Corporate Social Responsibility and Commercial Banks in Nigeria: A Case Study of Some Selected Banks

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ABSTRACT

Frankly speaking, organizations have traditional role to play in the community where they operate as long as they continue to make profit. In the light of this, the motivation of this paper is to estimate the effects of corporate social responsibility on the profitability of commercial banks in Nigeria emphasis on same selected banks for the period 2003-2013. The study adopted the ordinary least square (OLS) method to analyze, the effects of CSR on profits of some selected commercial banks in Nigeria. The result reveals that three (3) out of the five banks reported significant impact of corporate social responsibility on profitability. This implies that corporate social responsibility brought about positive difference in the bank's profitability. Given this findings, the government should fix minimum percentage out of profit of organization to be spent on corporate social responsibility so that host communities will benefit from their natural and environmental endowments.

Key words: corporate social responsibility, profit after tax, commercial banks, ordinary least square, Nigeria.

INTRODUCTION

Corporate Social Responsibility (CSR) according to Bestratn and Pujol (2004)[1] is an idea associated with the combination of social and environmental matters in business management. They further explained that the interest in corporate social Responsibility began to develop in the mid 1990s due to customers dwindling confidence in business organizations. This fall in confidence was caused by a number of financial scandal and environmental factors such as waste management renewable energy etc. It became apparent that the new human behaviours are also related with solidarity, quality of life and concern for the environment.

In today's developing world, sustainable development and poverty reduction are the key issues that need to be addressed by governments. It is evident that government cannot meet this obligation alone without the private sector. Given that sustainable development becomes more important, corporate social responsibly becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of banking business. According to Preston (1978)[2] successful executives or leaders know that CSR is inevitable and their long term success is based on continued good relationship with the society.
Consequently, corporate social responsibility could be associated with corporate citizenship, responsible business, sustainable responsible business, [3]. Accordingly, corporate social responsibility (CSR) policy would function as a built in self-regulating mechanism whereby business would keep an eye and ensure its support to law, ethical standard and international norms. The researcher states that businesses need corporate social responsibility to benefit the relevant stakeholders and the society [4]. Further to this corporate businesses have seriously been investing in the education, health, marketing needs, scholarship and environmental disaster in the attempt to alleviate the burden of the society where they operate [5]. Banks in Taiwan adopted corporate social responsibility practices to cushion the effect of environmental challenges and win customers' trust and cooperation in the course of attending their business [6]. It is on these positive relationships or impact that banks have increased their interest by pursing corporate social responsibility policies that positively assists the community, customer and society.

CSR has become an indispensable factor for firms presently around the world of business in a changing business environment. Consequently, the increasing number of interest and research works involved in this area. A good example is Odeto, Adeyemi and Sajuigbe (2014)[7]; Dawkins, (2004)[8], cited in the works of Brammer Millington and Rayton (2009)[9] which revealed that about 60% (sixty percent) of workers in UK and Nigeria respectively value life socially and environmentally answerable conduct of their firms. In spite of the existence of some literature about the role of corporate social responsibility in the aspect of environment and society, in the developed countries on contrary, there is a gap about how corporate social responsibility would affect Bank profitability. Ahmeel, (2003) and Ajide, Aderemi and Adetunji (2014)[10],[11], believed that the gap is associated on the fact that some banks do not evaluate the quantum of their corporate social responsibility activities. Ahmeel, (2003). Evidently, Ajide, Aderemi and Adetunji (2014) [10],[11] posit that some banks in Nigeria do not even evaluate the impact of a particular corporate social responsibility activity on the environment and society to guide their review and deletion of same. It is expected that Banks invest in the corporate social responsibility activities that has effect on the community they operate and possibly gain their patronage to enhance their profit and get involved in such effectively. On the part of the society, it has become obvious that the Nigeria society don't even know that the banks are supposed to pay back to society part of their earnings as corporate social responsibility and make such demands, Ajide, Aderemi and Adetunji (2014)[11]. Society still looks at supposed corporate social responsibility as good gestures from the banks instead of a responsibility and to use such factors to access the banks responsiveness to society demands and possibly patronize such banks for better delivery of corporate social responsibility policies and activities. This is in line with the study of (Anjali and Ramandeep, 2015)[12]. More worrisome some is the issue of non-availability of the law or policy on the side of the Nigerian government demanding the banks to engage in the corporate social responsibility as part of their business in the country. The motivation of this paper is to determine the effect of corporate social responsibility on commercial banks in Nigeria using sample of some selected banks.

