

THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON
FINANCIAL PERFORMANCE OF SELECTED DEPOSIT MONEY
BANKS IN NIGERIA

BY

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Declaration

I declare that this project is based on a study conducted by me, Timieri Teidei Grace in the Department of Accountancy, Bayelsa State Polytechnic, Aleibiri under the supervision of Mr Anderson P. Obalakumo. This project report has not

been submitted elsewhere for the award of a degree. The ideas and views of the research project are products of research undertaken by me. Where the ideas and views of other authors/researchers have been expressed, they have been duly acknowledged.

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Certification

The project, The Impact of Corporate Social Responsibility on Financial Performance of Selected Deposit Money Banks in Nigeria, meets the regulations governing the award of National Diploma in Accounting, Department of Accountancy, Bayelsa State Polytechnic, Aleibiri.

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DEDICATION

This project is dedicated to God Almighty for given me the power and strength to push through my ND programme.

BAYELSA STATE POLYTECHNIC, ALEIBIRI

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I want to appreciate all my lecturers at Bayelsa State Polytechnic, especially my project supervisor, Mr Anderson P. Obalakumo, for his patience, understanding, constructive and painstaking corrections in the course of this work. Special thanks to the Dean of our school, Dr. James Poyeri, our amiable HOD, Dr. Odogu Laim Isaac, Dr. Sunday Zibaghafa, Mr. Suleman Disu and Mr. TiminpreOkpobo, for the knowledge they have imparted in me throughout my programme.

ABSTRACT

This study examined the impact of corporate social responsibility on financial performance of deposit money banks in Nigeria using cross sectional data from 2016-2020. The study modeled return on equity, profit after tax and earnings per share as the functions of corporate social responsibility. Using judgmental sampling method as the method of selecting the sample size, nine (9) deposit money banks (with international and national authorization) listed in the Nigerian Stock Exchange were selected. Multiple regressions with econometrics view software were used as data analyses techniques. In relation to the objective of the study, findings revealed that there is a strong, positive and significant relationship between corporate social responsibility and financial performance of deposit money banks in Nigeria. From the findings, one of the recommendations made is that all stakeholders should ensure that they encourage their banks to have serious commitment towards CSR as this has proven to add value to their investment in the long run. This will particularly encourage those investors who are interested in long term investment.

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BAYELSA STATE POLYTECHNIC, ALEIBIRI

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Corporate Social Responsibility (CSR) is a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that increase value added, and thus, improves the competitive position of a firm. It is a comprehensive set of policies, practices and programmes that are integrated throughout business operations and decision making processes. Dare (2014) noted that there is a growing global trend towards both government mandated and voluntary corporate disclosure of information on the environmental, labour, human rights and social impacts of business practices. The goal of this reporting grouped here under the rubric of Corporate Social Responsible (CSR) reporting, is to generate new and better information on the performance of Nigerian money deposit banks. This is aimed at supporting more informed decision-making by key shareholders and ultimately to create new incentives for banks to reduce adverse impacts of their activities.

Over the past decade, a growing number of banks have recognized the business benefits of Corporate Social Responsible (CSR) policies and practices. Their experiences are bolstered by a growing body of empirical studies that CSR has a positive impact on business economic performance and is not detrimental to shareholder value. Banks also have been encouraged to adopt or expand CSR efforts due to the result of pressures from customers, suppliers, employees, communities, investors, activist organizations and other stakeholders. As a result, CSR has grown dramatically in recent years, with banks of all sizes and sectors developing innovative strategies. Banks have come to realize that CSR is good for business, since it increases productivity, contributes to competitiveness and creates a positive corporate image in the eyes of consumers, investors, employees and community at large. By the same token, socially responsible business, with a purpose beyond making profit, can have a positive social, economic and environmental impact by helping to improve working and surrounding

conditions. Corporate Social Responsibility could be viewed as a symbolic relationship that exists between a firm and all the stakeholders. Ramanathan (2016) stated that there exist a social contract between the organization and society. Jaggi and Zhao (2016) also agreed with the social view when they argue that organization do not exist in a vacuum, but are part of society, which creates and supports them. They affirm that social environment is a part of the total environment in which business operates.

Researchers have shown that being socially responsible improves a business financial health. Its reputation is promoted thereby providing it with an edge over its competitors (Nendu&Urieto, 2018).

1.2 Statement of the Problem

As far as Corporate Social Responsibility is concerned, most of the compelling pressures mounted on organizations to engage in CRS may not necessarily be applicable to banks operating in Nigeria. Local consumer and civil society pressures are almost non-existent and law enforcement mechanisms have been weak and inefficient (Limbs & Fort, 2015; Oyejide&Soyibo, 2017; Ahunwan, 2019).

According to Idoko (2018), despite the fact that Corporate Social Responsibility is increasingly being recognized as an effective means of decreasing costs and strengthening market share, there has been reluctance by many deposit money banks in Nigeria to adopt these practices for a number of reasons. First, many banks do not fully understand what Corporate Social Responsibility is or how it can be practiced to improve their bottom lines and reduce risk and liabilities. Second, there are few local experts in Nigeria that could assist banks to implement Corporate Social Responsibilities measures, making the cost of consulting prohibitive, especially for smaller businesses. Third, transparency and disclosure of information has generally not been a requirement from governments and shareholders in Nigeria.

If these banks want to compete in the global market place, however, they must begin to make changes and incorporate Corporate Social Responsibility measures. It is against this backdrop that this study is undertaken in an attempt to ascertain the impact of Corporate Social Responsibility on financial performance of Nigerian Deposit Money Banks.

1.3 Objective of the Study

The main objective of the study is to examine the impact of corporate social responsibility on financial performance of Nigerian Deposit Money Banks. Other specific objectives include:

1. To find out the impact of corporate social responsibility on return on equity of Nigerian Deposit Money Banks.
2. To determine the effect of corporate social responsibility on profit after tax of Nigerian Deposit Money Banks.
3. To ascertain the relationship between corporate social responsibility and earnings per share of Nigerian Deposit Money Banks.

1.4 Research Questions

With respect to the objectives of this study, the following research questions are raised:

1. What is the impact of corporate social responsibility on return on equity of Nigerian Deposit Money Banks?
2. To what extent does corporate social responsibility affect profit after tax of Nigerian Deposit Money Banks?
3. What is the extent of relationship between corporate social responsibility and earnings per share of Nigerian Deposit Money Banks?

1.5 Research Hypotheses

In line with the objectives of the study, the following hypotheses were formulated in null form:

Ho 1: Corporate Social Responsibility has no significant impact on the return on equity of Nigerian Deposit Money Banks.

Ho 2: Corporate Social Responsibility has no significant effect on profit after tax of Nigerian Deposit Money Banks.

Ho 3: Corporate Social Responsibility has no significant relationship with earnings per share of Nigerian Deposit Money Banks.

1.6 Significance of the Study

Corporate Social Responsibility reporting assumes that the banks are socially conscious to discharge their social obligations for the well-being of the stakeholders and society in general. Hence this study will be relevant to the following groups of people:

Governments and its agencies will find the work very interesting as it will help strategize effective ways of regulating environmental, labour and social impacts of industry. Governments appear to be particularly interested in disclosure system that may also be more cost effective, flexible and decentralized, and that build on market mechanism and public participation.

The study will benefit the consumers since they are among the public that have growing concern about the environmental and social impacts of the products they buy, the places they work and the communities they live in, which lead to new demands for corporate disclosure.

Investors have increasingly urged banks to demonstrate their social and environmental performance to investors – both traditional mainstream investors and growing numbers of socially responsible investors will highly benefit from this study.

Corporate organization will find the study useful in the process of developing reporting systems, measuring performance and tracking changes over time can support the development of information systems that improve internal management of risks, stakeholders etc.

The study will also add to the empirical evidence on Corporate Social Responsibility and accountability literature in Nigeria.

1.7 Scope of the Study

The study title Corporate Social Responsibility and financial performance of Deposit Money Banks in Nigeria was designed to cover a period of five years (2016 – 2020). Thus, the

geographical scope of this study is the quoted deposit money banks in Nigeria. Due to circumstances beyond our control, the study focused on 9 banks out of the 19 deposit money banks (with international and national authorization) listed in the Nigerian Stock Exchange

1.8 Definition of Terms

Corporate Social Responsibility: Corporate Social Responsibility (CSR) is a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that increase value added, and thus, improves the competitive position of a firm.

Profitability: It implies the long-term growth in the return on shareholders' investment or assets employed in relation to the risk attached to the nature of investment or assets.

Financial Statement: It has to do with formal record of the financial activities and position of a company person and entity.

Financial performance: It is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Equity: Ownership interest in a corporation in the form of common stocks or preferred stocks. It can also be referred to as shares.

