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CORPORATE SOCIAL RESPONSIBILITY AND PROFITABILITY OF QUOTED NIGERIAN FIRMS: THE MEDIATING EFFECT OF FIRM SIZE

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Abstract
The study examines the link between Corporate Social Responsibility (CSR) and profitability with emphasis on the role of firm size. The population consists of 106 quoted Nigerian non-financial firms, out of which a sample of 86 firms was selected based on data availability. Using hierarchical linear regression analysis, the study found evidence that firm size has significant effect on the CSR-Profitability link; confirming that larger firms have the capacity to invest in CSR activities more than their smaller counterparts. It is also found that corporate donations and employee relations have significant positive effect on profitability of the firms and that this effect is significantly improved by the mediating variable. The results are consistent with Stakeholders theory and suggest that responsible business practices towards primary stakeholders can be profitable and beneficial to Nigerian firms. These results justify the existing corporate investments in CSR activities. Therefore, the study recommends that Nigerian firms should adopt CSR strategy for creating shared value (CSV); mitigating risks (of corruption, scandals and environmental accidents); attracting and retaining quality workforce; gaining competitive advantage and improving financial performance. Regulatory authorities on their part should evolve measures that monitor corporate investment in CSR to promote an honest culture of sustainable economic development.

Keywords: *Corporate Social Responsibility, Profitability, Stakeholders Theory, Sustainable Economic Development*

1. Introduction

Profitability is the main focus that drives most companies. However, for business to be sustainable in the long term, a strategy of Corporate Social Responsibility (CSR) activities is needed to meet shareholder demands, respect ethical values and give appropriate answers to organizational stakeholders. In Nigeria, the issue of CSR cannot be separated from the social and environmental concerns in the country. Poverty, infrastructural deficit and environmental pollution are possible issues that necessitate the need for companies to play active role in the society. With an increasing global concern for the harmful long-term impact of industrial activities, CSR activities cannot afford to be charitable affairs but one of the tools for addressing critical ecological challenges on the planet. The impacts of industrial activities on the environment have not only aggravated phenomena like climate change, ozone depletion, over-exploitation of natural resources, air pollution but also increased radioactive water pollution which has resulted to the continued destruction of water marines thereby disrupting sustainable development (Finavante, 2010). These phenomena have invariably increased external pressure from stakeholders such as government, socially-responsible investors, civil societies and most especially community lobby groups whose activities have constantly created social unrest.

Regrettably, this unrest according to Uwuigbe, (2011) has led to continuous decrease in the operating performance of Nigerian companies financially while increasing their cost of production due to increase in environmental cost and liabilities associated with corporate sustainability issues. Following Uwuigbe (2011), it is uncertain whether CSR activities enhance profitability of Nigerian firms. Previously, some research supports the notion that CSR activities lead to better profit, many studies suggest the opposite, most likely because of firm size differential. Firms of all sizes and types aspire to become socially responsible, ecologically sustainable and economically competitive. Nonetheless, larger firms are thought to have better operational impact, greater visibility, and more resources to expend on CSR than their smaller counterparts. Firm-level attributes such as size is expected to affect firm CSR participation, and understanding its effect is essential, as firms attempt to derive strategic value from CSR. According to World Business Council for Sustainable Development (WBCSD, 2002), CSR is the continuing commitment of a business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.

A company's CSR towards employees is portrayed by its proactive policies and practices regarding union relations, remuneration policy, employees' participation in decision making, working conditions, and elimination of forced/child labour. By adhering to such policies, companies can satisfy employees, enhance their job performance, and improve financial performance. The working conditions that respect human dignity, equality, and social protection can result in a productive workplace. According to Turban and Greening, (2000), social responsibility of a company is a reputation factor and is an attractive force for potential and current employees. Ethical reputation contributes to job satisfaction and lower employee turnover by evoking positive reactions from employees' families and friends and; because satisfied employees have higher morale and job motivation, they will work more effectively and efficiently and contribute to higher levels of organizational effectiveness (Riordan, Gatewood & Bill, 1997). Analysis of prior research shown that better human resource management practices such as training and development of employees, their participation in problem solving, progressive remuneration policies, and grievance procedures reduce employee turnover, increases their productivity and financial performance.

