Corporate Social Responsibility and Financial Performance of Quoted Deposit Money Banks in Nigeria

RABI'U SAMINU JIBRIL
Department of Accountancy, Kano State Polytechnic, Nigeria

Asma'u Yahya Dahiru
Department of Accountancy, Kano State Polytechnic, Nigeria

Jamila Muktar
Faculty of Art and Social Sciences, Department of Accounting, Gombe State University, Nigeria

MUSA MUHAMMAD BELLO
Department of Accountancy, Kano State Polytechnic, Nigeria

Abstracts
This paper is aimed at investigating the relationship between corporate social responsibility and financial performance of listed deposit money banks in Nigeria for the period of 6 years from 2008 to 2013. The data was obtained from the sample size of twelve banks through their annual reports and accounts. Corporate social responsibility as the independent variable was proxy by natural logarithm of the total amount spent on corporate social responsibility by banks, while return on equity and return on assets was used to proxy financial performance as dependent variables. The study adopts multiple regression technique in analyzing the data with the aid of SPSS techniques. The findings reveal that corporate social responsibility has a positive and significant impact on return on equity and return on assets as financial performance proxies of listed deposit money banks in Nigeria. It is recommended that Nigerian deposit money banks should keep on providing corporate social responsibility services to their host community.
Keywords: Corporate Social Responsibility, Corporate Financial Performance

1.0 Introduction

Challenges facing businesses in Nigeria within today's complex and competitive environment are products of economic and non-economic related forces. Thus, in order to survive and prosper within the business environment, businesses must plan their activities in such a way that they can strike a balance between the legal, economic, philanthropic and social aspects to their operations. The banking sector of the Nigerian economy is not an exception as it equally needs to reconcile the conflicting interests of its various stakeholders such as shareholders, government, creditors, and the host community.

The deposit money banks are the intermediaries that facilitate the actual movement of funds between the surplus and deficit sectors of the Nigerian economy culminating in its growth. These banks in the course of their operations provide some form of corporate social responsibility to their operating environments.

Stakeholders believe that businesses are responsible to them in one way or the other. As such, they attempt to assess how well companies have discharged these perceived responsibilities. For example, shareholders focus on the extent to which their demand is satisfied by making reference to various financial performance indicators such as return on equity, return on assets, return on investment, and share prices. While the community evaluates performance in socially responsible activities through certain measures e.g. environment restoration, the government monitors firms' compliance with relevant legislations.

Corporate Social Responsibility (CSR) is an issue that has been dwelt on significantly within the academic literature (Godfrey & Hatch, 2007). The notion can be seen as the set of standards to which a company subscribes in order to make its impact on society (Helg, 2007).

In an annual report by the Edelman Trust Barometer, it is noted that the global business community views CSR activities in relation to a firm's performance as an important requirement of companies being that reputation of corporations are based on key factors such as transparency, honesty, equitable treatment of employees and good corporate citizenship. The report by Edelman Trust concluded that profit and the purpose of the corporation must benefit society (Edelman, 2011).

Business organizations especially in the banking sector have been one of the major concerns for management experts, investors and academic researchers. There is an overwhelming increase in research findings on the relationship between CSR and Financial Performance which are varied with some studies showing relationship as positive (Akindele, 2011; Olayinka & Temitope, 2011; Amole et al, 2012), some, negative (Preston & Brannon, 1997; Barnea & Rubin, 2006) and others, an absence of relationship (Waddock et al., 1997; McWilliams & Siegel, 2000; Fauzi, 2009; Yaghoub et al., 2011).

The inconclusive stance as derived from the literature has been attributed to diverse methodologies adopted by researches with inherent deficiencies. Oikonomou (2011) identifies these as inappropriateness of measures for CSR and financial performance or the incorrect matching of measurements, model misspecifications omitting control for variables that are deemed important determinants of firm performance e.g. expenditure on research and development (McWilliams & Siegel, 2000) and the non-robustness of estimations that can hamper validity of data sets and results.

Ullmann (1985) had earlier found inappropriate definitions of key notions, a lack of theoretical frameworks, deficiencies in existing CSR databases and a lack of, or differences in the use of control variables as factors. Cochran &Wood (1984) corroborate this position in addition to identifying time sensitivity of results, small data samples, short observation windows, and none or poor adjustments for risk.

Taking into cognizance the significant levels of debate on and practice of CSR and the issues identified with respect to empirical research on the subject matter, there is the need for studies incorporating and adjusting for these in order for more conclusive propositions on the relationship between CSR and financial performance to be established.

