Corporate Social Responsibility and Financial Performance of Macro, Small, and Medium-Scale Enterprises (MSMEs) in Ekiti State, Nigeria

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Abstract
The study examined the effect of CSR on the financial performance of MSMEs in Nigeria using Ekiti State as a case. Specifically, the study examined the effect of employees' health and safety, community development, and environmental remediation on the financial performance of MSMEs. A survey research design was adopted. The population of the study comprises 967,468 registered MSMEs in Ekiti State as of 31st December 2021 (SMEDAN,2021). A sample size of 400 respondents was selected using Taro Yamane's formula. Data was obtained from primary sources using a well-structured questionnaire. The Cronbach Alpha test result of an average of 80% confirmed the reliability of the research instrument. The data collected were analysed using descriptive statistics and OLS regression. The results revealed that employees' health and safety, community development, and environmental remediation exhibited a significant positive relationship to the financial performance of MSMEs. The study concluded that, the financial performance of MSMEs in Nigeria will increase at the instant of their social responsibility. It is therefore recommended that MSMEs in Nigeria should embrace the philosophy of CSR as a bait to improve their financial performance.

Keywords: Corporate Social Responsibility, Financial Performance, Employees' Health and Safety, Community Development, Environmental Remediation, MSMEs.
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1. Introduction

Globally, micro, small and medium-scale enterprises (MSMEs) make up the backbone of the entrepreneurial economy. Their existence could be a solution to lowering unemployment and accelerating local economic growth (Ratnawati, *et al.*, 2018). Together with the evolvement of globalization and the incredible developments that occurred in information and communication technologies, a new competition environment, which has its characteristics, has emerged. The rapid changes happening in the world and the new competitive environment had pushed companies to transform their ways of doing business. They have become institutions not only having economic objectives but also having an active role in the development of society, human rights, and the environment, among others. This new world has led businesses to take on new responsibilities which birthed corporate social responsibilities (Bilgic & Sakarya, 2020).

The majority of corporate social responsibility (CSR) studies focused largely on public liability companies, with relatively little attention given to CSR activities done by micro, small, and, medium-scale enterprises (MSMEs) despite their contributions to economic development. (Panwar *et al.*, 2017; Dubruc *et al.*, 2018; Jansson *et al.,* 2017; Meyer *et al.,* 2017; Lucky, 2018). This is even though MSMEs account for over 65 percent of businesses globally, and in most countries as well as in Nigeria, they contribute more than half of the employment and GDP (Organization for Economic Cooperation and Development [OECD], 2017; United Nations, 2019; SMEDAN, 2021; World Bank, 2019). The neglect has been linked to their size, as it is assumed that because of their size their impact on the business environment is minimal (Panwar *et al.*, 2017; Edgell, 2018; Al-Tit, *et al.*, 2019). Although individually their impact may be minimal, their collective CSR impact is huge (Edgell, 2018; Takalendze & Mohammed, 2019). MSMEs are fundamental to the efforts to achieve global sustainable development (Wu, 2017; United Nations, 2019).

However, the reality is that Macro, Small, and Medium Scale Enterprises (MSMEs) also have a great role to play in the global CSR landscape and they should be made responsible and incorporated with CSR (Jansson *et al.*, 2017; Waithe, 2018). Implementation of CSR may be voluntary or a legal requirement (Amor-Esteban *et al.*, 2018; Dubruc *et al*., 2018; Col & Patel, 2019). To ensure CSR is beneficial to both businesses and society, its implementation must be in line with the company's business strategy (Maas & Boons, 2017; Kucharska & Kowalczyk, 2019). Therefore, it is important for researchers, regulators, and other stakeholders to pay more attention to the implementation of CSR in MSMEs.

In Nigeria, there is a limited number of studies examining the relationship between CSR and the financial performance of companies and only very few of them have taken MSMEs into account. In light of the information provided above, this research aims to find out the relationship between the CSR activities of Nigerian MSMEs and their financial performance. In this sense, this study intends to examine how three different dimensions of CSR (employees' health and safety, community development, and environmental remediation) are related to Nigerian MSMEs' financial performance. The results of this study would be helpful for MSMEs to create their CSR strategies effectively and to transmit the resources that they reserve for CSR activities to areas that will bring financial benefits to MSMEs.

The rest of the paper is structured as follows: The next section of the literature review is a discussion of theory and concepts related to CSR and the financial performance of MSMEs. The review differs from prior reviews because it is comprehensive and covers a more recent timeline. This is followed by a methodology section, which discusses the data, method, and processes used in conducting this study. The subsequent section discusses the findings of this study and also highlights directions for future research based on these findings. Finally, a section that discusses the limitations of the study, and makes suggestions based on the identified limitations concludes the paper.

2. Literature Review and Hypotheses Development

2.1 Conceptual Review

2.1.1 Corporate Social Responsibility (CSR)

Steiner and Steiner (2006) traced the origin of CSR back to the philanthropic work of wealthy business owners John D. Rockefeller and Andrew Carnegie, who gave millions of dollars to social development. CSR has been on the front burner and has been discussed by many scholars and researchers which has led to the production of many definitions and concepts. CSR refers to a set of moral and personal duties that the employer has to perform as regards policies, decisions, and actions within the framework of the goals and values of society (Martinez *et al.*, 2016).

The concept of CSR as a business element focuses on the organizations' policies, practices, and tools which are used to meet the expectations of the combined external and internal stakeholder's demands and these stakeholders include customers, employees, pressure groups, environment, legal and government requirements (Albasu & Nyameh, 2017). CSR is mainly made up of four closely related parts namely: economic, legal, ethical, and philanthropic, and organizations work towards achieving all four concurrently. Carroll (2016) pointed out that CSR obligations should be taken in ascending order that is, from bottom to top, starting from economic responsibility through to philanthropy.

