up with contractual obligations with depositors and borrowers of funds. According to Nwankwo (2004), this practice is at the center of banks management and deposit money banks all over the world, including those in Nigeria, abide by it. However, Anaele, Uzoakoli and Wambu, 2019) noted, that in spite of the wide acceptability of liquidity management as a bank management practice, it is surprising to note that the value of capital formation in Nigeria does not measure up with what is obtainable in other developing countries like South Africa, Egypt and Rwanda. Also, sufficient or adequate empirical studies on the effects of liquidity management measures on capital formation especially in the case of Nigeria seems to be lacking. Related studies were majorly on liquidity creation, investment and growth, financial performance, etc (Beck, Dottling, Lambert & Dijk, 2022; Berger & Sedunov, 2017; Bencivenga & Smith, 2021). It was on these premise that this paper sought to examine the effect of banks liquidity management measures on capital formation in Nigeria.

Review of Related Literature

Liquidity is an important factor for any business concern. Possession of adequate liquidity to meet daily operations and commitments is very essential to the health of the organization. Therefore, it is important to manage liquidity effectively and ensure that cash is in the right place at the right time. Liquidity is a financial concept that has been variously defined by scholars for different reasons. According to Adebayo, Adeyani and Olabode (2021) liquidity is a financial term which means the amount of capital that is readily available to banks for investment. Acharya and Naqvi (2022) believed that liquidity is the speed and certainty of converting an asset to cash at the discretion of the asset owner. Okanya, Efanga and

Oluseun, Paseda (2021), confirmed this view by asserting that liquid assets could be monetized at minimal cost and loss. It can be seen as the ability of companies to meet their maturing financial obligations and also connotes the amount of capital that is available for major investments. Differently put, it describes how quickly and profitably an asset can easily be converted into cash. Thus, from banking perspectives, liquidity refers to the capability of a bank to meet its financial obligations as soon as they fall due.

It is important to note that customers confidence on banks is largely dependent on the availability of funds on time. Therefore, management of liquidity is critical to the successful operations of all banking institutions. According to Lartey, Antwi and Boadi (2013), liquidity underscores the ability of banks to meet its contractual obligations on due dates and include in the normal course of business, those lending and investment commitments, deposit withdrawals as well as liability maturities. It is often seen as a pre-condition for the daily operation of banks and very significant to banks' both internal and external environments in relation to their day to day operations (Edem, 2017). Liquidity that is poorly managed can damage proper functioning of banks as they may fail to meet customer demands for funds on time. This will lead to strained relationships with bank customers and is, therefore, imperative to develop a strategy for efficient liquidity management. This could be in the form of appropriate procedures for measuring, monitoring and managing liquidity (Agbada & Osuji, 2013). There is no doubt that liquidity and its efficient management are the main components for a robust banking system in a country. Dzapasi (2020) noted that an effective liquidity management in banks should ensure a good balance between inflows and outflows of cash; and the adoption of such a practice among all banks that will lead to the creation of a stable banking sector. Efficient liquidity management will guarantee successful business operations, help increase return on assets and improve earnings and capital (Businge, 2017). Banks can achieve liquidity by shortening asset maturities; lengthen liability maturities, issuance of more equity, reduction of contingent commitments etc. (Okanya, Efanga & Oluseun Paseda, 2021).

Liquidity management therefore refers to the planning and control of liquid assets either as an obligation to customers financial needs or as a measure to adhere to the monetary policies of the Central Bank (Bassey, Tobi, Bassey & Ekwere, 2016). For a commercial bank to plan or manage its liquidity position, it must comply firstly with the legal requirement concerning its cash position. However, it is very essential for banks to manage and maintain adequate funds for operations so as to avoid excesses or deficiencies of the required primary reserves. Where there is a decline in the market price of securities or where additional funds needed to correct the bank reserve position for a short time, it will be definitely expensive to secure securities than to borrow from another bank. Moreover, it may be more desirable to borrow for bank's liquidity needs than to call back outstanding loan or cancel outrightly or place embargo on new loans, a situation that will reduce the customer confidence in the bank. Effective liquidity management therefore involves obtaining full utilization of all reserves. The primary reserves are made of vault cash, cash balances or excess reserves with the CBN, as well as deposits with other banks, both locally and abroad (CBN, 2022). They are maintained to satisfy legal and operational requirements. While the secondary reserves are those liquid assets that can be converted into cash without impairment of the principal sum invested. Secondary reserves are characterized by short maturity, high credit quality and high marketability. The secondary reserves are held primarily to meet both anticipated and unanticipated short-term and seasonal cash needs from depositors. They contribute to that attainment of both profitability and liquidity objective of the bank (Bassey, Tobi, Bassey & Ekwere, 2016).

From the foregoing, it is evident that a bank can be considered liquid if it stores enough cash and other liquid assets together with the ability to raise funds quickly from other sources to enable it meet its payment obligations and financial commitments in a timely manner (Nwankwo, 2004).

Hence, in the literature, there are many ways the liquidity of bank can be measured. These includes: loan-deposit ratio, loan-liability ratio, liquid asset ratio, cash ratio, capital adequacy ratio, liquidity ratio and cash reserve ratio. Generally, these measures of bank liquidity assess a bank's ability to meet its short-term financial obligations, such as withdrawals, deposits, and loan repayment.

On the other hand, Capital formation or capital accumulation refers to the process of creating and accumulating capital assets. It is defined as man-made means of production. It includes machinery, plant and buildings, means of transport and communication, electricity plants, and social overheads like roads, railways, schools, colleges, hospitals, etc. (Dwivedi, 2008). According to Renston and Harry (2017), creating or acquiring man-made means of production is known as capital formation or capital accumulation. There are four major types of capital formation which are physical capital formation (creating tangible assets like buildings and machinery), financial capital (accumulating financial assets like stocks and bonds), human capital formation (relates to developing skills and knowledge like education and training) and intangible capital formation (creating intellectual property like patents and copyright).

Capital Formation enhances the availability of capital per worker. A high capital/labour ratio enhances the productivity of labour. In other words, a larger quantity of goods and services are produced per unit of time. Capital formation requires saving men and material resources from their use in consumer goods and transforming them into producer goods. Hence, in economic terms, capital formation means sacrificing current consumption and saving incomes to be invested in capital goods (machinery, plant, building, equipment etc.). In general, countries with high rate of savings and investments have a higher rate of economic growth. Also, as the rate of savings and investments increases, the rate of economic growth increases also (Lucky & Uzah, 2016). In essence, capital formation is determined by increase in the volume of real savings, mobilization of savings and investment savings. This means capital formation is a monetary phenomenon (Jhingan, 2004).

Capital formation can be measured using Gross Domestic Product (GDP), gross fixed capital formation (GFCF), net domestic product (NDP), or capital formation ratio (Shuaib, Igbinosun & Ahmed, 2015). Gross fixed capital formation measures the total value of new fixed assets added to an economy during a specified period, typically one year (Kanu & Ozurumba, 2014). It is given as total value of new fixed assets plus net changes in inventories plus net acquisition of valuables. Invariably, it can be given as gross domestic product (GDP) less consumption of fixed capital (CFC) plus net capital exports. The components of GFCF are: building and structures; machinery and equipment; transportation equipment; intellectual property products (e.g. software, research); and other fixed assets (e.g. land improvement, geological exploration). However, the exclusions are: second hand assets, inventory changes, and intangible assets (e.g., goodwill and patents). Thus, gross fixed capital formation measures investment in physical capital, indicates economic growth potential, reflects business confidence, and influences productivity and competitiveness. GFCF is called "gross" fixed capital formation because the measure does not make any adjustments to deduct the consumption of fixed capital (depreciation of fixed assets) from investment figures. However, net fixed investment includes the depreciation of existing assets from the figures for new fixed investment, and is called net fixed capital formation (Sarkar, 2016). In essence, gross fixed capital formation is also referred to as investment because it covers the acquisition of produced assets (including purchases of second-hand assets), including the production of such assets by producers for their own use, minus disposals but not depreciation (wear and tear) (Sarkar, 2016).

Theoretical Review

The following theories are related to bank liquidity management and capital formation – commercial loan theory, shiftability theory, anticipated income theory, the neoclassical growth theory and Harrod-

Domar Growth theory. The most suitable theory for this study is the anticipated income theory, the neoclassical growth theory and Harrod-Domar Growth theory. The anticipated income theory of liquidity supports Deposit Money Banks in giving out term loans provided the borrower has the ability to repay such loan out of his anticipated or future stream of income. Thus, the theory says it is quite alright for a bank to make long-term non-business loans, provided the borrower has the ability to repay the loan out of future earnings. The theory relates with the neoclassical growth and Harrod-Domar growth theories since such borrowed funds (long term loans) are used for investment purposes, which will end up increasing the capital stock of a country.

The anticipated income theory was developed by Prochanow in 1944, and the theory holds that a bank's liquidity can be managed through the proper phasing and structuring of the loan commitments made by a bank to customers (Ukeje, 2021). Here, liquidity can be planned if the scheduled loan payments by a customer are based on the future earnings of the borrower. According to Ekezie (2017) the theory emphasizes the earning potential and the credit worthiness of a borrower as the ultimate guarantee for ensuring adequate liquidity. In other words, the anticipated income theory stresses on the earning power and the credit worthiness of the borrower as the major source of bank liquidity. Thus, the doctrine urges banks to examine the reputation of the borrower and the ability and willingness to pay. The theory agreed with granting long term and non-business loans by banks since it will be repaid out of the future earnings of the borrower (Bassey, Tobi, Bassey & Ekwere, 2016).

The neo-classical theory of growth was an offshoot of the neo-classical economic school of thought. According to Dwivedi (2008), the theory is anchored on the following set of assumptions: perfect competition in commodity and factor markets; factor payments equal their marginal revenue productivity; A variable capital/output ratio; and existence of full employment. Hence, the theory has it that rate of economic growth depends on the growth rate of capital stock, labour supply, and technological progress over time. In other words, the economic growth of a country is a function of capital formation (capital stock), labour supply and technological advancement of a country. Thus, the relationship between the national output of a country and these variables can be expressed in a linear function as:

$$Y = F(K, L, T) \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots. \quad (2.2)$$

Where:

Y = National output;
K = Stock of capital;
L = Labour supply;
T = Scale of technological progress

It is expected that a positive relationship exists between stock of capital, labour supply, technological progress and national output.

The proponents of the Harrod-Domar growth theory are Roy Harrod and Evsey D. Domar; who in their separate writings examined and explained the conditions and requirements of steady economic growth. They consider capital accumulation (formation) as a key factor in the process of economic growth. Harrod and Domar emphasized that capital accumulation (net investment) has a double role to play in economic growth. First, it generates income and secondly, it increases the production capacity of the economy. However, it states that a necessary condition of economic growth is that the new demand (or spending) must be adequate enough to absorb the output generated by the new investment, i.e., the increase in capital stock. Otherwise, there will be excess or idle production capacity (Jhingan, 2014). According to Dwivedi (2008), this condition should be fulfilled year after year in order to maintain full employment and to achieve steady economic growth in the long term. This is the central theme of this this theory/model.

Empirical Literature Review

Igwenwanne, Ozurumba, Nwaimo, Anyanwu and Ubah (2023) examined the effect of liquidity management on banks' performance in Nigeria for the period 2012 to 2021. Liquidity ratio, cash ratio, efficiency ratio and loan-to-deposit ratios were *regressed against Tobin's Q using Fixed Panel Least Square method (FPLSM) in the model estimation. The findings of the study indicated that liquidity management and efficiency ratio have a positive and significant relationship with the performance of Deposit Money Banks in Nigeria. On the other hand, cash ratio has a negative and insignificant relationship with the performance of Deposit Money banks in the country.*

Eke and Ringim (2022) studied the impact of liquidity management on the financial performance of quoted consumer goods companies domiciled in Nigeria. The population of the study consisted of all consumer goods companies whose shares were traded on the floor of the Nigeria Stock Exchange (NSE) from 2009 to 2020. The sample size was 7 consumer goods companies. The Ordinary Least Squares (OLS) regression method was employed. The results showed a positive and a weak direct relationship between cash ratio and return on assets. Also, the results showed a negative and weak inverse relationship between current ratio and return on assets. The results also showed a negative and a weak inverse relationship between quick ratio and return on assets of quoted consumer goods companies in Nigeria.

Danmulki, Agbi and Mustapha (2022), empirically investigated the effect of liquidity management on the financial performance of listed deposit money banks in Nigeria, 2010-2019. Capital adequacy ratio, liquidity ratio and loan to deposit ratio were liquidity management measures employed while financial performance was proxied with Tobin's Q. Panel multiple regression technique was adopted as the technique of data analysis, while Stata 13 was used as the tool for analysis of data. Findings revealed that capital adequacy ratio have positive and significant effect on financial performance of listed deposit money banks in Nigeria. Liquidity ratio has significant but negative effect on financial performance of banks in Nigeria which connotes that high level of liquidity ratio will lead to low level of performance strategically for banks. Loan to deposit ratio has positive but insignificant effect on financial performance.

Okanya, Efanga and Oluseun Paseda (2021) analyzed the impact of liquidity management on commercial bank performance in Nigeria. The secondary data used was obtained from the Central Bank of Nigeria Statistical Bulletin of 2019. Total Assets of Commercial Banks in Nigeria served as a proxy for Banks performance; while liquidity ratio, cash reserve ratio, and loan-to-deposit ratio were adopted as independent variables. The Auto-Regressive Distributed Lag (ARDL) Model was used for estimation and inferences were drawn from there. Findings confirmed the significant impact that Liquidity management has on Nigerian Commercial Bank performance.

Onyekwelu, Chukwuani and Onyeka (2018) examined the effect of liquidity on the financial performance of deposit money banks in Nigeria using a sample of five (5) banks. Data for the study were collected from these banks for a ten years period (2007-2016). These data were analyzed using multiple regression analysis. Results showed that liquidity has positive and significant effect on banks' profitability ratios and that liquidity also has positive and significant effect on return on capital employed.

Osuji (2018) examined the impact of liquidity management on deposit money banks' performance in Nigeria. The study spanned from 2000-2016. Time series data were used and gotten from annual reports of the banks under study. The estimation technique applied were ordinary least square (OLS). The result revealed that all the independent variables except debt ratio have significant impact on returns on equity of deposit money banks in Nigeria.

Lucky and Uzah (2018) examined the factors that determine capital formation in Nigeria with the objective to test Jhingan's propositions for sources of capital formation in Nigeria. Secondary data was sourced from Central Bank of Nigeria (CBN) Statistical Bulletin. Thus, Gross Fixed Capital Formation was modeled as a function of broad money supply, credit to private sector, gross national savings, commercial banks' lending rate, exchange rate, inflation rate, external debt, public expenditure, government revenue, terms of trade and operating surplus. Cointegration test, *Augmented Dickey Fuller unit root test, Granger causality test and Vector Error Correction Model were used to test the dynamic relationship between the variables. Findings proved that broad money supply, gross national savings, exchange rate, external debt, and terms of trade have negative and insignificant effects on capital formation while credit to private sector, lending rate, inflation rate, public expenditure, government revenue and operating surplus have positive and insignificant effects on capital formation in Nigeria.*

Umerede (2016) investigated the possible determinants of capital formation in Nigeria, 1980 - 2004. Secondary data was used alongside the OLS technique which included tests for stationarity and cointegration. Empirical results showed a positive influence of cumulative foreign private investment, index of energy consumption, and total banking system credit to the domestic economy; and a negative influence of gross national savings, domestic inflation rate, maximum lending rate, foreign exchange rate and debt service ratio on capital formation. The study also discovered that foreign exchange rate leads capital formation in Nigeria, followed by index of energy consumption and then, debt service ratio.

Torbira and Ogbulu (2014) empirical investigated the relationship between fund mobilization by insurance companies and gross fixed capital formation (GFCF) in Nigeria and specifically how the latter responds to stimuli emanating from the insurance companies. A five variable-predictor multivariate regression model was estimated and analyzed. The short run results revealed those four explanatory variables namely: premium from fire, accidents, motor vehicles and employee liabilities insurance policies positively and insignificantly correlate with gross fixed capital formation while the relationship between premium from marine insurance policies and GFCF is both negative and insignificant. In the long run, the fund mobilization variables by insurance companies positively and significantly impact on the growth of gross fixed capital formation. In addition, the Granger causality test provided no evidence of causality among the variables.

A careful review of related empirical literatures showed dearth of studies in the area of bank liquidity management measures and capital formation in Nigeria. Hence, this study is novel in the sense that it ranks amongst the first on the effects of bank liquidity management measures on capital formation in Nigeria with respect to determining the extent to which liquidity ratio, savings/deposit rates, treasury bills subscription by banks and loan-deposit ratio have affected gross fixed capital formations.

Methodology

The study adopted the quasi-experimental design aimed at establishing causal relationship between banks liquidity management measures and capital formation in Nigeria. The secondary data used in this work were obtained from Central Bank of Nigeria (CBN) statistical bulletin 2023. The Autoregressive Distributed Lag (ARDL) approach to cointegration analytical technique for data analysis.

