

Does Corporate Social Responsibility Predicate Good Financial Performance?
Evidence from the Nigeria Banking Sector

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Abstract
This research examines the cointegration, magnitude and strength of the relationship between corporate social responsibility and key financial performance indicators in Nigeria with a focus on the Nigeria banking sector. The ex post facto research design was adopted because the study made use of secondary data obtained from annual reports and accounts of the two market leaders in the sector- First Bank Plc and Zenith Bank Plc. The study covered from the year 1988-2011 for the First Bank of Nigeria and from 2002–2011 for Zenith Bank Plc. The research made use of the ordinary least square (simple linear regression) for the analysis of collected data in order to evaluate the magnitude of association of the variables. Findings from the analysis show that the two banks invested less than ten percent (10%) of their annual profit in Corporate Social Responsibility (CSR) initiatives. The co-efficient of determination of the result obtained show that the explanatory variables account for changes or variations in the key financial performance indicators of the selected banks. Performance in their profit before taxes and the gross annual revenues were caused by changes in investment Corporate Social Responsibility (CSR) while no linear relationships could be established between the price for the shares and amount invested in CSR. The study therefore recommends that laws and regulations to obligate firms to invest a percentage of their annual profit to CSR be enacted by relevant government agencies.
Keywords: Corporate Social Responsibility, Corporate Accounting, Financial Reporting, Financial Performance.

INTRODUCTION
Background of the Study:
The effective and efficient management of the various stakeholders in a project or enterprise appears to be a critical factor to the success or otherwise of the project or organisation. Some business firms have gone out of existence as a result of poor performance in the management of these stakeholders. In this regard, the approach adopted by an organization in performing and managing its Corporate Social Responsibility (CSR) is of great concern not just to the communities but also to the entire stakeholders of the organization in question.

Most Organizations, though established for profit making, should develop a system of identifying their different stakeholders, their interests and find a way to manage them in order to enhance smooth operations in their localities. This is because as the saying goes: 'informal relationship determines formal relationships'. Prudent managers have discovered that identifying and relating closely with their host communities in terms of their Corporate Social Responsibilities (CSR), could be a competitive advantage to exploit to enhance profitability and market share. Gone are the days when companies just make money without caring for the locality/environment from where their incomes were generated. Organizations have developed a variety of strategies for dealing with this intersection of societal needs, the natural environment, and corresponding business imperatives with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations worldwide. A firm cannot ignore the problems of the environment in which it operates and continue to flourish in business. Therefore, there is a need to examine the degree of relationship of corporate social responsibility and financial performance indicators in Nigeria. In its stronger form, the concept of Corporate Social Responsibility (CSR) asserts that corporations have an obligation to consider the interests of its various stakeholders (such as customers, employees, shareholders, communities, as well as the ecological"footprint") in all aspects of their operations. Li. *et al* (2006) maintain that Corporate Social Responsibility (CSR) initiatives can lead to innovations through the use of social, environmental, or sustainability drivers to create new products and services.

Furthermore, the social impact of corporations is becoming a very important issue in business administration (Fiori *et al.* 2007). The performance of business organisations is affected by their strategies and operations in market and non-market environments. Hence, there is a debate on the extent to which company directors and managers should consider social and environmental factors in making decisions. In essence, Corporate Social Responsibility (CSR) may be described as an approach to decision making which encompasses both (social and environmental) factors. It can therefore be inferred that CSR is a deliberate inclusion of public interest into corporate decision making, and the honoring of a triple bottom line which are People, Planet and Profit (Harpreet, 2009) in corporate decision making. CSR has been defined in various ways. Majority of these definitions integrate the three dimensions: economic, environmental and social aspects into the definitions, this is usually called the triple bottom line. The tripple bottom line is considering that companies do not only have one objective - profitability, but that they also have objectives of adding environmental and social value to society (Mirfazli, 2008). Again, CSR has been defined as a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Green Paper Promoting a European Framework for Corporate Social Responsibility 2001). Helg (2007) also defines CSR as the set of standards to which a company subscribes in order to make its impact on society. Also a wide variety of definitions of firm performance have also been proposed in the literature. Both accounting and market definitions have been used to study the relationship between corporate social responsibility and firm performance (Orlitzky *et al*. 2003). However, since most social responsibility scholars seek to understand the ways that socially responsible corporate activities can create or destroy shareholder's wealth, market definitions of firm performance seem likely to be more appropriate than accounting definitions of firm performance in this context (Margolis and Walsh, 2001).

The history of formalized CSR in Nigeria can be traced back to the CSR practices in the oil and gas multinationals. The CSR activities in this sector are mainly focused on remedying the effects of their extraction activities on the local communities. Nigeria is blessed with oil deposits and many other natural resources and as a result, a lot of explorations and exploitations take place in the country. In the Niger Delta region of the country, the impact of these exploration activities leaves the communities with poor environment and this has often led to agitations and riots from these communities leading to destruction of lives and property.