Similarly, a typical business involvement with the local community can be seen in areas of education, health, and income generation. CSR towards community mostly take the form of philanthropic giving, public–private partnerships, community relationships, and participation in social and economic development issues. These days, companies are pursuing meaningful partnerships with non-governmental organizations (NGOs) to empower their host communities. When companies focus their social actions on communities in and around their area of operation, they reap the benefits of a socially responsible image among their employees and the local community (Husted, 2003). Whereas some prior studies have suggested a negative relation between CSR towards the community and firm performance, it is pertinent to note that investment in community development activities help a firm to obtain competitive advantages through tax savings, decreased regulatory burden, and improvements in the quality of local labour, reduced attacks on facilities and hostility in the form of kidnapping of personnel.

Accordingly, the motive for participating in CSR using Carroll's (1991) pyramid of CSR illustrates how different levels of commitment to CSR are related to motives and outcomes. Carroll (1991) describes that a company's CSR philosophy can be profit driven, compliance driven, driven by caring, synergetic or holistic. In the first stage of CSR category, which is called the economic stage, companies use CSR as a strategy to create a competitive advantage and gain improved financial performance. In the legal stage, companies engage in CSR as it is their duty and obligation to follow laws and regulations. The ethical and philanthropic stages have the aim to attain a balance between profit, people and planet. In these stages, the company does not only focus on profit but also on social welfare. One aspect of CSR of interest to many financial economists, academics and researchers alike is the economic domain; examining the financial impact of CSR for profit-making corporations. Focusing attention on the economic domain is as a result of the claim by economist Milton Friedman that CSR is bunk. Friedman (1970) sparked decades of controversy by arguing that the only responsibility of publicly held companies is to increase profit – the efficiency paradigm of organizational excellence. Some today laud his sentiments, and indeed many empirical tests have not found a positive relationship between CSR activities and major corporate financial performance indicators such as profit.

Thus far, the question of whether the cost of achieving CSR decrease, increase or have no effect on profitability, remains largely unanswered with regard to non-financial firms in Nigeria. This is because most previous empirical tests in the country are concentrated on specific sectors – banking, Oil and Gas and Telecommunications. Thus, while the controversy on the influence of CSR on profitability is still an open debate, a research gap exists in the literature in respect of Nigerian non-financial firms taken as whole. Despite that these firms vary in size, investigating the mediating effect of firm size on CSR-profitability link is scarce requiring further research. The current study fills the knowledge gap by empirically examining the effect of size on the link between CSR proxied by Employee Relations (EMR) and philanthropic Donations (DNT) and profitability measured by Return on Assets (ROA) of non-financial firms in Nigeria. Based on this objective, the following null hypotheses are formulated:

Ho_1: CSR towards employees does not significantly influence profitability of quoted non-financial firms in Nigeria

Ho_2: CSR towards host community does not significantly influence profitability of quoted non-financial firms in Nigeria.

Ho_3: Firm size does not significantly determine CSR influence on profitability of quoted non-financial firms in Nigeria.

2. Review of Related Literature

One of the earliest pieces of literature on CSR was a book by Bowen, titled "Social Responsibilities of the Businessman" which was published in 1953. According to Bowen (1953), social responsibilities are "the obligations of businessmen to pursue those policies, make those decisions, or follow those lines of action which are desirable in terms of the objectives and values of our society".

Carroll (1991), defined "CSR as the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive". According to the European Foundation for Quality Management (EFQM, 2004), CSR involves a wide range of basics that organizations are expected to recognize and to reflect in their actions, which includes among other things, the respect for human rights, fair treatment of the workers, clients and dealers, being good corporate citizens of the host communities of the corporation and conservation of the natural environment.

The World Business Council for Sustainable Development (WBCSD, 2002), defined CSR as "the continuing commitment of a business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life". These definitions reflect concerns for moral, ethical, philanthropic, social, economic, and environmental obligations expected from a corporation. Thus, CSR involves the way organizations make business decisions, the products and services they offer, their efforts to achieve an open and honest culture, the way they manage the social, environmental and economic impacts of business activities and their relationships with their employees, customers and other key stakeholders having interest in the business and its operations.

