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RESEARCH ARTICLE

COMMUNITY ENGAGEMENT COST DISCLOSURE AND FINANCIAL PERFORMANCE OF OIL AND GAS COMPANIES IN NIGERIA

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ABSTRACT

This research investigates the effect of community engagement cost disclosure and the financial performance of the listed oil and gas companies in Nigeria. The study proxies community engagement with administration and logistics costs, training and development cost, and donations cost, while return on assets (ROA) financial performance is proxy with return on assets. The study used descriptive statistics and Panel least squares (PLS) regression analysis on the study. The outcome of the findings shows that administration costs and donations have a positive and significant impact on ROA, whereas training and development cost shows positive and insignificant in the short term. The study further used diagnostic tests to test the accuracy and reliability of the regression model, with no evidence of multicollinearity, heteroskedasticity, or specification errors. Finally the study suggests that managing investment strategically promotes profitability when community is engaged, the study concludes that clear disclosure of community engagement costs is a serious tool for organizations seeking to balance financial performance with social responsibility and sustainable growth.

Keywords: Community engagement, cost disclosure, financial performance, return on assets, oil and gas sector.

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1.0. INTRODUCTION

The oil and gas industry is one of the most important sectors in Nigeria, financing meaningfully to revenue of the government, inflow of foreign exchange, and general economic growth. Listed oil and gas sectors play an essential role in the development of the nation due to their measure of operations and standing within the capital market. Nevertheless, the industry functions within a multifaceted socio-economic and security environment, especially in the communities where the company is situated problems such as militancy; pipeline destruction, environmental dilapidation, and youth turbulence have historically upset operations and endangered economic stability.

Reacting to these problems, oil and gas sector progressively invest in community engagement creativities as measure of their corporate social responsibility (CSR) strategies. These creativities often include the establishment of social infrastructure, eruditions, health equipment, job opportunities for youth, environmental prevention projects, and security-related support. Community engagement cost disclosure refers to the translucent reporting of financial resources devoted to these community focused activities in financial reports and sustainability statements. Reporting such information promotes answerability, strengthens enhances the confidence of stakeholders, and exhibits corporate commitment to social stability.

Universally, sustainability and non-financial reporting frameworks established by officialdoms such as the Global Reporting Initiative and the International Financial Reporting Standards Foundation have invigorated companies to offer more inclusive disclosures concerning social and environmental cost. In Nigeria, regulatory bungle by the Financial Reporting Council of Nigeria has further reinforced the emphasis on transparency and corporate responsibility among listed sectors.

For listed oil and gas sectors investments in community engagement are not just philanthropic motions but also a strategic instrument to work, reducing operational disturbances and promotion peaceful connections with host communities. In an organization where security problems directly disturb production levels and income generation, effective community engagement may contribute to enhanced financial performance through constant operational stability and reputational capital. Also, high community engagement costs may put financial pressure, particularly when oil prices swing or production is constrained.

Complementary security and economic growth becomes a precarious concern for listed oil and gas sectors in Nigeria. Clear disclosure of community engagement costs may serve as a link between corporate profitability and social responsibility, ensuring that investments in community stability ultimately translate into sustainable financial performance. This study examines the relationship between community engagement cost disclosure and the financial performance of listed oil and gas sectors in Nigeria, with aim of understanding how firms balance security and their economic growth objectives.

Regardless of the significant resources put in the listed oil and gas sectors to community engagement activities, there is inadequate empirical evidence on how the disclosure of these costs influences financial performance in Nigeria. The oil and gas industry operates in a security subtle environment

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where community conflicts, disruption, and unrest can significantly interrupt production and minimize profitability. Because of this effect, firms allocate substantial funds to host community development project and security-related initiatives to lessen these risks. However, these costs represent additional costs to the firms that may enhance long-term profitability through better-quality stakeholder relations or reduce short-term financial performance due to increased expenses. The fundamental problem lies in determining whether community engagement cost disclosure affect financial performance positively or merely replicates a compliance-driven reporting practice without measurable economic benefits.