In order to pacify the communities and assuage these agitations, the companies provide some sort of social amenities sometimes ranging from pipe-borne water, hospitals and even schools. Many times, these initiatives are ad hoc and not always sustained (Amaeshi *et al*. 2006). The development of CSR in Nigeria has a somewhat different development phase. While CSR as a concept in the West was developed as early as in the 1950´s the concept of CSR is a relatively new phenomena in Nigeria. Contrary to the West, the main influencing factors driving the CSR agenda in Nigeria have been foreign. Multinational companies operating in Nigeria together with foreign governments and international NGOs have been the primary drivers and this was in response to the agitations from the communities (Helg, 2007). The Nigerian government has through its National Economic Empowerment and Development Strategy (NEEDS) set the context by defining the private sector role where it stated that:

> "*the private sector will be expected to become more proactive in creating productive jobs, enhancing productivity, and improving the quality of life. It is also expected to be socially responsible, by investing in the corporate and social development of Nigeria…*" (Nigeria National Planning Commission 2004).

The banking sector, in any country plays a pivotal role in setting the economy in motion and in its developmental process. Banks promote growth and success of businesses in both developed and developing countries. The banking sector is an ideal area for social responsibility research because the banking sector is socially sensitive to its environment. Moreover, the nature of banking practices in the country now is such that all the banks virtually render the same services and so those who are able to exploit the advantage of their CSR will have a competitive edge over others. The banks selected in this study have been rated as the most successful banks in Nigeria in terms of customer base and profitability and also have been victims of agitations from communities and other stakeholders. They are therefore the market leaders in the industry going by their profit position and their activities at the Nigeria Stock Exchange. This study therefore seeks to find out if the banks' financial performance can be explained by the level of investments in Corporate Social Responsibility (CSR) initiatives performed by these banks.

Statement of the Problem:

The global business environment has necessitated that organizations seeking to survive and remain in business should develop some business strategies that will not only reduce operational cost, but will also give them competitive advantage, improve customers' patronage, service delivery as well as the profitability of the firms. Effective performance and management of Organisational/Corporate Social Responsibilities (CSR) could be a strategy to exploit. In this regard, people tend to patronize more, the organizations that have returned a level of their profit to the society in form of their social responsibility through investment in host community infrastructural development.

On the other hand, some communities have become very aggressive and non-receptive to organizations that have not contributed much directly to them and so many organizations have gone out of business as a result of the disturbances from hostile youths in these communities where they are located. For instance, in Nigeria, some oil workers in the Niger Delta region of the country have been kidnapped, and sometimes killed by youths in the area and the oil companies, banks and other organisations are often times forced to close shops and because of their perceived poor response to CSR, their host communities have not actually felt the positive impact of their existence in those localities. They actually believe that these companies are only exploiting the natural resources in these communities, without meaningful contribution to the communities where they are located. Some communities have actually demanded that certain employment positions in these organisations be exclusively reserved for their indigenes. This study therefore examines whether Corporate Social Responsibility (CSR) could be a predicator of selected key Financial Performance indicators of Organisations in Nigeria with a focus on two highly rated banks.

Objectives of the Study:
The main objective of this study is to examine the degree of relationship between the banks' investment in social responsibility and their level of financial performance. Specifically, the study will explore:
(1) To determine if there is any relationship between the bank's level of investments in social responsibility and its annual gross revenue.
(2) To determine if there is any relationship between the bank's level of investments in social responsibility and its annual profitability levels before tax.
(3) To determine if there is any relationship between the bank's level of investments in social responsibility and its average annual market value per share.

Research Hypotheses:
In order to provide empirical analysis that will achieve the objectives of the study and ultimately provide solution to the problem of the study, the following hypotheses have been formulated and will be tested under the fourth section of this paper.
(a)H_0: There is no significant and positive relationship between a bank's level of investments in social responsibility and its annual gross revenue.
(b) H_0: There is no significant and positive relationship between a bank's level of investments in social responsibility and its annual profit before tax levels.
(c) H_0: There is no significant and positive relationship between a bank's level of investments in social responsibility and its average annual market value per share.

REVIEW OF RELATED LITERATURE

Origin of Corporate Social Responsibility:
In the world today, the concept of Corporate Social Responsibility (CSR) can be said to have originated in 1950's as Bowen wrote on "The Social Responsibilities of a Businessman" (Carroll, 1999). From that time, other theories and propositions concerning the concept of CSR have evolved. Some of them received wide acclamation, while the others did not. In the words of Uadiale and Fagbemi (2012), 'with respect to CSR and firm's financial performance, the literature consists of three principal strands: (i) the existence of a positive correlation between CSR and financial results (ii) the lack of correlation between CSR and financial results; and (iii) the existence of a negative correlation between CSR and financial results'.

