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CORPORATE SOCIAL RESPONSIBILITY AND FIRM FINANCIAL PERFORMANCE IN NIGERIA: MEDIATING ON ETHICAL RESPONSIBILITY

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Abstract

The study examined the impact of corporate social responsibility on financial performance in Nigeria. The purpose of the study was to mediate the role of ethical social responsibility and its impact on the financial performance of the Nigerian manufacturing company. This study is predicated on the stakeholder theory, managerial theory, utilitarian theory and rational theory. Primary data sources were explored in presenting the facts of the situation.

This paper investigates how the relationship between corporate social responsibility and employee performance affect the financial performance of manufacturing firms. The upshots of the analysis, using structural equation modelling on 150 completed questionnaires sent to the manufacturing companies *in Nigeria, suggest that ethical social responsibility is significantly associated with the incorporation of corporate social responsibility through employee performance, which in turn has a significant and positive impact on financial performance.*

The results contribute to previous studies that have found reliable results on the direct association between ethical social responsibility and financial performance by demonstrating that employee performance acts as a mediator in the relationship between ethical social liabilities together with the financial performance of the corporation. Managers can strengthen their stakeholder relations and ultimately improve their financial performance if ethical social responsibility to stakeholders is integrated into business routines.

Keyword: *corporate social responsibility; financial performance; ethical social responsibility; employee performance.*

JEL Classification: M41, C10

Introduction

CSR is a conservative ideology which defines the relation between a company and its stakeholders. An organization must offer its shares to society in terms of well-being which in turn can lead to a benign joint relationship between the company and society. [Wheelen, & Hunger 2012] The beginning of the 20th century was the start of the CSR ideology in the United States. CSR has been defined in a number of ways, including the assimilation of voluntary concerns related to society, the environment in companies and other shareholders [Fahy *et al.*, 2005], business communities using communal practices to meet mutually beneficial objectives [Rendtorff, & Mattsson, 2012], and considering business organizations as human institutions that work towards the improvement of society through the production of goods and services. [Freeman, & Ginena, 2015] "Moreover, by taking an organization as a system, the performance of that system depends on its parties, their relationships, and their objectives, actors within an organization. [Freeman *et al.*, 2020] Furthermore, the CSR consists of three important factors, including the practice standard of CSR, the response of the organization to social causes, and the outcome of collective behaviour. [Ahamed *et al.*, 2014)] All of these elements are aimed at improving the performance of an organization.

To enhance fiscal output is the major worry for all arrangements. With the inclusion of the concept of social responsibility in the SDGs, CSR is now a widely accepted indicator of the financial performance of enterprises. [Chung *et al.*, 2018] The dramatic increase in CSR research investment, reporting and analysis has focused on the value of CSR in trade documentation, and organizations can make abundant gains through better performance in the social and environmental sectors. The banking zone has been seen as the "core of society" and is expected to represent a higher level of social responsibility. [Chambers, & Day 2009] Banks use CSR as a way of increasing their credibility [Lin *et al.*, 2011] and scale up their positive image [Mocan *et al.*, 2015; Tewari, 2011] which attracts more customers and increases their earnings. [Polychronidou *et al.*, 2014] In general, banks rank higher in the international CSR investment index. [Perez, & Del Bosque, 2013] It is also making sure that companies coordinate their social objectives with their corporate targets where CSR acts as a marketing vehicle [Burianová, & Paulík, 2014] and a strategic mechanism to increase the overall value of all stakeholders.

It is also well documented that CSR performance can be an effective approach for organizations to grow positive terms with their employees. [Kim *et al.*, 2010] CSR puts a significant influence on job performance of employees [Story, & Castanheira, 2019] and is considered as a purpose of a firm's behaviour toward its stakeholders, thereby including employees as a major entity [Campbell, 2007; Cooper, 2017] which contributes toward employee job satisfaction [Edmans, 2011] and development, thereby proving as an important element of business success. [Bates, 1990; Colombo, & Grilli, 2005; Shane, & Stuart, 2002] Therefore, a higher level of workers' performance will have a progressive influence on the firm's operating performance. [Banker, & Mashruwala, 2007; Ouimet, & Simintzi, 2018] More employees increase corporate profits, which in the long run will improve financial performance. [Ahamed *et al.*, 2014] An organization may be considered a production machine that collects feedback from traders, shareholders, and workers and provides production to customers. [Donaldson, & Preston, 1995] Stakeholders such as employees, local and national authorities, and citizens have the right to expect and demand socially justifiable and positive behaviour from businesses and their leaders. [Kujala *et al.*, 2019] Employee rights include freedom and security in the workplace, the right to meaningful employment, respect and equality. [Bowie, 1998]

