



## The Trend of Corporate Social Responsibility Activities of the Quoted Nigerian Downstream Oil and Gas Industry

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### ABSTRACT

*The study appraised the trend of Corporate Social Responsibility (CSR) activities of the quoted Nigerian downstream Oil and Gas industry. The study used secondary data, sourced from audited financial reports of selected quoted companies in the Oil and Gas industry, Nigeria Stock Exchange Factbook and statistical Bulletin of the Central Bank of Nigeria on such variables like corporate social responsibility (donation), age of firms, profit after tax, and total assets. The study population consisted of 12 quoted companies in Oil and Gas industry in Nigeria. Eight companies with complete data were purposively selected in the industry. The study covered the period between 2013 and 2022 financial years. Data collected were analyzed using charts and trend analysis. Linear trend equation was used to determine whether there is upward trend or downward trend in the historical data. The results revealed that the trend of corporate social responsibility (CSR) activities of companies in Nigeria quoted Oil and Gas industry exhibited irregular and unpredictable pattern. This suggested irregular spending policy on corporate social responsibility among Oil and Gas firm. The study concluded that CSR, if properly implemented, could enhance financial performance of quoted downstream m Oil and Gas industry in Nigerian.*

**Keyword:** Corporate Social Responsibility, Oil and Gas Industry and Trend

### 1.0 Introduction

Corporate Social Responsibility (CSR) is a voluntary initiative undertaken by commercial and industrial companies to regulate their operations in a manner that aligns with legal requirements, ethical standards, and international best practices. It involves integrating social and environmental concerns into a company's business model and decision-making processes. CSR initiatives aim to create a positive impact on various stakeholders, including: Environment, Companies may undertake activities to minimize their environmental footprint, such as reducing emissions, conserving resources, promoting sustainable practices, and supporting initiatives for environmental protection and conservation. General Public, CSR initiatives can involve contributions to the local community through projects and programs that address social issues, support community development, and enhance the well-being of the general public. Consumers, Companies may prioritize consumer welfare by ensuring the safety and quality of their products or services, providing transparent information, and addressing consumer concerns and feedback. Employees, CSR efforts may focus on creating a safe and inclusive work environment, promoting employee well-being, offering training and development opportunities, and supporting initiatives for employee engagement and work-life balance. Shareholders, Companies may incorporate CSR practices to enhance long-term shareholder value by adopting sustainable business practices, maintaining good corporate governance, and managing social and environmental risks and opportunities.

Corporate Social Responsibility (CSR) has been made mandatory for companies, regardless of whether they are private or government-owned, through the provisions outlined in Section 135 of the Companies Act, 2013. According to this rule, qualifying companies are required to spend a certain portion of their profits on CSR initiatives. Under the Companies Act, 2013, CSR funds cannot be spent solely on individuals. Instead, they must be utilized for the benefit of the community as a whole. The Act emphasizes that CSR is fundamentally an ethical concept that focuses on changing the notion of human welfare and recognizing the social dimensions of business activities. Companies are expected to allocate the specified portion of their profits towards CSR activities and report their initiatives in their annual reports. This regulatory framework aims to encourage businesses to contribute positively to society and address social and environmental challenges through their operations.

The academic research on corporate social responsibility (CSR) has indeed expanded over the years, with scholars shifting their focus from measuring CSR to exploring its determinants. The cited studies (Hsiang-Lin, Hsiang-Hsuan & Tzu-Yin, 2010; Faris, Abedalfattah & Marwan, 2012; Musa & Shehu, 2013) reflect this shift in focus. In the Nigerian context, most of the existing research on CSR has predominantly examined the banking sector and the upstream sector of the oil and gas industry. However, there is a gap in research specifically addressing CSR and its determinants in the downstream sector of the oil and gas industry in Nigeria. This knowledge gap provides an opportunity for comprehensive research that delves into the level of CSR practices and the factors influencing CSR adoption in the downstream sector of the oil and gas industry in Nigeria. Such research can contribute to a better

understanding of the CSR landscape in the industry, identify the motivations and challenges faced by downstream companies in implementing CSR initiatives, and highlight the potential impacts and outcomes of CSR in this sector. By conducting this study, researchers can shed light on the unique dynamics of CSR in the downstream sector, provide insights for industry stakeholders and policymakers, and contribute to the body of knowledge on CSR within the Nigerian context.

