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Social and environmental practices and corporate financial performance of multinational corporations in emerging markets: Insights from 20 oil-rich African countries

Abstract

Studies find that oil-rich African countries (OACs) suffer slow socio-economic growth and development. However, most of these African petroleum companies are owned by multinational corporations (MNCs). Motivated by their profit maximisation prospects (PMPs), these MNCs face large corporate social responsibility (CSR) dilemmas with reference to their contribution to these African economies' socio-economic growth. Even though there are few studies on CSR and corporate financial performance (CFP) within the African context, little or no attention has been paid to how and the extent to which MNCs' PMPs, CSR and CFP interact to affect the socio-economic growth of OACs. Drawing from multiple theoretical perspectives including legitimacy, stakeholder, institutional, transaction cost economics, resource dependency, agency and resource-based view theories, we use 14 years (2003-2017) panel data approach to investigate and understand the drivers of these PMPs, how PMPs affect corporate ethical considerations, CFP and their implications on OACs' socio-economic growth. We find that PMPs of MNCs within OACs impede their CSR commitment; there is significant positive relationship between CSR and CFP; efficient CSR practices impact CFP positively; and MNCs' contribution to OACs' socio-economic growth is significantly constrained by weak institutional environments. We conclude that institutional reforms and strategic CSR engagement could foster rapid socio-economic growth and development within OACs. Our study contributes to policy and knowledge on MNC's PMPs, CSR practices, CFP and literature on business ethics and the natural resource-curse.

Keywords: profitability prospects, corporate social responsibility, corporate financial performance, oil-rich African countries, socio-economic growth

1.0 Introduction

Despite the significant contributions of international businesses to society, (Gabbioneta et al. 2013) such businesses, nevertheless, have enormous socio-economic consequences (Greenwood and Freeman 2017). The early 1980's Structural Adjustment Programs improved resource extraction efforts by transnational firms across oil-rich African countries (OACs) (Garvin et al. 2009). Adams et al. (2017) opine that OACs are among the high capital-hostile regions after experiencing enormous foreign direct investments (FDI) within the last twenty years (Ross, 2015) through oil and gas (petroleum) activities of multinational corporations (MNCs) (Adams et al. 2019). Accordingly, investors use MNCs as a modern global finance enactment vehicle, circulate capital to finance, control, manage and own oil and gas resources within OACs (Harvey 2007; Hopper et al. 2017; Munro 2012; Tinker 1980). Some studies further argue that capitalist world - oil multinational corporations (MNCs) invade OACs and scramble for oil and gas resources (Ayers 2013; Carmody 2017; Frynas and Paulo 2007). Besides, corporate social responsibility (CSR) literature suggests that CSR compliance improves corporate financial performance (CFP) with further potential for positive socio-economic growth (Brower and Mahajan 2013; Chun et al. 2013; Mishra and Modi 2013; Rodgers et al. 2013). In this regard, Bocquet et al. (2017) and Brower and Rowe (2017) find that CSR has become world-wide strategic innovative business performance concept permeating and influencing corporate discourses, policies and practices with significant implications for businesses globally.

However, Ferguson (2005) argues that MNCs' profit maximisation prospects (PMPs) also affect their capital investment in OACs. He argues that this has resulted in territorialism and variety of modes of operation supported by their differentiated investment strategy that pays less attention to CSR. Hence, MNCs encounter huge CSR dilemmas, regarding the contribution to OACs compared to their home countries and operations in other emerging economies (Jamali

2010). This showcases African continent's CSR vulnerability and corporate social irresponsibility (CSIR). In this regard, Wanderley et al. (2008) show that industrial sector and firm's country of origin influence CSR information disclosure. Other studies attribute this African business unethical practices to contextual institutional inadequacies (Ullah et al. 2018).

Notwithstanding, the strategic management and organisation literature reveals inconsistent results regarding the link between CSR and CFP, particularly the extent to which CSR impacts CFP (Aguilera and Cuervo-Cazurra 2004; Hill et al. 2007; Devinney 2009). Moreover, Barnett and Salomon (2006), Hull and Rothenberg (2008), McWilliams and Siegel (2001), Prior et al. (2008) and Surroca et al. (2010) also report mixed findings concerning CSR and its impact on CPF. Nevertheless, several studies including Margolis and Walsh (2001, 2003), McWilliams et al. (2006) and Orlitzky et al. (2003) find that CSR commitment increases organisation's CFP. Intriguingly, no studies to date on MNCs' PMPs, their CSR commitments and how these impacts socio-economic growth of OACs have received conceptual or empirical attention.

Consequently, this study focuses on the African context (Kolk and Rivera-Santos 2018) pertaining to CSR sensitive but often neglected petroleum sector in the literature. Hence, this paper critically examines similar works that used transaction cost economics, stakeholder, institutional, legitimacy, agency, resource dependency, and resource-based view theories to understand the inter/relationship between MNCs' PMPs, CSR and CFP. We explain how CSR impact the socio-economic growth of OACs. Empirical studies under our chosen settings are particularly interesting and may provide useful CSR case studies regarding pathological institutional context (Amaeshi et al. 2016; Wei et al. 2017). We pose the following research questions:

1. *How and to what extent does MNCs' PMPs affect their CSR practices within OACs?*
2. *How and to what extent do these CSR practices affect their CFP and*

3. *How CSR and CFP impact the socio-economic growth of OACs?*

These questions are crucial for the following two reasons. First, whilst Africa is perceived to be underdeveloped, it is worth noting that 20 out of the 54 African countries produce oil. Second, CSIR of petroleum MNCs have the potential to create spill-over effects unto the other non-oil exporting African countries. In addition, the tendency to lump African countries together presents detrimental regional effect on future investments in other sectors (Adams et al. 2014; Adams et al. 2017). Therefore, it is imperative to draw insights from the twenty oil-producing African countries (see Table 2) including Nigeria, Angola, Rwanda, Chad, Democratic Republic of Congo, and Sudan. All the 20 OACs were chosen because most of them have rich oil deposits in commercial quantities. Additionally, some have ironically experienced a history of economic failures in the wake of their oil and gas find, for which the typical econometric models fail to explain (North 1991; Sachs and Warner 1995, 1997; Le Billon 2006; Frynas and Paulo 2007).

2.0 Literature review

2.1 PMPs and CSR compliance

Tinker (1980) argues that a firm's profit declaration is not an indicative of firm's market viability. The efficiency of society's resources usage is imperative. He further argues that profit rate reflects capitalists' social power. Hence, the magnitude of expenses and profit shown in the income statement demonstrates social and monopolistic power relative to efficiency and productivity. Questioning UK based MNC's (Delco) compensation for iron-ore resources extraction in Sierra Leone from 1930 to 1975 in Africa, Tinker (1980) sought to understand the returns to investors, government and labour based on their marginal returns on productivity in production. Furthermore, he examined the operational impact of Delco's socio-economic growth of Sierra Leone, based on their corporate taxes to the governments of Sierra Leone and the UK, wages to white and black labour and profits declared from 1930 to 1975. Tinker (1980) therefore informed the model for CSR 1, CSR2 and CSR3 used in this study.

