*Original Research Article*

# Corporate citizenship and wealth maximisation: a Re-evaluation of Stakeholder Theory Using Evidence from listed industrial goods firms in Nigeria


## Abstract

Based on stakeholder theory, the study examined the extent to which firm involvement in corporate citizenship influences the wealth maximisation of listed industrial goods firms in Nigeria. While corporate citizenship was measured using corporate donations, the proxy for wealth maximisation was market value of the firms. *Ex-post facto* research design was used on a population of thirteen listed industrial goods firms in Nigeria, from which a sample size of nine was purposively selected. Secondary data were gleaned from the firms' annual reports from 2013 to 2023 (11 year interval). Panel Cross-section Heteroskedasticity LR Test was conducted while White cross-section standard errors and covariance was applied to correct the heteroskedasticity anomaly. In addition, Residual Cross-Section Dependence Test was carried out of which Cross-section Seemingly Unrelated Regression was used to address the issue of cross-sectional dependence. Therefore, the hypothesis were tested using estimates from Panel Estimated Generalised Least Squares, which revealed that involvement in corporate citizenship significantly and positively influences wealth maximisation among listed industrial goods firms in Nigeria ($\beta = 32.79912$; p-value = 0.000). In conclusion, firms that engage in meaningful corporate citizenship are likely to build stronger relationships and this, in turn, contributes to increased sustainable wealth creation. We recommend that senior management of listed industrial goods firms in Nigeria should prioritise and formalise their corporate citizenship initiatives as integral parts of their corporate strategies in order to ensure that the community development efforts they make are not ad hoc but embedded in the firm's strategic planning and operations.



*Key words: Corporate Citizenship, Wealth Maximisation, Stakeholder Theory*



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## 1.0 INTRODUCTION

Corporate citizenship and wealth maximisation are two pivotal concepts in modern business management, particularly within the framework of Stakeholder Theory. Stakeholder Theory, as proposed by R. Edward Freeman in 1984[1], challenges the traditional notion that the primary objective of a business is to maximise shareholder wealth. Instead, it posits that businesses should create value for all stakeholders, including employees, customers, suppliers, communities, and the environment[2]. This paradigm shift is increasingly relevant in today's global business domain, where companies are not only evaluated based on financial performance but also on their social and environmental impacts. Listed industrial goods firms

in Nigeria, operating in a dynamic and competitive environment, provide a compelling context to re-evaluate Stakeholder Theory through the lens of corporate citizenship and its influence on wealth maximisation.

Effective corporate citizenship is now more critical than ever in the contemporary business environment. This concept encompasses a company's commitment to ethical behaviour, sustainable practices, and positive contributions to society[3]. Companies that embrace corporate citizenship are seen as responsible entities that go beyond profit-making to address social, environmental, and economic challenges. Corporate citizenship can lead to improved community relations, enhanced brand reputation, and long-term business sustainability. As stakeholders become more aware and concerned about corporate practices, firms that prioritise corporate citizenship are likely to enjoy increased loyalty from stakeholders[4], attract and retain top talent, and secure favorable treatment from regulators and investors.

Corporate citizenship involves a multidimensional approach to business operations, integrating principles of corporate social responsibility (CSR), environmental stewardship, and ethical governance[5]. In essence, corporate citizenship requires firms to be accountable for their impact on all stakeholders and to contribute positively to society[6].Corporate citizenship significantly influences wealth maximisation by fostering a holistic approach to value creation. When firms engage in responsible practices, they build trust and loyalty among stakeholders, which can lead to increased sales, reduced costs, and improved financial performance [4]. In the context of listed industrial goods firms in Nigeria, corporate citizenship can also attract investment by demonstrating to investors that the company is well-managed and forward-thinking. Furthermore, by addressing the needs and concerns of various stakeholders, firms can mitigate risks and avoid costly conflicts, thereby protecting and enhancing their financial performance[7]. In all, corporate citizenship and wealth maximisation are not mutually exclusive but are interconnected, with responsible corporate behaviour driving long-term financial success. However, Effiong, Inyang, Mbu-Ogar, Otuagoma, Inyang, Ubi, and Okoi[8]; Velayutham and Ratnam [9]; Rashid [10] argued that such involvement is rather value-destroying.

