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Effect of Corporate Social Responsibility on Financial Performance in Nigeria

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Abstract

The study examined corporate social responsibility on financial performance of banks in Nigeria by using earning per share, gross earning and profit after tax as measures of financial performance of banks in Nigeria. The study design was ex-post-facto. Pearson correlation and simple regression analysis were the major statistical tools used for the analysis through the application of SPSS version 20.0 and E-View 8.0 software packages. Correlation results showed that whereas the relationship between corporate social responsibility and earning per share was positive but insignificant, it showed strong, positive and significant relationships with gross earning and profit after tax respectively. Similarly, corporate social responsibility expenditure was found to have insignificant effect on earnings per share, it has significant effect on gross earning and profit after tax of the banks in Nigeria. The study recommends among others that corporate organizations should endeavor to give more to the society in CSR and leverage it to enhance the financial performance of their businesses in the country.

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Keywords: Corporate social responsibility, Banks' financial performance, Nigeria

Introduction

1. Background to the Study

Corporate social responsibility (CSP) is a vital component of corporate policies of large scale firms, including multinationals. This is because the host communities are becoming more and more aware of the effects of their (firms) operations on the immediate community. This, coupled with government policies on corporate social responsibility has compelled firms to understand how important it is to give back to host community for mutual relationship to thrive. The term corporate social responsibility encompasses a variety of issues revolving around firms' interaction and relationship with host community (Olaroyeke & Nasieku, 2015). Ordinarily, companies will not want to engage in any corporate responsibility activities but competition and the need to earn the cooperation of members of the society, especially the locality that is hosting the firm, they cannot but get into one form of CSR or the other.

To buttress the point made above further, Benabou and Tirole (2010) noted that firms engage in a wide range of activities such as being employee-friendly, environment-friendly and ready to provide some social amenities in the environment where the business is domiciled just to win peoples' trust and patronage. The practice of corporate social responsibility by firms has brought about some relief to the members of the community where the business is located. This includes their involvement in health care services, educational services and the provision of some physical infrastructures such as classroom blocks, motorized water boreholes, recreational and civic centers among others. The provision and presence of such developmental projects has endeared the businesses and their owners to members of the communities who are direct beneficiaries of such projects (Richard & Okoye, 2013). Some authors among whom were Andriof and Mclntosh (2011) had opined that the only business an enterprise should concern itself with is business; meaning that firms need not border about any additional responsibility since such activities depletes the firms' profit margin. But Doane (2015) contradicts such views and states that a firm is responsible for all its stakeholders including the host community and therefore should take greater responsibility for the society at large as well as seek to solve social and environmental problems within the operating environment because such activities enhances corporate image of the firms.

On the other hand, firms' financial performance which refers to the degree to which financial objectives of firms are being or has been met (Odetayo, Adeyemi & Sajuigbe, 2014), involves a lot of activities. In

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particular, the banking sector is a very competitive area and an act of expenditure on peoples' welfare in the name of corporate social responsibility enhances patronage by the immediate community as well as others members of the society. Besides, there is also prospect for long run benefits in terms of stock appreciation (Kipruto, 2014). Similarly, Iya, Badiya and Faiza (2015) have equally observed that businesses, especially commercial businesses such as banks, can increasingly excel if they learn to do good CSR. Therefore, financial performance of banks does not depend totally on efficient core banking activities but also on some element of charity in the nature of CSR. However, opinions are still divided on the relationship between firm's expenditure on corporate social responsibility and its financial performance in Nigeria, especially, as it concerns commercial businesses of which banking sector happens to be one of. Consequently, this study has been designed to investigate the relationship between CSR expenditure and banks' financial performance in Nigeria.

Statement of the Problem

Many businesses in Nigeria are increasingly becoming aware of the need for spending on corporate social responsibility (CSR) in their immediate host communities and even beyond. Not only has it been made a policy option by businesses but there has also been competition among firms in the same industry about who will spend most (Bitros & Santos, 2012). But the CSR activities are financed from the profit of the businesses. Consequently, it is not clear whether such expenditure portend problems for the banks in Nigeria or a boost towards the enhancement of financial performance of the banks. Furthermore, past studies in the area had produced conflicting results. For instance, whereas Ohiokha, Odion and Akhalumeh (2016) found that corporate social spending has little influence on financial performance of the sampled firms, studies by Babatola (2012) and Richard and Okoye (2013) revealed that there is notable, positive and significant relationship between corporate social responsibility spending and firm's financial performance in Nigeria. This unevenness of research findings has aroused interest to undertake further investigation aimed at establishing the real effect of corporate social responsibility spending on banks financial performance in Nigeria.