THEORETICAL FRAMEWORK

The present study adopted Carroll (1991)[13] corporate social responsibility theory. The assumption of the theory anchored on economic, legal, ethical and philanthropy. Carroll considers CSR to be framed in such a way that the entire business/environmental responsibilities are embraced. The business is certainly established to make returns to the stockholders and it is the responsibility of the management to make appropriate profit that would increase shareholder equity/dividends. Most managers think that social consideration come second and only when such social consideration would not open the business to exploitable weakness [14].
HISTORY OF CORPORATE SOCIAL RESPONSIBILITY

It is assumed that corporate social responsibility which was known and hitherto called corporate responsibility has been a topic for public debate and discuss, and has posed a lot of issues in all sector of bank as well as being regarded as important factor that determines the way (Ismail, 2011)[15]. Sanni, Adereti Ebo, (2012)[16] believe that corporate social responsibility has past records which states the conceptual and implementing framework dating back many years, increasing the popularity as well as the development of the area. It is the revelation that 1990s, increase reports on corporate social responsibility based standards and conduct has motivated interest on bank CSR expenditure.

Similarly, Sriramesh, Krishnmurthy, Chew, Amole, Adebibi and Awolaja, (2012)[17] stated that since the earliest definition CSR has taken such other names in different times including corporate social responsiveness and corporate social performance, Thus history is seen as bringing into focus important sections that had been previously overlooked by past definition. Around 1970 not minding government policies regarding CSR, banks maintained actions and activities which benefited only their owners which in their thinking are their responsibilities. Supporting the argument Babalola (2012)[18] asserted that until 1970s despite regulation and legislation, business continued largely along an autonomous path, not minding its critics and pays attention only to its shareholders, to whom it felt somewhat responsible. The period of 1960 brought about awareness for the customers and associated problem the parts of the citizens that were distrustful of government, organizations, banks and undefined establishment.

On the contrary, Aremu, Ekpo and Mustapha (2013)[19] posits that corporate social responsibility has been evolving since 1930s. It is assumed by Asikha and Sokefun (2013)[20] that changes in the legal content of employee welfare and labour laws on workman compensation has closely exemplified apparent shift in the CSR policies of most banks in recent times Athanasoglou, Brissimis, Delis (2005)[21], that banks activities that can fall under CSR categories can be related to higher pay to employee for same hours put as against the normal pay. The example of Henry Ford in 1914 is a good example. The most notably period was when the public policy "try reality" here business had to publish their CSR responsibilities to the various segment of free society and economy. They will also post to the public notice and view, their ethical values and social norms. This way the current and today ethics of modern business came to be the content of industrialization and the revolution that came in at that time could be traced to the emergence of CSR[15].

It is believed that even in the pre-medieval time some activities of business organization could be considered as CSR. This include cooperate policy issues on philanthropy (Calderon, 2011)[22]. Further to this time and the time researchers showed interest in the concept of CSR and up till before the twentieth century the issues then which was mostly philanthropy based made little significant impact. However according to Calderon (2011)[22], the advent of multinational cooperation and the figures involved actually provoked discussion on the concept of CSR. In the year 1929, Walter B. Douham showed interest in the concept of CSR. To him business has always been there even before history, he believes that the scope and social significance of business today is what it makes now[22].