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## 2.0 Literature Review

### 2.1 Theoretical Underpinnings

The shareholder primacy model asserts that the primary obligation of corporate managers is to maximize shareholder wealth. This perspective considers companies as private properties of shareholders and assumes that the success of the company is synonymous with the success of its shareholders. The contractarian theories further support this notion by treating the company as a hub for contractual relationships, emphasizing the maximization of shareholder profits. The shareholder primacy model and contractarian thinking have traditionally been foundational to business operations in the United States and the United Kingdom. They often prioritize shareholder interests and tend to downplay societal, labor, creditor, and environmental concerns unless they directly contribute to enhancing shareholder value. This perspective considers wealth maximization for shareholders as a means of effectively distributing resources in society. However, in the modern business landscape, these theories have faced criticism for their limited consideration of the interests of other stakeholders and their potential negative impacts on societal well-being. The narrow focus on shareholder wealth maximization and the lack of emphasis on broader social and environmental concerns have been seen as morally questionable and misaligned with prevailing social norms. Unfortunately, the influence of the shareholder primacy model and contractarian thinking is still prevalent in corporate governance and practices within the Nigerian business community. This reliance on these theories may hinder the embedding of effective CSR practices that encompass the interests of multiple stakeholders. Recognizing the limitations of the shareholder primacy model, there has been a growing movement towards alternative models, such as stakeholder theory and the concept of shared value. These perspectives advocate for a broader consideration of the interests of various stakeholders and the integration of social and environmental concerns into business strategies. Promoting a shift from the narrow focus on shareholder primacy towards a more comprehensive and inclusive approach to corporate responsibility can contribute to more sustainable and socially responsible business practices in Nigeria and beyond.

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## 3.0 Methodology

The population of this study constituted twelve (12) quoted companies in oil and gas industries in the Nigerian stock exchange as at 2014. Eight companies with complete data were purposively selected in the industry. The choice for this sector is based on the nature of their production; nature of disposal of wastages, environmental pollution and their market capitalization. The sample period (2013-2022) is based on the fact that this period falls within the period in which there was an outbreak of covid-19. Twelve Oil and Gas industries that were used for this study were Afroil Plc., Beco Petroleum Plc., Capital Plc., Conoil Plc., Eternal Oil Plc., Japaul Oil and Maritime Services, Plc. Mobil Oil Nigeria Plc., MRS Oil Plc., Oando Nigeria Plc., Total Nigeria Plc., Tropical Petroleum Nigeria Plc. The downstream oil industry is the single most important sector in Nigeria economy and provides about 90% of its exports (Mories, 2010) is selected for this study. The choice of this sector is based on the nature of their production; nature of disposal of wastages, environmental pollution and their market capitalization. The quoted companies in the Oil and Gas industry in Nigeria selected are Oando Nigeria Plc., Total Nigeria Plc., Mobil Oil Nigeria Plc., MRS Oil Plc., Forte Oil Plc., Eternal Oil Plc., Beco Petroleum Plc. and Japaul Oil and Maritime Services Plc. Data for the study was obtained through secondary source. The secondary data was collected from annual reports and accounts of the selected Oil and Gas industry from Nigeria Stock Exchange (NSE) fact books, and the publication of the Nigerian Stock Exchange for the period of 2013-2022. The study was conducted using regression analysis.

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## 4.0 RESULT AND INTERPRETATION OF DATA

This section presented the data analysis and interpretation of results, which is devoted to the achievement objective of the study.