Objectives of the Study

The broad objective of the study is to examine the effect of corporate social responsibility on firms' financial performance in Nigeria, using selected banks as the study area: specifically, the study intends to;

(i) Evaluate the effect of expenditure on corporate social responsibility on earning per share of banks in Nigeria.

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(ii) Determine the effect of expenditure on corporate social responsibility on gross earnings of banks in Nigeria.
(iii) Ascertain the effect of expenditure on corporate social responsibility on profit after tax of banks in Nigeria.

Statement of Hypotheses

The following null hypotheses were formulated to guide the objectives of the study and strengthen the analysis:

(i) Expenditure on corporate social responsibility does not have significant positive effect on banks' earnings per share in Nigeria.
(ii) Expenditure on corporate social responsibility does not have significant positive effect on banks' gross earnings in Nigeria.
(iii) Expenditure on corporate social responsibility does not have significant positive effect on banks' profit after tax in Nigeria.

Scope of the Study

The study covers seven (7) banks in Nigeria and their corporate social responsibility activities for the year ended 2017. It covers also some selected financial indicators of the banks such as gross earnings, earning per share and profit after tax of the same year. The issue under investigation is the effect of expenditures on corporate social responsibility on banks' financial performance as measured by the indicators. The banks were chosen because they carry out more corporate social responsibility.

2. Review of the Related Literature

Conceptual Review

Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) as defined by Olaroyeke and Nasieku (2015) encompasses a variety of issues which revolves around firms' interactions with the society. More precisely, it refers to sets of actions/activities that appear to promote the provision of some social goods beyond the interests of the firm and that which is required by law (McWilliams and Siegel, 2000). The underlying factor in the definition is that CSR activities are on a voluntary basis, which surpasses the firm's legal and contractual obligations. In a related development, Bolten (2012) defined CSR as encompassing the legal, ethical, economic and other discretionary responsibilities that firms/institutions render to society. The implication of the above definition is that firms/institutions operating in a society should operate under the dictates of the law prevalent in a society and conduct its operations in a morally acceptable manner by contributing to the economic well-being of the society among other obligations deemed necessary. It is an important

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practice by firms (El Mousadik & El Kandoussi, 2017). It improves the relationship between a firm and a host community.

Other scholars like Vitezic (2011) defined CSR on the basis of their perceptions and understanding of the concept. Vitezic observed that CSR concept implies balance between economic, ecological and social goals, which means distribution of assets among several interest groups. In the same vein, Jamali and Mirshak (2011) defined CSR as a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment or a situation whereby organizations integrate social and environmental concerns into their business operations and in their interaction with their stakeholders on a voluntary basis. CRS disclosure by firms improves the perception of investors (Gitahi, Nasieku, & Memba, 2018). What has featured prominently in all the definitions offered so far for CSR is the fact that it focuses on bettering the lot of the society or host community as well as the environment at large.

Financial Performance

On the other hand, financial performance is a fusion of an organization's financial health, its ability and capacity to meet its long term financial obligations and its commitments to provide services in the foreseeable future (Awan & Nazish, 2016). Long term objectives represent the results expected from pursuing certain strategies which represent actions to be taken to accomplish the long term objectives. It has equally been recommended that the time frame for objectives and strategies should be consistent, usually from two to five years (Paulik, Majkova, Tykva & Cervinka, 2015). To Odetayo et al. (2014), financial performance in a wider perspective refers to the degree to which financial objectives of firms are being or has been accomplished. It is indeed, the process of measuring the results of a firm's policies and operations in monetary terms. They stated that accounting based indicators such as return on assets (ROA), return on equity (ROE), return on investment (ROI), earning per share (EPS) and profit after tax (PAT), captures a firm's internal efficiency. The indicators are used to measure firm's overall financial performance over a given period of time usually, a year. They can also be used to compare performance of similar firms across the same industry.

Theoretical Framework

The underpinning theory for the study is the Stakeholders Theory developed by Edward Freeman in 1984. Freeman had postulated that business organizations apart from their shareholders have different stakeholders which they must seek to satisfy their interest as a matter of obligation. He reiterates that the stakeholders include all those who affect or are affected by the

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activities of the organization directly or indirectly, such as shareholders, employees, customers, host community, government, competitors and the environment. For instance, businesses must play an active social role to better the lots of the society in which they operate (Freeman, 1984 cited in Onwe, 2014). Therefore, it is not enough for managers to focus only on the needs of shareholders or the owners of business alone but it is also important for them to engage in CSR activities that promote the interest of other groups, especially those in the host community who equally affect their performance directly or indirectly by their actions. Owing to the fact that stakeholders vary from firm to firm, CSR activities should start with the identification of stakeholders followed by finding the strategy with which to satisfy and harmonize their expectations. A fundamental characteristic of the stakeholders theory is that it tries to identify the individuals and groups that business organizations are accountable to. The interaction between firms and it stakeholders is the essence of stakeholders theory. The theory is of the view that interest of all stakeholders in a firm must be recognized and attended to and not just that of shareholders only.