Profitability on the other hand is the firm's ability to produce returns on investment based on its resources in comparison with alternative investment. It is the measurement of efficiency and shows how well the firm utilizes its assets to produce profit and value to shareholders. Return on assets (ROA) is acknowledged as the best measure of profitability. ROA shows the percentage of net earnings relative to the firm's total assets. The ROA specifically reveals how much after-tax profit a firm generates for every one naira of assets it holds.

Theoretical underpinnings for this study include the stakeholder theory and legitimacy theory. The stakeholder theory of CSR is based on the notion that there are many groups in society besides owners to whom the corporation is responsible. The stakeholder theory originated from the management discipline and has developed to include corporate accountability to broad range of stakeholders. A stakeholder according to Freeman, (1984) is any group or individual who can affect, or is affected by, the achievement of a corporation's purpose. This theory posits that corporate bodies have a wide coverage of accountability to the stakeholders including employees, customers, suppliers, shareholders, banks, environmentalists, government and other groups who can help or hurt the corporation. The objectives of a corporation can only be achieved by balancing the often conflicting interests of these different groups and by incorporating the participation of stakeholders in decision making, corporations are likely to respond to the interests of society as a whole.

Another theory from which CSR stems is the legitimacy theory. The theory posits that business are bound by the social contract in which the firms agree to perform various socially desired actions in return for approval of its objectives and other rewards and this ultimately generates its continued existence (Suchman, 1995). Legitimacy is defined as a generalized perception or assumption that the action of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. This theory implies that there is interaction between groups and society (Deegan, Rankin & Tobin, 2002). Corporations are one part of society and they exist if they are considered legitimate by groups in society.

Friedman, (1970) argued that managements are selected by the shareholders as agents and their sole responsibility is acting on behalf of the principals' best interests. From Friedman's perspective, the one and only social responsibility of business is to use its resources and engage in activities designed to increase profits and wealth of owners. Any other activities disturbing the optimal allocation of resources to alternative uses exert an adverse influence on firm performance. However, perspective of stakeholder's theory (Freeman, 1984), CSR is a concept whereby companies integrate economic, environmental and social concerns, usually called the triple bottom line. The triple bottom line is considering that companies do not only have one objective-profitability, but that they also have objectives of adding environmental and social value to society (Mirfazli, 2008).

The seeming contradictory themes between Friedman's (1970) viewpoint and the stakeholder theory arise from the assumption that CSR which considers the interests of a broad spectrum of stakeholders (suggested by stakeholder theory), is in fact detrimental to value maximization activities of the firm (asserted by Friedman). However, Jensen (2001) attempted to reconcile the potential conflict between these two viewpoints by proposing enlightened stakeholder theory, which asserts that a firm cannot maximize its long-term value if it ignores the interests of diverse stakeholders. Thus, a company's capacity to generate sustainable wealth over time and its long-term value are determined by the relationship with both internal and external stakeholders. CSR, if it contributes to enhancing firm value, can be an appropriate corporate strategy as the stakeholder theory suggests, not an exploitation of shareholders' wealth to benefit other parties.

The following empirical studies are reviewed. Firstly, Orlitzky, Schmidt and Rynes, (2003) conducted a meta-analysis of 52 studies (which represent the population of prior quantitative inquiry) yielding a total sample size of 33,878observations. The meta-analytic findings suggest that corporate virtue in the form of social responsibility and, to a lesser extent, environmental responsibility, is likely to payoff…corporate social performance appears to be more highly correlated with accounting-based measures of corporate financial performance than with market-based indicators, and corporate social performance reputation indices are more highly correlated with corporate financial performance than are other indicators of corporate social performance. The Study generally indicates that CSR does offer potential benefit to corporate profits.