In the context of this study, CSR is defined as "the continuous commitment of business to moral and ethical conduct and contributing to economic development while improving the well-being and quality of life of employees and their families, as well as the host community and society as a whole. No international company can ignore social responsibility, no matter where they operate. Stakeholder theory is perhaps the most widespread CSR approach. A company's reputation is the stakeholder's perception of the company's ability to create value for stakeholders compared to its competitors (Kubasinski & Slawinska, 2021).

2.1.2 Financial Performance

According to Neely *et al.* (1995) a performance system is defined as the set of metrics, indicators, or standards used to measure or quantify both the efficiency and effectiveness of actions. Hence, "Financial Performance" subjectively may be considered as a measurement of to what extent a company can generate revenues leveraging its main business operational assets. In addition, this terminology is adopted as a broad measurement of the complete financial strength of an organization across a specified period and can serve as the basis for comparing similar organizations within the same industry. Study shows that in measuring the strategic value of CSR to an organization, financial performance is considered one of the key indicators (Orlitzky *et al.,* 2003) as cited in (Makinde *et al.,* 2021).

Financial performance measures the achievement of companies using various criteria. Solomon (2020) as cited in Igbekoyi *et al.* (2021) stated that financial performance can be measured through profitability and issues shares for the year. Arumona *et al.* (2020) however stated that return on assets and earnings per share are signals of improvement in companies' performance for a particular period.

This study adopted return on assets and net operating profit to assess the financial performance of the firms under study. Arumona *et al*. (2020) explained return on assets as a ratio that measures assets and turnover for a particular period. A higher return on assets signifies that the firm is doing well financially, as it can be used as bait to attract potential investors to invest in the company. The net operating profit is used to measure the efficiency of the leveraged operations of a company. It is arrived at after deducting all relevant expenses for the period from the revenue generated for the period.

2.1.3 Employees' Health and Safety and Financial Performance

Based on the assumption of a stakeholder approach to CSR, in recent literature, companies' CSR practices are broadly classified into two categories: internal CSR practices and external CSR practices (Chapagain, 2021). For internal CSR practices to maximize value for the organization and its internal stakeholders, they must be positively perceived by employees and improve their level of well-being (Espasandín-Bustelo, *et al.*, 2020). Internal CSR covers work-life balance, occupational health and safety, training, equal opportunities, and diversity practices.

According to (Koo and Ki, 2020) CSR is related to employee safety in two main ways. Above all, workplace injuries hurt the company's reputation, reducing the effectiveness of CSR. Secondly, employees are important internal stakeholders that companies should include in their CSR activities. Occupational health and safety (OSH) is a major topic of discussion in corporate social responsibility (CSR) as the well-being of employees is one of the main aspects of operating in a socially responsible manner (Calle, *et al.,* 2021). Occupational health and safety take into account work practices and aspects related to the well-being of social, mental, and physical workers and assume "the promotion and maintenance of the highest degree of physical, mental and social well-being of employees in all professions by preventing falling away from health, controlling risks and adapting work to people and people to their work" (ILO, 2019; WHO, 2019) as cited in (Kubasinski & Slawinska, 2021).

Pava and Krausz's (1995) discovered from their extensive evaluation of empirical studies of the relationship between CSR and organizational financial performance that, generally, organizations that seem to have fulfilled social responsibility standards have better financial performance or are at par with organizations that are not particularly engaged in CSR activities. The result of a meta-analysis of the relationship between CSR and organizational performance by Orlitzky *et al.* (2003) lends credence to the positive relationship that exists between the two.

2.1.4 Community Development and Financial Performance

Community arises when individuals or groups of people share or have certain attitudes and interests in common. The community can be regarded as a group of people sharing a common purpose, are who interdependent for the achievement of certain needs. Ideally, every community would seek to enhance the general well-being of its people through, training, education, healthcare, empowerment, job creation, and the like. Community development is referred to as initiatives undertaken by the community with the assistance of external organizations to empower individuals or groups by providing them with the skill, they need to effect change in their community (Malmunah, 2009). External organizations include government and inter-government organizations; and various types of business firms.

Business firms within a company can also initiate ideas and programs that should benefit the community as one of its stakeholders. As firms interact with stakeholders, different expectations arise. These expectations include but are not limited to making profits for stakeholders and, demand to increase host community development, among other responsibilities. This effort exceeds its corporate fundamental obligation of making a profit for its shareholders. The effort comes through corporate social responsibility (CSR). The practice of social corporate responsibility by businesses toward the host community has far-reaching benefits bringing out community development (Nwoba & Udoikah, 2016).

Several debates and explanations have been put forward on why CSR is accepted to have a positive effect on financial performance (Allouche & Laroche, 2006). Notable among the arguments is that the financial performance of a firm is affected by how a firm discloses its CSR activities to the stakeholders and also satisfies them. Orlitzky et al. (2003) noted that ''the satisfaction of various stakeholder groups is instrumental for organizational financial performance''. Accordingly, it can be argued that in developing countries such as

Ghana, the relationship between CSR and the performance of a firm depends on the perceptions of stakeholders and their reaction to efforts on CSR. The response of Stakeholders to CSR efforts is facilitated by the extent to which information on CSR is available and stakeholders' choices about the options that are available (Schuler & Cording, 2006). According to Hartman, *et al.* (2007), they claimed that irrespective of the purpose of engaging in CSR, organizations should always disclose the reason to their stakeholders.

