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Corporate Social Responsibility and Profitability of Nigeria Banks - A Causal Relationship

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Abstract

The rising cost of running business organizations in Nigeria and the lack of basic infrastructure, as well as divergent views in the literature regarding the type of relationship that exists between CSR and Corporate performance have necessitated this paper that examined the relationship between corporate social responsibility and profitability in the Nigerian banking industry using First Bank of Nigeria (FBN) Plc as the case study. Annual reports formed the secondary source of data collection where the CSR expenditure and profit after tax for the period of 2001-2010 was used for the computational experiment. The data collected for this study were analysed using correlation and regression analysis. The hypothesis formulated was tested. The results of the regression analysis as showed the impact of corporate social responsibility expenditure on profitability in Nigeria banks which revealed (Beta= 0.945, p<.01). This means that for every unit change increment in the CSR expenditure will lead to .945 or 95% increase in the profit after tax of the company. The R-square was 0.893 which shows that CSR accounted for 89.3% of the variation in the profit after tax of First Bank Plc. The study concluded that there is positive relationship between banks CSR activities and profitability. The implications of this study include the need for banks to demonstrate high level of commitment to corporate social responsibility based on stakeholder theory in order to enhance their profitability in the long run.

Keywords: CSR; banking; profitability; causal; stakeholder theory; Nigeria

1. Introduction

Banking operations all over the world are technological driven, right from the door that customer passes through to enter the banking hall to the recording of the transactions between the customer and the bank or with third party (ies) requires one technology or the other which must be powered with electricity. Due to epileptic power supply in Nigeria, most organizations have to provide alternative power supply rather the relatively cheaper National grid (PHCN). This and some other factors have been militating against efficient running of business organization in Nigeria. As they have to factor the cost of fueling the alternative source of power which is always costly among others (like LPFO/Black oil, AGO/diesel and GAS) into their factors of production or operations as in the case of banks.

However, in the face of the above challenges for banks in Nigeria, the practise of corporate social responsibility as a concept entails the practice whereby corporate entities voluntarily integrate both social and environment upliftment in their business philosophy and operations. A business enterprise is primarily established to create value by producing goods and services which society demands. It therefore seems that the practices of CSR will further pose a burden on the financial performance of banks. This has made most observers perceive Nigeria business environment has been hostile.

Following the series of banking reforms undergone during the Soludo (2006) recapitalization exercise and the current reform going on by Sanusi Lamido Sanusi led CBN in (2009), Nigerian banks has always been at receiving end of these reforms, in terms of improving the quality of services delivery to the customer. This does not come without it cost. Although, with the new "competent and competitive players," the Nigerian banking system is now driven by advanced competition brought about by banking reforms, globalization, deregulation of financial services, recent replacement of some banks' Chief Executives, astronomical development in Information and Communication Technology (ICT), among others, to render services according to cost-benefit criteria. This has affected banks customers' habits as well, while the increasing demands for clear and hard facts about the social and environmental performance of banks by an increasingly well-informed breed of stakeholders have made corporate social responsibility (CSR) the vogue. All of these, in a country with epileptic power supply. Banks are concerned by this because, with the modern day banking hardly could any bank operates without power supply. At least to operate its technological gadget that aids the effective and efficient.

In the light of the above problems faced by most banks, there is the need to evaluate the impact of CSR on the profitability of the banking sector in Nigeria. The following questions were designed to probe into the Corporate Social Responsibility impact on banks profitability.

i. Is there any relationship between Corporate Social Responsibility and Banks profitability?
ii. What impact does Corporate Social Responsibility have on the bank's profitability?

The rationale of this study is to examine relationship as well as the impact of Corporate Social Responsibility on banks profitability.

Hypotheses of the study

H_0: there is no significant relationship between corporate social responsibility expenditure Bank profitability

H_1: there is significant relationship between corporate social responsibility expenditure Bank profitability

2. Literature Review

2.1 Definition of CSR

In the literature on CSR different authors described it in different ways. There is no universal definition of CSR, organizations have framed different definitions and there are several perceptions of the term according to the context locally and among the countries.

