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CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND VALUE OF LISTED OIL AND GAS COMPANIES IN NIGERIA: THE MODERATING EFFECT OF FOREIGN OWNERSHIP

Aliyu Sulaiman Kantudu [(a)1] *Kabiru Isa Dandago* [(b)] *Abubakar Yusuf* [(c)] *Zaharaddeen Salisu Maigoshi* [(d)] *Bashir Ali Sulaiman* [(e)]

[(a)] *Department of Accounting, Bayero University Kano, Nigeria; E-mail: aliskantudu@gmail.com*
[(b)] *Department of Accounting, Bayero University Kano, Nigeria; E-mail: kidandago@gmail.com*
[(c)] *Department of Accounting, Gombe State University, Nigeria; E-mail: abubakaryusufgwani@gsu.edu.ng*
[(d)] *Department of Accounting, Bayero University Kano, Nigeria; E-mail: deenimadabo@gmail.com*
[(e)] *Department of Taxation, Federal University, Dutse-Nigeria; E-mail: bashirali0@gmail.com*

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ABSTRACT

This study examines the moderating effect of foreign ownership on the relationship between corporate social responsibility disclosure and the value of listed oil and gas companies in Nigeria. This study adopted an explanatory research design to achieve this objective using secondary data collected from annual reports and accounts of the sampled companies for four years (2018-2021). The study employs multiple regression using panel-corrected standard error (PCSE) to analyze data for the study. Findings indicate that corporate social responsibility disclosure has a positive significant impact on firm value. Results also revealed that foreign ownership has a positive but insignificant impact on firm value. Furthermore, on the interaction effect of foreign ownership on the relationship between corporate social responsibility disclosure and firm value, the result indicates that foreign ownership has moderated the relationship between corporate social responsibility disclosure and the value of listed oil and gas companies in Nigeria by strengthening the existing relationship. The findings of this study encourage more investment from foreign investors to increase the disclosure of CSR to enhance the value of listed oil and gas companies in Nigeria. Finally, the study recommends that the management of listed oil and gas companies should diversify to attract more foreign investors to improve the value of their companies.

INTRODUCTION

Corporate Social Responsibility Disclosure (CSRD) has continue to gained wider recognition in different sectors of the economic across the globe especially within the context of the stakeholder-shareholder debate. The main idea behind "shareholder perspective" is that the responsibility of managers is only to serve the interests of shareholders in the best possible way using firms' resources to increase their wealth by maximizing profits (Jensen, 2001). However, the "stakeholder perspective" argued that besides shareholders, other groups of stakeholders are also affected by the activities of the organisation. Therefore, stakeholders need to be considered when making decision (Werhane & Freeman, 1999). Foreign investors being one of the major stakeholder's in an organisation have much interest on company's CSR activities. This is because foreign investors always prefer to invest in companies that are considered to be socially responsible where their investment would be more secured because of the cordial relationship that exit between the company and its diverse stakeholders. Hence, the need to disclosure information on CSR in order to inform various stakeholders how the company have responded to their social and environmental challenges coursed by the activities of the company.

[1]*Corresponding Author: ORCID ID: 0009-0002-5358-6861*

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Furthermore, the role of business organisations in improving the life of various stakeholders cannot be underestimated because nowadays many corporate organisation engaged in social activities that are formally considered as the responsibility of government alone (Tilakasiri, 2012). The main objective of every corporate organizations is to maximize profit which could enhance the value of the firm, but that should not be at the expense of the society's well-being. According to Carroll (1999), organization should act in a socially responsible manner, obey the rules, and respect code of corporate governance so as to be morally upright as a good corporate body.

Nowadays the business paradigm has changed from maximization of shareholders' wealth to maximization of stakeholders' wealth. Unlike before many companies are force to practice CSR as a strategy to improve reputation and create good corporate image for the business in order to be sustainable. Furthermore, the objective of increasing firm value can be achieved with the help of disclosing information on CSR. This is due to the fact that many stakeholders place more value in companies that are socially friendly and committed in addressing issues that affect them. Therefore, it is only by disclosing information, stakeholders will be informed on the level of commitment and effort put in place in addressing their various demand. CSR help company to maintain good relationship with it various stakeholders which in the long run can affect the value of the company.

