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Corporate social responsibility and financial performance of listed oil and gas companies in Nigeria

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ABSTRACT

Contemporary management scholars underscore the relevance of corporate social responsibility in stimulating the financial performance of companies in different sectors. However, the concept of CSR is multifaceted, and there is no consensus among scholars about the causal implication of CSR on financial performance. This research therefore investigates the effect of corporate social responsibility on the financial performance of oil and gas companies in Nigeria. A cross-sectional survey design was adopted, and data from 73 employees knowledgeable about CSR and organizational performance were collected using a questionnaire and analyzed using the Statistical Package for the Social Sciences (SPSS) and Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings show that environmental responsibility and ethical responsibility have significant effects on the financial performance of oil and gas companies, while social responsibility has no significant effect. Theoretical and practical contributions are provided for managers and policymakers in Nigeria.

Keywords

Corporate social responsibility, financial performance, oil and gas firms, Nigeriababstract

1. Introduction

Globally, corporate social responsibility (CSR) has become a central issue in corporate governance and sustainability reporting, particularly in environmentally sensitive industries such as oil and gas. CSR refers to the voluntary integration of social, environmental, and ethical considerations into business operations and stakeholder interactions (Carroll, 2021). In recent years, increasing global attention to sustainability, climate change, and corporate accountability has intensified expectations for firms to demonstrate responsible behavior beyond profit maximization, and CSR is increasingly regarded as a strategic imperative that can influence firm competitiveness and long-term performance rather than a peripheral activity (Carroll, 2021).

In the oil and gas sector, CSR assumes heightened importance because of the industry's significant environmental and social impacts. Issues such as oil spills, gas flaring, environmental degradation, and community conflict have made CSR a critical tool for maintaining legitimacy and securing a social license to operate. In developing economies like Nigeria, where regulatory enforcement is often weak and host communities are highly vulnerable, oil and gas companies are increasingly pressured to engage in environmental protection, community development, and ethical business practices, and recent Nigeria-specific evidence confirms that CSR engagement in the sector is closely tied to firms' public legitimacy and financial outcomes (Ogunbiyi-Davies & Adegbe, 2024).

Despite the growing emphasis on CSR, the relationship between CSR and financial performance remains inconclusive in the empirical literature. Some recent studies report that CSR activities enhance firm performance by improving reputation, customer loyalty, and operational efficiency (Velte, 2022), while others argue that CSR may impose additional costs that could negatively affect profitability, especially in the short term (Buallay, 2021). These mixed findings suggest that the CSR-financial performance nexus is context-dependent and may vary across industries and measurement approaches.

In the Nigerian oil and gas industry, the debate is particularly pronounced. While firms invest in environmental responsibility, social initiatives, and ethical practices to address stakeholder concerns, the extent to which these investments translate into improved financial performance remains unclear. Recent empirical studies in Nigeria have produced inconsistent results, partly because of differences in CSR measurement, reliance on secondary data, and limited consideration of perceptual performance indicators such as profit growth, market share, and operational efficiency. Moreover, many existing studies rely on aggregated CSR measures, thereby overlooking the distinct effects of specific CSR dimensions such as environmental, social, and ethical responsibility.

A further limitation in the literature is the dominance of secondary data proxies such as return on assets (ROA) and return on equity (ROE), which may not fully capture the internal performance dynamics perceived by organizational stakeholders. Contemporary research increasingly advocates the use of perceptual measures of financial performance, particularly in contexts where financial disclosures may be inconsistent or insufficient (García-Sánchez & Martínez-Ferrero, 2020). Such measures provide valuable insight into how managers and employees evaluate firm performance in relation to CSR practices.

Against this backdrop, this study examines the effect of the three core CSR dimensions - environmental responsibility, social responsibility, and ethical responsibility - on the financial performance of oil and gas companies in Nigeria. By adopting a primary data approach and disaggregating CSR into its core dimensions, the study seeks to provide a more nuanced understanding of how different aspects of CSR influence firm performance, and to contribute context-specific empirical evidence to the literature on CSR and financial performance in developing economies.

2. Review of literature and hypothesis development

2.1 Conceptual overview of corporate social responsibility

Corporate social responsibility is generally understood as the set of voluntary practices through which firms integrate environmental, social, and ethical concerns into their operations and their relationships with stakeholders, over and above what is strictly required by law (Carroll, 2021). Within this broad construct, environmental, social, and ethical responsibility are widely treated as distinct dimensions that may each relate differently to firm performance, which is the premise on which the present study's three hypotheses are built.

2.2 Environmental responsibility and financial performance

Environmental responsibility refers to a firm's commitment to minimizing the ecological impact of its operations through emissions control, efficient resource use, and environmental innovation (García-Amate et al., 2023). In the oil and gas sector, where operations carry an inherent risk of spillage, flaring, and land degradation, this dimension of CSR is often the most visible signal of a firm's commitment to responsible extraction.