The study used the framework of stakeholder and manager theory which were developed considering the corporate creation and general class of value increase; it hinted that the foremost significant component of depth psychology for a firm is the relationship of stakeholders and its connections which collectively measure business success. [Freeman *et al.*, 2020] Stakeholder theory makes it clear that CSR is a multidimensional concept centred on four major components: (1) economic social responsibility, (2) legal social responsibility, (3) ethical social responsibility and (4) discretionary social responsibility. In this study, component number 3 was put into consideration, that is, the employee's performance as a mediator, and the speculation that CSR leads to an increase in employee performance, which tends to further enhance manufacturing firms' performance.

High employee turnover, low motivation and absence from work are common problems faced by organizations [Ali *et al.,* 2010] that may be resolved by CSR as a contributory factor. Greenwood and Freeman (2011) suggested a vibrant relationship between a company's success and employees, as employees are greatly affected by the progress or decline of the organization. As a result of that statement, given today's modern business community, presumably the personal success and satisfaction of employees within an organization tend to be responsible for the progress and financial success of the organization as well. This study focuses on the relation between CSR and employee performance, which is a key area of stakeholder theory and a neglected area of research. Greenwood and Freeman (2011) argued that the term "intervener" has often been used in the employment context, but that the fact that employees are legitimate stakeholders in the business has been neglected. Employees have been identified as stakeholders with a specific role as they represent the organization [Crane, & Matten, 2004], as powerful influencers and as demanding stakeholders [Kaler, 2002].

Based on the description of the problem, due to improper relationships and lack of information, the fundamental aim of this research document is to study the relationship between CSR on the financial performance of the company by taking employee performance as a mediating factor. Based on our research objective and knowledge of the relationship between CSR, bank performance and employee performance, the research question was drawn, respectively. How will CSR affect employee performance and affect a bank's financial performance?

The study of CSR and financial performance by taking employee performance as a mediating factor could help build a bridge between practice and academic theory. [Cornelius & Gagnon, 1999] This study also contributes to an insufficiently studied area of stakeholder theory, i.e. human and behavioural aspects that need to be

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developed and considered for analysis and further lead to exploring the actual behaviour of stakeholders. [Freeman *et al.*, 2020] There is no comprehensive study that links CSR to financial performance while using employee performance as a factor in mediation. However, based on the arguments and studies, none of the aforementioned studies used employee performance as a mediator between CSR and the financial performance of the organization. It is the importance and significance of this study that employee performance and the impact of CSR on financial performance have been studied together in the context of Nigeria.

Thus, the current subject field will be beneficial for bank directors who are active participants in CSR activities, fiscal analysts, and policymakers. Research focused on influencing the organization of CSR practices that benefit stakeholders, i.e. employees, including employee performance, satisfaction and incentive for financial performance, have become popular recently. This study stimulated interest in the area of employee performance and its effect on the financial performance of organizations. This study provides valuable input and knowledge on how CSR affects the financial performance of an organization where employee performance is a mediator. The current study adds to the expanding scope of recent research surveys on the field of study by providing critical information to academicians and organizational managers in the banking sector to boost employee motivation and satisfaction for better employee performance leading to fruitful outcomes for the organization's financial performance. The organization of literature review in different areas helps to map out the study, i.e. a relationship between CSR and financial performance, CSR and employee performance, employee performance and financial performance, and stakeholder theory and methodologies previously used in the area of research.

Literature Review

Related Conceptual Literature

Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to the strategies that corporations or businesses use to conduct their business in an ethical, socially responsible and developmental manner that is beneficial to the community. The issue of corporate social responsibility has been up for discussion since the 1950s. The most recent analyses from Glavas (2016) and Greening and Turban (2000) indicated that the definition of CSR has evolved in both direction and practice. The classical view of CSR was narrowly confined to philanthropy and then focused on the relationship between companies and society, in particular on the contribution a company made to solving social problems. In the early 1900s, social performance was related to market performance. The pioneer of this view, Oliver Sheldon [1923, quoted in Ehsan, & Kaleem, 2012], however, encouraged the leadership to take the initiative to elevate both ethical norms and justice in society through the ethics of economics, i.e. conserve resources in the interests of effective resource mobilization and use. As a result, businesses create wealth in society and improve living standards.