2.1.5 Environmental Remediation and Financial Performance

A healthy environment is central to economic activity and growth. It provides the resources the economy needs to produce goods and services, and it absorbs and incorporates unwanted by-products in the form of pollutants and wastes. However, it is believed that the economy and environment are contrasting each other. Thus, this fact is not true and both can flourish together if firms, people, and government act in a responsible manner (Aksana & Singh, 2014). Firms in the business world can do their bit for the environment primarily by creating awareness among employees, customers, and suppliers. This can be done by the way of simple incentives such as installing recycling dustbins, giving tips on reducing energy consumption, encouraging people to take the train instead of the car, and purchasing sustainable promotional goods or items. By so doing, this makes the business firms fully comply with environmental standards and legislation (Cardic, 2017).

A meta-analysis carried out by Margolis and Walsh (2001) showed that out of 160 studies conducted, 55% of the studies established a positive relationship between CSR and financial performance, while 22% indicated a null relationship, 18% discovered a combined and a negative relationship was reported by 4%. A different meta-analysis carried out by Orlitzky *et al*. (2003) returned similar results. The results of these researches have made credible the generally acknowledged concept that in many instances the financial performance of firms is enhanced when they engage in CSR. Aguilera, *et al.* (2007) argued that the evidence showing a significant positive relationship between CSR and financial performance is immense hence an end should be put to any debate on their relationship.

2.2 Theoretical Underpinning

This study is based on the assumption of the stakeholder theory. The stakeholder theory was propounded by Professor Edward Freeman (1984). The theory affirms that business entities owe a responsibility to a wide range of stakeholders, other than just shareholders. Stakeholders refer to all parties who affect or are affected by corporate actions. It includes employees, suppliers, customers, government, investors, the local community, the media, political action groups, financial institutions, environmental groups, and the likes (Astre *et al.,* 2014) cited in (Nwoba & Udoikah, 2016). The central assumption of this theory is that business firms owe corporate responsibility to a broad range of stakeholders' interests. It considers a firm as interconnected of the web of different interests. merely one of many stakeholders of a firm. This view paints the corporate environment as an ecosystem of related groups, all of whom, need to be considered and satisfied to keep the company healthy and successful in the long term. The theory further suggests that a company's real success lies in meeting all its stakeholders, not just those who might profit from its stock. The basis for this theory in this study is that it reveals that MSMEs as corporations have responsibilities to a wider group of stakeholders. Firms' social responsibility programs are expected to create development within the local community over time.

The stakeholder theory has been widely used to study several other CSR contexts. It was used to test if CSR creates value after the merger of businesses, whether stakeholder welfare impacts the firm valuation, whether climate change, impacts the financial performance of organizations if environmental factors affect the profitability of a business, and, whether CSR impacts the financial risk of an entity (Busch & Hoffmann, 2011; Deng et al. 2013; Ghoul *et al*., 2011; Jiao, 2010; and Lioui & Sharma, 2012). A stakeholder is a broad concept; its scope covers both the internal stakeholders such as shareholders, managers, and employees and the external stakeholders like investors who commit resources based on their perception of the information available to them, the future generations who are affected by the businesses' past, present and future activities and the broad society together with the societal issues that condition human values (Orlitzky, 2013).

2.3 Empirical Review

Babajee *et al.* (2022) assessed the causal relationship between corporate social responsibility (CSR) activities and corporate financial performance using a sample of 43 hotels for the period 2007–2018. The study employed a dynamic panel vector autoregressive model (PVAR) which brings more analytical insights into the CSR-Financial Performance modeling. The results showed that CSR has a positive and significant impact on corporate financial performance and lends support to the theoretical underpinnings concerning CSR and financial performance nexus.

Minh *et al.* (2022) examined the impacts of corporate social responsibility (CSR) on corporate financial performance (CFP). The study adopted secondary data by using the data from listed firms' financial statements during the period 2015-2019 and panel regression analysis methods were adopted. The findings reveal inconstant effects of different CSR activities on CFP. Specifically, a firm's fulfillment of shareholders' and customers' interests contributes to raising its profitability, while its engagement in the benefits of employees and creditors causes a reduction in financial returns. Interestingly, the correlations between firms' responsibility towards regulators and suppliers and CFP are statistically insignificant.

Olaoye and Olaniyan (2021) examined the impact of corporate social responsibility on organizational financial performance in Nigeria. The study adopted secondary data, which were sourced from Keystone Bank Plc which spanned from the period of 1992-2018. Data were analyzed using descriptive statistics and regression analysis techniques. The findings indicated that there is an insignificant relationship between operating cash flow and corporate social responsibility. profitability and financing have a positive and significant relationship with corporate social responsibility.

Achour and Boukattaya (2021) analyzed the role played by firm visibility in moderating the relationship between Corporate Social Responsibility (CSR) and Firm Financial Performance (FFP). The study applied a Moderated Regression Analysis using the aggregate ESG scores as a CSR proxy on a panel data of listed French Companies (SBF120) over the period 2008–2017. The findings showed that firm visibility would be a contingency variable that moderates positively the CSR-FFP relationship.

Godfried (2021) investigated the impact of CSR and the financial performance of firms listed on the Ghana Stock Exchange (GSE). The study utilized a non-experimental, quantitative, and correlational design within a panel survey framework and employed a panel data set covering 36 listed firms in Ghana spanning the period 2000 and 2019. The study applied descriptive statistics, and various inferential statistics for data analysis. The results indicated that overall, CSR exerts different effects on financial performance and this seems to depend on the measure of financial performance used.

Hassouna and Salem (2021) investigated the impact of corporate social responsibility (CSR) on firm risk in developing countries. The study adopted secondary data and data for the study consists of 31 companies, that are listed in the Standard and Poor's/Egypt Stock Exchange Economic Social and Governance Index from 2011 to 2015. The study used generalized least squares (GLS) regression to estimate the parameters of the empirical models. The results showed that CSR affects operating risk, yet it does not have a significant impact on financial or market risks in Egypt, which in turn emphasizes that CSR in developing countries differs in characteristics from that in developed countries.