Recent evidence from the oil and gas industry itself broadly supports a positive environmental responsibility-financial performance link. However, the size of the effect varies with firms' exposure to public scrutiny. Using PLS-SEM on a global sample of 264 oil and gas firms, García-Amate et al. (2023) found that the environmental pillar - driven mainly by emissions management and resource efficiency - had a significant positive effect on corporate financial performance, although this relationship weakened considerably as firms accumulated ESG controversies, suggesting that the financial pay-off from environmental responsibility is conditional on a firm's wider reputation for compliance rather than automatic. Taking an institutional perspective on the same industry, Barresi et al. (2025) similarly linked lower greenhouse-gas emissions intensity to stronger financial performance, while cautioning that the strength of this relationship depends on the regulatory stringency of the country in which a firm operates, implying that environmental responsibility pays off more reliably where institutions actively reward or penalize environmental conduct.

Evidence from the wider ESG literature reinforces this pattern. Bashir et al. (2025), using panel ESG data across firms, found that environmental and governance practices raised ROA, ROE, and firm value, but only when paired with innovation strategies, cautioning that aggregating ESG components can obscure the standalone contribution of the environmental dimension. Cunha et al.'s (2025) systematic review of ESG indicators corroborates a generally positive ESG-performance association across the studies it synthesizes, while noting that the strength and direction of the relationship is sensitive to context and to how ESG is measured. Taken together, this recent evidence suggests that environmental responsibility is consistently linked to improved financial performance in the oil and gas industry specifically, though the size of the effect depends on institutional context and on firms' broader reputational standing - a pattern this study tests directly among Nigerian oil and gas firms.

H1: Environmental responsibility has a significant effect on the financial performance of oil and gas companies.

2.3 Social responsibility and financial performance

Social responsibility captures a firm's voluntary investment in the welfare of its employees, host communities, and other non-shareholder stakeholders, typically through community development, employee welfare, and stakeholder engagement (Dattijo et al., 2024).

Recent Nigeria-specific evidence on this dimension is more mixed than the evidence on environmental responsibility. Dattijo et al. (2024), using panel data from five Nigerian oil and gas firms listed on the Nigerian Exchange Group between 2018 and 2023, found that CSR expenditure and disclosure - including community-development and employee-welfare spending - had a positive and significant effect on net profit margin and return on assets. Using a pooled panel regression on Nigerian quoted oil and gas companies, Abdulsalam et al. (2024) likewise found that CSR expenditure rewarded financial performance, though the effect was smaller and less consistent than that of firm-specific financial fundamentals such as leverage and firm size, suggesting that social CSR spending is only one of several competing drivers of profitability in the sector. Ogunbiyi-Davies and Adegbe (2024), using panel data from oil and gas firms listed on the Nigerian Exchange Group between 2011 and 2022, similarly found CSR activity to have a positive, though modest, effect on financial performance.

Evidence from outside Nigeria's oil and gas sector introduces further nuance. García-Amate et al. (2023) found that the social pillar had a significant positive effect on the financial performance of oil and gas firms globally, driven mainly by workforce welfare and product-responsibility indicators, but this effect was also the most strongly weakened by ESG controversies of the three pillars tested, falling by over half among firms with a poor controversy record. This suggests that the financial benefit of social responsibility is comparatively fragile and can be quickly eroded by reputational setbacks, which may help explain why Nigeria-specific studies report smaller and less consistent effects than those found for environmental responsibility. Taken together, the recent literature leans toward a positive but comparatively fragile social responsibility-performance link in the oil and gas sector, a pattern this study examines directly.

H2: Social responsibility has a significant effect on the financial performance of oil and gas companies.

2.4 Ethical responsibility and financial performance

Ethical responsibility reflects a firm's commitment to transparency, governance quality, and compliance with legal and professional standards in its dealings with stakeholders and regulators (Krasniqi & Zeqiraj, 2026).

Recent evidence on this dimension is comparatively consistent, though it also reveals boundary conditions. Using panel data on 70 banks across six Western Balkan countries between 2011 and 2023, Krasniqi and Zeqiraj (2026) constructed a CSR index incorporating ethical and governance indicators. They found a significant positive effect on bank financial performance, concluding that ethical conduct functions as a trust-building mechanism that lowers the cost of firms' dealings with regulators and depositors alike. Velte's (2022) structured review of 54 quantitative meta-analyses on CSR similarly found that governance-related and ethical-compliance variables were among the most consistently positive predictors of firms' financial outcomes across the wider CSR literature, even though the size of the effect varied with how ethical responsibility was operationalized from one study to the next.

Evidence from the oil and gas sector specifically is more cautious. García-Amate et al. (2023) tested the governance pillar directly in their global sample of 264 oil and gas firms and found it had no significant effect on financial performance, in contrast to the environmental and social pillars, suggesting that governance and ethical indicators may need to be paired with visible compliance outcomes - rather than governance structures alone - before they translate into measurable financial returns in this particular industry. Read together, the recent literature indicates that ethical responsibility is a robust predictor of financial performance in some contexts, such as banking and cross-industry meta-analysis, but a less certain one within the oil and gas industry itself, which is the gap this study's third hypothesis addresses.

H3: Ethical responsibility has a significant effect on the financial performance of oil and gas companies.