Some proponents of the first strand (Soloman and Hansen, 1985; Pava and Krausz, 1996; Preston and O'Bannon, 1997; Griffin and Mahon, 1997) find that investment in Corporate Social Responsibility have a big return in terms of image and overall financial results; the related benefits, in fact are bigger than the related costs. Literature reveals the existence of many positive externalities that are linked to CSR in its bid to respond to stakeholders' requirements. Clarkson (1995) and Waddock and Graves (1997) believe that satisfying the interest of stakeholders (shareholders, employees, suppliers, community, environment and so on) and being accountable to them may actually have a positive impact on all firm dimensions, particularly financial performance. Positive reputations have often been linked to positive financial returns. Roberts and Dowling (2002); Fombrun *et al.* (2000); Porter and Van Der Linde (1995) and Spicer (1978), also posit that CSR initiatives can lead to reputation advantage as improvements in invested trust, new market opportunities and positive reactions of capital market would enhance organization's financial performance.

The idea of the second group of theorists is that there is no relationship between corporate social responsibility and corporate financial performance (McWilliams and Siegel 2000; Ullmann 1985; Aupperle *et al.* 1985; Waddock*et al.* 1997).Waddock *et al.* (1997) explains that a neutral relation may suggest that many variables in the relation between social and financial performance make the connection coincidental. McWilliams *et al.* (2000) find that the firms supplying corporate social responsibility products to their own customers have a different demand curve compared to those with no corporate social responsibility. Ullmann (1985) underlines that no clear tendency can be recorded between connections on social information, social performance and economic results. The main reason for this appears to be the theory's inadequacy, inappropriate keyword definitions and lack of empirical materials. It was observed that important aspects are not just social performance and economic but also "information" about social performance and that only a few studies have analyzed this three dimensional relation. Other studies highlight the impossibility of defining the sign of the existing relation between corporate social responsibility and performance, both in the short term-on the basis of Abnormal return measure and market actions and in the long term (Aupperle *et al.*1985).

Finally, the idea of that negative relationship exists between CSR and financial performance is focused on empirical studies and contributions that refer to managerial opportunism hypotheses. Preston *et al.*(1997) point out that manager can reduce investments in corporate social responsibility in order to increase short term profitability (and, in this way, their personal compensation). This point seems to be really interesting, due to the fact that other authors (Barnea and Rubin 2006) suggest the existence of an opposite trend linked to the same phenomena (Managerial opportunism). Waddock *et al.* (1997) assumed that companies with responsible behavior may have a competitive disadvantage, since they have unnecessary costs. These cost, fall directly on the bottom line and would necessarily reduce shareholders' profits and wealth. Both short term analyses based on measuring abnormal returns (Wright and Ferris, 1997), Market measures and long term studies (Vance, 1975) have negative relationship between financial performance and corporate social responsibility.

Empirical studies of the relationship between CSR and financial performance comprise essentially two types. The first uses the event study methodology to assess the short-run financial impact (abnormal returns) when firms engage in either socially responsible or irresponsible acts (Wright *et al.* 1997; Posnikoff 1997; McWilliams *et al.* 1997). The second type of study examines the relationship between some measure of corporate social performance (CSP) and measures of long term financial performance, by using accounting or financial measures of profitability (Cochran and Wood 1984; Aupperle *et al*.1985; Waddock *et al*. 1997). The relationship between corporate social responsibility and corporate financial performance has been studied intensively with mixed results. In a survey of 95 empirical studies conducted between 1972-2001, Margolis *et al*. (2001), report that: "When treated as an independent variable, corporate social performance is found to have a positive relationship to financial performance in 42 studies (53%), no relationship in 19 studies (24%), a negative relationship in 4 studies (5%), and a mixed relationship in 15 studies (19%)." In general, when the empirical literature aassesses the link between social responsibility and financial performance the conclusion is that the evidence is mixed.

Measuring CSR has always been a difficult task as there is little consensus about which measurement instrument to apply. In many cases, subjective indicators are used. Similarly, measuring financial performance is equally difficult as there is little consensus about which measurement instrument to apply. Many researchers use market measures (Alexander and Buchholz 1978; Vance 1975), others put forth accounting measures (Waddock *et al*. 1997; Cochran *et al.* 1984) and some adopt both of these (McGuire *et al*. 1988). These two measures, which represent different perspectives of how to evaluate a firm's financial performance, have different theoretical implications (Hillman and Keim, 2001) and each is subject to particular biases (McGuire *et al.* 1988). The use of different measures, needless to say, complicates the comparison of the results of different studies (Tsoutsoura, 2004). In line with previous researches (Brammer *et al*. 2006; Fiori *et al.* 2007), the study adopt the first three measures of social performance: community performance, employee performance (health and safety, training and development, equal opportunities policies, equal opportunity systems, employee relations, systems for job creation and job security) and environmental performance (policies, management systems, and reporting) social measures.