According to Egels (2005), the area defined by advocates of CSR increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment. According to Ruggie (2002), CSR is a strategy for demonstrating good faith, social legitimacy, and a commitment that goes beyond the financial bottom line. Baker (2005), states that *CSR* is about how companies manage the business processes to produce an overall positive impact on society, in accordance with, the World Business Council for Sustainable Development (WBCSD) that states, "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."

In the opposite, Frederick (1994) explained a move from Corporate Social Responsibility to "Corporate Social Responsiveness" defined as "the capacity of a corporation to respond to social pressures". The World Business Council for Sustainable Development, in its publication "Corporate Social Responsibility: making good business sense" by Holme and Watts (2002) provided different perceptions of what CSR should mean from a number of different societies. For example, "CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government".

The concept of social responsibility has very high important components of ethics that are the guidelines going to improve the quality of life of the people in organizations and, at the same time, provides a industrial competitive advantage for the firm and needs to be developed as a corporate strategy of the firm focusing in the issues of social, environmental and economics.

According to Frooman (1997), the definition of what would exemplify CSR is the following: "An action by a firm, which the firm chooses to take, that substantially affects an identifiable social

stakeholder's welfare." A socially responsible corporation should take a step forward and adopt policies and business practices that go beyond the minimum legal requirements and contribute to the welfare of its key stakeholders. CSR is viewed, then, as a comprehensive set of policies, practices, and programs that are integrated into business operations, supply chains, and decision-making processes throughout the company and usually include issues related to business ethics, community investment, environmental concerns, governance, human rights, the marketplace as well as the workplace.
Corporate Social Responsibility (CSR) is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (European Commission, 2001).
Corporate Social Responsibility (CSR) is a means of discussing the extent of obligations a business has to its immediate society; a way of proposing policy ideas on how those obligations can be met; as well as a tool by which the benefits to a business for meeting those obligations can be identified (CSR Guide). CSR is also referred to as 'corporate' or 'business responsibility', 'corporate' or 'business citizenship', 'community relations', 'social responsibility'. It involves the way organizations make business decisions, the products and services they offer, their efforts to achieve an open and honest culture, the way they manage the social, environmental and economic impacts of business activities and their relationships with their employees, customers and other key stakeholders having interest in the Business and its operations.

Corporate social responsibility is defined (Wood, 1991), as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships." According to the Organization for Economic Co-operation Development "business's contribution to sustainable development" (OECD 2001, 13), Corporate social responsibility is very similar to the concept of corporate sustainability which remarks the integration of economic and social issues to business managements, and in that way a sustainable strategy is developed in the long term. As Warhust (2001) points out, the three major elements of CSR are *product use* which focuses on contribution of industrial products which help in well-being and quality of life of the society, *business practice* which focuses on good corporate governance and gives high impetus for the environmental well-being and equity, and finally *distribution of profits* equitably across different societies, in particular the host community.

2.2 Principles of corporate social responsibility

Corporate Social Responsibility (CSR) embraces a range of principles or ideas, ranging from corporate governance, business ethics, and sustainable development through to human rights and environmental concerns. They are explained more fully.

- **Business ethics**: Ethical businesses assess the moral implications of their actions, from product development to manufacturing to distribution, in order to stay competitive. Many issues fall under the rubric of business ethics: human rights, environmental protection, worker health and safety, labour standards, marketing, accountability, and reporting. Business ethics is concerned with a compliance with internal regulations and government mandates. An ethical business will also look beyond its own ethical practices to the practices of its business partners and suppliers (see supply chain management). Business ethics is also taught as an academic discipline to business students at undergraduate and postgraduate level (Chryssides & Kaler 1993). Ethics are used as a guide in legal or religious compliance and in accomplishing profit maximisation. It is merely one form of decision making (Hartman, 2002).
- **Sustainable development**: for some people social responsibility is a subset of sustainable development, for others it underlines and distinguishes the social dimensions of the impacts of business and other organizations, given that sustainable development has come to imply a focus on the environment (Agenda 2001).
- **Corporate governance** is the basis of accountability in companies, institutions and enterprises, balancing corporate economic and social goals on the one hand with community and individual aspirations on the other. The Cadbury Report (Committee on the Financial Aspects of Corporate Governance 1995) and Greenbury Committee Report (Greenbury 1995) both form the basis of the codes that govern corporate governance particularly for publicly quoted companies. Cadbury argued for a clearly accepted division of responsibilities at the head of a company to ensure a balance of power and authority, such that no individual has unfettered powers of decision. Greenbury's main points were on the remuneration of the board of directors.