In the study of corporate social responsibility and financial performance, Tsoutsoura (2004) used data over a period of five years, (1996-2000). The relationship was tested using regression analysis. The results indicate that the sign of relationship is positive and statistically significant; supporting the view that socially responsible corporate performance can be associated with series of bottom-line benefits. Also, Ngwakwe (2008) examined the relationship between sustainable business practice and firm performance. The survey of sixty manufacturing companies in Nigeria selected three indicators of sustainable business practice: employee health and safety (EHS), waste management (WM), and community development (CD). This study revealed that the sustainable practices of the firms are significantly related with firm performance. The study concludes that within the Nigerian setting at least, sustainability affects corporate performance.

Researching on the impact of corporate social responsibility on profitability of the Nigerian banking sector, a case study of First Bank of Nigeria Plc, Olawale (2010) used the Pearson product moment correlation to establish and test the hypothesis that CSR has a significant impact on profitability of First Bank plc. The result of the study confirms that there is a positive relationship between CSR and profitability. While, research conducted by Burhan & Rahmanti (2012) ascertained the relationship between Sustainability Reporting and company performance using a sample of thirty-two companies listed on the Indonesian stock exchange during the period 2006 – 2009. The study uses linear regression model as well as multiple regression and the researchers shows that sustainability reports does have an association with company performance, however, partially as only social performance disclosure influences the company performance.

Adeyanju, (2012) assessed the impact of CSR on Nigerian society using survey approach and served questionnaires on banking and telecommunication industries. The study found strong correlation between CSR activities and development particularly in the area of health care delivery. Also, Effiong, Usang, Inyang and Effiong, (2013) studied CSR practices amongst SMEs in the tourism and hospitality industry in Cross River state using survey design. The study revealed that CSR by hotels have insignificant effect on social and environmental issues. Again, Servaes and Tamayo (2013) examined the impact of CSR on firm value with emphasis on the role of customer awareness in the UK. The result of regression analysis showed that CSR and firm value are positively related for firms with high customer awareness as proxied by advertising expenditures.

Ozcelik, Ozturk and Gursakal (2014) investigated the relationship between CSR and financial performance of 81 companies in Turkey. The study covers 2010 and 2012. Using logistic regression analysis, it is found that large firms engaged in sustainable practices as philanthropic donations, safety working conditions and recycling to gain reputation, increase sales and meet stakeholders' expectations. In the same vein, Hirigoyen and Poulain-Rehm (2015) investigated the causal relationships between various dimensions of CSR (human resources, human rights in the workplace, social commitment, respect for the environment, market behavior and governance) and financial performance. The study used linear regression analysis and the Granger causality test for data obtained from a sample of 329 companies across US, Europe and Asia. The study acknowledged the relation that companies create economic value by creating social value; suggesting the need for companies to take stakeholders seriously and form alliances with local actors.

Nag and Bhattacharyya (2015) examined CSR strategies and activities of firms as disclosed in annual reports and explored its link to accounting and market performance of firms in India. Using a sample of 30 firms over five year period from 2007 – 2011, the study employed content analysis to determine CSR disclosure. Results obtained from the pooled regression model showed that CSR spending has negative effects in the short term. Similarly, Atsukwei, Onoja and Laka (2016) sought to know if CSR leads to superior earnings of listed consumer goods firms in Nigeria. Using content analysis method and multiple linear regression analysis, the study found significant and positive relationship between CSR and performance measures - EPS and ROA. The study urged corporate entities in Nigeria to invest in CSR in all ramifications to boost their financial performance.

Amiolemen, Uwuigbe, Uwuigbe, Osiregbemhe and Opeyemi (2018) investigated corporate social, environmental reporting and its association with stock price of 50 quoted Nigerian firms for the period of five years from 2011-2015. Panel data regression analysis did not find significant association between corporate social and environmental expenditure and the market price of the firm. Also, Hategan, Sirghi, Curea-Pitorac and Hategan, (2018) carried out a study "doing well or doing good: the relationship between CSR and Profit in Romanian companies". Their empirical research consisted of panel data econometric model using logistics regressions and feasible generalized least squares (FGLS) regressions. The main results revealed that the companies implementing CSR activities in a greater extent were more profitable in economic terms. Finally, Sani, Bakare and Nurudeen, (2019) evaluate the effect of CSR on financial performance of quoted conglomerates in Nigeria. Using data obtained from 5 companies for period of 9 years; analyzed with panel regression techniques, it is found that CSR to employees and community have significant positive effects on ROA, ROE and PAT.