Literature on environmental management suggests that CSR commitment has a positive impact on firm performance (Lundgren and Zhou 2017). While studies assert that natural resources exploitation plays an important role in economic growth, it has undeniable environmental consequences (Gray 1992; Garvin et al. 2009). In this regard, research shows that environmental problems affect institutionalized governance processes (Guttman et al. 2018), environmental sustainability performance (Acquaye et al. 2017) and that firm’s environmental initiatives can produce numerous socio-economic benefits including enhanced firm profitability (Aigbedo 2019).

Friedman (2007) argues that profit maximisation is the primary CSR objective. Hence, Frederick (1992) shows that profit maximisation imperatives influence MNCs’ CSR compliance. Arguing from the perspective of transaction cost economics, Sikka (2010), and Sikka and Willmott (2010) observe that MNCs operating in emerging markets embark on certain cost reduction practises to enhance profits and capital flight. They include pricing techniques, outsourcing, supply chain accounting, intense tax planning and tax avoidance. North (1991) shows that institutional quality has the potential to induce greater productivity to maximize firm's profits. Jones (1995) argues that transaction costs are critical determinants of economic performance. Moreover, Du and Vieira (2012) extend this argument by indicating that management of MNCs utilise supply chain accounting and other price violations techniques to maximise profits and to please owners. (Aupperle et al. 1985; Aupperle and Pham 1989; Foe example, Dowling (2014) confirm that MNCs uses income-shifting tactical plans to increase revenues and reduce taxes. Ackah-Baidoo (2012) reports that MNCs’ PMPs challenge proactive engagement of CSR practices in SSA. In this regard, Monks (2001) opines that managers must pay particular attention to creating an appropriate environment to stimulate optimum management performance. This implies MNCs' PMPs drive their CSR commitments. Based on these studies and using the assumptions of transaction cost economics, we hypothesise that:

H1: There is a negative relationship between PMPs of MNCs operating within OACs and CSR compliance

2.2 Institutional quality, CSR and socio-economic growth

Institutions are social interactive mechanisms between society, economy and politics (North 1991). Using institutional lenses, Amaeshi et al. (2016) establish that contextual institutional voids within OACs impede MNC's CSR compliance. Thus, firms take advantage of OACs' weak institutional environments to neglect CSR obligations. In this vein, this paper argues that MNCs' PMPs thrive within OACs where weak CSR compliance and weak institutional structures exist. Our institutional construct implies that OACs have weaker governance systems, political instability, rule of law, legal, regulatory, judicial systems and high corruption levels. These ultimately affect the level of investor protection in these economies.

An environmental reporting study by Odera et al. (2016) within Nigerian oil companies reveals that poor social and environmental reporting motivate Nigeria's oil and gas investors' PMPs. In this light, Amaeshi et al. (2014) agree that such practices are driven by weak institutional arrangements within oil-rich African economies. This follows that PMPs of MNCs in African countries may impede their CSR obligations and commitments. Sikka (2003) argues that capitalism produces crisis because MNCs adopt offshore financial centres to mobilise and relocate capital to these regions. Their policies also result in tax avoidance, capital flight, degradation of regulation and CSR non-compliance, with serious consequences for slow socio-economic growth. Famiyeh (2017) and Bhardwaj et al. (2018) find that incorporation and implementation of CSR in firm's strategic plan is beneficial to business growth and sustenance.

Hence, Sparkes and Cowton (2004) argue that an increasing number of firms with efficient international investment portfolios have adopted CSR as corporate investment philosophy in emerging economies (Jo et al. 2015; Wang and Berens 2015). George et al. (2016) finds MNCs' contribution towards OACs' growth insufficient and argues that Africa should fully capture the imagination of entrepreneurs and corporate executives including ensuring strict CSR compliance towards socio-economic growth. Research by Cash (2012) on governance and CSR in Chad indicates that in addition to other factors, capitalist profitability motive conflicts with CSR agenda in fragile institutional states. Idemudia (2011) and Contractor (2016) find that MNCs take advantage of weak institutional context and use profit maximisation strategies which makes African economies lose hundreds of billions (USD) yearly.

Hence, Lii and Lee (2012) opine that doing right leads to doing well. These findings suggest that businesses' lackadaisical attitude and inherent scepticism towards CSR and non-compliance could retard socio-economic growth in OACs (Connors et al., 2017). Wagner et al. (2009) refer to such CSR compliance inconsistencies as 'corporate hypocrisy'. These findings support most *resource dependence theory* studies' findings that abundant natural resources within developing countries impede the growth and progress of these economies (Sachs and Warner 1995, 1997, 2001). Therefore, despite the modest contribution of petroleum resources to oil-rich developing countries, MNC's CSR commitment and compliance has hardly improved the economic situation of these economies. Hence, Collier and Gunning (1999) argue that MNC's petroleum business in the African continent suggests a suboptimal socio-economic performance. Similarly, Judge et al. (2008) find that effective CSR activities create 'economic value' which support fair distribution of the national resources for the good of society.

Frynas (2005) examine multinational oil companies' CSRs and finds evidence of MNCs' CSR non-compliance, whilst petroleum sector's revenue mismanagement impedes growth and development. Examining the CSR in African mines, Hilson et al. (2019) reveal that preindependence foreign mining companies had low community involvement and impact. Nonetheless, they argue that modern CSR strategy in Africa's foreign-owned mining sector is a mere rebranding of colonial era and early independence regimes business practices meant to appease and involve local communities. In this regard, being a contentious sector, oil companies use several tactics to embark on CSR programs for legitimisation (Du and Vieira 2012). Hence, it could be argued that MNCs' petroleum businesses in OACs have an insignificant contribution to these economies. We, therefore, predict that institutional weakness could affect CSR compliance and socio-economic growth of OACs. Hence, our next hypothesis that:

H2: There is a negative relationship between CSR commitment and socio-economic growth in weak institutional environment in OACs.

2.3 CSR, CFP, GDP and socio-economic growth of OACs

CSR practices in SSA has been marginalised or sacrificed and considered as a benevolent distortion or at best, a philanthropic activity (Bose et al. 2017; Hogarth et al. 2018). Carroll's (1991) CSR pyramid confirms this by asserting that MNCs operating in Africa view ethical and philanthropic responsibilities as an optional extra in developing economies due to their apparent vulnerability and exploitability (Belal et al. 2013). To overcome this strategic weakness, Orlitzky et al. (2003) examine the CSR-CFP association and how it is affected by potential moderators. They find no link between these variables. Exploring how CSR investment impacts CFP, Rodgers et al. (2013) disclose that organisation's CSR could impact CFP positively or negatively depending on the investigative approach and direction (financial and non-financial aspects). Aupelle et al. (1985) examined the association between CSR and profitability and observed no causal link between the two variables. Similarly, Moskowitz (1972) reported that even though capital markets may not be significantly affected by social performance, CSR compliant firms benefit enormously from such corporate strategy. He further recommended 14 US organisations as investors' likely investments firms based on their socially responsive priorities and financial performance. In examining CSR's contribution to CFP and socio-economic growth of OACs, we assume that CSR constitutes government, community and shareholders with respect to tax revenues, employees and return on equity/dividend respectively.