Earnings per share: This can be defined as the net income available to shareholders divided by the total number of outstanding shares of a company.

Profit After Tax: This can be defined as the net profit of a company after all taxation-related expenses have been deducted.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the overall nature of corporate social responsibility. We consider its relevance and benefits to corporate organization. The chapter took a review of relevant and related literature. Consequently, this chapter shall review the literature of other researchers in relation to the conceptual, empirical and theoretical frameworks surrounding the concept of corporate social responsibility and financial performance of deposit money banks.

2.2 Conceptual Framework

2.2.1 Concept of Corporate Social Responsibility

In a given society, banks cannot ignore the environment and major coalition members with which they interact. This is because the main reason for their existence, the accumulation of capital, is only possible through the existence of their societies which otherwise constitute their markets (Hopkins, 2004).

In this way, corporate social responsibility is the inherent obligation of each business entity to account for the way its activities impact on the economic, social and environmental dimensions of its environs and to ensure that this impact generates equitable and sustainable benefits-and no harm-to all stakeholders involved (De Regil, 2013).The stakeholders represent the various interest groups of society where the company operates. They comprise of workers, consumers, and indigenous groups all with a legitimate right to demand socially responsible and right

corporate behaviour. The stakeholders include all the members belonging to the corporation's social environs, which contribute to or are encumbered by the corporation's activity. Corporate social responsibility (CSR) is thus concerned with treating the stakeholders of the firm ethically or in a responsible manner (Hopkins, 2004). 'Ethically' or 'responsibly' means treating stakeholders in a manner deemed acceptable in civilized societies. Stakeholders exist both within a firm and outside. Even the natural environment is a stakeholder. The wider aim of social responsibility is to create higher standards of living while preserving the profitability of the corporation (Stakeholder Alliance, 2002).

The social responsibility of business was not widely considered to be a significant problem from the time of Adam Smith to the period of the great depression. However, increasingly since the 1960s, social responsibility has become an important issue not only for businesses but in the theory and practice of law, accounting and economics (De Regil, 2003). Accounting theory and practice are not left behind in these developments.

Corporate social responsibility (CSR) has been a growing dimension in accounting theory and practice since the 70s. The accounting profession has been involved in the struggle to ensure that social responsibility expenditures are accounted for and adequately disclosed in the annual reports/financial statements.

Spicer (2018) observes that CSR is concerned with the provision of information about a firm's performance of the social contract. However, the development of a system of accounts for social responsibility has been met with difficulties. First, is the indefinite and imprecise theory of the social role of a business entity in modern times and second, is the lack of any objective criteria for social measurement that will enable the evaluation of performance. Nevertheless, trends suggest that businesses are aware of a social responsibility and some are ready and able to provide information on social performance. There is therefore, a perceived social contract between organizations and society. This presumed social contract gives banks a platform for determining their social constituencies, what these constituencies expect of their respective corporate inhabitants and how to initiate corporate social objectives to meet these expectations.

In many ways, CSR emerges as counterculture to the long established vision of private and free enterprise (Alvaro, 2003). Free enterprise was supposed to be very private, not to have answer to anyone about its business practices and conducts and not to be accountable to society except for fiscal matters. The only original accountability of the business was to its private shareholders or institutional investors in the financial markets. Nevertheless, the increasingly adverse impact of corporations on aspects of social life and on the environment has been the catalyst in the advancement of a diversity of stakeholders demanding accountability about the impact of corporate activities on the life of the society. Thus, the corporation cannot ignore the society in which it operates.

A recent phenomenon is the introduction of legislations/codes of conduct to ensure that businesses undertake social activities. These include codes of conduct and standards like the Global Reporting Initiative (GRI), the Global Sullivan Principles (1999), Global Compact (2002), AA1000/AA1000s of 1999, the social venture network standards, and the ISO26000 have been initiated after much demand by civil rights and environmental activist groups.

The field of CSR has grown exponentially in the last decade. In today's competitive environment CSR represents a high profile notion that has strategic importance to many banks (Xueming & Bhattacharya, 2006). The poverty of a nation's citizens, political unrest, exhaustion of natural resources, can have destructive effects for a corporation. A firm cannot healthily operate while neglecting its environment. This has thus entrenched CSR as a corporate dictate.

Mamman (2014) stressed that there is no agreement over the meanings attached to the concept of Corporate Social Responsibility. The lack of unity in the definition of the concept generates the controversy surrounding the role that a business is expected to play in different countries among business theorists, executives, accountants and the general public. He noted that in Britain, most people see social responsibility as good industrial relations while others view as "doing good". In Germany for instance, attention is focused on the extent of workers' participation in the decision-making process. In Sweden, it is generally agreed that the state has the responsibility for social and welfare matters not business (Oshagbemi, 2018). In Nigeria, it is widely assumed that the concept refers to management's consideration of social implications of business decisions (Mamman, 2014).

However, some businessmen see social responsibility as delivery of goods and making of profit. Other regards it as obeying strictly to the laws of the land in the course of business activities (Henderson, 2020).

In general, according to Mamman (2014), there are two opposing schools of thought regarding whether or not business should have to disclose social responsibility information in their financial statements. On the one hand is the Friedman School that upholds the goal of shareholders' primacy and profit maximization. On the other hand, is the Welfare School that upholds the goal of satisfying, which recognizes the need for profit but insists that the responsibility is not limited to maximizing shareholders return. This Corporate Social Responsibility must also include the interest of other groups in the society (CPF,2002). According to Ejiofor (2018), the Nigeria indigenization decree of 1977 enables many Nigerians to become shareholders in many formally expatriate owned and managed businesses. Although the country is now moving towards a full market economy, this development has led to scholars to suggest that businesses should discharge their social obligations at different levels (Mamman, 2014). This covers responsibility to the owners, employees, consumers, government, the immediate community where the business operates its activities, and the wider community of humanity. This suggest that the concept of Corporate Social responsibility can simply view as a comprehensive set of policies, practices and programmes that are integrated into business operations to address the legal, ethical, commercial and other expectations that society has on businesses as well as making decisions that fairly balance that claims of all key stake holders.

2.2.2 Ethical Issues on Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that increase value added and thus improves the competitive position of a firm. CSR is more than the collection of discrete activities or initiatives motivated by marketing, public relation or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations and decision-making processes. In a true democratic ethos, the government's first responsibility is to provide for the welfare of all ranks of society. Unfortunately, political ambitions and corruption gradually eroded the government's will to

fulfill that regulatory responsibility and act as ‘balancing agents’ to control the natural excesses of the market system (De Regil, 2013).

It has been pointed out that considering the lack of will of most governments to fulfill their most basic responsibilities, it becomes needful that global civil society takes the responsibility. In this way, “the civil society had to ensure the common good of the people and the basic principle of governance of pursuing the welfare of all ranks of society” (Stakeholder Alliance, 2001). Probably no issue has received more attention by business, governments, politicians and people in general in the past few years than the issue of social responsibility (McOliver&Yomere, 2019).

The debate on CSR began in the early 20th century, as concerns about large corporations and their power came to the fore (Heal & Nair, 2015). With the emphasis on globalization, the great beneficiaries seemed to be the global corporations (Garcia, 2012). In a globalized set up, banks cannot ignore the societies in any of the social spheres where they interact. This is because they are formed and managed by individual members of society. Thus, the accumulation of capital is only possible due to the existence of these societies, which constitute their markets, and especially because their activities have a tridimensional impact (economic, environmental and social) on societies and their habitat (De Regil, 2013). Their huge political and economic influence has made government abandon their basic responsibilities, which results in very negative tridimensional effects (Stakeholder Alliance, 2001). Throughout the 20th century, academics in the field of business and the society have addressed the question of the social responsibilities of business. However, the term ‘Corporate Social Responsibility’ (CSR) and related terms and contracts were not used in the literature until the 1950s (Phillips & Claus, 2012).

Carroll (2019) among others credits Bowen (1953) for initiating social responsibilities of the business man in the modern era which helped to stimulate academic interest and channel it into themes of serious ongoing research. Bowen (1953) defined corporate social responsibility as “the obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the \objective and values of our society”. Thus being in business implies a degree of obligation to society. Literatures on the subject in the 1960s expanded the definition, suggesting that beyond legal obligations, banks had certain

responsibilities to society. Ever since then, academics have continued to debate the validity and nature of this obligation and may have espoused the view point that obligation stems from the intrinsic power that business holds in society (Mamman, 2014).

