
Corporate Social Responsibility and Financial Performance of Quoted Oil and Gas Companies in Nigeria

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ABSTRACT: *Justified by the environmental hazards and eco-system disruption in Nigeria, this dissertation investigated the relationship between corporate social responsibility and financial performance of quoted oil and gas companies in Nigeria. The research adopted the ex post facto research design and data was collected from a sample of nine (9) listed oil and gas companies for a period of eleven (11) years from 2010 to 2020. The corporate social responsibility activities of the oil and gas companies in Nigeria were measured against financial performance. The panel least square (PLS) regression estimation technique was used for data analysis. Other statistical/econometric estimation techniques used in the research included: Pearson correlation, Augmented Dick-Fuller (ADF) unit root test, Breusch-Pagan-Godfrey heteroskedasticity and the Hausman test. Findings of the research revealed: a non-significant negative relationship between employees' training activities and return on assets; employees' training activities and return on equity had a negative and significant relationship ;there was a non-significant negative relationship between environmental compliance activities and return on assets; a significant positive relationship between environmental compliance activities and return on equity; a non-significant positive relationship between community development activities and return on assets; a non-significant negative relationship between community development activities and the return on equity. The research thus concluded that costs associated with employees training and environmental compliance activities contribute meaningfully to return equity however, none of the variable are significantly enhance return on assets. Based on the conclusions, it is recommended that: Oil and gas companies conduct a thorough review/audit of their employees' training programs enhance its contribution to financial performance. It is further suggested that oil and gas companies invest more in environmental compliance activities that has the potential to reduce resources expended in environmental remediation programs; community development activities be designed to foster peaceful coexistence between the company and local communities in which the oil and gas companies operate.*

KEYWORDS: Employee training, Environmental compliance, Environmental compliance, Community development, return on equity, return on assets,

INTRODUCTION

Unchecked exploration activities by oil and gas companies in upstream sector are largely responsible for the environmental hazards and eco-system disruption in Nigeria (Zhu, Pan & Wang, 2016; Nwaiwu& Joseph, 2021). In addition to severe health hazards that are commonly associated with oil and gas exploration activities, the environment, economic and social structure of indigenous communities' activities in the oil producing areas are adversely affected (Nwaiwu& Amah, 2020). Further, Poor or weak environmental law enforcement is a major issue which the United Nations has been grappling with over the years through the sustainable development goals (SDGs).

Adams (2020) suggests that "Corporate social responsibility should be included in the annual reports of corporate firms that comprise major financial performance of firms" financial performance for the past two decades has received significant attention from researchers especially in accounting, finance and strategic management. The reason for this is not farfetched as financial performance has implications to organization's health and long-term survival (Asuquo., Dada &Onyeogaziri, 2018). Financial performance is the efficient and effective use of resources by an organization for accomplishment of its objectives resulting to increase in share price, profitability and return on equity (Nwaiwu& Amah, 2020, Nwaiwu& Joseph, 2021). Companies have to produce goods and services to them generate profits and grow in the long-run. Various forms of companies operate in many environments to deliver goods and/or services to achieve certain defined objectives. Companies impact on the society and the environment through their operations, products, services and through their interaction with key stakeholders. Concerns about global warming and greenhouse emissions and corporate environmental pollutions and degradations, among other have intensified stakeholders' interest in corporate environmental activities and corporate social responsibility activities (Osisioma, Nzewi& Paul, 2015). A wide range of pollution is associated with the existence of industries as a result of transformation of raw materials into finished products at the various stages of the production process. Those companies engaged in oil prospecting, petro-chemicals, steel production, paper and textile manufacturing, food, water, beverages and breweries, pharmaceuticals, quarries, road constructions, cement manufacturing, generate overwhelming pollution that endanger the health of the people especially these living close to the site of the production or where the wastes are disposed (Ibrahim & Hamid, 2019).