Model Specification

The model is functionally expressed as:

$gfcf = f(lqr, svr, ldr, tbs)$ ……………….…….. (1)

In econometric form, the above functional model was translated as:

$gfcf_t = b_{0c} + b_1 lqr_t + b_2 svr_t + b_3 ldr_t + b_4 tbs_t + \mu_t$ ……………… (2)

Where;

gfcf	=	*gross fixed capital formation*
lqr	=	*liquidity ratio*
svr	=	*savings rate*
ldr	=	*loan-to-deposit ratio*
tbs	=	*treasury bills subscriptions by DMBs*
f	=	*functional relationship*

b_0 = *Constant term of the model*
$b_1 \ldots b_4$ = *slopes of the model*
μ = *error term*
t = *current Year*

Data Estimation and Results

Table 1: Log of Data set used for the study.

Year	Gfc	Lqr	svr	Tbs	ldr
1981	2.095254	1.585461	0.778151	0.735471	1.872156
1982	2.107538	1.607455	0.875061	0.876339	1.92737
1983	2.080134	1.737987	0.875061	1.198814	1.923244
1984	1.990257	1.813581	0.977724	1.394818	1.913284
1985	1.940242	1.812913	0.977724	0.322116	1.825426
1986	2.036889	1.561101	0.977724	1.350543	1.920123
1987	2.088002	1.667453	1.146128	1.219425	1.862728
1988	2.140184	1.653213	1.161368	1.319706	1.825426
1989	2.337958	1.605305	1.214844	1.142633	1.905256
1990	2.419568	1.646404	1.274158	1.233418	1.822822
1991	2.455743	1.586587	1.155032	1.408404	1.776701
1992	2.598362	1.463893	1.206826	0.650677	1.741939
1993	2.747525	1.625312	1.221675	0.877463	1.632457
1994	2.871627	1.685742	1.130334	0.72781	1.784617
1995	3.062007	1.519828	1.100715	0.959018	1.865104
1996	3.174569	1.634477	1.067815	1.505542	1.862728
1997	3.229878	1.604226	0.680789	1.044892	1.884229
1998	3.289735	1.670246	0.739572	1.1094	1.871573
1999	3.321916	1.78533	0.726727	1.586232	1.737193
2000	3.381082	1.806858	0.723456	1.76535	1.70757
2001	3.393307	1.723456	0.739572	2.83644	1.817069
2002	3.488379	1.719745	0.618048	2.999529	1.797787
2003	3.585036	1.706718	0.613842	0.144263	1.79134
2004	3.674284	1.703076	0.622214	3.147074	1.836482
2005	3.761374	1.700487	0.583199	3.099403	1.850033
2006	3.900264	1.910733	0.49693	2.887375	1.985952
2007	3.84495	1.618625	0.549616	2.768871	1.920414
2008	3.877099	1.57652	0.452569	2.583957	1.939079
2009	3.962705	1.421485	0.427459	2.942692	1.925828
2010	3.962987	1.437583	0.343502	3.169886	1.718393
2011	3.995512	1.623456	0.149386	3.301301	1.651023
2012	4.012076	1.69652	0.230104	3.330817	1.626473
2013	4.059869	1.664968	0.336184	3.264052	1.574719
2014	4.13334	1.582819	0.529003	3.297769	1.803505
2015	4.149594	1.626824	0.554148	3.42918	1.84247
2016	4.179097	1.662286	0.573625	3.367186	1.902818

2017	*4.228096*	*1.738699*	*0.615599*	*3.397228*	*1.862378*
2018	*4.390056*	*1.813207*	*0.609904*	*3.246368*	*1.779327*
2019	*4.554658*	*2.017878*	*0.596547*	*3.268524*	*1.768828*
2020	*4.615461*	*1.829937*	*0.508417*	*3.382648*	*1.780556*
2021	*4.765623*	*1.786716*	*0.227956*	*3.48282*	*1.781594*
2022	*4.814428*	*1.73981*	*0.36883*	*3.488328*	*1.790285*
2023	*4.918498*	*1.715753*	*0.696441*	*3.768555*	*1.802432*

Source: Researcher's Computations, 2025

Table 2: Unit root test results

Variables	ADF Statistic	5% Critical Value	Probability Value	Level of Integration	Remark
gfc	-4.267089	-2.935001	0.0016	1(1)	Stationary at 1st differencing
ldr	-4.828167	-2.938987	0.0003	1(0)	Stationary at level
lqr	-7.335161	-2.935001	0.0000	1(1)	Stationary at 1st differencing
svr	-5.118541	-2.935001	0.0001	1(1)	Stationary at 1st differencing
tbs	-8.528402	-2.936942	0.0000	1(1)	Stationary at 1st differencing

Source: e-views 2025.

The Augmented Dickey fuller unit root test results on the above table revealed that except for loan-to-deposit ratio that was stationary at level, all other variables were stationary at first differencing. This informed the use of the ardl technique for data analysis.

***Table 3:** ARDL Bounds Test*
Date: 08/29/25 Time: 03:00
Sample: 1985 2023
Included observations: 39
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	20.58316	4

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.45	3.52
5%	2.86	4.01
2.5%	3.25	4.49
1%	3.74	5.06

Source: e-views output, 2025.

The Ardl bounds test result showed that the f-statistic of 20.58316 is greater than the lower 1(0) and upper 1(1) bounds at 5% level of significance. This confirmed the existence of long run relationship between liquidity management measures of banks and capital formations in Nigeria.

***Table 4:** ARDL Cointegrating And Long Run Form*
Dependent Variable: GFCF___B

Selected Model: ARDL(2, 4, 3, 3, 2)
Date: 08/29/25 Time: 02:58
Sample: 1981 2023
Included observations: 39

Cointegrating Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GFCF___B(-1))	-1.115845	0.214972	-5.190648	0.0000
D(LDR)	-12.391249	28.897796	-0.428796	0.6727
D(LDR(-1))	17.644946	35.792183	0.492983	0.6274
D(LDR(-2))	-13.801383	35.284169	-0.391149	0.6998
D(LDR(-3))	-54.459585	33.914729	-1.605780	0.1240
D(LQR)	133.274980	22.643287	5.885850	0.0000
D(LQR(-1))	-34.830083	25.771847	-1.351478	0.1916
D(LQR(-2))	-72.309253	31.120308	-2.323539	0.0308
D(TBS___B)	0.026059	0.893218	0.029175	0.9770
D(TBS___B(-1))	-0.149792	0.855472	-0.175099	0.8628
D(TBS___B(-2))	-2.033507	0.745404	-2.728060	0.0130
D(SAVINGS_RTE)	-293.438068	149.046510	-1.968768	0.0630
D(SAVINGS_RTE(-1))	-598.288838	219.655401	-2.723761	0.0131
CointEq(-1)	0.379621	0.089261	4.252960	0.0004

*Cointeq = GFCF___B - (-73.4109*LDR -573.5040*LQR -3.3204*TBS___B -748.7764*SAVINGS_RTE + 40568.3177)*

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LDR	-73.410870	113.807742	-0.645043	0.5262
LQR	-573.503991	225.508596	-2.543158	0.0194
TBS___B	-3.320369	3.209243	-1.034627	0.3132
SAVINGS_RTE	-748.776374	364.116003	-2.056423	0.0530
C	40568.317738	17924.287184	2.263316	0.0349

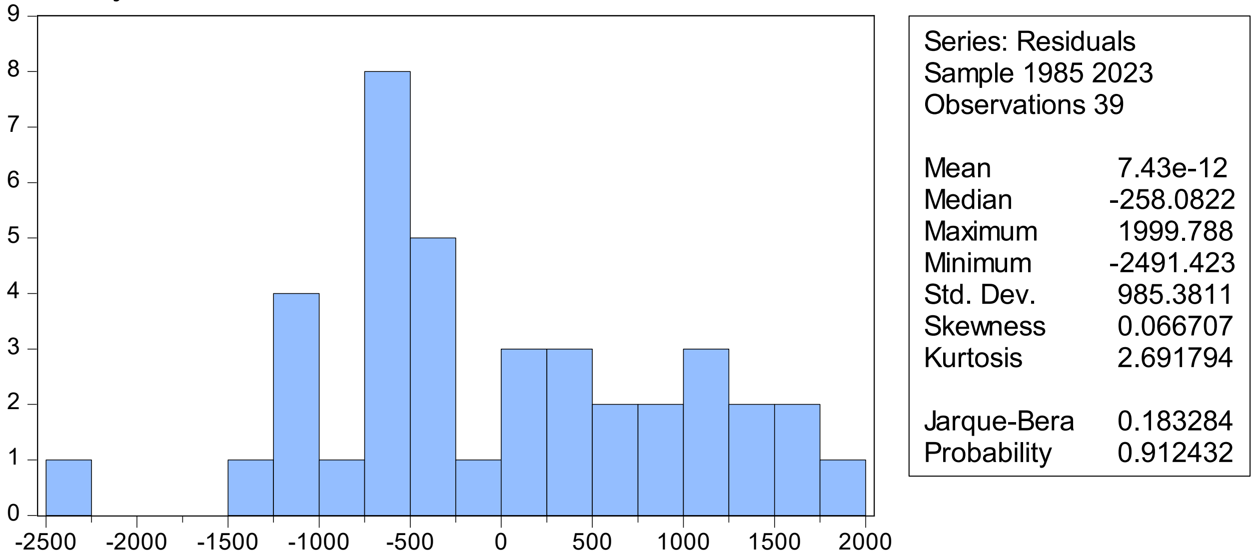
Source: e-views Output, 2025

The above table showed the long run relationship of banks liquidity management measures and capital formations in Nigeria. Accordingly, All the measures adopted as proxied by the variables (except liquidity ratio – lqr) used in the study had negative and insignificant relationship with capital formations. Liquidity ratio was observed to have a negative but significant relationship with capital formations in the long run.

However and on a general note, the long run cointegration test result value of 0.379621 with significant t-statistic of 4.252960 and probability value of 0.0004 revealed that short run disequilibrium can be corrected in the long run at the speed of 37.96%.

Diagnostic tests

Normality test



Source. e-views output, 2025.

The Jaque-Bera probability value value of 0.912432 is greater than the 5% level of significance. Thus, it can be concluded that the model is normally distributed as expected.

Serial Correlation test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.767523	Prob. F(2,18)	0.4788
Obs*R-squared	3.064583	Prob. Chi-Square(2)	0.2160

Source: e-views output, 2025.

The probability values of the Breusch-Godfrey Serial Correlation LM test are all greater than the 5% level of significance. This shows the absence of auto or serial correlation in the model estimations.

Heteroscedasticity test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.358178	Prob. F(18,20)	0.5331
Obs*R-squared	26.50945	Prob. Chi-Square(18)	0.0887
Scaled explained SS	5.897243	Prob. Chi-Square(18)	0.9966

Source: e-views output, 2025.

The p-values are all greater than the 5% level of significance. This shows that the errors are constant overtime.

Discussion of Results

The study set out to examine the effect of bank liquidity management measures on capital formations in Nigeria. The variables of the study included liquidity ratios, loan-to-deposit-ratios, savings/deposit rates and treasury bills subscriptions by Deposit Money Banks as liquidity *management measures, while the gross fixed capital formation was used to proxy capital formations. The unit root test results for the data used in analysis revealed a mixed order of integration (i.e 1(0) and 1(1)), which informed the use of the ardl method of analysis. It was observed that results emanating from the short-run analysis revealed that only liquidity ratio, treasury bills subscriptions and savings rate had positive and significant relationship with capital formations within the periods under study. It was also noted that given the positive coefficient value of 133.2750 and probability value of 0.0000; increases in liquidity ratios of banks also increases capital formations. On the same note, liquidity ratio lagged three periods (lqr-3) also had positive association with capital formations given the positive coefficients of 72.30925 and probability values of 0.0308 which is less than 0.05 level of significance. Furthermore, treasury bills subscriptions by deposit money banks lagged three periods was indicated to have positive and significant relationship with capital formations given the coefficient value of 2.033507 and probability value of 0.0130. Thus, confirmed that increases in treasury bills subscriptions increases capital formations. Previous years savings rate was also found to have positive and significant association with capital formations going by the coefficient values of 598.2888 and probability values of 0.0131. On a general note, the short run analysis showed that liquidity management measures of deposit money banks in Nigeria had positive and significant effect on capital formations in Nigeria. This was further confirmed by the f-statistic value of 421.5067 (0.000000) with durbin-watson statistic of 2.241566.*

However, the long run effect of each of the variables used in the study showed that loan-to-deposit-ratio had negative and insignificant relationship with capital formations. This findings negates our a priori expectations. The general expectations in this regard will be as loan to deposit ratio increases, capital formations also moves in same direction but the reverse was the case. This by extension, may be as a result of the maturity structure of bank deposits. Deposit Money Banks basically specialize in the extension of short term than long term loans; whereas capital formations is a venture that requires long term funding. In addition, this depicts that banks are not good source of capital formation and where such exist, it is basically for working capital purposes.

Liquidity ratio was observed to have negative but significant relationship with capital formations. The more funds are being kept by banks for liquidity needs, it results to decrease in capital formations. High liquidity ratio amounts to low funds available for investments and vice-versa. This conforms with research expectations and shows that the policy is achieving its desired results.

On another note, treasury bills subscriptions by deposit money banks was observed to have inverse and insignificant relationship with capital formations in Nigeria within the period under study. Treasury bills are used by Central Bank of Nigeria to manage the liquidity of the economy (money supply). Depending on the policy target of the monetary authorities at a given point in time (expansionary or contractionary), when the rate on treasury bills increases, it becomes attractive; proceeds from the issuance treasury bills usually finds its way to the treasury of the regulators and sometimes not loaned out (as way of mopping excess liquidity in the economy). This means less funds will be available for loans unlike when the rate drops and banks begins to look out for market for their loans. Thus, this could be attributed to the reason of the inverse relationship.

The savings/deposit rates also had a negative and insignificant relationship with capital formations against a priori expectations of positive relationship. This may be due to the fact that increases in savings/deposit rates also increases the interest rates on money market instruments thereby making it more attractive for banks to invest. Increases in this rate also amounts to increases in lending rates making cost of funds or loans expensive and costly.

Remarkably, the ardl bounds test for long run analysis depicted the existence of long run relationship between the identified liquidity measures and capital formations in Nigeria. The f-

statistic value of 20.58316 was observed to be greater than the ardl lower 1(0) and 1(1) upper bounds test results at 5% level of significance. Specifically, it was important to note that in the long-run, all the liquidity management measures were found to have negative and insignificant association with capital formations. It was only, liquidity ratio that its negative relationship was observed to be significant. The long run cointegration test result value of 0.379621 with significant t-statistic of 4.252960 and probability value of 0.0004 revealed that short run disequilibrium can be corrected in the long run at the speed of 37.96%.

Conclusion and Recommendations

The concern of this study was to examine the effect of bank liquidity management measures on capital formations in Nigeria between 1981 and 2023. The objective was to determine the effect of bank liquidity management measures (liquidity ratio, savings/deposit rates, loan-deposit ratios and treasury bills subscriptions by deposit money money banks) on gross fixed capital formation (GFCF) in Nigeria. As such, a regression model was specified for the study. The quasi-experimental research design and the ardl technique was adopted to analyse the secondary data collected from annual publications of the Central Bank of Nigeria (CBN). It was found that all measures of liquidity management (liquidity ratio, savings/deposit rate, loan-deposit ratio and treasury bills subscriptions) have positive effects on gross fixed capital formations in Nigeria. The following recommendations were made:

1. *liquidity management measures instituted by the regulatory authorities and adopted by banks should be sustained given its significant effects on capital formations in Nigeria.*
2, *The monetary authorities should intensify efforts to come up with more and better liquidity management policies viz-a-viz savings/deposit rates and treasury bills subscriptions by deposit money banks, that will mop up cash in the system in favour of capital formations to achieve desired results.*
3. *Existing policies on liquidity ratio manipulations by the regulatory authority of banks should be sustained as it has achieved the desired positive and significant effects on capital formations in Nigeria.*
4. *Since the effect of loan-deposit ratio did not yield the desired result, it is imperative that measures like increasing deposit rates and reducing lending rates should further be considered in order to boost bank deposits and increase loans for capital formations.*

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Appendices

ARDL MODEL ESTIMATE

Dependent Variable: GFCF___B
Method: ARDL
Date: 08/29/25 Time: 02:56
Sample (adjusted): 1985 2023
Included observations: 39 after adjustments
Maximum dependent lags: 4 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (4 lags, automatic): LDR LQR TBS___B SAVINGS_RTE
Fixed regressors: C
Number of models evalulated: 2500
Selected Model: ARDL(2, 4, 3, 3, 2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GFCF___B(-1)	0.263776	0.170208	1.549727	0.1369
GFCF___B(-2)	1.115845	0.214972	5.190648	0.0000
LDR	-12.39125	28.89780	-0.428796	0.6727
LDR(-1)	-10.35643	27.90496	-0.371132	0.7144
LDR(-2)	-17.64495	35.79218	-0.492983	0.6274
LDR(-3)	13.80138	35.28417	0.391149	0.6998
LDR(-4)	54.45958	33.91473	1.605780	0.1240
LQR	133.2750	22.64329	5.885850	0.0000
LQR(-1)	-22.69990	24.90021	-0.911635	0.3728
LQR(-2)	34.83008	25.77185	1.351478	0.1916
LQR(-3)	72.30925	31.12031	2.323539	0.0308
TBS___B	0.026059	0.893218	0.029175	0.9770
TBS___B(-1)	-0.948875	0.755190	-1.256472	0.2234
TBS___B(-2)	0.149792	0.855472	0.175099	0.8628
TBS___B(-3)	2.033507	0.745404	2.728060	0.0130
SAVINGS_RTE	-293.4381	149.0465	-1.968768	0.0630
SAVINGS_RTE(-1)	-20.59920	230.4510	-0.089386	0.9297
SAVINGS_RTE(-2)	598.2888	219.6554	2.723761	0.0131
C	-15400.60	4277.378	-3.600477	0.0018