Singh, *et al.* (2021) examined the relationship between the CSR and Financial Performance of the selected banks in India. Data for the study has been collected from secondary sources for thirty-nine (39) banks over 5 years (2015-2019) which were listed on BSE during the period of study. The correlation method is used to find the relationship between CSR and the financial performance of the firm. The result indicated the positive impact of CSR on the financial performance of banks.

Jayendrika *et al.* (2020) investigated empirically the impact of corporate governance on firms' financial performance in the Sri Lankan milieu. Secondary data was collected from the annual reports of randomly selected 08 Public Listed Companies on the Colombo Stock Exchange during the period 2010 – 2014. Panel data pooled regression is used to estimate the model. The findings indicated that ownership concentration and CEO duality positively related to the firm's financial performance while board size, directors' remuneration, and directors' ownership negatively related to the firm's financial performance.

Bilgic and Sakarya (2020) examined the relationship between the social responsibility performance of small and medium-sized enterprises and their financial performance. The study adopted primary data which were collected from SMEs in Izmir, Turkey. The sample consists of 61 small and medium-sized enterprises from Izmir. Data were analyzed by using both spearman rank correlation and regression analysis techniques. The results discovered that there is no significant relationship between all determined dimensions of social responsibility activities and the financial performance of small and medium-sized enterprises.

Bikefe *et al*. (2020) reviewed the key characteristics and issues in corporate social responsibility among small and medium enterprises. The Systematic Assessment Quantitative Technique (SQAT) developed by Australian researchers, Catherine Pickering and Jason Anthony Byrne, was used to identify and analyze 62 peer-reviewed

CSR articles from six high-quality academic databases. The results analysis showed that there is no awareness of corporate social responsibilities among SMEs.

Najimi and Shorkar (2019) evaluated the association of the two variables; corporate social responsibility (CSR) and corporate financial performances (CFP) of Mari Petroleum Company Limited (MPCL). The study adopted secondary data and data extracted from the annual reports of each year published by the company for the period of six years from 2012-2017, annually. Correlation and regression analysis for result analysis. The results indicated that there is a significant positive correlation between CSR and CFP indicators.

Rahman and Fang (2019) investigated the relationship between corporate social responsibility and firm performance in China. The study adopted secondary data and a sample was drawn from the A-share listed firms from Shenzhen and Shanghai Stock Exchange for the period 2011-2017. The study used pooled ordinary least squares (OLS) regression for result analysis. The result revealed that corporate social responsibility has a significant positive effect on a firm's performance in China.

Mukhtaruddin *et al.* (2019) aimed to determine the effect of good corporate governance and corporate social responsibility on firm value with financial performance as a moderating variable. The population of this research is banking companies listed on Indonesia Stock Exchange (IDX) for 2011–2015. The sample consisted of 23 companies that were selected by purposive random sampling. This data is analyzed by using the Partial Least Square approach. The results of this study indicated that good corporate governance has an insignificant positive effect on firm value.

Akben-Selcuk (2019) investigated the impact of corporate social responsibility (CSR) engagement on firm financial performance in a developing country, Turkey, and analyzed the moderating role of ownership concentration in the CSR–financial performance relationship. The sample consists of non-financial public firms listed on the Borsa Istanbul (BIST)-100 index and covers the period between 2014 and 2018. The results showed that corporate social responsibility has a positive relationship with financial performance.

Umobong and Agburuga (2018) examined whether the corporate tax (CT) is a substitute for and mutually exclusive to corporate social responsibility (CSR), or a complement thereof, using secondary data obtained from firms listed on Nigeria Stock Exchange. It also sought to determine the nature of CSR practiced in Nigeria. The study adopted the longitudinal and cross-sectional ex-post facto design. The result confirmed that corporate tax is positively and complementarily related to CSR of firms that practice environmental remediation, and is negatively related to, mutually exclusive, and a substitute to CSR of firms that embark on poverty alleviation and enhancement of educational development.

Joseph *et al.* (2018) investigated empirically the impact of corporate social responsibility (CSR) on financial performance in South African listed firms. The study adopted secondary data and used a sample of 56 firms from the JSE from 2011 to 2013, three years, from the population of the first 100 largest firms listed on the JSE. The study employed correlational and expo-facto research designs using panel multiple regressions as techniques of data analysis. The result found that CSR has a strong positive impact on firm financial performance in South Africa.

Asian and Uche (2018) examined the relationship between financial performance and corporate social responsibility using secondary data from the financial statement of firms quoted on the Nigeria Stock Exchange between 2005 and 2015 spanning ten years and operating in the manufacturing, petroleum marketing, healthcare, and food and beverage sub-sectors. The study was conducted using content analysis and logit regression. Findings indicated that ROA and ROCE relate positively to employee management and negatively to community development.

Hang and Ngoc (2018) examined the effect of corporate social responsibility on the disclosure of firms' financial performance. This study was conducted using a two-step Generalized Method of Moment (GMM) technique with instrumental variables for balanced panel data through the annual reports and sustainable development reports of 43 enterprises listed on the Vietnam stock market from 2006 to 2016 (473 observations). Data were analyzed using descriptive statistics and regression analysis techniques. The results showed that the level of corporate social responsibility disclosure has a positive effect on return on assets.

Bagh, *et al.* (2017) conducted the study to shed light on the impact of CSR on the financial performance (FP) of the banking sector of Pakistan, using a sample of 30 commercial banks listed with the Pakistan stock exchange for the period of 10 years from 2006 to 2015, selected based upon market capitalization. The study applied pooled regression models to investigate the impact of CSR on FP. Empirical findings signified the robustness of pooled model that documented a positive and significant impact of CSR on return on assets, return on equity, and earnings per share. This premise holds that CSR has a positive and significant impact on the FP of selected commercial banks in Pakistan.