Similarly, statutory land location for industries (including waste disposal sites) is only permissive far away from residential area. Unfortunately, that is embarrassingly abused and not practical beyond paper laws in most developing nations, including Nigeria as can be seen in the industrial cities of Lagos and Ibadan in the South West, Port-Harcourt and warri in the south-south, Kano and Kaduna in the North-West and Enugu, Onitsha and Aba in the South-East (Ibrahim &Hamld, 2019; Adekoya., Enyi & Akintoye, 2020). It must be appreciated that the health of population of industries is strictly dependent on its environment (Boato&Kokuma, 2016). Location of industries in many areas of the developing world has made water production, our pollution and hazardous wastes to be pressing environmental problems. This is no doubt a precursor to such diseases from air, water and noise that shortens the life expectancy of the people (Cho, Chung & Young, 2019),which indicates that industrial activities are carried out at the expense of the helpless and vulnerable residents and visitors in the area

with such detrimental adverse consequences on the health status of the people (Boesso & Kumar, 2007).

Statement of the Problem

While corporate social responsibility appears very popular, it has perhaps become a victim of its own popularity. Every business claimed to be involved in corporate social responsibility, whether genuinely or otherwise (Uzoma & Mgbemena, 2015; Worace & Ngwokwe, 2017). Many companies may actually be conducting their businesses responsibly and communicating same effectively to stakeholders. Others rather constitute free riders, paying lip-service to corporate social responsibility and involved only in green washing (Etale & Otuya, 2018; Nwaiwu & Amah, 2020). Green-washing appears to have also dovetailed into regulatory and enforcement debates.

There are concerns regarding corporate social responsibility and financial performance conception as mere tokenism or voluntary corporate charity and subject to the whims and caprices of the companies involved; a conception that seems to have been popularized at the European Union. It has thus been difficult to embed effective and intrinsic corporate social responsibility values within the business community as a result of desperate cling to voluntary and self-regulatory corporate regime, relatively few companies have been held liable for actions or activities that may be deemed irresponsible even under the present arguably tax ideological and regulatory framework (Aggarwal, 2012; Adewoye., Olaoye & Ogundipe, 2018; Elshawarby, 2018). Strikingly, corporate social responsibility activities within the Nigerian business community including amongst multinational enterprises (MNES) in the oil and gas industry also compounds the conceptual challenges sought to be addressed in this study, many business actors in Nigeria still restrictively conceived corporate social responsibility in terms of voluntary corporate charity, community development, activities, employee benefit activities, donations and just “giving back to the society. Corporate social responsibility is thus viewed in light of a company accumulating and setting aside some part of its profit and at year end, doling same out in philanthropy, employee benefit activities, donations towards community development activities and financial performance. This restrictive conception appears to also currently undermine corporate social responsibility legal and regulatory framework in Nigeria.

The extant literature is replete with empirical evidence on the oil exploration and exploitation on the environment in Nigeria (Omofonmwan & Odi, 2009; Kadafa, 2012; Uzoma & Mgbemena, 2015). However, there is paucity of empirical evidence on the impact of corporate social responsibility and financial performance of quoted oil and gas companies in Nigeria. Furthermore, several studies have examined the impact of corporate social responsibility on financial performance over the last few decades from around the world. However, the findings provided mixed results which range from positive impact, such as Nakao, Nakano, Amano; Kokubu, Matsumura and Gemba (2017) in Japan, Griffin and Sun (2012), Worea and Ngwokwe (2017) in South Africa; Elshawarby (2018) in Egypt; Etale and Otuya (2018), Sulaiman., Ahmadu and Mijinya (2018), Ibrahim and Hamid (2019); Nwaiwu and Amah (2020), Kaoje., Sani., Tanko., Babangida and Yabo (2020) in Nigeria. Negative impact, such as Hughes (2000) in United Kingdom; Brammer, Brooks and Pavelin (2016) in United State of America; Roy and Ghosh (2019) in Britain; Adewoye, Olaoye and Ogundipe (2018), Ibrahim and Hamid (2019), Kaoje, Sani, Tanko, Babagida and Yobo (2020) in Nigeria; Maxwell (2018) in Ghana mixed impact such as Lankoski (2000) in Japan; Cormier and Magnan (2007); Orlitzky (2008) in

United Kingdom; Adewoye., Olaoye and Ogundipe (2018) in Nigeria. No significant impact such as Deegun (2014), in Great Britain; Nwaiwu and Joseph (2021) in Nigeria. These observed limitations have left a trail on knowledge gap in the literature, thus warranting the need for a more systematic examination of the impact of corporate social responsibility on financial performance from the standpoint of quoted oil and gas companies in Nigeria. This underscores the need for this empirical study.