Conceptual Issues Underpinning Corporate Social Responsibility

Through corporate social responsibility, businesses reaffirm their principles and values, both in their processes and operations and in their interaction with other social actors. Corporate social responsibility is generally voluntary in nature and refers to activities that exceed a mere compliance with the law. The social and environmental responsibilities of enterprises may reflect the changing expectations of society. For example, issues that enterprises may consider convenient practices today may become indispensable ones tomorrow. In addition, it is expected that different social actors interested in the activities of a certain enterprise will prioritize different social and environmental demands, which may contradict or compete with one another at times. Corporate social responsibility poses several challenges for enterprises, including the need to define their responsibilities with respect to those of the public sector, determine the extent of their obligations in the supply chain and decide until what point in the future they should anticipate and plan for the consequences of their activities, especially in the case of natural resource use. Pragmatism in corporate social responsibility is essential because despite the many issues it can address, corporate social responsibility also has its limits and cannot substitute for the role of government in enforcing laws and international labour standards.

Corporate social responsibility as defined by European Commission (2001) is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" following increasingly awareness that responsible behaviour leads to sustainable business success. Corporate social responsibility and social activities may include charitable contributions to local and national organizations such as fund raising, donations and gifts in areas where it trades and others like regeneration of deprived communities, reclamation of derelict land and creation of new regeneration jobs. However, what cuts across a number of definitions that scholars have proposed on the concept of corporate social responsibility is the general belief that, beyond the quest to maximize corporate profits, corporate organizations play a crucial role in solving society's problems. For Matten and Moon (2004), the fundamental idea of corporate social responsibility is that "it reflects both the social imperatives and the social consequences of business success, and that responsibility accordingly falls upon the corporation, but the precise manifestation and direction of the responsibility lies at the discretion of the corporation." Such a characterization of corporate social responsibility makes it a mandatory exercise in that it assumes that business has a direct responsibility to help in solving society's problems.

We argue that, though the modalities of implementing corporate social responsibility programmes are at the discretion of corporate organizations, it does not make corporate social responsibility a freely chosen programme to contribute towards social prosperity. Therefore, for Aristotle and subsequent proponents of the broader view of corporate social responsibility such as Davis (1983), the widely held narrow view of corporate social responsibility that business is primarily concerned with profit making and maximization than social concern is unrealistic. For Davis, corporate organizations ought to have responsibilities beyond simply enhancing their profits because they enjoy greater social and economic power in any society. The apparent conflict between corporate social responsibility and firm objectives was noticed quite early by the Milton Friedman, who had declared that any effort to use corporate resources for purely altruistic purposes would constitute socialism. In fact, Friedman recommended that corporation law should be modified to discourage corporate social responsibility (Manne, 2006). And yet more than thirty years after Friedman made his declaration, corporate social responsibility has become the norm. Surprisingly enough, empirical research has indicated positive, neutral and even negative impacts of corporate social responsibility on financial performance. While corporate social responsibility skeptics can explain away the practice of corporate social responsibility as a result of pressure from society, an explanation for the profit motives behind corporate social responsibility becomes even more necessary to explain the source of the social pressure.

Corporate Social Performance and Firms' Profitability

Financial theories on the connection between corporate social performance and firm financial profitability are based on equilibrium asset pricing models as well as on the efficient market hypothesis (Guenster et al 2005 and the references therein). It predicts three possible relations. One direction of reasoning postulates a neutral relation. It assumes that the risk associated with compliance with Corporate Social Responsibility is not priced, therefore all companies, corporate social responsibility complying as well as non- corporate social responsibility complying, have the same rate of expected return and face the same cost of equity capital (Hamilton et al. 1993).This reasoning is in line with standard financial theory (risk-return paradigm) where only risk factors are priced in the market. On the other hand, if the risk associated to Corporate Social Responsibility compliance is (correctly) priced by the market, the same risk-return paradigm would imply a negative relation between corporate social performance and financial performance. As put forward by Shane and Spicer (1983), firms which actively account for the corporate social responsibility risk factor are seen as less risky investments (relative to the firms that ignore it).Consequently, on a risk-adjusted basis, their expected returns are predicted to be lower.

Finally, the third view postulates that the compliance with Corporate Social Responsibility principles are not efficiently priced by market participants. A positive (negative) relation follows depending on the sign of the inefficiency. For example, Hamilton et al. (1993) argue that, if a sufficiently large number of investors underestimate (overestimate) the probability that adverse events related to Corporate Social Responsibility issues might affect companies not complying with the corporate social responsibility principles, then their stocks will provide lower (higher) risk-adjusted return than socially responsible companies stocks.

Since the answer to the question whether the risk associated to Corporate Social Responsibility issues is (correctly) priced by the market cannot be given on theoretical grounds only, it is investors' perception of the relevance of the Corporate Social Responsibility principles that counts in the end. If investors believed that companies implementing the Corporate Social Responsibility principles are resource wasteful; they would determine a negative return premium on these companies stocks. To the contrary, if corporate social responsibility behavior of companies is in line with investors' beliefs, they would determine a positive return premium for these companies stocks (Ullman, 1985). We turn now towards the empirical evidence. Anticipating, we can say that empirical results have failed so far to capture investors' beliefs.