EMPIRICAL STUDIES

Previous studies on CSR relation to bank profit pose some conflicting result and some authors like Cyrus and Oyenje, (2013)[23]; Ismail and Adegbemi (2013)[15], agree to the view that corporate social responsibility has relationship on bank profit. Oko and Agbonifohr (2014)[24] in their study of the Niger Delta Area States and together with Gerard and Thiery (2015) believed that greater corporate social responsibility does not result in better financial
performance but also has financial performance impacted negatively. It is their views that corporate social responsibility has relationship on bank profitability.

Oko and Agbonifoh (2014) in their study assessed the extent, constraints and challenges to the adoption of the principles of corporate social responsibility in the Niger Delta Area. It is evident that the area studied is not enjoying the corporate social responsibility from the industry having made the gains or profits from business. The corporate social responsibility is lacking among the multinational company carrying out their business in Nigeria and to a reasonable extent is the gap that exists on the part of the banks. Organization and the community are not aware that the firm's need to execute corporate social responsibility as part of the business is the major constraints.

Gerard and Thierry (2015) examined the causal relationship between the various dimension of corporate social responsibility and financial performance and has it that greater corporate social responsibility does not result in better financial performance, but also that financial performance negatively impacts corporate social responsibility.

Contrarily Banwo (1997), study concentrated on the effect of corporate social responsibility and Jordanian Orage telecom company profit. In reviewing the study it was established that there is a significant relationship on corporate social responsibility and firm profitability opposing the Gerard and Thierry (2015), that there is no significant relationship.

According to Amole, Adebiyi and Awolaja (2012) posits that running business organizations in Nigeria and the lack of basic infrastructure, as well as divergent views in the literature seems to be that relationship exist between corporate-social responsibility and profitability in the Nigerian banking industry. In their work-reviewed it was discovered that impact of corporate social responsibility expenditure on profitability in Nigeria banks was recorded. Having established the relationship they went further, to advise that banks should demonstrate high level of commitment to corporate social responsibility based on stakeholder theory in order to enhance their profitability in the long run.

Georgeta (2013) in this study the researcher pose a great question on whether profitability and company size have a potential influence on levels of corporate social responsibility according to the annual data of Romanian companies. It is recorded that company size and company profitability have an influence toward the corporate social responsibility.

Enahoro, Akinyomi and Olutoye (2013) while examining the relationship between corporate social responsibility and firm's financial performance on the Nigerian manufacturing sector, observed in their study that a significant relationship exist between corporate social responsibility and profit before tax on one hand; and corporate social responsibility and turnover on the other hand Therefore, any bank that engages in any corporate social responsibility has the force or margin of increasing the profit.

Dauda (2015) in review the study on examining the relationship between corporate social responsibility and firms profitability in Nigeria, has it that some firms invest less than ten percent of their annual profit to corporate social responsibility. To the extent that they invest little and reap little in profit at long run.

Ibrahim, Zam, Jaraal and Norlia (2013) believes that evidenced from their study that the authorities should improve corporate social responsibility disclosure in consumer products and plantation industries but also for the company itself to develop their appropriate corporate social responsibility practice worthy of the customer satisfaction,

Cyrus and Oyenje, (2013) They asserted that the existence of a relationship between the independent variables (corporate social responsibility score, manufacturing efficiency and capital intensity) and the independent variable (return on assets). They are of the opinion that there was an insignificant positive relationship between corporate social responsibility practice and financial performance.

Banks are expected to be involve and promote sustainable development through corporate social responsibility through which the organization might align ethically, contribute positively to the welfare of stakeholders, and improve the quality of life of the community and customer satisfaction respectively. In line with the above thought, Odetayo, Adeymi and Sajuyigbe
(2014)[7] concur that there is a significant relationship between expenditure on corporate social responsibility and profitability of Nigerian banks. They noted that most of the Nigerian banks spend little amount on corporate social responsibility, when compared with profit generated by the banks; and needs government to enact a law that will fix minimum percentage out of profit of organization that will be spent on corporate social responsibility. Most organizations have executed corporate social responsibility without substantial increase in organization performance hence the research sought to find out the effect of corporate social responsibility on organization performance. The study like Emily, Mwalati, Robert, Musiega and Maniagi, (2014)[32], has it that the increase in the philanthropy of the banks has the tendencies of increasing banking profitability and performance. They stated that banks.

