



Corporate Social Responsibility (CSR) and Deposit Money Bank's Financial Performance

Cecilia Adurayemi Adu^{1*}, Moses Ade Ajigbotoso²

Department of Accounting And Finance, Crawford University, Nigeria

Corresponding Author: Cecilia Adurayemi Adu wuradare2420@gmail.com

ARTICLE INFO

Keywords: CSR, DMBs, ROA, Profitability, Expenditure

Received : 02 March

Revised : 17 March

Accepted: 18 April

©2024 Adu, Aigbotoso: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

The study examined the effect of corporate social responsibility on the financial performance of deposit money banks in Nigeria. Primary data were adopted for this study through the administration of some copies of questionnaire. The OLS regression was used to analyse the data and it was found out that there is a positive significant relationship between Corporate Social Responsibility and the return on assets of commercial banks in Nigeria. It was suggested that the deposit money banks should ensure they embark on more structured and well planned Corporate Social Responsibility.

INTRODUCTION

A growing number of companies, organizations, and businesses worldwide have realized that they must fulfill their Corporate Social Responsibilities (CSR) as a result of the pressure on them to improve their social and environmental performance. The significance of Corporate Social Responsibility (CSR) for the operations of businesses across all categories began to emerge in the early 1960s. Due to increased economic growth brought on by technological advancements, favorable economic conditions, and other factors, some organizations, academics, economists, government parastatals, and non-governmental organizations have increased their interests by becoming involved in the practice of corporate social responsibility (Adams, 2023).

Recently, a number of businesses have published annual reports on Corporate Social Responsibility (CSR) that are written with great confidence for the environment and the government. Because businesses have benefited society through their operations by providing employment opportunities, patronage, and other benefits, there is a social contract between them and society that imposes responsibilities on them locally, nationally, or worldwide (Idowu and Towler, 2022).

Most executives through CSR have improved profits of their organizations by promoting respect for their companies in the marketplace which resulted in higher sales, enhanced employee's loyalty and attracted better personnel to the firm (Battaglia, Testa, Bianchi, Iraldo, and Frey, 2021). Activities about CSR focus on sustainability issues which may lower costs and improve efficiencies by adding advantage to public companies through aggressive CSR activities which help to get listed on the stock exchange by enhancing the company's stock price, stock options, more profits and shareholders' happiness (Amba-Rao, 2023).

Every bank has modus operandi that contains their being socially responsible to the environment they operate thus carrying out these duties and obligations with positive effect on the bank's performances (Bakos, 2021). Therefore, this study is to evaluate the effect of Corporate Social Responsibility on the performances of deposit money banks in Nigeria. However, there is a huge cry for an in-depth study into the effect of Corporate Social Responsibility on the financial performance of Deposit Money Banks using various performance measures like Return on Equity (ROE), Return On Assets (ROA) and so on (Adu, 2023).

LITERATURE REVIEW

Research Objective : The main objective of this study is to examine the effect of Corporate Social Responsibility on the financial performance of Deposit Money Banks in Nigeria while other specific objective is to: Determine the effect of CSR on ROA of DMBs

Research Question: The research question is to what extent is the effect of CSR on ROA of DMBs?

Research Hypothesis : This study uses one dependent variable to measure and test for hypothesis. The variable is Return on Assets (ROA)

Hypothesis One

H₀: CSR has no significant effect on ROA of DMBs

Conceptual of Review

Corporate Social Responsibility (CSR)

Corporate Social Responsibility is the act of being responsible to the immediate environment in creating social benefits and services along with the primary aim of profit maximization. The concept of Corporate Social Responsibility centres around companies taking responsibility of their immediate society while focusing on increasing their profits (Ismail, 2022). Corporate Social Responsibility involves diverse strategies accepted by firms in their business modus operandi in ethical and society friendly manner. These activities may be in form of partnering with local communities in embarking on community projects, making investments for the social well-being of the community, embarking on environmental cleanliness and sustainability activities, improving working conditions and building lasting relationships with employees, as well as customers and their families (Alexander and Buchlolz, 2018).

The banking business includes acceptance of deposits, loan extension and providing complementary services; in any kind of countries, culture, and banking products and investors, banks need to be responsible for their customers in social responsible way (Adu and Williams, 2023).