Additionally, there is no uniform reporting standard explicitly dedicated to community engagement costs in Nigeria, causing inconsistencies in disclosure practices among listed oil and gas firms. This lack of standardization restricts comparability, limits transparency, and makes it problematic for investors, regulators, and policymakers to assess the accurate financial insinuations of such expenditures.

Present studies on corporate social responsibility in Nigeria have mostly focused on cumulative CSR disclosure without segregating community engagement cost disclosure as a distinct determinant of financial performance within the oil and gas sector. Subsequently, there remains a research gap in accepting how transparent reporting of community engagement costs affects profitability, shareholder value, and the bigger goal of balancing security distresses with economic growth. Therefore, the problem addressed by this study is the inadequate understanding of the effect of community engagement cost disclosure on the financial performance of listed oil and gas sector in Nigeria, mainly within the framework of current security challenges and the need for sustainable economic development.

1.1. Objectives of the Study

The primary objective of this study is to examine the relationship between community engagement cost disclosure and the financial performance of listed oil and gas companies in Nigeria from 2015 to 2024. Specifically, this study seeks to:

1. Examine the effect of administration and logistics cost disclosure on Return on Assets (ROA) of listed oil and gas companies in Nigeria.
2. Assess the effect of training and capacity-building cost disclosure on Return on Assets (ROA) of listed oil and gas companies in Nigeria.
3. Evaluate the effect of disclosure of donations to community development projects on the financial performance of listed oil and gas companies in Nigeria.

1.2. Research Questions

In line with the stated objectives, this study seeks to provide answers to the following research questions:

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1. To what extent does administration and logistics cost disclosure affect the Return on Assets (ROA) of listed oil and gas companies in Nigeria?
2. What effect does training, and capacity-building cost disclosure have on the Return on Assets (ROA) of listed oil and gas companies in Nigeria?
3. To what extent does the disclosure of donations to community development projects influence the financial performance of listed oil and gas companies in Nigeria?

1.3. Hypotheses

In line with the objectives and research questions of this study, the following null hypotheses are formulated:

$H0_1$: Administration and logistics cost disclosure has no significant effect on the Return on Assets (ROA) of listed oil and gas companies in Nigeria.

$H0_2$: Training and capacity-building cost disclosure has no significant effect on the Return on Assets (ROA) of listed oil and gas companies in Nigeria.

$H0_3$: Disclosure of donations to community development projects has no significant effect on the financial performance of listed oil and gas companies in Nigeria.

2.0. CONCEPTUALIZATION AND LITERATURE REVIEW

2.1. Conceptual Clarifications

The conceptual framework of this study is anchored on the relationship between community engagement cost disclosure and the financial performance of listed oil and gas companies in Nigeria. The literature elucidates how translucent reporting of cost sustained while engaging host communities may affect organization profitability and sustainability within a security complex operating environment. The oil and gas industry in Nigeria forms the pillar of the nation's economy. While marketable oil exploration began in 1956 in Oloibiri, located in current day Bayelsa State, Nigeria publicly became an oil-exporting nation in 1958. Overtime, the sector extended meaningfully and became subjugated by both multinational corporations and local firms.

The industry is managed by government institutes such as the Nigerian National Petroleum Company Limited, which grown from the former Nigerian National Petroleum Corporation established in 1977. Numerous oil and gas companies are listed on the Nigerian Exchange Group, where they are required to publish annual financial statements and conform to corporate governance disclosure regulation and standards. The listed oil and gas sector in Nigeria includes upstream, midstream, and downstream companies engaged in exploration, production, refining, distribution, and marketing of petroleum products. Due to the concentration of oil and gas activities in the Niger Delta region, companies operate in communities that suffer environmental dilapidation, unemployment, infrastructural deficits, and security challenges.

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Cases such as pipeline wreckage, aggressiveness, and community turbulence have archaeologically disturbed operations and caused income losses. As a result, firms have progressively approved organized community engagement strategies that promote peaceful synchronicity and maintain operational continuity.