Objectives of the Study

The aim of this study is to explore empirically the impact of corporate social responsibility on financial performance of quoted oil and gas companies in Nigeria. Specifically, the objectives are to:

- i. Examine the impact of employee training activities on the return on assets of quoted oil and gas companies in Nigeria
- ii. Examine the impact of employee training activities on the return on equity of quoted oil and gas companies in Nigeria
- iii. Investigate the impact of environmental compliance activities on the return on assets of quoted oil and gas companies in Nigeria

Research Questions

In conducting this empirical study, the following research questions guided the study

- i. What is the impact of employee training activities on the return on assets of quoted oil and gas companies in Nigeria?
- ii. What is the impact of employee training activities on the return on equity of quoted oil and gas companies in Nigeria?
- iii. How does environmental compliance activities impact the return on assets of quoted oil and gas companies in Nigeria?

Research Hypotheses

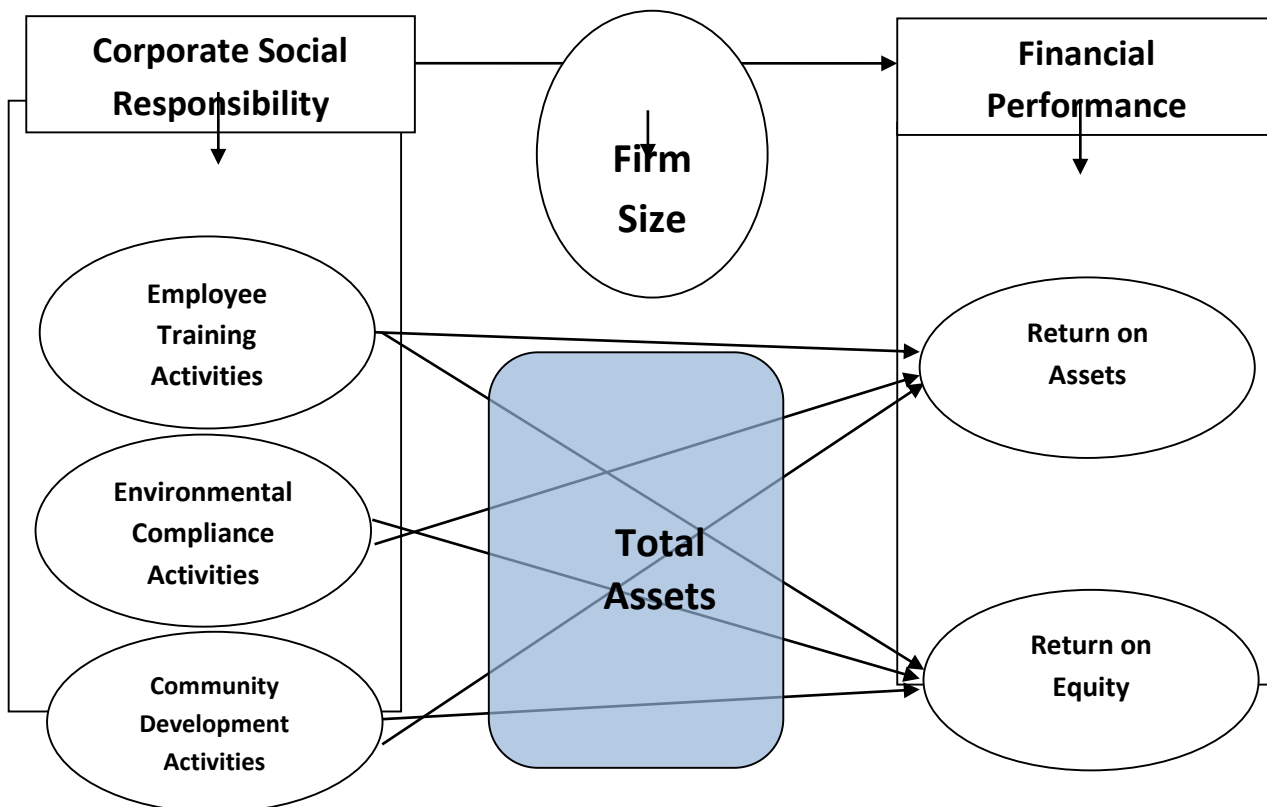
Having stated the objectives of the study, research questions, the following null hypotheses were formulated for the study.