With respect to Nigeria where CSR is still discharged at the discretion of businesses, findings could be used as a basis for formulating policy that will increase the financial performance of banks in the course of providing corporate social responsibility services to their operating community. It could likewise add insight to the issues of whether CSR should be more than a voluntary practice encouraged and instead, regulated as was proposed in the aborted bill on CSR of 2008.

In light of the above, evaluating the relationship between CSR and financial performance of listed money deposit banks in Nigeria may consequently provide logical explanations as to why some of these banks behave in a more socially responsible way than others based on how such behaviors are found to affect their performance. Specifically, the aim of this study is to examine the relationship between corporate social responsibility and financial performance of listed deposit money banks in Nigeria.

The objectives are tested with following hypothesis. These hypotheses serve as a guide in shaping and directing the study to logical conclusion.

H_{O1} There is no significant relationship between corporate social responsibility and ROE of listed deposit money banks in Nigeria.

H_{O2} Corporate social responsibility has no significant influence on ROA of listed deposit money banks in Nigeria.

The scope of the study is limited to assessing corporate social responsibility and financial performance of Nigerian listed deposit money banks in Nigeria for a period of 6 years (i.e. 2008 – 2013) with a view to determining the extent of correlation.

The remaining part of this paper will be organized as follows: Section 2 comprises of literature review, section 3 describes the research methodology, and section 4 presents the results and discussions, while section 5 is about the conclusion and recommendations of the paper.

2.0 Literature Review

2.1 Conceptual framework

The concept of Corporate Social Responsibility (CSR) is one that has been evolving over time from the period when it first attracted formal attention most notably, in the works of Bowen (1953). Corporate Social Responsibility was defined as '*the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of society*'. Corporate Social responsibility arises out of the notion that an organization should not pursue solely its economic objectives given the fact that it exists within an environment or society that concurrently influences and is influenced by its operations.

A significant opposition to the conceptualization of CSR as an 'obligation' is tendered by Friedman (1970) who opines that the responsibilities of firms should be profit oriented by seeking to exclusively maximize the value of shareholders. This is commonly referred to as the minimalist view of CSR. In contest to Friedman's proposition, the US Committee for Economic Development (1971) however, found that CSR was in fact related to products, jobs and economic growth; societal expectations and activities aimed at improving the social environment of the firm. Studies by McALeer (2003) and Oketch (2004) have likewise concluded on the fallibility of Friedman's assertion of the concept of CSR.

Carroll (1979) correspondingly introduced the ethical and philanthropic dimensions to the economic and legal aspects of a business's operation. These dimensions were patterned in order of the most basic- the economic responsibility for profit maximization, the legal responsibility for compliance with laws and regulations of the environment, the ethical responsibility for fair and just conduct of business activities and the philanthropic responsibility for promoting society welfare in terms of quality of living (Wood 1991).

As noted by Carroll (1999), the views on CSR have varied through the decades such that there is no consensus on a universally accepted definition for Corporate Social Responsibility. This is corroborated by Frederick (2006) that highlights the contentions existing among the academia, business and society regarding the concept. Reasons for this could be tendered in form of the dynamic nature of CSR practices that are determined by the demands of the society at a particular point in time and the similarities of CSR definitions with other terminologies such as social and environmental performance, triple bottom line, corporate citizenship, corporate sustainability and corporate accountability, amongst others.

Delegated philanthropy proposes cost-effectiveness of firms engaging in CSR on behalf of the individual being that it reduces information and transaction costs. The firm is assumed to already be in a direct relationship with constituents of the environment or society and is better informed of needs or areas where CSR should pay attention to. Transaction costs are reduced in delegation when philanthropy is carried out by the firm instead of by individual firm shareholders. (Smith 2011)

In recent times, the European Commission (2011) has simplified the CSR definition as the responsibility of enterprises for their impacts on society. Clappison (2012) believes the definition of the European Commission to be most comprehensive having considered 'all the different CSR aspects and themes needed to make corporate social responsibility vibrant and concrete in a corporation'.