2.5 Theoretical framework

Several theories have been used in the literature to explain the CSR-financial performance relationship. This study draws specifically on Stakeholder Theory and Legitimacy Theory, as these two most directly underpin the pattern

of findings anticipated in this study: that oil and gas firms secure a social licence to operate from a broad set of stakeholders and from wider society, and that the effectiveness of their environmental and ethical conduct - more than social spending on its own - determines whether this licence translates into improved financial performance in a high-risk sector. This pairing is not merely of historical interest: it is the same theoretical lens used in the most recent oil-and-gas-specific ESG-performance research (García-Amate et al., 2023), which strengthens the case for its continued relevance.

2.5.1 Stakeholder Theory

Stakeholder Theory was propounded by Freeman (1984). The theory holds that organizations are responsible not only to shareholders but also to a broad network of stakeholders, including employees, customers, suppliers, host communities, government, and the natural environment, and that firms must balance the competing interests of these groups to achieve long-term sustainability and performance. Firms that effectively manage stakeholder relationships are more likely to achieve superior financial outcomes, because stakeholders can either support or hinder organizational success depending on how they are treated: employees influence productivity, host communities affect operational continuity, and regulators determine compliance costs. Empirically, García-Amate et al. (2023) invoked stakeholder theory to explain why environmental and social ESG factors raised the financial performance of oil and gas firms globally, arguing that firms that manage stakeholder relationships well are rewarded with stronger market valuation and lower volatility. In Nigeria, Dattijo et al. (2024) similarly observed that oil and gas firms that invest more in stakeholder-facing CSR expenditure record higher net profit margins and return on assets. Despite its relevance, the theory has been criticized for offering no clear guidance on how firms should prioritize competing stakeholder demands when resources are limited, and for assuming that stakeholder interests are always aligned with firm performance, which may not hold in practice.

2.5.2 Legitimacy Theory

Legitimacy Theory was propounded by Dowling and Pfeffer (1975). The theory assumes that organizations operate within a social contract and must ensure that their activities are perceived as legitimate by society; legitimacy is achieved when corporate actions align with prevailing social norms, values, and expectations. According to this theory, firms engage in CSR to bridge the gap between societal expectations and actual corporate behavior, and when legitimacy is threatened - for example, through environmental degradation or social conflict - firms respond by increasing CSR disclosure and engagement to restore public trust. García-Amate et al. (2023) invoked legitimacy theory to explain why ESG controversies - events that damage a firm's standing with regulators and the public - weaken the financial pay-off from environmental and social responsibility in the oil and gas industry. In Nigeria, Ogunbiyi-Davies and Adegbe (2024) confirmed that CSR activity in oil and gas firms enhances legitimacy and profitability by improving public perception and reducing community resistance. A key limitation of the theory, however, is its reactive orientation: it assumes firms respond to external pressure rather than proactively shaping societal expectations, and legitimacy is typically measured indirectly through CSR disclosure, which may not fully reflect actual societal acceptance.