R-squared	0.997371	Mean dependent var	12151.54
Adjusted R-squared	0.995005	S.D. dependent var	19217.61
S.E. of regression	1358.254	Akaike info criterion	17.57232
Sum squared resid	36897086	Schwarz criterion	18.38277
Log likelihood	-323.6602	Hannan-Quinn criter.	17.86310
F-statistic	421.5067	Durbin-Watson stat	2.241566
Prob(F-statistic)	0.000000		

**Note: p-values and any subsequent tests do not account for model selection.*

Data Set on Variables of the study

Years	*gfcf #'b*	*Lqr %*	*Svr %*	*tbs #'b*	*Idr %*
1981	*124.52*	*38.5*	*6.00*	*5.44*	*74.50*
1982	*128.10*	*40.5*	*7.50*	*7.52*	*84.60*
1983	*120.26*	*54.7*	*7.50*	*15.81*	*83.80*
1984	*97.78*	*65.1*	*9.50*	*24.82*	*81.90*
1985	*87.14*	*65.0*	*9.50*	*2.10*	*66.90*
1986	*108.87*	*36.4*	*9.50*	*22.42*	*83.20*
1987	*122.46*	*46.5*	*14.00*	*16.57*	*72.90*
1988	*138.10*	*45.0*	*14.50*	*20.88*	*66.90*
1989	*217.75*	*40.3*	*16.40*	*13.89*	*80.40*
1990	*262.77*	*44.3*	*18.80*	*17.12*	*66.50*
1991	*285.59*	*38.6*	*14.29*	*25.61*	*59.80*
1992	*396.61*	*29.1*	*16.10*	*4.47*	*55.20*
1993	*559.15*	*42.2*	*16.66*	*7.54*	*42.90*
1994	*744.09*	*48.5*	*13.50*	*5.34*	*60.90*
1995	*1,153.47*	*33.1*	*12.61*	*9.10*	*73.30*
1996	*1,494.75*	*43.1*	*11.69*	*32.03*	*72.90*
1997	*1,697.77*	*40.2*	*4.80*	*11.09*	*76.60*
1998	*1,948.65*	*46.8*	*5.49*	*12.86*	*74.40*
1999	*2,098.54*	*61.0*	*5.33*	*38.57*	*54.60*
2000	*2,404.82*	*64.1*	*5.29*	*58.26*	*51.00*
2001	*2,473.47*	*52.9*	*5.49*	*686.18*	*65.63*
2002	*3,078.78*	*52.5*	*4.15*	*998.92*	*62.78*
2003	*3,846.23*	*50.9*	*4.11*	*1.39*	*61.85*
2004	*4,723.72*	*50.5*	*4.19*	*1,403.05*	*68.63*
2005	*5,772.64*	*50.2*	*3.83*	*1,257.19*	*70.80*
2006	*7,948.12*	*81.42*	*3.14*	*771.57*	*96.82*
2007	*6,997.62*	*41.56*	*3.55*	*587.31*	*83.26*
2008	*7,535.27*	*37.72*	*2.84*	*383.67*	*86.91*
2009	*9,177.08*	*26.39*	*2.68*	*876.38*	*84.30*
2010	*9,183.06*	*27.39*	*2.21*	*1,478.72*	*52.29*
2011	*9,897.20*	*42.02*	*1.41*	*2,001.25*	*44.77*
2012	*10,281.95*	*49.72*	*1.70*	*2,141.99*	*42.31*
2013	*11,478.08*	*46.23*	*2.17*	*1,836.76*	*37.56*
2014	*13,593.78*	*38.27*	*3.38*	*1,985.04*	*63.61*
2015	*14,112.17*	*42.35*	*3.58*	*2,686.46*	*69.58*
2016	*15,104.18*	*45.95*	*3.75*	*2,329.09*	*79.95*
2017	*16,908.13*	*54.79*	*4.13*	*2,495.90*	*72.84*
2018	*24,550.24*	*65.04*	*4.07*	*1,763.47*	*60.16*
2019	*35,863.98*	*104.20*	*3.95*	*1,855.77*	*58.73*

2020	*41,253.55*	*67.60*	*3.22*	*2,413.51*	*60.33*
2021	*58,293.95*	*61.20*	*1.69*	*3,039.62*	*60.48*
2022	*65,227.13*	*54.93*	*2.34*	*3,078.42*	*61.70*
2023	*82,889.22*	*51.97*	*4.97*	*5,868.88*	*63.45*

Source: CBN Statistical Bulletin, 2023

ESG PERFORMANCE AND CORPORATE REPUTATION: A CRITICAL REVIEW OF POST-2020 STUDIES

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Abstract

Environmental, Social, and Governance (ESG) performance has become a central determinant of corporate legitimacy, particularly in the post-2020 era when global disruptions and sustainability imperatives reshaped stakeholder expectations. This paper conducts a systematic literature review (SLR) of 23 peer-reviewed studies published between 2020 and 2025 to critically examine the relationship between ESG performance and corporate reputation, with an emphasis on emerging economies such as Nigeria. The findings reveal persistent conceptual ambiguities in defining and measuring reputation, with approaches ranging from stakeholder surveys to disclosure indices and market proxies. Empirical evidence generally supports a positive ESG–reputation linkage, though the strength and persistence of this relationship are contingent on mediating factors (e.g., transparency, stakeholder engagement, legitimacy) and moderating conditions (e.g., regulatory enforcement, industry visibility, firm size, governance quality). Sectoral and contextual differences are especially pronounced in Nigeria, where community-level pressures and weak regulatory enforcement shape reputation formation differently from developed markets. The review highlights gaps in methodological diversity, with quantitative approaches dominating while qualitative and mixed methods remain underutilized. Theoretically, stakeholder and legitimacy perspectives dominate, but recent contributions point to the need for integrating institutional and reputation capital theories to account for emerging market dynamics. The paper concludes by proposing a future research agenda that emphasizes multi-method triangulation, context-sensitive theoretical refinement, and hybrid measurement approaches capable of capturing both relational and market-based dimensions of reputation.

Keywords: *ESG performance, Corporate reputation, Stakeholder theory, Legitimacy, Nigeria, Sustainability disclosure, Emerging markets.*

Introduction

Over the past decade, Environmental, Social, and Governance (ESG) performance has moved from the periphery of corporate strategy into its core, as firms, regulators, investors, and other stakeholders increasingly demand accountability beyond financial reporting. Globally, ESG is now viewed not only as a compliance obligation but also as a lever for value creation, risk mitigation, and long-term sustainability (Broadstock et al., 2021; Albitar et al., 2023). In emerging markets such as Nigeria, this shift has been accelerated by institutional reforms, regulatory pressures, and heightened public awareness of climate risks, social justice, and governance failures. For example, the Financial Reporting Council of Nigeria recently mandated sustainability and climate-related disclosures to be fully integrated into corporate reports by 2027, signaling a new era of accountability (Reuters, 2024).

Within this evolving context, corporate reputation—defined as an intangible asset reflecting stakeholder perceptions of a firm's ethical standards, integrity, and social responsibility—has become a critical mediator of ESG outcomes. Strong ESG performance is increasingly expected to enhance reputation, thereby improving stakeholder trust, customer loyalty, access to finance, and regulatory goodwill (Ngwa et al., 2025). Conversely, ESG failures can erode reputation rapidly, especially in countries like Nigeria where firms operate in sectors (oil, gas, and banking) with high social and environmental visibility.

Despite the growing attention, several gaps remain in the scholarly understanding of ESG–reputation dynamics, particularly in emerging economies. First, definitions and measurements of reputation are inconsistent across studies, ranging from survey-based perceptions to reputational indices, thereby limiting comparability (Albitar et al., 2023; Wang et al., 2022). Second, while many studies establish correlations between ESG performance and firm outcomes such as financial value or cost of capital (Broadstock et al., 2021; Postiglione et al., 2024), fewer focus explicitly on reputation as a central construct. When reputation appears in empirical models, it is often under-theorized or inconsistently operationalized—sometimes treated as a consequence of ESG, other times as a mediator, with diverging methodologies and theoretical assumptions.

Third, the post-2020 literature tends to privilege studies in developed markets or among large, publicly listed firms, overlooking emerging market contexts where institutional quality, regulatory enforcement, and stakeholder expectations may differ sharply. Nigerian firms, for example, face unique challenges such as weak regulatory enforcement, socio-political instability, and community-level stakeholder pressures, yet these contextual moderators are rarely integrated into ESG–reputation research. Fourth, methodological limitations persist: much of the literature relies on quantitative ESG scores and regression models, often based on disclosures from rating agencies, while qualitative or mixed-method approaches that capture stakeholder interpretations remain scarce.

Finally, theoretical frameworks such as stakeholder theory, legitimacy theory, and signaling theory are commonly invoked but rarely critiqued in light of recent global disruptions—COVID-19, supply-chain crises, climate urgency, and social justice movements—that have reshaped stakeholder expectations. In Nigeria, where informal institutions, community norms, and governance challenges shape corporate accountability differently, these theories may require contextual adaptation.

Statement of the Problem

Although ESG performance has been widely linked to firm value and financial outcomes, the precise nature of its influence on corporate reputation remains insufficiently clarified in the post-2020 period. In Nigeria, the gap is even more pronounced: while firms are increasingly under pressure to adopt ESG practices, empirical research on how such practices translate into reputational benefits (or risks) remains fragmented, under-theorized, and methodologically limited. Ambiguity persists regarding the conditions under which ESG practices enhance or damage reputation, the mediators (e.g., stakeholder engagement, transparency) and moderators (e.g., industry context, regulatory strength) that shape this relationship, and the evolving conceptualization of reputation itself within Nigerian corporate environments. This lack of clarity undermines both scholarly advancement and managerial practice in an era where ESG considerations are central to corporate survival and competitiveness.

Objective of the Review

Against this backdrop, the objective of this review is to conduct a critical synthesis of post-2020 academic literature on ESG performance and corporate reputation, with a particular focus on Nigeria. Specifically, the review seeks to:

1. Map how corporate reputation has been conceptualized and measured in studies linking ESG performance to organizational outcomes.
2. Synthesize empirical findings on the pathways through which ESG performance influences reputation, including direct effects, mediating processes, and moderating conditions.
3. Identify contextual and institutional boundary conditions that may affect ESG–reputation linkages in Nigeria, including industry sector, firm size, regulatory enforcement, and cultural factors.
4. Critically evaluate the theoretical frameworks employed in this literature, highlighting areas where adaptation or refinement is necessary.
5. Propose an agenda for future research that integrates theory, methodology, and practice to advance ESG–reputation scholarship in Nigeria and similar emerging market contexts.

The remainder of this paper proceeds as follows. The next section presents the methodology adopted for the review, including selection criteria for studies, databases used, and the analytical framework guiding synthesis. The third section provides a thematic review of the literature, organized around (a) conceptualizations and measurements of reputation, (b) empirical pathways linking ESG performance to reputation, (c) mediators and moderators in the ESG–reputation nexus, and (d) contextual conditions relevant to Nigeria and other emerging markets. The fourth section evaluates the theoretical frameworks most frequently employed, discussing their strengths and limitations in light of the Nigerian context. The fifth section identifies gaps and sets out a refined research agenda, focusing on measurement validity, reputational risk, and methodological diversification. The paper concludes with practical implications for managers, regulators, and policy makers, emphasizing how ESG practices can be aligned with reputational gains to strengthen corporate legitimacy and sustainability in Nigeria.

Methodology

This study adopts a systematic literature review (SLR) approach to critically examine the nexus between Environmental, Social, and Governance (ESG) performance and corporate reputation. The choice of SLR rests on its strength in synthesizing empirical and conceptual insights in a transparent, replicable, and analytically rigorous manner, while simultaneously highlighting thematic patterns, theoretical underpinnings, and methodological limitations (Snyder, 2019; Paul & Criado, 2020). To capture contemporary scholarly debates, the review focuses on studies published from January 2020 to the present, a period characterized by heightened global attention to ESG disclosure, sustainability reporting, and corporate reputation in the post-COVID-19 era.

The review adheres to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) protocol, ensuring transparency and reproducibility throughout the process (Page et al., 2021). A structured search was conducted across three leading academic databases—Scopus, Web of Science, and Science Direct—using combinations of keywords such as "ESG performance," "corporate reputation," "sustainability disclosure," "stakeholder perception," and "reputation measurement." The search was restricted to English-language peer-reviewed journal articles published within the defined timeframe. Backward and forward citation tracking further ensured that seminal or highly cited works not captured by keyword searches were included.

The screening and selection process followed a three-stage procedure. First, titles and abstracts were reviewed to eliminate irrelevant studies. Second, full texts were assessed for eligibility against predefined criteria. Inclusion criteria consisted of empirical or conceptual works that explicitly examined ESG performance in relation to corporate reputation. Exclusion criteria eliminated conference proceedings without peer review, non-academic commentaries, and articles addressing ESG or reputation only tangentially.

Following this rigorous process, a final sample of 23 peer-reviewed articles was retained for synthesis. This deliberate narrowing of scope ensures both depth and analytical precision, enabling the review to offer nuanced insights without diluting its focus. For each included study, data were systematically extracted on publication year, journal outlet, geographical and industry context, theoretical framework, operationalization of reputation, methodological approach, and key findings. Special emphasis was placed on how reputation was conceptualized—whether as an outcome, mediator, or moderator—and on the metrics employed, ranging from stakeholder surveys and reputation indices to media sentiment and market-based proxies.

The analytical process unfolded in three stages. First, a descriptive mapping summarized publication trends, methodological orientations, and disciplinary distributions. Second, a thematic synthesis identified pathways linking ESG performance to reputation, distinguishing between direct, mediated, and moderated effects. Third, a critical appraisal examined boundary conditions such as industry specificity, geographic scope, and regulatory contexts, while evaluating theoretical foundations, including stakeholder theory, legitimacy theory, and reputation capital theory.

Finally, insights from the reviewed studies were consolidated into an integrative framework that captures the definitional, conceptual, and methodological diversity of the ESG–reputation literature. This framework not only synthesizes areas of consensus but also highlights unresolved contradictions and emerging gaps, particularly regarding measurement validity, theoretical clarity, and contextual contingencies across developed and emerging economies. By anchoring the synthesis on 23 carefully selected studies, the methodology balances breadth with analytical rigor, ensuring a review that is both comprehensive and sharply focused.

The figure below presents the PRISMA flow table summarizing the process of study selection. It outlines the number of records identified, screened, assessed for eligibility, and included in the final review (n = 23).

Identification	Records identified through database searching (Scopus, Web of Science, Science Direct): n = 312 Additional records identified through citation tracking: n = 28 Total records: n = 340

Screening	Records after duplicates removed: n = 290 Records screened by title and abstract: n = 290 Records excluded: n = 210
Eligibility	Full-text articles assessed for eligibility: n = 80 Full-text articles excluded with reasons (e.g., conceptual misfit, non-peer-reviewed, irrelevant scope): n = 57
Inclusion	Studies included in qualitative synthesis: n = 23

Results and Discussion

Conceptualizations and Measurements of Reputation

Conceptual clarity about corporate reputation is foundational to evaluating the ESG–reputation nexus, yet the recent corpus of studies reveals persistent heterogeneity in how reputation is defined. Several contributions treat reputation as a multi-dimensional stakeholder construct capturing perceptions of ethical conduct, reliability, competence, and social legitimacy (Albitar et al., 2023; Wang et al., 2022). Other works foreground reputation as a market-facing intangible—operationalized through market valuation, abnormal returns, or cost-of-capital differentials—thereby privileging observable financial proxies over stakeholder sentiment (Postiglione et al., 2024; Broadstock et al., 2021). A smaller but growing strand defines reputation in relational terms (trust, network capital), emphasizing long-term stakeholder relationships and social licence to operate (Ngwa et al., 2025; Aboluwodi et al., 2025). This conceptual plurality underscores the need for authors to make explicit the theoretical lens through which reputation is framed—whether stakeholder, legitimacy, signaling, or relational capital theory—because the chosen lens determines both measurement strategy and inferential scope (Albitar et al., 2023; Oyegunle-Esimaje, 2024).