Concept of Corporate Financial Performance

Financial performance is an indicator of the firm's attainment of economic or financial objectives. The long term survival and value of a firm is dependent on its ability to maintain desirable profit levels through its operating activities. Information regarding a firm's financial performance is obtained from the financial statements on which stakeholders base their decisions in terms of either investment or sustenance of contractual business relationships with the entity. According to Weiss & Nusbaum (1994), the American Institute of Certified Public Accountants (AICPA) are of the view that financial statements permit analysis of a wide range of trends and relationships among the data providing insight into a company's opportunities and risks, including growth, market acceptance, costs, productivity, profitability, liquidity amongst others. The most common measures of a firm's financial performance are categorized into Profitability and Market value measures.

Profitability is an indication of the efficiency with which the operations of the business are carried out i.e. profitability is related to operating performance which can be measured in various ways such as Return on Assets and Return on Equity, together, commonly referred to as returns on the investments made to generate them. These ratios express the relationship of a firm's earnings defined as Profit After tax with its capital employed.

Return on Equity measures the return earned on funds contributed by a company's ordinary shareholders. Since ordinary shareholders of a company are the owners who bear the greatest degree of risks with regard to the capital they have contributed. ROE is viewed as one of the most important financial ratios to measure the ultimate profitability of their investment.

Return on Asset is a form of measure of a firm's Return on Capital Employed which indicates how efficiently are firm is putting resources at its disposal such as assets in maximizing profitability. This indicator shows the relationship of earnings to assets of a firm. Earnings as previously highlighted, is defined as Profit after Tax. However, some schools of thought prefer to define it as profit before interest and taxes in order to curtail the effects or implications of the method of financing in the acquisition of assets e.g. the use of debt, and the taxation policies of the business operating environment.

Subsequent to the individual and aggregate definitions of ROE and ROA as measures of return on investments, the distinction between these two can further be highlighted in terms of the entity to which returns are measured as accruing to. ROA measures returns to the providers of capital irrespective of the form of capital provided- equity or debt. ROE on the other hand, can be viewed as a penetrating measure of returns to the providers of equity capital i.e., the ordinary shareholders.

2.2 Review of Empirical Studies

This section presents a review of empirical studies conducted in the area of CSR and financial performance. As earlier highlighted, methodological differences are responsible for mixed findings as found in the literature. Focus will be on the studies and in particular, the methodologies employed.

Several studies have been conducted on the relationship between Corporate Social Responsibility and corporate financial performance and can be classified into three principal strands: those that state the existence of a positive correlation between CSR and financial performance, those that state the existence of a negative correlation and those with a clear absence of correlation between CSR and financial performance.

Proponents of the first strand such as Akindele (2011) examined the extent and role of the retail banking industries in corporate social responsibility practices adopting a survey design using ex-post facto. The data for the study was analyzed using both descriptive and inferential statistics to conclude on a significant relationship between bank profitability and CSR practices. Olayinka and Temitope (2011) in reaching similar findings, focused on developing economies using a qualitative research method. Data were obtained on variables believed to have relationship with CSR and financial performance such as Return on Earnings, Return on Assets, Community Performance, Employee Relations and Environment Management System. In the same vein, Amole (2012) examined the impact of corporate social responsibility expenditure on profit after tax of banks for a ten year period. Ordinary least square (OLS) model of regression was used in testing the relationship between the dependent and independent variables.

The idea of negative relationships between CSR and financial performance can be seen as rooted in managerial opportunism hypotheses. Preston & Brannon(1997) assert that managers can reduce investments in corporate social responsibility in order to increase short term profitability and consequently, personal compensation. Barnea & Rubin (2006) equally suggest the existence of such opposite trend.

The third group indicates the non-existence of relationship between corporate social responsibility and corporate financial performance (McWilliams & Siegel 2000; Ullmann 1985; Aupperle et al. 1985; Waddock et al.1997). Waddock *et al.* (1997) in explaining the absence of relationships suggest any connection between CSR and financial performance to be coincidental. Fauzi (2009) examined firms listed on the New York Securities Exchange (NYSE) to establish the relationship between CSR and corporate financial performance. A sample of 101 companies listed and a regression model having financial performance as the dependent variable, CSR index as the independent variable and leverage serving as a control, were used to the conclusion that CSR has no effect on CFP.

Ullmann (1985) underlines that no clear tendency can be recorded on connections between social information, social performance and economic results. The reason tendered is the inappropriateness of keyword definitions. 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).