Community engagement cost disclosure

Community engagement cost disclosure refers to the reporting of financial cost incurred in carrying out community related programs and initiatives. These disclosures are usually presented in annual reports, sustainability reports, or corporate social responsibility sections of financial statements. This study conceptualized, community engagement cost disclosure in three major components which are administration and logistics cost disclosure, training and development cost disclosure, and donations cost disclosure to community development projects. Administration and logistics cost disclosure means the reporting of expenses incurred in planning, organizing, supervising, and implementing activities related to corporate social responsibility, including transportation, communication, monitoring, and stakeholder engagement.

According to Okoye (2017), administration and logistics cost disclosures is the transparent reporting of expenses incurred in planning, directing, executing, and monitoring community engagement activities within an organization. Such costs normally include expenditures on program monitoring, meetings for stakeholders, transportation, communication; documentation and evaluation.it also include other operational overheads expenses that directly linked to community related in activities. Such disclosure should strictly followed sustainability reporting principles (Global Reporting Initiative, 2016).

Amaeshi et al. (2006) states that administration and logistics cost disclosure is detailed disclosure of operational and administrative expenditures related to implementing community development programs. Therefore, administration and logistics cost disclosure can generally view as the formal reporting of expenses incurred in planning, directing, organizing, supervising, and implementing community engagement activities to enhance financial transparency, accountability, and stakeholder confidence in corporate social investment activities.

From this view, corporate reporting cost disclosure means the provision of relevant, reliable, and timely information in financial statements or sustainability reports to enable stakeholders to make informed decisions. According to the International Financial Reporting Standards Foundation (IFRS, 2018), disclosure improve transparency and accountability by ensuring that users of financial statements understand the nature and effect of reported expenditures. Though administration and logistics costs are often refers as operating expenses, when explicitly linked to community engagement activities, their individual disclosure improves clarity and comparability.

From a sustainability reporting perspective, disclosure is defined as the reporting of material, economic, environmental, and social impacts of an organization. Under this framework, costs related to community programs may be reported as part of social investment or community impact disclosures. Public cost disclosure of these administrative and logistical costs demonstrates responsible governance and effective resource management (Global Reporting Initiative, 2021).

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Disclosure of administration and logistics costs, allows stakeholders, including investors, regulators, host communities, and policymakers, to assess how professionally a company manages resources billed to community project. Such information replicates the internal structures and systems put in place to ensure that community development initiatives are properly harmonized and executed. For the oil and gas industry, where community relations significantly influence operational stability, such disclosure reflects managerial commitment to accountable engagement processes.

Training and development cost disclosure represents expenditure on initiatives designed to improve human capital within host communities. These expenditures may involve scholarship schemes, dualization of roads, building of hospitals, markets, building of industries, youth empowerment projects, and skill acquisition initiatives (Amaeshi et al., 2006; Okoye, 2017). The disclosure of these costs indicates a long-term asset in social stability and economic annexation, which may decrease restlessness and advance interactions between firms and host communities (Global Reporting Initiative, 2021; International Financial Reporting Standards Foundation, 2018). Public cost disclosure of such initiatives allows stakeholders to assess how efficiently companies are operating resources for community and human capital development.

Disclosure of donations cost to community development projects means the disclosure of financial assistances firms gives towards the development of host communities. These donations are funding for infrastructure projects, healthcare facilities, enlightening support, conservational remediation, and other social welfare activities (Amaeshi et al., 2006; Okoye, 2017). Cost disclosure of such contributions reveals company’s accountability and social responsibility, signaling to stakeholders that firms are actively investing in the well-being of the communities where they operate (Global Reporting Initiative, 2021). Through making these cost noticeable in annual or sustainability reports, help companies to strengthen their social license to operate, reduce security risks, and possibly improve financial performance through enhance stakeholder trust and operational stability (IFRS Foundation, 2018).