Therefore, the re-evaluation of Stakeholder Theory through the study of corporate citizenship and wealth maximisation in listed industrial goods firms in Nigeria provides useful hints about modern business environment, adopting and integrating corporate citizenship into their operations can lead to sustainable wealth creation and contribute positively to the broader socio-economic domain. However, many listed industrial goods firms in Nigeria still

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prioritiseshort-term financial gains over long-term sustainable practices. Corporate citizenship is often seen as a secondary concern, with minimal integration into the overall business strategy [5]. While some companies engage in corporate social responsibility activities, these efforts are frequently superficial and perhaps lack genuine commitment to addressing the broader social and environmental impacts of their operations. We premise this argument on the fact that social responsibility is rarely carried out in Nigeria before making donations. It is as if the donations made by companies for community development are just for the screen, as a community that needs road urgently, for instance, has nothing to do with gigantic civil centre. In the same vein, a community whose need is majorly drinkable water has no flair for a community stadium. If genuine corporate social responsibility or corporate citizenship is ever possible, it starts from conducting social responsibility audit. Perhaps, the reason Effiong, Inyang, Mbu-Ogar, Otuagoma, Inyang, Ubi, and Okoi[8]; Velayutham and Ratnam [9]; Rashid [10] found that corporate citizenship destroys company value is because the firms did not engage in initiatives that are "socially relevant".

Thus, the reigning focus among firms remains heavily on maximising shareholder value, often at the expense of other stakeholders. This short-sighted approach not only undermines the potential benefits of corporate citizenship but also exposes firms to various risks and challenges, such as reputational damage, regulatory penalties, and stakeholder conflicts.Sadly, companies that neglect their broader responsibilities in pursuit of profiteering often land themselves into reputational damage and loss of trust[11]. This erosion of stakeholder confidence can result in decreased customer loyalty, higher employee turnover, and difficulties in attracting and retaining talent. Furthermore, firms that fail to adopt sustainable practices may incur higher operational costs due to inefficiencies and waste, and they are more vulnerable to regulatory penalties and legal liabilities. In the long term, this approach threatens the financial stability and competitiveness of these firms, undermining their ability to generate sustainable wealth and contribute positively to the socio-economic development of Nigeria. The need to re-evaluate and integrate corporate citizenship into the business strategies of listed industrial goods firms is therefore critical for achieving balanced and sustainable growth.

Previous studies such as Affiah and Aniefiok [4]; Effiong, Inyang, Mbu-Ogar, Otuagoma, Inyang, Ubi, and Okoi [8]; Nworie and Aniefuna [7]; Al-Shaer, Uyar, Kuzey, and Karaman [12]; Okike, Ekoja, and Nyahas [13]; Velayutham and Ratnam [9]; Rashid [10] have been carried out to assess similar issue. However, none in Nigeria, to the best knowledge of the

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researcher examined whether corporate citizenship determines shareholder wealth maximisation (proxy by market value) using the panel methodology adopted in this research. First, we addressed cross-sectional dependence and still proceeded to correcting it. In addition, we also accounted for Panel Cross-section Heteroskedasticity LR Test, a statistical approach often overlooked by others. Thus, using the methodologies enunciated above, an empirically verifiable answer was provided to the research question below:

1) Based on stakeholder theory, to what extent does firm involvement in corporate citizenship influence the wealth maximisation of listed industrial goods firms in Nigeria?

## 2.0 LITERATURE REVIEW

### 2.1 Conceptual Clarifications

#### Corporate Citizenship

Corporate citizenship refers to the extent to which businesses are socially responsible for meeting legal, ethical, and economic standards[3]. It encompasses a company's commitment to ethical behaviour, sustainable practices, and positive contributions to society. Corporate citizenship implies that a company should operate in ways that enhance society and the environment, rather than contributing negatively to them. This concept is closely related to corporate social responsibility (CSR) but extends beyond it to include broader considerations of a company's role in society and its impact on various stakeholders[5].

Corporate citizenship involves integrating social and environmental concerns into business operations and interactions with stakeholders[6]. This integration means that companies take into account the needs and expectations of various stakeholders, including employees, customers, suppliers, communities, and the environment, in their decision-making processes. A company practicing good corporate citizenship will prioritise transparency, accountability, and ethical behaviour. It will strive to build strong relationships with its stakeholders and contribute to the well-being of the communities in which it operates. This approach requires businesses to go beyond mere compliance with legal requirements and actively seek to make a positive impact.