According to McWilliams & Siegel (2000), there are basically two types of empirical studies on the relationship between CSR and financial performance. The event study methodology assesses short-run financial impact in form of abnormal returns as a result of CSR activities (Posnikoff, 1997; Welch and Wazzan, 1999). The other form of empirical studies concentrates on using some measures of CSR performance and long term financial performance. CSR measures could be single or multi-dimensional and which are represented using rating systems or where feasible, amounts invested (Simpson & Kohers, 2002; Sharfman, 1996; Ruf et al, 2001).

Fiori et al., (2009) finds that measurement of firms' financial performance can be based on profitability, liquidity, solvency, financial efficiency and repayment. Other studies classify measures of financial performance as accounting (such as Return on Equity, Return on Assets, Return on Sales, etc.) or market- based e.g. share prices of firms. In a review of 95 studies, Margolis and Walsh (2001) found that 49 used accounting measures, 12 market measures and the rest, a mixed set. Griffin and Mahon (1997) ascertain that Return on Assets, Return on Equity, asset age and Return on Sales are the frequently used measures for financial performance.

Studies with Return on Assets only as measure for financial performance tend to conclude no relationship between CSR and financial performance. In the work of Yaghoub et al (2011), a study of pharmaceutical and public joint companies in Iran considering multi-dimension measures for CSR such as working conditions, environment, corporate governance amongst others and the use of Spearman's correlation, found no effect except for a positive relationship between firm size, firm risk and financial performance. Jerotich & Mwangi (2013) in a similar undertaking established an insignificant positive relationship between corporate social responsibility practice and financial performance. Uadiale & Fagbemi (2012) in studying the audited financial statements of 40 quoted companies utilized both ROA and ROE to find a positive and significant impact of CSR on financial performance.

In determining CSR proxies, content analysis as used by Jerotich & Mwangi (2013)has been criticized by Cochran & Wood (1984) for its inadequacies particularly subjectivity in ratings and inconsistencies in reporting. The Kinder, Lydenberg and Domini database (KLD), a rating service is deemed the best measure for CSR in that it which assesses series of dimensions of CSR that are considered of interest using internal and external sources of information. Even though multi-dimensional measures have an edge, one-dimension measures are considered appropriate for specific industries e.g. banking (Oikonomou, 2011). Wood & Jones (1995) opine that KLD still suffers the shortcomings of content analysis\ for the use of 'numerically crude scales'.

On the issue of financial performance measurements, the literature is divided between studies that make use of accounting based measures as earlier reviewed, and studies that opt for market based measures (Hillman & Keim, 2001). Focus on market value of firms as a measure for financial performance is premised on the assumption that it is a better proxy suffering less from managerial manipulations and differential accounting procedures. However, questions can be raised as to confidence in investor assessment of firm value i.e. how well market values reflect financial performance. The existence of whatever level of information asymmetries between the firms and markets can hamper firm valuation. If market values reflect publicly available information, released by firms, then even such basis of measurement cannot escape the effects of possible accounting manipulations and inconsistent procedures.

The criticism relating to model specifications can be attributed to non-incorporation of variables that are considered important to determining the relationship between CSR and firm performance. For example, the works of Moskowitz (1972) and Vance (1975) focused on CSR and stock returns (as measure of financial performance) concluding on a positive and negative relationship respectively but were however, criticized for lack of inclusion of other variables into their analysis especially financial risk. Alexander & Buchholz (1978) improved on the work of Vance (1975) by adjusting for risk using beta as a measure and investigating the relationship between corporate social performance and financial risk. Findings were in contradiction to those of both Moskowitz (1972) and Vance (1975). There was no significant relationship between risk-adjusted market performance and CSR.

Studies reviewed can be seen to utilize a variety of control variables in addition to the main in order to improve the rigor of inquiry and findings for the effects that such variables have on CSR and financial performance relationship. Control variables such as firm size, R&D expenditures, firm risk, industry, advertising expenditures, reduce incidence of erroneous results from poorly specified models (Oikonomou, 2011).

It can be discerned from the literature, that firm size is a common control variable for which its use is supported by the work of Orlitzky (2001) concluding on the positive and significant relationship between CSR and financial performance. The work is adjudged to have methodological rigor being able to reduce sampling and measurement errors related to individual studies. The introduction of the control variable was to guard against artificial positive relationships between CSR and financial performance due to positive relationships between firm size and CSR. The use of firm age seems to be less common, but can be an important variable to consider in its influence of a firm's social responsibility activities. Perhaps, the number of years for which a firm has been quoted improves its awareness of driving forces for its performance and particularly those of competitors for which CSR may be an explanation. Delaney & Huselid (1996) indicate a positive relationship between firm age and CSR activities.