- **The environmental concerns** of businesses can be divided into the local and the global. All businesses in the UK must comply with legislation that prevents gross pollution of water, air, and soil. Manufacturing businesses can buy permits or trade tariffs in order to be able to pollute up to a certain limit. They must also make provision for cleaning up. Businesses must also face up to global environmental concerns; they know that their activities can have wide ranging repercussions on the environment, especially on global warming through the emission of greenhouse gases.
- **Working in the community:** Businesses have always had some sort of relationship with the communities that live around them, usually because they recruit staff locally. Businesses spend time and money assisting local communities in a variety of ways e.g. supporting education programmes and health awareness initiatives.
- **Human Resource Management**: This includes recruitment and training, equal opportunities, profit sharing and share ownership schemes.
- **Supply chain management**: Businesses engaging in corporate social responsibility review their suppliers' practices encouraging suppliers to meet the challenges of a socially responsible business if they want to continue trading with them.
- **Socially responsible investment (SRI):** Where SRI was in the past developed for religious groups (Quakers, Catholics, Muslims), it is available in many different formats to address issues of concern to people of any faith, or none. The proliferation of socially responsible or ethical funds has led to the creation of indices of socially responsible companies.

2.3 Can Firms Sacrifice Profits in the Social Interest?

Just because the legal system may allow firms to sacrifice profits in the social interest does not mean that firms can do so on a sustainable basis in the face of competitive pressures. Under what conditions is it economically feasible for firms to sacrifice profits in the social interest? Before turning to this question, we address a somewhat broader question: under what conditions might it be sustainable for firms to produce goods and services, such as public goods, that benefit individuals other than their customers (Lyon and Maxwell 2004; Vogel 2006)?

We identify six conditions that would facilitate the production of such goods and services. All six of these conditions involve government intervention, imperfect competition, or both. First is the imposition of regulatory constraints that require a firm as well as its competitors to carry out some socially beneficial actions. Second is the possibility that such production is not costly to the firm. For example, restaurants frequently donate leftover food to homeless shelters. The third condition is that the socially beneficial actions may reduce a firm's business expenses by an amount greater than the cost of the actions themselves. For example, installation of energy saving (climate friendly) technologies may generate long-term cost savings that outweigh upfront costs. Fourth, in some cases socially beneficial actions may yield an increase in revenue. It is easy to think of goods and services that are differentiated along environmental lines, such as clothing made of organic cotton, or wood from forests managed in accordance with some principles of sustainability. Socially beneficial actions could also generate goodwill, improving a firm's reputation and sales. Fifth, firms may choose to go beyond full compliance with environment, health, or safety laws in order to improve their position in current or future regulatory negotiations. By doing so, they may be able to deflect or influence future regulation or deflect enforcement of existing regulation. Sixth, some firms may use over compliance to spur future regulation, which would provide a competitive advantage over less adaptable firms.

We now turn to our more restrictive definition of CSR and address the question raised above: what conditions is it economically feasible for firms to sacrifice profits in the social interest? In some cases firms undertake CSR actions voluntarily, while in others they engage in CSR only under pressure from market participants or other social forces. In practice, it is difficult to discern voluntary from "reluctant" CSR. Whether CSR initiatives are voluntary or reluctant, their economic sustainability depends on the market pressures and social expectations confronted by the firm (Borck, Coglianese, and Nash 2006).