Davis (2020) posits that the social responsibilities of businessmen need to be commensurate with their social power. Pinkston and Carroll (2018) characterize this power as a preponderance of resources and capacity, stating that society turns to business to become the vehicles of change and progress primarily due to their size, financial resources and visibility. Phillips and Claus (2012) argue that in the present age of globalization, citizens around the world have become increasingly aware of the fact that the private sector influences their daily lives in innumerable ways. They also opine that the societal impact of global business has been negative oil spills, air/water pollution, exploitation of labour, e.t.c. However, Fitch (2016) defines CSR as the serious attempt to solve social problems caused wholly or in part by the corporation, making the argument that business often causes societal problems. Corporate social responsibility is an expression used to describe what some see as a company's obligation to be sensitive to the needs of all the stakeholders in its business operations (Wikipedia, 2016). A company's stakeholders are all those who are influenced by, or can influence, a company's decision and actions. These can include (but are not limited to) employers, customers, suppliers, community, organization, subsidiaries and affiliates, joint venture partners, local neighborhoods, investors and shareholders (Donaldson & Preston, 2015). McWilliams (2011) came up with the stake holder theory which he called the 'dominant paradigm in CSR'. This theory is in response to one of CSR's most noteworthy critics, eminent economist Milton Friedman. Corporate social responsibility is closely linked with the principles of 'sustainable development' in proposing that enterprises should be obliged to make decisions based not only on the financial/ economic factors but also on the social and environmental consequences of their activities (Wikipedia, 2016). Sustainability has been a popular concept throughout the 1990s into the 21st century, not only among CSR scholars and business people, but in the public sector international economic development community as well.

The most widely recognized definition of sustainability comes from the 1987 report, 'over common future', also known as the Brundtland report of the UN World Commission on Environment. The report defines sustainability as meeting the needs of the present generation without compromising the ability of future generation to meet their needs. It is applicable at

both the level of the individual firm and the global level. Just as firms are encouraged to make their own operations more sustainable, the business community as a whole is called upon to sustain the global environment and stabilize the global economy for the health of future generations (Phillips & Claus, 2012).

To live within an environment is to take into account in our every action those elements of our surroundings which are important to us and others (McOliver & Yomere, 2019). Managers know that they must interact within an existing environment. This means that they must take into account every element in their surroundings that is important to their success and important to others who may be affected by the action taken. This is what they must do since the survival of their enterprises depends upon successful interaction with the critical elements of their environment (Inegbenhor & Osaze, 2019). The application of the principle of sustainable development through the introduction of a CSR policy is often accompanied by what is called triple bottom line reporting which declares not only financial results but also the social and environmental impact of the business. Some countries like France have made such reporting mandatory (Wikipedia, 2016). Many large banks now produce annual reports that cover sustainable development and CSR issues, and these reports are often externally audited (Blake, 2018).

A widely quoted definition by the World Business Council for Sustainable Development states that corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. (CSR: meeting changing expectations, 2009). This holistic approach to business regards organizations as being full partners in their communities, rather than seeing them more narrowly as being primarily in business to make profits and serve the needs of their shareholders. Corporate social responsibility is therefore defined by this study as “the implied social contract that exists between the corporation and its environs of which the former improves the welfare of the latter beyond the interest of the firm so as to enjoy a healthy relationship.

Probably no issue has received more attention by business, governments, politicians and people in general in the past few years than the issue of social responsibility (Mc Oliver & Yomere, 2019). One anticipates that issues concerning social responsibility will continue to be important to managers for some time in future. Society is becoming more complex, and social problems

are increasing. Business organizations are major institutions in society. As such, they are likely to be concerned with social responsibility firstly to avoid being faced with social protests and additional government regulation and secondly because most of the large organizations, like the multinational corporations are highly visible and have a substantial impact on society. Incorporating CSR means putting in place a management system with procedures controls and document is a mechanism that permits a firm to operate with CSR principles. Around the world, there exist numerous CSR standards that have been systemized, allowing for objective monitoring and evaluation (McWilliams, 2011).

According to Mamman (2014), over the past decade, a growing number of banks have recognized the business benefits of CSR policies. Their experiences are bolstered by a growing body of empirical studies that demonstrates that CSR has a positive impact on business economic performance and are not detrimental to shareholder value. Banks also have been encouraged to adopt or expand CSR efforts due to the result of pressures from customers, suppliers, employees, communities, investors, activist organizations and other stakeholders. As a result, CSR has grown dramatically in recent years, with banks of all sizes and sector developing strategies. Banks have come to realize that CSR is good businesses, since it increases productivity, contributes to competitive and crates a positive corporate image in the eyes of consumers, investor, employees and the community at large. By the same token, socially responsible and environmental impact by helping to improve working and surrounding condition, including those of its small business suppliers. While CSR has developed significantly in industrialized countries, progress in region is still at a somewhat incipient state. However, there are growing interest in CSR around the world placing increased pressure on banks in Nigeria to incorporate such concepts in order to compete effectively. Demand for CSR is being fueled by the increasing pace of banks worldwide in enhancing performance and by continued economic deregulation and trade reforms that are putting pressure on banks to improve their overall performance and respond to market demands and conditions. For example, non-compliance with international labour standards has the potential to be used as a barrier to export certain products and simple compliance with national laws may not suffice. Nigeria needs to be aware of the standards to which they will be held in the increasingly globalized markets (Oyejide&Soyibo, 2017).

2.2.3 Strategic Role of Corporate Social Responsibility

As earlier stated, numerous definitions of CSR have been proposed and often no clear definition is given, making theoretical development and measurement difficult. CSR activities have been posited to include incorporating social characteristics or features into products and manufacturing processes (e.g. aerosol products with no fluorocarbons or using environmentally-friendly technologies), adopting progressive human resource management practices (e.g. promoting employee empowerment), achieving levels of environmental performance through recycling and pollution abatement (e.g. adopting aggressive stance towards reducing emissions) and advancing goals of community organization (e.g. working closely with groups such as United way). Researchers are moving beyond just defining and identifying CSR activities, to examine the strategic role of CSR in organization (Oshagbemi, 2018).

Similarly, there is growing interest among managers in the antecedents and consequences of CSR, especially for executives at multi-national, multi-divisional banks. These corporate leaders are mindful of the fact that business norms and standards, regulatory frameworks, and stakeholder demand for CSR can vary substantially across nations, regions and lines of business. They are also aware that their divisional managers are under constant pressures from employees, suppliers, community groups, NGOs and government to increase their involvement in CSR. It therefore means that managers of various organizations have much to do in the area of corporate social responsibility, if they are to remain the ever growing competitive business world. According to Freeman (1984) in Henderson (2020), managers must satisfy a variety of constituents (e.g. workers, consumers, suppliers, local community organizations) who can influence firm outcomes. He asserts that it is not sufficient for managers to focus exclusively on the needs of stakeholders, or the owners of the corporation. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important, because these groups might withdraw their support for the firm. This stand was supported by Donaldson and Preston (2015) who stressed moral and ethical dimensions of CSR, as well as the business case for engaging in such activity. It is therefore understandable that the theory of firm perspective on CSR has several strategic implications. The first is that CSR can be integral element of a firm's business and corporate level differentiation strategies. Therefore, it could be considered as a form of strategic investment. Even when it is not directly tied to a product feature or production process CSR can be viewed as a form of reputation building or maintenance. The second strategic implication of a theory of

the firm perspective is that one can apply RBV logic to CSR, in the sense that it is possible to generate a set of predictions regarding patterns of investment in CSR across banks and industries. For instance, we expect to observe a positive correlation between CSR and both R&D and advertising (McWilliams & Siegel, 2001). In evaluating the strategic implication of CSR, attention shall be focused on issues relating to industry evolution, market structure, firm dynamics and the role of asymmetric information in the context of CSR. This means that there are numerous unresolved theoretical and empirical issues relating to the strategic implication of CSR. These include determining the motivations for CSR, describing CSR strategies, modeling the effects of CSR on the firm and stakeholder group, determining the effects of leadership and corporate culture on CSR activity, assessing the effects of CSR on the firm and stakeholder groups, measuring the demand for CSR, measuring the cost of CSR and assessing the current knowledge base (McWilliams & Siegel, 2001).

2.2.4 Corporate Social Responsibility Disclosure

According to Spicer (2018), financial reporting is the communication of information about an entity's resources, obligations earnings, expenditures, and revenues to users. Financial reporting is concerned with the communication of information to those users who have limited authority, ability of resources to obtain needed information. It communicates information about an economic entity to the users. There are generally two types of financial reporting: one is made for an existing company at regular and irregular intervals. The first type of reporting occurs through the prospectus. The second type of reporting is made through annual reports, interim reports, press releases, chairman's and director's speeches. Conventional financial reporting focuses on the results of transactions between two or more entities. Exchanges between a firm and its social environment are partially ignored. Corporate Social Reporting (CSR) assumes that the banks are to be socially conscious to discharge their social obligations for the well-being of the society. Now business enterprises are under pressure from its stakeholders to report to them, as to what extent it has been successful in protecting their interests. It is expression of corporate social responsibilities and a new call for general corporate accountability (McOliver&Yomere, 2019).