Measurement strategies across the reviewed literature fall into three broad families—survey/perception measures, disclosure/score indices, and media/market proxies—each with distinct strengths and limitations. Survey-based measures (stakeholder questionnaires, expert panels) provide direct access to perceptions of trust, integrity, and corporate ethical stance and are widely used in sectoral and country studies within the set (Ngwa et al., 2025; Adebiyi et al., 2024). Disclosure and rating indices (agency ESG scores, sustainability disclosure checklists) allow cross-firm comparability and longitudinal panels but risk conflating disclosure effort with substantive performance, a caveat emphasized in multi-country analyses (Albitar et al., 2023; ESG Profiles & Valuation, 2024). Media-based sentiment and market proxies (news sentiment indices, abnormal stock returns around ESG events) capture reputational dynamics in real time and are particularly useful for event-study questions, although they tend to privilege visibility over deeper, less observable reputational facets (Tu et al., 2024; Lewellyn & Müller-Kahle, 2024). Several reviewed papers therefore recommend multi-method triangulation—combining surveys, third-party indices, and media analytics—to improve construct validity and reduce mono-method bias (Postiglione et al., 2024; Shaping Sustainability, 2024).

Several studies in the sample explicitly investigate measurement validity and demonstrate practical trade-offs when choosing reputation proxies. For example, industry-specific analyses show that disclosure indices correlate strongly with market proxies in developed markets but less so in emerging markets where reporting standards and third-party assurance are weaker (Broadstock et al., 2021; Macro Management & Public Policies, 2024). In the Nigerian context, works drawing on stakeholder surveys and content analysis of sustainability reports find that disclosure intensity may not reliably indicate stakeholder trust unless accompanied by third-party verification and visible stakeholder engagement (Ngwa et al., 2025; Oyegunle-Esimaje, 2024). Methodological contributions therefore stress addressing endogeneity (e.g., reverse causality between reputation and ESG investment), measurement error in ratings, and sample selection bias—through instrumental variables, fixed effects, or difference-in-differences designs—so that measurement choices do not bias substantive inferences about the ESG–reputation link (Albitar et al., 2023; Postiglione et al., 2024).

Beyond observable proxies, theoretical elaborations in the reviewed literature encourage distinguishing reputational capital (long-run stock of stakeholder goodwill) from reputational signals (short-run indicators such as awards, press coverage, or disclosure events). Several studies argue that reputational capital accrues from sustained ESG performance and credible engagement, whereas reputational signals can be generated by episodic disclosure or PR campaigns and may therefore be fragile (Ismail et al., 2023; Atanda et al., 2024). This distinction has methodological implications: longitudinal panel methods better capture capital formation, while event studies and sentiment analysis are apt for assessing signal impact and volatility (Lewellyn & Müller-Kahle, 2024; Tu et al., 2024). For Nigerian firms and other emerging-market entities, the capital-signal distinction is especially salient because episodic disclosure in weakly enforced environments can create the illusion of reputational strength (symbolic legitimacy) without substantive stakeholder trust, thereby exposing firms to reputational reversals when controversies emerge (Macro Management & Public Policies, 2024; Busari & Adegbayibi, 2025).

Synthesis of the measurement literature yields actionable guidance for future empirical work: (1) specify the theoretical construct of reputation up front (capital vs. signal; stakeholder vs. market-facing), (2) use triangulated measures to enhance validity, and (3) employ identification strategies that mitigate reverse causality and measurement error (Aboluwodi et al., 2025; Shaping Sustainability, 2024; Albitar et al., 2023). For research focused on Nigeria and comparable emerging economies, the reviewed studies collectively recommend prioritizing mixed-method measurement designs—integrating stakeholder surveys, content analysis of disclosures, and media sentiment—while explicitly accounting for institutional context (regulatory enforcement, assurance practices) that conditions how measures relate to underlying reputational constructs (Ngwa et al., 2025; Oyegunle-Esimaje, 2024; Postiglione et al., 2024).

Empirical Pathways Linking ESG Performance to Reputation

The reviewed literature consistently demonstrates that ESG performance exerts a direct positive effect on corporate reputation, though the magnitude and persistence of this effect vary across contexts. Studies focusing on European and Asian markets find that high ESG scores are strongly associated with enhanced reputation rankings, improved analyst recommendations, and higher perceived legitimacy among investors and consumers (Albitar et al., 2023; Postiglione et al., 2024; Wang et al., 2022). In contrast, works from emerging markets, including Nigeria and South Africa, highlight that while ESG disclosure does improve reputational standing, the effects are contingent upon credibility, transparency, and cultural alignment with stakeholder expectations (Ngwa et al., 2025; Aboluwodi et al., 2025). This suggests that although ESG is universally recognized as a reputational asset, the degree of reputational payoff is mediated by institutional and socio-political context.

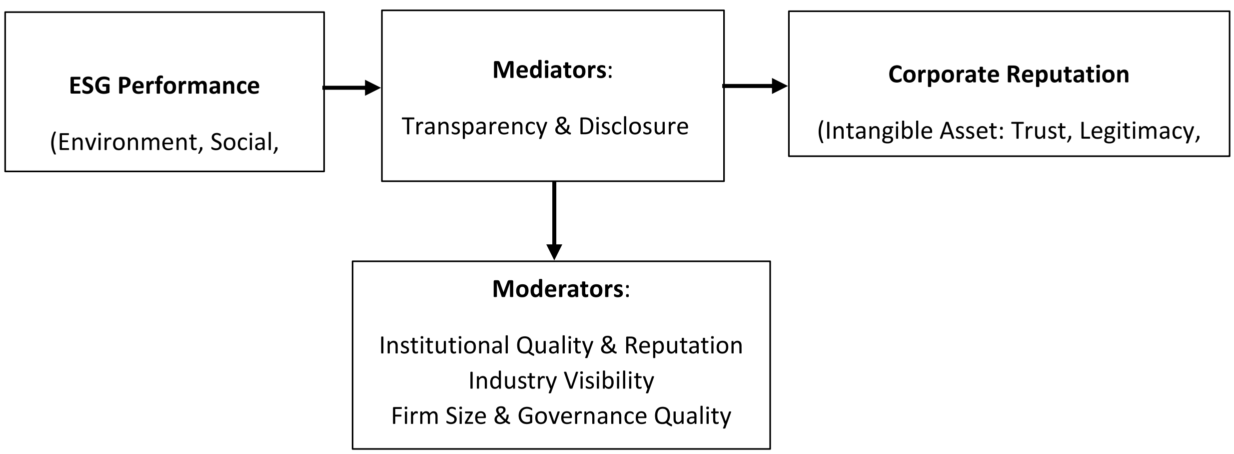
Event-based analyses shed further light on temporal pathways, showing that reputational benefits often materialize following salient ESG announcements, certifications, or crisis responses. For instance, Tu et al. (2024) demonstrate that firms announcing major sustainability initiatives experienced short-term spikes in media-based reputation indices, while Lewellyn and Müller-Kahle (2024) find that controversies or ESG failures trigger rapid reputational losses, often disproportionate to the gains achieved through compliance. Nigerian studies similarly show that firms engaging in visible ESG-related community investments during the COVID-19 crisis were perceived as more trustworthy and resilient, strengthening their reputational standing among customers and regulators (Oyegunle-Esimaje, 2024; Ngwa et al., 2025). Thus, ESG's reputational value is not only structural but also highly event-driven, sensitive to disclosure timing and public visibility.

In addition to direct effects, ESG performance enhances reputation by influencing stakeholder trust and legitimacy. Several studies report that when ESG practices align with stakeholder expectations, firms benefit from greater reputational resilience and reduced reputational vulnerability in crises (Ismail et al., 2023; Atanda et al., 2024). This is evident in industries with high environmental or social impact—such as oil and gas, finance, and consumer goods—where firms with stronger ESG engagement are viewed as more reliable and ethically grounded, thereby insulating them against reputational shocks (Macro Management & Public Policies, 2024; Broadstock et al., 2021). In the Nigerian context, works reveal that ESG-driven reputation fosters regulatory goodwill and access to public–private partnerships, reinforcing the practical significance of the ESG–reputation link for firms operating in governance-constrained settings (Ngwa et al., 2025; Adebiyi et al., 2024).

The pathways also reflect financial signaling effects, where ESG engagement communicates competence, risk management, and long-term orientation to investors and other stakeholders. Studies based on cost-of-capital models highlight that firms with superior ESG performance are rewarded with reputational advantages that lower perceived risk, reduce financing costs, and attract socially responsible investment funds (Postiglione et al., 2024; Broadstock et al., 2021). In emerging economies, however, these signaling effects are attenuated when ESG disclosures are not independently assured or when firms engage in symbolic compliance, creating skepticism among sophisticated investors (Ngwa et al., 2025; Aboluwodi et al., 2025). This underscores the dual nature of ESG-related reputation as both a substantive signal of commitment and a symbolic device vulnerable to accusations of greenwashing.

Finally, comparative evidence suggests that ESG–reputation pathways are sectorally differentiated. High-impact sectors (energy, finance, and manufacturing) display stronger ESG–reputation associations due to heightened scrutiny from regulators, civil society, and consumers (Ismail et al., 2023; Macro Management & Public Policies, 2024). In contrast, sectors with lower environmental or social visibility often realize weaker reputational benefits, unless ESG practices are directly tied to product differentiation or consumer-facing narratives (Tu et al., 2024; Lewellyn & Müller-Kahle, 2024). In Nigeria, reputational benefits appear most pronounced in oil and gas and banking, where ESG initiatives directly address stakeholder concerns about transparency, corruption, and environmental degradation (Ngwa et al., 2025; Oyegunle-Esimaje, 2024). This sectoral variation highlights the importance of contextualized analyses that go beyond universal claims about ESG's reputational payoff.

Figure 1. Hybrid Institutional–Stakeholder Salience Model



The framework illustrates how ESG performance influences corporate reputation through mediators such as transparency, stakeholder engagement, and legitimacy, while contextual moderators (institutional quality, industry visibility, firm size, governance quality, and investor sentiment) shape the strength of these relationships. The model integrates institutional theory and stakeholder salience perspectives, providing a context-sensitive lens for emerging markets.

Mediators and Moderators in the ESG–Reputation

Mediating processes play a central role in translating ESG performance into reputational outcomes, and the studies converge on several recurrent mechanisms. Transparency and disclosure quality repeatedly emerge as primary mediators: firms that not only perform on ESG dimensions but also reveal credible, verifiable information tend to realize stronger reputational gains (Albitar et al., 2023; Postiglione et al., 2024; Sustainability Reporting & Trust, 2021). Closely related is stakeholder engagement—operationalized as the depth and responsiveness of firm–stakeholder interactions—which converts ESG activities into tangible stakeholder endorsements that enhance perceived trust and legitimacy (ESG & Stakeholder Engagement, 2020; Ngwa et al., 2025). Several empirical contributions show that when transparency and active engagement co-occur with substantive ESG action, reputation formation is stronger and more persistent; by contrast, disclosure without engagement or third-party assurance often produces only ephemeral reputational signals (Shaping Sustainability, 2024; ESG Disclosure in Emerging Markets, 2022).

Legitimacy and risk-mitigation operate as additional mediators that explain how ESG reduces reputational vulnerability in times of crisis. Multiple event-focused studies demonstrate that firms with established ESG practices recover reputational standing more quickly after controversies, suggesting that legitimacy accrued via ESG acts as a buffer against reputational shocks (Reputational Risk Events, 2023; Tu et al., 2024; Lewellyn & Müller-Kahle, 2024). In the Nigerian context, sectoral case studies indicate that legitimacy—particularly community-level legitimacy built through social investments and governance reforms—translates into regulatory goodwill and local stakeholder protection, thereby mediating the impact of ESG on reputational resilience (Oyegunle-Esimaje, 2024; Atanda et al., 2024). In sum, mediators such as transparency, stakeholder engagement, and legitimacy not only transmit ESG effects to reputation but also determine the durability and credibility of reputational gains (Albitar et al., 2023; Sustainability Reporting & Trust, 2021).

Moderating variables elucidate when and for whom ESG translates into reputational returns, and the reviewed literature highlights several robust moderators. Institutional quality and regulatory enforcement are among the most potent moderators: in jurisdictions with rigorous enforcement and credible third-party assurance, ESG disclosures are less likely to be discounted and thus yield larger reputational payoffs (Macro Management & Public Policies, 2024; ESG Profiles & Valuation, 2024). Conversely, in weakly governed settings, disclosure may be interpreted as symbolic, diminishing reputational returns (ESG Disclosure in Emerging Markets, 2022; Postiglione et al., 2024). Industry visibility and sectoral exposure also moderate effects: high-impact sectors (energy, extractives, manufacturing) and consumer-facing industries obtain stronger reputational benefits from environmental and social performance than less visible sectors (Broadstock et al., 2021; Busari & Adegbayibi, 2025).

Firm-level moderators further nuance the ESG–reputation relationship. Size and visibility amplify reputational effects because larger firms are subject to more stakeholder scrutiny and media attention; yet this amplification is double-edged, as larger visibility also raises reputational risk in the event of ESG failures (Ismail et al., 2023; Investor Sentiment & Sustainable Investment, 2024). Governance quality within the firm moderates how stakeholders interpret ESG signals: firms with credible governance structures and board oversight convert ESG inputs into reputational capital more effectively than firms lacking such internal controls (Adebiyi et al., 2024; Aboluwodi et al., 2025). Moreover, investor sentiment—proxied by market indices and analyst coverage—conditions the speed with which reputational benefits affect financial outcomes, linking reputational shifts to cost-of-capital or valuation effects (International Journal of Financial Studies (MDPI), 2024; Investor Sentiment & Sustainable Investment, 2024).

Contextual conditions specific to Nigeria and comparable emerging markets profoundly shape both mediators and moderators and thus the overall ESG–reputation nexus. Regulatory evolution—characterized by recent moves toward mandatory sustainability disclosure coupled with uneven enforcement—creates an environment where disclosure incentives exist but verification mechanisms lag, increasing the risk of symbolic compliance and reputational backfire (Macro Management & Public Policies, 2024; ESG Disclosure in Emerging Markets, 2022). Political economy factors—patronage networks, local community expectations, and the centrality of extractive sectors—further mediate how ESG actions are perceived; in Nigeria, community-oriented social investments and anti-corruption governance measures often carry greater reputational weight than abstract environmental metrics unless the latter are directly linked to livelihoods (Oyegunle-Esimaje, 2024; Atanda et al., 2024). Finally, media ecology and social-media amplification act as contextual accelerants: reputational signals travel faster and with higher volatility in settings where social platforms are influential, making real-time media sentiment an essential moderator for contemporary reputation models (Lewellyn & Müller-Kahle, 2024; Reputational Risk Events, 2023).

Collectively, the studies indicate that the ESG–reputation relationship is contingent and processual rather than linear. Empirical regularities show that substantive ESG performance produces reputational capital chiefly when mediated by credible disclosure, active stakeholder engagement, and legitimacy accrual, and when moderated by strong institutions, sectoral visibility, governance quality, and investor sentiment (Albitar et al., 2023; Postiglione et al., 2024; Ngwa et al., 2025). For Nigeria and similar emerging economies, these findings point to actionable implications: policymakers should prioritize enforcement and assurance mechanisms to reduce symbolic reporting; managers should invest in stakeholder engagement and third-party verification; and researchers should employ multi-method, longitudinal designs that can unpack mediating mechanisms and test moderating boundary conditions empirically (Shaping Sustainability, 2024; ESG Profiles & Valuation, 2024).

Integrated Contextual Implications and Research Agenda

The reviewed literature makes clear that conceptual clarity and measurement validity remain persistent challenges in ESG–reputation scholarship. While studies have moved beyond simplistic reputation indices, fragmentation persists across media sentiment analysis, stakeholder surveys, and capital market proxies (Reputation Measurement & Theory, 2024; ESG Mechanisms Synthesis, 2024). This diversity, though enriching, complicates comparability and cross-study synthesis. In the Nigerian context, reputation often intersects with trust, legitimacy, and community license-to-operate, underscoring the need for culturally sensitive measures that capture relational as well as market-based perceptions (Oyegunle-Esimaje, 2024; Atanda et al., 2024). A research agenda must therefore prioritize the development of hybrid measurement frameworks that integrate quantitative indicators with qualitative, context-anchored stakeholder perceptions.

The empirical pathways reviewed suggest that ESG affects reputation not merely as a signaling device but also as a substantive driver of stakeholder trust and legitimacy. However, direct effects remain inconsistent across contexts, with disclosure credibility and enforcement strength mediating outcomes (Albitar et al., 2023; Broadstock et al., 2021). For emerging economies, especially Nigeria, researchers should investigate sector-specific pathways, particularly in oil and gas, manufacturing, and financial services, where reputational risk is acute. A stronger emphasis on mixed-method designs that combine econometric models with stakeholder narratives can illuminate how direct effects are amplified or muted in real-world practice.

Mediators and moderators in the ESG–reputation nexus require further theorization and empirical testing in emerging markets. Legitimacy, transparency, and stakeholder engagement were recurrent mediators, but few studies explicitly test their sequential or interaction effects (Shaping Sustainability, 2024; Sustainability Reporting & Trust, 2021). Similarly, moderators such as firm size, governance quality, and investor sentiment have been studied in isolation, leaving gaps in understanding how combinations of factors condition ESG impacts (Investor Sentiment & Sustainable Investment, 2024; Configurational ESG Study, 2023). Future work should adopt configurational approaches, including qualitative comparative analysis (QCA), to capture these interdependencies.