METHODOLOGY

Research Design:

Research design is the structure and the constructural plan of any research work. It is the framework upon which the research work is built. It refers to the structural plan of the investigation with the aim of identifying the variables and their relationships which will cause data to be collected by the researcher, analysed and enable the test of hypotheses and answering of the research questions. Since this study is on the impact of corporate social responsibility disclosure on company financial performance, we used a descriptive survey design approach of two Nigerian banks listed on the Nigeria Stock Exchange.

Population/Sample Size: The study will center on two banks in Nigeria namely First Bank of Nigeria Plc and Zenith Bank of Nigeria Plc. The population of the study will comprise all the investments in social responsibility made by the banks, the gross earnings of the banks, the profit before taxes as well as the average annual value per share of the banks. However, due to dearth of data, the researchers selected a limited number of years to be covered by the study from (1981 to 2011) for the First Bank of Nigeria Plc and (2002 to 2011) for Zenith Bank Plc. This is because First Bank is an old bank with all the data required; while Zenith Bank is relatively a new bank in Nigeria.

Sources of Data: The sources of data for the research shall be secondary sources. These secondary data will be sourced from relevant textbooks, journals, and the internet. However, the quantitative data for analysis shall be sourced from the annual reports of these banks, while the value of the banks' shares will be sourced from the Nigeria Stock Exchange.

Tools for Data Analysis:

The hypotheses of the study will be tested using the correlation and simple linear regression techniques to determine the relationship between Investment in CSR and Financial Performance of the banks.

Model Specification

Linear regression

To analyze the respective relationships defined in preceding sections simple linear regressions analysis is performed based on the following general models as applied in previous studies. These models will be used to test the hypotheses based on the general linear function model as follows:

$Y = a + bx$ --- (1)

This model is modified a little bit as follows for the different hypotheses

Hypothesis one:

H_0: There is no significant and positive relationship between a bank's level of investments in social responsibility and its annual gross revenue.

H_1: There is a significant and positive relationship between a bank's level of investments in social responsibility and its annual gross revenue.

$TR_t = {}_{O} + {}_{I}CSR_{t-1}$--- (2)

Where: TR_t = the banks' turnover level in period t

${}_{O}$ = a constant

${}_{I}$ = Coefficient of the independent variable

CSR_{t-1} = Investment in CSR in the preceding period

This model will be used to determine the relationship between the banks' turnover and the investments in CSR.

Hypothesis Two:

H_0: There is no significant and positive relationship between a bank's level of investments in social responsibility and its Profit level before Tax.

H_1: There is a significant and positive relationship between a bank's level of investments in social responsibility and its Profit level before tax.

$PR_t = {}_{O} + {}_{I}CSR_{t-1}$ --- (3)

Where: PR_t = the banks' profit level in period t

${}_{O}$ = a constant

${}_{I}$ = Coefficient of the independent variable

CSR_{t-1} = Investment in CSR in the preceding period

This model will be used to determine the relationship between the banks' profit level before tax and the investments in CSR.

Hypothesis Three:

H_0: There is no significant and positive relationship between a bank's level of investments in social responsibility and its average annual value per share.

H_1: There is a significant and positive relationship between a bank's level of investments in social responsibility and its average annual value per share.

$Spr_t = {}_{O} + {}_{I}CSR_{t-1}$ --- (4)

Where: Spr_t = the banks' average annual price per share in period t

${}_{O}$ = a constant

$_1$ = Coefficient of the independent variable

CSR_{t-1} = Investment in CSR in the preceding period

This model will be used to determine the relationship between the banks' average annual price per share and the investments in CSR.

4.0 PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1 Presentation of Data:

As already stated in the preceding sections, the data to be used for analyses were sourced from the annual reports and accounts of the banks under study as well as data from the Nigerian Stock Exchange. Tables 4.1 and 4.2 respectively show the data for First Bank and Zenith Bank. In the annual reports, the figures were reported in the Nigerian currency. The researchers have converted the figures to Dollars using the current prevailing rate of one hundred and fifty Naira to the Dollar (₦150 to 1$)

Table 4.1.1 Amount Invested in CSR, Profit level, Gross Earnings and Average annual Price per share of First Bank of Nigeria Plc from 1988 to 2011.