- Ho₁: Employee training activities does not impact with return on assets of quoted oil and gas companies in Nigeria
- Ho₂: Employee training activities has no significant impact on return on equity of quoted oil and gas companies in Nigeria
- Ho₃: Environmental compliance activities have no significant impact with return on assets of quoted oil and gas companies in Nigeria

LITERATURE REVIEW

Conceptual Review

The conceptual review shall be guided by the conceptual framework below:



Financial Performance

The subject of corporate performance has received significant attention from scholars in the various areas of business and strategic management (Jay, 2006). It has also been the primary concern of

Figure 1 Conceptual/Operational Framework of Corporate Social Responsibility and Financial Performance of quoted oil and gas companies in Nigeria.

corporate success stories in positive contributions to the well-being of their stakeholders, while low performance organizations are not due to their lack of such essential attributes (Jay, 2006).

Glautier and Underdown (2001) maintains that there are two aspects of a company's financial performance of interest to investors. First, its financial performance may be assessed by reference to its ability to generate profit. This agrees with Pandey (2005:) assertion that it is assumed that profit maximization causes the efficient allocation of resources under the competitive market conditions, and profit is considered as the most appropriate measure of a firm's performance. Hill and Jones (2009) also assert that the key measure of a company's financial performance is its profitability. Thus, ratios of financial efficiency in this respect focus on the relationship between profit and sales and profit and

assets employed. Second, the company's financial performance may be assessed in terms of the value of its shares to investors. In this way, ratios of financial performance focus on earnings per share, dividend yield and price/ earnings ratios (Nwaiwu& Amah, 2020).

Financial Performance Measures

Return on Assets

Return on Assets (ROA) represents the amount of earnings (before interest and tax) a company can achieve for each naira of assets it controls and is a good indicator of a firm's profitability. According to Hagel, Brown & Davison (2010) ROA explicitly takes into account the assets used to support business activities. It determines whether the company is able to generate an adequate return on these assets rather than simply showing robust return on sales. Asset-heavy companies need a higher level of net income to support the business relative to asset light companies where even thin margins can generate a very healthy return on assets. Using ROA as a key performance metric quickly focuses management attention on the assets required to run the business.

Return on Equity

Karagiorgos (2020) and Brown (2020) Return on equity which is a test of profitability based on the investments of the owners of the business. It measures the return which accrues to the shareholders after interest payments and taxes are deducted. It is given by the formula:

$$\frac{\text{Net profit (after interest, taxes and preference dividend)}}{\text{Shareholders Equity}}$$

Corporate Social Responsibility

Corporate Social Responsibility is described as a concept that recognizes the intimacy of the relationship between the corporation and society and realizes that such relationship must be kept in mind by top managers as the corporation and the related groups pursue their respective goals (Tela, 2014; Osisioma; Nzewi& Paul, 2015). Corporate social responsibilities are defined as the economic legal, moral and philanthropic actions of firms that influence the quality of life of relevant stakeholders (Porter & Kramer, 2002). Moreover, CSR is described as the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract (Jibril; Dahirn, Maktar& Bello, 2016). Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behaviour influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers and neighbouring communities (Okegbe&Egbunike 2018).

In the same vein, CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (Babalola, 2012; Duke &Kankpang, 2013). Also, CSR can be defined the ways in which a business seeks to align its values and behaviour with those of its various stakeholders (Ibrahim, 2015). The stakeholders of the business include the employees,

customers, suppliers, government interest groups (such as environmental groups) and Wider societal interests on whom the operations of the business may have an impact (Nwaiwu, 2019).