The present-day CSR (also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity) is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. This obligation demonstrates that organizations must comply with legislation and take voluntary initiatives to improve the well-being of their employees and families as well as the local community and society at large.

CSR simply refers to the strategies of companies or enterprises operating in an ethical and respectful manner. CSR can involve a variety of activities such as partnering with local communities, socially sensitive investing, developing relationships with employees, customers and their families, and our involvement in environmental conservation and sustainability activities. [Ehsan *et al*., 2012]

Ethical Responsibility

Ethical responsibility can be delineated as "an organization's intended activity to promote and pursue social goals that go beyond their lawful responsibilities". [Ho ATS, 2012] It states to organizations doing what is good, just and fair. [Freeman *et al.*, 2020] Nevertheless, is difficult to know what is right or wrong as ethical standards are not clear or classified. [Iftikhar, 2020)]

Impact of Corporate Social Responsibility on Financial Performance

Several studies analysed CSR's influence on financial performance and suggested that CSR has a positive impact on financial performance. [Ahamed *et al.*, 2014; Bird *et al.*, 2007; Kim, & Kim, 2014; Maqbool, & Zameer, 2018; Platonova *et al.*, 2018; Preston, & O'bannon, 1997; Waddock, & Graves, 1997; Wheelen, & Hunger, 2012] It has likewise been shown that total productive maintenance (including organization, equipment, operations, and employees) has a positive relationship with business

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monetary performance. [Banker *et al.*, 2014] However, contrary studies are imposing no relationship between CSR and financial performance. [Cordeiro, & Sarkis, 1997; Hemingway, & Maclagan, 2004; Wright & Ferris, 1997] There are also researchers who take a neutral stance with respect to the relationship between financial performance and CSR. [Griffin, & Mahon, 1997; Kraft, & Hage, 1990; McWilliams, & Siegel, 2000] It is argued that CSR activities generate positive results for companies by increasing customer buy-in through remittance payments and reducing the risk to prestige, which collectively improves profitability. [Peloza, Shang, 2011] A recent study employing a linear model indicates that CSP (corporate social performance) and returns on assets do not experience a positive relationship, while the nonlinear model of CSP and accounting base performance as CFP have a positive association in the country for the future. [Peloza *et al.*, 2011]

Influence of Corporate Social Responsibility on Employee Performance

CSR activities help agencies improve the environment and meet the needs of internal audiences, resulting in improved performance. There are a number of measures that can be taken to address employee needs that reduce negative employee behaviour and develop positive behaviour. Employee performance improves with positive behaviour that increases profits and leads to a good reputation of the organization. The business caters to human needs, including physical, mental, and spiritual needs. [Freeman, & Ginena 2015] The firms can provide benefits to employees as part of CSR that includes meeting their employment demands, improved health care facilities, training and development, superior wages to incentivize [Ouimet, & Simintzi 2020), and retirement benefits which will ultimately improve employee morale, job satisfaction, and employee performance. [Edmans, 2011; Roberts, & Dowling, 2002] Considering the performance of employees in conditions of in role and extra-role behaviour, it was found that employees' perception of CSR and their functioning and waiver of intentions are related to the appointment of two mediators including (OBSE) organizational-based self-esteem and (OJ) organizational justice. [Ho, 2012] CSR tries to enhance the status of the work-life which contributes to productive employees. [Razaq *et al.*, 2011]

Employees require a CSR that can have a positive impact on their performance [McWilliams, & Siegel, 2000] including charismatic leadership which is one of the attributes that plays a positive role in each organization for employee engagement. [Vlachos *et al.*, 2013] Using a using a qualitative comparative analysis method, the