The review of prior studies shows that results of studies so far, are inconclusive as to the impact of CSR activities on corporate profitability. Such inconclusiveness creates ground for further investigation. Also, most of the available research findings are from developed economies indicating paucity of empirical evidence from Nigeria. Thus, while controversy on the influence of CSR on profitability still constitutes a research problem, a research gap exists in the literature in respect of Nigeria. Empirical evidence from an emerging economy like Nigeria is necessary to fill the existing research gap.

3. Methodology

The population of the study consists of 106non-financialfirmsquoted on the Nigerian Stock Exchange as at 31st December, 2018. However, using filtering approach based on availability of audited financial reports, 86 firms were selected, representing 81 percent of the population. The variables of the study consists of the dependent variable (profitability) and independent variable (CSR) and moderating variable (Size).Secondary data were collected from the firms' audited annual reports; these relate to CSR expenditure - philanthropic donations and employee relation costs, profitability - return on assets and firm size – total assets. The study adopts content analysis of annual reports to determine the level of CSR disclosure of the various reporting firms, while Pearson correlation analysis; descriptive statistics and hierarchical regression analyses were employed using Statistical Package for Social Sciences (SPSS, 21). In order to establish the cause-effects relationship between the independent variable (CSR expenditure) and the dependent variable measure (ROA), taking note of the mediator variable, the study constructs a simple mediation model thus:

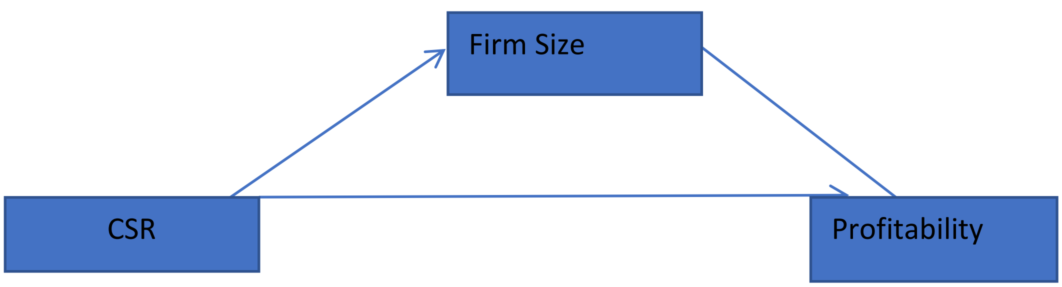

Figure 1: Mediating Effect of Firm size on CSR-Profitability Link

Accordingly, the regression models for 3-step analyses are specified below following Baron and Kenny, (1986):

$$\boldsymbol{PROF = \beta_0 + \beta_1 DNT + \beta_2 EMR + \varepsilon} \ldots\ldots \text{(i)}$$

$$\boldsymbol{FSIZ = \beta_0 + \beta_1 DNT + \beta_2 EMR + \varepsilon} \ldots\ldots \text{(ii)}$$

$$\boldsymbol{PROF = \beta_0 + \beta_1 DNT + \beta_2 EMR + \beta_3 FSIZ + \varepsilon} \ldots\ldots \text{(iii)}$$

Where: PROF = Profitability measured by ROA;
β_0 =intercept coefficient;
β_1 β_2 β_3 = coefficient for each independent & control variable;
DNT = Donations;
EMR = Employee relation;
FSIZ = Firm size
ε = estimated error margin

4. Results

To ensure that results obtained through regression are reliable and valid, multicollinearity checks were carried out.

