CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

Kazeem Damola Arije[1] & Moruf Olanrewaju Obe[2]
Department of Banking and Finance. The Federal Polytechnic, Ilaro.
kazeem.arije@federalpolyilaro.edu.ng; obemoruf@yahoo.com

Abstract

This study examined Corporate Social Responsibility and performance of Deposit Money Banks in Nigeria. Secondary and time series data was employed with a sample of five banks selected for the period of 2011 to 2020. The banks selected in terms of asset size and international authorization are Access Bank Plc, First Bank Plc, United Bank for Africa Plc, Guaranty Trust Bank Plc and Zenith Bank Plc. The study utilized total asset as a means of measuring Return on Asset, while donations on health and education, community development, and bank size were used as proxies for corporate social responsibility which is the independent variable. This research work uses the panel data (fixed effect) regression model while using the E-view 9 for the analysis. The study further established that there is a significant effect of corporate social responsibility on education and corporate social responsibility on community development except for bank size which has no significant effect on the profitability of banks. Based on the findings, the study recommended that management of banks should well structure and carry out their corporate social responsibility activities in ways that the community where the banks operate will feel the maximum impact of the bank and reward the effort of the bank by increased patronage.

Keywords: Corporate Social Responsibility, Fixed Effect, Panel Model, Random Effect and Return on Asset

Introduction

The primary objective of any business organization is profit maximization except the public corporation or government owned organization in which the primary motive is to render essential service to the general public at no cost but still depends on profit level (Li, 2018). It is the profitability that gives rise to increase in production of goods and rendering of services for the continuity growth and expansion of the organization as the world continues to experience global economic recovery; financial institutions work with policymakers and others in the private sector to restore growth and build public Goodwill (Scholtens, 2009). The issue of corporate social responsibility CSR and its impacts of on financial performance is crucially relevant now more than ever.

According to Cornett, Erhemjants &Tehramiam (2014) The "after effects of the financial crisis and the show economic recovery have resulted in generated skepticism and constant critical observations of commercial Banks motives and actions". They further stated that consumers want tangible actions that demonstrate that banks have their best interest at heart. Banks and other financial institutions are at the front line of curbing financial crisis in any economy and one of the things that strengthen the financial performance of Banks is corporate social responsibility the performance of deposit money banks is affected by their strategies and operations in market and non-market environment hence there is a debate on the extent to which bank directors and managers should consider social and environmental factors in making decisions the four corporate social responsibility cannot be overemphasized the primary aim of business organisation which is profit motive can be enhanced and increased by proper and adequate discharge of corporate social responsibility.

Corporate social responsibility is a self regulatory mechanism built into a business model which makes it the business outfit functions and complies with the spirit of the law, ethical standards and international norms (Ogunseye, 2014). It is a solemn self reminder on the corporate organization to do sustainable and responsible business. Hence, it is also called corporate conscience, corporate citizenship, social performance or sustainable responsibility business (Ogunseye 2014).

According to Kashyap (2006) people argue that business do not put in sufficient number of resources to achieve what they have promised in their corporate social responsibility policies. In order to achieve the stated objectives, the following questions were raised: What is the effect of donation on health issue and education on return on asset of deposit money banks in Nigeria? To what extent does community development affect return on asset of deposit

money banks in Nigeria? What is the effect of banks size on return on asset of deposit money banks in Nigeria? This paper is organized into various sections which include the introduction of the study, review of related literature, methodology, data analysis and discussion of findings, and the conclusion and policy recommendation.

The concept of corporate social responsibility is dated back to Late 1800s and 1900s when business activity focused on building the industrial strength of United States and developing the country's natural resources (Morder, 1995). He noted that to fulfil this economic role, business sometimes abuse public Interest. The role of business however, remained essentially on economic one within the new and growing regulatory framework.