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needs of employees, including existence, relationship and growth or ERG, which are met by the organization's CSR initiatives, that affect employee satisfaction and job retention were studied. [Lee, & Chen, 2018] Robust CSR performance in companies gives a strong result in employee aid [Trevino, & Nelson, 2016; Valentine, & Fleischman, 2008], thereby employees working with organizations who are socially responsible achieve better operating performance than their colleagues working in establishments with a less socially responsible performance. [Li Sun, 2015] It is also offered in a study that employing in CSR can also turn out to be more fruitful for organizations that aim for the job satisfaction of their aging and senior workforce because CSR activities cater to those sensitive requirements which are a priority of senior age. [Wisse *et al.,* 2018] Therefore, CSR should not be viewed as an alternative exercise, but rather as a futuristic business plan. [Maqbool, & Zameer, 2018]

Employee performance has been measured by a variety of factors through various studies, including: level of engagement, motivation, commitment, integrity, and reputation. The research suggests that an employee's positive approach to CSR initiatives improves engagement, the motivation and level of employee engagement that plays a fundamental role in the commitment to their organization, as well as the performance of the business. [Ali *et al.,* 2010; Greening, & Turban, 2000; Iqbal *et al.,* 2012; Maignan, & Ferrell 2001; Petersen, 2009; Singh, 2019] The high level of CSR within a company promotes a better reputation that in turn improves the positive attitude and integrity of employees and leads to better employee engagement. [Gross, & Holland, 2011; Turban, & Greening, 1997] Improved employee engagement leads to greater innovation and creativity. [Mocan *et al.,* 2015] A shred of further evidence is from a study that supports the idea of employees working in an organization with strong sense of purpose to the society being 34% more confident of growth in their organization

Using the regression of ordinary least squares, the relationship between CSR and employee performance made it possible to find a positive relationship between CSR and employee performance as employees willing to work for less privileges in socially responsible companies, suggesting a positive relationship between employee performance and CSR. [Porter, & Kramer, 2006; Sun, & Yu, 2015] A significantly positive relationship between CSR activities and the organizational commitment of employees, CSR and organizational performance, and employee organizational engagement and organizational performance were observed in a survey conducted in Pakistan using an exploratory approach using the Structural Equation Model (MES)

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technique. [Ali *et al.*, 2010] Results of study suggest positive correlation between corporate social responsibility and corporate citizenship behaviour, and negatively with intention of job change among telecommunications sector employees in Pakistan. [Khan *et al.*, 2005, 2014] Another study establishes the relationship between job satisfaction and organizational engagement among university employees of Pakistan using a survey. [Asrar-ul-Haq *et al.*, 2017] CSR results in increased retention, attraction and engagement of employees [Kim, & Park, 2011], which is of paramount importance. Firms with high employee participation also record higher earnings per share growth. Employee engagement showed a strong correlation, and CSR which can ultimately improve the financial performance of the organization. [Glavas, 2016; Gross, & Holland, 2011; Ur Rehman *et al.*, 2020; Mishra, & Suar, 2010]

Influence of Employee Performance on Financial Performance

There has been little research to analyse the relationship between the influences of CSR on employee benefits, leading to an improvement in employee performance and an increase in the financial performance of the organization. It was observed that employee contentment and employee performance can positively mediate the learning organization’s relationship to monetary performance by using the partial least squares statistical method. [Wheelen *et al.*, 2012] It was analysed that organizational engagement and corporate culture have an important correlation and that they both affect the financial performance of organizations. [Bird *et al.*, 2003] It has also been supported that an organization’s workforce has a positive influence on financial performance and market worth. [Bontis *et al.*, 2005] There is strong nexus between employee-customer contentment and allegiance, and financial performance has been supported using panel data. [Burianova *et al.*, 2014]

Some studies suggest that the relationship between employee performance and monetary performance is not clear. Using structural equation (SEM) modelling, it was examined that there is no direct and substantial influence of employee satisfaction on financial performance. [Abbas, 2020] Nevertheless, there is an oblique relationship between constructions, which is mediated by customer satisfaction. [Chi, & Gursoy, 2009] Therefore, the employees forming an integral part of the organization and management have their livelihoods and the jobs associated with the organization. In exchange for the services and loyalty they provide to the organization, they expect security, benefits, gains and meaningful work. Employees are important because they represent an organization with multiple responsibilities.

As a result, a productive relationship between employees and the business is beneficial because it highlights an improvement in an organization's long-term performance.