From a resource based view (RBV), corporate strategic managers see CSR compliance as a strategic business investment to maximize stakeholders' interest (Wernerfelt 1984; Peteraf 1993). Hence, RBV suggests CSR form an integral part of corporate strategy and business model (Russo and Fouts 1997; Ruf et al. 2001). Such investment produces quality resources including human resources and positive social reputation (Rodgers et al. 2013).

Using the legitimacy lense, Suchman (1995) argues that CSR compliance enhances efficiency, CFP, legitimacy, corporate reputation and helps provide critical resources when needed. Whereas Ntim and Soobaroyen (2013) support RBV findings, they posit that CSR practices meant to gain and improve corporate legitimacy may not necessarily result in strong CFP. However, strategic CSR activities directed towards corporate efficiency would positively impact CFP. This confirms the findings that effectiveness of corporate community involvement enhances CFP and socio-economic growth (Liu et al. 2013). In this regard, corporate tax, employees and customers focused CSR practices can improve CFP through reducing political costs , industrial strikes and customer boycotts (Donaldson and Preston 1995). Hence, CSR could be considered as a good governance extension.

This means that firms that are transparent, accountable and responsible are potential CSR compliant which could be used to solve stakeholders differences (Jo and Harjoto 2011, 2012). Additionally, *transaction cost economics* protagonists have argued that firms reduce cost and maximise profit by satisfying stakeholders' interest (Williamson 1985; McWilliams et al. 2006; Voegtlin et al. 2012). As indicated earlier, using transaction cost economics, studies find that MNCs use cost reduction strategies to avoid tax to increase profits and consequently, capital flight. McWilliams et al. (2006) further posit that management's decision to exclusively consider shareholders when planning for stakeholder needs is inappropriate.

Even though 'shareholders and debt holders' have clearly defined rights within firms under the law, other stakeholders, such as the community also have 'implicit claims' on the organisation's wealth (see Donaldson and Preston 1995). Hence, to ensure responsible leadership in global business, Ruf et al. (2001) and Voegtlin et al. (2012) indicate that firms must also consider the interests of employees and government, besides the shareholders, because their contribution to CFP and economic growth cannot be underestimated. This implies a firm's CSIR could cast doubts in other stakeholders' minds regarding the likelihood of firms honouring their 'implicit claims'. Such stakeholders could potentially "transfer the low-cost implicit contracts into costly explicit claims" (Rodgers et al. 2013, pp. 609). Hence, transaction cost economics suggests that CSR compliant firms enjoy "low-cost implicit claims" as against "high-cost explicit claims" on CSIR firms (Peloza 2006). Contrary to previous studies' mixed results, and based on these findings, we predict that effective, efficient and committed CSR compliance strategy whether viewed from financial or non-financial perspective improves CFP. In addition, we postulate that CSR viewed from the government, community and shareholders perspective impacts significantly on CFP, GDP and socio-economic growth. This leads us to our next hypotheses that:

H3: CSR and CFP are positively related.

2.4 Executive share ownership, executive compensation, share options, and corporate performance

Jensen and Meckling (1976) find agency problem being a challenge to CSR commitment owing to management authority and free judgement in large companies. Bebchuk and Fried (2003) also find MNCs' ownership structure, the landscape and design of executive compensation arrangements impacting MNCs' CSR commitments, CFP, dividends payout, capital flight and cash flow.

Such features of 'crony capitalism' where majority shareholders take over minority shareholders are pronounced comprise some of the activities of MNCs within OACs. Such practices are evidenced by extra-ordinary CEO compensation, strategic multiple blockholders including widespread and persistent executive stock options offers, high dividends, reduction in CSR activities and uneven cash flow arrangements (Minnick and Rosenthal 2014). Other studies shows that MNCs' ownership structure, executive compensation and dividend policy impact firm size, profitability, dividends payment steadiness and CSR compliance (He et al., 2012). Hence, one could argue that such firm-level practice could impede socio-economic growth opportunities. Therefore, our fourth hypothesis says:

H4: Executive share ownership, executive compensation and share options of MNCs within OACs negatively relate to CFP and firm valuation.

3.0 Methodology and data

First, we provide model specifications that assess the relationship between and among PMPs, CSR and CFP of OACs' MNCs and how they impact on OACs' socio-economic growth. Our model specifications used the stakeholder theory (Freeman 1984; Donaldson and Preston 1995), resource-based view (Wernerfelt 1984; Peteraf 1993; Russo and Fouts 1997), transaction cost economics (Jones 1995; McWilliams et al. 2006), institutional theory (North 1990; Ntim et al. 2013; Amaeshi et al. 2016), legitimacy theory (Suchman 1995; Du Vieira 2012), resource dependence theory (Sachs and Warner 1995, 1997, 2001; Idemudia 2012) and agency theory (Jensen and Meckling 1976). Second, we estimate our model by gathering data on both our explanatory and dependent variables indicated in Table 1 below.

Insert Table 1 about here

Out of the fifty-four (54) African countries twenty (20) produce and export oil. Using Bloomberg equity screening database, we select seventy-six (76) MNCs operating in all the twenty (20) OACs between 2003 and 2017. After deleting missing data, inconsistent figures and outliers from our dataset, the final sample size in our data set is fifty-two (52) MNCs. Table 2 presents our sample characteristics.

Insert Table 2 about here

Previous studies measured CSR from varied perspectives including using indicators, dummy variables, environmental, social and governance (ESG) (Ntim and Soobaroyen, 2013; Rodgers et al. 2013; Ullah et al. 2018). Following Rodgers et al. (2013), we capture CSR from an ethical perspective using Freeman (1984) stakeholders view including employees, government, shareholders/owners etc. First, in CSR1 construct, we consider the views of owners and directors (ROE/shares/share options), government (corporate tax) and employees (salaries/wages) because these stakeholders constitute a key component of every business. Second, MNCs are mostly foreign-owned, we felt including owners will bias our results, so we constructed CSR2 that eliminates owners but includes directors, corporate tax and employees. Third, because our primary objective seeks to assess how these MNCs operations impact on socio-economic growth, we construct another CSR3 that considers only corporate tax and employees' wages/salaries.

Below are models for our CSR constructs.