2.4 Benefits and Cost for Companies Which Behave Social Responsible:

"There are several studies that suggest that firms practicing good ethics and good corporate governance are rewarded by financial market, while firms practicing poor ethics and poor governance are punished" (Neal, Cochran, 2008). Cochran and Neal have been reviewed a range of recent public studies in financial fields. There is a big relationship between corporate social responsibility and Financial performance: (Orlitzky, Schmidt, and Rynes, 2003) found a correlation between social/environmental performance and financial performance.

"For several decades, researches have investigated potential benefits may be achieved by business than defined their responsibility as extending beyond of the narrow perspective of maximizing profit" (Dane, 2004), Improving the competitiveness of the industry.

Cost benefit analysis as a very simple level may be regarding simply as a systematic thinking about decisions making linking that with the *consequences* of different courses of actions.

Firms continuously make decisions that increase their benefits. Considering that CSR is a voluntary behavior, corporations have the option: to *choice act only responsible or social responsible*. Economics are the sciences of making decisions that can represent expected benefit or expected cost. If the expected benefits are higher than the expected cost, corporation choose this action-shareholder oriented, being only responsible-. *But this is not simple like this*. Beyond of that, being social irresponsible scenario there is a systemic view of making decisions: there is a framework of international principles, benefit and cost are important decisions but also corporate wealth is important. The actions are conditioned to international principles.

Corporations maximize the benefits and minimize the cost for their self and for future and present generations.

From being social responsible, an important expected benefit is ADD value for the corporation that is represented in *corporate reputations and creating value thinking in present and future generation*, corporations have identity, conscience-they are responsible citizens-, their values and principles are alienated with international principles to maximize corporate wealth. CSR is a value asset for the firms. This social responsible citizen is perceived by various stakeholders and "they react to the perceived reputation of a corporation and social issues in general" (Dane, 2004). Reactions could be viewed in terms of benefits of cost for the wealth of the corporation:

Moreover, in the market, Corporate Social Responsible behavior has positive consequences, for instance in terms of reputation, good will, to behave responsible is an important asset for the corporation. Also these market positives consequences/rewards are reflected in employees and customer fidelity. According to Mainelli, corporate rewards/positives consequences can be seeing from two perspectives: "*carrots for success* and *freedom from sticks*. *Freedom from sticks* includes not being subjects to NGO attacks, not having government impositions, not being boycotted from regions of market or not losing key employees with different ethical values and *Carrots for success* might include good public relation, brand enhancement, access to contract with CSR requirements, positive relation with NGOs or attracting higher-quality staff at lower rate" (Mainelli ,2004). Also, in commercial organizations it has been distracted that CSR increase in shareholder value" (Mainelli, 2004).

2.5 Related Studies on Corporate Social Performance and Corporate Financial Performance

The relationship between corporate social performance (CSP) and CFP has been a hot debate topic of scholars for a half century (Dodd, 1932; Jarrell and Peltzman, 1985; Hoffer et al., 1988; Preston and O'Bannon, 1997; Waddock and Graves, 1997; Griffin and Mahon, 1997; McWilliams and Siegel, 2000; and Simpson and Kohers, 2002). The empirical study results on the CSP and CFP link have never been in agreement, as some studies determined negative correlation, some determined positive correlation, while others determined no correlation at all.

The viewpoint for positive correlation between CSP and CFP suggests that as a company's explicit costs are opposite of the hidden costs of stakeholders, therefore, this viewpoint is proposed from the perspectives of avoiding cost to major stakeholders and considering their satisfaction (Cornell and Shapiro, 1987). In addition, this theory further infers that commitment to CSR would result in increased costs to competitiveness and decrease the hidden costs of stakeholders. This argument is meaningful and reasonable, as good relationships with employees, suppliers, and customers are necessary for the survival of a company. Bowman and Haire (1975) pointed out that some shareholders regard CSR as a symbolic management skill, namely, CSR is a symbol of reputation, and the company reputation will be improved by actions to support the community, resulting in positive influence on sales. Therefore, when a company increases its costs by improving CSP in order to increase competitive advantages, such CSR activities can enhance company reputation, thus, in the long run CFP can be improved, by sacrificing the short term CFP.