2.3 Theoretical Framework

The stakeholder theory which underpins the study proposes that corporate entities provide a balance between the interests of its diverse stakeholders in order to ensure that each party's interest receives some degree of satisfaction. The stakeholder theory developed from the work of Freeman (1984) which defines a stakeholder as any group, individual or entity that can influence and equally be affected by the achievement of a firm's objectives e.g. investors, employees, the environment, suppliers, the public etc. Relationship between the firm and stakeholders is bidirectional (Donaldson & Preston 1995). The stakeholder theory criticizes the failure of shareholder wealth maximization in benefitting the society and that a broader concern for stakeholders ultimately is in the interest of shareholders. Atkinson et al (1997) view corporate social responsibility as a means towards improving financial or economic performance of firms. This is buttressed by the works of Clarkson, (1995) and Mitchell et al (1997) premised on stakeholder theory, which suggest positive relationships between corporate social responsibility and financial performance.

Ingley et al. (2010) view the implication of CSR as the proper social, environmental and economic actions that a firm must incorporate to satisfy the concerns of stakeholders and the financial requirements of shareholders. It is expected that high investment in CSR activities improves a firm's competitive advantage and consequently, financial performance in addressing interests of various constituents in a rational manner.

3.0 Research Methodology

A correlation research design is adopted in the study in order to assess the degree of relationship between CSR and financial performance of listed deposit money banks in Nigeria. The population consists of listed banks that have complete financial statements available for the periods 2008-2013. As at December 2013, seventeen (17) banks were listed out of which only twelve (12) banks were selected as sample for the study through filtering criteria and for any company to qualify as a sample, it must have undertaken any corporate social responsibility practice within the specific periods of the study.

Secondary data extracted from the audited reports and accounts of the banks for a period of six years relate to CSR, indicators of financial performance, firm size and firm age. Panel data is employed because the study cuts across many banks over a period of time.

The data is subjected to analysis through the use of multiple regression technique capturing the dependent (ROE and ROA), independent (CSR) as well as the control variables, firm size and firm age (FS and FA). In addition, descriptive statistics of data are derived and a multicollinearity test for robustness conducted.

Variables Measurement and Definition

VARIABLES	DEFINITION AND MEASUREMENT
Return on Equity(ROE)	Measured as profit after tax divided by the total equity.
Return on Asset (ROA)	Measured as earnings before interest and tax divided by the total asset.
CSR	Measured as natural logarithm of the total amount spent on corporate social responsibility.
Firm Size(FS)	Measured as natural logarithm of bank total assets.
Firm Age(FA)	Measured as period of listening in the stock exchange market.

Model specification

In line with the previous researches, the researcher adopts the model used by Fauzi in 2009 who examined firms listed on the New York Securities Exchange (NYSE) to determine the relationship between corporate social responsibility and financial performance.

$ROE_{it}= \beta_{0it} + \beta_1 CSR_{it} + \beta_2 FS_{it} + \beta_3 FA_{it} + \mu_{it}$ - (1)

$ROA_{it}= \beta_{0it} + \beta_1 CSR_{it} + \beta_2 FS_{it} + \beta_3 FA_{it} + \mu_{it}$ - (2)

Where:

ROE= Return on Equity
ROA= Return on Assets
CSR= Corporate Social responsibility
FS= Firm Size
FA= Firm Age
μ= error term
β= Intercept
it= firm i time t

4.0 Data Analysis and Interpretation

This section presents the descriptive statistics, correlation matrix and regression result.

Descriptive Statistics

The descriptive statistics of the two models of the study are given in the following tables:

Table 1: Descriptive Statistics of Model 1

VARIABLE	Min.	Max.	Mean	Std. Dev.	N
ROE	-1.24	0.31	0.0594	0.23297	72
CSR	14.49	21.10	18.5729	1.32040	72
FS	12.74	21.47	17.1047	3.29624	72
FA	2.0	43.00	17.3333	14.37329	72

Source:Generated by the author from annual accounts and reports of Deposit Money banks in Nigeria using SPSS software version

Table 1 above shows that the minimum and maximum values of return on equity are -1.24 and 0.31 respectively. This implies that the banks with high return on equity perform more than those with lower return on equity because the return on equity signifies the actual amount that each unit of bank equity is capable of generating. The average value of Nigerian deposit money banks' investment in corporate social responsibility is approximately N19million meaning that for a bank to perform averagely, they should spent at least N19million from their annual earnings. The minimum and maximum amounts spent annually on corporate social responsibility by the Nigerian deposit money banks are approximately N14million and N21million. The standard deviation coefficient of corporate social responsibility is 1.32040 which implies the level of corporate social responsibility contribution to the banks' financial performance.