In Nigeria, there are a limited number of studies examining the relationship between CSR and the financial performance of companies and only very few of them have taken MSMEs into account. Several studies reviewed adopted secondary data but this study considered using primary data through a structured questionnaire. The hypotheses are therefore stated as:

Ho1: employee health and safety do not have a significant effect on the financial performance of micro, small, and medium-scale scale enterprises in Nigeria.

Ho2: community development does not have a significant effect on the financial performance of micro, small, and medium-scale enterprises in Nigeria.

Ho3: environmental remediation does not have a significant effect on the financial performance of micro, small, and medium-scale enterprises in Nigeria.

2.5 Conceptual Framework

Conceptually, the diagram portrays the relationship that can be explored between corporate social responsibility about the financial performance of MSMEs. Corporate social responsibility can be broken down into different dimensions. The effect of these dimensions on the financial performance of MSMEs is what this study examines. Employee health and safety, community development, and environmental remediation can impact the financial performance of micro, small, and medium-scale enterprises. While various dimensions of corporate social responsibility can contribute to each financial performance of MSMEs in different ways, the extent of each dimension's contribution to what makes up the financial performance of MSMEs is the aim of this study assessment.

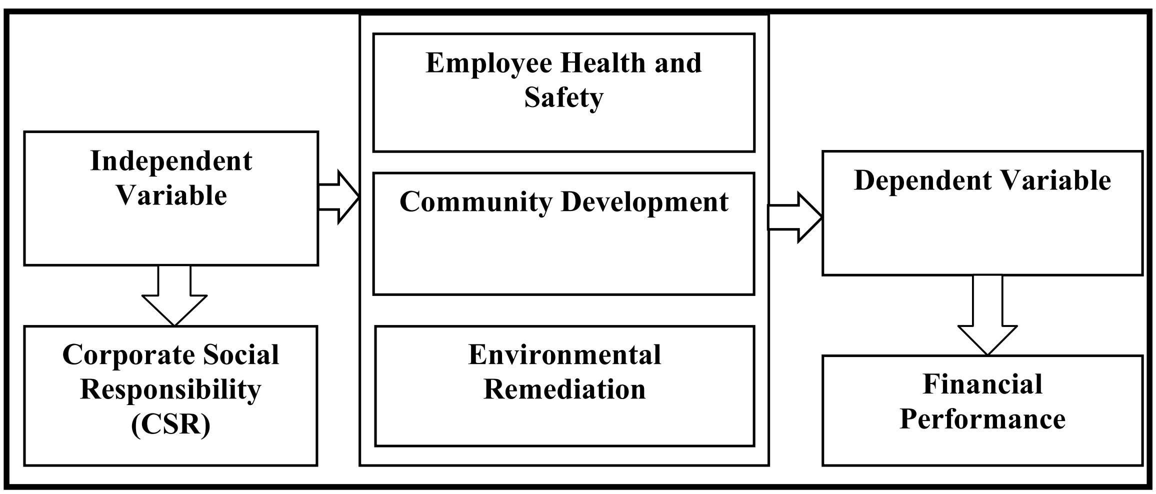

Figure 2.1 Conceptual Framework to show the interaction between Corporate Social Responsibility and Financial Performance of MSMEs.

3. Data and Methods

The study employed a survey research design. The population of the study comprises 967,468 registered MSMEs in Ekiti State as at 31st December, 2021 (SMEDAN,2021). A sample size of 400 respondents was selected using Taro Yamane's formula. Data was obtained from primary sources using a well-structured questionnaire. The Cronbach Alpha test result of an average of 80% confirmed the reliability of the research instrument. The Cronbach Alpha test result shown in table 1 indicates that questions significantly achieve the objective. Data collected were analysed using descriptive statistics and ANOVA regression.

3.1. Reliability Test

As revealed in Table 1, the reliability of the Financial Performance of MSMEs (FP) using Cronbach Alpha is 0.761 with a total of 6 items. For Employees Health and Safety (EHS), is 0.874 with a total of 10 items, for Community Development (CD), is 0.830 with a total of 10 items, for Environmental Remediation (ENR) is 0.732 with a total of 10 items. By implication, the scale items all have good internal reliability, because, Cronbach Alpha is greater than 0.7.

Table 1: Reliability Test Results

S/N	Variable	No. of Items	Cronbach's Alpha
1	Financial Performance of MSMEs (FP)	6	0.761
2	Employees Health and Safety (EHS)	10	0.874
3	Community Development (CD)	10	0.830
4	Environmental Remediation (ENR)	10	0.732

***Source:* Researcher's Computation (2022)**

3.2. Model Specification

In an attempt to examine corporate social responsibility and financial performance of micro, small and medium-scale enterprises in Nigeria, the study specified its model in line with the study conducted by Bilgic and Sakarya (2020) on corporate social responsibility and financial performance of small and medium scale enterprises. This study digresses from the study based on the removal of some variables such as customers' reputation and supplier's reputation and the inclusion of some variables such as community development and environmental remediation. Thus, specified hereunder is the study model: $FP = f(EHS, CD, ENR)$ 3.1

From equation 3.1, the model can be stated in econometric form as:

$$FP = \beta_0 + \beta_1 EHS + \beta_2 CD + \beta_3 ENR + \mu \text{ ... ...3.2}$$

Where:

FP	=	Financial Performance of Micro, Small, and Medium Scale Enterprises in Ekiti
EHS	=	Employees Health and Safety
CD	=	Community Development
ENR	=	Environmental Remediation
μ	=	Error Term