Adu, Uchehara, Williams, Oguntuase, and Oke-Potefa (2023) state that corporations have an identity, a conscience, and are responsible citizens. Their values and principles are at odds with international principles in order to maximize corporate wealth. However, one important expected benefit of being socially responsible is the addition of value for the corporation, which is represented in corporate reputation and creating value thinking in present and future generations. For the companies, CSR is a valuable asset (Ali, 2021).

METHODOLOGY

The research population considered all the twenty one commercial banks in Nigeria and used primary data mode of collection.

RESEARCH RESULT AND DISCUSSION

Data Analysis

Table 1. The importance of CSR is Validated by Growing Need for Better Societal and Environmental Conditions

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	19	19.0	19.0	19.0
Agree	22	22.0	22.0	41.0
Undecided	13	13.0	13.0	54.0
Disagree	20	20.0	20.0	74.0
Strongly Disagree	26	26.0	26.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

Table 1 presents the ways in which the respondent's views to the increasing demand for improved social and environmental conditions support the significance of corporate social responsibility. 20% disagreed, 26% strongly disagreed, 13% were undecided, 19% strongly agreed, and 22% agreed. This suggests that the majority of responders weren't at all in agreement.

Table 2. CSR is an Important Dimension of Contemporary Business Activities

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	35	35.0	35.0	35.0
A	33	33.0	33.0	68.0
U	8	8.0	8.0	76.0
D	18	18.0	18.0	94.0
SD	6	6.0	6.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

Table 2 examined the answers regarding CSR as a significant aspect of modern business operations. 33% agreed, 8% were unsure, 18% disagreed, and 6% strongly disagreed with the statement. Of the respondents, 35% strongly agreed. This suggests that the majority of respondents agreed strongly.

Table 3. Responses CSR may Help Company's Get Listed on the Floor of the Stock Exchange

	Frequency	Percent	Valid Percent	Cumulative Percent
SA	11	11.0	11.0	11.0
A	16	16.0	16.0	27.0
U	15	15.0	15.0	42.0
D	28	28.0	28.0	70.0
SD	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

The question of whether CSR may assist companies in becoming listed on the stock exchange floor was examined in Table 3 above. A total of 11% strongly agreed, 16% agreed, 15% were unsure, 28% disagreed, and 30% disagreed strongly. This suggests that the majority of respondents disagreed with the statement in a strong way.

Table 4. Response on CSR is an Important Component of Corporate Governance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid S A	23	23.0	23.0	23.0
A	24	24.0	24.0	47.0
U	9	9.0	9.0	56.0
D	29	29.0	29.0	85.0
S D	15	15.0	15.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

Table 4 analyzed the question on CSR as an important component of corporate governance. 23% strongly agreed with the statement, 24% agreed, 9% were undecided, 29% disagreed, and 15% strongly disagreed. This implies that most of the respondents disagreed with the statement.

Table 5. Responses on Embarking on CSR has an Effect on Customer Patronage

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid S A	63	63.0	63.0	63.0
A	21	21.0	21.0	84.0
U	12	12.0	12.0	96.0
D	3	3.0	3.0	99.0
S D	1	1.0	1.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

The table 5 above represents a tabular analysis of responses concerning embarking on CSR has an effect on customer patronage. 63% strongly agreed, 21% agreed, 12 undecided, 3% disagreed while only 1% strongly disagreed. This implies that most of the respondents strongly agreed with the statement that embarking on CSR has an effect on customer patronage.

Table 6. Responses on the Banks Impact on Community May Have a Corresponding Effect on MBV of Banks

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid S A	32	32.0	32.0	32.0
A	48	48.0	48.0	80.0
U	7	7.0	7.0	87.0
D	8	8.0	8.0	95.0
S D	5	5.0	5.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

Table 6 shows the tabular representation of the responses to the question, the banks impact on community may have a corresponding effect on MBV of banks. 32% strongly agreed, 48% agreed, 7 undecided, 8% disagreed and 5% strongly disagreed. This therefore implies that most of the participants agreed with the statement.