Related Empirical Review

Various studies indicate that employee performance is positively associated with financial performance. [Edman *et al.*, 2011; Banker, 2015; Eshan *et al.*, 2020; Fahy *et al.*, 2012; Rashid *et al.*, 2003] However, from the literature review above, it is clear that none of these studies take employee performance as a factor in mediating the influence of CSR on financial performance using the theoretical framework of stakeholder theory that provides the possibility to explore an employee-organization relationship. Therefore, this study fills this gap and complements existing knowledge about stakeholder theory, as suggested by a recently released overview of the theoretical framework by Freeman *et al.* (2020). The human and behavioural aspects of stakeholder theory need to be developed and taken into account in the analysis, which can lead to exploration of the actual behaviour of stakeholders.

Previous popular methods used to measure CSR in academic and professional settings have been the study [Ali *et al.*, 2010], the content discussion [Ahamed *et al.*, 2014; Freeman *et al.*, 2015; Platonova *et al.*, 2018; Shabbir, & Rehman, 2015; Glavas *et al.*, 2007], and the case studies. [Fatma *et al.*, 2014] Also, indicators of pollution provided by some authorities, measures of attitudes and values, measures of reputation, behavioural standards or audit [Greening *et al.*, 2000], and the amount of allowance or endowment given by the company for social work [Ehsan, & Kaleem, 2012] have been used as different methods of measuring CSR. The financial performance of the corporation was generally measured using the financial statements in the annual reports. From here on, accounting-based standards have provided the most positive correlation between CSR and corporate financial performance [Aras *et al.*, 2010; Saleem *et al.*, 2020; Iqbal *et al.*, 2012; Sun, 2012]; stock or measures supported by the market [Gross *et al.*, 2011; Iftihar *et al.*, 2020] have also been utilized.

Theoretical Underpin

The study is supported by stakeholders, utilitarian, managerial and relational theory. Stakeholders' theory underpins the direct effect of CSR on reputation and financial performance, whereas contingency theory supports the use of a moderator variable for the study of the reputation of CSR and the relationship between CSR and the financial performance of the enterprise. Stakeholder theory explains CSR's impact on organizational performance. Clarkson (1995) explained that an organization is 'a network of interconnected stakeholders'. According to the researchers, stakeholders' theory is the most relevant theoretical framework for CSR research. [Freeman, 2017; Ho ATS, 2012; Iqbal *et al*., 2012; Li Sun *et al.*, 2015] Several authors have used this theory to examine the relationship between CSR and the performance of the organization. [Maqbool *et al*., 2010; Moore, 2018; Mocan *et al.*, 2015; Mcwilliam *et al*., 2016]

Ouimet *et al.* (2018) believe that stakeholder viewpoints can be applied in many ways. Therefore, the stakeholders' theory was classified into four different theses: descriptive, instrumental, normative and managerial. This study is based on the instrumental perspective of stakeholder and managerial theory. The instrumental thesis of these theories connects stakeholder and managerial with financial performance. [Ouimet, & Simintzi, 2018] The instrumental approach postulates that taking care of various stakeholders elicits a positive reaction from stakeholders that results in superior performance. [Ouimet, 1995]

Contingency theory underpins LR's moderating role. Contingency theory says there is no better set of CSR initiatives and contextual variables to achieve business benefits. A CSR – positive performance association is supported by specific CSR initiatives with some auxiliary variables. Freeman *et al*. (2020) believed that it is naïve to think that CSR and performance will be related under all conditions. As such, CSR can improve performance under certain conditions and hinder performance in others. He indicated that all CSR initiatives of all the corporations all the time cannot be financially rewarded. He revealed that some companies' CSR initiatives can sometimes pay off financially, and it is not clear which and when of those initiatives are paying off. He pointed out that the impact of CSR varies from organization to organization, and that such variations could be attributed to specific factors in each situation. Thus, based on contingency theory, the LR factor was used to determine the CSR-performance relationship. CSR earnings are based on examining appropriate contextual variables to determine the CSR-performance relationship. Researchers have recognized the complexity of the CSR–performance relationship is contingent upon situational factors [Paloza *et al*., 2011] that exhort researchers to use moderating variables.