The *a priori* expectation for the examination of corporate social responsibility and financial performance of MSMEs in Ekiti State is provided in equation 3.3.

$$\frac{\delta FP}{\delta EHS} > 0 \quad \frac{\delta FP}{\delta CD} > 0., \quad \frac{\delta FP}{\delta ENR} > 0 \text{.........................3.3}$$

4. Data Analysis and Discussion of Findings

4.1. Descriptive Statistics

Table 2 reported the descriptive statistics to access the characteristics of the variables used in the regression analysis. The result indicated that the average value of the financial performance of MSMEs in Ekiti State stood at 4.2714. This indicated that the mean value is relatively high on a scale of 5 points. It has a standard deviation of 0.42226 which indicated a low variability as the value is far lesser than the value recorded in the mean. The Skewness explained the degree of deviation recorded in the variables. From the result, the financial performance of MSMEs has a long-left tail due to its negative value. The Kurtosis value stood at 0.14. This value is lesser than 3, thus referred to as platykurtic distribution as their distribution is lesser than normal.

On the other hand, the mean value of employees' health and safety, community development, and environmental remediation stood at 3.8573, 4.3723, and 4.2089 respectively. Their standard deviation of 0.41558, 0.35518, and 4.2089 for EHS, CD, and ENR respectively indicated a low variability as their values are far lesser than the values recorded in the mean. The Skewness of all the independent variables showed that they all have a long-left tail as their values are negative while the Kurtosis values of -0.603, 0.187, and 0.903 for EHS, CD, and ENR respectively are lesser than 3, thus referred to as platykurtic distribution.

Table 2: Descriptive Statistics

Variables	FP	EHS	CD	ENR
Obs	358	358	358	358
Mean	4.2714	3.8573	4.3723	4.2089
Std. Deviation	0.42226	0.41558	0.35518	0.3176
Minimum	2.33	2.9	3.1	3.3
Maximum	5	4.5	4.9	4.8
Skewness	-0.391	-0.217	-0.712	-1.094
Kurtosis	0.14	-0.603	0.187	0.903

Source: Researcher's Compilation (2022)

4.2. Test of Variables

4.2.1. Multicollinearity Test

The test of multicollinearity is also another assumption of regression that must be satisfied. That is to make sure there is no multicollinearity among the variables. The Tolerance and Variance Inflation Factor (VIF) was used to determine the multicollinearity. For example, under the tolerance, the EHS has a value of 0.931, the CD is 0.917, and ENR is 0.944 which are all above 0.10. This implies there is no multicollinearity among the variables. Under the Variance Inflation Factor (VIF), the EHS has a value of 1.075, the CD is 1.090, and ENR is 1.059 which were all less than 10, and they were recommended according to Pallant (2011).

Table 3: Multicollinearity Test

Tolerance	VIF	1/VIF
.931	1.075	0.930
.917	1.090	0.917
.944	1.059	0.944

Mean VIF	1.07

Sources: Researcher's Computation (2022)

4.2.2 Normality Test

Also, the normality for the variables was tested using a histogram and P-P Plot and the outcome of the two tests was consistent as the data is normally distributed due to the responses of the respondents that lie within the bean-shape of the histogram.

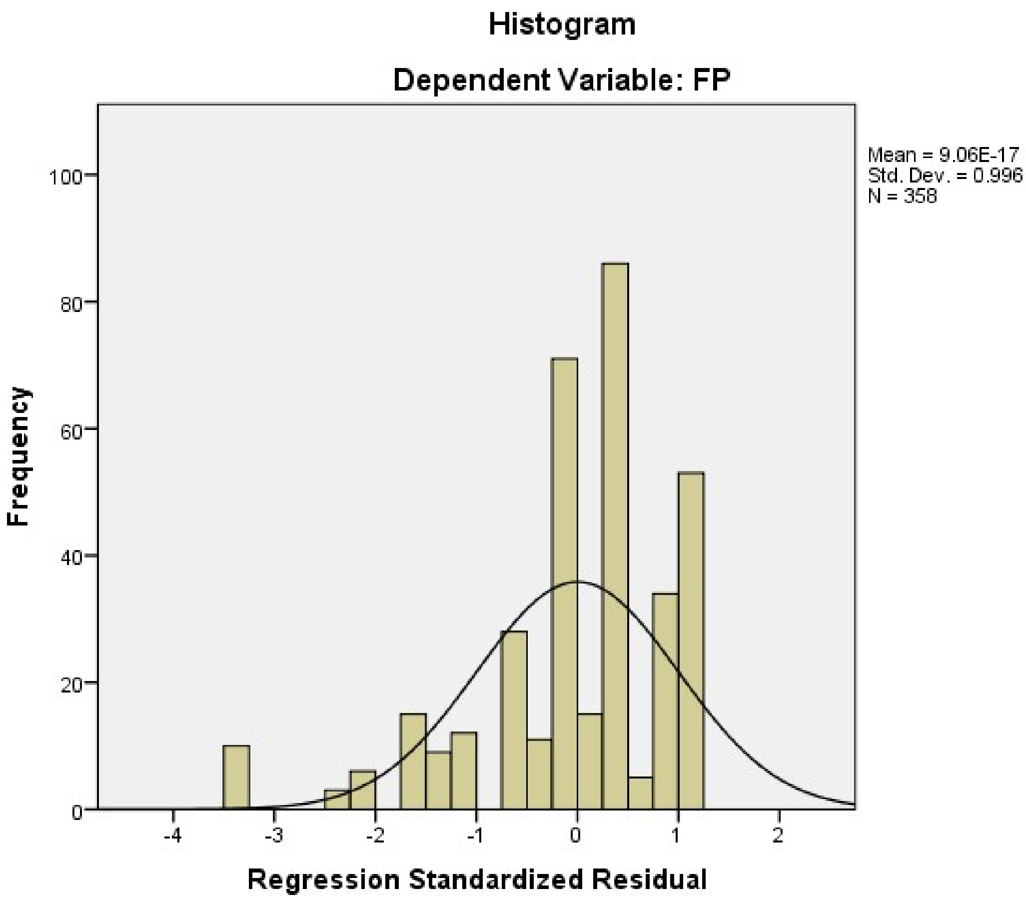

Figure 2: Histogram with normal curve

Source: Author's Computation (2022)