One of the key elements of corporate citizenship is sustainability. This involves adopting practices that ensure the long-term health and stability of the environment and society[14]. Companies committed to sustainability might engage in activities such as reducing their carbon footprint, minimising waste, conserving natural resources, and supporting social initiatives that improve the quality of life in their communities. By focusing on sustainability,

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companies can help address global challenges such as climate change, resource scarcity, and social inequality, while also ensuring their own long-term viability and success.

In essence, corporate citizenship is about creating shared value for both the business and society. It recognises that companies do not exist in a vacuum and that their actions can have significant impacts on the world around them. By embracing corporate citizenship, companies can contribute to a more sustainable and equitable world, while also achieving their own business objectives[5]. This holistic approach to business not only benefits society but also enhances the company's reputation, competitiveness, and long-term success. As such, corporate citizenship is an essential component of modern business strategy, reflecting a company's commitment to being a responsible and integral part of the broader community.

**Wealth Maximisation**

Wealth maximisation is a financial management strategy focused on increasing the overall value of a business for its shareholders[15]. This concept is based on the idea that the primary objective of a company should be to maximise the wealth of its owners, which is typically measured by the market value of the company's shares[16]. Wealth maximisation goes beyond profit maximisation, as it considers the long-term growth and sustainability of the company, taking into account the time value of money, risk, and returns[17].

The principle of wealth maximisation is grounded in the belief that a company's value is best reflected in the price of its shares. This market value is influenced by the company's earnings, growth potential, risk profile, and overall financial health. Therefore, to achieve wealth maximisation, companies must focus on strategies that enhance their profitability, growth, and stability[16]. This involves making decisions that increase the company's earnings, investing in projects with positive net present value, managing risks effectively, and maintaining a strong financial position.

Wealth maximisation also emphasises the importance of sustainable growth as companies must balance short-term profitability with long-term growth opportunities to enhance their value[18]. This involves investing in innovation, expanding into new markets, and continuously improving operational efficiency. Sustainable growth ensures that the company remains competitive, adapts to changing market conditions, and capitalises on emerging opportunities, ultimately leading to increased shareholder value. Thus, wealth maximisation is a comprehensive financial strategy aimed at increasing the market value of a company for the benefit of its shareholders[15]. Wealth maximisation is not only about increasing profits

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but also about creating enduring value that benefits both the company and its shareholders in the long run[17].

**2.2 Theoretical Framework and Development of Hypotheses**

Stakeholder Theory, first proposed by R. Edward Freeman in 1984, marks a substantial shift from the conventional shareholder-focused model of business management[1]. In his influential book "Strategic Management: A Stakeholder Approach," Freeman highlighted the necessity for businesses to consider the interests of all stakeholders, not solely shareholders. This groundbreaking idea promoted a more inclusive view in strategic management and corporate governance. The emergence of Stakeholder Theory responded to the increasing awareness that businesses function within a number of relationships and that their success hinges on addressing and harmonising the needs and concerns of various stakeholder groups[2].

The core postulations of Stakeholder Theory revolve around the idea that companies should create value for all stakeholders, not just shareholders[19]. The theory posits that businesses have a responsibility to various groups that are affected by their actions, including employees, customers, suppliers, communities, and the environment. Businesses must balance the sometimes competing interests of different stakeholders to achieve sustainable success. The ultimate goal is to create shared value that benefits all stakeholders, going beyond financial performance to include social and environmental contributions.

Stakeholder Theory is highly relevant to the topic of corporate citizenship and wealth maximisation of listed industrial goods firms in Nigeria. This theory provides a robust framework for understanding how these firms can achieve financial success while fulfilling their broader social and environmental responsibilities[20]. By adopting a stakeholder-centric approach, Nigerian industrial goods firms can enhance their corporate citizenship practices, leading to improved stakeholder relationships and long-term sustainability. Corporate citizenship, as guided by Stakeholder Theory, involves engaging with and addressing the needs of all stakeholders, thus fostering trust and loyalty. This can translate into tangible benefits such as increased customer satisfaction, employee motivation, and community support, all of which are critical for wealth maximisation. Stakeholder Theory underscores the importance of integrating corporate citizenship into the core business strategy, demonstrating that responsible corporate behaviour and wealth maximisation are not mutually exclusive but are, in fact, interdependent.