2.2.5 Corporate Social Responsibility and Financial Performance

There are a series of arguments in the literature about the existence of relationships between corporate social responsibility and financial performance. There is an emerging view over the years that CSR can contribute to the financial performance of a company. This approach which has been described as the 'Enlightened Stakeholders Approach' suggests that corporate decision makers must consider a range of social and environmental matters if they are to maximize long-term financial interest (Brine, 2006). The attempt to establish or prove a general cause-effect relationship between CSR and a firm's financial performance is the fastest growing and most significant area of CSR research today (Phillips & Claus, 2012). This focus is not new, as far back as the 1970s, scholars were interested also in the question of whether socially responsible banks were also profitable banks (McWilliams & Siegel, 2001). In the late 1980s, the view became common that CSR initiatives might bring long run economic gain. CSR was perceived as a road to long-run profit maximization. In fact, Johnson (2011) argues that businesses carry out social programs to add profits to their organization, but while this may have been endorsed as an underlying assumption, today's researchers are demanding more hard, quantitative evidence (Phillips & Claus, 2012).

The search for a link between CSR and financial performance is a quest that was begun many years ago and is not yet concluded. During the past 25 years, dozens of studies have examined this relationship (Roman, 2009). Academics who had previously reviewed the literature exploring the relationship between CSR and financial performance had found the studies to be inconclusive: no link between CSR and financial performance could be proved or disproved (Orlitzky, 2003). Most recently according to Barnett and Solomon (2003), despite the intensity of studies directed at it, the relationship between CSR and financial performance remains in dispute.

Orlitzky(2003) observed that most of this studies conducted narrative reviews or used vote-counting methods of which neither is adequate because they do not correct sampling and measurement error. Academic research in the causal relationship between CSR and financial performance sometimes referred to as the "virtuous circle" remains inconclusive (Nelling, 2006). Orlitzky(2003) therefore use meta-analysis in their review precisely because it corrects for sampling and measurement error when reviewing multiple studies. Meta-analysis is a proven statistical technique that is frequently used in the medical research field to review multiple

studies so its use in the management field is relatively new (Social Investment Forum Foundation, 2004).

Waddock and Graves (2007) find significant positive relationship between an index of CSR as measured by the Kinder Lydenberg and Domini database and performance measures such as ROA (Return on assets) in the following year. They suggest that the reason why a virtuous circle would exist is because positive stakeholder relationship can reduce the likelihood of difficulty when dealing with groups such as employees, customers, and the community in addition, good social performance and good managerial practice may be related, so this in turn may lead to strong financial performance.

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Fraoman (2017) opines that companies which discharge their CSR responsibly are guided by enlightened self-interest, which means that they are socially aware without giving up their own economic self-interest. Profit serves as a reward for a firm as it continues to provide true value to its customers, to help its employees to grow, and to behave responsibly as a corporate citizen. An emphasis on social responsibility can attract customers. A poll conducted by Opinion Research Corporation shows that 89% of purchases by an adult are influenced by a company's reputation. Social responsibility also benefits companies by enabling them to recruit a high-quality labour force. The reputation of the firm and the goodwill associated with socially responsible actions attract talented prospective employees', that is, people seeking an employer for whom they would be proud to work.

Fasanya and Onakeya (2013) found that proper and effective CSR goes a long way in improving the trend of firms' financial performance in Nigeria. Researchers have also found that there was a positive relationship between CSR and financial performance (Keffas&Olulu-Briggs, 2011; Abdulraham, 2013). However, a study conducted by Babalola (2013) on the impact of CSR on firms' profitability in Nigeria using data for ten randomly selected firms between 1999-2008 indicated a negative relationship between firm's performance and profit after tax. Similarly, Folajin, Ibitoye and Dunsin (2014) also studied CSR and organizational profitability using United Banks of Africa (UBA) as a case study and it was revealed that expenditure on CSR has a short-term negative effect on net profit but in the long run, it will provide better returns. In a similar study conducted by Abdulraham (2013); and Hilda, Hope and Nwoye (2015) in Nigerian banks, it was discovered that there is a significant negative relationship between CSR and profitability.

McWilliams and Siegel (2001) stressed that CSR impact is influenced by factors such as the firm's size, diversification, R & D and market conditions. They proposed that all these variables, when taken into consideration, must hinder the financial performance of the firm. Wu and Shen (2013) attributed the conflicting conclusions to the varying objectives of different corporations. The previous research suggests that the motivations of firms engaging in CSR can be altruism, strategic choices, or greenwashing. A corporation engaging in CSR only for their own sake has an altruistic motive, which negatively affects their financial performance. Strategic choices are supposed to improve the financial performance of the firm when engaged in CSR activities. Firms that do not exhibit a cost difference between responsible and irresponsible behaviours are considered to be as merely greenwashing (Wu & Shen, 2013). Based on this study, corporate

social responsibility is defined as the corporate expenditure of banks on health and sports in Nigeria.

2.2.5.1 Corporate Social Responsibility and Earning per Share of Banks

The main aim of every investor is to make profit on his investment. The returns can come in the form of streams of income/dividend payments and/or capital gains arising from appreciation of value of the investment (Nwude, 2013). It has been widely stated that if CSR is done well, the performance of the company will increase. This is because the stakeholders have confidence in the company that runs the CSR, that the company that runs the CSR is a company that cares about social and environmental problems that exist so that later stakeholders will provide full support for any action taken during the company activities which did not violate the law (Kusumadilaga, 2010). He observes that CSR is a mechanism for an organization to voluntarily integrate social and environmental concerns into the operations and interactions with stakeholders, which in turn reflects on the performance of the organization, especially in the area of financial performance. He reiterates that earning per share of a company that has good corporate social responsibility image is always attractive. Earnings per share, which is defined as net income-dividend all over total all shares multiplied by one hundred is the most sensitive of all the financial ratio analysis (Resturiyani, 2012). He noted that there is causal relationship between corporate social responsibility and profitability of the banks. He further stated that due to the fact that cost/expenditure is made in form of CSR, taxes paid by banks would further be reduced. The business environment is made more friendly. Nadeem, Naveed, Naqvi and Skindar (2014) have also stated that donations play an important role in the development of the society and that it ultimately leads to higher returns to the donating company's (Net profit) as well as to the investor's (EPS). They concluded that there is positive relationship between corporate social responsibility and financial performance of the companies. Many scholars are trying to understand how corporate social responsibility affects the financial performance of the firm. Some of the scholars are Clifford and Torbira (2011) who noted that earning per share and profitability could be taken as performance measures of a firm. They observed that when all expenses have been deducted from the revenue or sales of a company, the remaining value is known as profitability. They said also that when this profit is divided on the number of shares outstanding the resulted value is known as earning per share (EPS). However, green products

are expensive to produce but the extra cost is always born by the consumers who use the environment friendly products, they added.

2.2.6 Impact of Corporate Social Responsibility on Firm Value

Broadly defined, CSR is a company's activities and status related to its perceived societal or stakeholder obligation (Brown & Dacin, 2018), but Margolis and Walsh (2019) conclude that the relationships between CSR and financial performance are decisively "mixed".

There are at least two explanations for these conflicting findings. First, existing studies have largely related CSR to backward looking from profitability (i.e. accounting based return on investment) but not to forward-looking firm market value. Theoretically, however, market value is different from return on investment because "accounting measures are retrospective and examine historical performance. In contrast, the market value of banks hinges on growth prospects and sustainability of profits, or the expected performance in the future" (Rust, 2004). Second, the equivocal link between CSR and firm performance may be due in part to extent strategy and finance literature having largely omitted the underlying processes or contingency conditions that may explain the range of observed relationships (McOliver & Yomere, 2019). In recent times, Anderson (2004) and Fornell (2006) have demonstrated the positive relationship between customer satisfaction and market value. We build on this literature and institutional theory to propose that CSR – firm market value linkage exists (at least partially) because of the underlying process through customer satisfaction. In addition, drawing on work in the area of corporate identity and associations (Brown & Dacin, 2018), we posit that firm's corporate abilities (i.e. product quality and innovativeness capability) moderate the relationship between CSR and market value.

2.2.7 Impact of Corporate Social Responsibility on Customer Satisfaction

Customer satisfaction is defined as an overall evaluation based on the customer's total purchase and consumption experience with goods and services over time (Anderson, 2004). In the marketing literature, customers' satisfaction has been recognized as an important part of corporate strategy and a key driver of firm long term profitability and market value (Gruca & Rego, 2015). At least three studies stream point to such a link: First, both institutional theory

(Scott, 1987) and stakeholder theory (Maigan, & Ferrell, 2005) suggest that a company's actions appeal to the multidimensionality of the customer as not only an economic being but also a member of a family, community and country (Handelman & Arnod, 1999). Building on this, Duab and Ergenninger (2005), propose the term 'generalized customer' to denote people who are not only customers who care about the consumption experiences but also actual or potential members of various stakeholders' groups that banks services that socially responsible banks offer. Second, a strong record of CSR creates a favourable context that positively boosts consumers' evaluations of and attitude towards the firm (Brown & Dacin, 2018). Specifically, recent works on customer – company identification suggest that CSR initiatives constitute a key element of corporate identity that can induce customers to identify with the company. Indeed, Lichtenstein (2014) noted that "a way that CSR initiatives create benefits for banks appears to be by increasing consumer's identification with the corporation and support for the company". Not surprisingly, identified customers are more likely to be satisfied with a firm's offering. The third literature stream that enables us to relate CSR to customer satisfaction examines the antecedents of customer satisfaction. For example, perceived value is a key antecedent that has empirically shown to promote customer satisfaction. In our context, all things being equal, customers highly derive better-perceived value and, consequently, higher satisfaction from a product that is made by social causes responsible company (i.e. added value through good social causes). Furthermore, engaging in CSR may allow banks to understand their generalized customers better and thus improve their customer-specific knowledge (Mamman, 2014).

2.3 Theoretical Framework

2.3.1 Social Benefit Theory

This is reminiscent of the consideration of private externalities associated with innovative activity. An externality is defined as the impact of an economic agent's actions on the well-being of a bystander. Pollution is a classic example of negative externality, while innovation (whose benefits cannot be entirely appropriated by its creator) is a classic example of positive externality. While the private returns to innovation (or those that accrue to the company) may be high, the social returns to innovations (through the creation of new improved products and processes) may be greater. Researchers need to use more direct methods, such as interviews and

surveys, to ‘tease out’ less self-serving information about motivations for CSR activity and improve the precision of measurement of the private and social returns to CSR.

In addition to understanding the motivation for the provision of social benefits, we need to understand how the provision of these goods, through strategic CSR, affects society. An example of strategic CSR is when a firm links the provision of a public good to the sale of their (private) products (e.g. eco-building). Bagoli and Watts (2003) model this behaviour and found that the propensity of banks to engage in strategic CSR depends on two factors: the intensity of competition in the market and the extent to which consumers are willing to pay a premium for social responsibility. The authors conclude that there is an inverse relation between intensity of competition and provision of CSR. That is, in more competitive markets, less of public good would be provided through strategic CSR. Conversely, in less competitive markets, more of the public goods will be provided. This is easy to understand, since more competition results in lower margins and therefore, less ability to provide additional (social) attributes or activity. Conversely, less competition leads to the potential for higher margins and more ability to provide additional attributes or activity.

An analysis of the provision of public goods by private firm is a welcome addition to the management literature on CSR, which has been primarily concerned with answering the following question: do banks do well by doing good? Showing that a firm does well by doing good is often referred to as making the business case for CSR. While understanding the relation between firm performance and social performance is of primary importance in the management’s literature, a more thorough understanding of the CSR phenomenon requires that we take account of other stakeholders as well. These stakeholders include: customers, employees, governments, suppliers, taxpayers, community groups and underrepresented groups.

2.3.2 Strategic Theory Approach

Our understanding of CSR should be extended to an examination of the strategic use of CSR activities. Fombrum and Shanley (1990) established that investing in CSR attributes and activities might be important elements of product differentiation and reputation building. McWilliam and Siegel (2001) suggest that CSR activities be included in strategy formulation and that the level of resources devoted to CSR be determined through cost/benefit analysis.

Analysis of the strategic implication of CSR is hampered by cross-country/cultural differences in the implications that regulate market activity, including expectations and different returns to activity. For banks operating in multiple countries/cultures this complicates the process of determining which activities to engage in and how much to invest. As the knowledge base of CSR develops worldwide, we will be better able to analyze and advertise on CSR. The CSR literature suffers from definitional questions that limit the future research. Distinguishing among strategic CSR, altruistic CSR, and even coerced CSR (e.g. Husted & De Jesus Salazar, 2006) constitutes a significant theoretical breakthrough. However, until theory and research can adequately agree upon what, specifically, constitutes CSR, research will continue to provide a lack of consistent results. It is to this empirical research that we next turn our attention.

Problems with measurement of the costs and benefits of CSR activities continue to cloud our understanding of the strategic implication of CSR. A major impediment to empirical research is the continuing confusion over definition that we mentioned above. It is possible to measure what we cannot define and as long as we use different definitions, we will get empirical results that cannot reliably be compared.

2.3.3 Event Theory Approach

Early studies used either the event study methodology (which is based on analysis of short-run changes in stock prices as a proxy for firm performance in the aftermath of a CSR-related event) or regression analysis (which uses an accounting measure of profitability, such as return on assets, as the dependent variable in regression model that explains firm performance). The studies usually attempted to answer the questions: do banks do well by doing well? The reported results have ranged from showing a negative relation between CSR and firm performance, to showing no relation, to showing a positive relation which may result in inconsistency in defining CSR, inconsistency in research design, misspecification of models, changes over time, or some more fundamental variance in the samples that are being analyzed.

McWilliams and Siegel (2001) critiqued the use of the event study methodology to measure the consequences of CSR. The authors reported that the findings of event studies of CSR appearing in top management journals were unreliable, due to serious flaws in the research design and implementation of the event study methodology. They also cautioned that the use of stock price

as a metric for performance is not appropriate for studying CSR. This is because CSR is a firm level measure and many socially responsibility activities occur at the plant level or the product level. Another concern is that an analysis of stock price effects only relates to financial stakeholders and it is clear that non-financial stakeholders are also affected by CSR activities.

McWilliams and Siegel (2001) challenged the conventional regression model used to assess the relationship between corporate social performance (CSP), which is often used as a synonym for CSR, and firm performance. They noted that the typical regression equation estimated was misspecified because it did not include two key variables: the level of R&D and advertising expenditures. Both of these variables have been shown to be determinants of firm performance and, because all three (R&D, advertising and CSP) are elements of differentiation strategy, they hypothesized that R&D and advertising would be correlated with a measure of CSP. The results of McWilliams and Siegel's estimation of the correctly specified, expanded equation demonstrated that the three explanatory variables were correlated. Thus, the model that excluded R&D and advertising were included in the model, CSP was not a significant determinant of firm performance, as had been reported in several widely-cited studies.

Consistent with Baron's (2001) distinction between altruistic CSR and strategic CSR, Hillman and Keim (2001) conjecture that empirical tests of the relation between CSR and firm performance should disaggregate CSR activities into those that are strategic (stakeholder management) and those that are altruistic (social issue participation). Based on estimation of a disaggregated model, they report that there is a positive relation between firm performance (measure using market valued added) and strategic CSR and a negative relation between altruistic CSR and firm value.

2.3.4 The Theory of Firm Value

McWilliams and Siegel (2001) provide a framework for analyzing CSR within the context of the theory of the firm. Based on this framework, they develop hypothesis regarding the provision of CSR attributes across industries and market structures. They hypothesize that 'the provision of CSR will depend on R&D spending, advertising intensity, the extent of product differentiation, the percentage of government sales, consumer income, the tightness of the labour market, and the stage of the industry life cycle. All of these should be tested empirically to see if the results support the hypothesis.

McWilliams and Siegel conclude that ‘there is some level of CSR that will maximize profits while satisfying the demand for CSR from multiple stakeholders. The ideal level of CSR can be determined by cost benefit analysis. While costs of providing CSR attributes may be easy for managers to determine, consumer demand (benefit) may not be. Consumer demand for CSR could be difficult to measure because CSR attributes are among many attributes of a product.

2.3.5 Legitimacy Theory

Legitimacy theory is derived from the concept of organisational legitimacy, which has been defined by Dowling and Pfeffer (1975) as a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy. Legitimacy theory posits that organisations continually seek to ensure that they operate within the bounds and norms of their respective societies. In adopting a legitimacy theory perspective, a company would voluntarily report on activities if management perceived that those activities were expected by the communities in which it operates (Deegan 2002). Legitimacy theory relies on the notion that there is a ‘social contract’ between a company and the society in which it operates (Deegan 2002).

While there is no generally accepted theory for explaining CSR disclosure practices, recent research in the CSR literature has primarily relied on legitimacy theory (Deegan 2002). Indeed, “it is probable that legitimacy theory is the most widely used theory to explain environmental and social disclosures” (Campbell, Craven & Shrides, 2003) while, according to Gray, Kouhy and Lavers (2005), legitimacy theory has an advantage over other theories in that it provides disclosing strategies that organisations may adopt to legitimate their existence that may be empirically tested. For these reasons, this paper adopts legitimacy theory as the theoretical perspective for the purpose of explaining variations in CSR within the performance of Nigerian deposit banks.