Theoretical Exposition

In this section of the literature, we made attempt to bring into focus the relationship between corporate social responsibility activities and various financial performance indicators that were identified in the study. It is clear that the main aim of every investor is to make profit on his/her 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 (Onyeka & Nwankwo, 2016). It has been opined that if CSR is well carried out in the affected areas, the performance of the company involved in the CSR activities is always affected positively. This, it was argued, is a result of the fact that stakeholders have confidence and unflinching support for the company that is carrying out the CSR because the company cares about the environment and the society that live in it. The strong support of the stakeholders as a result, in turn, promotes and enhances the value of the company's shares if it is quoted (Hichem and Henda, 2012). They observe that CSR is a mechanism for an organization to voluntarily integrate social and environmental concerns into its operations and interaction with stakeholders which in turn reflects on the financial performance of the organization. In their opinion, earning per share of companies that have good corporate social responsibility image is always attractive to investors.

Earnings per share (EPS), which is the value of income-dividend divided by total shares multiplied by one hundred, is the most sensitive of all the financial ratio analysis (Resturiyani, 2012). He noted further that there is causal relationship between CSR and profitability of banks. He stated that

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because cost/expenditure is made in form of CSR, taxes paid by banks are often times reduced and the business environment is made more friendly. Nadeem, Naveed, Naqvi and Skindar (2014) have also observed that donations play an important role in the development of the society and that it ultimately leads to higher returns (i.e.) the donating company's (net profit) as well as that of investors (EPS). Therefore, involvement of firms in the act of CSR in their environment of operation is an open invitation to good fortunes and prospects for the firms.

The relationship between CSR and financial performance of organizations, especially those in the banking sector represents the least understood area of CSR and its benefits (Cornett, Erhemjamts & Tehranian, 2014). Most researchers have argued that good CSR practices bring about positive corporate reputation which infuses strategic value for firms that engage in it (Okwemba, Chitiavi, Egessa, Musiega & Maniagi, 2014). The idea is that CSR practices, over a given period of time serves as a valuable asset to an organization. It contributes to sustainable development (Behringer & Szegedi, 2016). Firms with assets that are valuable and possesses competitive advantage may expect to earn superior returns (Mishra & Suar, 2010). The viewpoint of positive correlation between CSR and gross earnings of companies suggest that explicit costs are opposite of hidden costs of stakeholders (Ofori, Nyuu & S-Darko, 2014). The viewpoint is proposed from the perspective of avoiding costs to major stakeholders and considering their satisfaction (Khanifar, Nazari, Emami & Ali, 2012). But it is equally viewed that commitment to CSR would result to increased costs to competitiveness and decrease the hidden cost of stakeholders. Adebayo and Oluwale (2012) posited that some stakeholders regard CSR as a symbol of reputation and the company's reputation was improved by actions to support the host community resulting in positive influence on overall revenue (gross earnings) of the company.

Okafor (2011) pointed out that the underlying factor for effective financial performance of firms is active participation of firms in CSR activities in and outside their immediate environment of operation. This, in his opinion, is in line with the law of reciprocity in which such active involvement in CSR by the firms reflect on their (firms') market value profitability of average market price per share (AMPPS) earnings per share (EPS), dividend per share (DPS), earning yield (ED) and dividend yield (DY). It has equally been stated that profit oriented companies maximizes their profit when they take into cognizance the relevance of CSR because it has been shown by many studies from both the emerging and developed economies that CSR is one of the companies' activities that usually boost the level of profitability of the organizations (Abdulrahman, 2013). He notes further that many firms which engage in CSR activities do so because of their expectations that apart from

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service to the host community, it would in return increase their level of profitability.

Empirical Review

Akinyele and Adedayo (2017) investigated the impact of corporate social responsibility on the profitability of multinational companies in Nigeria. The study was ex-post-factor design. The result showed that there is weak negative correlation between CSR spending and profit after tax. It showed also that CSR spending exerts negative insignificant impact on profit after tax and a unidirectional causal relationship running from CSR spending to profit after tax for Oando PLC among all the selected multinationals in the study. Also, Ohiokha, Odion and Akhalumenh (2016) analyzed the impact of CSR on the financial performance of firms in Nigeria. The study adopted pooled survey research design. From the analysis of 29 firms over a period of 2005 to 2010, the result revealed that CSR spending had little impact on the financial performance of the sampled companies.

In a similar vein, Olaroyeke and Nasieku (2015) carried out a study on the effect of CSR on the performance of listed manufacturing companies in Nigeria. Descriptive techniques were employed. The result showed that CSR activities have moderate positive effect on the performance of manufacturing companies. In another study, Richard and Okoye (2013) examined the impact of corporate social responsibility on deposit money banks in Nigeria. Descriptive survey design was adopted. The results showed that CSR has great impact on the society adding to the infrastructure and hence development of the society. It was equally found that CSR enhances the performance of deposit money banks. Umoren, Isiavwe-Ogbari and Alolagbe (2016) conducted a study on effect of CSR on firms performance in Nigeria, using listed firms in the Nigerian Stock Exchange. Descriptive survey design was adopted and the result revealed that CSR was mainly influenced by company size and audit type and not by profitability. It was also revealed that CSR promotes firms financial perforamcen in Nigeria.

Paulik, Majkova, Tykva and Cervinka (2015) examined the application of CSR measuring model in commercial banks in relation to their financial performance in Czech Republic. The study employed descriptive statistics and Pearson moment correlation. The result of the study showed a positive strong relationship between CSR index and financial performance of the banks. In particular, the correlation coefficient of profit after tax was the highest, 0.969. Okwemba, Chitiavi, Egessa, Musiega and Maniagi (2014) examined the impact of CSR on financial performance of banks in Katamega, Kenya. The study aimed at ascertaining whether embracing CSR practices actually leads to increased gross earnings (GE) and profit after tax (PAT). The study adopted descriptive survey design. The result of the study showed a statistically

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significant relationship between CSR practices and financial performance of firms. The study concludes that CSR practices impact gross earnings and profit after tax significantly in the banking industry. In another study, Onyeka and Nwankwo (2016) studied the impact of CSR reporting on profitability of Nigerian manufacturing firms. The study adopted content analysis. The result showed that CSR has significant positive impact on net profit of the manufacturing firms in Nigeria.

3. Methodology

Research Design

This study adopts ex-post-facto research design. The design is considered appropriate for the study because the independent variables are being studied in retrospect, seeking plausible and possible relations and the likely effects, the changes in independent variables could produce on dependent variable. The independent variables are earnings per share, gross earnings and profit after tax of selected banks in Nigeria.

Sources of Data

The data for the study are secondary data sourced from the 2017 annual returns of the banks in Nigeria. Seven banks were selected through purposive sampling technique. They include Access Bank, Frist Bank, Guaranty Trust Bank (GTB), Stanbic IBTC, United Bank for Africa (UBA), Union Bank and Zenith Bank. Precisely, expenditures on corporate social responsibility of the selected banks were extracted alongside their financial performance represented by earning per share, gross earnings and profit after tax of the banks.

Model Specification

The functional equation is;

$$FP = f(CSR) \qquad (1)$$

Where:

FP = Financial Performance of Banks is represented by earning per share (EPS), gross earnings (GE) and Profit after tax (PAT).

CSR = Expenditure on Corporate Social Responsibility

Specifying the models econometrically, it becomes:

$$EPS = \beta_o + \beta_1 csr + \mu_t \qquad (2)$$

$$GE = \beta_o + \beta_1 csr + \mu_t \qquad (3)$$

$$PAT = \beta_o + \beta_1 csr + \mu_t \qquad (4)$$

and log of the models are specified as:

$$\text{Log eps} = \beta_o + \beta_1 \text{logcsr} + \mu_t \qquad (5)$$

$$\text{Log ge} = \beta_o + \beta_1 \text{logcsr} + \mu_t \qquad (6)$$

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$$Logpat = \beta_o + \beta_1 logcsr + \mu_t \quad (7)$$

Where:

EPS = Earning per share
GE = Gross earnings
PAT = Profit after tax
CSR = Corporate Social Responsibility
μ_t = White noise or Stochastic error term
β_o = The intercept

and $\beta_1\beta_2$ and β_3 are the parameters (i.e.) coefficients of the independent variables with the *a priori* of $\beta_1 > 0$, $\beta_2 > 0$ and $\beta_3 > 0$.

Analytical Techniques

Correlation and simple regression analysis were employed for the analysis. The correlation analysis helped to determine the relationships between and among variables. The use of simple regression analysis is not only for its optimal properties of linearity, unbiasedness and minimum variance, but also of its computational simplicity (Koutsouylannis, 2003). The econometric view (E-View 8) and SPSS version 20 software packages were used for the analysis at 0.05 level of significance.

4. Data Presentation and Analysis

4.1. Data on Corporate Social Responsibility and Performance Indicators of the Banks

Table 4.1: Banks CSR Spending and Financial Performance

S/N	Bank	CSR	GE	EPS	PAT (₦)
1.	Access Bank	1,954,945,601	352,001,000,000	1.85	58,100,201,000
2.	First Bank	1,389,527,800	591,608,000,000	2.67	98,785,000,000
3.	GTB	681,752,427.30	258,100,061,000	3.18	101,456,709,000
4.	Stanbic IBTC	481,567,300	16,340,001,000	1.67	15,137,000,000
5.	UBA	589,067,654	306,018,000,000	1.28	53,805,000,000
6.	Union Bank	301,245,000	127,732,100,000	1.25	29,847,000,000
7.	Zenith Bank	3,937,261,000	481,074,000,000	3.27	108,109,000,000

Source: Bank's Annual Report, 2017

The above table shows the expenditure on CSR, gross earning, earning per share and profit after tax of the selected banks in the study.

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Table 4.2: Logarithm Nature of the Variables in the Study

S/N	Bank	LOGCSR	LOGGE	LOGEPS	LOGPAT
1.	Access Bank	21.68514	27.22453	0.641280	24.48692
2.	First Bank	21.46128	26.78134	0.85609	25.26544
3.	GTB	20.91375	26.44076	1.16478	26.31059
4.	Stanbic IBTC	19.84596	23.59562	0.38002	23.39761
5.	UBA	19.85676	26.19341	0.27875	24.68352
6.	Union Bank	19.52385	25.61214	0.21065	24.12652
7.	Zenith Bank	21.96781	26.84223	1.12008	25.62137

Source: Computation from (E-View 8)

4.2. Correlation Analysis and Linear Diagnostics

Table 4.3: Correlation Analysis for Logged Values

Variables		Logcsr	Logeps	Logge	Logpat
Logcsr	Pearson Correlation	1	.429	.598*	.706**
	Sig. (2-tailed)		.127	.049	.005
	Sum of Squares	12.765	8.536	8.706	9.753
	Cross-Products Covariance	1.063	.567	.671	.765
	N	7	7	7	7
Logeps	Pearson Correlation	.429	1	.423	.687**
	Sig. (2-tailed)	.127		1.25	.007
	Sum of Squares	8.536	23.173	9.274	12.546
	Cross-Products Covariance	.567	1.794	.708	.961
	N	7	7	7	7
Logge	Pearson Correlation	.598*	.423	1	.558*
	Sig. (2-tailed)	.049	.125		.037
	Sum of Squares	8.706	9.274	18.247	9.312
	Cross-Products Covariance	.671	.708	1.476	.705
	N	7	7	7	7
Logpat	Pearson Correlation	.706**	.687**	.558*	1
	Sig. (2-tailed)	.005	.007	.037	
	Sum of Squares	9.753	12.546	9.312	13.176
	Cross-Products Covariance	.765	.961	.705	1.082
	N	7	7	7	7

Source: SPSS, Version 20.0

Table 4.3 is the presentation of correlation results between the dependent variable and the independent variables as well as among independent variables. The results show that the following relationships exist:

- logcsr and logeps: weak positive but insignificant relationship ($r = .429$; $p > 0.01$; $n = 7$)
- logcsr and logge: strong positive and significant relationship ($r = .598$; $p < 0.05$; $n = 7$)

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- logcsr and logpat: strong positive and significant relationship ($r = .706$; $p < 0.01$; $n = 7$)

Linear Diagnostics

The following tests were carried out to determine basic assumptions required for linear regression according to Gujarati (2009), the assumptions are also necessary for parametric test for hypothesis and they are: normality test, test of homoscedasticity and test of serial auto-correlation. We selected JarqueBera Normality test and chart spread, Breusch-Godfrey Heteroskedasticity test, the ADF unit Root test for auto-correlation and Ramsey RESET model specification test.

Table 4.4: Summary of Descriptive Statistics

	LOGCSR	LOGEPS	LOGGE	LOGPAT
Mean	19.85	0.12	25.43	23.89
Minimum	18.3	-2.75	22.64	21.61
Maximum	22.72	2.78	26.88	25.28
Std. Dev.	1.05	1.35	1.22	1.05
Skewness	0.014	-0.3	-1.08	-0.43
Kurtosis	2.5	3.64	3.34	2.78
Jarque-Bera	0.27	0.32	2.73	0.44
Probability	0.88	0.86	0.27	0.82
Observations	7	7	7	7

Source: Author's Computation using E-View 8.0

Normality and Stationarity Tests

Breusch-Pagan-Godfrey Heteroskedasticity Test

This test asymmetrically follows a chi-square distribution with degrees of freedom equal to the number of regressors excluding the constant term.

Model One

Logeps= β_o + logcrs + μ_t

H_o: There is no heteroscedasticity problem in the proposed model

H_1: There is heteroscedasticity problem in the proposed model

Table 4.5: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-Statistic	2.394912	Prob.F(1,5)	0.1476
Obs* R-Squared	2.338057	Prob.Chi-Square (1)	0.1275
Scaled explained SS	3.502901	Prob. Chi-Square (1)	0.0614

Source: Researcher's Computation using E-View 8.0

The result shows absence of heteroscedasticity in the data. Therefore, the heteroscedasticity assumption has not been violated. The null hypothesis is not rejected.

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Model Two

Logge = $\beta_o + \beta_1$logcrs + μ_t

H_o: There is no heteroscedasticity problem in the proposed model

H_1: There is heteroscedasticity problem in the proposed model

Table 4.6: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-Statistic	0.473248	Prob.F(1,5)	0.5047
Obs* R-Squared	0.531217	Prob.Chi-Square (1)	0.4673
Scaled explained SS	0.637285	Prob. Chi-Square (1)	0.4248

Source: Researcher's Computation using E-View 8.0

The result shows that the assumption has not been violated therefore the null hypothesis is not rejected.

Model Three

Logpat = $\beta_o + \beta_1$logcrs + μ_t

H_o: There is no heteroscedasticity problem in the proposed model

H_1: There is heteroscedasticity problem in the proposed model

Table 4.7: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-Statistic	0.647278	Prob.F(1,5)	0.4367
Obs* R-Squared	0.716491	Prob.Chi-Square (1)	0.3975
Scaled explained SS	0.226384	Prob. Chi-Square (1)	0.6346

Source: Researcher's Computation using E-View 8.0

The result shows there is no heteroscedasticity problem in the data. The implication is that the assumption has not been violated. Therefore the alternative hypothesis is rejected.

Unit-Root Test

This test was carried out using Augmented Dickey-Fuller (ADF). The idea is to test for stationarity of data because non-stationary data often produce spurious regression results.

Table 4.8: ADF Stationarity Test for Logcsr

		t-statistic	Prob.*
Augmented Dickey-Fuller test-Statistic		-4.797429	0.0035
Test Critical values	1% level	-4.121970	
	5% level	03.144921	
	10% level	-2.713753	

Source: Computed from E-View 8.0

The test shows that ADF result is greater than the Mackinnon 5% critical value in absolute terms at first differencing, thus the variable is stationary and the null hypothesis of non-stationary is rejected.

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Table 4.9: ADF Stationarity Test for Logeps

		t-statistic	Prob.*
Augmented Dickey-Fuller test-Statistic		-4.608701	0.0038
Test Critical values	1% level	-4.057922	
	5% level	-3.119935	
	10% level	-2.701108	

Source: Computed from E-View 8.0

The table shows that ADF test result is greater than the Mackinnon 5% critical value in absolute terms at level thus the variable is stationary and the null hypothesis of non-stationary is rejected.

Table 4.10: ADF Stationarity Test for Logge

		t-statistic	Prob.*
Augmented Dickey-Fuller test-Statistic		-4.986679	0.0023
Test Critical values	1% level	-4.057910	
	5% level	-3.119820	
	10% level	-2.701104	

Source: Computed from E-View 8.0

The test shows that ADF result is greater than the Mackinnon 5% critical value in absolute term at level. Thus the variable is stationary and the null hypothesis is rejected.

Table 4.11:ADF Stationarity Test for Logpat

		t-statistic	Prob.*
Augmented Dickey-Fuller test-Statistic		-4.972821	0.0021
Test Critical values	1% level	-4.057923	
	5% level	-3.119864	
	10% level	-2.711035	

Source: Computed from E-View 8.0

From the above table, it could be seen that the ADF test result is greater than the Mackinnon 5% critical values in absolute terms at first differencing. Thus the variable is stationary and the null hypothesis is rejected.

Test of Study Hypotheses

The hypotheses formulated to guide the objectives of the study and strengthen the analysis were restated and tested in this section of the analysis to verify the claims of the null hypotheses and decide whether to accept or reject them.

Re-Statement of the Hypotheses

1. H_o: Expenditure on corporate social responsibility does not have significant positive effect on banks' earning per share in Nigeria.

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H_1: Expenditure on corporate social responsibility has significant positive effect on banks' earning per share in Nigeria.

2. H_o: Expenditure on corporate social responsibility does not have significant positive effect on banks' gross earning in Nigeria.

   H_1: Expenditure on corporate social responsibility has significant positive effect on banks' gross earning in Nigeria.

3. H_o: Expenditure on corporate social responsibility does not have significant positive effect on banks' profit after tax in Nigeria.

   H_o: Expenditure on corporate social responsibility has significant positive effect on banks' profit after tax in Nigeria.

Regression Results and Interpretation

Table 12: Summary of Regression Result for Model I

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	-10.74761	6.806127	-1.579097	0.1405
LOGCSR	0.544714	0.340985	1.597228	0.1364
R-Squared	0.175305	Mean dependent var.		0.109374
Adjusted R-Squared	0.106592	S.D dependent var.		1.335108
S.E. of regression	1.261858	Akaike info criterion		3.434767
Sum of squared resid.	19.110551	Schwarz criterion		3.526065
Log likelihood	-22.04347	Hannan-Quinn criterion		3.426327
F-Statistic	2.550828	Durbin-Watson stat.		2.076092
Prob (F-Statistic)	0.136224			

Estimated Model: logeps = 10.75 + 0.54logcsr

The result in Table 4.12 shows that F-Statistic is 2.500828 and it means that overall, the model is statistically insignificant because $P_{0.136224}$ is greater than 0.05 significance level. The table shows equally that the coefficient of earning per share is 0.54 and it means that when corporate social responsibility is increased by one unit, earning per share will not change by any percentage. The t-value of 1.597 and its corresponding probability of 0.136 shows that the coefficient is not significant because $P_{0.136}$ is greater than 0.05 significant level. Consequently, the null hypothesis was accepted and we conclude that expenditure on corporate social responsibility does not have significant positive effect on banks' earning per share in Nigeria.

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Table 13: Summary of Regression Result for Model II

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	12.75218	5.786614	2.203748	0.0479
LOGCSR	0.635684	0.289927	2.192624	0.0486
R-Squared	0.286108	Mean dependent var.		25.424391
Adjusted R-Squared	0.226570	S.D dependent var.		1.219874
S.E. of regression	1.072934	Akaike info criterion		3.110217
Sum of squared resid.	12.81501	Schwarz criterion		3.201512
Log likelihood	-19.77251	Hannan-Quinn criterion		3.101767
F-Statistic	4.807583	Durbin-Watson stat.		2.745203
Prob (F-Statistic)	0.038898			

Estimated Model: logge = 12.75 + 0.64logcsr

From the above table, F-Statistic of 4.81 is an indication that the model is overall statistically significant because $P_{0.039}$ is less than 0.05. It shows also that the coefficient of gross earning is 0.64 and it means that when corporate social responsibility is increased by one unit, the gross earning of the banks will increase by 64 percent. The t-value of 2.19 and its corresponding probability shows that the coefficient is significant and positive. Consequently, the null hypothesis was rejected while the alternative which suggests that expenditure on corporate social responsibility have significant positive effect on banks gross earning in Nigeria was accepted.

Table 14: Summary of Regression Result for Model III

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	9.551588	4.149541	2.301875	0.0405
LOGCSR	0.718109	0.207872	3.454352	0.0059
R-Squared	0.498582	Mean dependent var.		22.86714
Adjusted R-Squared	0.456776	S.D dependent var.		1.043891
S.E. of regression	0.769374	Akaike info criterion		2.445083
Sum of squared resid.	7.103148	Schwarz criterion		2.536467
Log likelihood	-15.11552	Hannan-Quinn criterion		2.436728
F-Statistic	11.93187	Durbin-Watson stat.		1.919874
Prob (F-Statistic)	0.004756			

Estimated Model: logpat = 9.55 + 0.72logcsr

Table 4.14 above shows that F-Statistic is 11.932 and it is an indication that the model is statistically significant because $P_{0.005}$ is less than 0.05 significance level. The table shows equally that the coefficient of profit after tax is 0.72 and it means that when expenditure on corporate social responsibility is increased by one unit, profit after tax of the banks will increase to 72 percent. Similarly, the t-value of 3.454 and its corresponding probability level of 0.006 is an indication that the coefficient is significant and positive because 0.006 is less than 0.05 level of significance. Therefore, the null hypothesis was rejected while the alternative which suggests that

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expenditure on corporate social responsibility have significant positive effect on banks' profit after tax in Nigeria was accepted.

Discussion of Research Results

The regression result for the first test of hypothesis which sought to ascertain the effect of expenditure on corporate social responsibility on banks' earnings per share in Nigeria, showed there is no significant effect thereby confirming the result of the correlation analysis on the variables which showed insignificant positive relationship. The result is consistent with that of Igbal, Ahmad, Basheer and Nadeem (2012) when they found from their study that corporate social responsibility has no significant effect on market value of companies in Pakistan. However, the finding of this study and that of Igbal et al (2012) is quite strange because the literature has raised substantial awareness on the positive effect of corporate social responsibility on financial performance of firms across the globe. Perhaps, there may be need for further studies to real establish the causative effect of CSR on firms financial performance. It could also be that the expenditures on CSR are not big enough to impact the firms' earning per share financial ratio.

Concerning the second test of hypothesis, the result showed that expenditure on corporate social responsibility have significant positive effect on gross earning of banks in Nigeria. The result is consistent with those of Paulik et al (2015) and Ofori et al (2014) when they found in their separate efforts that expenditure on corporate social responsibility has significant positive impact on gross earning of banks as a financial performance measure of those banks in Nigeria. The result couldn't have been otherwise because corporate organizations are increasingly becoming aware that expenditure in their host communities is one of the major ways of marketing their organizations' products to the people. No wonder that many corporate outfits have enunciated strong company policies in favour of active involvement in corporate social responsibility activities in the society. Indeed, improved relationships with host communities bring economic benefit to firms, especially banks where virtually everybody transacts and invests no matter how little. Such benefits include patronage which leads to product brand enhancement.

Finally, the result of the third test of hypothesis showed that expenditure on corporate social responsibility have significant positive effect on profit after tax of banks in Nigeria. The result is in line with that of Monsuru and Abdulazeez (2014) when they found that corporate social responsibility activities in the society positively affect corporate profitability. It is also consistent with the result of Amole, Adebiyi and Awolaja (2012) when they found that positive and significant relationship exists between corporate social responsibility spending and profitability of banks in Nigeria. Profit after tax is

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the most important financial performance index of corporate organizations. The fact that corporate social responsibility spending can impact it is an indication that CSR expenditure is a worthwhile exercise. Apart from the motive of service to the host community, most firms engage on CSR activities because of the expectation that it would in return increase the level of their profitability.

Conclusion

The study examined the effect of corporate social responsibility expenditures on financial performance of Nigerian banks. The study evaluated the said effect on banks' earning per share, gross earning and profit after tax. Through the application of Pearson correlation analysis, it was found that the relationship between corporate social responsibility earning per share of the banks is insignificant but positive while that of gross earning was positive and moderately significant. However, the relationship between CSR and profit after tax of the banks is positive, strong and significant. Furthermore, the result of the simple linear regression analysis showed that corporate social responsibility has no significant effect on earning per share of banks in Nigeria while it has significant positive effect on gross earning and profit after tax of the banks as corporate entities. The implication is that fundamentally, expenditure on corporate social responsibility is a way of enhancing the wellbeing of the society and the corporate organization as they (corporate organizations) are increasingly becoming aware of the need to participate in immediate community development. The finding of no significant effect could be because the expenditures are not yet big enough to cause significant effect on the index. Perhaps, higher investment in CSR may be what is necessary for the impact to become significant. Corporate social responsibility expenditures has become very popular because it has been found to lead to firms' competitiveness. However, the findings of the study may not be generalized beyond the institutions studied and years due to methodological limitations.

Recommendations

Based on the findings and conclusion drawn from it, the study recommends as follows:

1. Banks should increase their dedication to giving back to the society, by formulating an inclusive framework for CSR expenditure to boost the standard of living of the members of their host communities to a level that their social reputation will engender positive and substantial increase in their financial performance.
2. Expenditures on CSR should be increased to enable it reflect on the earnings the stakeholders get per share because there is no statistically

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significant effect of CSR on earning per share of banks in Nigeria. The implication is that the amount banks give out in CSR is insufficient.
3. Trends observed in the studies is that most of these banks tends to do more in economic responsibilities than legal and ethical responsibilities
4. Future Research on Corporate Social Responsibility of Manufacturing and Service Firms is recommended.

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