Contextual conditions—particularly weak enforcement, regulatory gaps, and cultural norms—remain the most pressing boundary conditions for Nigeria and other African economies. Studies consistently demonstrate that institutional voids amplify greenwashing risks, leading to reputational backfires when stakeholders perceive ESG as symbolic (ESG Disclosure in Emerging Markets, 2022; Macro Management & Public Policies, 2024). At the same time, cultural expectations around corporate social investments, philanthropy, and employment creation shape stakeholder judgments of reputation more than abstract ESG ratings. This underscores the importance of developing context-sensitive theoretical frameworks that go beyond imported Western models to integrate local socio-cultural dynamics (Adebiyi et al., 2024; Aboluwodi et al., 2025).

The theoretical foundations of the reviewed studies reveal both convergence and fragmentation. Stakeholder theory and legitimacy theory dominate, but emergent perspectives such as reputation capital theory and resource-based views provide complementary insights (Reputation Measurement & Theory, 2024; ESG Mechanisms Synthesis, 2024). In Nigeria and similar economies, adaptation is needed to capture how informal institutions, patronage systems, and community pressures mediate reputation formation. A promising research direction is the integration of institutional theory with stakeholder salience models, offering a framework capable of capturing both global investor logics and local community expectations (Ngwa et al., 2025; Oyegunle-Esimaje, 2024).

Finally, the research agenda that emerges from this review emphasizes methodological innovation, theoretical integration, and contextual sensitivity. Future studies should move beyond single-method econometric analyses toward multi-method triangulation, incorporating text mining of ESG disclosures, ethnographic inquiry into stakeholder perceptions, and experimental designs testing reputational responses. Theoretically, ESG–reputation scholarship should aim to reconcile divergent models of reputation by developing integrative frameworks that can accommodate both relational legitimacy and market-based valuation. Practically, Nigerian and emerging market scholarship should contribute to policymaking by generating evidence-based recommendations for regulators, investors, and firms on how to strengthen disclosure credibility, foster stakeholder trust, and build resilient reputational capital in volatile institutional environments (Busari & Adegbayibi, 2025; Atanda et al., 2024).

Comparative Dimension: Developed vs. Emerging Markets

Contrasting findings between developed and emerging markets underscore the contextual importance of ESG–reputation linkages. In developed economies, robust enforcement, sophisticated investors, and strong assurance mechanisms make ESG-driven reputational benefits more predictable and enduring. Reputational payoffs accrue consistently, as disclosure is generally trusted by stakeholders and reinforced by mature capital markets.

In emerging markets like Nigeria, however, reputational outcomes are less straightforward. Weak regulatory enforcement and inconsistent assurance mean ESG disclosure often risks being perceived as symbolic compliance or greenwashing. Moreover, stakeholders in Nigeria place greater emphasis on community investment, employment creation, and anti-corruption initiatives than on standardized ESG ratings. This indicates that while ESG adoption can strengthen reputation, its effectiveness depends on transparency, credibility, and cultural alignment.

Theoretical Implications

This study advances theoretical understanding of the ESG–reputation nexus by demonstrating that conventional frameworks such as stakeholder theory and legitimacy theory, while useful, are insufficient on their own to explain variations across contexts. The review shows that in developed markets, ESG adoption reliably enhances corporate reputation because strong institutions and credible enforcement mechanisms reinforce legitimacy claims. However, in emerging economies like Nigeria, weak regulatory structures, cultural expectations, and community pressures complicate this relationship, suggesting the need for context-sensitive theoretical refinements. Integrating institutional theory with stakeholder salience models provides a richer lens to capture how informal norms, governance weaknesses, and socio-political dynamics mediate ESG–reputation outcomes.

Additionally, the review underscores the importance of distinguishing between reputational signals (short-term, disclosure-driven impressions) and reputational capital (long-term stakeholder trust). While signaling theory explains how ESG announcements or certifications can generate immediate reputational effects, the durability of these effects depends on sustained performance and credibility, better captured through reputation capital theory. This theoretical layering offers a more nuanced explanation of why some firms experience reputational resilience while others face backlash or reputational volatility. Thus, the study not only synthesizes post-2020 evidence but also contributes to theory-building by urging a hybrid, integrative framework that links ESG performance with both short-term perception management and long-term legitimacy-building in diverse institutional environments.

Managerial and Policy Implications

This review carries significant implications for corporate managers, regulators, investors, and policymakers, particularly in the Nigerian context. For managers, sector-specific strategies are vital in translating ESG adoption into reputational capital. In the oil and gas sector, credibility depends on environmental remediation, transparent reporting of emissions, and sustained community engagement, as reputational vulnerability in this sector is acute. Banks can enhance reputation through financial inclusion programmes, sound governance practices, and transparent digital ESG reporting that directly address stakeholder concerns around ethics and accountability. Manufacturing firms should focus on responsible supply chains, waste management, and employee welfare standards, all of which resonate with both regulators and consumers. Across sectors, the emphasis must shift from symbolic disclosure to substantive performance, ensuring ESG practices are independently verifiable and stakeholder-driven.

For regulators, actionable steps include establishing industry-specific ESG benchmarks, mandating independent third-party verification, and enforcing compliance through penalties for misrepresentation or greenwashing. Incentives such as tax reliefs or financing preferences for credible ESG performers could further accelerate adoption. Regulators like the Financial Reporting Council of Nigeria should also customize ESG reporting frameworks to reflect Nigeria's institutional realities while aligning with international best practice.

For investors, ESG considerations should become a core part of capital allocation decisions. By embedding ESG screening mechanisms into investment strategies and using shareholder activism to demand governance reforms, investors can shape corporate behaviour. Development finance institutions and global investors can further encourage adoption by tying access to capital to credible, assurance-backed ESG performance.

Conclusion

This review demonstrates that while ESG performance is increasingly recognized as a driver of corporate reputation, the strength, pathways, and durability of this relationship are highly context-dependent. Evidence from post-2020 studies confirms that mediators such as transparency, stakeholder engagement, and legitimacy, together with moderators like regulatory enforcement, sectoral visibility, and firm governance, critically shape reputational outcomes. However, the Nigerian and broader emerging market context reveals that reputational payoffs from ESG are neither automatic nor uniform, as weak enforcement, cultural expectations, and institutional voids often complicate the ESG–reputation link. By highlighting these dynamics, the study extends theoretical discourse beyond traditional stakeholder and legitimacy perspectives, proposing an integrative framework that accounts for both reputational signals and long-term reputational capital. For scholars, this underscores the need for methodological diversity and context-sensitive theorizing, while for managers, regulators, and investors, it emphasizes the importance of credible, verifiable, and stakeholder-aligned ESG practices. Ultimately, the study positions ESG not merely as a compliance requirement but as a strategic resource for building resilient reputations and sustainable competitiveness in volatile institutional environments.

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THE ROLE OF PLANNING IN NIGERIA'S DEVELOPMENT.

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Abstract
National development planning has long been regarded as a critical instrument for achieving sustained economic growth and structural transformation, particularly in developing economies such as Nigeria. This study examines the role of development planning in Nigeria with specific emphasis on the First (1962–1968) and Fourth (1981–1985) National Development Plans. Drawing on descriptive and comparative analysis, the study highlights the objectives, sectoral allocations, implementation strategies, and outcomes of both plans within the broader context of Nigeria's development experience. The findings reveal that while the First National Development Plan recorded relatively strong economic performance, marked by infrastructural expansion and moderate GDP growth, the Fourth National Development Plan was largely undermined by poor implementation, fiscal constraints arising from oil price shocks, rising external debt, and frequent changes in government. The study further underscores that Nigeria's development challenges are less attributable to poor planning frameworks than to weak implementation mechanisms, inadequate project monitoring, cost overruns, and pervasive corruption. In addition, the paper situates subsequent initiatives such as Vision 20:2020, the National Economic Empowerment and Development Strategy (NEEDS), and State Economic Empowerment and Development Strategies (SEEDS) as efforts to address past shortcomings through improved coordination and accountability. The study concludes that effective national development in Nigeria requires strengthened institutional capacity, enhanced project management culture, reduced corruption, and greater emphasis on implementation and monitoring.

Keywords: *Development Plan, Fiscal*

Background of the Study

Planning places a great role in the development of any nation and no nation can develop without adequate planning for its economy and its people. There are several types of planning and this can be categorized into Central planning, Development planning and Indicative planning. The central planning is the type of planning which the market mechanism is supplanted and this was practiced in the socialist countries like USSR. In this kind of planning the allocation of resources is determined by commands from central planning committee. The Development planning lies between the Central and indicative planning and it contains element of both. Its emphasis is on changing the structure and institutions of the economy to provide the basis for rapid and self-sustained growth. It is this type of planning that is done in less developed and developing countries like Nigeria.

The Indicative planning is the type of planning in which the country still relies on the forces of demand and supply for the allocation of resources and commodities in the economy. Projections are made by the government in consultation with the private sector to provide information to the private sector in an attempt to influence its investment decisions and the response from private sector are purely voluntary. This type of planning is practiced in France. The significance of this study is to show the vital role played by planning in the Development of any nation and how this will ensure the adequate allocation of resources to the various sectors of the economy that will ensure rapid development. Since the planning of national development is about directing the economy to function in a way that will bring about a desired state in the future, the thinking involved in it and the entire exercise must be based on an understanding of the way the system actually functions. This requires knowing the crucial variables in the system and their inter relationships. Economics usually demonstrates this knowledge in form of a model of the economy or an aspect of it. So Economics could build models just as engineers do in their field.

The early economist held the view that the development of a country was purely natural thing. They believe that a society become developed by the private decisions of private individuals about *what to produce and the way for it to be produced. It was such decisions they argued coordinated by the market, the forces of demand and supply that led to increases in output of goods and services, job opportunities, incomes and a host of other things needed by the ever increasing number of people in the society and by which it is said to have evolved from one stage to another. To them therefore development was best achieved where the market mechanism functioned freely. This view dominated economic thinking in Europe and America for a very long time and was successfully transferred to Africa, Asia and Latin America through colonialism and imperialism.*

But overtime as Africa, Asia and Latin American countries increasing gained independence, reliance on market mechanism for national development declined. This was due largely to the eagerness of the emerging nations to achieve development quickly and the proven failure of the market mechanism in their early developmental efforts. The failure lent credence to the arguments of the critics of the market that is an inefficient device for the allocating resources for national development and led intellectuals and politicians in both the older nations and the emerging ones to increasingly accept the need for some form of interference with the market mechanism which is some form of planning by the Government.

OBJECTIVE OF THE STUDY

i. *The first objective of this study is to highlight the importance of planning inn development.*
ii. *Also this study aims to show the impact of the first and fourth development plans in Nigeria and how it has impacted in Nigeria's development.*
iii. *Also the study seeks to emphasis the importance of implementation of the developmental plans.*
iv. *Also the study hopes to also show that corruption and fraud needs to be reduced to the barest minimum for Nigeria to be developed.*

Scope of the Study

The scope of work covered the first and the fourth developmental plans and how they impacted on the Nigerian economy. It also looked at implementation of the various plans and seeks to know the root cause of the plans not achieving its set targets and plans for the economy. The work also reviews the National Economic Empowerment Development strategy and the State Economic Empowerment development strategies and how these has been used by the Federal Government and the State Governments in the development of the nation. The work also reviewed the allocation to various sectors of the economy and how this has affected the economy and the development of the country. The work also showed the importance of project monitoring and implementation and not just planning because the plans will not bring about the development on its own without proper monitoring of the projects to ensure it is well implemented. The adverse role of corruption was also well articulated and advise was given that this should be reduced to the bearest minimum for the nation to become fully developed.

Definition of Terms

***Needs**:*

NEEDS is Nigeria's home- grown poverty reduction strategy (PRSP). NEEDS builds on the earlier two-year effort to produce the interim PRSP (I-PRSP), and the wide consultative and participatory processes associated with it. NEEDS is not just a plan on paper, it is a plan on the ground and founded on a clear vision, sound values, and enduring principles. It is a medium term strategy (2003– 07) but which derives from the country's long-term goals of poverty reduction, wealth creation, employment generation and value re-orientation.

Seeds:

On the State level, State Economic Empowerment and Development Strategies (SEEDS) are being developed to compliment NEEDS. The donor community, made up of IBRD, DFID, EU and UNDP, is taking advantage of this change to align their local programs to improve the quality of assistance to the country.

National Deleopment Plan:

These are plans developed by the ministry of planning itemizing the various plans prepared for the various sectors of the economy and how these plans can be achieved.

Vision 20 20:20

With a growth objective of at least $900 billion in GDP and a per capita of at least $4,000 annually, the Nigeria Vision 20: 2020 economic business strategy aims to place Nigeria among the top 20 economies by 2020. The NV 20:2020's three pillars are: i) ensuring people's productivity and well-being; ii) maximizing the main drivers of economic growth; and iii) promoting sustainable social and economic development.

Planning:

The process of considering and planning the actions necessary to accomplish a desired objective is known as planning, or foresight. Making and sticking to a plan is part of planning. Planning is therefore a key component of intelligent conduct. This way of thinking is crucial to the development and improvement of a plan or its integration with other plans; in other words, it integrates the predicting of developments with the preparation of scenarios for how to respond to them. The connection between planning and forecasting is a crucial, if frequently overlooked, feature of planning. Planning anticipates what the future should look like, while forecasting predicts what the future will look like. Spontaneous order is the opposite of planned.

Economic Development:

The consistent, coordinated efforts of communities and policymakers to raise the level of living and economic well-being of a particular region are known as economic development. The quantitative and qualitative shifts in the economy are another name for economic progress. The development of human capital, vital infrastructure, regional competitiveness, social inclusion, health, safety, literacy, and other activities are just a few of the areas in which such measures may take place. Economic growth is not the same as economic development. Economic growth is a phenomenon of market productivity and GDP growth, whereas economic development is a policy intervention initiative aimed at people's economic and social well-being. Thus, "economic growth is one aspect of the process of economic development," as noted by economist Amartya Sen.

Governments:

The structure that governs a state or community is called a government.[1] The collective group of individuals who wield executive authority in a state is referred to as the "government" in the Commonwealth of Nations.[2, 3, 4] The term "administration" in American English is comparable to this meaning. Additionally, the terms "government" and "governance" are sometimes used interchangeably in English. According to its broad associative definition, lawmakers, administrators, and arbitrators typically make up the government. Government serves as both the method for establishing state policy and the means of enforcing it. A form of government, or form of state governance, refers to the set of political systems and institutions that make up the organisation of a specific government.

Nowadays, all forms of government have a significant impact on all human endeavors. Because of this, political scientists typically contend that anthropology, economics, history, philosophy, science, and sociology should all be studied alongside government.

MODELS:

A model is a theoretical construct that uses a collection of variables and a set of quantitative and/or logical linkages to depict economic processes. The economic model is a simplified framework that frequently, but not always, makes use of mathematical methods to depict complicated processes. Economic models often propose structural parameters. Underlying parameters of a model or family of models are known as structural parameters. A model can include a variety of parameters, and those values can alter to provide different properties. Models are used methodologically for research, theory development, and world-fitting.

IMPLEMENTATION:

The execution of public policy is referred to as implementation. Laws are passed by legislatures and implemented by public employees in bureaucratic agencies. Rule-making, rule-administration, and rule-adjudication comprise this procedure. The legislative intent, the administrative capability of the implementing bureaucracy, opposition and activity from interest groups, and presidential or executive support are all factors that affect implementation. Many interconnected actions must be completed in the right order for a system to be implemented properly. Although using a tried-and-true implementation methodology and consulting experts might be helpful, problems with an implementation project are frequently caused by the quantity of tasks, inadequate planning, and insufficient funding rather to any individual work being particularly challenging. Similar to cultural difficulties, achieving the intended outcomes is frequently hampered by inadequate consultation and two-way communication.

Using project management techniques, a project manager frequently supervises these processes. A number of individuals who are relatively new to the knowledge-based economy are involved in software implementations, including project managers, business analysts, technical analysts, and solutions architects.

Corruption:

Corruption is a departure from an ideal or a spiritual or moral impurity. Bribery and embezzlement are just two of the many actions that might constitute corruption. Governmental corruption, often known as "political" corruption, happens when a government employee or office holder uses their position for personal benefit. When employed as an adjective, the word corrupt literally means "utterly broken."[1] Aristotle was the first to use the term, while Cicero added the terms "bribe" and "abandonment of good habits." According to political scholar Morris, corruption is the unlawful use of governmental authority for personal gain. Economist I. According to Senior, corruption is the act of (a) surreptitiously giving (b) a good or service to a third party (c) in order to influence particular activities that (d) benefit the corrupt, a third party, or both (e) in which the corrupt agent has authority. The World Bank's Kauffman expands the idea to encompass "legal corruption," which is the misuse of authority within the bounds of the law since powerful people frequently have the capacity to influence the law to their advantage.