The viewpoint for negative correlation between CSP and CFP suggests that the fulfillment of CSR will bring competitive disadvantages to the company (Aupperle et al, 1985) methods or need to bear other costs. When carrying out CSR activities, increased costs will result in little gain if measured in economic interests. When neglecting some stakeholders, such as employees or the environment, result in a lower CSP for the enterprise, the CFP may be improved. Hence, Waddock and Graves (1997) indicated that this theory was based on the assumption of negative correlation between CSP and CFP.

Some other studies suggested that CSR is not related to CFP at all. Ullmann (1985) pointed out that there is no reason to anticipate the existence of any relationship between CSR and CFP, as there are many variables in between the two. On the other hand, the issue of CSP measurement may also cover the link between CSP and CFP (Waddock and Graves, 1997). McWilliams and Siegel (2000) also proved that the relationship between CFP and CSP would disappear with introduction of more accurate variables, such as the R&D strength, into the economic models.

Since, there is no conclusion regarding the type of relationships that exist between the CSR and Corporate performance. The study lends it voice through its finding considering Nigeria business environment.

2.6 Theoretical Framework

2.6.1 Overview of Stakeholders Theory

From the evidence obtained in the literature, and the industry context of this study, the paper adopts the stakeholder theory which holds that business organization must play an active social role in the society in which it operates. Freeman (1984) one of the advocates of stakeholder theory, presented a more positive view of manager's support of CSR. He asserts that managers must satisfy a variety of constituents (e.g. investors and shareholders, employees, customers, suppliers, government and local community organizations) who can influence firm outcomes.

According to this view, it is not sufficient for managers to focus exclusively on the needs of stockholders, 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, otherwise, these groups might withdraw their support.

Stakeholder´s groups vary from firm to firm, as well as the importance of each of them. CSR should begin with identification of stakeholders and follow by finding the strategy how to satisfy and harmonize their expectations.

2.6.2 The Stakeholder Theory

Emerging alongside the CSR and 'triple-bottom-line' theory, stakeholder theory stands in contrast to the neo-classical conception of managerial obligations where the social responsibility of business is to maximize business. Widely acclaimed as one of the first to define stakeholder theory, Freeman stated that stakeholders are "*groups and individuals who can affect or are affected by, the achievement of an organization's mission"* (1984). Each of the stakeholder groups has a right to not be treated as a means to some end, and therefore should and must participate in determining the future direction of the company which they have a stake (Freeman, 1984). Examples of stakeholders are stockholders, consumers, suppliers, employees, local community of operation and/or non-profit organisations. More narrowly, a stakeholder is

"*… any individual or group whose role-relationship with an organisation: a) helps to define the organisation, its mission, purpose or its goals, and/or b) is vital to the development, functioning, survival and success or wellbeing of the organisation and its services* [....], *or c) is affected by the organisation and its activities"* (Werhane & Freeman, 1999).

A fundamental characteristic of stakeholder theory is therefore to attempt to identify individuals and groups that states, organisations and companies are accountable to, but that has also been part of the theory's challenge (Anheier, 2005; Anderson & Bieniaszewska, 2005).

The interaction between the corporation and its stakeholders is the essence of stakeholder theory, and in consequence terms like "participation", "inclusion", "voice", "involvement" and "partnership" is common in stakeholder literature. These terms have been put in the same basket named "stakeholder dialogue" to describe the involvement of stakeholders in decision-making processes that concern both social and environmental issues (Rahbek and Pedersen, 2006). As support for participatory decision-making continues to grow across the environmental sector, the academic literature has begun to identify emerging tensions and challenges to the effective implementation of participatory processes, although still a new field (Gardner, 2005).