Year	Amount Invested in CSR in $	Amount of profit in $	Gross earnings in $	Market Price Per Share (₦)
2011	6460000	350186666.7	1837526667	8.9
2010	5918290.94	226666666.7	1394580000	13.73
2009	6449725.894	53333333.33	1169266667	14.05
2008	2924860	253466666.7	870666666.7	21.11
2007	2032053.333	147313333.3	528660000	44.7
2006	799246.6667	132206666.7	408286666.7	33.5
2005	452873.3333	100966666.7	329833333.3	32
2004	622566.6667	94040000	300806666.7	23.6
2003	290646.6667	89286666.67	300366666.7	20
2002	486759.3267	33913333.33	278113333.3	21.05
2001	188329.0467	41340000	193986666.7	23.55
2000	129434.6	34080000	179033333.3	23.8
1999	132015.4533	24740000	118440000	**23.4**
1998	52703.36667	15486666.67	92053333.33	**23.2**
1997	57699.26667	13460000	84566666.67	22.3
1996	128325.2533	7700000	66866666.67	22.1
1995	95104.57333	6713333.333	55140000	21.1
1994	49270.66667	5826666.667	35700000	20.0
1993	39529.62	2440000	17926666.67	18.1
1992	8255	2440000	17926666.67	18.02
1991	5456.333333	-206666.6667	10500000	17.4
1990	3633.333333	-1366666.667	9553333.333	16.5
1989	2866.666667	1086960	7676626.667	16.05.
1988	2000	494826.6667	5735160	15.42

Source: Computed by the researcher's from the First Banks' Plc Annual Reports

Table 4.1.2 Amount Invested in CSR, Profit level, Gross Earnings and Average Annual Price per share of Zenith Bank Plc from 2002 to 2011.

Year	Amount Invested in CSR in $	Amount of profit in $	Gross earnings in $	Market Price Per Share (₦)
2011	4773333.333	340940000	1437440000	12.18
2010	3353333.333	286380000	1129133333	15.01
2009	13066666.67	211686666.7	1694313333	13.6
2008	11079754.53	326266300	1267166893	22
2007	3812729.693	155258853.3	594625200	46.09
2006	2856154.54	101027273.3	388147073.3	24.4
2005	511632.0267	61098580	232756413.3	16.5
2004	1036291.033	42699233.33	159541700	15.69
2003	404879.8267	36269806.67	118961533.3	
2002	453898.74	26662453.33	80792900	

Source: Computed by the Researcher's from the Zenith Banks' Annual Reports

ANALYSIS OF DATA:

The above data were analysed using least square method also called simple linear regression analysis method.

There are six tables which tested the relationship of CSR on different areas of financial performance of the selected banks. The analysis are presented in Tables 4.2.1 to 4.2.6 (see appendices)

DISCUSSION OF RESULTS OF THE ANALYSIS OF DATA:

(1) First Bank of Nigeria Plc:

Table 4.2.1 shows the result of the regression analysis conducted to determine the relationship of the amount invested in CSR and the profitability level in First Bank of Nigeria Plc. The correlation coefficient of (0.75) indicates that there is a high positive correlation between the amount invested in CSR and the profitability level of First Bank Plc. The R^2 value of (0.57) indicates that 57% of the variations in profitability of First Bank Plc, is explained by the amount invested in CSR and that a unit dollar increase in the amount invested in CSR will correspondingly increase the profitability level before tax in First Bank Nigeria Plc. The result further showed that CSR has very strong positive and significant relationship at 1% significant level with the profit before tax in First Bank of Nigeria Plc. It further reveals in the Analysis of Variance, that the amount invested in CSR has significant relationship with profitability level. From that result, the profit level of First Bank of Nigeria can be forecasted using the following equation: Profit = 30,062,099.64 + 33.45x.

Table 4.2.2 also shows the result of the regression analysis conducted to determine the relationship of the amount invested in CSR and the Gross Annual Revenue of First Bank of Nigeria Plc. The correlation coefficient of (0.97) indicates that there is a high positive correlation between the amount invested in CSR and the Gross Annual Revenue of First Bank Plc. The R^2 value of (0.93) indicates that 93% of the variations in Gross Annual Revenue of First Bank Plc, is explained by the amount invested in CSR and that a unit dollar increase in the amount invested in CSR will correspondingly increase the Gross Annual Revenue level in First Bank Nigeria Plc. The result further showed that CSR has very strong positive and significant relationship at 1% significant level with the Gross Annual Revenue in First Bank of Nigeria Plc. It further reveals in the Analysis of Variance, that the amount invested in CSR has significant relationship with Gross Annual Revenue. From that result, the Gross Annual Revenue of First Bank of Nigeria can be forecasted using the following equation:

Revenue = 90,684,425.92 + 224.53x.

Furthermore, in table 4.2.3 is shown, the result of the regression analysis conducted to determine the relationship of the amount invested in CSR and the Average Annual Price per share of First Bank of Nigeria Plc. The correlation coefficient of (0.59) indicates that there is a positive correlation between the amount invested in CSR and the Average Annual Price per share of First Bank Plc. The R^2 value of (0.35) indicates that 35% of the variations in Average Annual Price per share of First Bank Plc, is explained by the amount invested in CSR and that a unit increase in the amount invested in CSR will correspondingly increase the Average Annual Price per share level in First Bank Nigeria Plc. The result further showed that CSR has very strong positive and significant relationship at 1% significant level with the Average Annual Price per share in First Bank of Nigeria Plc. It further reveals in the Analysis of Variance, that the amount invested in CSR has significant relationship with Average Annual Price per share. However, the result could not establish any linear relationship of the amount invested in CSR with the Average Annual Price per share of First Bank of Nigeria Plc.