Table1: **Correlation matrix and Collinearity Statistics**

Variable	DNT	EMR	FSIZ	Collinearity Statistics	
				Tolerance	VIF
DNT	1.000			0.845	1.183
EMR	0.512	1.000		0.684	1.461
FSIZ	0.299	0.589	1.000	0.761	1.314

Source: SPSS Output, 2020

Table 1 presents a summary of correlation between independent variables and the moderating variable as well as the collinearity statistics. The highest correlation is between employee relations (EMR) and firm size (SIZE) (Pearson correlation = 0.589). This is less than 0.7 therefore all variables are retained (Tabachnick & Fidell, 2001). The collinearity statistics obtained from the regression result reveals tolerance values greater than 0.1 and VIF less than two (2) which indicates the absence of multicollinearity problem among the independent variables under investigation (Berenson & Levine, 1999). This technique ensures that the independent variables are not so correlated to the point of distorting the result and assist in filtering out those ones which are likely to impede the robustness of the model.

Table 2: Descriptive Statistics

Variables	N	Minimum	Maximum	Sum	Mean	Std. Deviation
PROF	86	-3.89	1.64	-59.694	-0.694	0.857
DNT	86	4.54	8.27	546.186	6.351	0.952
EMR	86	7.04	9.83	727.818	8.463	0.831
FSIZ	86	8.48	12.96	846.498	9.843	0.609
Valid N (listwise)	86					

Source: SPSS Output, 2020

From the table, the return on assets represents the dependent variable. The average return on asset is N-0.694 with a standard deviation of N0.86 which means that return on assets can increase or decrease by N0.86. The highest return on assets recorded was N1.64 while the lowest was N-3.89.For the independent variables (philanthropic donation, employee relation and firm size), the average donation is N6.35 with standard deviation of N0.95 which means that donation can increase or decrease by N0.95. The highest donation was N8.27 while the lowest is N4.54. The average employees relation cost is N8.46 with standard deviation of N0.83 which means that this variable can increase or decrease by N0.83. The highest employee relation cost is N9.83 while the lowest value is N7.04. The average firm size is valued at N9.84 with standard deviation of N0.61 which means that total assets of the firms can increase or decrease by N0.61. The highest value of total assets is N12.96 while the lowest value is N8.48.

Table 3: Model I: Regression results

Variables	PROF		
	Standardized Coefficients	t-values	Sig.
	Beta		
(Constant)		.945	0.018
DNT	0.132	1.036*	0.052
EMR	0.261	2.582*	0.013
Adjusted R Square	0.245		-
F-Statistic	15.346*		0.041

*Significant at 5%level.

Source: SPSS Output, 2020

Table 3 shows the explanatory power of model I, the adjusted R square is 24.5%. It shows that donation and employees' relation is accountable for 24.5% variation in return on assetswhile the remaining 75.5% of the variation in the return on assets is explained by factors not captured in the model. It further reveals that an increase in donation and employee relation by one unit will significantly increase return on assets by 0.13 units and 0.26 units respectively. The result shows that the two independent variables (donation and employees relation) significantly affect the return on assets providing the ground to proceed to step 2 (Baron & Kenny, 1986).

Table 4: Model II: Regression results

Variables	FSIZ		
	Standardized Coefficients	t-values	Sig.
	Beta		
(Constant)		-.006	0.206
DNT	0.637	1.182*	0.029
EMR	0.018	.315*	0.038
Adjusted R Square	0.383		-
F-Statistic	35.503*		0.002

Source: SPSS Output, 2020

Table 4 shows that model II has explanatory power of38.3% meaning that donation and employees' relation is accountable for 38.2% variation in firm size. The remaining 61.8% of the variation in firm size is explained by factors not captured in the model. It further reveals that an increase in donation and employee relation by one unit will significantly increase the firm size by 0.64 units and 0.02 units respectively. The result shows significant effect hence, the studyproceeds to running regression model III (Baron & Kenny, 1986).

Table 5: Model III: Regression results

Variables	PROF		
	Standardized Coefficients Beta	t-values	Sig.
(Constant)		-6.628	0.000
DNT	0.261	3.112*	0.003
EMR	0.362	3.687*	0.001
FSIZ	0.411	4.604*	0.000
Adjusted R Square	0.596		-
F-Statistic	48.341*		0.000