There is a debate in the literature over whether it makes sense to talk about a unified stakeholder theory or if there should be an account for different kinds of theories, which engages different disciplines and methodologies (Heath & Norman, 2004). Stakeholder theory might not be seen as a theory per se, but as an approach/body of research which has emerged in the last 20 years by scholars in multiple disciplines (for example management and business ethics), in which the idea of stakeholders play a crucial role (Jones et al, 2002). However, the main object of stakeholder theory is that it adds a framework for business ethics because it acknowledges a plurality of values and moral agency on different levels, and gives a better understanding of a company's complex moral responsibility than

other economic theories do (Werhane & Freeman, 1999; Rahbek Pedersen, 2006). Although different kinds of stakeholder theories have emerged, this research will draw on the main stakeholder theory using Freeman's framework.

More so, the idea of stakeholder theory was first hinted at by Johnson (1971) in his definition of CSR, where he conceives a socially responsible firm as being one which balances a multiplicity of interests, such that while striving for larger profits for its stockholders, it also takes into account, employees, suppliers, dealers, local communities and the nation. The theory was later developed by Freeman (1984) and thereafter refined by various authors, e.g. Freeman (1994), Bowie (1991), Evan and Freeman (1988, 1993), Freeman and Evan (1990), Freeman and Philips (2002), etc. Contrary to the proponents of the agency theory, Freeman (1984) posits that managers bear a fiduciary relationship to stakeholders, whom he defines as groups or individuals who can affect or are affected by the achievement of the organisation‘s objectives, such as stockholders, suppliers, employees, customers and the local community. Donaldson and Preston (1995: 65) see stakeholders as having legitimate interests in the procedural and/or substantive aspects of corporate activity, whose interests must be considered on their own merits. Post et al. (2002) contributed to understanding stakeholders, by their definition of the firm‘s stakeholders as individuals and constituencies that contribute to; either voluntarily or involuntarily, to wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers. Research on stakeholder theory has generally focused on three areas – instrumental, normative and descriptive (Donaldson and Preston, 1995). These three areas overlap and are sometimes, difficult to delineate (Jones and wicks, 1999; Driscoll and Crombie, 2001). The instrumental stakeholder perspective shows the firm pursuing its interest, by managing its relationship with other stakeholder groups. The normative stakeholder perspective addresses the moral duties of the firm‘s management towards its stakeholders. The descriptive stakeholder perspective explains the actual behaviour of managers, firms and stakeholders. Whilst stakeholder theory, as developed by Freeman (1984) was instrumental in orientation, further works by Evan and Freeman (1993) and others have attempted to modify the theory to reflect a normative orientation. The instrumental orientation sees business as managing the relationship between its stakeholders in order to improve the bottom line; see for example, Berman et al. (1999), Mitchell et al. (1997), and Odgen and Watson (1999). Scholars, who have looked at the theories and definition of CSR, have for this reason grouped the stakeholder approach to CSR under the instrumental theories (Jenson, 2000; Husted and Allen, 2000; Porter and Kramer, 2002). Following Freeman‘s (1994) declaration that a normative core of ethical responsibility is required in order to point out to corporations, how they should be governed and to guide the behaviour of its managers, a number of works, e.g. Bowie (1998), Freeman (1994), Philips (1997, 2003) and Freeman and Philips (2002), have revisited the stakeholder theory to reflect different ethical theories, such as deontology, utilitarianism, virtue ethics, Rawlsian principles, Kantian ethical theory, doctrine of fair contract, etc. The central argument of the normative approach to stakeholder theory is that stakeholder interests should not only be recognized for instrumental or strategic purposes, but also out of moral obligation.

3. Materials and Methods

The study used annual reports of First bank of Nigeria Plc. Data used include corporate social responsibility expenditure and profit after tax for the period of 2001-2010. Data relating to cost/investment/expenditure as the case may be for the bank on corporate social responsibility and profitability was used to construct ordinary least square (OLS) model of regression to which was analyzed using SPSS 17.0 in order assess the impact as well as test the hypothesis of the study; if there is relationship and the extent of the relationship if any between the independent variable (corporate social responsibility expenditure) and the dependent variable profitability (profit after Tax). The study adopts model on the causal relationship between Corporate Social Responsibility (CSR) and Firm`s Financial Performance (FFP), this study employs regression analysis (Fogler and Nutt, 1975; Vance, 1975; McWilliams et al., 2000; Hull et al., 2008) as the main statistical method, when CSR is an independent variable and FFP is a dependent variable, as shown in Eq. (1):

$$FFP_t = \alpha 0 + \beta_1 CSR_t + \dot{\varepsilon} \quad (1)$$

When FFP (banks Profitability) is the dependent variable and CSR is independent variable. Where; t is the t-th year (time series annual data), FFP_t is the CSR of t-th year.