2.4 Empirical Framework

Sarwar Uddin *et al.* (2005) examined Corporate Social Responsibility and Financial Performance Linkage-Evidence from the Banking Sector of Bangladesh and made use of T-Test. The results of the study reveals that the average return on asset ratios of the banks having high corporate social performance is higher compared to that of banks having low CSR.

Shehu (2006) carried out similar research on the effect of Corporate social responsibility on profit after tax of some selected deposit money banks in Nigeria while he made use of static panel data system, the findings discovered that CSR has significant effect on profitability. Richard and Okoye (2007) investigated Impact of Corporate Social Responsibility on Deposit Money Banks in Nigeria with static panel, the study also discovered that CSR has a great impact on the society by adding to the infrastructure and development of the society.

Olayinka and Temitope (2008) linked the relationship between CSR and financial performance in developing Economies with qualitative research method and the result showed that CSR has a positive and significant relationship with financial performance measures.

Shehu (2013) examined the influence of corporate social responsibility on profit after tax of some selected deposit money banks in Nigeria. The study used secondary data from annual reports of some selected banks, and through fact books of Nigerian Stock Exchange (NSE) for the period of the study (i.e. 2006-2010) by means of content analysis. The study used regression and correlational analysis in interpreting the result of the formulated hypothesis. Based on the outcome of the result it reveals the existence of a weak positive relationship between CSR and PAT which was however significant at 5%. They recommended to the banking sector to take CSR commitment as an important driver of boosting the profitability of an organization because the more you commit yourself to corporate social responsibility the more investors and consumers are patronizing your shares and products respectively, the more the yielding return, vice versa.

Nadeem, Naveed, Naqvi, Skindar and Wania (2014) conducted a study on corporate social responsibility and its possible impact on firm's financial performance in banking sector of Pakistan. The objective of the study is to ascertain the impact of CSR on Net profit margin and earnings per share (EPS) of Habib Bank Limited and United Banks Limited in Pakistan. The study obtained secondary data from the two banks under study from 2005 to 2011 and employed regression for data analysis. The result amongst other thing indicated that a predictor variable is linearly related with the response variable if the P-value is less than the level of significance. The study indicated that P-value less than 0.05, indicating that CSR impacts on Net profit margin and EPS of the banks under study. The study shows that, for every unit increase in CSR investment, firm's financial performance increases by 8.702 units and by 0.075 for every unit increase in investment on income generating activities. They concluded that there is positive impact of CSR on financial performance of banks in terms of Net profit margin and earnings per

share. The study recommended that management should carry out cost benefit analysis which would unravel the expected gains accruing from CSR practice.

On the contrary, Folarin et al (2014) looked at corporate social responsibility and organizational profitability: an empirical study by Unit Africa (2006-2012) with the common leasehold location, the result showed that there is an inverse relation between CSR and UBA's profitability.

Along the same vein Fiori and Izzo (2014), carried out a research on the impact of voluntary disclosure of CSR on stock prices of Italian listed companies using static panel, the results indicate that the disclosure of CSR policies (particularly those referred to employees) leads to higher stock prices because of the prevalence of a sound perception of the marketplace.

Ali et al, (2015) investigated the CSR behaviour of Pakistani consumers with an inter corporate survey enterprise in Pakistan the result revealed that the CSR of producers does not encourage consumers to buy a product from the cellular industry in Pakistan.

In a related development, Lya, Badiya and Faiza (2015) studied corporate social responsibility and the financial performance of First Bank Nigeria PLC, Adamawa State with a view to determining whether any relationship exists. The period covered was 2001 to 2014. Content analysis was used. The results showed significant and positive relationship between the variables. However, with particular reference to the performance of the First Bank Adamawa PLC, the performance was poor due to low participation in CSR activities in the host community. It was concluded that increase in expenditure on CSR by the bank would lead to the achievement of desired financial performance.

Shruti (2016) investigated the impact of corporate social responsibility disclosure on the financial performance of firms in the UK. He performed a linear regression on the data to validate the impact of corporate social responsibility disclosure on the financial performance of firms. The study measured corporate social responsibility disclosure in terms of published CSR keywords on the annual reports of the firms over five years ranging from 2008 till 2012. Financial performance of the firms was measured as return on assets (ROA), Tobin's Q, and total shareholder returns (TSR). The result indicates that CSR has no significant impact on financial performance, both in the short-term scenario and long-term scenario for the selected industries in the UK.

Najeb and Awni (2017) studied corporate social responsibility and company performance: An empirical analysis of Jordanian companies listed on Amman stock exchange. Their data were purposively sampled while descriptive statistics, regression and correlation analyses were used to arrive at their results. They found a positive but not significant association between CSR, accounting-based performance (ROA, ROE and ROCE), and market-based performance (P/R, EPS, P/V), whilst EPS ratio reported a significant and ROS ratio is a negative relationship. RE model results indicated that there is an inverse relationship between CSR, accounting- and market- based company performance (ROA, ROS, P/R, and EPS). Therefore, the Hausman test results reject the null hypothesis. But, for ROE, ROCE, and P/V as the measures for the company's performance, are positive since the results of the Hausman test is insignificant. This means the most statistically significant results do not statistically validate result lists.

Sanni, Olayiwola and Abdul-Baki (2017) conducted a research on the impact of CSR expenditure on the profitability of Nigerian Deposit Money Banks (DMBs). They used secondary data sourced from the bank's financial statements between 2007 and 2011 in the analysis. Purposive sampling technique was adopted to select the ten out of the existing twenty-one DMBs currently operating in Nigeria. Correlation and panel data regression model was adopted which revealed that expenditure on CSR has no significant impact on the bank's profitability. Therefore, they suggest that banks should be more careful in their financial commitment to CSR so as not to put their profit and wealth maximization objectives at risk.

Jimoh, Mukaila and Azeez (2018) examined corporate social responsibility expenditure and profitability: A study of listed deposit money banks in Nigeria. Secondary data were extracted from the annual reports of fifteen listed banks for the period of 2005 to 2013. Purposive sampling technique was adopted to select all fifteen deposit money banks (DMBs) listed on the

Nigerian Stock Exchange (NSE) among the twenty-one licensed DMBs in Nigeria. Descriptive statistics, correlation and panel data regression analysis were employed to assess the relationship. The findings indicate that there is a significant positive association ($r = 0.2584$) between corporate social responsibility expenditure and profitability of the sampled banks. They recommended that banks should strategically choose their CSR spending to increase their long-term profitability for sustenance and in consequence maximize the benefits to society for sustainable development.

Hirigoyen and Poulain (2018) carried out a study on the relationship between corporate social responsibility and firms' performance based on 329 listed companies in the United State, Europe and Asia-Pacific region for 2009-2010 using linear regression analysis and the Granger causality test. The study used human resources, human rights in the workplace, social commitment, respect for the environment, market behaviour and governance as proxies for CSR. The finding of the study shows that not only that greater social responsibility does not result in better performance; it negatively impacts corporate social responsibility.

Okegbe and Egbunike (2019) examined corporate social responsibility and financial performance of selected quoted companies in Nigeria. The study employed an ex-post facto research design. The sample of the study was made up of thirty companies quoted in various sectors of the Nigerian stock exchange. Data analysis was done using multiple regression. The findings of the study revealed a positive relationship between corporate social responsibility disclosure and return on assets in Nigerian quoted companies. Consequent upon this study, it was recommended among others that the issue of corporate social responsibility should be part of the corporate mission and strategy statements and not just be regarded as a philanthropic exercise.

Mehwish (2019) has examined corporate social responsibility and its impact on financial performance, using the banking industry in Pakistan. Finding from his analysis which was done using the Ordinary Least Square (OLS) regression technique to determine the comparative reputation of individual variables to know which independent variable affects the dependent variables represented by the sign of beta coefficients revealed that CSR has a significant positive impact on ROE and ROA.