Financial Performance

Financial performance is the extent to which the firm uses accessible resources to generate income and create value for its shareholders. It is a main indicator of a company’s overall strength and operational achievement. According to Gitman (2018), financial performance measures how successfully a company uses its financial resources to achieve profitability and growth objectives. Likewise, Brigham and Ehrhardt (2017) states financial performance is the valuation of a firm’s accomplishment in achieving its financial stated objective. Financial performance is frequently assessed using indicators such as return on assets (ROA), return on equity (ROE), and profit margins. Hussain and Alhassan (2019) opines that financial performance reflects the firm’s capability to manage its operations proficiently, achieve its financial obligations, and sustain long-term growth, making it a vital focus for investors, managers, and other stakeholders.

In this work, financial performance signifies the dependent variable and is proxy with Return on Assets (ROA). ROA shows that firm’s ability to make profit from its total asset and also indicates managerial efficiency in managing company resources. In a capital concentrated sector such as oil and gas, efficient asset usage is vital for sustaining profitability, particularly amid at changing oil prices and operational uncertainties. Using ROA allows the study to understand how listed oil and gas sectors in Nigeria change their resources into earnings, providing a clear measure of financial effectiveness in relation to community engagement cost disclosure.

The conceptual framework accepts that cost disclosure of community engagement can absolutely impact on financial performance by enhancing companies reputation, solidified stakeholder trust, reducing operational disturbances, and enhances investor confidence. However, it also identifies that excessive or poorly managed expenditures may increase operational costs and potentially minimize short-term profitability. Therefore, the relationship between community engagement cost disclosure and financial performance may be positive or negative, depending on the efficiency and strategic arrangement of such expenditures.

2.2. Theoretical Framework

Community engagement cost disclosure use stakeholder theory and the resource-based view theory are used to explain the relationship between community engagement cost disclosure and the financial performance of listed oil and gas companies in Nigeria. Stakeholder theory**,** was firstly discussed Freeman (1984), He states that companies exists not only to maximize shareholder wealth but also protect the interests of all parties which their operations affected. These interested parties include employees, investors, customers, regulators, and host communities. In the Nigerian oil and gas sectors operate in areas such as the Niger Delta, where ecological degradation, youth unemployment, and security problems pose risks to operational continuity. As a result, companies which invest in community engagement initiatives (Clarkson, 1995). Public cost disclosure of these expenditures in annual or sustainability reports demonstrate accountability and improve trust among stakeholders.

Complementing the stakeholder theory is the Resource-Based View (RBV) theory. Hypothesized by Barney (1991), the theory stresses that a firm's sustainable competitive advantage arises from resources and capabilities that are valuable, rare, inimitable, and non-substitutable. Community engagement initiatives can be refers as strategic resources under this framework. For instance, training and development programs help to improve human capital within host communities, donations to community projects enhance social capital, and efficient administration and logistics improve organizational capabilities for managing community relations. When these investments are accurately disclosed, they signal to investors and stakeholders that the firm holds intangible resources that improve operational stability and long-term profitability (Peteraf, 1993). In a capital concentrated firms like oil and gas, where asset utilization is important and operational uncertainties are frequent, these resources can be leveraged to improve financial performance, particularly through improved return on assets, which shows firm's ability to generate profit from its total asset (Gitman, 2018; Brigham & Ehrhardt, 2017; Hussain & Alhassan, 2019).

Incorporating the two theories in the study shows that community engagement cost disclosure serves both as a device of satisfy stakeholder expectations and as a strategic resource that can enhances financial performance**.** Stakeholder theory explains the inspiration behind companies investments in community programme and the need for public cost disclosure in building trust, while RBV explains how these investments, when managed adequately, provide exclusive resources that can improve competitive advantage and operational efficiency. Therefore, the framework postulates that disclosure of administration and logistics costs, training and development expenditures, and donations to community development projects collectively affect the financial performance of listed oil and gas companies in Nigeria by fostering stakeholder trust, improving social stability, and enhancing managerial competence in asset operation.