1. $\text{CSR1}_{it} = \alpha_{it} + \beta_1\, ROE + \beta_2\, Executive\ share\ option + \beta_3\, Tax_{it} + \beta_4 number\ of\ \ Employees_{it} + \varepsilon_{it}$

2. CSR2*it*= $\alpha_{it} + \beta_1\, Executive\ share\ option_{it} + \beta_2\, Tax_{it} + \beta_3\, number\ of\ Employees_{it} + \varepsilon_{it}$

3. $\text{CSR3}_{it} = \alpha_{it} + \beta_1\, Tax + \beta_2\, number\ of\ Employees_{it} + \varepsilon_{it}$

Further, we address our research goal by examining each model against three different dependent variables including CFP (measured by z-score), economic growth - measured by gross domestic product (GDP) and firm value (measured by Tobin's Q). Our control variables include firm size and firm-specific financial characteristics, represented by accounting ratios such as cash ratio, current ratio and cash flows. We classify these accounting ratios as control variables because they are susceptible to directors' manipulation (Sikka 2010).

To improve the robustness of our analysis, our Haussmann test favoured the use of fixed effects. The fixed effect regression removes firm-specific invariant omitted variables and accounts for unobservable firm characteristics. Panel data contain multiple observations per firm-year which imply possibilities of unobserved heterogeneities correlating with the explanatory variables which may ultimately bias our results (Mínguez-Vera and Martín-Ugedo 2007). This study employs panel data. Hence, it is possible to contain unobserved heterogeneity since our data has several observations in each firm. The fixed-effects model gives unbiased and consistent coefficient to deal with heterogeneity problems (Jeon and Miller 2004). Further, we provide lagged effects to reduce the possibilities of serial correlations that can affect our results. Besides, we assess all our models for the multicollinearity problem by examining tolerance and the VIF of each model. Our VIF test could not detect any multicollinearity problems in our model.

4.0 Analysis and results

Table 3 shows basic descriptive statistics for country-level data on GDP, corruption control, political stability, regulation quality, government effectiveness, rule of law, institutional quality, firm-level corporate governance, financial and CSR data for fifty-two (52) companies operating in twenty (20) African countries. The descriptive statistics show that MNCs in Africa have a very stable financial position as indicated by key financial ratios and mean value of PMPs and sustainability ratios. The average returns on assets ratio is 16.5 % which reflects the profitability of the petroleum sector in the sample countries. This is further supported by the positive values for the market-based measures of firm performance, Tobin's Q (2.246) and dividend per share (1.143). The mean values for the three CSR constructs (CSR 1, CSR2 and CSR3) are 41.190, 39.280, and 31.227. These measures capture the extent of CSR activities by sample companies. The mean values for current ratio and cash flow ratio are 2.403 and 0.148, which generally look very high for petroleum companies. High current ratio and cash ratio indicate that these companies are investing relatively less amount in research and development (R&D) activities, which results in unsustainable and poor growth prospects.

Insert Table 3 about here

In Table 4, we report correlation coefficients for most of our variables included in the analysis. The association between CSR 1, CSR2, and CSR3 is positive with firm size (measured by the natural logarithm of total assets) which support the general intuition that bigger organisations have the potential to contribute to CSR activities compared to smaller ones. The relationship between executive compensation and corporate financial performance (CFP) is significantly negative (β = -0.412**) which reflects agency costs of paying excessive executive compensation for MNCs operating in OACs. Nevertheless, the significantly negative relationship between PMP and executive share ownership implies that executives are granted additional shares despite poor corporate performance, which confirms the earlier association between CFP and executive compensation.

Insert Table 4 about here

In response to our research questions and objectives, the preceding section shows the regression analysis for the four hypotheses tested. First, we used the linear regression to find the relationship between PMPs of MNCs operating within OACs and their CSR compliance. Table 5 (models 1-4) reports results from pooled OLS. Models 1-3 show a significantly negative impact of executive compensation on PMPs of MNCs. This confirms higher executive compensation and higher agency costs of MNCs in OACs. Excessive executive compensation is a global governance issue and regulatory bodies around the world have issued corporate governance codes/regulations in dealing with these issues. The issue of excessive executive pay is not surprising for us as most of our sample countries from Africa have a chronically weak legal and regulatory environment with little protection for minority stakeholders. Similarly, these countries have implemented 'foreign-originated' corporate governance models without appreciating their underlying complex legal, judicial and regulatory environment (Kimani 2016). For instance, most of the Commonwealth countries (including those in Africa) have adopted a principles-based system of governance, which allows much flexibility for companies to follow the governance regulations on a 'comply or explain' basis (Ntim and Soobaroyen 2013; Kimani 2016).

This means companies can follow a code of corporate governance and non-compliance means there is not an established penalty and companies can only report the explanations and justification in their annual reports and other disclosure-related documents. Indeed, allowing governance-related flexibility to foreign originated MNCs in OACs is like allowing ‘a fox to keep the geese’.

Insert Table 5 about here

In Table 6, we further confirm this by reporting a negative impact of executive compensation on CFP. To ensure results are not affected by endogeneity problem, we included lagged values of CFP and our results for executive compensations and CFP remained the same. Contrary to our expectations in hypothesis 1, the study finds a significantly positive relationship between CSR3 and PMPs. Our CSR3 construct included the tax contribution and employment opportunities of MNCs operating in OACs. This is contrary to the existing literature which criticises MNCs for their unethical business practices, including inappropriate pricing techniques, and rigorous tax planning in minimizing their transaction costs (Jones 1995; Sikka 2010). This observation affirms the general assumptions of stakeholder theory which asserts that contributing to local economies (corporate tax payments) and local communities (providing employment opportunities) would enhance the profitability prospectus of a firm. No significant association between executive share ownership and PMPs was observed. As expected, sales revenue has a positive impact on PMPs. In Table 5, CSR 3 has significantly positive impact on economic growth (GDP) of OACs. This signifies a positive contribution of MNCs in OACs.

We predicted a positive contribution of CSR commitment to local economic development. In our pooled regressions for petroleum contribution to GDP (see Table 5, models 1-5) we find a significantly positive impact of CSR 3 (measured by MNCs tax contribution and employment opportunities) on GDP of our sample OACs. This observation is consistent with prior studies (Bhardwaj et al., 2018; Sun et al., 2018; Kim et al., 2018) which indicates a positive link between CSR commitment and socio-economic growth. This observation confirms the resource-based view of the firm within governance and CSR literature.

Insert Table 6 about here

In Table 7, we show that executive share ownership is negatively related to GDP and firm value. There are two possible explanations for this. First, this negative impact on firm valuation and GDP implies that awarding stock ownership to executives may not necessarily settle the conflicting interests between managers and owners. Second, it can be argued that surplus organizational resources, which could have been invested in CSR activities, are diverted to paying compensation to top executives of MNCs in OACs. Prior research on MNCs (Minnick and Rosenthal 2014) also reports evidence of lower CSR commitment and extraordinary CEO compensation.