Environmental Compliance Activities

Environmental compliance cost is reported in environmental accounting information system (Ibanichuka & Nwaiwu, 2018 and Jamali & Mirshala, 2018). It is an aspect of accounting information that is reported as financial and non-financial information on environmental issues. Environmental issues identified by the UNCTAD as critical to sustainable development include: Global warming contribution, Greenhouse gas emission, Energy use, Water use, Oil spill, Ozone depleting substances, Materials usage, et cetera. It includes adverse impact on air, water, land, biodiversity, earth degradation from organization's production process, product and service. Ahmad (2012) opined that environmental accounting was used as a common term to advance the cause of environmental responsibility through accounting. They portrayed environmental accounting as:

According to Nwaiwu & Oluka (2018), such costs include cleanup costs, costs of recycling materials or conserving energy, closure costs, capital expenditure and development expenditure. Nwaiwu & Amah (2021) opine that these costs are incurred in preventing, reducing or repairing damage to the environment and conserving resources. Environmental losses are costs, which bring no benefits to the business which include: fines, penalties, compensation, and disposal losses relating to assets which have to be scrapped or abandoned on environment issues. ICAN (2014) suggest that fines and penalties paid of non-compliance with environmental regulations are charged to the statement of comprehensive income in the period in which they are incurred, regardless of whether the activities that resulted in the penalties had taken place in an earlier accounting period. If the entity has to embark on fundamental reorganizations or restructuring or to discontinuing particular activities in order to protect the environment, the costs (if material) should be treated as exceptional items and shown in the statement of comprehensive income. Environmental compliance cost is examined with its impact on the measures of financial value creation such as economic value added, market value added and Shareholder Value Added (Nwaiwu, 2019; Carroll & Shabanna, 2019).

Worae and Ngwakwe (2017) explained that past decades have seen researchers examining financial implication of environmental performance amidst global warming and depletion of fossil-energy source. Nwaiwu and Oluka (2018) identified that environmental cost disclosure enhances the earnings per shares (EPS) of the oil and gas companies which aligned with the a priori expectation of the study. The zeal to uncover the impact of environmental compliance cost on financial value creation result in the test of two hypotheses (H_{01} - H_{02}) shown above.

Employee Training Activities

In competitive environment, the strategic option for suitable workforce for business effectiveness cannot be overemphasized. Its relevance had naturally underlined it among corporate concerns and compelled the need for information on human capital performance. Al-mahammad (2019) and Micah, Ofurum and Ihendinihu (2012) aptly portrayed human resources as the energies, skills, talent and knowledge of people which are, or which potentially can be applied to the production of goods or rendering useful services.

Similarly, Ezejiolor, John-Akamelu & Iyidiobi (2017) identified human resource as a set of individuals who make up the workforce of an organization or a business entity. Oko (2018) added that human resource constitutes a valuable resource to every organization whether manufacturing-oriented or service-oriented. It is as important as the machines, materials and money without whom other resources cannot be blended and coordinated for the purpose of achieving profitability (Mulyadi & Anwar, 2019). In knowledge society or Knowledge-based economy, human resource constitutes the focal point on which all economic activities revolve as the predominant part in the creation of wealth (Yang, Lin, Chand, 2019). Consequent on the significance of this business resource to going concern of companies, investors and other stakeholders often require information about its management. This culminates into human resource, human capital, intellectual capital or human asset accounting. Afolabi & Udoeye (2018) defined human capital accounting as the process of identifying and measuring data about human resource and communicating this information to interested parties. Ofurum and Adeola (2018) pointed that human resource accounting can also be seen as the measurement of the cost and value of the work force in an organization. It involves measuring costs incurred by the organizations to recruit, select, hire, train and develop employees as well as of appraising their economic value to the organization (Soetan, Asein, Ajibabe, 2018).

METHODOLOGY

In line with the stated objectives of the study, cross

Sectional and ex-post facto design were employed for the study. The cross-section design is considered appropriate because it is likened to taking a snapshot of study subjects in a spot as the oil and gas companies in an industry. Similarly, the ex-post facto design was adopted because it is concerned with the analysis of data on past event to explain the behavioural impact, relationship, effect or differences between variables.

The study population are all the quoted oil and gas companies on the Nigeria Stock Exchanges, which was ten (10) but dropped to nine (9) by delisting BECO Plc as at 2016-2017 records of the Fact Book. A sample size of nine (9) quoted oil companies was purposively selected. Essentially, these comprised all companies in the accessible population. In line with best practice on the sample, the behaviour of oil companies in both upstream and downstream sector when studied against a time series or period of eleven (11) years from 2010 to 2020 would result in eleven (11) firm-years study observations to explain individually and collectively.

The data collected were obtained from the annual corporate reports of the listed oil and gas companies in Nigeria 2010-2020. Complementary data were capture from the periodic reports of the Nigerian Stock Exchange of the concerned corporate entities. The data analysis was performed with the aid of descriptive statistics techniques and ordinary least square (OLS) of multivariate regression models to ascertain the impact of the variables as expressed by the stated hypotheses. Other diagnostic test was conducted to establish validity. Such include test for stationarity, augmented-fuller unit root test, lag order selection criteria, wald test, granger causality test, co-integration test, error correction model, serial correlation and heteroskedasticity test.

Also, the study generated three models to achieve the objectives and answer the corresponding research questions. Consequently, the model specification was formulated in the following functional forms as thus:

$$\begin{aligned} \text{ROE}_{it} &= \int (\text{ETA}_{it}, \text{ECA}_{it}, \text{CDA}_{it}, \text{FMS}_{it}) - - - - \text{i} \\ \text{ROA}_{it} &= \int (\text{ETA}_{it}, \text{ECA}_{it}, \text{CDA}_{it}, \text{FMS}_{it}) - - - - \text{ii} \\ \text{EPS}_{it} &= \int (\text{ETA}_{it}, \text{ECA}_{it}, \text{CDA}_{it}, \text{FMS}_{it}) - - - - \text{iii} \\ \text{MV/ROE}_{it} &= \int (\text{ETA}_{it}, \text{ECA}_{it}, \text{CDA}_{it}, \text{FMS}_{it}) - - - - \text{iv} \end{aligned}$$

For estimation purpose, functional form is restated in econometric model as follows:

$$\begin{aligned} \text{ROA}_{it} &= \beta_0 + \beta_1 \text{ETA}_{it} + \beta_2 \text{ECA}_{it} + \beta_3 \text{CDA}_{it} + \beta_4 \text{FMS}_{it} + \mu_{it} - - \text{v} \\ \text{PAT}_{it} &= \alpha_0 + \alpha_1 \text{ETA}_{it} + \alpha_2 \text{ECA}_{it} + \alpha_3 \text{CDA}_{it} + \alpha_4 \text{FMS}_{it} + \varepsilon_{it} - - \text{vi} \\ \text{EPS}_{it} &= \Psi_0 + \Psi_1 \text{ETA}_{it} + \Psi_2 \text{ECA}_{it} + \Psi_3 \text{CDA}_{it} + \Psi_4 \text{FMS}_{it} + \varepsilon_{it} - \text{vii} \\ \text{MV/ROE}_{it} &= \lambda_0 + \lambda_1 \text{ETA}_{it} + \lambda_2 \text{ECA}_{it} + \lambda_3 \text{CDA}_{it} + \lambda_4 \text{FMS}_{it} + \varepsilon_{it} - \text{viii} \end{aligned}$$

Where:
 ROA_{it} = Return on Assets for the period of time.
 ETA_{it} = Employee Training activities for the period of time.
 ECA_{it} = Environmental Compliance activities for the period of time.
 CDA_{it} = Community Development activities for the period of time.
 FMS_{it} = Firm Size for the period of time.
 PAT_{it} = Profit After Tax for the period of time.
 EPS_{it} = Earnings Per Share for the period of time.
 MV/ROE_{it} = Market Value for the period of time.

$\beta_0, \alpha_0, \Psi_0, \lambda_0$ = Constant for the period of time
 $\beta_1, \alpha_1, \Psi_1, \lambda_1 - 4$ = Regression slope for the period of time
 $\mu_{it}, \varepsilon_{it}, \Psi_{it}, \lambda_{it}$ = Error Term for the period of time
 it = for the period of time.

RESULTS AND DISCUSSION

Hypothesis One

H₀₁: Employee training activities does not significantly impact on the return on assets of quoted oil and gas companies in Nigeria

Table 10 Hypothesis One

Calculated T-Statistic	-0.3788
Calculated Probability of t-Statistic	0.7058
Number of Observation	99
Critical t-Statistic	1.984
Critical Probability of t-Statistic	0.05

Table 4.10 shows that the computed t-statistic for the relationship between employee training activities and return on assets had a value of -0.3788 with a probability of t-statistic value of 0.7058. However, the critical t-statistic gave a value of 1.984 and critical probability of t-value of 0.05. This indicates that the computed t-statistic is less than the critical t-statistic - implying that the null hypothesis is not rejected. Thus, it is concluded that employee training activities does not significantly impact the return on assets of quoted oil and gas companies in Nigeria. This result is further corroborated by the

computed probability of t-statistic value which is higher than the critical (default) probability of t-value of 0.05.

Hypothesis Two

Ho₂: Employee training activities has no significant impact on the return on equity of quoted oil and gas companies in Nigeria

Table 11 Hypothesis Two

Calculated T-Statistic	-3.1269
Calculated Probability of t-Statistic	0.0024
Number of Observation	99
Critical t-Statistic	1.984
Critical Probability of t-Statistic	0.05

Table 4.11 shows that the computed t-statistic for the relationship between employee training activities and return on equity had a value of -3.1269 with a probability of t-statistic value of 0.0024. However, the critical t-statistic gave a value of 1.984 and critical probability of t-value of 0.05. This indicates that the computed t-statistic is greater than the critical t-statistic - implying that the null hypothesis is rejected. Thus, it is concluded that employee training activities have significant impact on the return on equity of quoted oil and gas companies in Nigeria. This result is further corroborated by the computed probability of t-statistic value which is less than the critical (default) probability of t-value of 0.05.

Hypothesis Three

Ho₃: Environmental compliance activities have no significant impact on the return on assets of quoted oil and gas companies in Nigeria

Table 12 Hypothesis Three

Calculated T-Statistic	-1.6409
Calculated Probability of t-Statistic	0.1045
Number of Observation	99
Critical t-Statistic	1.984
Critical Probability of t-Statistic	0.05

Table 12 shows that the computed t-statistic for the relationship between environmental compliance activities and return on assets had a value of -1.6407 with a probability of t-statistic value of 0.1045. However, the critical t-statistic gave a value of 1.984 and critical probability of t-value of 0.05. This indicates that the computed t-statistic is less than the critical t-statistic - implying that the null hypothesis is not rejected. Thus, it is concluded that environmental compliance activities have no significant impact on the return on assets of quoted oil and gas companies in Nigeria. This result is

further corroborated by the computed probability of t-statistic value which is higher than the critical (default) probability of t-value of 0.05.

Table16 Summary of Hypotheses Results

S/N	Hypo Thesis	Computed T-statistic	Prob. of T-statistic	Critical T-statistic	Sign of B Coefficient	Critical P-Value	Decision
1	Ho ₁	-0.3788	0.7058	1.984	Negative	0.05	Do not reject Ho
2	Ho ₂	-3.1269	0.0024	1.984	Negative	0.05	Reject Ho
3	Ho ₃	-1.6409	0.1045	1.984	Negative	0.05	Do not reject Ho