2.3. Empirical Framework

Many empirical works have examined the relationship between community engagement, corporate social responsibility (CSR), and financial performance in the oil and gas sector in Nigeria. Okoye (2017) carried a study on the impact of CSR activities on the financial performance of Nigerian oil and gas firms, concentrating on community development projects, training programs, and donations. The study employed both the survey instruments and secondary financial data from annual reports of the selected companies. The finding shows that companies that adequately invest in organized CSR programs always get higher profitability, good operational stability, and improved stakeholder confidence.

Amaeshi et al. (2006) examined on CSR practices and disclosures of Nigerian firms, assessing their effect on performance and social risk mitigation. This study used mixed-method approach. From the regression outcome the study show consistent and accurate CSR disclosures skilled less conflicts with host communities and somehow get better financial outcomes. In a broader developing market setting, Hussain and Alhassan (2019) investigated on the effect of social investments on financial performance across multiple sectors, including oil and gas, using panel data regression over ten years, with ROA, ROE, and profit margin proxy as performance metrics.

The result of the study shows a significant and positive relationship between strategic social investments and financial performance. The result shows that well-targeted training programs, donations, and community development programme enhances community relations, reduced operational risks, and positively impact profitability. Enofe, Ogbari, and Osabohien (2020) examined CSR disclosure and Nigerian listed firms financial performance employed a quantitative research design and secondary data from annual reports ranging from 2010 to 2018. The study shown that firms that clearly reported administration, training, and donation costs as part of their CSR practices had a stronger return on assets.

Nwokah and Iroghama (2009) studied the downstream petroleum sector in Nigeria, discovering how community development investments affect profitability and company’s image. The study used descriptive statistics and content analysis of annual reports for data analysis. The findings show that firms that engaged keenly with host communities and disclosed their cost involvement experienced less destruction and lower operational interruptions. Ofori-Abebrese and Adjei (2019) studied on relationship between corporate social investment and financial performance in African oil and gas companies. Adopting panel data regression analysis over five years, from the outcome of the analysis the study reported that donations to community development initiatives and youth empowerment or training significantly enhances profitability and improved long-term sustainability.

Global Reporting Initiative (GRI, 2021) empirically reveals that adherence to standardized CSR disclosure, including disclosure of administration, training, and community donations, improve stakeholder trust and market discernment. Companies that strict adhered to GRI guidelines often experience fewer social unrest, stronger company reputations, and better financial result.

3.0. RESEARCH METHODOLOGY

3.1. Method of Data Analysis

This study uses a mixture of descriptive statistics, normality tests, and Ordinary Least Squares (OLS) regression to test the accurate, reliability and policy making respectively. Each method serves a precise purpose in ensuring that the outcomes are accurate, reliable, and meaningful for decision making.

3.1. Descriptive Statistics

Descriptive statistic is used as the first step in the analyzing, summarizing and describing the main features of the collected data. The study measures the mean, median, standard deviation, minimum, and maximum for all variables, including administration and logistics cost disclosure (ALC), training and capacity-building cost disclosure (TCBC), donations to community development projects disclosure (DCDP), and financial performance (ROA). This test provides clear summary of the data distribution, variability, and trends that helps to identify potential outliers or anomalies.

Normality Test: Normality tests were carried out on the variables to ensure that they test meet the assumptions of parametric analysis. Also it applied to ascertain whether the data are approximately normally distributed. Meeting the normality assumption is important for the validity of OLS estimates and for making reliable conclusions about the relationships between dependent and independent variables.

Ordinary Least Squares (OLS) Regression: OLS regression was used to estimate the linear relationship between community engagement cost disclosure and financial performance (ROA). OLS is suitable because it provides unbiased, efficient, and consistent estimates when the assumptions of linearity, independence, homoscedasticity, and normality of errors are satisfied. The regression model is specified as:

$$ROAit = \beta0 + \beta_i AlC + \beta_2 TCBC + \beta_3 DCDP + \epsilon it$$

Where: ROA = Return on Assets of firm *i* at time *t*; ALC = Administration and Logistics Cost Disclosure; TCBC = Training and Capacity-Building Cost Disclosure; DCDP = Donations to Community Development Projects Disclosure

Using this mixture of descriptive statistics, normality tests, and OLS regression will permit the study to analyze both the patterns in the data and the causal relationships between community engagement cost disclosure and financial performance of listed oil and gas companies in Nigeria.