Table 7. Responses on CSR Activities Focusing on Sustainability Issues May Lower Costs and Improve Efficiencies as Well

	Frequency	Percent	Valid Percent	Cumulative Percent
S A	50	50.0	50.0	50.0
A	15	15.0	15.0	65.0
U	8	8.0	8.0	73.0
D	22	22.0	22.0	95.0
S D	5	5.0	5.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

Table 7 shows the tabular analysis of responses as regards the question; CSR activities focusing on sustainability issues may lower costs and improve efficiencies as well. 50% were strongly agreed, 15% agreed, 8% undecided, 22% disagreed, and 5% strongly disagreed. This therefore implies that most of the respondents strongly agreed.

Table 8. Responses on Performances of Banks can be Determined From the Viewpoint of Their CSR Involvement

	Frequency	Percent	Valid Percent	Cumulative Percent
S A	28	28.0	28.0	28.0
A	40	40.0	40.0	68.0
U	7	7.0	7.0	75.0
D	18	18.0	18.0	93.0
S D	7	7.0	7.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

Table 8 shows the tabular representation of the analysis of question 8, Performances of banks can be determined from the viewpoint of their CSR involvement. 28% responded strongly agreed, 40% agreed, 7% undecided, 18% disagreed, and 7% strongly disagreed. This therefore implies that most respondents agreed with the statement.

Table 9. Responses on Corporate Social Responsibility Disclosures are Made Available to all Staff in the Bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid S A	42	42.0	42.0	42.0
A	27	27.0	27.0	69.0
U	11	11.0	11.0	80.0
D	12	12.0	12.0	92.0
S D	8	8.0	8.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

All bank employees have access to the Corporate Social Responsibility Disclosures, as demonstrated by the tabular representation of responses to the question. 27% agreed, 11% were undecided, 12% disagreed, and 8% strongly disagreed, with 42% strongly agreeing. This suggests that the majority of responders agreed with the statement in a strong way.

Table 10. Responses on There is a need for a Systematic, Interdisciplinary Literature Review on CSR Implementation and Change Models

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid S A	56	56.0	56.0	56.0
A	20	20.0	20.0	76.0
U	3	3.0	3.0	79.0
D	15	15.0	15.0	94.0
S D	6	6.0	6.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

The table 10 above shows respondent's responses to the question on there is a need for a systematic, interdisciplinary literature review on CSR implementation and change models. 56 strongly agreed, 20% agreed, 3% undecided, 15% disagreed, and 6% strongly disagreed. This therefore implies that most of the respondent's strongly agreed with the statement.

Regression Analysis

OLS regression method was used to determine CSR and performance of deposit money banks in Nigeria. The results are presented in the tables below.

Restatement of Hypothesis One

H₀: CSR has no significant effect on ROA of DMBs

Model Specification

Dependent Variable: Return on Assets (ROA)

Independent Variable: Corporate Social Responsibility (CSR)

$$CSR = \alpha + f, ROA + e \quad \text{OR} \quad Y = \alpha + f, X-1, . + e$$

Where $\alpha = \text{Constant}$, $C = X-1$, $e = \text{error term}$ and $f = \text{beta}, B. \text{ values}$

Regression Result showing effect of Corporate Social Responsibility (CSR) on Return on Assets (ROA) of Deposit Money Banks in Nigeria

Table 11. Model Summary of Hypothesis One Model
Summary of Hypothesis One

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.605 ^a	.422	.402	1.42468

a. Predictors: (Constant), CSR

Interpretation (Model Summary)

It is understood from the table above that there is a positive relationship between CSR and ROA.

The R-Square or Coefficient of determination shows the percentage of how the dependent variable varies from the independent variable. The R² for final model derived = 0.422 which indicates that CSR has a 42.2% effect on changes in ROA.

The Adjusted R-Square shows that 40.2% of the variance in ROA was explained by the model.

From the above summary, there exists a positive significant linear relationship between CSR and ROA.