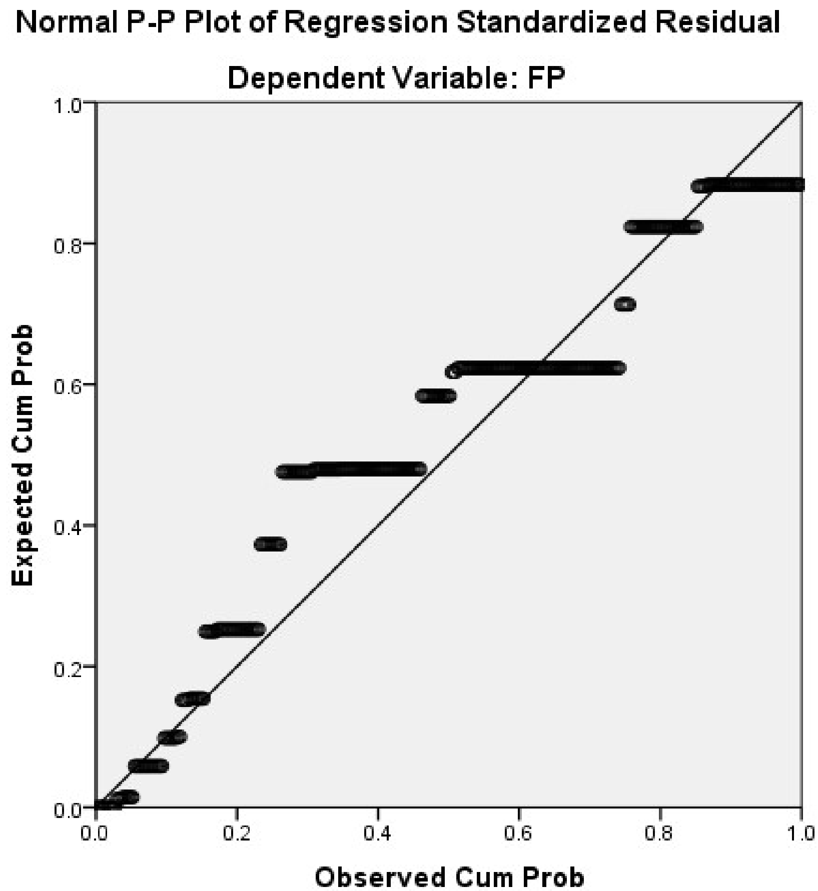

Figure 3: P-P Plot of Regression Standardized Residual
Source: Researcher's Computation, (2022)

Table 4: Post Estimation Test Results

Test for the Overall Significance of the Whole Model (F-Statistics)		
Null Hypothesis	**Statistics**	**Probability**
There is no overall significance in the research model (P<0.05)	50.417	0.000
Tolerance and VIF Value		
Null Hypothesis	**VIF**	**1/VIF**
There is no multicollinearity among the variables (1/VIF >0.10)		1.07

Source: Researcher's Computation (2022)

4.2.3. Correlation Matrix

Table 5 revealed that the relationship between the financial performance of MSMEs and employees' health and safety (EHS) is positive and significant, with a coefficient of 0.328. This showed that an increase in employees' health and safety will lead to a rise in the financial performance of MSMEs in Ekiti State. Conversely, the relationship between financial performance and community development (CD) is positive, with a coefficient of 0.140, this indicates that as micro, small and medium-scale enterprises in Ekiti State increase their commitment to community development will lead to improvement in their financial performance to the turn of 14%. This coefficient is quite significant at any significant level as the probability value stood at 0.008.

More so, the coefficient of environmental remediation is positive and statistically significant with a value of 0.333. The result implied that as environmental remediation increases by a unit will lead to a 0.333 unit increase in the financial performance of micro, small and medium-scale enterprises in Nigeria. This coefficient is quite significant as the P-value stood at 0.000. In addition, the relationship between employees' health and safety and the other two explanatory variables is significant and negative with coefficients values of 0.254 and 0.225 for community development and environmental remediation respectively. However, the multicollinearity problem did not reveal in the explanatory variables as their values are not above the expected threshold of 0.7.

Table 5: Correlation Analysis of Study Variables

	FP	EHS	CD	ENR
FP	1.0000			
EHS	0.328**	1.0000		
	(.000)			
CD	0.140**	-0.254**	.0000	
	(.008)	(0.000)		
ENR	0.333**	-0.225**	0.291**	1.0000
		(0.000)	(0.000)	(0.000)

Source: Researcher's Computation, (2022)

4.3. Corporate Social Responsibility and Financial Performance of MSMEs in Nigeria

To determine the joint effect of corporate social responsibility on the financial performance of MSMEs in Ekiti State, Nigeria. The R square (R^2) and adjusted (R^2) of 0.799 and 0.763 respectively shown in table 6 jointly described the independent variable at 76% of the variation. The remaining 24% represent the error term. Table 7 shows the extent to which the independent variables jointly explained the dependent variable. It also shows the F-statistics. Table 7, showed that the independent variables are jointly significant at a 1% level of significance at shown in the 0.000. the F-statistics of 50.417 also confirmed the joint significance.