Disclosing information on CSR involves extending the accountability of companies' report beyond the traditional role of providing a financial reports to the owners of the capital (Mukthar, 2016) Thus, disclosure on CSR contained financial and non-financial information of companies' social activities. More so, information on CSR cover many aspects of social activities carried out by the business operators. However, because of the increasing adverse effect of corporation on aspects of social life and the environment, many stakeholders call for investigation on corporate's activities and the extent to which its affect their life and the environment.

However, Mukhtar (2016) asserted that failure to disclose information on CSR is a signal for poor social performance. And the resulting effect will be loss of confidence by many stakeholders which is detrimental and will not only damage the good reputation of the company over the years but will result in loss of market share price and decrease in firm value. This study selected oil and gas industry because the nature of their activities have serious effects on the environment, as such oil and gas industry is one of the sectors that heavily invest on CSR projects in Nigeria, hence the need for this study. Therefore, the objective of this paper is to examine the relationship between CSRD and value of listed oil and gas companies in Nigeria with the moderating effect of foreign ownership.

The remainder of the paper is arranged as follows: Section two provides literature review. Section three presents methodology of the study. Section four presents results and discussions while section five discusses, conclude and make recommendation.

LITERATURE REVIEW

There are quite number of studies that examine the relationship between CSRD and firm value, foreign ownership and firm value as well as the interactions effect of foreign ownership on the relationship between CSRD and firm value. The review of the empirical studies were categories under three sub headings. Viz; CSRD and firm value, foreign ownership and firm value and finally CSRD, foreign ownership and firm value.

CSRD and Firm value

Several researches have been conducted by numerous researchers across the globe on the effect of corporate social responsibility disclosure on firm value. Some of these studies include the work of Zraqat, Zareigat, Rawashdeh, and Okour (2021) who determines the effect of CSRD on market performance of Amman Stock Exchange in Jordan for the period of six years 2014-2019. The study used secondary data obtained from the annual reports of the sample companies and analyzed using multiple regression technique. The found that CSRD has significant negative effect on market performance proxy by Tobin's q. implying that disclosing information on CSR decreased the value of the firm and vice-versa.

Emeka-Nwokeji (2019) examines the impact of corporate social responsibility disclosure on the market value of listed non-financial firms in Nigeria from 2006 to 2015. Secondary data were source from the annual report and account of 93 sample companies and were analysed using multiple regression technique. The study found that social donation and investment in human capacity building, employee heath safety and welfare has significant positive effect on market value while charitable/philanthropic gift and job creation has insignificant negative effect on market value. The finding further reveals that CSRD as a whole shows significant positive effect on market value of non-financial firms in Nigeria during the study period.

Similarly, Sylvester (2019) examines the impact of corporate social responsibility disclosure on performance of some selected firms in Nigeria. The study used secondary data extracted from the annual report and account of the sample companies for the period of 5 years from 2008-2012. Ordinary least square were employed as a method of data analysis and the results reveals that CSRD has positive and significant effect on performance. Implying that stakeholders value companies that are socially responsible.

Nguyen, Dang, Vu, and Houng (2018) examines the impact of social and environmental disclosure on firm performance in Vietnam. Secondary data were extracted from the annual report and accounts of the sample companies over the study period. The study employed regression analysis as a technique for data analysis and the result reveals that social and environmental disclosure has significant positive impact on firm performance of some selected firms in Vietnam during the study period.

Furthermore, Salisu, Sani, and Lawan (2018) investigates the relationship between CSRD and performance of listed conglomerate firms in Nigeria for the period of ten years 2007-2016. Secondary data were collected from the annual report and accounts of the sample companies and the study employed pool OLS as a technique for data analysis. The study found that CSRD has positive significant relation with the performance of listed conglomerate companies in Nigeria during the study period.

However, Sopian and Mulya (2018) examines the impact of CSRD on the value of listed companies in Indonesia. Secondary data were source from the annual report and accounts of the sample companies and were analyzed using multiple regression technique. The study document significant negative effect on firm value. This implies that investors may see CSR programme as a burden of the current year or in operating expenses and will have an impact directly with the decline of company's revenue.

From the above reviewed it can be summarized that studies on CSRD and firm value have been documented in the literature, although the findings are mixed. This is because while some studies documented positive effect of CSRD on firm value, others shows negative effect of CSRD on firm value. In view of the above, we hypothesized that

There is positive relationship between CSRD and firm value

Foreign ownership and Firm Value

Empirical researches on ownership structure particularly foreign ownership have been conducted by many researchers both within and outside Nigeria. This include study by Dakhlallh, Rashid, Abdullah, and Dakhlall (2021) who examines ownership structure and firm performance of selected firms in Jordan for the period of nine years from 2009-2017 using a sample of 180 companies. Secondary data were source from annual report of the sample companies data were analyse by using GMM and pool mean Group estimate as a method of data analysis. The findings reveals that foreign ownership has insignificant positive effect on firm performance proxy by Tobin's q.