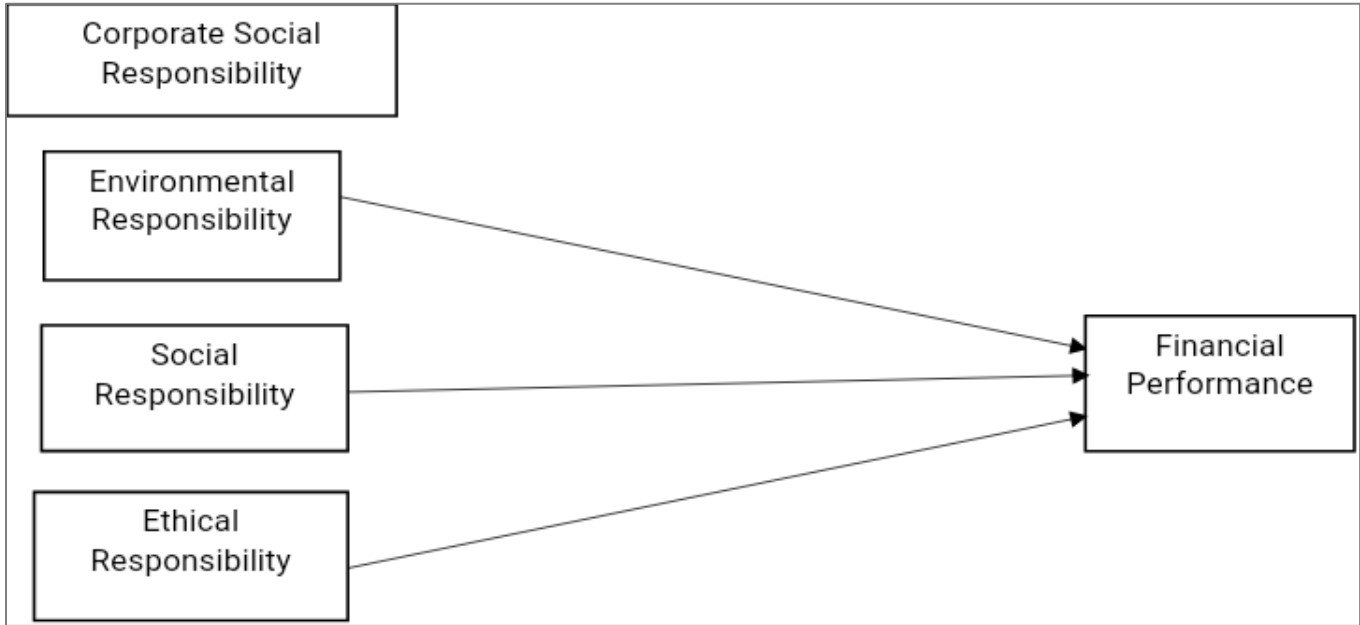


Figure 1: Conceptual Framework

In summary, Stakeholder Theory (Freeman, 1984) and Legitimacy Theory (Dowling & Pfeffer, 1975) together suggest that environmental and ethical responsibility strengthen financial performance by improving stakeholder relations and by securing the legitimacy oil and gas firms need to operate with the consent of host communities and regulators, while the weaker performance effect expected of social responsibility reflects its more diffuse and less immediately measurable link to firm-level financial outcomes - a reading consistent with the most recent oil-and-gas-specific evidence reviewed above (García-Amate et al., 2023). Figure 1 shows the direction of causal effect between environmental responsibility, social responsibility, ethical responsibility and financial performance of listed oil and gas companies in Nigeria

3. Methodology

3.1 Research Design

For the purpose of this research, cross sectional survey design was adopted. The choice of this design is premised on its suitability for collecting a large amount of data directly from respondents regarding their perceptions of corporate social responsibility (CSR) practices and financial performance. According to Creswell (2012), the survey design enables the researcher to obtain quantifiable data that can be statistically analyzed within a short period of time. Hence, this research design is most appropriate in determining the effect of corporate social responsibility on the financial performance of oil and gas companies in Nigeria.

3.2 Population and Sample

The population of the study comprises employees of selected oil and gas companies in Nigeria who possess adequate knowledge of corporate social responsibility practices and organizational performance. These employees include managerial, supervisory, and operational staff from departments such as operations, finance, human resources, and corporate affairs departments of major multinational giants like Shell Nigeria, Chevron Nigeria, Total Energies, Exxon Mobil, Eni/Agip, and Addax Petroleum, and local operators like Seplat Energy, Oando Plc, Aiteo, Conoil, and Aradel Holdings. Hence, this category of staff involves top-, middle-, and lower-level staff who spearhead day-to-day business activities and also possess in-depth knowledge of CSR activities and the financial performance of the corporate entities. Thus, given the relatively small size of the population (100), the study adopts a census sampling technique, where the entire population is studied. This approach eliminates sampling bias and ensures that all relevant opinions are captured, thereby enhancing the reliability of the findings.

3.3 Variables and Measurement

In this research, the variables were operationalized as follows: The environmental, social, and ethical responsibility indicators were adapted from Turker's (2009) multidimensional CSR scale, one of the most widely validated instruments in the CSR literature and one that continues to be actively adapted in recent scale-development research (Gan & Na-Nan, 2026). Financial performance was measured using the perceptual approach to business performance developed by Venkatraman and Ramanujam (1986), which operationalizes performance through profitability, growth, and efficiency indicators assessed from the perspective of organizational insiders rather than through secondary accounting data alone. Specifically, financial performance was measured using perceptual indicators of profitability, growth, operational efficiency, and overall organizational performance (adapted from Venkatraman & Ramanujam, 1986); environmental responsibility was measured using indicators of pollution control, waste management, environmental compliance, and sustainability initiatives; social responsibility was measured through employee welfare, community development, customer relations, and stakeholder engagement; and ethical responsibility was measured using indicators of transparency, corporate governance, ethical standards, and accountability (the environmental, social, and ethical indicators adapted from Turker, 2009).

3.4 Data Collection Technique

The research relies on primary data collected through a structured questionnaire designed using nominal, ordinal, and 5-point Likert-scale items ranging from strongly agree to strongly disagree. The questionnaire is divided into two sections: Section A covers the demographic characteristics of respondents, and Section B covers environmental responsibility, social responsibility, ethical responsibility, and financial performance, allowing respondents to indicate their level of agreement with statements relating to CSR practices and financial performance.

The questionnaire was adapted, rather than newly developed, from Turker's (2009) validated CSR scale for the environmental, social, and ethical responsibility items, and from Venkatraman and Ramanujam's (1986)

perceptual business-performance measure for the financial performance items. Adapting previously validated instruments provides an initial level of content validity, since the items have already demonstrated acceptable psychometric properties in prior peer-reviewed studies, including recent applications (Gan & Na-Nan, 2026). Face validity was further strengthened by rewording the original items to fit the Nigerian oil and gas context, and the instrument's suitability for this context is supported by the composite reliability, Cronbach's alpha, and average variance extracted values reported in section 4.1, all of which exceeded conventional thresholds [Turker's \(2009\)](#), [Venkatraman and Ramanujam's \(1986\)](#).

3.5 Method of Data Analysis

The study employs descriptive and inferential statistics to establish the effect of corporate social responsibility dimensions on the financial performance of oil and gas companies. Therefore, the Statistical Package for the Social Sciences (SPSS) and partial least squares structural equation modeling (PLS-SEM) were used for the data analysis. Hence, SPSS and PLS-SEM are robust software for testing the personal profile of respondents and causality between variables ([Hair et al., 2014](#); [Pallant, 2011](#)).