Insert Table 7 about here

We report the combined impact of CSR1 and CSR2 on GDP and MNCs market valuation (Tobin's Q) in Table 7. CSR1 considers the views of four primary corporate stakeholders (owners, directors, government and employees) while CSR 2 excludes owners (the largest component in the model since a majority of MNCs in OACs are foreign-owned. We could not find any significant contribution of CSR1 and 2 on GDP and market valuation. The insignificant impact of CSR1 and CSR2 contradicts the earlier results for CSR3 where we reported the positive implications of tax and employment contributions of MNCs in OACs. Furthermore, the insignificant relation between CSR1 and CSR2 and our market valuation measure (Tobin's Q) indicates that CSR1 and 2 of MNCs' activities contribute insignificantly towards economic growth in OACs as against that of their country of origin. This suggests that these MNCs have different layers of CSR activities in Africa, and each type of CSR activity has different implications for CFP, firm value, PMPs and socio-economic growth of OACs. This confirms research findings on natural resource-curse of emerging economies that MNCs may use inadequate country-level institutional factors (including weak institutional structures and weak regulatory environment) to exploit OACs by paying less attention to ethics and CSR activities (Idemudia 2011; Ntim and Soobaroyen 2013; Contractor 2016).

Discussion

This study seeks to examine and understand the extent to which PMPs of petroleum MNCs affects their CSR commitments in OACs. We further investigate the association between their CSR commitments and CFP, and how these two variables influence socio-economic growth outcomes given the unique contextual differences among OACs. Though studies find CSR as an imperative global strategic innovative business performance concept, results on CSR-CFP relationship are inconclusive. We opine that the choice of variables, geographical settings, methodological approach and theories might have contributed to inconclusive results. Additionally, the extent to which MNCs' PMPs, CSR and CFP integrate to affect the socio-economic growth of OACs have been understudied. Hence, we combine seven mostly and singularly used socio-economic theories in such studies to examine these issues. We provide model specifications that assess the relationship among PMPs, CSR, CFP of MNCs and how these variables impact socio-economic growth.

First, our PMP-CSR models 1-4 on Table 5 show very stable financial position of MNCs in OACs, indicated by key financial ratios and mean value of PMPs. The high returns on equity and capital employed indicate that the petroleum sector in the sample countries is profitable.

Again, the association between CSR1, CSR2, and CSR3 is significantly positive with firm size. This implies CSR1 and CSR2 have a significant representation of owners and executive compensation. However, excessive executive compensations and huge profits are expatriated (capital flight motive) since most (if not all) the petroleum businesses are foreign-owned. Such MNCs' business motives do not encourage innovative development which results in OACs' CSR vulnerability (Brown 2013; Ullah et al. 2018). Hence, we find a significantly negative relationship between MNCs' PMPs and CSR which confirms our first hypothesis. This further supports the legitimacy theory that MNCs may attempt to undertake CSR activities just to legitimize their operations, existence, and perceived community involvement. It also confirms literature on agency and stakeholders' theories that profit maximisation is a firm's primary concern where owners' interest is supreme (Jensen and Meckling 1976; Freeman 1984; Frederick 1992; Donaldson and Preston 1995).

Second, based on our country-based institutional determinants within weak institutional context permits these MNCs to maintain high current ratio and cash ratio purposely to pay huge executive compensation and return on equity (ROE) while paying less attention to CSR activities. This implies these MNCs invest relatively less in research and development (R&D) activities. Additionally, even though their corporate tax payments and employment offered (CSR 3) relate positively to GDP, aggregate CSR (CSR1, CSR2 and CSR3) impacts insignificantly to real socio-economic growth. These phenomena result in unsustainable and poor socio-economic growth prospects. In this regard, our second hypothesis and literature on the institutional theory that weak institutional factors affect CSR commitments and slow socio-economic growth is confirmed (North 1991; Jones, 1995; Idemudia 2011; Ntim and Soobaroyen 2013; Amaeshi et al. 2016; Contractor 2016).

Third, using resource-based view, stakeholder theory, transaction cost economics, legitimacy and agency theories, we examine the CSR-CFP link from both financial and non-financial perspectives. We consider owners, government and community involvement and firm value (Tobin's Q) in defining CSR and CFP respectively. Though financial CSR investments could increase expenses, prudent, effective and efficiently executed financial CSR activities could potentially improve firm value. Similarly, quality leadership skills, for example, good managers-employees relationship, community involvement, corporate tax compliance and acceptable business ethical behaviours could impact positively on CFP. Hence, the study shows significantly positive relationship between CSR1, CSR2, and CSR3 and CFP whether individually or collectively. This is consistent with the argument that larger firms are more CSR conscious than smaller firms and that CSR and CFP are positively related (Peteraf 1993).

Fourth, our work shows that share ownership, executive compensation and share options affect CFP (firm value) and GDP negatively. This might be that executive compensation may not commensurate with performance. Secondly, directors parochial interest hinders research and development (R&D) and CSR or investment of surplus organizational resources in CSR activities that could positively impact firm growth. From the perspective of agency theory, this supports the argument that high executive compensation could not resolve the managerial opportunism (agency problems) between owners and managers and that extraordinary CEO compensation impedes CSR commitment (Jensen and Meckling 1976; Minnick and Rosenthal 2014).

Conclusion

This paper sought to examine and understand the extent to which PMPs of petroleum MNCs affect their CSR commitments and how they associate with CFP. It also examined how these integrate to impact socio-economic growth of OACs. The results suggest that an organisation's comprehensive CSR engagement could improve efficiency, profitability including CFP by minimising 'information asymmetry' and agency costs (Jensen and Meckling 1976). Our results show significantly negative association between MNCs' PMPs and CSR. This is explained by their profit maximisation policies aimed at expatriating capital which results to neglect of most of MNCs' mandatory firm-based CSR obligations. Additionally, high CSR commitment can enhance CFP through conformance to social norms to gain legitimacy for corporate operations. This can assist to improve corporate image and reputation as well as in accessing critical external resources (Suchman 1995). Moreover, we find that weak institutional factors could affect CSR commitments which could retard OACs' growth. Such observation supports extant studies' findings that institutional weakness accounts for the poor economic performance of OACs (Idemudia 2011). The results further show a significantly positive relationship between CSR and CFP. Strategically, our findings suggest that CSR improves firm's financial health and market value.

Additionally, we observe that our three-dimensional CSRs impact MNCs differently. While CSR1 has significantly negative impact on CFP and GDP, CSR2 has insignificant positive impact on CFP and GDP, while CSR3 has a significant positive effect on CFP and GDP. This is the ideal situation which does not happen within OACs since corporate tax and wages/salaries paid to local employees are woefully inadequate to make meaningful economic impact. Hence, the combination of the CSRs shows no significant association between CSR and GDP (socio-economic growth) within OACs. This result implies that inadequate country-level institutional factors result in Africa's failure to hold petroleum MNCs accountable for CSR compliance. Hence, addressing powerful stakeholders' needs (for example owners, government and employees) can minimise political costs and labour unrests (Freeman 1984; Donaldson and Preston 1995). We, however, find a significant positive association between ROE and CFP. The understanding is that owners of these companies are expatriate managers who enjoy returns on their investment. This finding, therefore, supports the agency theory's argument that directors are themselves owners which assists in aligning their actions with the objectives of the companies they manage.

Moreover, we find that executive compensation and executive share options impede CSR commitment. There exists a significant negative relationship between executive share option and CFP. This implies executives reward themselves with higher compensation irrespective of poor corporate financial performance. We conclusively suggest that strategic CSR engagement can enhance efficiency, profitability and firm value; weak institutions could affect CSR commitments; MNCs' CSR vulnerability in OACs impacts negatively on socio-economic growth; executive compensation and executive share options significantly affect CFP negatively and hinder CSR commitment.

The study's findings have practical implications for policymakers and practitioners particularly those domiciled within OACs regarding CSR, MNCs petroleum investments and growth policy reforms. Since we find CSR vulnerability within OACs as socio-economic growth impediment, a policy may be reformed, strengthened, implemented and rigorously pursued in collaboration with strategic key stakeholders (as stated above) including OACs' MNCs with regular reviews. Firms may be urged to incorporate CSR as strategic component of their entire corporate governance strategy. CSR non-compliance could be considered as business ethical standards violation. African governments may have the political will to strengthen institutions through institutional reforms and demonstrate their institutional policy and regulatory compliance willingness to improve socio-economic growth and development.

Even though CSR can be measured by several variables, we used owners, directors, government and community involvement as our measure which may not be similar to other studies. Hence, may have different results. Although our 14-year period data guarantees accuracy and reliability, it may not reflect current MNCs CSR activities. However, we have enough evidence to conclude that PMPs of MNCs' activities within OACs impede their CSR commitment and consequently affect their contribution to socio-economic growth. It could be fascinating to investigate further the extent to which MNCs' petroleum operations contribute to decades-old hypothesis that OACs experience economic failures explained by natural resources literature.

Table 1 Variables and their definitions

Variable	Definition
Tobin	We used Tobin's Q as proxy for firm value- The ratio of the market value of firm to replacement value of the firm's assets. (Source: Bloomberg)
Corporate Fin performance	We used Z-score as proxy for CFP- [Z =3.3*(EBIT/tangible assets)+ 0.6*(market value of equity/total liabilities) +1*(Sales/tangible assets) +1.2*(working capital/tangible assets) +1.4*(retained earnings/tangible assets)]
Return on equity	Net income divided by equity capital (Source: Bloomberg)
Return on assets	Net income divided by total assets (Source: Bloomberg)
Current ratio	The ratio of current assets to current liabilities (Source: Bloomberg)
Debt Equity ratio	The ratio of total debt to total book value of equity (Source: Bloomberg)
Executive remuneration	Natural log of executive pay and benefits for the period (Source: Bloomberg)
Dividend per share	Total dividend including interim dividends paid out divided by the number of outstanding equity holders (Source: Bloomberg)
Executive share option	Logarithm of total number of outstanding shares owned by executives for the period
Employees	Total number of permanent staff directly involved in operations for the period (Source: Bloomberg)
CSR1	Linear combinations of ROE + Executive share options + number of employees
CSR2	Linear combinations of ROE + number of employees
CSR3	Linear combinations of tax paid for the year + number of employees
Revenue	Natural log of the total sales revenue for the period (Source: Bloomberg)
PMP	Linear combinations of sales revenue - (cost of sales - tax)
Taxation	Natural log of the total amount of tax paid for the financial year (Source: Bloomberg)
Cash flow	Total operational cash inflows for the period (Source: Bloomberg)
GDP	Natural log of real GDP-Nominal GDP of a country adjusted by inflation (Source IMF database)
Governance effectiveness	The index which ranges from 0 to 100 measures the quality of public services, the quality of the civil service and the degree of its independence from political pressures
Political stability	Measures Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism
Corruption control	This index Reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests (Source IMF database)
Regulatory quality	The index measures how governments formulate and implement sound policies and regulations that permit and promote private sector development (Source IMF database)
Rule of law	The index measures the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Values vary from 0 (non-existent) to 100 (excellent). (Source IMF database)
Institutional quality	Linear combinations of political stability, governance effectiveness, corruption control, regulatory quality and rule of law
Firm size	Natural log of total assets for the period (Source: Bloomberg) (Source IMF database)

Table 2: Sample characteristics

Country	Number of companies	Percentages
Angola	4	8%
Botswana	1	2%
Cape Verde	1	2%
Cote D'Ivoire	2	4%
Egypt	5	10%
Gabon	1	2%
Ghana	2	4%
Kenya	2	4%
Libya	2	4%
Mauritius	2	4%
Morocco	2	4%
Mozambique	2	4%
Namibia	1	2%
Nigeria	10	19%
Senegal	2	4%
South Africa	7	13%
Tanzania	3	6%
Tunisia	1	2%
Zambia	1	2%
Zimbabwe	1	2%
Total	52	100%

Sample involves 52 multinational corporations operating within all the 20 oil-rich African countries (2003-2017)
Source – field data (Bloomberg)

Table 3 Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
Tobin	0.141	7.285	2.246	24.636
Corporate Financial Perf	0.001	7.285	2.246	16.636
Return on equity	0.025	0.076	0.015	0.274
Return on assets	0.135	0.196	0.165	0.374
Current ratio	0.002	97.204	2.403	5.389
Debt Equity ratio	0.014	13.450	0.114	0.653
Executive remuneration	0.023	0.083	0.043	0.128
Dividend per share	0.000	53.001	1.143	5.994
Executive share option	0.000	0.139	0.031	0.431
Employees	223.000	802.000	297.000	8.023
CSR1	0.167	364.384	41.190	24.401
CSR2	0.064	364.181	39.280	22.669
CSR3	0.164	363.998	31.227	23.644
Revenue	0.050	205.280	9.740	26.662
PMP	0.124	0.584	0.245	0.265
Taxation	4.230	7.441	5.487	0.317
Cash flow	0.0631	5.519	0.148	0.642
Firm size	0.0034	10.327	6.990	8.189