Oyedokun, Isah, and Awotomilusi (2020) examine the effect of ownership structure on firm value of quoted consumer goods companies in Nigeria. Secondary data were extracted from the annual report and accounts of the sample companies. The study employed multiple regression using panel data methodology as a technique for data analysis and the findings reveals that ownership structure proxies by foreign ownership and have positive and significant effects on the value of consumer goods companies in Nigeria.

Furthermore, Lawal, Agbi, and Mustapha (2018) examined the effect of ownership structure on performance of listed insurance companies in Nigeria. Data were extracted from the annual report and accounts of the sample companies for the period of the study. The study adopted multiple regression using panel data as a techniques for data analysis and the study documented positive significant effect of ownership structure on performance of the sample companies in Nigeria.

Similarly, Amin and Hamdan (2018) examines the relationship between ownership structure and firm performance of 171 firms selected from the Kingdom of Saudi Arabia. Secondary data were source from the annual report and accounts of the sample companies and the study employ multiple regression using panel data methodology as a method of data analysis. The findings from the study reveals that ownership structure has significant positive effect on the performance of insurance companies in Nigeria for the study period.

From the foregoing reviewed, it is clear that the relationship between MGO and firm value have been documented in the extent literature. However, the finding are mixed or inclusive as some studies reported positive while others reported negative relationship between the two variables. In view of the above, we hypothesized that

There is positive relationship between foreign ownership and firm value

CSRD, Foreign ownership and Firm Value

Although, there are few studies on the moderating effects of ownership structure on the relationship between CSRD and firm value but mostly conducted outside Nigeria, some of these studies include the work of Ishtiaq, Latif, Khan, and Noreen (2017) examines the moderating effect of ownership structure on the relationship between CSR and firm performance in Pakistan. The study employ multiple regression as a technics for data analysis to test the hypothesis of the study and the findings reveals CSRD has significant and positive effect on firm performance, the study also reveals that foreign ownership has moderate the relationship between CSRD and firm performance. Implying that foreign investors encourage management to engage in more CSR activities which could affect the value of the firms in the long run.

Furthermore, Kim, Park, and Lee (2018) examines the moderating effects of ownership structure on the relationship between CSRD and firm value of selected firms in China. The study employed multiple regression as a technique for data analysis and the finding revealed that CSR disclosure score is positively associated with the firm value. The study also documented that ownership structure has moderated the relationship between CSRD and firm value of the sample companies by strengthening the existing relation between the two variables.

Similarly, Ali, Zhang, Naseem, and Ahmed (2019) investigated the moderating effect of ownership structure on the relationship between CSRD and firm performance in China for the period of nine years from 2006-2014. Regression analysis revealed that market base measure of performance proxy by Tobin's q have significant and positive effects on CSRD. The result also reveals that foreign ownership moderated the relationship between firm's performance and CSRD. This implies that the introduction of foreign ownership as a moderating variables has strengthen the existing relationship between CSRD and firm value of the sample companies.

From the foregoing, based on the reviewed of the available literature, different types of ownership and such as foreign ownership in particular have been proven to moderate the relationship between CSRD and firm value. However, empirical studies on the moderating effect of foreign ownership on the relationship between stakeholder engagement and firm value are scanty especially in the Nigeria context, therefore this call for urgent investigation on the subject matter. In view of the above, we hypothesized that

Foreign ownership strengthen the relationship between CSRD and firm value.

Theoretical Framework

Although different theories can be used to explain the relationship between CSRD and firm value like the agency theory, stakeholder theory and signaling theory among others. However, stakeholder theory is best to explain this work because the theory focuses on the relationship between an organization and its stakeholders. The main idea behind the stakeholder theory is that the success of a company depends on the extent to which the company is able to relate well with its diverse stakeholder groups. The stakeholder theory focuses on the need to satisfied stakeholders demand which in the long run have effects on the performance of the organisation (Ruf et al., 2001). The idea that the stakeholder theory is imbedded in CSR has become widely accepted by many researches and thus become an alternative to shareholder theory. The term stakeholder explicitly represents a softening of (if not a fundamental challenge to) strict shareholder theory. This theory recognizes the fact that most, if not all firms have a large and integrated set of stakeholders to whom they have an obligation and responsibility.