Table 2: Descriptive Statistics of Model 2

VARIABLE	Min.	Max.	Mean	Std. Dev.	N
ROA	-0.11	0.06	0.0128	0.02765	72
CSR	14.49	21.10	18.5729	1.32040	72
FS	12.74	21.47	17.1047	3.29624	72
FA	2.0	43.00	17.3333	14.37329	72

Source: Generated by the author from annual accounts and reports of Deposit Money banks in Nigeria using SPSS software version

Table 2 above shows the minimum and maximum values of return on assets, are -0.11 and 0.06 respectively. This implies that the banks with high return on assets perform more than those with lower return on assets. Return on assets signifies the actual amount of earnings that the assets of bank are capable of generating. The average value of Nigerian deposit money banks' corporate social responsibility is approximately N19 million, meaning that for a bank to perform averagely, it should spent at least N19 million from their annual earnings on corporate social responsibility. The minimum and maximum amounts spent annually on corporate social responsibility by the Nigerian deposit money banks are approximately N14million and N21million. The standard deviation coefficient of corporate social responsibility is 1.32040 which implies the level of corporate social responsibility contribution to banks' financial performance.

Correlation Matrix

The correlation matrix is used to determine the degree of relationship between the dependent and independent variables of the study as well as the independent variables among themselves. The correlation matrix of the two models of the study is given below:

Table 3: Correlation Matrix for Model 1

VARIABLES	ROE	CSR	FS	FA
ROE	1			
CSR	0.126	1		
FS	0.200	0.213	1	
FA	-0.279	0.311	-0.221	1

Source: Generated by the author from annual accounts and reports of Deposit Money banks in Nigeria using SPSS software version

From the table 3 above, it can be observed that there is positive relationship between corporate social responsibility and return on equity of listed deposit money banks in Nigeria. This is shown in the table as 0.126. One of the control variables, firm size is also positively related with return on equity while the other control variable, firm age is negatively related with the dependent variable which is return on equity. Both control variables are positively related with the independent variable while they are negatively correlated among themselves.

Table 4: Correlation Matrix for Model 2

VARIABLES	ROA	CSR	FS	FA
ROA	1			
CSR	0.126	1		
FS	0.200	0.213	1	
FA	-0.279	0.311	-0.221	1

Source: Generated by the author from annual accounts and reports of Deposit Money banks in Nigeria using SPSS software version

From the table 4 above, it can be observed that there is positive relationship between corporate social responsibility and return on assets of listed deposit money banks in Nigeria. This is shown in the table as 0.126. One of the control variables, firm size, is positively related with return on assets while the other control variable, firm age, is negatively related with the dependent variable which is return on assets. Both control variables are positively related with the independent variable while they are negatively correlated among themselves.

Regression Results

This consists of the summary of the multiple regression results obtained from the two models used in the study and the individual regression results for the respective models.

Regression Result for Model 1

The regression result of model one is given in table 5 below:

Table 5: Regression Result for Model 1

VARIABLES	Coefficients	Sig.	Tolerance	VIF
Constant	-0.638	0.100		
CSR	0.038	0.097	0.820	1.220
FS	0.006	0.492	0.863	1.158
FA	-0.005	0.011	0.817	1.224
R	0.366			
R- square	0.134			
Adjt. R- square	0.096			
F- statistics	3.510			
F- Sig.	0.020			

Source: SPSS Output

ROE= -0.638 + 0.037CSR + 0.006FS – 0.005FA

From the above table 5, the model shows that the independent variable represented by natural logarithm of corporate social responsibility has a positive significant impact on the financial performance of listed deposit money banks in Nigeria at 10% level of significance. This indicates that the amount spent on corporate social responsibility by the banks is improving their financial performance indicated by return on equity. One of the control variables, firm size, is statistically insignificant, while the other, firm age is negatively significantly influencing the financial performance of listed deposit money banks in Nigeria at 5% level of significance**.** This serves as a basis for rejecting the first hypothesis that states no significant relationship between corporate social responsibility and return on equity of listed deposit money banks in Nigeria.