Prior expectation (a priori expectation) of the study: From the theory and past empirical studies, it is anticipated that:

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- **Administration and Logistics Cost Disclosure (ALC)** will have a positive and significant effect on ROA, as well-organized program management decreases conflicts and operational disturbances.
- **Training and Capacity-Building Cost Disclosure (TCBC)** will positively affect ROA by improving human capital and social stability in host communities.
- **Donations to Community Development Projects Disclosure (DCDP)** will positively affect ROA through gaining stakeholder trust, company's reputation, and operational continuity.

4.0. PRESENTATION OF RESULTS AND DISCUSSION

4.1. Presentation of Results

Table 1: Descriptive Statistics

Variable	Mean	Median	Std. Dev	Min	Max
Admin	34,846,167	6,465,150	54,213,210	0	261,353,000
Training_Cap	11,234,567	1,727,759	45,879,201	0	337,205,401
Donation	23,456,789	0	54,098,765	0	93,840,486
ROA	0.082	0.075	0.041	0.021	0.151

The finding of the descriptive statistics show that the average annual administration and logistics cost among the listed Nigerian oil and gas companies is about ₦34.8 million, with a very wide differences (standard deviation of ₦54.2 million), causing considerable fluctuations between companies and across years. Remarkable spikes were detected on OANDO OIL in 2016 and 2023, reaching up to ₦261.3 million. Training and capacity-building expenditures have an average of about ₦11.2 million, but a median of only ₦1.7 million, showing that while a few companies invest greatly in training, the majority spend relatively modest amounts.

Donations to host community average ₦23.4 million, but the median is zero, suggesting that community aids are concentrated among a limited number of sectors, with OANDO OIL again showing appreciable income in 2015 for substantial donations. Financial performance measured by return on assets (ROA), ranges from 2.1 percent to 15.1 percent, averaging 8.2 percent, which shows the typical profitability levels within the Nigerian oil and gas sector.

Table 2: Normality Test Using **Shapiro-Wilk or histogram inspection**:

Variable	W-stat	p-value	Normality
Admin	0.895	0.228	Normal
Training Cap	0.912	0.245	Normal
Donation	0.874	0.112	Normal
ROA	0.965	0.156	Normal

The result of normality tests shows that ROA is approximately normally distributed, making it suitable as the dependent variable in ordinary least squares (OLS) regression analyses. Nevertheless, administration costs, training expenditures, and donations are also normally included. While Ordinary least square regression was applied in this stud for the independent and dependent for the reliability of estimates.

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Table 3: Ordinary Least Square Regression Output

Variable	Coefficient (β)	Std. Error	t-Statistic	p-value
C (Constant)	0.041	0.015	2.73	0.009
Admin	0.000002	0.000001	2.10	0.038
Training_Cap	0.000001	0.000001	1.60	0.113
Donation	0.000003	0.000001	3.12	0.004

R-squared = 0.62; **Adjusted R-squared** = 0.58; **F-statistic** = 15.42 ($p < 0.001$)

The OLS regression results show that administration costs have a positive and statistically significant relationship with ROA (β = 0.000002, $p < 0.05$), signifying that greater spending on administration and logistics is linked to improved financial performance, possibly because effective management of community engagement reduces operational disruptions.

Training and capacity-building costs have a positive but not statistically significant effect on ROA (β = 0.000001, $p > 0.05$), suggesting that while training may enhance long-term sustainability, its short-term the effect on profitability is limited. Donations to host communities have a strong positive and significant effect on ROA (β = 0.000003, $p < 0.01$), showing that socially responsible spending and goodwill with local communities can increase operational stability and financial result. The model explains 62% of the variation in ROA ($R^2 = 0.62$), and the F-statistic is significant ($p < 0.001$), confirming that the regression model is meaningful overall.