The stakeholder theory challenges the view that the shareholders have privilege over other stakeholders. In fact, the stakeholder theory is a theoretical response to financial theories that assert that firms should focus only on maximizing the economic interests of the shareholders, the real owners of the firm. It is argued that the shareholders are merely one of the several claimants on the firm. Thus stakeholder theory embodies the need to balance the claims of shareholders with those of other stakeholders. According to Kaler (2003), the stakeholder approach involves a basic reformist stance toward the shareholder theory, seeking to move it in the direction of greater equity and a less single-minded concentration on the owners' interests rather than replacing it entirely. Deck (1994) assert that the aim of business organization is to create wealth and share among investors. However, he does not limit investors to mere shareholders but includes other groups such as employees, the government and society who invest in organizations in the form of education, skills and infrastructure.

MATERIALS AND METHODS

This study examine the moderating effect of foreign ownership on the relationship between CSRD and value of the listed oil and gas companies in Nigeria. A sample of ten companies out of the twelve listed oil and gas companies in Nigeria were selected for the study. The criterion for the selection of which was basically based on data availability. The companies that made up the sample size are; Forte Plc, MRS Plc, Oando Plc, Mobil Plc, Total Plc, Conoil Plc, Eterna Plc, Rank Unity Petroleum Compnay Plc, Anino International Plc, and Seplat Development Petroleum Co. Plc.

Data was collected from the annual reports and accounts of the sample companies covering four years period, 2018-2021. In analyzing the data collected, multiple regression technique using panel data methodology was applied. However, OLS in panel data model is associated with the problem of autocorrelation, cross sectional dependence and heteroskedasticity. In order to overcome such challenges, the study employed the Panel Corrected Standard Error (PCSE) approach for estimation. Furthermore, the study used local sustainability guideline released by the Nigerian Stock Exchange (NSE) in 2018 as a framework for CSR disclosure guideline in Nigeria. The general model based on the variables of the study which is a modification of Barron and Kenny (1986) regression model as used by Kim, Park, and Lee (2019).

$$Tobin's Q_{it} = \beta_0 + \beta_1 CSRDit + \beta_2 LEV_{it} + \beta_{3\,it} AGE_{it\,it} + \varepsilon_{it} \ldots\ldots\ldots(i)$$

$$Tobin's Q_{it} = \beta_0 + \beta_1 FROWNit + \beta_2 LEV_{it} + \beta_{3\,it} AGE_{it} + +\varepsilon_{it} \ldots\ldots\ldots(i)$$

$$Tobin's Q_{it} = \beta_0 + \beta_1 CSRDit + \beta_2 FROWNit + \beta_3 CSRD_{it} * FROWN_{it} + \beta_4 LEV_{it} + \beta_5 AGE_{it} + \varepsilon_{it} \ldots\ldots\ldots(ii)$$

Where,
Tobin's Q = Tobin's Q
CSRD =Stakeholder Engagement Disclosure
FROWN = Ownership structure
CSRD*FROWN= interaction of CSRD with FROWN
AGE = Age of the firm
Lev = Leverage
B_0 = Parameters to be estimated
B_1– β_7 = Partial derivatives or the gradient of the independent variables.
i = Firm
t = time ε
Ɛ = an error term assumed to satisfy the standard OLS assumption

Variables and their Measurement

Firm value is the dependent variable proxy by Tobin's q and is measured by

$$\frac{\text{Total market value of share}}{\text{Book value of share}} \times 100$$

Where;
Market value = current market price of share x number of shares/ divided by number of outstanding shares
Book Value= book value of equity
CSRD is the Independent Variable and is measured by taking the CSRD index as

$$\frac{\text{Total disclosure by Company} \quad (i)}{\text{Total maximum disclosure score (21)}} \times 100$$

$$\text{Foreign Ownership (FROWN)} = \frac{\text{Number of shares owned by foreign investors}}{\text{Total number of outstanding shared}}$$

Control Variables

$$\text{Leverage (lev)} = \frac{\text{Total debt.}}{\text{Total Asset}}$$

Age= year of listening

In analyzing the data collected, Ordinary Least Square (OLS) regression technique is used to estimates the model. The robustness test was conducted in order to ensure the validity of all statistical inferences for the study, so as to assess the impact of distribution problems in addition to the problems of outliers before deciding on the appropriate statistical method to use. The robustness test gives concrete evidence that the regression data is free of regression errors capable of invalidating the research's regression assumptions. This makes the regression estimates reliable and enhances its accuracy. The tests carried out include VIF and heteroskedasticity test.