The relationship between the dependent and independent variables of the study represented by R at 37% shows a weak positive relationship between the variables of the study. The coefficient of determination represented by R^2 at 13% constitutes the proportion of the total variation in the dependent variable which is explained by the independent variable. Therefore, it signifies that 13% of the total changes in the return on equity of listed deposit money banks in Nigeria are caused by corporate social responsibility provided to the operating environment by the banks while the remaining 87% of the changes are caused by other factors outside the model of the study.

The tolerance value and variance inflation factor are good measures for evaluating multicollinearity problems among the variables of the study. The result shows that tolerance value is less than 1.00 and the variance inflation factor is less than 10, implying complete absence of multicollinearity problems among the variables of the study. The F- statistics coefficient of the model is 3.510 showing the adequacy and fitness of the model of the study and is significant at 5% level of significance.

Regression Result for Model 2

The regression result of model two is given in table 6 below:

Table 6: Regression Result for Model 2

VARIABLES	Coefficients	Sig.	Tolerance	VIF
Constant	-0.105	0.022		
CSR	0.007	0.012	0.820	1.220
FS	0.000	0.809	0.863	1.158
FA	-0.001	0.011	0.817	1.224
R	0.389			
R- square	0.151			
Adjt. R- square	0.114			
F- statistics	4.033			
F- Sig.	0.011			

Source: SPSS Output

ROA= -0.105 + 0.007CSR + 0.000FS – 0.001FA

From the above table 6, the model shows that the independent variable represented by corporate social responsibility has a positive significant impact on the financial performance of listed deposit money banks in Nigeria at 5% level of significance. This indicates that the amount spent on corporate social responsibility by the bank is improving their financial performance indicated by return on assets. Firm size is statistically insignificant, while firm age is negatively significantly influencing the financial performance of listed deposit money banks in Nigeria at 5% level of significance.This serves as a basis for rejecting the second hypothesis that states no significant relationship between corporate social responsibility and return on assets of listed deposit money banks in Nigeria.

The relationship between the dependent and independent variables of the study represented by R at 39% shows a weak positive relationship among the variables of the study. The coefficient of determination represented by R^2 at 15% constitutes the proportion of the total variation in the dependent variable which is explained by the independent variable. Therefore, it signifies that 15% of the total changes in the return on assets of listed deposit money banks in Nigeria are caused by corporate social responsibility provided to the operating community by the banks and the remaining 85% of the total variations is caused by other factors outside the model.

Tolerance value is less than 1.00 and the variance inflation factor is less than 10, showing complete absence of multicollinearity problems among the variables of the study. The F- statistics coefficient of the model is 4.033 showing the adequacy and fitness of the model of the study and is significant at 5% level of significance.

5.0 Conclusion and Recommendations

From the empirical evidence of the study showing a positive significant relationship between corporate social responsibility (natural logarithms of the total amount spent by banks) and financial performance (return on equity and return on assets) of listed deposit money banks in Nigeria, it can be concluded that the amount spent by the banks from their annual earnings in providing corporate social responsibility services to the operating community aids financial performance. The presence of positive insignificant relationship between firm size and financial performance of listed deposit money banks in Nigeria provides no basis to conclude that the size of the banks can likewise improve financial performance.

In contrast, the existence of negative significant relationship between firm age and the financial performance of listed deposit money banks in Nigeria provides enough evidence to conclude that the period of listing of banks on the Nigerian stock exchange does affect their financial performance.

The study recommends that Banks should increase attention paid to providing corporate social responsibility services to their host community. The findings of our study show a positive significant relationship between corporate social responsibility and the financial performance (return on equity and return on assets) of listed deposit money banks in Nigeria.

Unquoted banks are encouraged to have their equity listed on the Nigerian stock exchange and to comply with the regulations of the stock exchange market. Findings reveal a negative significant relationship between firm age and financial performance of listed deposit money banks in Nigeria. The period of listing of banks on the stock exchange is highly influencing their financial performance.

REFERENCES

Alexander, G. J. and Buchholz R. A. (1978). "Corporate social responsibility and stock market performance." The Academy of Management Journal 21(3): 479-486.

Aupperle, K. E., Carroll A. B. and Hatfield J.D. (1985). "An empirical examination of the relationship between corporate social responsibility and profitability." Academy of Management Journal: 446-463.

Aupperle, K. E. and Van Pham D. (1989). "An expanded investigation into the relationship of corporate social responsibility and financial performance." Employee Responsibilities and Rights Journal 2(4): 263-274.