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Stakeholders' Theories

Stakeholders' theory emphasizes the maintenance of balance among all stakeholders and contributes to the well-being of all. A closer definition of stakeholders describes a group that is important to the success and survival of the organization, and a broader definition includes an association of members that may influence or be influenced by the organization. [Freeman, 2020] Employees can be incorporated into both stakeholder definitions. By exploring the employment relationship in stakeholder theory, in a sense we are trying to analyse the ethical analysis of HRM provided by stakeholder theory, while focusing on employees working in an organization as responsible persons with "names and faces". [Greenwood, Freeman, 2011]

Utilitarian Theories

In the utilitarian theories the corporation functions as a function of the economic system in which the function is mechanical, i.e. traditionally referred to as profit maximization. CSR ideas have emerged from the awareness of the need for a responsible economy, anchored in a company's business ethic. So, the old idea of letting business run its course leaves room for determinism, individualism, public control, and personal responsibility for social responsibility. Utilitarianism could also be considered synonymous with instrumental theories [Bowie, 1998; Campbell, 2007] in which the society is seen as only an instrument of wealth creation, and its social activities are only one means of obtaining economic results. Instrumental theories were also grounded in the basic idea of investment in a local community in which Friedman (1970) strongly stated earlier that investment will in the long term provide resources and facilities for people's livelihoods in the community.

Utility theories are linked to strategies for competitive benefits. The advocates of these theories are, for instance, Porter and Campbell (2007) and Crane *et al*. (2004) who viewed the theories as basis for developing strategies in the dynamic usage of natural resources of the corporation for competitive advantages. Strategies also involve altruistic activities that are socially recognized as marketing vehicles.

Freeman and Ginena (2015) further split the utilitarian group of theories into two, that is the social costs of society and the idea of functionalism. The social cost theory has a basis for CSR where it is said that the socio-economic system of the community is influenced by the non-economic strengths of the enterprises. It is also referred to as instrumental theory [Philip, & Sosodia, 2004] because it is understood

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that CSR is simply a means to an end, which leads to the fact that the social power of society materializes specifically in its political relationship with society. The utilitarian theory, therefore, advises that the corporation needs to take social duties and rights to participate in social co-operation. Within this framework, the functionalist theory, specifically advocates that the corporation is viewed as a function of the economic system, whose one of the goals is profit making. The company is regarded as an investment, and the investment should be to the benefit of investors and stakeholders. From the internal point of view of the company, CSR was conceived as a tactic of defence of the industrial system against external attacks because it requires a balance between profitability and social goals for the balance of the economic system.

Managerial Theory

The analysis by Philip and Sosodia (2020) places more emphasis on the logic of management theory, which focuses on business management in which the company addresses CSR internally. That's the difference between the utilitarian view and the managerial view of CSR. This indicates that everything external to the corporation is taken into account for organizational decision making. Managerial theories have been split into three sub-groups: 1) Corporate social performance (CSP); 2) Social accountability, auditing and reporting (SAAR), and 3) Social responsibility for multinationals.

The CSP sets out to measure the contribution of the social variable to economic performance. The problem is therefore to manage the business taking into account social and economic factors. It is founded on the premise that business depends on society for its development and sustainability. CSP of a corporation is further sub-divided into five dimensions in order to keep detailed information about its existence in the corporate chains: 1) centrality measures the way CSR is compatible with mission of the core goals; 2) specificity gauges the advantages CSR brings to the corporation; 3) pro-activity that measures the degree of reaction to external demands; 4) voluntarism that accounts for the firm's discretion in implementing CSR; and 5) visibility refers to the way the responsible behaviour is perceived by community of stakeholders. As a finale, the managerial theory generates interest in the sense that CSR considers socio-economic variables to measure firms' socio-economic performance, as considerably as to link social responsibility ideology to business strategy. Secchi (2005) states that the SAAR is strictly linked to contributions to social performance through accounting, audit and reporting processes. SAAR means a company is accountable for what it does. In doing so, businesses are controlled and regulated as part of their core business, while at the same time being accountable to the relevant community.