RESULTS AND DISCUSSIONS

The descriptive results of all the variables are presented in table 1 below

Table 1. Descriptive Statistics of the Variables

Variables	Mean	Std. Dev	Min	Max	Obs
Tobin's Q	24. 11543	28.03628	0.035763	79.05293	40
CSRD	0.77430	0.191895	0.46667	0.971905	40
FROWN	0.29587	0.322846	0	0.77809	40
LEV	0.61597	0.19379	0.04485	0.842001	40
AGE	34.4	11.95462	4	45	40

Source: Generated using STATA 12.0

Table 1 shows that the average share value of the firms over the study period is ₦24.12 with a standard deviation of 28.03628 and a minimum and maximum value of 3k and ₦79 respectively. The results also shows that the average CSR disclosure by firms are 77% which indicate that oil and gas companies discloses more information on CSR during the period of the study. Foreign ownership (fro) has a mean of approximately of 30% shares own by foreign investors in the listed oil and gas companies in Nigeria with the minimum and maximum value of 0.and 78 % number of shares. Leverage being a control variable has a means of 61% debt to equity ratio with minimum and maximum value of 4% and 84% respectively. Age as second control variables have an average means of 34 years with the minimum and maximum of 34 and 45 years respectively.

Table 2. Correlation Matrix of Dependent and Independent Variables

Correlation

	TOBIN' Q	CSRD	FROWN	AGE	FIRMSIZE
TOBIN'S Q	1				
CSRD	0.3949	1			
FROWN	0.1847	0.3355	1		
LEV	0.0217	0.0873	0.1489	1	
AGE	-0.1145	0.1572	0.05440	0.5061	1

Source: Generated using STATA 12.0

Table 2 shows the correlation between the dependent and explanatory variables. It shows a positive relationship between Tobin's q and CSRD to the tune of 0.3949. The results also shows a positive relationship between Tobin's q and fro (0.1847), leverage and Tobin's q also shows positive sign (0.0217). However, a negative relationship exist between Tobin's q and age of the firm to the tune of -0.1145. The correlations are generally low, meaning there is no problem of collinearity. This is further buttressed by the results of the Variance Inflation Factor (VIF) test performance. The VIF results are substantially lower than 5.0 as the value ranges from 1.03-1.37. This provides evidence that there is no collinearity.

Table 3, shows the regression results of the dependent variable (TOBIN'S Q) and the explanatory variables which shows the direct relationship between CSRD and firm value, foreign ownership and firm value as well as age and firm size on firm value. Below is the OLS regression result for the first model of the study.

Table 3. Panel Corrected Standard Error Regression Result for Model 1

Tobin's q	coeff	Std,Err	t	P>(t)
csrd	61.7206	4.37634	14.10	0.000
lev	15.67601	12.97453	1.21	0.227
age	0.54627	0.11948	-4.57	0.000
cons	14.54023	5.59191	-2.60	0.009
R-square	0.1957			
Waid chi2	204.91			
Prob =	0.0000			

Source: Generated using STATA 12.0

The regression results displayed in Table 3 reveals the Panel Corrected Standard Error (PCSE) estimation produces R2 of about 19.5% which shows the extent to which changes in Tobin's q of the listed oil and gas companies is accounted for by all the explanatory variables. The P value of the 0.0000, which is extremely significant, confirms the validity of the estimated model under the PCSE. Similarly, the wald chi2 is 204.91, implying that the model is fit and significant at 5% significant level considering the rule of the thumb.

The regression results as displayed in Table 3 shows that corporate social responsibly disclosure (csrd) has positive and significant effect on the value of listed oil and gas companies in Nigeria. This is evidence by the value of the coefficient (34.31863) and P value (0.0000). This implies that, as the company discloses more information on community relation, the value of the company increases. Therefore, the null hypothesis which stated that community relation disclosure does not significantly affect the value of listed oil and gas companies in Nigeria should be rejected. The above findings is consisted with the work of Nguyen, Dung, vu, and Houng (2018), Salisu, Sani, and Lawan (2018) Emeka-Nwokeji (2019). However, it contradict the findings of Sopian and Mulya (2018).