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*Ceteris paribus*, listed industrial goods firms in Nigeria that seamlessly integrate the principles of corporate citizenship with their core business strategies ensure that they not only achieve financial success but also contribute positively to the well-being of all stakeholders. Such integration enables companies to operate with a strong sense of social accountability. This alignment would lead to enhanced corporate reputation, increased investor confidence, and long-term financial stability, ultimately driving wealth maximisation while promoting socio-economic growth. Thus, on the basis above, we hypothesise that:

Based on stakeholder theory, to what extent does firm involvement in corporate citizenship influence the wealth maximisation of listed industrial goods firms in Nigeria

**2.3 Empirical Review**

Affiah and Aniefiok [4] investigated the effect of corporate philanthropy on the marketing performance of deposit money banks in Uyo metropolis, Akwa Ibom State. The study adopted a survey design and selected 252 respondents from five deposit money banks in Uyo metropolis. A structured questionnaire developed by the researcher was administered to gather data. The data were analysed using descriptive and inferential statistics. The findings indicated a positive and significant relationship between corporate philanthropy and brand equity.

Effiong, Inyang, Mbu-Ogar, Otuagoma, Inyang, Ubi, and Okoi[8] examined how corporate philanthropy affects the performance of industrial goods firms in Nigeria. A sample of seven firms was selected from 24 listed firms using a judgmental sampling technique, secondary data, and a quantitative research method. Data validation and analysis were aided by econometric views statistical software, panel data regression, fixed and random effects estimators, stationarity test, cross-section dependence test, Durbin-Watson test, and Hausman test. The study revealed that philanthropic donation is value-destroying.

Nworie and Aniefuna[7] examined whether transcending the traditional profit-centric approach to a socially responsible paradigm would affect firm profit of listed consumer goods firms in Nigeria. The specific objective was to assess the influence of involvement in social responsibility practices on the earnings per share of firms. An ex-post facto research design was adopted, and a sample of sixteen firms was purposively obtained from a population of twenty-one listed consumer goods firms. The study covered a ten-year period from 2013 to 2022. Ordinary least square regression was used to test the hypothesis. It was found that transcending the traditional profit-centric approach to a socially responsible paradigm

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significantly enhances firm profit of listed consumer goods firms in Nigeria (p-value = 0.0044).

Al-Shaer, Uyar, Kuzey, and Karaman [12] examined whether shareholders punish or reward excessive CSR engagement. The study applied country–industry–year fixed-effects (FE) regression to a cross-country sample of 43,803 firm-year observations between 2002 and 2019. The findings show that while both optimal and excessive CSR increase firm value, optimal CSR has greater value relevance than excessive CSR for shareholders.

Okike, Ekoja, and Nyahas[13] examined the impact of Philanthropic Social Responsibility on the firm value of listed Deposit Money Banks (DMBs) in Nigeria. The study was motivated by conflicting findings regarding the relationship between Philanthropic Social Responsibility and firm value. Utilising correlational and ex-post facto research designs, secondary data were extracted from the annual reports and accounts of the 11 listed Deposit Money Banks as of December 31, 2021, provided by the Security and Exchange Commission of Nigeria. The collected data were analysed using regression analysis with the aid of the STATA analytical package. The findings revealed that Philanthropic Social Responsibility has a significant positive relationship with the firm value of Deposit Money Banks in Nigeria.

Velayutham and Ratnam [9] examined the relationship between corporate social responsibility (CSR) and shareholder wealth arising from announcement returns of security issuance in a frontier market. The study employed short-term scenarios and the event study methodology to examine the link between CSR and shareholder wealth, mitigating reverse causality issues. Abnormal returns surrounding the security issue announcements were generated using the market model. The study found that security issuers with high CSR scores are associated with higher shareholder value. However, CSR activities of security issuers with business group affiliations were found to be value-destroying, consistent with the agency perspective of CSR.

Rashid [10] investigated whether corporate social responsibility reporting adds value to the firm. Using content analysis to capture specific CSR-related attributes and construct a CSR reporting index, data were manually collected from 115 publicly listed firms on the Dhaka Stock Exchange. The study utilised audited financial statements as the data source and applied ordinary least square regression analysis to examine the relationship between CSR reporting and firm performance. The results indicated that CSR activities and reporting had a significant negative influence on market-based performance measure.