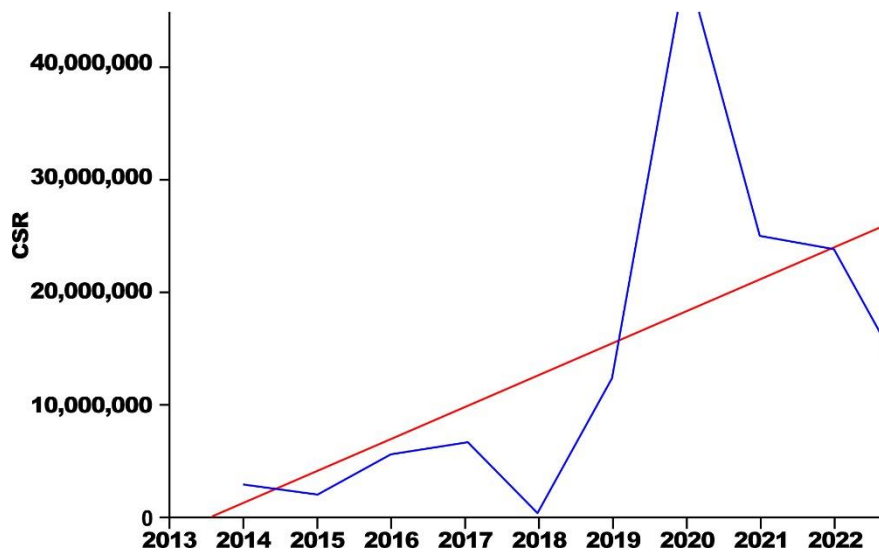
Figure 4.1 showed the trend of corporate social responsibility (CSR) of the selected companies in quoted Oil and Gas industry. The result showed irregular and unpredictable pattern. This suggested irregular spending policy on corporate social responsibility among Oil and Gas firm.

A further analysis of the variable by year showed that the amount spent on CSR by the selected companies were relatively stable from 2013 which is the base year for this study but fell in the year 2018 due to the general recession and insecurity in the Niger Delta. The subsidiary companies in the middle belt made some losses during the year due to the economic recession and that affected the profit of the companies to an extent. There was absolute dullness in business activities.

In 2019 and 2020, the amount spent on CSR rose to the peak. The country witnessed another political transition that ushered in the eighth republic in 2019. This adversely affected economic activities as the elections dominated national discourse in all spheres, interest rate and energy costs were high and the naira depreciated against other world currencies particularly the United State' dollar. Despite the operating environment for companies throughout the world in the year 2020 which was not conducive for most operators because of the outbreak of covid-19, as difficult financial circumstances proved to be the norm throughout the year. The Oil and Gas industry continue to witness the negative effects of persistent multiplicity of oversight functions by

Government agencies as well as excessive and intrusive regulation of the industry. Against this background the companies' performance turned out to be considerably very bad than was expected but still Corporate Social Responsibility rose

**Figure 4.1** Trend of corporate social responsibility activities in the downstream companies in Nigeria Oil and Gas industry.



**Figure 4.1:** Trend of CSR among the selected Companies in quoted Nigeria Oil and Gas Industry (2013-2022)

Source: Analysed Data, 2023

In 2021, CSR started declining, the oil sector continued to have a declining impact on economic growth as production levels dropped in the year due to pipeline disruptions as well as a lack of significant investment in the industry following the continued insecurity in the northern region.

The years 2013 - 2022 presented enormous challenges to the company as it had to battle to overcome the impacts of general economic downturn, funding constraints, and loss of main income source, business plan projections were drastically negatively affected. The Companies' turnover decreased drastically. The decline in turnover was attributable to funding constraint, and of course, the loss of vessel income, Loss profit after tax increase. Again, the increase in the loss after tax is attributable to the dearth of adequate capital to operate and the loss of some of its major resources for income generation. The losses incurred led to the reduction of total assets, the Covid-19 outbreak took a heavy human and economic toll. In addition, the security situation continues to be difficult in some countries, including the Central African Republic, South Sudan and Nigeria. In Nigeria, the escalating security challenges in the Northern part of the country, the general election and post-election issues, and the falling oil price. All of these factors significantly affected Oil and Gas sector. Further devaluation of the naira may be imminent in the short horizon, considering the dwindling external reserves, coupled with the drop both in volume and price of crude oil.