Table 4. Panel Corrected Standard Error Regression Result for Model 1l

Tobin's q	coeff	Std,Err	t	P>(t)
Frown	33.14768	13.90577	2.38	0.017
Lev	26.24191	15.47583	1.70	0.090
Age	0.95964	0.293292	-3.27	0.001
Cons	31.15546	5.81731	5.36	0.000
R-square	0.1211			
Waid chi2	12.95			
Prob =	0.0047			

Source: Generated using STATA 12.0

The regression results displayed in Table 4 reveals the Panel Corrected Standard Error (PCSE) estimation produces R2 of about 12.1% which shows the extent to which changes in Tobin's q of the listed oil and gas companies is accounted for by all the explanatory variables. The P value of the 0.0047, which is extremely significant, confirms the validity of the estimated model under the PCSE. Similarly, the Wald chi2 is 12.95, implying that the model is fit and significant at 5% significant level considering the rule of the thumb.

The regression results as displayed in Table 4 shows that foreign ownership (frown) has positive and significant effect on the value of listed oil and gas companies in Nigeria. This is evidence by the value of the coefficient (33.14768) and P value (0.0017). This implies that, as the company discloses more foreign ownership, the value of the company increases. Therefore, the null hypothesis which stated that foreign ownership does not significantly affect the value of listed oil and gas companies in Nigeria should be rejected. The above is inconsistent with the findings of Oyedokun, Isah, and Awolomiliki (2020); Lawal, Agbi, and Mustapha (2018) who documented positive but insignificant relationship between foreign ownership and firm value.

Furthermore, the regression result as displayed in Table 4 shows that leverage being a control variable has positive but insignificant effect on value of the listed oil and gas companies in Nigeria. However, age of the firm shows negative but has significant effect on the value of listed oil and gas companies in Nigeria.

Table 5. Panel Corrected Standard Error Regression Result for Model 1ll

Tobin's q	coeff	Std.Err.	t	P>(t)
Csrd	76.36626	11.37112	6.72	0.000
Fro	167.3302	63.46606	2.64	0.008
csrdfrown	183.7496	67.31321	2.73	0.006
Lev	24.30113	18.59942	1.31	0.191
Age	-0.83638	0.328317	2.55	0.011
Cons	-24.90132	10.68403	-2.33	0.020

R-square	0.3198
Wald	61.26
Prob = chi2	0.0000

Source: Generated using STATA 12.0

The regression results displayed in Table 5 reveals the Panel Corrected Standard Error (PCSE) estimation produces R2 of about 31.9% which shows the extent to which changes in Tobin's q of the listed oil and gas companies is accounted for by all the explanatory variables. The P value of the 0.0000, which is extremely significant, confirms the validity of the estimated model under the PCSE. Similarly, the Wald chi2 is 61.26, implying that the model is fit and significant at 5% significant level considering the rule of the thumb.

The regression results as displayed in Table 5 shows that the interaction effect between corporate social responsibility disclosure and foreign ownership has a positive and significant effect on the value of listed oil and gas companies in Nigeria. This is evidence by the value of the coefficient (183.7496) and P value (0.006). This implies that, companies with more foreign ownership tend to disclose more information on CSR which could enhance the value of the firm. The likely reasons for this is that, foreign investors prefers to invest in companies that are more social responsible. Hence, foreign investors encourage management to engage in more CSR activities which could attract more foreign investors and at the same time other stakeholders like host communities and employees will have more confident on company and this will help the company to maintain its good reputation which have effect on the value of the firm. Therefore, the null hypothesis which stated that the interaction effect of CSRD and foreign ownership does not have significant effect on the value of the oil and gas companies in Nigeria should be rejected. The above findings is consistent with the work of Ali, Zhang, Naseem, and Ahmed (2019).

CONCLUSIONS

Based on the findings of this study, it can be concluded that the success of every business organisation depends on the extent to which is able to manage its relationships with its diverse stakeholders. Therefore, disclosing information on CSR is very importance because is the only means by which corporate organisation will communicate to its various stakeholder on how it responded to their social and environmental challenges. Furthermore, the introduction of foreign ownership as a moderating variable has strengthen the existing relationship between CSRD and firm value. This is evidence by the increase in the coefficient and the significant of the P-value of 183.7496 and 0.006 respectively. Finally, the study recommends that the management of oil and gas companies should diverse the means to attract more foreign investors in order to improve the value of their companies.

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