Business organisations especially banking sector have been one of the major concerns for the management expert investors and researchers there is an overwhelming increase in research findings on the relationship between corporate social responsibility and performance which are varied with some studies showing relationship as positive (Akindele, 2011, Mordi 2012, Margolis & Waish, 2013. The inconclusive stance as derived from the literature has been attributed to achieve methodologies adopted by researchers with inherent deficiencies. Van (2013), identifies these as inappropriateness of measures for corporate social responsibility and financial performance or the incorrect matching at measures, model misspecifications ommitting control variables that are deemed important determinants of firm performance and the non robustness of estimations that can hamper validity of data sets and results.

Drucker (1965) put forward some argument against social responsibility. Thus, profit maximisation doctrine explain that business man performs social good when they improve efficiency and reduce goods cost in order to maximize profit business cost at social involvement might divide business resources into economic importance lack of social skill tools to perform responsibility, dilution of business primary purpose and that the economic role of business in society would become confused weekend international balance of payment as a result of social cost business has not enough power since engage in supply of goods and services to the public and lack of accountability as a result of addition social responsibility.

The concept of corporate social responsibility is consistent with a stakeholder view of how the company should be governed i.e how a bank should be governed a bank has responsibilities not only to its shareholders but also to its employees all its customers and to society as a whole in developing strategies for future a bank should recognise this responsibilities the objective of profit maximisation without regard for social and environmental responsibilities should not be acceptable for example when a bank when a bank promotes itself as a bank with strong ethical view and a considerable policy and corporate social responsibility it exposes itself to reputation risk this is the risk that its reputation with the general public and customers will be damaged by an unexpected event or disclosure.

Theoretically, this study employed stakeholder's theory**.** The key elements of this literature holder the business organization must play an active social role in the society in which it operates Freeman (1984). One of the advocates of stakeholder Theory presented a more positive view of Managers support of corporate social responsibility. He asserts that managers must satisfy a variety of constituents (e.g. investors and shareholders, employees, customers, suppliers, government and local community organization) who can influence firm outcomes. According to this view it is not sufficient for managers to focus exclusively on the needs of stakeholders or the owners of the corporation. Stakeholder Theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stake-holders group from firm to firm as well as the importance of each of them. Corporate social responsibility should begin with identification of stakeholders and follow by finding a strategy how to satisfy and harmonize their expectations. Amole, Adebiyi and Awolaju (2012) argue that the stakeholder Theory emerging alongside the CSR and "triple-bottom-line" theory. The stakeholder Theory stands in contrast to the neo classical conception of managerial obligations when the social responsibility of business is to maximize business widely acclaimed as one of the first to define stakeholder Theory, Freeman (1984) stated that stakeholders are group and individuals who can affect or are affected by the achievement of an organisation's mission each of the stakeholder group help a right to not be treated as a means to some end and therefore should participate in determine determining the future direction of the company when which day have a stake. A fundamental characteristic of stakeholder Theory is therefore to attempt to identify individuals and groups that States organisations and companies are accountable 2 but also been part of the theories challenge [Porter and Kramer, 2002, Norman and Wayne, 2004].

Ogungbade (2021) provides new evidence from Nigeria by disaggregating CSR into Community Development, Education and Health, and finding their effect on performance which is proxied by Return on Assets. The data were extracted from the audited annual reports of 12 Deposit Money Banks listed on Nigeria Stock Exchange for ten years, 2009-2008. The study found out that CSR on Community Developments has a positive and significant effect on financial performance. On the contrary, the study reveals that CSR on Education has an insignificant positive effect on financial performance, and CSR on Health has a negligible negative effect. The study recommends that

management of Deposit money banks in Nigeria should not blindly engage in CSR activities, but should selectively select the CSR activities that can take care of all the stakeholders' interest.

Yushau (2020) investigated corporate social responsibility on financial performance evidence from listed oil and gasfirms in Nigeria. Both primary data and secondary data ate used for the study. The secondary data comprise of reported annual reports and account off the firm for the period of 2007-2017. The data treatment used for the secondary data is panel regression technique model. Finding from the study indicates that corporate social responsibility has a positive impact on the financial performance of listed oil and gas companies in Nigeria; the size of the companies has a significant negative association with the financial result of oil and gas companies in Nigeria. The study recommended that management must ensure that accountability is incorporated into its policy statements and supported by an effective budget which can significantly affect bottom line.