While all three activities are separate management activities, they are inter-related. All these lead to the socially responsible behaviour of a firm, which finally measures the corporations' activities that deliver social impact. Firms are involved in SAAR activities for communication needs, to have better stakeholder involvement and for disclosure concerns

Relational Theory

Relational theory arises out of the complex relationships between the firm and the environment. The concept of enterprise and society is proposed as meaning "enterprise in society" where CSR emerges as an interaction between the two entities. One measure of CSR is the growth of economic values within a society. Another is the obligation of a person to take into account the impact of his or her decision and action on the whole social system. Laid down in the form of a general relationship, the social responsibilities of businessmen must reflect the extent of the social power they have [Philip, & Sosodia, 2020]

The stakeholder approach was developed as one of the strategies to better manage the business. This is also said to be a way of understanding reality to manage a company's socially responsible behaviour. The stakeholder approach also considers a company to be an interconnected network of different interests where self-generation and community creation occur interdependently; and individuals behave altruistically. Based on the analysis of Garriga and Mele (2004), the stakeholder approach forms part of integrative and ethical theories, where the first focuses on integrating social claims, and the second on the right thing to do in order to achieve a good society. These are backed up by the work of Graffin *et al*. (1997) where balances among the pastimes of the stakeholders are the stresses; and the work of Freeman and Phillips (2002) that considers fiduciary duties towards stakeholders of the firms, respectively.

By and large, as narrated through reviewing literature, the majority of the available empirical evidence was centred mostly on corporate social responsibility and its impact on financial performance, little of the literature mediated on social and non-social environmental aspect and employee performance which appear to be single sided. However, to the best of the researcher's knowledge, there seems to be no research on the impact of corporate social responsibilities on financial performance mediation on employee performance in the banking sector. In view of this, the researcher is interested to undertake a study which hinged on the intent to examine corporate social responsibility mediating on employee performance.

Hypothesis

H1a: There is significant positive relationship between the corporate social responsibility and financial performance.

H1b: There is significant positive relationship between employee performance and financial performance.

Research Methods

Design and Sample

This is a cross-sectional study amongst a sample of employees from 10 manufacturing firms in Nigeria. The data were collected by means of a questionnaire as a research tool. As of November 2020, 200 questionnaires were distributed and 150 respondents (71 per cent) completed and returned the questionnaires. Under the light of the present study's hypotheses, we examined the relationship between corporate social obligation and financial performance mediating on the role of employee performance.

Measures

All scales used in this study were evaluated by using 5-point Likert scale and rated from 1 (strongly agree) to 5 (strongly disagree). We adopted the Duygu Turker (2009) corporate social responsibility scale to measure corporate social responsibility and this scale consists of sixteen (16) points. When measuring financial performance, the 10-point scale was used. Neena Sinha & Garg Neelam Dhall (2016) developed this scale. To measure employee performance, Anupam *et al.* (2008) 15-item scale was used.

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Table 1. Demographics Factor

Demographics	Demographics Factor	Frequency	Percentage
Age	Below 25 years	40	64.88%
	26-35 years	40	24.39%
	36-45 years	37	5.85%
	Above 45 years	33	4.88%
	Total	150	100
Education	Diploma	30	10.88%
	Technical	36	20.58%
	Bachelor	34	34.53%
	Master	35	25.57%
	Above Master	15	10.44%
	Total	150	100%
Experience		55	36.58%
0-5		30	34.15%
5-10		25	17.07%
10-15		15	7.32%
		25	4.88%
15-20		150	100%
	Above 20		
	Total		
Job Title	Stock clerk	47	24.44%
	Accountant	10	27.42%
	Marketer	50	24.43%
	Manager	10	30.68%
	Supervisor	25	100%
	Total	150	

Findings

Correlation

Table 2. Correlation

Variables	Mean	SD	CSR	EP	FP
CSR	2.16	0.317	1		
EP	3.41	0.572	0.806**	1	
FP	3.43	0.427	0.217**	0.366**	1

*** P < 0.05; N = number of participants; SD = standard deviation; CSR = corporate social responsibility; EP = employee performance; FP = financial performance.*

The average CSR value is 2.16, slightly above 2, which means that the majority of respondents agreed and the SD value is 417 which showed a 41.7% change between replies. Moreover, CSR is positively and significantly correlated (r = 0.806**, 0.217**) with employee performance and financial performance at P < 0.01 respectively. Also, the average employee performance score is 3.41, which is greater than 2 but not 3, which means the most of the respondents agreed and the standard deviation value is 572 with replies of 57.2%. Moreover, employee performance is positively and significantly correlated (r = 0.366**) with financial performance at P < 0.05 respectively, while the mean value of financial performance is 3.43 which is close to 3, which means that most of the respondents agreed and the total variation among their responses is 0.427 which showed the 42.7% variation among responses.