Odetayo, et al (2020) examined the impact of Corporate Social Responsibility on Profitability of Nigeria banks. The aim of the study was to empirically assess whether firms' contribution

towards corporate social responsibility has any verifiable impact on the profitability of the banks understudy. Specifically, the study examines the effects which Nigerian banks' expenditure on CSR has on profitability. The study employed the use of secondary data on profit after tax and expenditure on corporate social responsibility obtained from financial statement of 6 selected Nigeria banks quoted in Nigeria Stock Exchange for the period covered 2003-2012. Regression analysis was employed for the data analysis to determine the relationship between the study variables with the aid of STATA 11. The study revealed that with increase in CSR expenditure has positive impact on the understudy banks profitability. The computed probability and probability F computed (0.002 and 0.000, 0.0016 and 0.002, 0.0032 and 0.000, 0.016 and 0.0016, 0.0026 and 0.003, 0.0030 and 0.002) for the banks understudy, are less than 0.05 which is an indication of significant relationship between the variables understudy. With probability T and F computed of 0.0038 and 0.0035 which is less than 0.05 at 5% significant level also indicated a significant relationship between the understudy variables. The study concluded that Nigeria banks are abreast of the benefits of CSR practices on sustainable development but have not contributed enough resources towards that. It therefore recommended a strict measure from government and other regulatory agents to fix a minimum percentage of profit which should be expended on CSR by Nigerian firms.

Onyeka and Nwankwo (2020) studied the impact of corporate social responsibility reporting on profitability of Nigerian manufacturing firms. The study covered the period of 2004 to 2013. The result which came from content analysis suggests that with CSR, there is significant and positive impact on net profit of manufacturing firms in Nigeria. The study concludes that firms need to add to the social well-being of the society where they are located so that their returns in terms of profit can increase.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the types of research methods employed and the various sources of data and methods used in the collection of data. The techniques used in the analyses of data are also presented.

3.2 Research Method

Two major approaches were used in the previous related studies to evaluate the value relevance of accounting information – aggregate stock market reaction and individual investors' reaction to accounting information. This study adopted the aggregate stock market reaction methods. Therefore, the quasi – experimental research design is chosen and applied because of the fact that the various elements of the design are not under the control of the researcher. The cross – sectional quasi – experimental research design is thus applied because it is a survey that relies on sample elements from the population of interest.

3.3 Characteristics of the Study Population

Ham (1971) defined population as “the group of objects, elements or units about which the study will make some conclusions”. It is “a census of all the elements or subjects of interest and may be finite or infinite” (Asika, 1991).

For the purpose of this study, our population is defined as all the deposit money banks (with both international and national authorization) listed on the floor of Nigerian Stock Exchange as at September 2020. A total of nineteen (19) deposit money banks were listed on the first tier of the Nigerian Stock Exchange as obtained from daily official list (www.cbn.gov.ng). This sector was selected for this study because they have updated financial records with NSE within the scope of our study.

3.4 Sampling Design and Procedures

The study focused on nine (9) of the nineteen deposit money banks with both international and national authorization listed on the Nigerian Stock Exchange during the five-year period – 2016 to 2020. The sample size was limited to nine DMBs because of non-availability of data. These nine DMBs were considered to be enough for this study.

The firms were selected based on the following criteria:

1. The company was listed on Nigerian Stock Exchange during the period and
2. The firm has the basic financial statement data.

3.5 Data Collection Instrument

In this study, secondary data drawn from annual reports and accounts of the selected banks for five years (2016-2020) are applied. The study is depending on data from quoted companies because they are the proximate reflection of the registered economic growth statistics and performance indicators. Annual reports and accounts of a company remain a regularly produced statutory document (CAMA, 2004) that evokes an important or valid construction of a company social imagery. The mandatory annual audit of the company's annual reports and accounts further portrays them as credible and highly reliable documents. In addition to this, secondary data from data sources- The Nigerian Stock Exchange Factbook, Cash Craft Website and Capital Asset Limited Website were obtained in relation to the variables under study.

3.6 Operational Measures of Variables

A variable is a phenomenon or events that can be measured or manipulated in a study. Two variables exist in research; there are independent and dependent variables. Independent variable represents the level of factors and is used to group observations into different treatment group. In case of this study, the Independent Variable is Corporate Social Responsibility, while the Dependent Variables are: Return on Equity, Profit After Tax and Earnings Per Share.

The main tool is the panel least square (OLS) using the multiple regression method for a period of 5 years, annual data covering 2016-2020. Statistical evaluation of the global utility of the analytic model so as to determine the reliability of the result obtained were carried out using the

coefficient of the coefficient of the determination regression, the coefficient of determination (r^2), the student T-test and F-test.

Coefficient of Determination (r^2) Test.

This measures the explanation power of the independent variables on the dependent variables. R^2 gives the proportion or percentage of the total variation on the dependent variable y that is accounted for by the single explanatory variable x . The higher the R^2 value the better for the example to determine the proportion of the financial market penetration through capital fundamental in our model, we used the coefficient of the determination. The coefficient of determination varies between 0.0 and 1.0. A coefficient of determination say 0.20 means that 20% of changes in the dependent variables. Therefore, we shall use the R^2 to determine the market fundamentals by variables are explained by variation in monetary policy transmission mechanism using various transmission channels.

- F- Test: This measures the overall significance. The extent to which the statistics of the coefficient of determination is statistically significant is measured by the F- Test. The F- Test can be done by using the f-statistic or by the probability estimate for this analysis.
- Student T-test: measures the individual's statistical significance of the estimated independent variables. This is a test of significance used to test the significance of regression coefficient (Gujurat, 2003).

General speaking, the test of significance approach is one of the method used to test statistical hypothesis. A test of significance is a procedure by sample results are used to verify the truth or falsity of a null hypothesis (H_0) at 5% level of significance.

- Durbin Wilson statics: this measures the co linearity and auto correlation between the variables in time series. It is expected that a ratio of close to 2.00 is not auto correlated while ratio above 2.00 assumed the presence of auto correlation.
- Regression coefficient: this measures the extent in which the independent variables affect the dependent variables in the study.
- Probability ratio: It measures also the extent in which the independent variable can explain change to the dependent variables given a percentage level of significant.

3.7 Method of Data Analysis

This study employs the multivariate technique for the purpose of data analysis. A multiple regression model has been structured using the ordinary least squares (OLS) method. The model uses multiple dependent variables (ROE, PAT and EPS) and a single explanatory variable—CSR.

The basic aims of the multiple regression models in this study are to investigate empirically the extent to which the predictor variables explain the hypothesized performance variable in Nigerian deposit money banks. The model is estimated using the coefficients of the independent variables and their level of significance. The coefficient of determination (R^2) is obtained and helps to assess the significance of the model. The F test is employed to determine the predictive ability of the model while the standard error test and T values are used to determine the significance of the single explanatory variable. Tests of multi-collinearity are conducted to see if the parameter estimates are determinate and then an autocorrelation test is used to assess the presence or absence of serial correlation among the residuals using Durbin - Watson. These tests provide an empirical platform in drawing generalization for the study.

Decision

When the probability value is less than 5% level of significance for a null hypothesis which predicts no impact of corporate social responsibility on Deposit Money Banks, it indicates that the null hypothesis should be rejected.

Model Specification

Performance variable is represented by return on equity, profit after tax and earnings per share

The equation is stated as follows,

$$CSR = b_0 + b_1 ROE + b_2 PAT + b_3 EPS + uit.$$

Where

CSR = Corporate Social Responsibility

ROE = Return on Equity

PAT = Profit After Tax

EPS = Earnings Per Share

b_1 - b_3 = coefficients

uit = Random error term

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter deals with the presentation, analysis and interpretation of the timeseries data collected for the purpose of testing the model developed in this study. Multiple regression has been used to estimate the relation between the independent variable (Corporate Social Responsibility) and the dependent variables (Return on Equity, Profit After Tax and Earnings Per Share) as the measure of Nigerian Banks' performance.

4.2 Data Presentation and Analysis

The sample descriptive statistic is first presented in table 4.2; the correlation matrix is presented in table 4.3, while the tolerance and variable inflation factor are presented in table 4.4.

4.2.1 Sample Descriptive Statistics

Table 4.1 shows the mean, standard deviation, minimum and maximum values of the variables used in the study. The full results are contained in Appendix A.

Table 4.1 Sample Descriptive Statistics (2016-2029 data)

Variable	Mean	Std. Deviation	Min	Max
Y ₁	0.158	0.172	0.010	0.800
Y ₂	25.24	11.80	10.00	55.00
Y ₃	13.04	22.49	1.000	99.00
b	30.31	27.22	2.000	99.00

Source: Regression Result Using SPSS Version 16

b= CSR, Y₁=ROE, Y₂=PAT, Y₃=EPS.

Table 4.1 indicates that, on average, during the period of the study the corporate social responsibility is about 30%, while return on equity, profit after tax and earnings per share have a mean of 16%, 25% and 13% respectively. Return on equity has the lowest standard deviation of

0.17 signifying its higher contribution to the Nigerian Banks' performance model, while earnings per share has the highest standard deviation of 22.49 which indicates its lowest significance to the model. This can be confirmed by the significant t-value and lowest mean value of the individual contributions of the dependent variables to the corporate social responsibility.