Anyanwu (2016) investigated Corporate social performance (CSP) focuses on a firm's results and accomplishment, or the outcome of a firm's interaction and its impact on the society. The study's focus was on CSP strategy adopted, its effect on a firm's performance and the impact of stakeholder's reaction. The objective is to measure the effect of corporate social performance as a strategy for firm's financial performance. This research adopted an expost-factor research method using a descriptive quantitative research design, data was sourced using secondary data source and extraction of variable from financial statement was used for collection method, Population size are all 13 listed deposit money bank and the entire population was censored, Data were analysed using linear regression technique and with the help of SPSS. Result shows a value of 0.027 for employee remuneration and returns on assets, and a value of 0.211 for social package and investors' confidence. Findings suggest that corporate social performance strategy adopted such as Employee remuneration have significant effect on firm's financial performance, while social package reveals non-significant effect, therefore the study recommends that corporations should ensure implementation of actual package that will encourage employees by identifying important interest of key stakeholders to ensure increased motivation.

Ademola and Ajao (2016) examined the impact of corporate social responsibility on the profitability of money deposit banks in Nigeria. Secondary data was employed with a sample of four banks selected for this research work. The study utilized profit after tax as a means of measuring profitability, while donations to health, education, social welfare and environmental protection were used as proxies for corporate social responsibility which is the independent variable. This research work uses the panel OLS (fixed effect) regression model while using the E-view 9 for the analysis. The maximum positive correlation coefficient of 0.85 is observed via a correlation between EDU and PAT followed by HEALTH, ENVIRONMENT and SOCIAL respectively. The study further established that there is a significant effect of corporate social responsibility on education and corporate social responsibility on environmental protection on the profitability of the selected money deposit banks, except for corporate social responsibility on health and social welfare which has no significant effect on the profitability of banks. Based on the findings, the study recommended that money deposits banks should expand its scope of activities on investment that would generate more profits and thereby enhance its investment on corporate social responsibility.

2. Methodology

In order to investigate the corporate social responsibilities and performance of deposit money banks in Nigeria. An ex post facto research design was employed because the data examined past occurrences to understand the current state. Basically, data used for this study is secondary extracted from audited reports and accounts of the banks for a period of ten (10) years. The variables considered are return on assets (ROAS) as dependent, corporate social responsibility CSR as independent variable however the control variables are, donation on health issues and education, (DOHE), community development (CDEV) and bank size (BKZE). Also, panel data was employed because the study cuts across more than one bank over many periods of time. The data was subjected to analysis through the use of panel multiple regression technique, which comprises Fixed Effect, and Random Effect Models. However, Hausman Test was conducted to determine which of the two panels model is more approipritate. This practice is consistent with Saka and Fatogun (2021); and Saka (2021); and Gujarati (2004).

With regards to this research work, the total population consists of twenty-one (21) commercial banks in Nigeria that have complete financial statement available for the period 2011 to 2021. However, five (5) banks were considered out of the twenty (21) sampled banks. The five banks which includes Access Bank, First Bank of Nigeria, United Bank for Africa, Guaranty Trust Bank and Zenith Bank Plc are the five biggest banks and part of commercial bank with international authorization in Nigeria as listed by Wikipedia (2021).

In order to achieve the broad objectives of the study the following model is formulated:

ROAS = F (DOHE, CDEV, BKZE) ……..… (1)

The model is specified in econometric form as follows

ROAS = $\beta 0+\beta_1$DOHE+β_2CDEV+β_3BKZE+e……...…… (2)

Where; ROAS = Return of Asset; DOHE = Donation on Health and Education; CDEV = Community Development; BKZE = Bank Size; $\beta 0$ = constant or intercept; β_1-β_3 = co efficient of explanatory variables; E = Error term representing other explanatory variable that were not captured; T = Time dimension; I = Individual firm.