Regression

Table 3 shows the interplay of FP as the dependent variable with CSR as a predictor. The findings suggest that CSR is positively and significantly related to FP. Furthermore, R = 0.21 indicates that the total 21% variation in the endogenous variable can be resolved by the predictor variable. The table shows how PS interacts as a dependent variable and CSR as a predictor. Table 3 also shows F = 1.431 and p < 0.05 which portrays the fact that the model is statistically significant which means that the predictor caused a change in endogenous variable. These findings supported the H1 of the study, which was formulated as CSR has a positive relationship with FP.

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Table 3. Relationship between CSR and FP Table 3 CSR and FP

Variable	*B*	*SE*	*Β*	*T*	*Sig*
Constant	*4.07*	*0.30*		*6.42*	*0.5%*
CSR	*0.147*	*0.147*	*0.120*	*8.52*	*0.5%*
$R^2 = 0.21$ *F = 1.431* *P = 0.5*					

Table 4. Path Analysis

Paths	**Coefficients**	**SE**	**t**	**Sig.**
Employee performance and corporate social responsibility (a path)	0.137	0.059	17.8934	0.5%
Financial performance and employee performance (b path)	0.3178	0.1510	0.14366	0.5%
Direct impact of Corporate social responsibility and financial performance (c path)	0.14491	0.1264	0.4229	0.5%
Overall impact of corporate social responsibility and financial performance (c' path)	0.24511	0.3231	0.1189	0.5%

$P < 0.05$

Table 4 means that all routes (a, b, c and c') meet the requirements of partial mediation. Results indicate that employee performance is positively and significantly linked with corporate social responsibility (Path a) (b = 0.137, t = 17.893, $p < 0.05$). Similarly, employee performance also significantly and positively relates with financial performance (b = 0.3178, t = 0.14366, $p < 0.05$). This demonstrates that the path b is also significant.

Table 4 shows that routes c and c' are also significant in explaining the direct and overall impacts. A significant relationship exists between corporate social responsibility and organizational performance with b = 0.1449, t = 0.4229, $p < 0.05$ and the

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coefficient value shows the direct effect of corporate social responsibility on financial performance (Path c). The overall effect of corporate social responsibility on financial performance is also significant with $b = 0.24511$, $t = 0.1189$, $p < 0.05$) in the presence of a mediating variable. These results indicate that employee performance plays a significant and partial mediating role in the relationship between corporate social responsibility and financial performance.

Conclusion and Research Implications

CSR is seen as a matter of co-operation between business, government and civil society. From a social perspective, CSR should be beneficial to the community as it has a very complex structure as it is made up of individuals with different levels of control over physical and intangible resources. Analysis of theories makes it possible to understand CSR beyond its traditional meanings; CSR therefore requires a multidisciplinary approach from its perspective and practice. Given that the current meaning of CSR is complex, knowledge of theories provides researchers with a better understanding of social relationships.

CSR roles in employee performance relate to how the stakeholder community perceives responsible conduct and how the implications are felt. The analysis shows that CSR proved to have many roles and impacts to the community as follows: closer ties and interdependencies between corporations and community, sharing the costs the company has to compensate due to environmental degradation, transfer of technology from international companies to producing states, joint actions by businesses and communities to protect the environment, reduce poverty in communities, human rights advocacy and help ICT companies to collect data to facilitate public organization. For many business leaders, it is difficult to know where their responsibilities for building infrastructure, creating economic opportunities and accessing essential services like health, the education and poverty reduction start and finish. The experience made it possible to ensure that sustainable CSR solutions at the community, state and national levels are based on partnerships between government, civil society and business.

It is also concluded that the competencies required by CSR managers vary due to the diversity of relevant disciplines and the complexity of the roles and responsibilities of a CSR initiative. There is no specific qualification requirement in this area. Because the field is new, transferable skills and knowledge from other related specialties such as Environmental Management, Business Ethics, Technology

Transfer, Human Resources Management and Community Development are appreciated. In summary, the skills required by CSR managers are categorized as business, human and technical skills; and specific competencies required are further defined by the mission and vision of the organizations where CSR managers serve.

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