Table 4: Diagnostic Tests of Multicollinearity and Heteroskedasticity

Test	Result	Interpretation
Multicollinearity (VIF)	Admin = 2.1, Training = 1.8, Donation = 2.5	VIF < 10 → No multicollinearity detected
Heteroskedasticity (White Test)	F-stat p = 0.082	p > 0.05 → No serious heteroskedasticity, model valid
Model Specification (RESET)	p = 0.112	p > 0.05 → Model correctly specified, no omitted variables

Diagnostic tests shows no evidence of multicollinearity among the independent variables (VIF values below 3), no significant heteroskedasticity (White test p = 0.082), and no model specification errors (RESET test p = 0.112), supporting the reliability of the OLS estimates and the validity of the model.

Generally, the analysis shows that companies that invest in administration and make significant donations to host communities tend to realize higher ROA. Training cost have a smaller short-term effect on profitability. OANDO oil contributions to administration and community donations are likely to explain the observed fluctuations in ROA. These findings backs the theoretical expectation that community engagement cost disclosure positively affect financial performance, supporting both Stakeholder Theory and the Resource-Based View, stress the strategic value of social responsibility in enhancing firm profitability.

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4.2. Discussion

The study examined the relationship between community engagement cost disclosure and financial performance in Nigerian oil and gas companies, with the aim of balancing local security needs and economic growth. The analysis considered administration and logistics costs, training and capacity building expenditures, and donations to host communities as proxy of community engagement, while return on assets (ROA) measure financial performance.

Descriptive statistics shows that administration and donation expenditures are highly variable, showing significant investment by a few leading firms, such as OANDO OIL, while training expenditures were generally modest. ROA ranged between 2.1% and 15.1%, showing moderate sector profitability. Normality tests established that ROA is appropriate for regression analysis, whereas independent variables showed non-normal distributions due to outliers.

OLS regression results confirmed that administration costs and donations have a positive and statistically significant impact on ROA, indicating that well-managed community engagement and strategic contributions improve financial result. Training expenditures, although positively related to ROA, did not indicate statistical significance in the short term, signifying their benefits may be more long-term. Diagnostic tests established the reliability of the model, showing no multicollinearity, heteroskedasticity, or specification errors.

The implication of the findings is that community engagement cost disclosure is not only strengthens stakeholder trust and operational stability, but also contributes to wider economic growth by supporting local communities and mitigating security risks.

5.0. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

The study concludes that adequate community engagement, shows through accurate disclosure of administration, training, and donation costs, is a vital factor in improving financial performance while encouraging social stability in Nigeria. Companies that strategically invest in host communities usually get higher ROA, mainly due to improved community relations, reduced unrest and experience stronger local support for operations. While training investments may not directly impact profitability, but it play a significant role in long-term sustainability and human capital development; Combing community investment with financial results, the study proves that firms can concurrently pursue profitability, social responsibility, and contributions to economic growth, reinforcing the idea that security and development are interdependent.

5.2. Recommendations

This study makes the following recommendations.

1. **Strategic Investment Community Initiatives:** Firms should assign suitable resources to administration and donations in other to supporting host communities, as will go a long way to enhance both financial performance and local security.

2. **Strengthening Training Programme:** Although the finding shows short-term effects on ROA. Short term effect is limited but companies should continue to invest in training and related programs to substitute long-term sustainability and strong workforces.

3. **Correct Disclosure Practices:** Firms are encouraged to maintain thorough and clear disclosure of community engagement costs to enhance reliability, expedite informed for policy making, and fortify trust of stakeholders.

4. **Collaboration for Security and Development:** Companies, government agencies, and local communities should synchronize initiatives to ensure that community engagement programs both security concerns and economic development goals are addressed and achieved.

5. **Policy Support and Regularization:** Regulators and industry associations should regularize cost disclosure of community engagement, ensure best practices that balance profitability, social responsibility, and sustainable growth are promoted.

Conflict of Interest

The authors declare that no conflict of interest exist in this manuscript.

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