4. Results

The data were analyzed using descriptive statistics to assess the profile of respondents (see [Table 1](#)). Of the 73 respondents, 43 (58.9%) were male, and 30 (41.1%) were female. The majority of respondents were within the 46-50 age bracket (25 respondents, 34.2%), followed by the 31-45 bracket (24 respondents, 32.9%) and the 26-30 bracket (12 respondents, 16.4%), while 6 respondents (8.2%) were within the 18-25 bracket and a further 6 (8.2%) were above 51 years.

In terms of qualification, 31 respondents (42.5%) held a Bachelor's degree, 26 (35.6%) held a Master's degree, 12 (16.4%) held a Diploma, and 4 (5.5%) held a PhD. On work experience, 20 respondents (27.4%) had 1-5 years of experience, a further 20 (27.4%) had 11-15 years, 18 (24.7%) had above 15 years, and 15 (20.5%) had 6-10 years. The respondents comprised managerial, supervisory, and operational employees considered knowledgeable about CSR practices and financial performance within their organizations.

Table 1: Demographic Characteristics of Respondents

Variables		Frequency	Percentage
Gender	Male	43	58.9
	Female	30	41.1
Age	18-25 years	6	8.2
	26-30 years	12	16.4
	31-45 years	24	32.9
	46-50 years	25	34.2
	Above 51 years	6	8.2
Qualification	Diploma	12	16.4
	Bachelor Degree	31	42.5
	Master's Degree	26	35.6
	PhD	4	5.5
Work Experience	1-5 years	20	27.4
	6-10 years	15	20.5
	11-15 years	20	27.4
	Above 15 years	18	24.7

4.1 Measurement Model

The measurement model was assessed to ascertain the reliability and validity of the research instruments. Accordingly, [Figure 2](#) shows the outcome of the assessment. [Table 2](#) showed that all latent constructs have outer loadings above 0.8, indicating adequate item-indicator reliability. Consequently, the 7 items measuring financial responsibility have adequate outer loadings. However, ENR7 was deleted for environmental responsibility to achieve an average variance extracted (AVE) above 0.5. Likewise, 2 items (SOR1 and SOR3) were deleted for social responsibility to have AVE above 0.5. Still, ETR1 and ETR2 were deleted for ethical responsibility to achieve an AVE of 0.5. Also, the results indicated that both the dependent variable (financial performance) and independent variables (environmental responsibility, social responsibility, and ethical responsibility) have an adequate level of reliability and validity.