DISCUSSION OF FINDINGS

Employee Training Activities and Financial Performance

The findings of the research revealed a negative relationship between both measures of financial performance vizavis; return on assets (ROA) and return on equity (ROE) and employees' training activities and associated costs. From the results, the coefficient of regression for the relationship between return on assets and employees' training and activities had a value of -0.0014 which suggested that a 1% increase in employees' training and activities is predicted to result in a -0.14% decrease in return on assets. However, the effect size was minimal and thus resulted in a non-significant relationship between the variables. This essentially suggests that while costs associated with employees' training activities can lead to deterioration in return on assets, the extent of the negative effect is quite minimal is not relevant in its impact on the return on assets. Further, employees' training activities also had a negative relationship with return on equity. However, in this case the relationship was statistically significant. Thus, a 1% increase in employees' training activities is predicted to lead to a -3.76% decrease in return on equity - with the comparatively larger effect size resulting in statistically significant relationship. Thus, the negative effect of costs incurred in the process of employees' training activities was an important factor in the firms return on equity performance. This is in line with the findings of Soetan, Asein, and Ajibade (2018), who opined that the costs related to such activities should be treated as an investment, and that such costs qualify as investment because the skills, knowledge, and capability gained by the employees during the trainings and retraining, education, and development would be put into use in the organization which will impact organizational performance positive.

Environmental Compliance Activities and Financial Performance

On the relationship between environmental compliance activities and financial performance, findings of the research revealed that there was a negative relationship between environmental compliance activities and the return on assets of listed oil and gas companies in Nigeria. The relationship between the variables reported a coefficient of regression value of -0.0058 which suggested that increased spending in environmental compliance activities is predicted to result in decrease in return on assets.

However, its effect was quite minimal considering effect of less than 1% (-0.58%). Thus, the relationship between the variables was reported to be non-significant with probability of t-statistic value of 0.7058. On the other hand, the relationship between environmental compliance activities and return on equity was positive and statistically significant. The coefficient of regression gave a value of 0.0266 which implies that a 1% increase in costs associated with environmental compliance activities is predicted to result in a commensurate increase in return on equity. The probability of t-statistic value of 0.0314 implies that the result is statistically significant and as such, costs incurred in the process of environmental compliance are an important factor in the performance of return on equity. This is in line with Nwaiwu and Oluka (2018), who argue that such costs include cleanup costs, costs of recycling materials or conserving energy, closure costs, capital expenditure and development expenditure. These costs are incurred in preventing, reducing or repairing damage to the environment and conserving resources. For companies in the Nigerian oil and gas sector, environmental compliance costs can be substantial - especially when an oil spillage occurs.

FINDINGS

Findings of the research revealed:

- i. A negative relationship between costs associated with employees' training activities and the return on assets of listed oil and gas companies in Nigeria. Further, the finding was not statistically significant.
- ii. Similarly, there was a negative relationship between employees' training and activities and the return on equity of oil and gas companies in Nigeria. However, the relationship between the variables was statistically significant.
- iii. Environmental compliance activities had a negative relationship with the return on assets of listed oil and gas companies in Nigeria. The relationship between the variables was not statistically significant.

CONCLUSION

The following conclusions are drawn on the basis of the findings from data analysis:

Costs incurred in employees training activities have a deleterious impact on the return on assets of quoted oil and gas companies in Nigeria. However, the size of its effect is quite minimal. Thus, employees training activities does not contribute meaningfully to the return on assets of oil and gas companies in Nigeria.

Employees training activities also have a deleterious impact on the return on equity of listed oil and gas companies in Nigeria. In this case, its effect is significant and thus is an important factor in the return of oil and gas companies.

Costs incurred in the process of environmental compliance activities also lead to deterioration in financial performance in terms of return on assets. However, the extent of its effect is not sufficient to make significant impact on the return on assets of oil and gas companies in Nigeria.

Recommendations

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

1. Oil and gas companies conduct a thorough review/audit of their employees' training programs. This should have the objective of determining if employees are receiving relevant trainings that are designed to improve their job performance. This is especially important as the business environment is continually changing to adapt to new realities in new technology in the sector and growing pressure on oil and gas companies to imbibe more environmentally responsible practices. This should also help to improve the national and global competitiveness of oil and gas companies.
- 2.
3. Oil and gas companies should do well to retain their trained employees in order to reduce training costs and improve productivity thereby improving their financial performance.
4. It is further suggested that oil and gas companies invest more in environmental compliance activities that has the potential to reduce resources expended in environmental remediation programs and clean ups of pollution.

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