Table 4 Correlation Matrix

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tobin	1.000										
Corporate Financial Perf	0.283**	1.000									
Return on equity	0.269**	0.166**	1.000								
Return on assets	0.293**	0.471**	0.741**	1.000							
Current ratio	-0.028	0.338**	-0.091	0.032	1.000						
Debt Equity ratio	0.016	-0.216**	-0.104*	-0.027	-0.037	1.000					
Executive remuneration	-0.010	-0.007	0.018	0.007	-0.011	-0.022	1.000				
Dividend per share	-0.013	0.036	0.118*	0.010	0.000	-0.028	0.006	1.000			
Executive share option	-0.048	0.129*	0.032	0.050	-0.024	0.104*	0.119*	0.277**	1.000		
Employees	-0.031	0.046	0.020	0.028	0.033	-0.053	0.971**	-0.047	0.171*	1.000	
CSR1	0.030	0.053	0.002	0.150	0.231**	-0.067	0.972**	-0.064	0.170*	1.000**	1.000
CSR2	0.030	0.049	-0.003	0.147	0.190*	-0.064	0.972**	-0.062	0.173*	1.000**	1.000**
CSR3	0.031	0.048	0.016	0.028	0.150*	-0.054	0.972**	-0.042	0.169*	1.000**	1.000**
Revenue	0.018	-0.017	0.018	0.029	-0.023	-0.019	0.886**	0.062	0.205**	0.925**	0.928**
Taxation	0.018	0.027	0.096*	0.013	0.041	-0.039	0.857**	0.252**	0.220**	0.900**	0.904**
Cash flow	-0.015	-0.008	0.052	0.011	-0.010	-0.032	0.895**	0.172**	0.201**	0.899**	0.901**
GDP	0.004	0.016	0.037	0.008	0.045	0.011	0.043	0.101*	-0.023	0.059	0.203*
Governance effectiveness	0.079	0.151**	0.029	0.096*	0.095*	0.056	0.175**	-0.086	0.095*	0.461**	0.550**
Political stability	0.048	0.093	0.015	0.095*	0.095*	0.061	0.061	0.170**	0.095*	0.203**	0.285**
Corruption control	0.073	0.136**	0.025	0.101*	0.101*	0.062	0.153**	0.073	0.101*	0.424**	0.568**
Regulatory quality	0.076	0.137**	0.018	0.095*	0.095*	0.065	0.178**	0.046	0.095*	0.434**	0.512**
Rule of law	0.049	0.137**	0.041	0.103*	0.103*	0.103*	0.121**	0.033	0.103*	0.361**	0.443**
Institutional quality	0.036	0.063	-0.062	0.106*	0.106*	0.106*	0.065	0.065	0.120*	0.033	0.038
Firm size	-0.019	-0.046	0.001	0.014	-0.030	-0.019	0.910**	0.085	0.191**	0.930**	0.929**

Table 4 (cont..)

Variable	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
CSR1	1.000												
CSR2	1.000												
CSR3	1.000**	1.000											
Revenue	0.929**	0.928**	1.000										
Taxation	0.905**	0.904**	0.859**	1.000									
Cash flow	0.901**	0.903**	0.925**	0.882**	1.000								
GDP	0.202**	0.163*	0.114*	0.128**	0.054	1.000							
Governance effectiveness	0.528**	0.459**	.194**	0.189**	0.191**	0.088*	1.000						
Political stability	0.274**	0.209**	0.058	0.128**	0.109*	0.024	0.750**	1.000					
Corruption control	0.544**	0.424**	0.160**	0.165**	0.168**	0.085*	0.919**	0.810**	1.000				
Regulatory quality	0.493**	0.436**	0.207**	0.210**	0.196**	0.075*	0.938**	0.714**	0.879**	1.000			
Rule of law	0.432**	0.360**	0.138**	0.146**	0.155**	0.084*	0.934**	0.801**	0.922**	0.888**	1.000		
Institutional quality	0.043	0.026	0.085*	0.088*	0.054	0.085*	0.205**	0.041	0.166**	0.212**	0.134**	1.000	
Firm size	0.929**	0.931**	0.943**	0.859**	0.932**	-0.061	0.196**	0.072	0.165**	0.198**	0.147**	-0.023	1.000

**. Correlation is significant at the 0.01 level (2-tailed), *. Correlation is significant at the 0.05 level (2-tailed).

Table 5 Corporate Social Responsibility and its impact on profit maximisation prospects and GDP

	OLS regression Profit Maximization prospects					**OLS regression oil and Gas contribution to GDP**				
VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 1	Model 2	Model 3	Model 4	Model 5
Return on Equity	0.626***		0.552***	0.546***	0.586***	0.001		0.011	0.012	0.012*
	(0.481)		(0.393)	(0.384)	(0.443)	(0.001)		(0.001)	(0.001)	(0.001)
Exec Share options	-43.113	30.373				0.001	0.004**			
	(7.484)	(11.192)				(0.002)	(0.002)			
Executive remuneration	9.195***	9.936***	9.996***	9.374***		4.117***	4.088***	4.180***	5.195***	
	(21.814)	(33.006)	(19.838)	(11.677)		(0.556)	(0.586)	(0.477)	(0.318)	
CSR 3	0.020***	0.021***	0.024***	0.020***	0.020***	0.024***	0.026***	0.025***	0.020***	0.023***
	(0.007)	(0.010)	(0.005)	(0.003)	(0.001)	(0.004)	(0.005)	(0.004)	(0.002)	(0.003)
Current ratio	3.378	9.697			1.892	0.052	0.046			0.093*
	(68.581)	(54.460)			(53.281)	(0.060)	(0.063)			(0.053)
Revenue	15.328	12.855	2.511		8.545***	0.187***	0.121**	0.190***		0.472***
	(2.856)	(3.397)	(1.858)		(1.242)	(0.058)	(0.058)	(0.047)		(0.035)
Debt equity ratio	-22.386*	-31.186				-0.000	-0.000			
	(12.821)	(19.676)				(0.000)	(0.000)			
Dividend per share	-0.446*		-0.119			0.024***		0.027***		
	(2.702)		(2.705)			(0.007)		(0.005)		
Rule of law	2.935**	3.827**	2.246**	2.182**	2.334**	0.001	0.003	0.001	0.003	0.004
	(12.784)	(18.082)	(9.038)	(9.969)	(10.403)	(0.003)	(0.003)	(0.002)	(0.003)	(0.003)
Firm size	8.800***	3.012	3.686**	3.417***	1.486	-0.008	0.083	-0.013	0.131***	-0.000
	(2.619)	(3.009)	(1.238)	(1.196)	(1.002)	(0.064)	(0.059)	(0.040)	(0.033)	(0.044)
Constant	-58.387***	-16.632	-27.465***	-25.028***	-21.553**	-0.128	-0.618*	-0.021	-0.697***	-0.453
	(14.989)	(20.532)	(9.748)	(8.473)	(9.337)	(0.394)	(0.369)	(0.232)	(0.220)	(0.277)
Observations	121	121	157	157	158	121	121	157	160	158
R-squared	0.744	0.759	0.633	0.732	0.634	0.764	0.760	0.765	0.756	0.748

Notes: The figures in the brackets are the standard errors, significant at *** is p<0.01, significant at ** is p<0.05, significant at * p<0.1
Model **(1)** examined ROE, ownership structure, executive remuneration, CSR3**,** current ratio, revenue, and debt to equity ratio, dividend per share and rule of law. Model **(2)** we remove profitability and dividend per share from model 1 to examine CSR3 and rule of law further. Model **(3)** examine CSR3 executive compensation and rule of law by removing ownership structure, current ratio and dividend per share from model 1. Model **(4)** examine CSR3 rule of law and profitability aspects by removing executive share option, current ratio, debt to equity ratio from model 2. Model **(5)** examine CSR3, ROE, rule of law, revenue and firm liquidity (current ratio)