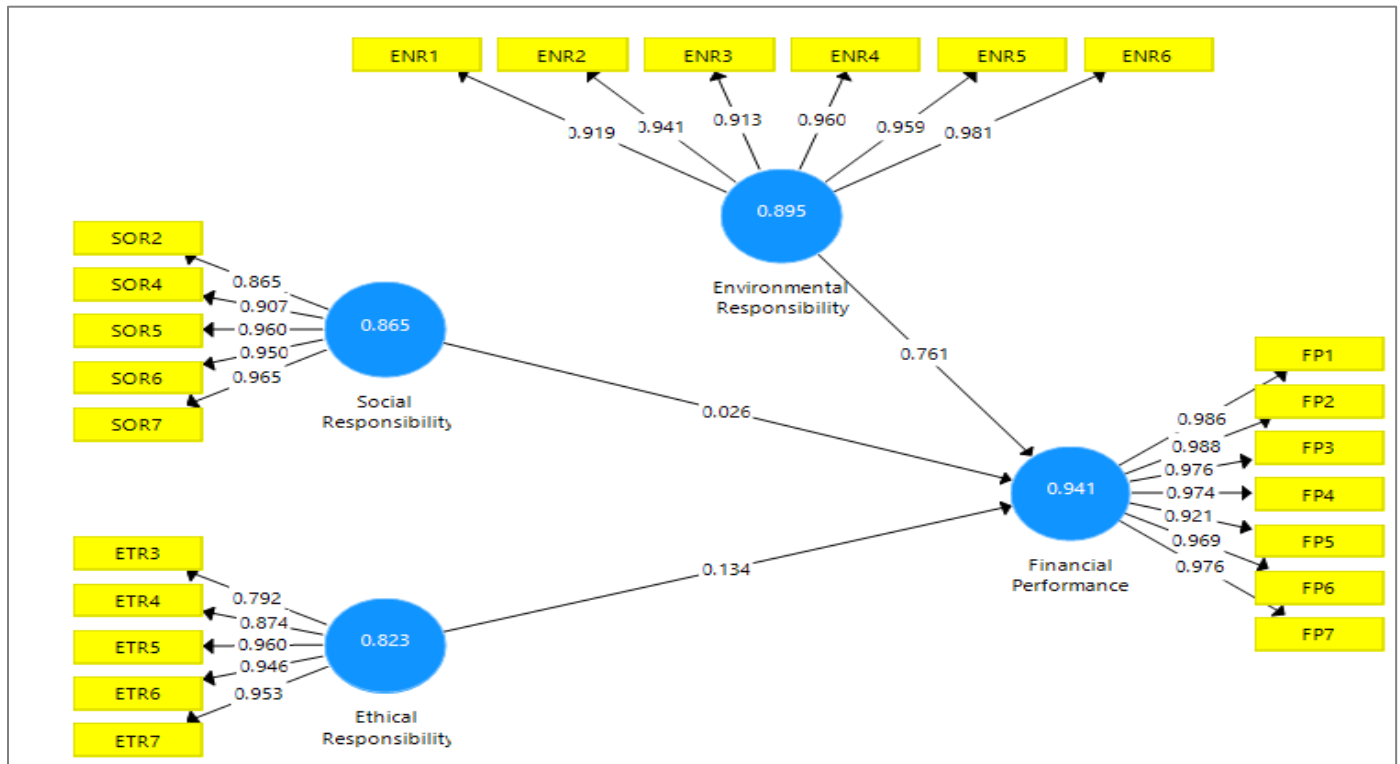


Figure 2: Measurement Model

Table 2: Construct Reliability and Validity

	Indicators	Outer Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Environmental Responsibility	ENR1	0.919	0.976	0.981	0.895
	ENR2	0.941			
	ENR3	0.913			
	ENR4	0.960			
	ENR5	0.959			
	ENR6	0.981			
Ethical Responsibility	ETR3	0.792	0.945	0.959	0.823
	ETR4	0.874			
	ETR5	0.960			
	ETR6	0.946			
	ETR7	0.953			
Financial Performance	FP1	0.986	0.989	0.991	0.941
	FP2	0.988			
	FP3	0.976			
	FP4	0.974			
	FP5	0.921			
	FP6	0.969			
	FP7	0.976			
Social Responsibility	SOR2	0.865	0.965	0.970	0.865
	SOR4	0.907			
	SOR5	0.960			
	SOR6	0.950			
	SOR7	0.965			

The measurement model was assessed to ascertain the reliability and validity of the research instrument (Figure 2). Table 2 shows that all latent constructs have outer loadings above 0.8, indicating adequate item-indicator reliability. ENR7 was deleted for environmental responsibility, SOR1 and SOR3 were deleted for social reliability, and ENR1 and ENR2 were deleted for ethical responsibility, in each case to achieve an average variance extracted (AVE) above 0.5. Both the dependent variable (financial performance) and the independent variables (environmental, social, and ethical responsibility) achieved adequate reliability and validity.

Financial performance recorded a composite reliability of 0.991 and Cronbach's of 0.989. Environmental responsibility recorded a composite reliability of 0.981 and Cronbach's alpha of 0.976. Social responsibility recorded a composite reliability of 0.970 and Cronbach's alpha of 0.965, and ethical responsibility recorded a composite reliability of 0.959 and Cronbach's alpha of 0.945, indicating a satisfactory level of reliability. All constructs also exceeded the recommended AVE threshold of 0.5: financial performance (0.941), environmental responsibility (0.895), social responsibility (0.865), and financial responsibility (0.823).

Consistently, the analysis showed that all latent constructs have a sufficient level of discriminant validity, using Fornell and Larcker and cross-loadings criteria (Table 3). According to the outcome, financial performance has a square root of AVE of 0.970, which exceeded all other scores in rows and columns. On the other hand, environmental responsibility has a square root of AVE of 0.946, which exceeded all other scores in rows and columns. Still, social responsibility has a square root of AVE of 0.930, which exceeded all other scores in rows and columns. Lastly, ethical responsibility has a square root of AVE of 0.907, which exceeded all other scores in rows and columns. Suggesting sufficient level of validity.

Table 3: Discriminant Validity

	Environmental Responsibility	Ethical Responsibility	Financial Performance	Social Responsibility
Environmental Responsibility	0.946			
Ethical Responsibility	0.325	0.907		
Financial Performance	0.804	0.392	0.970	
Social Responsibility	-0.046	0.387	0.043	0.930

Furthermore, the results in Table 4 showed that all latent constructs have a sufficient level of validity. Consequently, all item-indicators that measure financial performance loaded strongly on their construct, above other constructs, in rows and columns. Equally, all item-indicators that measure environmental responsibility, social responsibility, and ethical responsibility loaded strongly in their constructs, above other constructs, both in rows and columns. Hence, all latent variables have sufficient validity levels.

Table 4: Cross Loadings

	Environmental Responsibility	Ethical Responsibility	Financial Performance	Social Responsibility
ENR1	0.919	0.289	0.729	-0.015
ENR2	0.941	0.313	0.803	-0.027
ENR3	0.913	0.331	0.739	-0.075
ENR4	0.960	0.316	0.762	-0.045
ENR5	0.959	0.281	0.731	-0.051
ENR6	0.981	0.312	0.792	-0.052
ETR3	0.252	0.792	0.324	0.647
ETR4	0.288	0.874	0.378	0.275
ETR5	0.328	0.960	0.380	0.302
ETR6	0.301	0.946	0.360	0.271
ETR7	0.299	0.953	0.325	0.288
FP1	0.774	0.381	0.986	0.072
FP2	0.790	0.409	0.988	0.070
FP3	0.752	0.380	0.976	0.030
FP4	0.765	0.368	0.974	0.067
FP5	0.760	0.336	0.921	0.004
FP6	0.789	0.391	0.969	0.035
FP7	0.824	0.393	0.976	0.012
SOR2	-0.066	0.300	0.012	0.865
SOR4	-0.014	0.330	0.059	0.907
SOR5	-0.069	0.416	0.023	0.960
SOR6	-0.061	0.405	0.028	0.950
SOR7	-0.051	0.362	0.039	0.965

4.2 Structural Model Assessment

The structural model was assessed to establish a cause-and-effect relationship between predicting and criterion variables. Accordingly, Figure 3 and Table 6 showed the outcome of the assessment.