From the empirical analysis conducted and the test of hypothesis carried out, the study found out there was irregular and unpredictable pattern spending policy on corporate social responsibility among Oil and Gas industry. This showed the absence of a working CSR strategy in the quoted downstream sector of Oil and Gas industry in Nigeria. This is in line with the findings of Ejumudo, Edo, and Sagay (2011) and Ojo (2007). A critical assessment of environmental issues and corporate social responsibility in Nigeria, the Niger Delta region as case study was undertaken by Ejumudo, Edo, and Sagay (2011). The researchers made use of survey research method which involves primary source of data collection and came up with the findings that oil companies' activities in the region have had destructive effect on the environment and concluded that oil companies operating in the region has done little or nothing in minimizing the difficulties of the host communities. Also, Ojo (2007), focused on the social responsibility of business organizations in Nigeria by examining the extent of involvement of organizations toward the concept of CSR with a view of recommending the strategic importance of being socially responsible to all stakeholders. The study employed the annual reports and accounts of randomly selected 40 limited liabilities companies out of 209 companies as at July 2007 by means of secondary data within the range of 2002-2006 and by the techniques of regression and Analysis of Variance (ANOVA) comparison is made of their turnover with the total investment in social responsibility. The result revealed that those selected companies have contributed little amount of their gross earnings in social responsibility. Thus, the study recommended that the concerned organizations should increase their involvement in social responsibility as could lead to boosting their reputational capital. Lastly, it is also in line with Wan et al, (2008) who found that during recession Japanese banks are better off being less socially responsible.

This study was of the opinion that there is future for CSR in Nigeria. While expressing the view that it will take over a decade to achieve significant change, this study believed that CSR knowledge, implementation and communication will all increase and that disparities between CSR development levels in different regions will continue to shrink. The study concluded that the opinion of the government will remain the key driver of future CSR development, but that the private sector will become more proactive in CSR implementation.

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## 5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

This section contains the summary of the research findings, conclusions drawn from the findings and recommendations based on the findings arising from the study.

### *Summary*

The study appraised the trend of Corporate Social Responsibility activities of the quoted Nigerian downstream Oil and Gas industry. The findings of the result showed irregular and unpredictable pattern in the amount spent on corporate social responsibility by majority of the selected quoted Oil and Gas industry.

### *Conclusion*

Findings provide insight into the trend of corporate social responsibility in companies in quoted Nigeria Oil and Gas industry and showed irregular and unpredictable pattern due to general economic recession, insecurity in the Niger Delta, political transition, pipeline disruptions, Ebola outbreak and security challenges in the Northern part of the country.

### *Recommendations and Policy Implication*

Based on the findings of this study, the following recommendations are therefore made:

- 1 There should be intensive public enlightenment and organization of seminars and conferences to make various corporate bodies to be aware that their obligation does not end with profit-making and maximization of shareholder wealth. This will enable the business unit managers to be more aware and conscious of social needs of their immediate environment and the community at large;
2. Corporate entities should voluntarily integrate both social and environmental upliftment in their business philosophy and operations.
3. Corporate social responsibilities should be seen by the firm as social obligations business concerns owe their shareholders, the local (host) community, general public, customers, employees and the government in the course of operating their legitimate businesses, such that CSR should be included in the law and enforced on the firms accordingly.
4. The society should be educated on this obligation which companies in their environment owe them, and how to follow up their demand.

### *Contribution to Knowledge*

This research makes theoretical and practical contributions to the field of accounting. It will enhance the quality of literature on trend of corporate social responsibility. This study throws more light and enhances understanding of Corporate Social Responsibility and its sensitivity to corporate performance in Nigerian quoted Oil and Gas industry. This study has the following implications:

The result of the findings about CSR trend in the Oil and Gas sector suggested an absence of strategy to address CSR in Nigeria. This was substantiated by irregular and unpredictable pattern in CSR expenditure in the industry. This may mean that CSR expenditure was done haphazardly and without recourse to a workable strategy that was in place.

### *Suggestion for Further Research*

In view of the limitations of this research, the following suggestions are recommended for further study.

The sample size of eight companies may not be extensive enough to reflect the corporate social responsibility in Nigeria, this is because there are only twelve companies quoted in the downstream sector of Nigeria Oil and Gas industry, while financial report of four of them for the entire period were not available. Future researcher could investigate trend of corporate social responsibility for all the quoted companies in the industry. The study was restricted to the downstream sector of the Oil and Gas industry. Future researchers may wish to consider the upstream sector or both sectors.

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This implied that results of the findings suggested that age is a determining factor in CSR activities. This implied that averagely old companies that are established already pay more attention to CSR.

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