This is in line with past studies on the link between CSR and FFP, control variables included (Ullman, 1985; Waddock and Graves, 1997) and R&D (McWilliams and Siegel, 2000) to render the research results more complete.

This study also attempted to use the Pearson correlation analysis method, this is consistently in line with previous studies (Heinze, 1976; McGuire et al., 1988; Stanwick, 1998; Preston and O'Bannon, 1997; Charles- Henri et al., 2002; Hull et al., 2008) and regression analysis (Fogler and

Nutt, 1975; Vance, 1975; Stanwick, 1998; McWilliams et al., 2000; Hull et al., 2008) to understand the CSR and FFP link, and its relational degree and direction.

4. Data presentation, analysis and discussion

Table 2: First Bank Plc data on Corporate Social Responsibility Expenditure (N) and profit after Tax (N)

YEAR	CSR EXPENDITURE(N)	PROFIT AFTER TAX
2001	28,249,357	4,676,000,000
2002	22,234,500	3,979,000,000
2003	43,597,000	10,323,000,000
2004	93,385,000	11,096,000,000
2005	67,931,000	12,184,000,000
2006	119,887,000	16,053,000,000
2007	315,833,000	18,355,000,000
2008	438,729,000	30,473,000,000
2009	1,229,513,988	35,074,000,000
2010	887,743,641	26,936,000,000

Source; Annual Report (2001-2010)

In order to reduce magnitude of the data for easy elasticity, the data presented in the table 2, the data was logged for easy interpretation of the data. The logarithm of the magnitude of the data is presented in the table 3.

Table 3: First Bank Plc LOG data on Corporate Social Responsibility Expenditure (N) and profit after Tax (N), (2001-2010)

YEAR	CSR EXPENDITURE(N)	PROFIT AFTER TAX	Log CSR	Log PAT
2001	28,249,357	4,676,000,000	17.15658	22.26571
2002	22,234,500	3,979,000,000	16.91716	22.1043
2003	43,597,000	10,323,000,000	17.5905	23.05764
2004	93,385,000	11,096,000,000	18.35224	23.12985
2005	67,931,000	12,184,000,000	18.034	23.22339
2006	119,887,000	16,053,000,000	18.60206	23.49916
2007	315,833,000	18,355,000,000	19.57072	23.63317
2008	438,729,000	30,473,000,000	19.89939	24.14011
2009	1,229,513,988	35,074,000,000	20.92988	24.28073
2010	887,743,641	26,936,000,000	20.60419	24.01673

Source: Annual Report (2001-2010)

Using SPSS 17 to run the table 3, the logarithm data on CSR expenditure and Profit After Tax (PAT) of First Bank plc for the period of 2001-2010. The output is presented in table 4. From the output the result shows high association or relationship between the two variables under examination. With 0.945, it revealed that there is strong relationship between corporate social responsibility expenditure (N) and profit after tax (N).

Table 5. Correlations output to show the relationship between First Bank data on Corporate Social Responsibility Expenditure (N) and profit after Tax (N)

Correlation between CSR and Profit After Tax		PAT	CSR
Pearson Correlation	PAT	1.000	.945
	CSR	.945	1.000
Sig. (1-tailed)	PAT	.	.000
	CSR	.000	.
N	PAT	10	10
	CSR	10	10

*. Correlation is significant at the 0.01 level (1-tailed).

This establishes relationship between CSR expenditure and PAT was found to be significant at 0.01 or 1%.