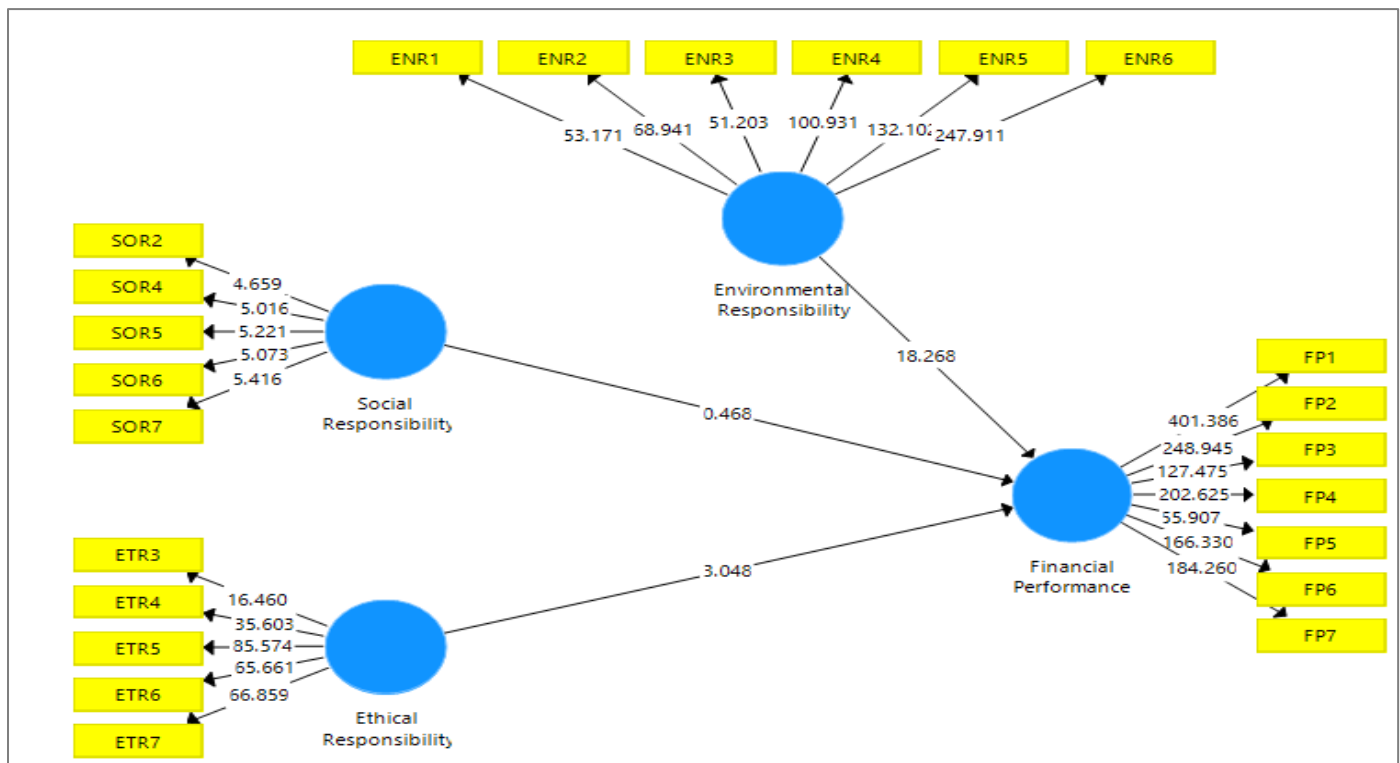


Figure 3: Structural Model

Similarly, Table 5 showed that the coefficient of determination and effect size were assessed using R Square and f Square. Based on the findings, environmental responsibility, social responsibility, and ethical responsibility accounted for 66.6% of the variance in the financial performance of oil and gas companies in Nigeria. Likewise, the outcome confirmed that environmental responsibility has an effect of 1.492 on the financial performance of oil and gas companies in Nigeria, which is highly substantial. On the other hand, ethical responsibility has an effect of 0.039 on the financial performance of oil and gas companies in Nigeria, which is considered small. However, social responsibility has an effect of 0.002 on the financial performance of oil and gas companies in Nigeria. Hence, social responsibility has the least effect on financial performance.