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## 3.0 METHOD

This study adopted *ex-post facto* research design which enables the test of possible relationship between two or more variables that have occurred in the past. This design is mostly suitable for studies that retrospectively examines the nexus between events that already took place[21], for instance, between past corporate citizenship practices and past wealth maximisation tendencies, as in this study. The population of the study constitutes all the listed industrial goods firms in the Nigerian Exchange Group (NGX). In the Nigerian Exchange Group, the listed industrial goods firms are thirteen (13) as at 31st December, 2023 and are as follows;

**Table .1 Population of the Study**

| | |
|---|---|
| 1. | Austin Laz and Company Plc. |
| 2. | Berger Paints Plc. |
| 3. | Beta Glass Plc. |
| 4. | Bua Cement Plc. |
| 5. | Cap Plc. |
| 6. | Cutix Plc. |
| 7. | Dangote Cement Plc. |
| 8. | Greif Nigeria Plc. |
| 9. | Lafarge Africa Plc. |
| 10. | Meyer Plc. |
| 11. | Notore Chemical Ind. Plc. |
| 12. | Premier Paints Plc. |
| 13. | Tripple Gee And Company Plc. |

Source: NGX (2023)

A purposive sampling method was used to choose a sample of 9 firms out of a population of 13. This method allows for the selection of firms with complete data from 2013 to 2023 and those listed during the 2013 accounting period. Consequently, four firms—Greif Nigeria Plc., Bua Cement Plc., Notore Chemical Ind. Plc., and Premier Paints Plc.—were excluded from the sample due to incomplete annual reports for the specified period. Table .2 shows the sample size.

**Table .2 Sample Size of the Study**

| | |
|---|---|
| 1. | Austin Laz and Company Plc. |
| 2. | Berger Paints Plc. |
| 3. | Beta Glass Plc. |
| 4. | Cap Plc. |
| 5. | Cutix Plc. |
| 6. | Dangote Cement Plc. |
| 7. | Lafarge Africa Plc. |
| 8. | Meyer Plc. |

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| 9. Tripple Gee And Company Plc. |
|---|

**Source: Researcher's Compilation (2024)**

Secondary data were sourced from the published annual reports of the sampled firms from 2013 to 2023. The choice of this type of data is affected by the researcher's quest for a reliable and valid instrument for data collection. In addition to the descriptive analysis, the hypothesis that was formulated was tested using regression analysis with the aid of Eviews Version 10. The regression model tested is stated below:

$WMA_{it} = \alpha_0 + \beta_1 COC_{it} + \varepsilon_{it}$……………………………………eqn (i)

Where,

$WMA_{it}$ = Wealth Maximisation of company i in period t

$COC_{it}$ = CorporateCitizenship for company i in period t

$\alpha$ = Constant

$\beta$ = Coefficient of predictor

$\varepsilon$ = Error term

Table .3 shows the measurement of the variables.

**Table .3 Description of Variable Measurement**

| Variable | Measurement |
|---|---|
| Corporate citizenship | Amount of donation made by the firm for social and community development |
| Wealth Maximisation | The amount of market value of the firm at the end of the financial year |

Source:Researcher's Compilation (2024)

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## 4.0 RESULT AND DISCUSSION

The study analyses the effect of corporate citizenship (proxy by amount spent on corporate donation for social and community development) on wealth maximisation (proxy by market value). Data were sourced from a sample of nine firms from 2013 to 2023 and the descriptive analysis is shown below.

**Table 4. Descriptive Analysis**

| | Market Value | Donations |
|---|---|---|

| | | |
|---|---|---|
| Mean | 505687638 | 916301.7 |
| Median | 3767699 | 2235.000 |
| Maximum | 5451258189 | 19265000 |
| Minimum | 49495.30 | 0.000000 |
| Std. Dev. | 1301645108 | 2790197. |
| Skewness | 2.558408 | 4.822609 |
| Kurtosis | 7.896333 | 28.39247 |
| Jarque-Bera | 206.8931 | 3043.458 |
| Probability | 0.000000 | 0.000000 |
| Observations | 99 | 99 |

Source: Eviews 10

The mean market value of the firms over the sample period is approximately 505,687,638, indicating that, on average, these firms have substantial market capitalisation. This high mean value suggests that the sample includes several large firms with significant market presence. However, the large standard deviation of 1,301,645,108 reveals considerable variability in market values among the firms, suggesting a wide range in firm size and market performance. The maximum market value of 5,451,258,189 highlights the presence of at least one exceptionally large firm, while the minimum value of 49,495.30 indicates that some firms in the sample have very low market capitalisation, underscoring the diversity within the sample.

The mean amount spent on corporate donations for social and community development is 916,301.7, suggesting that, on average, the firms allocate a significant amount of resources to corporate social responsibility (CSR) activities. The median donation value of 2,235, however, is much lower than the mean, indicating that the distribution of donation amounts is highly skewed, with a few firms making large contributions while the majority contribute relatively smaller amounts. The standard deviation of 2,790,197 further confirms the high variability in donation amounts among the firms. The maximum donation of 19,265,000 shows that some firms are very committed to CSR, while the minimum value of 0 indicates that there are firms in the sample that did not allocate any funds to corporate donations during the period. This diversity in donation amounts reflects varying levels of engagement in CSR activities across the firms.

**Test of Heteroskedasticity**

The essence of the Panel Cross-section Heteroskedasticity LR Test is to determine whether the residuals (errors) in the regression model exhibit constant variance across the cross-sections, which is a crucial assumption for many statistical tests and models. Homoskedasticity, or constant variance of residuals, ensures that the estimates of the model are efficient and unbiased. If heteroskedasticity is present, it means that the variability of the

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residuals differs across the cross-sections, which can lead to inefficient estimates and affect the validity of statistical inferences.

**Table 5 Panel Cross-section Heteroskedasticity LR Test**
Null hypothesis: Residuals are homoskedastic
Equation: UNTITLED
Specification: MARKET VALUE DONATIONS C

| | Value | df | Probability |
|---|---|---|---|
| Likelihood ratio | 998.9200 | 9 | 0.0000 |

Source: Eviews 10

In Table 5, the likelihood ratio test is conducted to test the null hypothesis that the residuals are homoskedastic. The p-value associated with this test is 0.0000, which is significantly less than the significance level of 0.05. This result leads to the rejection of the null hypothesis, indicating strong evidence of heteroskedasticity in the residuals. In practical terms, this implies that the variability of the residuals differs across the firms in the sample. Thus, some firms may have more volatile or unpredictable market values and donation amounts compared to others. The presence of heteroskedasticity necessitates adjustments in the model estimation process. To correct the issue of heteroskedasticity, the study utilised White cross-section standard errors and covariance, to ensure the reliability and validity of the findings.

**Test of Cross-Sectional Dependence**

The Residual Cross-Section Dependence Test, as illustrated in Table 6, aims to determine whether the residuals (errors) from different cross-sections in the panel data are correlated. Cross-section dependence implies that the residuals from one firm may be influenced by the residuals from another firm, which can violate the assumption of independence and lead to biased and inefficient estimates. This is particularly important in panel data analysis, where observations span across both time and different entities (firms in this case).

**Table 6 Residual Cross-Section Dependence Test**
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 11
Cross-sections included: 9
Total panel observations: 99

| Test | Statistic | d.f. | Prob. |
|---|---|---|---|

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| Pesaran CD | 5.999107 | 0.0000 |
|---|---|---|

Source: Eviews 10

In Table 7, the Pesaran CD test statistic was used to test the null hypothesis that there is no cross-section dependence in the residuals. The p-value for this test is 0.0000, which is significantly below the significance level of 0.05. Consequently, the null hypothesis is rejected, indicating strong evidence of cross-section dependence among the residuals. This finding suggests that the residuals of one firm are correlated with those of other firms in the sample. Such dependence may arise due to shared market conditions, economic policies, or industry-specific factors affecting the firms simultaneously. The presence of cross-section dependence necessitates the use of estimation techniques that account for these correlations to ensure the accuracy and reliability of the regression results. Hence, Cross-section Seemingly Unrelated Regression (SUR) was used to analyse the panel data since the different cross-sections are interconnected through their error terms. This method is particularly useful when dealing with panel data or datasets involving multiple cross-sections, where the assumption is that the error terms across different equations are correlated.

### 4.1 Test of Hypothesis

Panel Estimated Generalised Least Squares (EGLS) was implemented in testing the hypothesis, with special customising of the model using Cross-section SUR and White cross-section standard errors and covariance which addressed cross-sectional dependence and heteroskedasticity, respectively.

**Table 7 Test of Hypothesis**

Dependent Variable: MARKET VALUE
Method: Panel EGLS (Cross-section SUR)
Date: 07/02/24 Time: 13:05
Sample: 2013 2023
Periods included: 11
Cross-sections included: 9
Total panel (balanced) observations: 99
Linear estimation after one-step weighting matrix
White cross-section standard errors and covariance (d.f. corrected)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| DONATIONS | 32.79912 | 3.656505 | 8.970074 | 0.0000 |
| C | 4.69E+08 | 7744385. | 60.51695 | 0.0000 |

Weighted Statistics

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| | | | |
|---|---|---|---|
| R-squared | 0.572091 | Mean dependent var | -0.966205 |
| Adjusted R-squared | 0.567680 | S.D. dependent var | 6.188503 |
| S.E. of regression | 0.995740 | Sum squared resid | 96.17532 |
| F-statistic | 129.6839 | Durbin-Watson stat | 1.699917 |
| Prob(F-statistic) | 0.000000 | | |

Source: Eviews 10

The test of hypothesis in Table 7 examines the effect of corporate donations (a proxy for corporate citizenship) on market value, which is a measure of wealth maximisation for firms. The dependent variable in the analysis is the market value, and the method employed is Panel Estimated Generalised Least Squares (EGLS). The coefficient for the donations variable is 32.79912, indicating that for every unit increase in corporate donations, the market value of the firm increases by 32.79912 units. The highly significant P-value of 0.0000 suggests that this positive relationship is statistically significant, implying that corporate donations have a substantial impact on increasing a firm's market value.

The R-squared value of 0.572091 indicates that approximately 57.21% of the variability in the market value can be explained by the variations in corporate donations. This is a relatively high explanatory power, suggesting that corporate donations are a strong predictor of market value. This high value underscores the importance of corporate donations in the context of wealth maximisation, as it explains more than half of the changes in the market value.

The Prob(F-statistic) value of 0.000000 further reinforces the significance of the model as a whole. This probability value indicates that the overall regression model is highly significant, meaning that the independent variable, corporate donations, significantly contributes to explaining the variations in the dependent variable, market value. The essence of this test is to empirically demonstrate the positive effect of corporate citizenship activities, specifically corporate donations, on enhancing the market value of firms. This finding supports the notion that engaging in corporate citizenship can lead to tangible financial benefits for companies, aligning social good with wealth maximisation objectives.

The positive relationship between corporate citizenship and wealth maximisation highlights the importance of stakeholder engagement. By addressing the needs and concerns of various stakeholders, firms can foster strong relationships that contribute to business success. Engaged stakeholders are more likely to support the firm’s objectives, providing the necessary resources and goodwill that can drive growth and profitability. This result aligns

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with the findings by Okike, Ekoja, and Nyahas[13]; Al-Shaer, Uyar, Kuzey, and Karaman [12]; Nworie and Aniefuna[7]. However, Effiong, Inyang, Mbu-Ogar, Otuagoma, Inyang, Ubi, and Okoi[8]; Velayutham and Ratnam [9]; Rashid [10] concluded in their studies that involvement in corporate citizenship rather impairs firm value.

## 5.0 CONCLUSION AND RECOMMENDATION

Corporate citizenship, encompassing the responsibilities companies have towards their stakeholders and society at large, has increasingly gained attention in corporate governance. This study focuses on listed industrial goods firms in Nigeria and examined how their engagement in corporate citizenship impacts wealth maximisation, as viewed through the lens of stakeholder theory. The finding that such involvement in corporate citizenship positively influences wealth maximisation aligns with stakeholder theory. According to this theory, by fulfilling responsibilities to stakeholders (not just shareholders), firms enhance their long-term sustainability and reputation. This positive influence can be explained by several mechanisms. Firstly, corporate citizenship activities, such as community development projects, can enhance a firm's reputation and brand image. This enhanced reputation can attract more customers and investors who value ethical practices and sustainable development. Secondly, by investing in the well-being of stakeholders like local communities, firms may experience enhanced goodwill and smoother regulatory relationships. These factors collectively contribute to improved financial performance and long-term wealth maximisation. In conclusion, firms that engage in meaningful corporate citizenship are likely to build stronger relationships and this, in turn, contributes to increased sustainable wealth creation.

We recommend that senior management of listed industrial goods firms in Nigeria should prioritise and formalise their corporate citizenship initiatives as integral parts of their corporate strategies in order to ensure that the community development efforts they make are not ad hoc but embedded in the firm's strategic planning and operations. This approach helps in sustaining long-term commitment and accountability towards stakeholders, thereby maximising the positive impacts on wealth creation and corporate reputation.

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