The First National Development Plan

Launched in 1962, the first Nigerian National Development Plan was an ambitious economic plan that called for spending over $1,900,000,000 on development and productivity-boosting initiatives over a six-year period. The late economist Wolfgang Stolper and other specialists from the Ford Foundation and the United Nations collaborated with the minister of economic development to create the plan. The Plan's Objective. The more specific objectives of the Abuja Regional Plan as drawn from it can be summed up as follows, in addition to the overarching objectives of national planning and the creation of a larger and more functioning administrative territory:

- *i. Preservation of the natural environment*
- *ii. Decentralization of activities nuclei with Abuja Municipal as the highest order nucleus.*
- *iii. Achievement of economies of scale and a high degree of self-sufficiency especially in food production.*
- *iv. Balanced economic development of the various areas.*
- *v. Respect for tradition and minimum resettlement.*
- *vi. Creation of a comprehensive rural-urban integration system and hierarchical ordering of settlements.*
- *vii. Coordinated comprehensive development in the entire country.*

THE OBECTIVES OF THE FIRST NATIONAL DEVELOPMENT PLAN

Broadly, the first national development plan was expected to facilitate the achievement of the following objectives:

- *To increase the rate of growth of national income from 3.9 percent per annum to at least 4 percent.*
- *To achieve the above aim by investing 15% of the GDP and at the same time to raise per capital consumption by about 1% per year.*
- *To develop as rapidly as possible opportunities in education, health and employment and to improve access for citizens to these opportunities.*
- *To improve the distribution of income both among people and among regions.*
- *To maintain price stability and value of the Nigerian Pound.*
- *To provide policy advice to the President in particular and Nigeria in general on all spheres of national life.*

8.

- *To set national priorities and goals and engender consensus among Government agencies, as may be contained in guidelines issued by the Commission from time to time;*

To undertake periodic review and appraisal of the human and material resources capabilities of Nigeria with a view to advancing their development, efficiency and effective utilization;

- *To formulate and prepare long-term, medium-term and short-term national development plans and to co-ordinate such plans at the Federal, State and Local government levels;*
- *To monitor projects and progress relating to plan implementation;*
- *To advise on changes and adjustments in institutions and management techniques as well as attitudes necessary for the alignment of actions with plan targets and goals;*
- *To conduct research into various aspects of national interest and public policy and ensure that the implications and results of the findings in such research are geared towards the enhancement of national, economic, social, technological defence and security capabilities and management;*
- *To mobilize popular group and institutional consensus in support of Government policies and programmes;*
- *To manage multilateral and bilateral economic co-operation, including development aid and technical assistance;*
- *To deal with matters relating to regional economic co-operation, including the Economic community of West African States [ECOWAS] the African Common Market [ACM], the United Nations Economic commission for African and the South-south co-operation; and*
- *To carry out such other duties as are necessary or expedient for the full discharge of all or any of the functions conferred on the Commission under the Act.*

THE OUTLOOK OF THE DEVELOPMENT PLAN

Following independence, Nigeria's political and economic outlook focused on reshaping the country's economy, which at the time was seen as having a colonial outlook, and limiting the amount of imports by using established or emerging local factories, such as those in the cement, asbestos, wrought iron, metal window, and aluminum industrial sectors, to replace import commodities in those areas. With enthusiasm from an American trade delegation regarding the newly independent economy, the US government committed roughly $225 million to the plan in 1961.

With a focus on industry, agriculture, and technical education, the plan was created as a concerted effort between the federal and regional governments. It also permitted a mixed economy. The plan's cornerstones were the construction of the Kanji dam and the development of the lower Niger River. Other projects included building an oil refinery and a 125,000-ton iron and steel mill, building 2,000 miles of farm-to-market roads, and extending the Northern Nigerian railways by roughly 293 miles. Additionally, the plan made loans available to regional governments for use in agricultural projects or as credit to farmers.

In terms of agricultural growth in the West, the Akintola-led government started a tree-to-crop system to increase cash crop yield through *fertilizer use. Farm villages were later created as part of the development effort by the governments of both the East and the West. The degree of economic growth in relation to its effects on the populace is the primary criterion for evaluating the effectiveness of any administration. Nigeria is not an exception. A number of ambitious and unrealistic economic strategies have been proposed by successive governments, but none of them have been able to get us out of the woods. Our economic progress has been hampered by leadership that lacks vision and is corrupt. The post-colonial Nigerian development plans did not fare any better, even if the pre-colonial ones might be justified because they were created by colonialists. Nigeria had four national development plans in excess between 1962 and 1985. The first occurred from 1962 to 1968, the second from 1970 to 1974, the third from 1975 to 1980, and the fourth from 1981 to 1985. Utilizing resources to boost output and economic growth was the central tenet of the first post-colonial National Development Plan. It even planned to invest N2.2 billion in capital. The reason for its failure was that the economic sector received 67.8% of the funding, while social and regional development received only 24.4%. That was under the parliamentary administrations of Tafawa Balewa and Nnamdi Azikiwe.*

Table 4.1 Sectoral Allocation Pattern of the First National Development Plan (N Million)

SECTOR	PLANNED ALLOCATION	PERCENTAGE	ACTUAL ALLOCATION	PERCENTAGE	TARGET ACHIEVEMENT
AGRICULTURE	183.52	13.60	105.05	9.80	57.20
COMMERCE AND INDUSTRY	180.54	13.40	95.07	8.90	52.70
ELECTRICITY	203.48	15.10	161.37	15.00	79.30
TRANSPORTATION	287.63	21.30	242.20	22.60	84.30
COMMUNICATION	60.00	4.40	22.08	2.10	36.80
ECONOMIC	**915.17**	**67.80**	**625.77**	**58.40**	**60.40**
WATER	48.52	3.60	49.50	4.60	102.00
EDUCATION	139.53	10.30	91.31	8.50	65.40
HEALTH	34.15	2.50	14.92	1.40	47.00
TOWN AND COUNTRY PLANNING	83.49	6.20	39.26	3.70	43.00
CO-OP AND SOCIAL WELFARE	17.32	1.30	7.40	0.70	43.00
INFORMATION	7.32	0.50	9.36	0.90	127.80
SOCIAL SERVICES	**330.33**	**24.40**	**211.75**	**19.80**	**64.10**
JUDICIARY	1.93	0.10	2.40	0.20	129.40
GENERAL ADMINISTRATION	9.62	7.10	207.50	19.30	215.30
FINANCIAL OBLIGATION	7.80	0.60	25.77	2.40	330.30
ADMINISTRATION	**19.35**	**7.80**	**235.67**	**21.90**	**222.20**
TOTAL	**1,351.41**	**100.00**	**1,072.88**	**100.00**	**79.40**

SOURCE: *Federal Ministry of National Planning*

The British Colonial Government created a development plan for the then-colonized territory before to Nigeria's independence in 1960 to meet its goals for colonization and exploration. After *obtaining independence, the nationalists realized that Nigeria needed a comprehensive development plan to achieve its development goals.*

STRENGHT AND WEAKNESS OF THE FIRST NATIONAL DEVELOPMENT PLAN

The Port Harcourt Refinery, Jebba Paper Mill, Sugar Mill in Bacita, Niger Dam, Niger Bridge, Ports extension, and construction of several trunk "A" roads are among the notable accomplishments documented in the First National Development Plan of 1962 to 1968, which was later extended to 1970 due to the military intervention of 1966 and civil war. It's interesting to note that both the federal and regional governments founded the first generation of universities, which included the University of Ibadan, University of Lagos, Ahmadu Bello University, University of Nigeria, Nsukka, and University of Ife (now Obafemi Awolowo University).

Some people felt that the development plan lacked adequate feasibility studies before it was put into action. Additionally, the nation's heavy reliance on foreign aid exposes it to conditional aid, in which the donating nations may choose to focus funding on particular regions. Given that the nation had recently gained independence, the fact that foreigners were engaged in the plan's design may have contributed to suspicion of the country's or developed nations' projected benefits.

THE FOURTH NATIONAL DEVELOPMENT PLAN

Under a new constitution based on the presidential form of government, a democratically elected administration developed this plan. Second, the Plan is far larger than all of its predecessors, with a planned capital expenditure of over N82 billion. In his analysis, Okeke (2006: 146) highlights that the plan included local governments for the first time.

The promotion of job prospects and native raw materials for regional industry were prioritized. However, the plan's objectives fell short of the economic goal, making it impossible for the nation to pay off its foreign obligations. As a result, the nation was forced to implement the Structural Adjustment Programme (SAP) in 1986.

The Fourth Development Plan was again affected by the change of government in 1983 and by yet another change in 1985. Indeed, the performance of the economy during the Fourth Plan was generally poor and the period eventually saw an end to major National Development.

Table: 4.2 Sectotal Allocation Pattern of the Fourth National Development Plan (n Million)

SECTOR	ORIGINAL PLANNED ALLOCATION	REVISED PLANNED ALLOCATION	ACTUAL ALLOCATION	TARGET ACHIEVEMENT
AGRICULTURE	2,827,531.00	5,400,000.00	3,147,700.00	58.30
MINING AND QUARRING	5,409,000.00	5,409,000.00	1,498,400.00	27.70
MANUFACTURING AND POWER	7,811,952.00	6,368,000.00	2,322,100.00	36.50
COMMERCE AND FINANCE	3,106,259.00	2,400,000.00	357,000.00	14.90
COOPERATIVES	1,735,570.00	286,500.00	38,200.00	13.30
TRANSPORTATION	184,022.00	32,500.00	11,200.00	32.50
COMMUNICATION	10,796,616.00	6,790,300.00	2,507,300.00	36.90
SCIENCE AND TECHNOLOGY	200,000.00	200,000.00	716,800.00	35.80
	600,000.00	-	-	-
ECONOMIC	**32,670,950.00**	**26,886,300.00**	**10,598,700.00**	**36.90**
EDUCATION	7,703,079.00	3,050,000.00	1,483,900.00	48.70
HEALTH	3,043,885.00	1,200,000.00	432,900.00	36.10
INFORMATION	628,833.00	300,000.00	169,300.00	56.40
LABOUR	74,500.00	74,500.00	13,600.00	18.30
SOCIAL DEVELOPMENT	873,149.00	150,000.00	43,300.00	28.90
SOCIAL SERVICES	**12,323,446.00**	**4,774,500.00**	**2,143,000.00**	**44.90**
WATER SUPPLY	3,116,446.00	-	-	-
SEWAGE	656,259.00	-	-	-
HOUSING	2,686,921.00	1,617,000.00	800,000.00	49.50
TOWN AND COUNTRY PLANNING	4,912,023.00	2,648,000.00	69,100.00	2.60
ENVIRONMENTAL PROTECTION	25,000.00	-	-	-
ENVIRONMENTAL DEVELOPMENT	**11,396,649.00**	**4,265,000.00**	**869,100.00**	**20.40**
DEFENCE, SECURITY & GEN ADMIN	3,940,000.00	3,940,000.00	2,026,400.00	51.40
FED CAPITAL TERRITORY	2,261,776.00	534,000.00	602,700.00	11.30
	-	-	1,094,500.00	-
ADMINISTRATION	**6,201,776.00**	**4,474,000.00**	**3,723,600.00**	**83.20**
TOTAL	**70,276,225.00**	**42,200,000.00**	**17,334,400.00**	**41.10**

SOURCE: FEDERAL MINISTRY OF NATIONAL PLANNING

Strenght and Weakness of the Fourth National Development Plan

The Fourth National Development Plan was introduced for the first time in the nation's history in 1981 by Alhaji Shehu Shagari's democratically elected administration. It was anticipated to be in effect until 1985. In contrast to the earlier Development Plans, the Fourth Plan was the first to allow local governments to have their own distinct programs under the Plan and to engage at the preparation levels. The economy did not function well during the fourth developmental plan phase. Due to the financial issues brought on by the oil market glut, many projects that were supposed to be completed during the plan period were, for the most part, underfunded. This adversely affected the growth of the economy. The economy which was expected to grow at about 7.2% per annum during the plan period only grew by 4.2% per annum and experienced a decline of 3% per annum in growth rate.

Comparison of the First and the Fourth National Development Plan

The economy's overall performance during the first national development plan was very impressive, with GDP growing at an average annual rate of 5.1%. In contrast, the economy's performance during the fourth national development plan was not at all impressive, as several projects scheduled for execution were underfunded and could not be completed due to the glut of oil prices in the international oil market; the growth rate experienced during the fourth development plan was approximately 4.2% annually. Additionally, Nigeria's foreign debt profile was very low in the first development plan, at roughly N500 billion in 1962. However, during the fourth development plan, the debt profile increased to approximately N10,578 billion, which was roughly 20 times higher than it was in the first development plan. This resulted in a massive debt overhang for the nation. While the fourth National Development Plan had extremely low target performance, the first National Development Plan had high objective performance. The first National Development Plan was carried out under a parliamentary system of government headed by Prime Minister Sir Tafawa Balewa, whilst the fourth National Development Plan was carried out under a presidential style of government headed by President Shehu Shagari.

Nigeria Vision 20: 2020

With a growth objective of at least $900 billion in GDP and a per capita of at least $4,000 annually, the Nigeria Vision 20: 2020 economic business strategy aims to place Nigeria among the top 20 economies by 2020. The NV 20:2020's three pillars are: i) ensuring people's productivity and well-being; ii) maximizing the main drivers of economic growth; and iii) promoting sustainable social and economic development.

Nigeria's second attempt to use a long-term perspective plan to drive the achievement of her national ambitions is NV 20:2020. The Federal Government has recently undertaken a number of strategic planning initiatives in addition to the first perspective plan (Vision 2010).

Needs and Seeds

Nigeria's domestic poverty reduction strategy (PRSP) is called NEEDS. The two-year effort to create the interim PRSP (I-PRSP) and the extensive consultative and participatory procedures that went along with it are the foundation of NEEDS. NEEDS is more than simply a paper plan; it is an actual plan built on a solid foundation of enduring ideas, sound values, and a clear vision. The country's long-term objectives of reducing poverty, generating wealth, creating jobs, and reorienting values are the basis of this medium-term plan (2003–07).

In close cooperation with the State and Local governments (with their State Economic Empowerment and Development Strategy, SEEDS) and other stakeholders, NEEDS is a nationally coordinated framework of action designed to build on the successes of the previous four years (1999–2003) and lay the groundwork for Nigeria's long-term goal of becoming the largest and strongest African economy and a major player in the global economy..

To supplement NEEDS, State Economic Empowerment and Development Strategies (SEEDS) are being developed at the state level. This move is being used by the donor community, which includes IBRD, DFID, the EU, and UNDP, to unify their local programs and raise the standard of aid provided to the nation.

Since states receive more than 52% of federal funding, NPC decided to work with the donors to create a system that would allow state performance to be tracked using SEEDS and identify priority areas and states that show efficient use of allotted funds.

The National Planning Commission (NPC) created a SEEDS Manual outlining the necessary components and procedures for an effective SEEDS, which was distributed to every state through a national dissemination process involving state-level government, civil society, and private sector representatives. The SEEDS process was introduced in early 2004. Teams of consultants with relevant skills then supplied technical assistance to every state to support the creation of their SEEDS.

Benefits to Selected States

- *The Federal Government, together with a number of donors are committed to provide project matching grants to those States that perform well in the exercise.*
- *Possible debt relief is to be made available to states that perform well in the exercise.*
- *Increase Donor presence is also one of the benefit for performing well in the exercise.*
- *The Federal Government, together with donor partners are also committed to give capacity support to States that perform well in the exercise.*

Conclusion

The results of this study showed that over half of the nation's projects failed for a variety of reasons, one of which was the absence of a cost management framework, which entails accurately estimating what needs to be done on a project and providing the necessary budget—that is, the funds to complete it. Additionally, it has been suggested that implementing project management principles and practices nationwide will expedite the achievement of the vision 2020 objectives. Additionally, it will be beneficial if the nation incorporates appropriate project management culture into its budget system and learns from its past mistakes.

Additionally, it was evident that while Nigeria's development planning is excellent and well-articulated, the implementation of these projects presents the biggest obstacles and should be given top priority. Recognizing the significance of effective cost management in project management and financing, project management entails making sure that appropriate control mechanisms are put in place to guarantee that this item of work will cost a specific amount of money as part of the project is actually completed. This will ensure that the project translates to the country's developmental objectives. Given its significance in project execution time, the second most crucial element for successfully completing a project might occasionally surpass all other factors, including quality and client satisfaction.

Also the time lag between the planning for projects and actions and the time taken to implement such projects should not be too long so as not to increase the risk of non-performance or below par performance of such projects. It was also discovered that the allocation to the planning ministry should be increased in view of the strategic roles they plan in the country and they should be empowered to monitor projects and affairs of the people implementing the plans to ensure it is in line with budget and time allocated.

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

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Abstract
This study evaluates the influence of corporate social responsibility reporting on firm performance as captured via their net profit margin and return on assets over the study period of 2012 to 2022. The study employed the stationarity test because of its statical properties, the panel regression test in its pooled random and fixed effects variants, followed by the co-integration test, error correction model and stacked granger causality test that analyzed causal relationship between relevant variables. The research employed secondary data which were obtained from annual report of quoted oil and gas companies to test seven hypotheses related to community development costs, human capacity development costs, employee benefit costs, and firm size. The findings reveal a significant positive relationship between community development costs and net profit margin, emphasizing the impact of strategic investments in community development on profitability. However, no significant relationship is found between community development costs and return on asset. Human capacity development costs did not exhibit a significant relationship with either net profit margin or return on asset. Notably, a negative relationship is identified between employee benefit costs and net profit margin, prompting recommendations for careful management of benefit programs. Firm size positively moderates the relationship in the net profit margin model, indicating potential advantages for larger companies, while its impact on return on asset is not statistically significant. Therefore, the study advises decision-makers to act towards optimizing resource allocation, fostering sustainable community development, and maintaining a balanced approach to employee benefits.