Table 8 shows the individual analysis of the variables shown in table 8 revealed the beta coefficient, t-statistics, and probability (p-value). From Table 8, employees' health and safety (EHS) has a positive and significant effect on financial performance with a coefficient of 0.453; t-statistics of 9.708, and a p-value of 0.000. It implied that a unit increase in employees' health and safety will lead to a 0.453 unit increase in financial performance. Also, community development (CD) has a positive and significant effect on financial performance with a coefficient of 0.140; t-statistics 2.956, and a p-value of 0.003. The result implied that a unit increase in community development will lead to a 0.140 unit increase in financial performance. Lastly, environmental remediation (EVR) indicated a positive and significant effect on financial performance with a coefficient of 0.394; t-statistics 8.355, and, a p-value of 0.000. The result showed that a unit increase in environmental remediation will lead to a 0.394 unit increase in financial performance.

There are many implications for the statistical result of the findings and empirical analysis of this study. For instance employees' health and safety revealed a significant positive relationship with the financial performance of MSMEs. This result is consistent with the *a priori* expectation stated in this study and also concurred with the findings of Chapagain (2021), Joseph *et al.* (2018), Koo and Ki, (2020), Kubasinski and Slawinska (2021), Orlitzky *et al.* (2003), Espasandín-Bustelo, *et al.*, (2020) among others. This implied that an organisation that is socially committed to employees' health and safety will experience an increase in its financial performance. It also implied that for the value of the organization to be maximized and its internal stakeholders, they must be positively perceived by employees and improve their level of well-being. However, this result contradicts the empirical findings in the works of Minh *et al.* (2022), Olaoye and Olaniyan (2021), Jayendrika *et al.* (2020), Bilgic and Sakarya (2020), Bikefe et al. (2020) among others.

On the other hand, the coefficient of community development is significant and positively related to the financial performance of MSMEs. In the same way, the result is consistent with the *a priori* expectation. The result connotes that the practice of social corporate responsibility by businesses toward the host community has far-reaching benefits bringing out community development (Nwoba & Udoikah, 2016). This finding also supports the works of Allouche and Laroche (2006), Orlitzky *et al.,* (2003), and Schuler and Cording (2006) among others who claimed that the financial performance of a firm is affected by how a firm participates in the development of the community the business is located. This result negates the discovery made in the works of Mukhtaruddin *et al.* (2019), Armayau, et al. (2020), and Najimi and Shorkar (2019) among others.

Lastly, environmental remediation exhibited a significant positive effect on the financial performance of micro, small, and medium-scale enterprises in Nigeria. The result connotes that a healthy environment is central to the economic activity and performance of the organisation. It also implied that if firms, people, and government act in a responsible manner performance of micro, small, and medium-scale enterprises in Nigeria will increase. This result is supported by Achour and Boukattaya (2021), Godfried (2021), Hassouna and Salem (2021), Singh, *et al.* (2021), Rahman and Fang (2019), and Akben-Selcuk (2019) among others but negates the findings of Umobong and Agburuga (2018), Margolis and Walsh (2001), Orlitzky *et al.* (2003), Armayau, et al. (2020), Najimi and Shorkar (2019) reviewed in this work.

Table 6: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.947[a]	.799	.763	.80479

a. Dependent Variable: FP
b. Predictors: (Constant), ENR, EHS, CD

Table 7: Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	97.962	3	32.654	50.417	.000[b]
	Residual	229.279	354	.648		
	Total	327.240	357			

a. Dependent Variable: FP
b. Predictors: (Constant), ENR, EHS, CD

Table 8: Coefficient of Variation

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.770	.452		1.703	.089
	EHS	.496	.051	.453	9.708	.000
	CD	.212	.072	.140	2.956	.003
	ENR	.495	.059	.394	8.355	.000

a. Dependent Variable: FP
b. Predictors: (Constant), ENR, EHS, CD

Source: Researcher's Field Survey, (2022)

4.4. Discussion of Findings

Considering the outcomes obtained in the regression analysis of ordinary least square and also supported by a correlation test that proved that all the independent variables (employees' health and safety, community development, and environmental remediation) employed exhibited a significant positive relationship with the financial performance of MSMEs in Ekiti State. This result explained the vital roles played by the three independent variables in enhancing the financial performance of MSMEs in Ekiti State. This, therefore, implied that firms and MSMEs in Ekiti State and Nigeria at large should continue to invest in corporate social responsibility which will help in safeguarding employees' health and safety, community development, and environmental remediation and invariably improve the financial performance of micro, small, and medium scale enterprises in Ekiti State.

5. Conclusion and Recommendations

This study analysed corporate social responsibility and financial performance of micro, small and medium-scale enterprises in Ekiti State. Efforts were made to study how employees' health and safety, community development, and environmental remediation affect the financial performance of MSMEs in Ekiti State. The relationships among all independent variables on the dependent variable were reviewed. Corporate social responsibility was represented by employees' health and safety (EHS), community development (CD), and environmental remediation (ENR).

The empirical result indicated that employees' health and safety, community development, and environmental remediation exhibited a significant positive relationship to the financial performance of micro, small and medium-scale enterprises in Ekiti State. This was also supported by the correlation outcome that showed a positive correlation between all explanatory variables on the dependent variables. The study, therefore concluded that the financial performance of MSMEs in Nigeria will increase at the instant of their social responsibility. The following recommendations were therefore made:

i. Organizations should ensure that employees' health and safety are properly taken care of to boost the work morale of these employees and thereby improve their financial performance.
ii. In order to achieve optimal financial performance, organizations should be more socially responsible to their host community, particularly in the area of community development.
iii. Organizations should integrate environmental remediation into their business routines and thereby improve their financial performance.

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