Apriori Expectation mathematically is stated as

$\beta_1>0$; $\beta_2>0$; $\beta_3>0$

3. Results

Table 1: Panel model result (Fixed Effect Model)

Dependent Variable: ROAS
Method: Least Squares
Date: 04/15/22 Time: 07:07
Sample (adjusted): 1990 2020
Included observations: 31 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	49.46967	11.18958	4.421047	0.0001
DOHE	7.82E-08	1.53E-07	0.510227	0.6126
CDEV	4.75E-08	8.63E-07	0.055045	0.9564
BZE	2.83E-9	5.73-09	0.517250	0.6077

R-squared	0.342156	Mean dependent var	55.89166
Adjusted R-squared	0.232516	S.D. dependent var	51.99308
S.E. of regression	45.54916	Akaike info criterion	10.6211
Sum squared resid	87138.49	Schwarz criterion	10.92703
Log likelihood	-257.5277	Hannan-Quinn criter.	10.73761
F-statistic	3.12077	Durbin-Watson stat	1.652443
Prob(F-statistic)	0.009603		

Source: Authors' Computation from E-View 7 output, 2022

Table 2: Panel model result (Radom Effect Model)

Dependent Variable: TBD
Method: Least Squares
Date: 04/15/22 Time: 07:07
Sample (adjusted): 1990 2020
Included observations: 31 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	64.22308	9.150063	7.018868	0.0000
DOHE	-6.30E-08	1.49E-07	-0.421995	0.6750
CDEV	-7.82E-07	7.95E-07	-0.983588	0.3305
BZE	-1.70E-09	3.17E-09	-0.535824	0.5947

Weighted Statistics			
R-squared	0.033829	Mean dependent var	55.89166
Adjusted R-squared	-0.029182	S.D. dependent var	51.99308

S.E. of regression	52.57625	Sum squared residual	127979.7
F-statistic	0.586880	Durbin Watson stat	1.229228
Prob(f-statistic)	0.659370	No. of Obs	50
No. of Obs	0.95		

Source: Authors' Computation from E-View 7 output, 2022

Haussmann Test	chi-sq statistics	chi-sq d.f.	prob
Cross section random	19.374117	3	0.002

4. Discussion

Table 1 and table 2 shows Fixed Effect (FE) and Random Effect (RE) respectively for the impact of corporate social responsibility and performance of Deposit Money Banks in Nigeria. The output of FE indicates that, except BKZE, both DOHE and CDEV have large beta coefficient than in RE model. Here, beta values measure the degree to which independent variables or predictor variables (DOHE, CDEV, BKZE) affect the dependent variable (Return on Asset ROAS). The beta coefficient of FE was employed are 7.82E-08(DOHE); 4.75E-08(CDEV) and 2.83E-09(BKZE). When RE was employed the beta values are -6.30E-08(DOHE); -7.82E-07(CDEV) and -1.70E-09(BKZE) respectively. For both models, DOHE and CDEV were found insignificant at significant level of 5%. However, BKZE as a variable measuring bank size was significant at preferred level of significance for both FE and RE Models. The result indicates increase or decrease capital structure does not have significant impact on bank performance to corporate social responsibility in Nigeria. The F-statistic measures overall joint significance of both models. However, R^2 in FE (34.2%) is relatively higher than RE but Fa statistic in both models is highly significant at 5%level. Again, for selection of appropriate model, Hausman test was conducted. The results of Hausman test are; $Chi^2(3) = 19.37$ and prob > chi^2 is .0002. This implies that FE is more efficient than RE. In this case, Hausman test reveals that fixed is more appropriate to predict the impact of corporate social responsibility on performance of Deposit Money Banks in Nigeria using Return on Asset. Lastly, Durbin Watson statistic of 1.65 reveals that there is no serial correlation among the disturbance terms of study preferred Fixed Effect Model.