Keywords: *Corporate Social Responsibility Accounting, Financial Performance of Oil Companies*

Introduction

The term "corporate social responsibility" (CSR) describes businesses' concerns and accountability to the public, stakeholders, the employees and themselves for their social effects. It includes actions and regulations meant to have intertwined rather than separate entities; therefore, the company has certain expectations regarding appropriate business behavior and results. Hence, Drucker famously posits that: " every organization ... has only one goal, that is to be effective in its specific task, in its specific contribution, in its specific mission. But there is one other requirement: **it has to be a good citizen in the society it operates in.** It has a social responsibility... The enterprise is a part of society, and is dependent for its very existence on society. The enterprise, therefore, has a responsibility to society... The enterprise is a creation of society, and it has to be a good citizen." These statements are based on the fact that it is the society that creates enabling environment for the business enterprise to exist, operate, make profit and no business enterprise exists in a vacuum; it must exist in a society and be responsive to that society.

Therefore, the foregoing statements by Peter Drucker emphasizes the importance of businesses being good corporate citizens and contributing positively to their environment. Faced with high levels of insecurity and poverty, a backlash against globalization and distrust of big business, business leaders are under increasing pressure, and their companies to deliver wider societal value. This is especially true if they are companies with commercial relationships in a developing country, because these companies are more exposed to CSR issues. However, the problem of reconciling the company's economic orientation with its social orientation remains.

A step in this direction was taken when a comprehensive definition of CSR was proposed. According to this view, the four-part concept of CSR includes the idea that business has not only economic and legal obligations but also moral and discretionary (philanthropic) responsibilities **(Carroll 1979).** The problem here is that for CSR to be accepted as legitimate, it must fully address the obligations of businesses to society, including the most basic obligation, which is economic obligations. The confirmation of this obligation is partly achieved by proper disclosure of the social and environmental effects of an organization's operations on individuals and stakeholders directly connected to the organization, including workers, clients, suppliers, dealers, and numerous other publics or individuals impacted by the organization's operations, as well as an evaluation of the expenses associated with adhering to pertinent regulations in this field.

According to Fernando (2022), corporate social responsibility (CSR) is a business model that encourages companies to operate in ways that enhance society and the environment while still being accountable to their stakeholders and the public. Although corporate social responsibility (CSR) was widely discussed in the last forty years of the twentieth century, studies on corporate social responsibility (CSR) are relatively rare. This is to be expected in the field of CSR, that is still "emergent" **(McWilliams, Siegel and Wright, 2006).** It is only in the last decade that businesses have begun to exhibit serious evidence of CSR in their strategic management and stakeholder social reporting.

A number of studies indicate that the understanding and practice of CSR is socio-culturally framed **(Amaeshi, Adi, Ogbechie & Amao, 2006).** Despite this fact, research on management and CSR in Africa is relatively scarce and to a large extent based on a developing-developed world paradigm (Jackson, 2004). Therefore, this study aims to advance knowledge on CSR in Africa by investigating the relationship between corporate social responsibility accounting and financial performance of oil and gas companies in Nigeria. The result of the study would also help members of the public to understand what corporate social responsibility disclosure means and the impact on financial performance on quoted oil and gas companies in Nigeria. The study would specifically be of benefit to quoted oil and gas companies, as it will sensitize the former on the basis for the implementation of social responsibilities disclosure.

The study emphasizes the fact that no modern society can run smoothly without oil and gas neither can oil and gas firms in Nigeria be profitable without its environment. Profit making is a function of so many factors, some of which are indigenous and others exogenous. Amongst the exogenous factors are operational interruption caused by the hosting community of oil and gas firms. This is due to the concern of the community over negative and potential negative effects that businesses brought to the community. The effect ranges from environmental degradation to societal conflict as a result of business activities **(Oshiole, Elamah, Amahalu, 2020).** In effort to overcome the existing conflicts between oil and gas firms and hosting environment, the idea of CSR was advocated to guarantee harmonious operation, peaceful coexistence and of course achievement of the desired goal. This is because peace is priceless while war is senseless. While that can be considered as welcome development that avenue for conflicts resolution exists, but the avenue creates more concern over the implementation and the qualification of the benefits to both the community and oil and gas firms.

Aim and Objectives of the Study

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

i. Investigate the relationship between Human Capacity Development Cost and Return on Asset of oil and gas companies.

ii. Investigate the relationship between Employee Benefit Cost and Net profit margin of quoted oil and gas companies.

Literature Review

Conceptual Framework

According to Gbadamosi (2016), business organizations that contribute to activities aimed at social development beyond simple profit goals to accelerate shareholder wealth maximization are increasingly motivated in business and academia. This puts pressure on businesses to become better corporate citizens. However, despite the topic's rise to prominence, there is still no consensus on what exactly constitutes corporate social responsibility. However, a common theme in the corporate social responsibility literature, highlighted by **(Peloza and Shang, 2011),** concerns how to create value for stakeholders beyond the interests of the legal owners of the company. Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB) or corporate social performance, corporate social investment is a form of integrated corporate self-regulation within an economic model. The development of the concept of CSR started from concerns related to the damage caused by businesses to the environment and society at large through their business-related activities, that is, most Business activities have specific social and environmental costs. It is fairest for companies to return a portion of their profits to help repair the damage they have caused **(Chutimant, Wanchai, & Panarat, 2017).**

Some of the key values that business organizations can add to society through corporate social responsibility include: ethical employment (i.e. unbiased employment) and work practices by improving the workplace; build local communities and communicate with affected communities about the consequences of its policies and products; investing in building social infrastructure; contribute to creating a cleaner environment, protecting and sustainably developing that environment; and contribute, through corporate governance, to overall economic development **(Chopra & Kanji, 2010). Holme and Watts (2000)** defined corporate social responsibility as the continuous commitment of businesses to behave in a way that does not harm the community and society and will contribute to economic development at the same time, improve the quality of life of the workforce and their families as well as local communities and society as a whole.

The definition of CSR used within an organization may differ from the strict definition of “stakeholder impact” used by many advocates of corporate social responsibility (CSR) and often includes philanthropic efforts and volunteerism. In the broadest sense, CSR can be defined as the collective contribution of companies to sustainable development. Defining corporate social responsibility (CSR) in more detail remains a controversial issue.

In practice, views differ depending on two factors. First, the extent to which the financial business case matters for responsible corporate behavior in determining the scope of corporate social responsibility practices, i.e. the extent to which tangible benefits to with businesses must be proven. Secondly, the extent to which government is seen to have a role in framing the agenda and how. A minimum standard for CSR might be that businesses fulfil their legal obligations or, if laws or enforcement are lacking, that they 'do no harm'. A median approach goes beyond compliance, calling for businesses to do their best, where a 'business case' can be made, to contribute positively to sustainable development by addressing their social and environmental impacts, and potentially also through social or community investments. A maximum standard point will be an active alignment of internal business goals with externally set societal goals (those that sup-port sustainable development).

The EU Green Paper on CSR defines CSR as “a concept in which companies integrate social and environmental concerns into their business operations and interactions with stakeholders on a voluntary basis.”. The Economics Foundation for Quality Management defines CSR as follows: “CSR refers to a series of fundamental principles that organizations must acknowledge and reflect in their actions. It includes, among other things, respecting human rights, treating workers, customers and suppliers fairly, being good corporate citizens of the communities in which they operate and protecting the environment nature. These fundamentals are not only considered ethically and morally desirable purposes and part of the organization's philosophy but are also necessary to ensure that the company will help the organization survive in the long run, to the extent that society benefits from the organization's activities and behavior" **(EFQM Framework for Social Responsibility, 2004).**

Bowen (1953), noted that the debate on social responsibility is the obligation of business to pursue policies necessary to make decisions or follow desirable actions in terms of society's goals and values. This idea suggests that businesses have social responsibilities that go beyond economic and legal obligations. **Carroll (1975)** defines social responsibility as the economic, legal, ethical, and discretionary expectations that society places on an organization at a given time. This implies that society has a set of basic expectations that the company must meet as a legal entity. **Luthans and Hodgets (1976)** defined CSR as a company's obligation to pursue policies, make decisions, or follow actions that are desirable in terms of society's goals and values.

Andrew (1977) describes CSR as an intelligent and objective concern to prevent the behavior of an individual or company from ultimately destructive activities, regardless of the immediate profit and that leading to a positive contribution to the betterment of humanity. **Oliver (1985)** defines social responsibility as a feeling of obligation and responsibility of individuals and organizations towards society beyond their primary functions. **Keith Davis (1960)** argued that social responsibility refers to "decisions and actions taken by companies for reasons at least partly beyond the direct economic or technical interest of the company.". Around the same time, **Eells and Walton (1961)** argued that CSR refers to "the problems that arise when business overshadows the social context and ethical principles that govern the relationship between business and society." festival". **Andrew (1995)** in his article defines social responsibility as sensitivity to the social costs of economic activities and the ability to concentrate corporate power on feasible but sometimes unattractive goals, economically more desirable than society desires. **The Economic Commission for Europe (2001)** states that social responsibility means meeting regulatory expectations but also going beyond compliance and investing more in human resources, the environment and relations with stakeholders.

Friedman (1962) was associated with The Classical Economic approach that advocated that 'there is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profit, as long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud." The first approach originates in classical economic theory as expressed in the hypothesis that the firm has one and only one objective, which is to maximize profit. By extension, the objective of a corporation should be to maximize shareholder's wealth. It is asserted that in striving to attain this objective within the constraint of the existing legal and ethical framework, business Corporations are acting in the best interest of the society at large **(Baron, 2000).**

The Stakeholder Approach

The second approach known as 'the stakeholder approach' was developed in 1970s. It recognizes the significance of social objectives in relation to the maximization of profit. This approach propounded that corporate managers should make decisions which maintain an equitable balance between the claims of shareholders, employees, customers, suppliers and the general public. The corporation therefore, represents a coalition of interest, and the proper consideration of the various interests in this coalition is the only way to ensure that the corporation will attain its long-term profit maximization objective. This 'stakeholder' approach received much publicity in Britain when it was adopted by the Opposition Labour Party in 1996. This concept merely views the business enterprise as being concerned with making profits for its shareholders, and treats the claims of other interested groups. **Baron (2000)** argued that a firm interacts with a number of constituencies including employees, suppliers, customers, the communities in which its facilities are located and the public in general. To the extent that these constituencies have an interest or stake in the relationship with the firm, they may be referred to as stakeholders. A stakeholder relationship centres on the exchange, as when an employee provides labour services to a firm in exchange for wages. Both parties presumably benefit from the continuation of such an exchange. Both parties therefore have incentives to take into account the interest of the other in the relationship.

The third view, regards profit as a means to an end and not an end in itself. It stated that organizational decisions should be concerned with the selection of socially responsible alternatives instead of seeking to maximize profit generally. The end result should be satisfactory level of profit which is compatible with attainment of a range of social goals. This view was established when the chief executive of a large corporation had the problem of reconciling the demands of the employees for more wages and improved benefit plans, customers for lower prices and greater values, shareholders for higher dividends and greater capital appreciation- all within a framework that will be constructive and acceptable to society'.

This concept acknowledges that the business enterprise has a responsibility to all stakeholders. That is those who stand to gain or lose as a result of the firm's activities. From this approach, it is evident that unless firms are able to develop clear views of society's preferences and priorities, (socially responsible alternatives) they will be unable to plan activities which will make a social impact, much less report in a meaningful way on their social performance. Therefore, without this a precise knowledge of such preferences and priorities, much of the discussion of what is socially desirable must pass for subjective judgements, or at worst pure guesswork. However, the constraint to this third view is the problem of the ever-changing nature of the ordering of social preferences. Social costs as well as social benefits are a function of social perception of what is good and bad about the business activity. As a result, the nature of corporate social responsibility is not a static concept. It involves moving targets many of which are the subjects of government action **(Baron, 2000).**

The Business Roundtable Statement Approach

The Business Roundtable was founded in 1972 to examine public issues that affect the economy and develop positions which seek to reflect sound economic and social principles" **Business Roundtable (1981)**. In 1981, one of its task forces issued a statement on Corporate Responsibility which reflects a constituency perspective and states that business is to "serve the public interest as well as private profit". The Roundtable states that "some leading managers believe that by giving enlightened consideration to balancing the legitimate claims of all its constituents, a corporation will best serve the interest of its shareholders". The Roundtable identifies seven constituents: customers, employees, financiers, suppliers, communities, society at large and shareholders. Accordingly, responsibility to all these constituencies in total constitutes responsibility to society, making the corporation both economically and socially viable. The corporation is therefore a legal entity granted certain privileges including limited liability, indefinite life, and special tax treatment. In exchange for these privileges, the corporation has a responsibility to the society that granted it to them.

Corporate Social Responsiveness

Corporate social responsiveness shifts the focus from a philosophical perspective on social obligations to tangible social response processes **(Wartick & Cochran 1985).** Social responsiveness “refers to a firm's ability to respond to social pressures” **(Frederick 1978)** is included in **Carroll's (1979)** three-dimensional CSR model regarding responsiveness society **(Wartick and Cochran 1985)** aspects of social responsibility (economic, legal, ethical and discretionary) and social such as environment, discrimination and product safety. **Wartick and Cochran (1985)** advocate the application of social response to meet short- and medium-term business goals, while also setting achievable goals that managers can use to focus on implementation and development of policies. Social response is an action-oriented complement to CSR and a fundamental approach to developing a business response to social issues, where CSR is a macro view of the relationship between business and society, while social responsiveness emphasizes the actual response of business to social concerns. In the medium and short term. Corporate social responsiveness focuses on ostensibly reactive institutional processes, doing less than necessary; on the defensive, do as little as possible; be accommodating, do whatever is necessary; and proactive, doing more than necessary **(Wartick and Cochran 1985).** Social responsiveness is followed by social issues management to identify and analyze problems and develop corporate policy responses **(Wartick and Cochran 1985).** Additional guidance on how to implement CSR in business is given by the authors that prescribe the stages or phases of CSR in formulating business strategy, from the inclusion of the business mission to the implementation of work; their reviews; monitoring, measuring and reporting; and strategic review cycles (Grayson and **Hodges 2004; Stainer 2006).**

CSR as Competitive Advantage

The link between CSR and competitive advantage of a firm has been explored by **Porter and Kramer (2006, 2011),** who suggest that companies and society can reap mutual benefits through a concept of "shared value," when companies generate competitive advantage such as enhanced reputation with communities, suppliers, and interest groups and creation of business opportunities through CSR activities and tackling social problems. Further, **Laszlo and Zhexembayeva (2011)** argue that companies who produce stakeholder value can generate competitive advantage through the process of "embedded sustainability" or incorporation of environmental and social values at the core of business operations. Instead of bolting CSR activities on existing business operations, **Laszlo and Zhexembayeva (2011)** suggest that companies must acknowledge the economic, social, and environmental consequences of their operations and develop strategies that are not optional or additional to core business activities but instead a way of managing modern business. Companies can embed sustainability through innovative design of products and services, inquiry and appreciation or reflecting upon experiences, learning and spreading cooperative strategy in business, and wholeness or systems thinking. **Falkenberg and Brunsæl (2011)** believe that when organizations engage in CSR activities and produce economic advantage, this could prompt competitors to engage in similar CSR activities, thus making CSR activities no longer a competitive advantage but rather a strategic necessity.

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Gap identification

To ensure that this article is focused on current existing gap in literature, proper gap identification has been done. The existing literature has several notable gaps that has been addressed. First, the reviewed studies predominantly focus on foreign firms, neglecting the specific context and characteristics of the oil and gas companies in Nigeria. As a result, these studies which were carried out outside Nigeria may not capture the unique challenges and dynamics that impact the relationship between corporate social responsibility (CSR) and financial performance within the Nigerian oil and gas sector. Based on the foregoing, the need for the study is increasingly necessary, to evaluate the relationship between employee benefit cost and return of capital employed of oil and gas companies in Nigeria; to evaluate the relationship between employee benefit cost and net profit margin of oil and gas companies in Nigeria; to ascertain the relationship between cost of remediation activities and return of capital employed of oil and gas companies in Nigeria; to ascertain the relationship between cost of remediation activities and net profit margin of oil and gas companies in Nigeria; to determine the relationship between community development cost and return of capital employed of oil and gas companies in Nigeria; to determine the relationship between community development cost and net profit margin of oil and gas companies in Nigeria.

Methodology

Research Design: The research design represents a blueprint for data collection **(Asika, 2010)**. The ex-post facto research design will be employed for this empirical study. This design methodology falls within the domain of survey study that covers events observed to have indeed taken place already. Ex-post facto design presents the dependent and independent variables as observations that have taken place before and their characteristics evaluated at the same time. This design is possibly recommended as the right approach for administrative science research, which does not require experimentation and manipulation of the variables under investigation.

Population of the Study: The target population for this study constitutes all quoted oil and gas companies in Nigeria. A population is made up of all conceivable elements, subjects or observations relating to a particular phenomenon of interest to the researchers **(Asika, 2010).** Subjects or elements are individual items that will make up the population. They may be observed or physically counted. Therefore, the study population is all publicly traded oil and gas companies listed on the Nigerian Stock Exchange (NGX) as at 2022. The sample therefore covered seven (7) quoted oil companies which are ARDOVA, CONOIL, ETERNA, JAPAUL, MRS, OANDO, and TOTAL (As presented in Appendix I). The study covered a period of 2012 to 2021 (10 years). The study area being the oil and gas companies is one of the largest in Africa, and several companies in this sector began to report on their economic sustainability, including their environmental impact and social responsibility.