Source: SPSS Output, 2020

Table 5 shows the explanatory power of the regression model III, the adjusted R square is 59.6%. It shows that with the mediating effect of firm size on donation and employees' relation is accountable for 59.6% variation in profitability (ROA) indicating that CSR is important in achieving effective financial performance of corporate organizations in Nigeria while the remaining 40.4% of the variation in the ROA is explained by factors not captured in the model. The F-Statistics which measures the reliability of the model is significant at 5% suggesting that the model is a reliable predictor of the relationship betweenCSR and profitability.Table 5further reveals that DNT and EMR have positive coefficients for profitability and shows that an increase in donation and employees relation by one unit will significantly increase return on assets by 0.26 units and by 0.36 units respectively. Similarly, a unit change in firm size will significantly increase PROF (measured by ROA) by 0.41 units. The result shows that the independent variables (donation and employees relation) significantly affect the return on assets of non-financial firms in Nigeria while, the mediator variable, firm size is an important characteristic to take into account. Clearly, larger firms have a better operational impact, greater visibility, and resources to spend more on CSR to get a socially responsible rating.

Hypotheses Testing: The results of the regression model III for firm size, CSR and profitability were reported in Table 5. Coefficient of philanthropic donation (DNT) is statistically significant at 5% degree of significance, and positive (β = 0.261, t = 3.112, p<0.05) meaning corporate success and social welfare are interdependent. In terms of Employee's relations *(EMR)*, the coefficient is positive and significant (i.e. $\beta = 0.362$, $t = 3.687$, $p<0.05$); meaning increased employee engagement leads to more loyalty, improved recruitment, increased retention, higher productivity and profitability. This result consistent with a priori expectation, confirms previous empirical evidence that CSR towards primary stakeholder's influences profitability. These results reinforce the accumulating body of empirical support for the positive effect of CSR on profitability (Tsoutsoura, 2004; Olawale, 2010; Adeyanju, 2012; Servaes & Tamayo, 2013; Astukwei et al., 2016; Hategan et al., 2018). Regarding firm size (FSIZ), the coefficient is positively significant ($\beta = 0.411$, $t = 4.604$, $p<0.05$); confirming that larger firms investing CSR activities more often than smaller counterparts. On the whole, the findings did not support our hypotheses and goes to confirm that CSR enhances profitability of the sampled firms relative to their sizes. The findings showed that CSR expenditure in the long run provides better returns on the next marginal naira, thus every non-financial firms in Nigeria regardless of size should integrate CSR into their spending culture.

5. Conclusion and Recommendations

There has been an extensive debate concerning the legitimacy and value of being a socially responsible business. There are different views of the role of a firm in society and disagreement as to whether wealth maximization should be the sole goal of a corporation. Most people identify certain benefits for a business being socially responsible, but most of these benefits are still hard to quantify and measure. This study addresses the question of whether CSR is linked to profitability and if so, whether firm size has effect on such relationship. The study concludes that CSR activities are significantly related to profitability of quoted non-financial firms in Nigeria even though the effect will be higher in large firms. Therefore, it is recommended that corporate Nigeria should invest more in CSR activities in its entire ramifications to boost their profitability. To do this, the firms should adopt CSR strategy for creating shared value (CSV), mitigating risks of corruption, scandals and environmental accidents, attracting and retaining quality workforce, gaining competitive advantage and improving profitability. Also, regulatory authorities should evolve measures that monitor corporate investment in CSR to discourage propaganda by some managers who record high CSR costs on paper to avert/reduce tax burden and cultivate an honest culture of sustainable economic development. An important contribution of the study is that it bridges research gap in the local literature; extends the frontiers of knowledge by opening research path on the mediating effect of firm size. The study provides evidence that corporate donation and employees' relation are relevant in improving the return on assets of non-financial firms in Nigeria.

This study, like any other, is subject to limitations. The first limitation concerns the development of CSR measures. CSR is, as Servaes and Tamayo (2013) admit, a poorly defined concept thus, whether data from the annual reports sufficiently quantify the firms' CSR strategy is inherently open to debate. To mitigate this quantification problem, future research should explore measures that reflect alternative definitions of CSR, as well as data sources other than the Nigerian Stock Exchange. Another limitation is that the study utilized data covering single financial year, 2018 and so, future research should consider the use of panel data for analysis. Thus, the results of this study should be generalized with caution in view of these limitations.

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