This result was inconsistent with the a priori expectation of the study and point that no matter the composition of corporate social responsibility engaged by banks in Nigeria, the management should not expect negative significant impact of such expense on capital structure of the bank.

This finding is consistent with result in previous studies by Aigbovo and Oghenekome (2019); Rabiu and Musa (2019). The implication of these findings is that management of banks should focus and improve on their corporate social responsibility. The bank concern was found a significant factor that cause positive impact on performance of the banks when measured by Return on Asset (ROAS).

5. Conclusion

This study employed a standard measure of bank performance in terms of Return on Asset (ROA) in relation to Nigeria bank capital structure using panel data set. The result suggests that the bank size has no significant impact on their performance. However, donation on health and community development has a significant impact on the performance of banks. Overall, the study concludes that bank expenditure on corporate social responsibility has positive and significant impact on their performance through return on asset.

In line with the findings of the study, the study recommends that management of banks should improve on their responsibilities to their host communities. Also, bank managers should well structure and carry out their corporate social responsibility activities in ways that the community where the bank operates will feel the maximum impact of the bank and reward the effort of the bank by increased patronage.

References

Adeyanju, O. D. (2012). An Assessment of the impact of corporate social responsibility on Nigerian society: The examples and banking and communication industries. Universal *Journal of Marketing and Business Research*, 1(1), 17 – 43.

Adi, A. B. C. (2006). The moral economy and the possibility of accumulation in Africa: How the IFIs can help. *West Africa Review*, 7(2), 71-82.

Akinpelu, Y.A., Ogunbi, O.J., Olaniran, Y.A., & Ogunseye, T.O., (2013). Corporate social responsibility activities disclosure by commercial banks in Nigeria. *European Journal of Business and Management*, 5(7), 173-185.

Amole, B. B., Adebiyi S. O., & Awolaja, A. M. (2012). Corporate Social responsibility and profitability of Nigeria banks–A causal relationship. *Research Journal of Finance and Accounting*, 3(1), 6 – 17.

Babalola, Y. A. (2012). The impact of corporate social responsibility on firms' profitability in Nigeria. *European Journal of Economics, Finance and Administrative Sciences*, 45(1), 39- 50.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Towards the moral management of organizational stakeholders. *Journal of Business Horizons*, 34(4), 39 – 48.

Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review*, 4(4), 497-505.

Emilson, L. M., Classon, M. & Bredmar, K. (2012). Corporate social responsibility and the quest for profitability using economic value added to trace profitability. *International Journal of Economics and Management Sciences*, 2(3), 43-54.

Gray, R., Owen, D., & Maunders, K. (1987). *Corporate Social Reporting: Accounting and Accountability*. London: Prentice-Hall.

Griffin, J. J., & Mahon, J. F. (1997). The corporate social performance and corporate financial performance debate: Twenty-five years of incomparable research. *Business and Society, 36, 5-31*.

Kashyap, R., Mir., & Iyer, E. (2006). Toward a responsive pedagogy: Linking social responsibility to firm performance issues in the classroom. *Academy of Management Learning Education*, 5(3), 366-376.

Kotler, P. & Armstrong, G. (2004). *Principles of Marketing*. Upper Saddle River, New Jersey: Pearson Education.

Nkanbra, D. & Okorite, L. (2007). Corporate social responsibility accounting. *The Nigerian Accountant*, 1(2), 44.

Rendtorff, J. D. & Mattsson, J. (2012). Ethics in the bank internet encounter: An explorative study. *Journal of Information, Communication and Ethics in Society*, 10(1), 36-51

Saka, K.A. (2021). Financial Policy and value listed firms in Nigeria consumer good industry. *International Journal of Accounting Research*, 9(5), 1-6,.

Saka, K.A. & Fatogun, O.I. (2021). Financial capital structure and value of Nigerian manufacturing companies: *Journal of Economics and Financial Analysis (JEFA*), 5(1), 81-95.