Sampling and Sampling Technique: The method for drawing the samples from a population is known as sampling procedure, while a sample is precisely a part of the population (Asika, 2010). The purposive sampling method under the non-probability sampling will be applied. The sample therefore covered seven (7) quoted oil companies which are ARDOVA, CONOIL, ETERNA, JAPAUL, MRS, OANDO, and TOTAL (As presented in Appendix I). The study covered a period of 2012 to 2021 (10 years). The study area being the oil and gas companies is one of the largest in Africa, and several companies in this sector began to report on their economic sustainability, including their environmental impact and social responsibility.

Using the purposive sampling method, the quoted oil and gas firms that will be selected under this method are those that have fulfilled the cumulative pre-tax profits from continuing operations of at least three years. This was in accordance with the listing requirement of Nigerian Exchange Group. Thus, applying this condition a total of 56 firms are determined as the sample size, hence the use of Taro Yamane formula was not necessary.

Model Specification

The model specification for this research will be formulated in accordance with the multiple and partial regressions. The model is specified considering the variables under investigation such as corporate social responsibility accounting (CSRA), community development cost (CDC), human capacity development cost (HCDC) and employee benefits (EPB). Other variables are financial performance (FFP), net profit margin (NPM) and Return on Asset (ROA). Included in the model specification is the moderator variable, namely, firm size (FMS). The model for this study will be specified in the following order:

Functional form

$FFP= f(CDC, HDC, EPB)$ - 1

Combining equations 1

Mathematical form

$FFP= \lambda_0+ \lambda_1 CDC + \lambda_2 HDC + \lambda_3 EPB$ - 2

From equation 4

Econometric form

$Y = a + bx_1 + bx_2 + bx_3 + U_1$

$FFP = \lambda_0+ \lambda_1 CDC + \lambda_2 HDC + \lambda_3 EPB + \ldots +\lambda_{I,t}$ - 3

Econometric model for moderator regression

$NPM = \beta_0 + \beta_1 CSRA + \beta_2 FMS+ \beta_3 CSRA*FMS + \ldots + U_{i,t}$ - 4

$ROA = \beta0 + \beta1CSRA + \beta2FMS+ \beta3CSRA*FMS + \ldots + Ui,t$ - 4

From equations 3 and 4, it is expected a priori that the coefficients λ_1, λ_2,λ_3,β_1, β_2, β_3> 0.

Where

CSRA = corporate social responsibility accounting

FFP = financial performance

NPM = Net Profit Margin

ROA = Return on Asset

CDC = community development costs

HDC = human capacity development costs

EPB = Employee benefit

λ_0, β_0 = regression constant

λ_1,λ_2,λ_3,β_1, β_2, β_3 = Regression coefficient

$U_{i,t}$ = Stochastic error term

FMS = Firm size

^ = Statistical estimator

Method of Data Analysis

Three major types of data analyses techniques will be used for this study, they include descriptive data analysis, inferential data analysis and causality test.

Descriptive Data Analysis

This required a univariate analysis that will be used to interpret the relevant variables of study using mean, skewness and kurtosis.

Inferential Data Analysis

The inferential test covered hypotheses testing and causality test at α= 0.05 (5%) alpha level of significance. The linear regression is applied to test the individual hypotheses, while the multiple regressions will be used to test the composite or overall hypotheses in line with the model. Partial regression will be applied to test the moderation influence of firm size on the independent and dependent variables under investigation. The inferential analysis is divided into bivariate and multivariate. In addition, the Granger causality test will be carried out to determine the cause-and-effect relationship between the variables under investigation.

Research Questions

What is the relationship between Human Capacity Development Cost Affect Return on Asset of oil and gas companies?

ii. How does Employee Benefit Cost affect Net profit margin of quoted oil and gas companies in Nigeria?

Research Hypotheses

The following null hypotheses were formulated for the study:

HO_1. Human Capacity Development Cost does not have significant relationship with Return on Asset of oil and gas companies.

HO 2: Employee Benefit Cost does not have significant relationship with Net profit margin of oil and gas companies.

Table 4: Unit Root Test at First Difference (1) Output of Return on asset (ROA). Community development cost (CDC). Human capacity development cost (HDC). Employee benefit cost (EPB) and Firm size (FSZ) in sample manufacturing institution over the period of 2012 to 2022.

Variables	ADF-Fisher Chi-square Stat	Prob ADF-Choi Z-	Prob	Note	Discovery Decision	Conclusion/
ROAit	100.6160.0000	-5.89593	0.0000	1(1)	No Unit root	Stationary at 1st Diff
CDCit	119.8000.0000	-5.55788	0.0000	1(1)	No Unit root	Stationary at 1st Diff
HDCit	128.8090.0000	-5.45630	0.0000	1(1)	No Unit root	Stationary at 1st Diff
EPBi	125.4590.0000	-5.15147	0.0000	1(1)	No Unit root	Stationary at 1st Diff
FSZit	119.1570.0000	-4.64148	0.0000	1(1)	No Unit root	Stationary at 1st Diff

In respect of the oil and gas firms, table 4. above shows the employed panel variable at first difference. It can be seen that all probability levels are seen to be lower than the 19%,59% and 10% significance level. This shows an absence of unit root and presence of stationarity tendencies amongst employed variable. It can be inferred from this that employed variables probability distribution does not change overtime when shifted. This gives room for variables with predictive tendencies and gives rise to further tests like the co-integration test which would be carried out after determining the type of model to utilize (where pooled, random or fixed).

Panel Regressions (Manufacturing Sector)

The multiple regression was carried out using the Ordinary Least Square regression tool, as it is the best unbiased linear regression estimator, it was carried out in the normal form and the natural form.

Pooled Effects regression

To evaluate for joint influence of employed variables on the criterion, the table above which represents the pooled effect shows that;

Table 4. Pooled Effects Regression Output for model 1- Oil and gas firms.

Dependent Variable: ROA
Method: Panel Least Squares
Date: 12/27/23 Time: 01:34
Sample:2012 2022
Periods included: 11
Cross-sections included: 25
Total panel (balanced) observations: 175

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	55869158	1.86E+08	0.300263	0.7643
CDC	4.061772	7.730832	0.525399	0.6000
HDC	39.20332	19.12010	2.050372	0.0419
EPB	-4.253781	24.19974	-0.175778	0.8607
FSZ	36.82117	38.35864	0.959919	0.3385

R-squared	0.048802	Mean dependent var	2.69E+08
Adjusted R-squared	0.026421	S.D. dependent var	2.02E+09
S.E. of regression	2.00E+09	Akaike info criterion	45.69584
Sum squared resid	6.78E+20	Schwarz criterion	45.78626
Log likelihood	-3993.386	Hannan-Quinn criter.	45.73252
F-statistic	2.180489	Durbin-Watson stat	0.447595
Prob(F-statistic)	0.073230		

On pooled effect, only employee benefit cost showed findings against aprori based on is negative coefficient of-4253781. While structural capital is the only significant corporate social responsibility accounting expenditure which is seen to stimulate return on asset of oil and gas firms in Nigeria (ROA). The model is seen to be generally dysfunctional as the R-squared is very low. The f-statistics is insignificant based on its probability level of 0.073230 which is greater than the 0.05 significance level. As the Durbin Watson shows presence of positive serial correlation.

Fixed Effect Regression

To deal with the issues of heterogeneity bias, the fixed effect is carried out as follows:

Fixed Effects Regression Output for model 1 -Oil and gas firms.

Dependent Variable: ROA
Method: Panel Least Squares
Date: 12/27/23 Time: 01:35
Sample: 2012 2022
Periods included: 11

Cross-sections included: 25
Total panel(balanced)observations: 175

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	1.34E+08	2.11E+08	0.635111	0.5264
CDC	4.940455	9.064880	0.545011	0.5866
MHDC	13.24811	24.67086	0.536994	0.5921
EPB	-0.303940	36.40032	-0.008350	0.9933
FSZ	33.27819	46.89992	0.709558	0.4791

Effects Specification
Cross-section fixed (dummy variables)

R-squared	0.716722	Mean dependent var	2.69E+08
Adjusted R-squared	0.504860	S.D. dependent var	2.02E+09
S.E. of regression	1.69E+09	Akaike info criterion	45.48107
Sum squared resid	4.16E+20	Schwarz criterion	46.00552
Log likelihood	-3950.593	Hannan-Quinn criter.	45.69380
F-statistic	3.725333	Durbin-Watson stat	1.780229
Prob(F-statistic)	0.000000		

Like the poled model, the fixed effect also shows that the employe benefit cost expenditure also contravenes the apriori expectation. Although no intellectual expenditure pattern was seen to be statistically significant in influencing return on asset. Overall, this model appears richer than the pooled effect model. As predictor variables jointly account for up to 71.67% of variation in manufacturing sector profit (ROA) followed by the signifying f statistics which is lower than the 5% significant level. The Durbin Watson is substantially very low and within the positive autocorrelation realm. We further proceed to the Random effect to check for the common mean value of employed variables and their influence on the criterion variable.

Random Effects Model

Table 4.16 Random Effects Regression Output for model 1- Oil and gas firms.

Dependent Variable: ROA
Method: Panel EGLS (Cross-section random effects)
Date: 12/27/23 Time: 01:35
Sample:2012 2022
Periods included: 11
Cross-sections included: 25
Total panel (balanced)observations: 175
Swamy and Arora estimator of component variances

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	93649718	3.01E+08	0.310651	0.7564
CDC	5.324902	7.850182	0.678316	0.4985
MHDC	24.26468	21.38935	1.134428	0.2582

EPB	-3.313670	29.75058	-0.111382	0.9114
FSZ	37.91697	39.86708	0.951085	0.3429

Effects Specification			
		S.D.	Rho
Cross-section random		1.19E+09	0.3307
Idiosyncratic random		1.69E+09	0.4693

Weighted Statistics			
R-squared	0.017950	Mean dependent var	1.27E+08
Adjusted R-squared	-0.005157	S.D. dependent var	1.67E+09
S.E. of regression	1.67E+09	Sum squared resid	4.76E+20
F-statistic	0.776811	Durbin-Watson stat	0.608678
Prob(F-statistic)	0.541690		

Unweighted Statistics			
R-squared	0.045039	Mean dependent var	2.69E+08
Sum squared resid	6.81E+20	Durbin-Watson stat	0.425335

The random effect similarly shows poor viability of its model and all variables showed no significant influence on return on asset of oil and gas firms (ROA). The idiosyncratic random Rho shows 0.4693 which is relatively low and as such shows a disconnect between employed variables and also their inherent residuals. And it is discovered that no variable in this model shows significant influence in profit stimulation of selected oil and gas firms.

Diagnostic test

The need therefore arises to determine which of the model is most efficient i.e. whether the pooled, random or fixed effect.

Likelihood Ratio Test

To compare the pooled regression model with the fixed effects model. The null hypothesis favors the pooled model i.e. Unobserved sectional differences are not significant.

Table 4.17 Likelihood ratio test output

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.837241	(24,146)	0.0000
Cross-section Chi-square	85.585152	24	0.0000

Cross-section fixed effects test equation:
Dependent Variable: ROA
Method: Panel Least Squares
Date: 12/27/23 Time: 01:35
Sample:2012 2022

Periods included: 11
Cross-sections included: 25
Total panel (balanced)observations: 175

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	55869158	1.86E+08	0.300263	0.7643
CDC	4.061772	7.730832	0.525399	0.6000
MHDC	39.20332	19.12010	2.050372	0.0419
EPB	-4.253781	24.19974	-0.175778	0.8607
FSZ	36.82117	38.35864	0.959919	0.3385

R-squared	0.048802	Mean dependent var	2.69E+08
Adjusted R-squared	0.026421	S.D. dependent var	2.02E+09
S.E. of regression	2.00E+09	Akaike info criterion	45.69584
Sum squared resid	6.78E+20	Schwarz criterion	45.78626
Log likelihood	-3993.386	Hannan-Quinn criter.	45.73252
F-statistic	2.180489	Durbin-Watson stat	0.447595
Prob(F-statistic)	0.073230		

The above likelihood ratio test which shows the predominance between the poled and fixed effect is seen to show a cross-section F-statistics of 3.837241 at a probability level of 0.000 which is seen to be below the 0.05 significance level. This leads to the rejection of the null hypothesis (the null hypothesis supports the poled model). The alternate hypothesis which is accepted favors the fixed effect. The study therefore upholds the fixed effect over the poled effect. We therefore proceed to evaluate the better model between the fixed and random model.

Hausman Specification Test

To compare the random effect model with the fixed test model. The null hypothesis favours the random effects model i.e. Z: are uncorrelated with the explanatory variables (Its null hypothesis is that the random effects model is appropriate while the alternative hypothesis is the fixed effects model is appropriate).

Summary of Findings

I. *No significant relationship was found between Human Capacity Development Cost and either Net Profit Margin or Return on Asset.*
II. *There is a significant negative relationship between Employee Benefit Cost and Net Profit Margin.*
III. *No significant relationship was found between Employee Benefit Cost and Return on Asset.*

This study assesses how different aspects of corporate social responsibility accounting affect business performance as measured by return on assets and net profit margin between 2012 and 2022. The stationarity test, the panel regression test in its pooled, random, and fixed effects variations, the co-integration test, the error correction model, and the stacked Granger causality model were all used in the study. It was found that:

The lack of a significant relationship with both Net Profit Margin and Return on Asset indicates that expenditures on human capacity development may not have a direct influence on the financial performance metrics considered in this study. The negative relationship between Employee Benefit Cost and Net Profit Margin suggests that, within the context of quoted oil and gas companies in Nigeria. Higher employee benefit costs may be associated with lower net profit margins. This underscores the need for careful management of employee benefit programs to maintain profitability. The lack of a significant relationship with Return on Asset indicates that employee benefit costs may not be a major factor affecting overall asset performance. The positive relationship between Firm Size and Net Profit Margin indicates that larger firms tend to have higher net profit margins. This could be due to economies of Scale, increased market power, or operational efficiencies associated with size. The lack of a significant relationship between Firm Size and Return on Aset suggests that while firm size impacts net profit margin, it may not be a decisive factor in overall asset performance. The findings emphasize the multifaceted nature of factors influencing financial performance in the oil and gas industry in Nigeria. Decision-makers should consider the nuanced relationships between cost elements, firm characteristics, and financial metrics.

Conclusion

The lack of a significant relationship with both Net Profit Margin and Return on Asset indicates that expenditures on human capacity development may not have a direct influence on the financial performance metrics considered in this study. The negative relationship between Employee Benefit Cost and Net Profit Margin suggests that, within the context of quoted oil and gas companies in Nigeria. Higher employee benefit costs may be associated with lower net profit margins. This underscores the need for careful management of employee benefit programs to maintain profitability. The lack of a significant relationship with Return on Asset indicates that employee benefit costs may not be a major factor affecting overall asset performance. The positive relationship between Firm Size and Net Profit Margin indicates that larger firms tend to have higher net profit margins. This could be due to economies of Scale, increased market power, or operational efficiencies associated with size. The lack of a significant relationship between Firm Size and Return on Aset suggests that while firm size impacts net profit margin, it may not be a decisive factor in overall asset performance. The findings emphasize the multifaceted nature of factors influencing financial performance in the oil and gas industry in Nigeria. Decision-makers should consider the nuanced relationships between cost elements, firm characteristics, and financial metrics.

I. As there is no significant relationship with either Net Profit Margin or Return on Asset for Human Capacity Development Costs, companies should assess the effectiveness of current human capital investments. While continuing to invest in employee development is crucial for organizational growth, a thorough evaluation of the specific programs and their impact on financial metrics is warranted.

II. In light of the negative relationship between Employee Benefit Cots and Net Proft Margin. companies should conduct a detailed analysis of their employee benefit programs. There is a need to strike a balance between providing competitive benefits to attract and retain talent while ensuring that such costs do not unduly impact overall profitability. Regular reviews and adjustments to benefit structures may be necessary to align with financial objectives.

III. The positive relationship between Firm Size and Net Profit Margin suggests that larger oil and gas companies tend to enjoy higher profitability. While acknowledging the advantages of economies of scale, companies should explore ways to maintain or enhance operational deficiencies as they grow. It is also recommended that firms leverage their size advantage for strategic positioning in the market.

IV. Companies should adopt a mixed and context-specific approach to decision-making. recognizing the varied impacts of different cost factors on distinct financial performance indicators. Continuous monitoring and adaptation of corporate *strategies are crucial to align with industry dynamics and changing market conditions.*

V. *The government should provide incentives to encourage oil and gas companies to engage in more corporate social responsibility activities. The incentives can include increasing the tax amounts deductible from the corporate social responsibility expenditures of the companies. Further, incentives can also include organizing awards for the best performing companies which can serve to improve the reputational values of such companies.*

VI. *The society - including local communities and charitable organizations among other who benefit directly for the corporate social responsibility largesse of these companies can find ways to communicate their appreciation for such act to the companies. This will serve to encourage such companies to do better in the future, especially on human capacity Development Cost and either Net Profit Margin or Return on Asset.*

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