The results of the ordinary least square regression analysis as showed in table 6, to evaluate the impact of corporate social responsibility expenditure on profitability in Nigeria banks revealed (Beta= 0.945, $p<.01$). This means that for every unit change increment the CSR expenditure will lead to .945 or 95% increase in the profit after tax of the company. The R-square was 0.893 which accounted for about 89.3% of the variation in the profit after tax of First Bank Plc. It is also indicating that corporate social responsibility is important in achieving effective financial performance of banks in Nigeria. The overall significance of the model is showed in the table (F-statistic= 66.592, $p<.01$) and the Durbin-Watson Stat show that the model is fit at 1.755. Above all, the model revealed that 89.3% of the variance of profit after tax of First Bank Plc is been explained by the benefit accrued from corporate social responsibility.

Table 6:Regression result on the impact of corporate social responsibility on profitability model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.945[a]	.893	.879	.25663	.893	66.592	1	8	.000	1.755

a. Predictors: (Constant), CSR

b. Dependent Variable: PAT

4.1 Hypothesis Testing

From the above table 6, the value of (“r”= 0.945, p < .01) which stand for “r” calculated. This shows that there is positive correlation between corporate social responsibility expenditure and the profit earned by the company. This is significant at the 0.01 level (1-tailed). This mean that the null hypothesis is rejected thereby leading to the acceptance of the alternative hypothesis.

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
CSR	41.825	9	.000	18.766	17.75	19.78
PAT	99.878	9	.000	23.335	22.81	23.86

In order to ascertain this acceptance of the positive relationship or correlation between corporate social responsibility expenditure and the profitability of First Bank Plc, a student "t" test of the expected expenditure on the social responsibility over the years was conducted.
Thus, the "t" = value for CSR (41.825) and PAT (99.878) was found to be significant at 99% confidence limit and "µ" is expected to fall within the range of <17.75 to > 19.78 which is found to be correct under this circumstance.

Therefore, there is significant positive relationship between corporate social responsibility expenditure and banks profitability. The result corroborated the work Joyner and Payne (2002) whose also found a positive correlation between reporting CSR with performance and firm value.

4.2 Discussion of Findings

The results of the ordinary least square regression analysis as showed the impact of corporate social responsibility expenditure on profitability in Nigeria banks which revealed (Beta= 0.945, p<.01). This means that for every unit change increment the CSR expenditure will lead to .945 or 95% increase in the profit after tax of the company. The R-square was 0.893 which accounted for about 89.3% of the variation in the profit after tax of First Bank Plc. It is also indicating that corporate social responsibility is important in achieving effective financial performance of corporate organization in Nigeria. The overall significance of the model is showed in the table (F-statistic= 66.592, p<.01) and the Durbin-Watson Stat show that the model is fit at 1.755. Above all, the model revealed that 89.3% of the variance of profit after tax of First Bank Plc is been explained by the benefit accrued from corporate social responsibility. This result is consistent with studies that found positive linkages in the past (Waddock and Graves, 1997; Auperle, et al., 1985). The hypothesis that was formulated was tested and the result shows that there is significant relationship between corporate social responsibility and profitability.

5. Conclusion and Implications

The study concludes that Corporate Social Responsibility spending in the long run provides better returns on the next marginal naira, thus every Banks in Nigeria should integrate it into their spending culture.

The study also concludes that there is positive relationship between CSR expenditure and banks profitability thus suggesting causal relationship between the CSR and profitability of banks. This was easily inferred due the fact that cost/expenditure on the CSR will further reduce tax paid by the banks. The support lend to the society through banks CSR will thereby make the business environment more friendly and habitable for organization survival.

The implication of the CSR commitment cannot be under estimated despite challenges faced by Nigeria banks due to its effect on public or stakeholders who see themselves as part of the business while in the long-run lead to better image of the organization which might influence customer patronage and loyalty.

Government needs to adopt a measure that monitors organization fairly investment in social responsibility so as to avoid some bad managers who records high costs on paper for CSR to avert tax/reduce tax burden and without given anything back to the society.

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