METHODOLOGY
The study will adopt ex-post facto design which explores cause and effect relationships. In economic theory variables already exist and their relationships known as such data cannot be manipulated by the researcher to confess in a predetermined manner. The ex-post facto fits well into time series data analysis because in time series all variables of interest are put under observation, their relationships and inter dependences examined as their outcomes are estimated. Also, their feedback effects are at the same time considered and empirically measured

MODEL SPECIFICATION
The study uses a simple model in which the dependent variable is profit after tax and the independent or explanatory variable is corporate social responsibility expenditure. The model is specified as:-

\[ PAT = \beta_0 + \beta_1 \text{CSRE} + U_t \]

Where:

PAT = Profit after tax
CSRE = Corporate social responsibility expenditure
\( \beta_0 \) and \( \beta_1 \) = Parameters to be estimated (\( \beta_0 \) = constant term, \( \beta_1 \) = coefficient of CSRE)
Ut = Error term

Obtained from data analysis is presented and interpreted in this section. In addition are the statistical analysis performed to ascertain the reliability of the result and the test of hypotheses as well.
TABLE I: REGRESSION RESULT FOR FIRST BANK OF NIGERIA PLC

<table>
<thead>
<tr>
<th>Variable</th>
<th>PAT</th>
<th>Std. Error</th>
<th>t-statistic</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>N25062589</td>
<td>(4593787)</td>
<td>(5121)</td>
<td>(00006)</td>
</tr>
<tr>
<td>CSRE</td>
<td>0.0272</td>
<td>(0.01896)</td>
<td>(1.435)</td>
<td>(0.1851)</td>
</tr>
</tbody>
</table>

$\text{r}^2 = 0.1862, \ r =0.432, \ \text{F- statistic} = 20597, \ \text{DW statistic} = 1.359 \ (\text{where SEE - standard error})$

Source; Result of Data Analysis, 2015
The result for First Bank Plc shows a positive relationship between corporate social responsibility expenditure and profitability. Between 2003 and 2013 and on average, the value of profit after tax when there is no corporate social responsibility expenditure is 25062589 million naira; then one million naira increase in CSRE raised the profit after tax by 0.0272 million naira per annum. Thus changes in the corporate social responsibility activities have a positive impact on changes in profit after tax in the case of First Bank of Nigeria Plc.

TABLE 2: REGRESSION RESULT FOR UNION BANK NIGERIA PLC

<table>
<thead>
<tr>
<th>Variable</th>
<th>PAT</th>
<th>Std. Error</th>
<th>t-statistic</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>N13260386</td>
<td>3107392</td>
<td>4267</td>
<td>0.0021</td>
</tr>
<tr>
<td>CSRE</td>
<td>-20.9045</td>
<td>(49.21090)</td>
<td>(-0.425)</td>
<td>(0.6810)</td>
</tr>
</tbody>
</table>

$\text{r}=0.0197, \ \text{r}=-0.14, \ \text{F-statistical}805, \ \text{D-Wstat} = 1.732.$

Source: Result of Data Analysis, 2015
The result for Union Bank Plc shows a negative relationship between the banks corporate social responsibility expenditure and its profitability. We observe that between 2003 to 2013 the value of the banks profit after tax when expenditure on corporate social responsibility is zero is 13260386 million naira; then one million naira increase in the expenditure on corporate social responsibility, on average, reduces profit after tax by about 20.905 million naira. The result for Union Bank Plc shown here indicates movement in the opposite direction between corporate social responsibility expenditure and profitability.
TABLE 3: REGRESSION RESULT FOR UNITED BANK FOR AFRICA PLC