Table 4.2: Tolerance and Variable Inflation Factor

Variables	Tolerance	VIF
b ₁	0.976	1.025
b ₂	0.929	1.077
b ₃	0.940	1.064

Source: Regression Result Using SPSS Version 16

The tolerance value and the variance inflation factor (VIF) are two advanced measures of assessing multi-collinearity between the dependent variables of the study. In table 4.2, the variance inflation factors were consistently smaller than ten indicating complete absence of multi-collinearity (eg Neter et al ; 1996 and Cassey, et al; 1999). This shows the appropriateness of fitting the model of the study with the three dependent variables. In addition, the tolerance values are consistently smaller than 1.00 thus further substantiating the fact that there is complete absence of multi-collinearity among the dependent variables (see Tobachmel& Fidell, 1996).

4.2.2 Correlation Matrix

The correlation matrix is used to determine the relationship between the independent and dependent variables of the study.

Table 4.3 below presents the correlation matrix for the sample observations. The full results are contained in Appendix A.

Table 4.3 Correlation Matrix for the sample Observed

Variable	ROE	CC	CCSR	HM
CSR	1.00			
ROE	0.41	1.00		
PAT	0.25	-0.14	1.000	
EPS	0.27	-0.09	0.24	1.000

Source: Regression Result Using SPSS Version 16

Table 4.3 indicates that there is a positive relationship between Corporate Social Responsibility and Return on Equity, Profit after Tax and Earnings Per share. This implies that Corporate Social Responsibility is contributing positively to the performance of Nigerian Deposit Money Banks. The association between them is positive and highly significant.

4.3 Test of Hypotheses

Corporate Social Responsibility and Nigerian Deposit Money Banks' Performance.

The results of OLS in relation to the impact of Corporate Social Responsibility on the performance of Nigerian Banks are discussed. The study used Corporate Social Responsibility as the proxy of the independent variable, while Return on Equity, Profit After Tax and Earnings Per Share as proxies of financial performance.

The regression results are presented in table 4.4 below.

Table 4.4: Impact of Corporate Social Responsibility on the Performance of Nigerian Banks in Nigeria.

Financial Performance	Corporate Social Responsibility
Variables	CSR
Intercept	2.171
ROE	0.001 *
PAT	0.005 *
EPS	0.017**
R	0.60
R ²	0.36
Adj. R ²	0.31
F. sig	0.000
Durbin Watson	2.044

Source: Regression Result Using SPSS Version 16

Table 4.4 relates Corporate Social Responsibility proxies to Nigerian Banks' performance variables. The estimated relationship for the model is $CSR = 2.171(b) + 0.001 (ROE) + 0.005 (PAT) + 0.017 (EPS)$

The model indicates that Corporate Social Responsibility has significant impact on the three proxies of financial performance. Corporate Social Responsibility is significant at 5%, which provides evidence to reject null hypotheses 1,2 & 3 of the study. This supports the finding of Becker and Huselid (2018) who concluded that high performance CRS system has an economically and statistically positive effect on companies' financial performance.

The implication of these results is that the higher the level of Corporate Social Responsibility, the higher the performance of the Nigerian Banks.

Finally, the combined impact of Corporate Social Responsibility on the performance of Nigerian Deposit Money Banks is indicated in the model summary of the regression result. The combined relationship between the dependent and independent variables of the study is 60%

which implies strong positive relationship. While the coefficient of determination R^2 0.40 shows that Corporate Social Responsibility in Nigerian Banks occupies 40% in determining the three dependent variables and the remaining 60% is covered by other factors. The F-value of 0.000 implies a significant impact of Corporate Social Responsibility on the performance of quoted Banks in Nigeria. The Durbin – Watson Statistic of 2.044 indicates absence of serial correlation within the period of the study. The calculated F-value of 0.000 is less than 0.05 at 5% level of significance which reveals that all explanatory variables play a significant role cumulatively increasing the return on equity, profit after tax and earnings per share of Nigerian Deposit Money banks. Therefore, Corporate Social Responsibility has significance impact on the performance of Nigerian Deposit Money Banks.

4.4 Discussion of Major findings

The study reveals that corporate social responsibility investments have impact on the performance of deposit money banks.

The findings of this study contradict the argument Friedman of (2010); Barnet and Solomon, (2013); Apperle, (2015); and Beston, (2012) that expenditure on Corporate Social Responsibility activities is largely destructive to shareholders' value. It further affirms that expenditure on CSR affects the bottom line positively and thus the values of banks that engage excessively in such activities are rewarded through building of positive corporate image which shareholders might be slow to realize.

With the growing emphasis on CSR both in social development and more so in corporate business culture, there has never been a period in the Nigerian history than the current period when quantitative evidence is being demanded by management to justify the allocation of scarce resources for CSR ventures. Possible implications exist regarding the use of the model employed in this study. The model has been structured to investigate the Nigerian banks performance as caused by corporate social responsibility. The results revealed that corporate social responsibility is significant in explaining and predicting variations in Nigerian banks performance. The absence of multi-collinearity and autocorrelation is documented using stationary tests of tolerance and VIF values for multi-collinearity, and Durbin-Watson for serial

correlation. The result of the test is good signifying the fitness of the model as confirmed by the negative values of correlation between the explanatory variables of the study.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter considers the summary of findings from this study, the conclusions drawn and the recommendations to be made as a result of the findings of this study.

5.2 Summary

The findings of this research are based on the pooled time series data collected for the period 2016-2020 from a sample of 9 deposit money banks quoted on the Nigeria stock exchange.

The results of the study revealed that the predictor variable (CSR) has significant aggregate impact (at 95 percent confidence level) on the three dependent variables used (ROE, PAT and EPS), with respect to the sampled banks. The study has documented a significant relationship between return on equity, profit after tax and earnings per share and corporate social responsibility of the sampled banks.

The combined impact of Corporate Social Responsibility on the performance of Nigerian Deposit Money Banks is indicated in the model summary of the regression result. The combined relationship between the dependent and independent variables of the study is 60% which implies strong positive relationship. While the coefficient of determination R^2 0.40 shows that Corporate Social Responsibility in Nigerian Banks occupies 40% in determining the three dependent variables and the remaining 60% is covered by other factors. The F-value of 0.000 implies a significant impact of Corporate Social Responsibility on the performance of quoted Banks in Nigeria. The Durbin – Watson Statistic of 2.044 indicates absence of serial correlation within the period of the study. The calculated F-value of 0.000 is less than 0.05 at 5% level of significance which reveals that all explanatory variables play a significant role cumulatively increasing the return on equity, profit after tax and earnings per share of Nigerian Deposit Money banks.

Therefore, Corporate Social Responsibility has significance impact on the performance of Nigerian Deposit Money Banks.

5.2 Conclusions

Based on the findings of the research, the study concludes as follows:

First, the study has provided both empirical as well as statistical evidence on the use of four variables – CSR (for the independent variable) and predicting return on equity, profit after tax and earnings per share (as proxies for dependent variables) of the sampled banks. The results show that CSR has a significant aggregate impact (at 5%) on return on equity, profit after tax and earnings per share of the deposit money banks.

Second, the study has confirmed the significance of CSR as predictor variable of the market value of the sampled banks. This goes to say that CSR directed at communities in the form of projects have ripple effect on the bottom line. It also lends itself to the fact that human resource development, training and welfare; to the extent that they are reported in the annual statements are tangible in influencing its value.

Finally, the study has demonstrated that the virtue of CSR in maximizing financial performance/value is not just a philosophy and might be applicable to developing countries. We therefore recognize that the concept of CSR is inevitable because of the ever growing concern about environmental degradation; new concerns and expectations of citizens, consumers, public authorities, and investors in issues of company responsibility. Based on the above, this study advocates for a normative approach which suggests implementing CSR ventures as a moral obligation.

5.4 Recommendations

The recommendations of the study have been directed at different parties who either have direct or indirect influence on a firm's CSR. These parties are the businesses, investors, government, and future researchers.

- (i) The study recommends that government should work closely with the private sector to support economic development and manage the funds entrusted in their care. A dialogue should be made with the business world and other stakeholders in determining common standards, reporting mechanisms and the extent to which they should be responsible.
- (ii) All stakeholders should ensure that they encourage their banks to have serious commitment towards CSR as this has proven to add value to their investment in the long run. This will particularly encourage those investors who are interested in long term investment.
- (iii) Business cannot successfully operate in a community which they ignore. It is important for managers to consider CSR initiatives in the light of the firm's corporate abilities. Managers should understand that a misalignment of CSR with internal factors can be detrimental and lead to decreased market value. As a consequence, they need to examine carefully the context in totality before implementing CSR activities.
- (iv) The public sector should play a role in increasing responsible investment since they have a considerable financial clout that could be used to encourage private corporations to consider social responsibility criteria. They should set an example for the private sector by applying the principles of responsible investment.

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