Table 6 CSR and its impact GDP and firm performance

	OLS results CSR vulnerability effect on GDP					OLS results CSR vulnerability effect on Firm Value				
VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 1	Model 2	Model 3	Model 4	Model 5
CSR1	9.787***	6.925**	6.642**	4.355***	4.779***	0.024	0.030*	0.021	0.021	0.020
	(2.444)	(2.137)	(2.102)	(1.123)	(1.188)	(0.000)	(0.007)	(0.004)	(0.004)	(0.002)
CSR2		0.949***	0.957***	0.955***	0.939***		0.024*	0.023	0.023	0.021
		(0.024)	(0.020)	(0.019)	(0.019)		(0.005)	(0.004)	(0.004)	(0.003)
Corporate financial performance	0.008***	0.007***	0.008***			4.780***	4.621***	4.582***	4.658***	
	(0.025)	(0.0023)	(0.0025)			(8.479)	(9.621)	(9.235)	(8.336)	
Cash flow	30.204***	8.843		0.007***		-0.003	-0.004			
	(46.094)	(13.678)		(0.0023)		(0.007)	(0.007)			
Rule of Law	17.747***	9.566**	7.333**	3.109*	2.300*	0.013*	0.013*	0.013*	0.013*	0.012*
	(11.819)	(29.566)	(29.867)	(27.923)	(24.114)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Firm size	-4.866**	-1.909***	-1.807***	-1.600***	-1.095***	-0.071	-0.047	-0.063	-0.061	-0.227***
	(2.205)	(5.058)	(4.605)	(4.906)	(3.952)	(0.068)	(0.073)	(0.070)	(0.063)	(0.070)
Constant	0.632	1.898***	1.879***	1.835***	5.895***	3.824***	3.705***	3.192***	3.182***	3.172***
	(1.974)	(5.067)	(5.044)	(4.853)	(2.039)	(6.631)	(7.970)	(7.972)	(6.740)	(5.460)
Observations	118	118	118	126	147	120	114	114	122	136
R-squared	0.710	0.781	0.681	0.684	0.613	0.470	0.559	0.455	0.465	0.396

Notes: The figures in the brackets are the standard errors, significant at *** is p<0.01, significant at ** is p<0.05, significant at * p<0.1
Model **(1)** examined effects of CSR1, corporate financial performance cash flows and rule of law Model **(2)** examines both CSR1 and CSR2 effects on GDP and Firm value. Model **(3)** examines CSR 1 and CSR 2 but eliminates cash flows effect from model 2 **Model (4)** examines CSR 1 and CSR 2 but eliminates corporate financial performance effect from model 2**.** Model **(5)** examines CSR 1 and CSR 2 but eliminates corporate financial performance and cash flows from model 2. We control for Firm size in each of our models.

Table 7 Impact of institutional quality on firm performance

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Return on equity	0.016***	0.015***	0.016***	0.016***	0.016***	0.015***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Exec remuneration	4.123	4.277	4.456*	3.532	4.226	2.950
	(2.687)	(2.698)	(2.675)	(2.708)	(2.658)	(2.644)
Current ratio	0.690***	0.679***	0.710***	0.705***	0.734***	0.757***
	(0.145)	(0.145)	(0.143)	(0.147)	(0.143)	(0.144)
Cash flow	-0.001	-0.001	-0.001	-0.006*	-0.001	-0.001
	(0.004)	(0.005)	(0.005)	(0.007)	(0.005)	(0.006)
Revenue	0.238*	0.243*	0.215	0.250*	0.213	0.257*
	(0.131)	(0.131)	(0.130)	(0.133)	(0.130)	(0.131)
Debt equity ratio	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Rule of law	0.024***					
	(0.008)					
Employees	-0.007**	-0.006**	-0.007**	-0.008**	-0.007**	-0.006**
	(0.008)	(0.005)	(0.008)	(0.009)	(0.008)	(0.005)
Corruption control		0.027***				
		(0.009)				
Gov. Effectiveness			0.027***			
			(0.009)			
Political stability				0.015**		
				(0.007)		
Regulatory quality					0.031***	
					(0.009)	
Inst. Quality						0.027***
						(0.009)
Constant	1.699***	1.794***	1.635***	2.010***	1.325***	2.079***
	(0.408)	(0.391)	(0.402)	(0.377)	(0.459)	(0.341)
Observations	128	128	128	128	128	128
Adjusted R-squared	0.403	0.402	0.413	0.386	0.415	0.411

Notes: The figures in the brackets are the standard errors, significant at *** is p<0.01, significant at ** is p<0.05, significant at * p<0.1

Model **(1)** examine effects of rule of law on corporate financial performance. Model **(2)** examine effects of corruption control on corporate financial performance. Module **(3)** examine effects of governance effectiveness on corporate financial performance. Model **(4)** examine effects of political stability on corporate financial performance. Model **(5)** examine effects of regulatory quality on corporate financial performance. Model (6) examine effects of institutional quality on financial corporate performance

Table 9 **OLS regression results on effects of Quality institutional framework on firm value**

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Return on equity	0.007***	0.007***	0.007***	0.007***	0.007***	0.007***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Exec remuneration	0.244	0.323	0.311	0.207	0.310	-0.081
	(1.131)	(1.124)	(1.130)	(1.113)	(1.115)	(1.107)
Current ratio	-0.052	-0.057	-0.048	-0.049	-0.041	-0.033
	(0.061)	(0.061)	(0.061)	(0.060)	(0.060)	(0.060)
Cash flow	0.004	0.003	0.005	0.003	0.002	0.004
	(0.003)	(0.004)	(0.006)	(0.004)	(0.006)	(0.003)
Revenue	-0.030	-0.027	-0.035	-0.022	-0.037	-0.021
	(0.055)	(0.055)	(0.055)	(0.055)	(0.055)	(0.055)
Debt equity ratio	0.031**	0.024**	0.031**	0.032**	0.031**	0.024**
	(0.003)	(0.004)	(0.003)	(0.003)	(0.003)	(0.004)
Rule of law	0.006*					
	(0.003)					
Employees	0.004	-0.003	-0.004	0.004	-0.003	0.005
	(0.003)	(0.004)	(0.003)	(0.003)	(0.003)	(0.007)
Corruption control		0.008**				
		(0.004)				
Gov. Effectiveness			0.007*			
			(0.003)			
Political stability				0.007**		
				(0.003)		
Regulatory quality					0.009**	
					(0.004)	
Return on equity						0.008**
						(0.000)
Constant	1.144***	1.126***	1.122***	1.140***	0.991***	1.197***
	(0.165)	(0.158)	(0.165)	(0.151)	(0.185)	(0.141)
Observations	136	136	136	136	136	136
Adjusted R-squared	0.211	0.221	0.216	0.228	0.230	0.232

Notes: The figures in the brackets are the standard errors, significant at *** is p<0.01, significant at ** is p<0.05, significant at * p<0.1. Above lagged effects results controls for enodogeneity problems Model **(1)** examine effects of rule of law on corporate firm value. Model **(2)** examine effects of corruption control on corporate firm value. Module **(3)** examine effects of governance effectiveness on corporate firm value. Model **(4)** examine effects of political stability on corporate firm value. Model **(5)** examine effects of regulatory quality on corporate firm value. Model (6) examine effects of institutional quality on financial corporate performance

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