(2) Zenith Bank Plc

Table 4.2.4 shows the result of the regression analysis conducted to determine the relationship of the amount invested in CSR and the profitability level in Zenith Bank Plc. The correlation coefficient of (0.67) indicates that there is a high positive correlation between the amount invested in CSR and the profitability level of Zenith Bank Plc. The R^2 value of (0.45) indicates that 45% of the variations in profitability of Zenith Bank Plc, is explained by the amount invested in CSR and that a unit dollar increase in the amount invested in CSR will correspondingly increase the profitability level before tax in Zenith Bank Plc. The result further showed that CSR has very strong positive and significant relationship at 5% significant level with the profit before tax in Zenith Bank Plc. It further reveals in the Analysis of Variance, that the amount invested in CSR has significant relationship with profitability level. From that result, the profit level of First Bank of Nigeria can be forecasted using the following equation: Profit = 81,500,522.85 + 18.70x.

Similarly, table 4.2.5, shows the result of the regression analysis conducted to determine the relationship of the amount invested in CSR and the Gross Annual Revenue of Zenith Bank Plc. The correlation coefficient of (0.86) indicates that there is a high positive correlation between the amount invested in CSR and the Gross Annual Revenue of Zenith Bank Plc. The R^2 value of (0.74) indicates that 74% of the variations in Gross Annual Revenue of Zenith Bank Plc, is explained by the amount invested in CSR and that a unit dollar increase in the amount invested in CSR will correspondingly increase the Gross Annual Revenue level in Zenith Bank Plc. The result further showed that CSR has very strong positive and significant relationship at 1% significant level with the Gross Annual Revenue in Zenith Bank Plc. It further reveals in the Analysis of Variance, that the amount invested in CSR has significant relationship with Gross Annual Revenue. From that result, the Gross Annual Revenue of Zenith Bank Plc can be forecasted using the following equation: Revenue = 225,817,683.13 + 117.17x.

Finally, in table 4.2.6 is shown, the result of the regression analysis conducted to determine the relationship of the amount invested in CSR and the Average Annual Price per share of Zenith Bank Plc. The correlation coefficient of (0.11) indicates that there is a low correlation between the amount invested in CSR and the Average Annual Price per share of Zenith Bank Plc. The R^2 value of (0.01) indicates that 1% of the variations in Average Annual Price per share of Zenith Bank Plc, is explained by the amount invested in CSR and that a unit increase in the amount invested in CSR will marginally increase the Average Annual Price per share level in Zenith Bank Plc. The result further showed that CSR has very weak relationship at 10% significant level with the Average Annual Price per share in Zenith Bank Plc. It further reveals in the Analysis of Variance, that the amount invested in CSR has weak relationship with Average Annual Price per share. Furthermore, the result could not establish any linear relationship of the amount invested in CSR with the Average Annual Price per share of Zenith Bank Plc.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings:

The aim of this study was to empirically examine the extent to which corporate social responsibility impacts on financial performance of Nigerian banks. In achieving this aim, the study obtained data on variables which were believed to have relationship with CSR and financial performance. These variables included profit before taxes, Annual gross Revenue and the market Price of the Shares of the banks. This study focuses on developing economies and on Nigeria specifically. Using a sample of audited financial statements of two most vibrant banks quoted in Nigeria Stock exchange, this study examines the impact of CSR activities on financial performance measured with Profit before taxes, annual gross Revenue and the market value per share of these banks.

The results show that CSR has a positive and significant relationship with the financial performance measures. These results reinforce the accumulating body of empirical support for the positive impact of CSR on financial performance.

Further findings from analysis shows that the amount committed to social responsibility vary from one bank to the other. The data further revealed that the sample banks invested less than ten percent of their annual profit to social responsibility. However, the empirical analysis above depicts that positive relationship exists between firm's performance measure with profit before tax and investment in social responsibility; which shows that there is a direct relationship between the two variables (PBT and CSR). It also that positive relationship exists between the banks' performance measure with Gross Annual Revenue and investment in social responsibility; which shows that there is a direct relationship between the two variables (GAR and CSR). On the other hand, the results could not establish any relationship between the price per share of the selected banks and the amount committed to corporate social Responsibility. Though, in Nigeria social responsibility is encouraged in achieving greater firm's performance, but organizations in the country have not really engaged in CSR which have implications for the survival of these firms.

Conclusion:

Companies face challenges and limitations as they implement CSR in the communities where they are located. The complexity of operating in a global society places new demands on organizations and their leadership to adopt new strategies in managing the different stakeholders of their organizations. CSR has been discovered in this study to play a vital role in enhancing organizational profitability and growth. This study concludes that profitable organizations in Nigeria do not invest much in corporate social responsibilities and this has tendency to threaten their long run existence.