<table>
<thead>
<tr>
<th>Variable</th>
<th>PAT</th>
<th>Std. Error</th>
<th>t-statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>N9422321</td>
<td>(4511402)</td>
<td>(2.089)</td>
<td>(0.0663)</td>
</tr>
<tr>
<td>CSRE</td>
<td>0.491246</td>
<td>(0.116327)</td>
<td>(4.223)</td>
<td>(0.0022)</td>
</tr>
</tbody>
</table>

$r^2 = 0.6642$, $r = 0.815$, $F$-stat $= 17.834$, $D-W$ stat $= 1.573$

Source: Result of Data Analysis, 2015

The result for UBA shows a positive relationship between the banks expenditure on corporate social responsibility and its profitability. Between 2003 and 2013, on average and every other factors remaining the same, the value of the banks profit after tax when the expenditure on corporate social responsibility is zero is 9422321 million naira. Therefore, one million naira increase in the banks expenditure on corporate social responsibility, on average, raised the banks profit after tax by about 0.491246 million naira per annum.

TABLE 4: REGRESSION RESULT FOR GUARANTEE TRUST BANK PLC (GTB)

<table>
<thead>
<tr>
<th>Variable</th>
<th>PAT</th>
<th>Std. Error</th>
<th>t-statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>N27078239</td>
<td>8435521</td>
<td>3.21</td>
<td>0.0167</td>
</tr>
<tr>
<td>CRSR</td>
<td>2048628</td>
<td>0.075871</td>
<td>32.76993</td>
<td>0.000</td>
</tr>
</tbody>
</table>

$r^2 = -0.9917$, $r = -0.996$, $F$-stat $= 1073.868$, $D-W$ stat $= 1.023$.

Source: Result of Data Analysis, 2015

For GTB there is a positive relationship between the banks expenditure on corporate social responsibility and its profitability. The result shows that between 2003 and 2013, on average, a rise in the banks expenditure on corporate social responsibility by one million naira raised the banks profit after tax by about 2.486 million naira per annum.
TABLE 5: REGRESSION RESULT FOR ECO BANK NIGERIA PLC

<table>
<thead>
<tr>
<th>Variable</th>
<th>PAT</th>
<th>Std. Error</th>
<th>t-statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1.2068</td>
<td>7539111</td>
<td>1.79</td>
<td>0.105</td>
</tr>
<tr>
<td>CSRE</td>
<td>356518</td>
<td>(1.393)</td>
<td>(-1.485)</td>
<td>(0.172)</td>
</tr>
</tbody>
</table>

\[
r^2 = 0.1, \quad r = -0.4435, \quad F = 2.04, \quad DW = 1.646
\]

Source: Result of Data Analysis, 2015

The result shows that Eco bank Nigeria Plc is one of the banks for which a negative relationship exists between the banks corporate social responsibility expenditure and its profitability within the period covered by the study. Interpreting the result we say that one million naira increase in the bank's corporate social responsibility expenditure, on average and everything else remaining the same reduces the bank's profit after tax by about 2.068 million naira per annum.

Since three (3) out of the five (5) banks studied still report significant impact of corporate social responsibility ten (10) years after the exercise, the results of the analyses indicate that corporate social responsibility has brought about significant positive difference in the bank's profitability. This result corroborates with earlier scholarly reports which show that the corporate social responsibility practice in the banking sector has resulted in a remarkable improvement on the sector as a whole (Emily, Mwalati, Robert, Musiega and Maniagi 2014)[32]. Such studies used questionnaire instrument through randomly selected the concerned and statistical tool adopted was correlation to measure CSR expenditure on the profitability of the banks. The result collaboration is the underlying factor for CSR as canvassed by Echekoba, Egbonike and Ezu (2010)[33]; Brown and Dacin, (1997)[34]; Odetayo, Adefmi and Sajuyigbe (2014)[7] and Ismail and Adegbemi (2013). The researchers assumed that proper and effective corporate social responsibility goes a long way in improving the trend of banking profitability.

Results of the study conducted by Ho-Ngnoc and Liafisu (2014)[35] supports the study that UBA, and GTB Bank for whom the chow test result is positive have all achieved profit within the period under analysis (0.99 for UBA, and 0.82 for GTB Bank) are all reasonably high. Further explanations from the result of Md. AL, Kazi, and Ayesha (2013)[36] corroborates the study that banks profit after tax rises (or falls) with a rise (or fall) in the bank's corporate social responsibility expenditure per annum and that the level of bank's CSR expenditure and thereupon fulfilling firm's commitment towards the greater society as a corporate citizen (Md. AL, Kazi, and Ayesha, 2013)[36]. The result also confirms the fact that the banks result shows that there is a significant relationship between corporate social responsibility and profit before tax on hand; and corporate social responsibility and turnover on the other hand, (Enahoro, Akinyomi and Olutoye 2013)[28]; Georgeta (2013)[27]; Amole, Adebibi and Awolaja (2012)[17]. The better, it follows that the result has a strong positive relationship (0.99) for GTB, and (0.82) for UBA. Though weak negative relationship for Eco bank (0.44) and Union Bank Plc (0.14) and weak positive relationship for First Bank Plc (0.43).
Previous studies like Mohammad. Md.Mamunar, and Md. Reiazul (2014)[36]; Nadeera, Naveed, Naqvi, Skindar and Wania (2014)[37] and Md.Al, Kazi and Ayesha (2013)[36] supports the results of the study that the coefficient of determination ($R^2$) shows the proportion of the total variations in the dependent variable explained by variations in the independent variable. From the summary shown in table 1, the result for GTB is the most significant ($r^2 - 0.992$ or 99.2%). The $r^2$ showed that about 99% of the total variations in GTB’s profit after tax within the study period are explained by variations in the bank’s corporate social responsibility expenditure in the same period. This is closely followed by UBA (66%), Eco Bank (19.7%), First Bank Plc. (18.6%) and lastly Union Bank Plc (2.0%)[39].

The test for auto correlation was conducted using the Durbin-Watson statistic. For the tabulated values the 5% level of significance was used, n- 11 observation (i.e.2003-2013) and $K' = 1$ (i.e one explanatory variable). Therefore the tabulated values are: $d_l = 1.08$, $d_u = 1.36$ (approximate values). The results of the findings of the study conducted by this is a revelation from the study on twenty (20) selected companies, only four achieved all six guidelines as per the GRI. The regression analysis of the variables CSR and EPS, a very weak (causal) but positive relationship was evident ($R^2 = 0.147$).

Similarly, the result of weak negative relation for Eco Bank Nigeria Plc (- 0.44) and weak positive relationship for First Bank Plc) (0.43) not only corroborated that greater social responsibility does not result in better financial performance but also that financial performance negatively impact corporate social responsibility[40].

SUMMARY AND CONCLUSION

The study has successfully examined the experience of UBA Bank, GTB Bank, First Bank, Eco Bank and Union Bank Plc with respect to corporate social responsibility practice in Nigerian banking sector. Employing Chow Test, the study concludes that UBA and GTB experienced strong positive relationship whereas First Bank, ECO Bank, and Union Bank experienced weak positive relationship. What this means is that the Chow test was significant for the banks mostly for the banks that practice corporate social responsibility, and evidence from the study shows that the corporate social responsibility exercise boosted the bank's profitability and increase financial performance. Hence the conclusion is that there is a significant relationship between corporate social responsibility expenditure and bank profitability in Nigeria. The study recommends that the government needs to enact a law that will fix minimum percentage out of profit of organization that will be spent on corporate social responsibility.

REFERENCES