Table 12. ANOVA^a of Hypothesis One

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	50.282	1	50.282	38.306	.000 ^b
	Residual	130.278	98	2.156		
	Total	170.560	99			

a. Dependent Variable: ROA

b. Predictors: (Constant), CSR

Decision rule: The P. Sig value of 0.000 ($p < 0.01$) indicated that CSR has a noteworthy impact on ROA. The goodness of fit of the model is indicated by the final column, "Sig." The null hypothesis, which states that CSR has no significant impact on the Return on Assets of Deposit Money Banks in Nigeria, is rejected because the P-value is less than 1% of the significance level (i.e., $0.000\% < 1\%$), while the alternative, which states that CSR significantly affects the Return on Assets of Deposit Money Banks in Nigeria, is accepted. Essentially, the dependent variable's change can be explained by the model.

Table 13. Co-efficients^a of Hypothesis One

Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	1 (Constant)	1.782	.251		
CSR	.426	.109	.486	4.075	.000

a. Dependent Variable: ROA

Based on the aforementioned data, the coefficient of 0.426 is utilized to indicate the degree to which a change in CSR will impact ROA. Therefore, the data suggests that whenever there is a change in CSR, there is a 42.6% change.

Hence, the Model or Linear equation becomes;

$$Y = A + f(X-1)$$

$$Y = 1.439 + 0.426 * X-1$$

$$Y = 1.782 + 0.426 * X-1$$

With a coefficient of 0.486, the developed model (under the Standardized Coefficients; Beta) further confirms that the independent variable contributes either positively or negatively to the ROA in deposit money banks.

Summary of the Findings

From the analyses, it was found out that corporate Social Responsibility has a significant effect on the Return on Asset of deposit money banks, with a p-value due to a 0.000 p-value.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Corporate Social Responsibility (CSR) has a significant effect on the Return on Assets (ROA) of Deposit Money Banks in Nigeria,

Recommendations

From the findings of the research, the deposit money banks should ensure they embark on more structured and well planned Corporate Social Responsibility. Team leads should also ensure that members of the group are aware of the CSR goals for the financial period.

ADVANCED RESEARCH

While writing this article, the researcher realized that there are still many flaws in language, writing, and presentation style, which is understandable given their own limited knowledge and experience. To guarantee the paper is perfect, the researcher therefore expects insightful criticism and suggestions from a variety of sources.

REFERENCES

- Adams, C.(2023). The ethical, social and environmental reporting-performance portrayal gap. *Accounting, Auditing and Accountability Journal*, 17:731-757.
- Adu, C.A (2023). Microfinance bank's credits and agricultural productivity in Ado Odo Ota Local Government. *Sapienta Global Journal of Arts, Humanities and Development Studies*, 6(1):45-56.
- Adu,C.A and Williams, A.C (2023). Cashless policy and the financial performance of banks in Nigeria. *Sapienta Foundation of Education, Sciences and Gender Studies*, 5(1): 59-68.
- Adu, C.A; Uchehara, C.C; Williams, A.C; Oguntuase,A.T; and Oke-Potefa, O.S.(2023). Liquidity and credit management of deposit money banks in Lagos State Nigeria. *International Journal of Arts, Languages and Business Studies*, 10(1): 162-180
- Alexander,G.J and Buchholz,R.A (2018). Corporate social responsibility and stock market performance . *Academy of Management Journal*, 21(3): 479-486.
- Ali,Y.S.(2021). Corporate social responsibility in supply chains: Relevance of supplier development.
- Amba-Rao,S.C(2023).Multinational corporate social responsibility, ethics, interactions and hird world governments: An agenda for the 1990s. *Journal of Business Ethics*,12(7):553-572.
- Bakos,L(2021). Decision-making and managerial behaviour regarding corporate social responsibility in the case of small and middle-sized companies. *Procedia-Social and Behavioural Sciences*, 124:246-254.
- Battaglia,M; Testa,F;Bianchi,L; Iraldo,F; and Frey,M.(2021). Corporate social responsibility and competitiveness within SMEs of the fashion industry: Evidence from Italy and France. *Sustainability Journal*, 6(2): 872-893.
- Idowu,S.O and Towler,B.A. (2022). A comparative study of the contents of corporate social responsibility reports of UK companies. *Management of Environmental Quality: An International Journal*.
- Ismail,M.(2022).Corporate social responsibility and its roles in community development: An *International perspective*. *Journal of International Social Research*, 2(9):199-209.
- Jeje,K.(2022). An overview of corporate social responsibility. *The Journal of Humanities and Social Studies*, 5(7): 287-296.