Recommendations:

This research work offers the following recommendations on how companies can improve on their CSR to ensure greater and better performance. Policy framework should be designed for corporate social responsibilities in Nigeria by the government and ensure compliance by setting mechanisms and institutions for the implementation of CSR. Companies in Nigeria particularly the profitable one should give greater priority to CSR. This has the tendency to assist them to survive and maintain their profitability and also diffuse the tensions and hostilities usually experienced by companies in their localities. Attention should be given to social accounting and social costs by firms in Nigeria. Based on the findings; the study further recommends that corporate entities in Nigeria should invest in CSR activities in its entire ramification in order to boost their image/reputation thereby increasing their returns.

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Appendices

Table 4.2.1 The Regression Result of Amount Invested in CSR and the Profit level before Taxes in First Bank Nigeria Plc

SUMMARY OUTPUT

RegressionStatistics	
Multiple R	0.75
R Square	0.57
Adjusted R Square	0.55
Standard Error	63,031,717.27
Observations	24.00

ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	1.00	113,621,035,832,283,000	113,621,035,832,283,000	28.60	0.00
Residual	22.00	87,405,942,393,345,800	3,972,997,381,515,720		
Total	23.00	201,026,978,225,628,000			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	30,062,099.64	14,706,107.03	2.04	0.05	-436,499.52	60,560,698.80	-436,499.52	60,560,698.80
X Variable1	33.45	6.25	5.35	0.00	20.48	46.42	20.48	46.42

Table 4.2.2. The Regression Result of Amount Invested in CSR and the Gross Annual Revenue of First Bank Nigeria Plc

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.97
R Square	0.93
Adjusted R Square	0.93
Standard Error	129,407,107.86
Observations	24.00

ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	1.00	5,120,704,626,172,890,000	5,120,704,626,172,890,000	305.78	0.00
Residual	22.00	368,416,390,446,523,000	16,746,199,565,751,100		
Total	23.00	5,489,121,016,619,420,000			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*per 95.0%*
Intercept	90,684,425.92	30,192,335.88	3.00	0.01	28,069,353.98	153,299,497.87	28,069,353.98	153,299,497.87
X Variable1	224.53	12.84	17.49	0.00	197.90	251.16	197.90	251.16

Table 4.2.3. The Regression Result of Amount Invested in CSR and the Average Annual Value Per Share of First Bank Nigeria Plc

SUMMARY OUTPUT

RegressionStatistics	
Multiple R	0.59
R Square	0.35
Adjusted R Square	0.28
Standard Error	8.25
Observations	12.00

ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	1.00	362.98	362.98	5.34	0.04
Residual	10.00	680.36	68.04		
Total	11.00	1,043.34			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	28.30	3.21	8.82	0.00	21.15	35.46	21.15	35.46
X Variable1	0.00	0.00	-2.31	0.04	0.00	0.00	0.00	0.00

Table 4.2.4 The Regression Result of Amount Invested in CSR and the Profit level before taxes in Zenith Bank Plc

SUMMARY OUTPUT

RegressionStatistics	
Multiple R	0.67
R Square	0.45
Adjusted R Square	0.39
Standard Error	97,373,899.42
Observations	10.00

ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	1.00	63,289,341,160,310,300	63,289,341,160,310,300	6.67	0.03
Residual	8.00	75,853,410,298,964,700	9,481,676,287,370,590		
Total	9.00	139,142,751,459,275,000			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	81,500,522.85	42,941,959.85	1.90	0.09	-17,523,814.06	180,524,859.76	-17,523,814.06	180,524,859.76
X Variable1	18.70	7.24	2.58	0.03	2.01	35.39	2.01	35.39

Table 4.2.5. The Regression Result of Amount Invested in CSR and the Gross Annual Revenue of Zenith Bank Plc

SUMMARY OUTPUT

RegressionStatistics	
Multiple R	0.86
R Square	0.74
Adjusted R Square	0.70
Standard Error	334,073,812.57
Observations	10.00

ANOVA

	Df	*SS*	*MS*	*F*	*Significance F*
Regression	1.00	2,484,200,539,126,350,000	2,484,200,539,126,350,000	22.26	0.00
Residual	8.00	892,842,497,984,500,000	111,605,312,248,062,000		
Total	9.00	3,377,043,037,110,850,000			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	225,817,683.13	147,326,792.22	1.53	0.16	-113,918,508.69	565,553,874.94	-113,918,508.69	565,553,874.94
X Variable1	117.17	24.83	4.72	0.00	59.90	174.44	59.90	174.44

Table 4.2.6. The Regression Result of Amount Invested in CSR and the Average Annual Value per Share of First Bank Nigeria Plc

SUMMARY OUTPUT

RegressionStatistics	
Multiple R	0.11
R Square	0.01
Adjusted R Square	-0.15
Standard Error	11.89
Observations	8.00

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1.00	9.55	9.55	0.07	0.80
Residual	6.00	848.59	141.43		
Total	7.00	858.15			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	21.98	6.51	3.38	0.01	6.04	37.91	6.04	37.91
X Variable1	0.00	0.00	-0.26	0.80	0.00	0.00	0.00	0.00

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