Table 5a: Effect size (f square) of each predictor on financial performance

Predictor	f Square	Effect size
Environmental Responsibility	1.495	Large
Ethical Responsibility	0.039	Small
Social Responsibility	0.002	Negligible

Table 5b: Coefficient of determination

Endogenous variable	R Square	R Square Adjusted
Financial Performance	0.666	0.665

Table 6: Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Environmental Responsibility -> Financial Performance	0.761	0.759	0.042	18.268	0.000
Ethical Responsibility -> Financial Performance	0.134	0.137	0.044	3.048	0.001
Social Responsibility -> Financial Performance	0.026	0.026	0.056	0.468	0.320

Furthermore, [Table 6](#) showed that environmental responsibility has significant effect on the financial performance of oil and gas companies in Nigeria ($B = 0.761$, $t\text{-value} = 18.268$, $p\text{-value} = 0.000$). Yet, the outcome showed that social responsibility has no significant effect on the financial performance of oil and gas companies in Nigeria ($B = 0.026$, $t\text{-value} = 0.468$, $p\text{-value} = 0.320$). On the other hand, ethical responsibility has significant effect on the financial performance of oil and gas companies in Nigeria ($B = 0.134$, $t\text{-value} = 3.048$, $p\text{-value} = 0.001$). Hence, H1 and H3 were statistically supported. Whereas H2 is not statistically supported.

4.3 Discussion of findings

This study set out to establish the effect of corporate social responsibility on the financial performance of firms in Nigeria's oil and gas sector. Each hypothesis is discussed below:

The finding that environmental responsibility has a significant, and indeed the strongest, effect on financial performance ($B = 0.761$, $t = 18.268$, $p = 0.000$) is consistent with [García-Amate et al. \(2023\)](#), who found a significant positive environmental-performance effect in a global sample of 264 oil and gas firms, and with [Barresi et al. \(2025\)](#), who linked lower emissions intensity to stronger financial performance within the same industry. It also aligns with [Bashir et al. \(2025\)](#), who found that environmental and governance practices raised ROA, ROE, and firm value when paired with innovation strategies, and with the systematic-review evidence in [Cunha et al. \(2025\)](#), who report a generally positive ESG-performance association across the studies they synthesize. The size of the effect in the present study - environmental responsibility alone accounts for the great majority of the variance explained in financial performance - suggests that, within Nigeria's oil and gas sector specifically, environmental stewardship is not a peripheral compliance cost, but the single most financially material CSR dimension employees perceive. This reinforces the institutional argument advanced by [Barresi et al. \(2025\)](#) that environmental conduct pays off most reliably where regulatory and reputational scrutiny is high, which is increasingly the case for oil and gas operators in Nigeria given rising community and regulatory pressure over spillage and flaring.

By contrast, the finding that social responsibility has no significant effect on financial performance ($B = 0.026$, $t = 0.468$, $p = 0.320$) departs from [Dattijo et al. \(2024\)](#), [Abdulsalam et al. \(2024\)](#), and [Ogunbiyi-Davies and Adegbie \(2024\)](#), all of which reported positive, though often modest, social responsibility-performance links among Nigerian oil and gas firms using panel or secondary financial data. The present result is, however, consistent with [García-Amate et al. \(2023\)](#), whose global oil and gas sample showed the social pillar's financial pay-off to be the most fragile of the three ESG pillars tested, weakening sharply once a firm accumulated reputational controversies. A plausible reconciliation is that the Nigeria-specific studies measured social responsibility indirectly, through CSR expenditure recorded in secondary financial statements, whereas the present study measured it perceptually, through employees' first-hand assessment of community-development and welfare programs. If employees experience such programs primarily as a compliance or public-relations obligation rather than as a deliberate performance-enhancing investment, their perceived benefit would understandably fail to translate into a perceived financial pay-off, even where the underlying CSR expenditure is real and measurable in the firm's accounts.

Finally, the significant effect of ethical responsibility on financial performance ($B = 0.134$, $t = 3.048$, $p = 0.001$) aligns with [Krasniqi and Zeqiraj \(2026\)](#), who found that an ethics-and-governance CSR index significantly improved bank financial performance across six Western Balkan countries, and with [Velte's \(2022\)](#) structured review of 54 CSR meta-analyses, which identified governance and ethical-compliance variables among the most consistently positive predictors of firms' financial outcomes. This finding, however, departs from [García-Amate et al. \(2023\)](#), whose governance pillar was not a significant predictor of financial performance in their global oil and gas sample. A plausible reconciliation is that ethical responsibility pays off more reliably when it is judged by employees' first-hand perceptions of transparency, accountability, and fair dealing, as in the present study and in [Krasniqi and Zeqiraj \(2026\)](#), than when it is proxied by governance-structure scores drawn from secondary disclosures alone, as in most large-sample studies such as [García-Amate et al. \(2023\)](#); perceptual measures may simply be more sensitive to the everyday ethical climate that ultimately shapes stakeholder trust and, through it, financial performance.

5. Conclusion

In conclusion, the research investigated the effect of corporate social responsibility on the financial performance of firms in the oil and gas industry. Consequently, responses from employees with knowledge of CSR and organizational performance were obtained and analyzed. Based on the findings, environmental responsibility and

ethical responsibility appeared as important predictors of the financial performance of firms operating in Nigeria's oil and gas sector. Social responsibility did not improve the financial performance of firms in the oil and gas sector. In light of this, it is recommended that employees and regulatory authorities should see environmental responsibility and ethical responsibility as avenues to boost financial performance through the proper execution of green solutions and the application of best ethical practices and global standards. Also, future researchers can test the model using secondary data, or by increasing the sample size. Lastly, future research can test the effect of moderator or mediator in the realm of corporate social responsibility and financial performance research.

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