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

Carroll, A. B. (1991). "The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders." Business Horizons 34(4): 39-48.

Carroll, A. B. (1999). "Corporate social responsibility." Business & Society 38(3): 268.

Clarkson, M. B. E. (1995). "A stakeholder framework for analyzing and evaluating corporate social performance." Academy of Management Review 20(1): 92-117.

Fauzi (2009). The defects of stakeholder theory. *Corporate Governance: An International Review,* 5(1), 3-10

Freeman & Evan (1990)*An insight into Corporate Social Responsibility in Kenya*; MA Thesis University of Nottingham. Gray, R.H.,

Margolis and Walsh (2001), The impact of Environmental Management on Firm

Performance, *Management Science, 42,* 1199-214. Konar, S., & Cohen, M. A. (2001).Does the Market Value Environmental Performance?*The Review of Economics and Statistics, 83(2),* 281-289.

Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly,* 48, 268-305. http://dx.doi.org/10.2307/3556659

Mordi et al (2012). The relationship between corporate social responsibility and financial performance of companies listed at the Nairobi Stocks Exchange, *Unpublished MBA Thesis*, University of Nairobi.

Freeman, R. E. (1984). "Strategic management: A stakeholder approach", Pitman, Boston.

Friedman, M. (1970). "A Friedman doctrine: The social responsibility of business is to increase its profits." The New York Times Magazine 13(1970): 32-33. 226

Hillman, A. J. and G. D. Keim (2001). "Shareholder value, stakeholder management, and social issues: what's the bottom line?" Strategic Management Journal 22(2): 125-139.

McWilliams, A. and D. Siegel (2000). "Corporate social responsibility and financial performance: correlation or misspecification?" Strategic Management Journal 21(5): 603-609.

McWilliams, A. and D. Siegel (2001). "Corporate social responsibility: A theory of the firm perspective." Academy of Management Review 26(1): 117-127.

Oserogho & Associates (2008). A study of Corporate Social Responsibility and Portfolio Performance at the Nairobi Stocks Exchange, *Unpublished MBA Thesis*, University of Nairobi.

Van Marrewijk, M 2003, 'Concepts and definitions of CSR and corporate sustainability: Between agency and communion', *Journal of Business Ethics,* vol. 44, no. 2/3, p. 95. Retrieved June 22, 2006, from ProQuest database.

McAleer, S 2003, 'Friedman's Stockholder Theory of Corporate Moral Responsibility', *Teaching Business Ethics,* vol. 7, no. 4, pp. 437-51.

Orlitzky, M. and J. D. Benjamin (2001). "Corporate social performance and firm risk: A meta-analytic review." Business & Society 40(4): 369.

Orlitzky, M., F. L. Schmidt and S.L. Rynes (2003). "Corporate social and financial performance: A meta-analysis." Organization Studies 24(3): 403-441.

Oketch, MO 2004, 'The corporate stake in social cohesion', *Corporate Governance,* vol. 4, no. 3, pp. 5-19.

Wood, D. J. (1991). "Corporate social performance revisited." Academy of Management Review 16(4): 691-718.

Wood, D. J. and R. E. Jones (1995). "Stakeholder mismatching: A theoretical problem in empirical research on corporate social performance." International Journal of Organizational Analysis 3(3): 229-267.

MA Fauzi, H (2009), Corporate Social and Financial performance: Empirical evidence from American companies. *GMJ, 3, Iss Jan – June 2009.* Freeman, R.E. (1984), *Strategic Management: A Stakeholder Approach*, Pittman, Boston,

Bowen, H.R. (1953), *Social Responsibilities of the Businessman,* Harper & Brothers Publishers, New York, NY.

European Commission 2001, *Promoting a European framework for corporate social responsibility - Green Paper*, Office for Official Publications of the European Communities, Luxembourg.

Ingley et al. (2010).Proactive Corporate Environmental Strategies: Myths and Misunderstandings. *Long Range Planning, 40(3),* 357-381.

Mutuku, K. (2005) The relationship between corporate social responsibility & Financial performance, A case of Publicly Quoted Companies in Kenya, *Unpublished MBA Thesis,* University of Nairobi.

Simpson & Kohers, (2002)., The corporate social performance and corporate financial performance debate", *Business and Society, 36*, 5-32.

Van Marrewijk M. 2001. *The Concept and Definition of Corporate Social Responsibility*. Triple P Performance Center: