

Corporate Social Responsibility And Profitability Of Nigerian Banks: Implications For Service Delivery

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Abstract: *This paper sought to establish the relationship between corporate social responsibility (CSR) and profitability of Nigerian banks; as well as its implications for service delivery (SD). Corporate philanthropy was used as the only dimension of CSR; while profit after tax (PAT) was used to measure profitability. Using data from annual reports of five topmost banks in Nigeria (FBN, Zenith Bank, GTbank, UBA and Access bank); and the ordinary least square regression technique for data analysis, it was found that there is positive and significant relationship between CSR and Profitability; with far-reaching implications for SD. Based on this, it was concluded that banks in Nigeria can improve their profitability and SD through improved CSR practices. The study recommended that banks should view CSR as a means of achieving some corporate objectives such that CSR practices should be properly integrated into their operations; they should not limit their CSR practices to corporate philanthropy alone; regulatory bodies should be empowered to maintain international standards; they should develop proper framework for implementation of CSR programmes so as to execute programmes that have direct bearing on the needs of the people.*

Keywords: *Corporate Performance, Corporate Philanthropy, Ethical Responsibilities, Profitability, Profit tax after, Stakeholder theory.*

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I. Introduction

Profitability has become one of the very outstanding measures of business performance. The reason being that it can be easily monitored and measured; as Lord Kelvin cited in Varian (1989, p.10) asserted that “when you can measure what you are speaking about, and express it in numbers, you know something about it...”. Thus, profitability has become a subject of great importance to academics, the business community and researchers. It gives an on-the-spot assessment of businesses; providing bases for tax evaluation and payment, ascertainment of return on equity / investment / capital employed, as well as other financial metrics. It has also become a basis for most investment decisions. These features of profitability become much more evident in the banking industry where prudent management of resources and winning public trust are essential success parameters.

In a bid to become more profitable or be seen to be so, many corporate entities have become socially irresponsible. The fact that business challenges in today’s globalized economy has assumed a heightened dimension (Ndu, Ifionu & Ademe 2014); and the unpleasant stories of corporate financial recklessness / failures of most corporations (banks inclusive), give impetus to this study. The infamous scandals of corporate entities like Enron, Nike, Tyco, and WorldCom (Burns 2003; Heath & Norman 2004; McGuire, Dow & Argheyd 2003; Smith 2003), has in no small way rekindled a renewed interest of the public on the performance of business entities; especially on the need for them to be socially responsible. This awareness led to the enactment of the Sarbanes–Oxley Act in July 2002 in the United States of America (USA). Similarly, the Higgs Report and the Smith Report were enacted in 2003 in the United Kingdom (UK). While a similar enactment (The st-code for corporate governance) for banks in Nigeria became operational in 2006. According to Afrinvest (2010), the nature of banking business in Nigeria and the antecedents of the operators such as unrecoverable loans, unethical bank practices and illiquidity lends credence to such regulations so as to help the nation achieve financial stability. This financial crisis situation has necessitated the integration of corporate social responsibility (CSR) concepts and practices into the banking industry. In the light of these, business entities (especially banks) are increasingly being expected to focus on the role of business in the development of the society and its sustainability through CSR practices. Consequently, corporate performance is no longer viewed in terms of economic performance only; but also in terms of social and environmental benefits (Belal & Momin 2009; Perrini 2006). This has brought to limelight the concept of CSR which according to McWilliams and

Siegel (2001, p. 117) are those actions of the firm that appear to further some social good, beyond the interests of the firm and that which is required by law.

Several studies have tried to establish a relationship between CSR and Profitability. For instance, Akindele (2011) using retail banks in Nigeria examined the relationship between CSR practices and sustainable growth / development in the local communities. He found that there is a significant relationship between bank profitability and CSR practices. Similarly, Osisioma, Nzewi and Nwoye (2015) in their research established a significant relationship between CSR cost and corporate profitability of selected firms in Nigeria. While Sarwar, Zahid and Ikram (2012) using banks in Bangladesh conducted a research on the linkage between CSR practices and financial performance and found that the banks that focus on CSR practices have more return on asset than those that do not focus on the practices. Obviously, the volume of research on CSR is massive and still growing. However, in spite of the great interest of researchers on CSR particularly in the area of its relationship with financial performance, results of previous studies are indeterminate; implying that this area is riddled with inconclusiveness (Nasieku, Togun & Olubunmi 2014). This inconclusiveness constitutes a gap in literature and is a motivation for this study. Moreover, there is need to revalidate (or otherwise) previous studies such as Akindele's. This study took a unique stand by using Corporate Philanthropy (CP) (which is the highest level of CSR in the Carroll's Pyramid of CSR (Carroll, 1991)), as the dimension of CSR to examine its relationship with profitability; measured by Profit after Tax (PAT). Corporate philanthropy was chosen because CSR activities in Nigeria are mostly philanthropic in nature (Amaeshi, Adi, Ogbechie & Amao, 2006). This agrees with Carroll's postulation that the philanthropic responsibilities of organizations require that they be good corporate citizens and contribute resources to the community so as to improve the quality of life. PAT on the other hand was chosen because at that stage, all the necessary charges to profit (including tax) would have been taken care of; so that what remains is a true reflection of what the bank can appropriate. The proposed relationship has been captured in the figure 1.

The model shows the expected influence of CSR on Profitability. However, CSR is being dimensioned by corporate philanthropy (CP); while profitability is being measured by profit after tax (PAT).

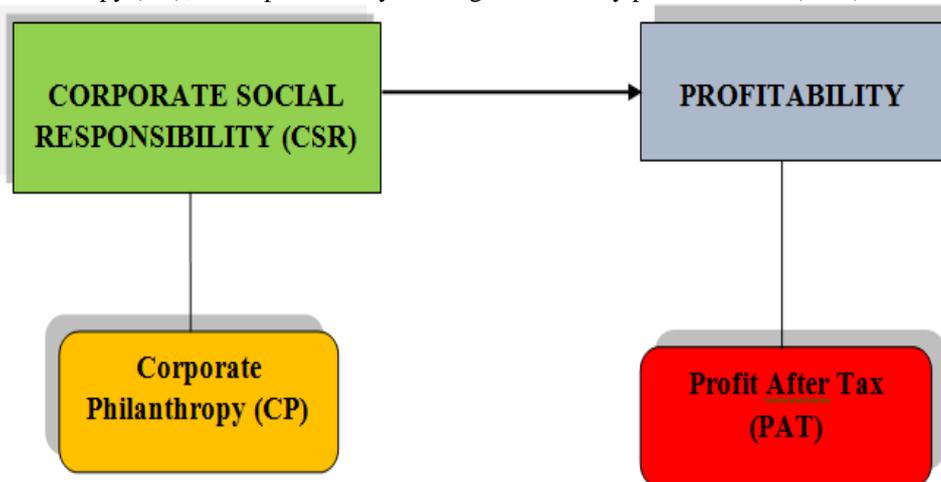


Fig. 1: Conceptual Model of the Relationship between Corporate Social Responsibility and Profitability.
 Source: Researchers' Conceptualization, 2016.

The aim of this study therefore was to determine the relationship between CSR and profitability; and the implication this may have on service delivery (SD). Consequently, it was hypothesized that:

H_0 : There is no significant relationship between Corporate Philanthropy and Profit After Tax.

H_1 : There is a significant relationship between Corporate Philanthropy and Profit After Tax.

The importance of this study stems from the fact that by relating the profitability of banks to their CSR practices, it pointed out a better and more inclusive way of measuring performance. The study is expected to be of immense benefit to banks and corporate organizations that will use its outcome as guide to their operations and for the strengthening of their corporate image. To the various stakeholder groups, this study serves as bases for business and investment decisions. It will enlighten stakeholders more on their expectation from their banks because according to Carroll (1991) CSR is not only limited to philanthropy. Host communities, employees, creditors and sundry stakeholders will use it as bases for their bargain with firms. A bargain based on

documented evidence will lead to less friction and misunderstanding than the one based on assumptions and speculations. Apart from these, this study adds to the repertoire of knowledge on our subject matter.

II. Literature Review

The underlying theory for this study is the Stakeholder's Theory (ST). It captures the essence of the relationship that ought to exist between the organization and critical players in the environment to whom the firm ought to be accountable to (Carroll 1991; Clarkson 1995).

The Stakeholder Theory

What is today known as ST has a relatively young history spanning through mid-1900s to date. However, the initial discussion of ST in relation to CSR has been credited to Freeman (1984), who argued that if firms focus on satisfying multiple stakeholders, it will be detrimental to their core responsibility to the shareholders. According to him, stakeholders may be defined as "any group or individual who can affect, or is affected by, the achievement of a corporation's purpose" (Freeman, 1984, p.6). Freeman's views sparked off the interest of other researchers into the stakeholder's construct and corporate behaviour such as Clarkson who maintained that stakeholders are critical to, and are largely interdependent with the corporation. Consequently, their participation and/or satisfaction are needed for the survival and growth of the firm. Hence, measuring firms' corporate success only from the shareholders' perspective is not only misleading but self-defeating.

ST advocates that corporations should not limit their goals and objectives to profit maximization alone but should broaden them to include those that are socially beneficial to the society (Longo, Mura & Bonoli, 2005). Based on this theory, many companies embrace CSR practices as strategic plans; and as a way to promote socially responsible actions and policies; and to effectively respond to stakeholder demands (Maignan & Farrell 2004; Roberts 1992). The motivation for satisfying stakeholder demands stems from the fact that addressing stakeholder needs can be correlated with a firm's survival, economic well-being, competitive advantages, and the development of trust and loyalty among its targeted customers (Rahim, Jalaludin & Tajudin 2011). In the case of this study, CSR is expected to be an indicator of the level of profitability of banks; as such, can be used to improve performance.

Conceptual Review

The two major constructs of this study have been briefly reviewed hereunder.

The Concept of Corporate Social Responsibility (CSR)

Discourse on the CSR construct is not altogether new. According to Amaeshi et al (2006, p. 5), it could be traced back to such examples as the Quakers in 17th and 18th centuries whose business philosophy was not primarily driven by profit maximisation. They maintained that the driving force behind the Quakers' business was the need to add value to the society at large; such that business was framed as part of the society and not separate from it.

However, the renewed interest in the construct is believed to have begun since the 1950s and has since continued to grow in importance and significance (Nasieku, Togun & Olubunmi 2014). In fact, according to Maignan (2001), Bowen's 1953 work is acknowledged to be the first scholarly manuscript written on corporate responsibilities. Nevertheless, there is evidence that discussions on the construct may have started a decade or more earlier. For instance, Carroll (1999, p. 269) listed noteworthy references to this effect to include the works of Chester Barnard (1938) "The Functions of the Executive", J. M. Clark (1939) "Social Control of Business", Theodore Krep (1940) "Measurement of the Social performance of Business" and Fortune Magazine's polling on the social responsibilities of business executives in 1946. In the same vein, Peter Drucker argued in his 1942 book '*The Future of Industrial Man*' that companies have a social dimension as well as an economic purpose (Drucker cited in Palazzi & Starcher 2006). According to Palazzi and Starcher, CSR emerged as a top management concern in both the United States and in Europe, only to seemingly "wither on the vine" during the 1980's. Ever since then, it has been subjected to a seeming endless discussion, debate and research; and it has seen a lot of development in both academic and practitioner communities all over the world (Carroll & Shabana, 2010). The central focus of this debate is that in addition to the economic objectives, businesses should as well have a social responsibility to the community and environment in which they operate.

In view of this, several definitions and explanations have been advocated for CSR. However, the definition of CSR postulated by Carroll (1979, 1991) seems to have been accepted as the first formal description of the construct. In that definition, Carroll positioned CSR or "corporate citizenship" (Carroll 1998, p. 1) as he later termed it, as a three-dimensional construct having four distinct responsibilities that societies could expect from corporations. These include economic, legal, ethical, and discretionary or philanthropic responsibilities.

Although Carroll's definition has been criticized on the grounds that it is multi-dimensional and that the different dimensions interact; yet it stands out as a major pillar to further descriptions of the construct. Ademosu (2008) expressed it as what an organization does to contribute to the social, economic, political or educational development of the community where it is located, but which it is not compelled to do by any law. The World Bank cited in Wali, Amadi and Andy-Wali (2015), explained it as a term used to describe firm's obligations and accountability to all of its stakeholders in its operations and activities. Based on these definitions, the researcher wishes to describe CSR as the manner in which firms attain and maintain a balance among its various responsibilities cutting across the economic, social, and environmental spheres of its operations so as to meet both shareholder and stakeholder expectations without compromising either.

Corporate Philanthropy

Carroll's pyramid of CSR which is a graphic presentation of the dimensions of CSR captured its essence in such a way that diligent business persons will appreciate and accept the concept. According to Carroll (1991), the CSR concept has four kinds of social responsibilities which include – economic, legal, ethical and philanthropic responsibilities. In Nigeria however, CSR activities are mostly philanthropic in nature (Amaeshi et al 2006). This accounts for the reason why corporate philanthropy was used as the only dimension of the CSR variable in this study. Carroll captured the four kinds of social responsibilities in a pyramidal model; which has been shown in figure 2.

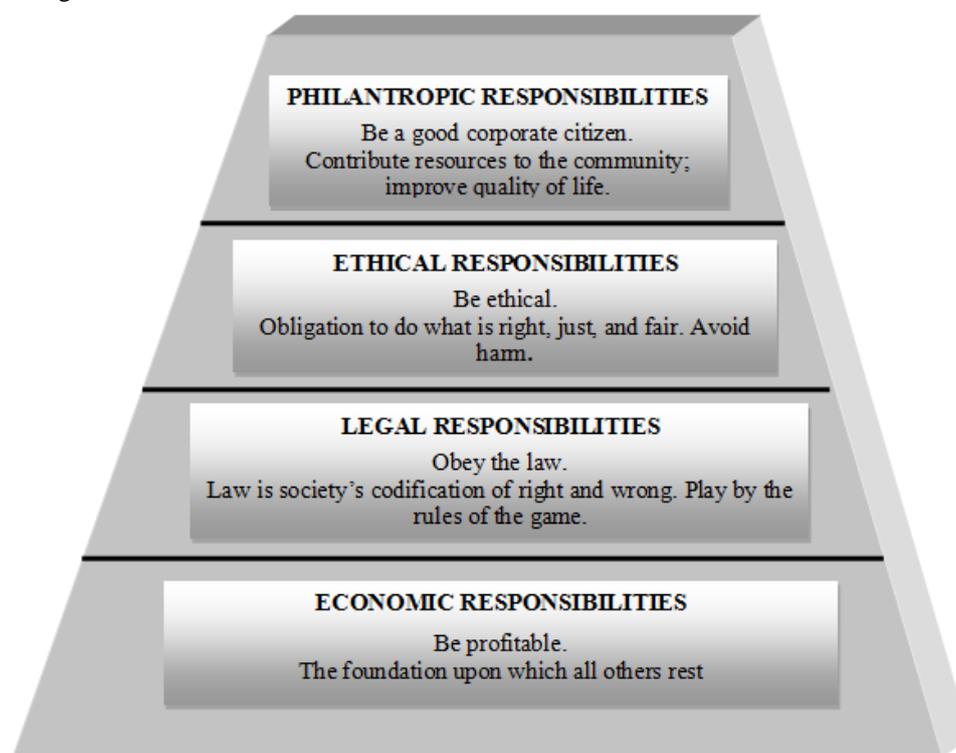


Figure 2: The Pyramid of Corporate Social Responsibility

Source: Carroll, A 1991, "The pyramid of corporate social responsibility": *Toward the moral management of organizational stakeholders. Business Horizons (July/August), pp. 39–48.*

Carroll is of the view that all of these responsibilities have always existed to some extent, but that ethical and philanthropic responsibilities just came to limelight in recent years. According to him, it is the responsibility of businesses to provide goods and services of value to the society and make profits thereof. This activity which represents the economic responsibility forms the foundation upon which other responsibilities rest; and the key stakeholders here are shareholders, creditors, and consumers. Carroll's second responsibility in the pyramid is legal responsibility. Under this responsibility, society expects businesses to conform to rules, laws and regulations that guide business operations as formulated by the government and relevant agencies. Consequently, business corporations are expected to pursue profits within the government's stipulated framework of the law in which it is spelt out what constitutes fair business operations. Hence society's expectation is that business transactions and relationships with stakeholders will at least meet minimum legal obligations.

The third responsibility in the pyramid is ethical responsibilities; which include those activities that are neither expected nor prohibited by society but reflect stakeholders' concerns. Some of the expectations from stakeholders reflect the need for businesses to be fair and just in their dealings with them. Public debates and moral suasions are often used to encourage firms to be just, observe human rights, environmental protection and utilitarianism. Global best practices, emerging values and norms in the society usually form the bases for the expected performance from businesses. More so, it is expected that firms go beyond mere compliance with laws and regulations to wilful observance of ethical standards. The last responsibility in the pyramid is philanthropic responsibilities (Corporate Philanthropy) which require businesses to be good corporate citizens and be involved in programs and activities that promote societal welfare and goodwill. This can be achieved through involvement in charitable acts, educational promotion, community welfare, women and youth empowerment, public infrastructure etc. However, it must be noted that such responsibilities are not expected in an ethical or moral sense. Hence, philanthropic responsibilities are voluntary and at the discretion of businesses. It appears to be more visible and pronounced; probably because of its tangible nature and for the fact that the society can relate more easily with it than other responsibilities since it has a direct bearing on the people and their communities. Although Carroll's pyramid of CSR appears as separate components; but in reality, they are not. The onus is on businesses to be involved in simultaneous fulfilment of these responsibilities. In summary Carroll sees the pyramid as a fundamental building-block; having economic performance as the base structure upon which other responsibilities stand. Similarly, businesses are expected to obey the law, behave ethically, and be good corporate citizens.

The Concept of Profitability

Profitability is a primary measure of the overall success of a company. Indeed, it is necessary for a company's survival. Several tests of profitability focus on measuring the adequacy of income by comparing it to other items reported on the financial statements. Profitability is the ratio of earnings to net sales. It is determined by dividing net income by revenue for the same 12-month period and result is shown as a percentage (Kotler & Armstrong 2004). It measures how much out of every naira of sales a company actually keeps in earnings. Profitability also known as net profit is calculated by finding the net profit as a percentage of the revenue. Different ratios can be used to determine profitability depending on one's interest. Some of these ratios include profit margin, Profit after Tax (PAT), return on equity (ROE), return on asset (ROA), Earnings per share (EPS), financial leverage percentage (FLP), quality of income and fixed asset turnover, etc. A detailed discussion of these ratios has been captured in Urieto (1999). For this study, PAT was used as the measure of profitability because it is a true reflection of what the banks own after deducting all allowable charges to profit.

The Concept of Service Delivery

Service delivery (SD) is a business component that explains the interaction between a service provider and a service consumer such the consumer either finds value or loses value as a result of the service provided (IAC publishing, 2017). It is expected that good SD provides customers with an increase in value; especially at the banking industry where excellent SD is at the core of corporate mission (FBN, 2006 & 2013). Successful SD comprises four key elements – service culture, service quality, employee engagement and customer experience (Issworld, 2015). Consequently, the need for quality service delivery becomes more manifest especially in the Nigerian business environment where SD is a far cry from global best practice.

Empirical Review

Several studies have been carried out on the relationship between CSR and the profitability of different business organizations and economic sectors (Abdulrahman, 2013; Adeneye & Armed, 2015; Igbal et al, 2014; Osisioma, Nzewi & Nwoye, 2015; Ofori, Nyuur & S-Darko, 2014; Odetayo, Adeyemi & Sajuyigbe, 2014; Shehu, 2013; Siddiq, 2014). These studies have reported results that are sometimes conflicting; leaving room for continued debate on the relationship between the two constructs. For instance, Shehu (2013) carried out a study on the influence of CSR on profit after tax of selected commercial banks in Nigeria. The result of the study showed that CSR has significant effect on profitability. Similarly, Igbal et al (2014) using donations as a measure of CSR; net profit margin and EPS as measures of financial performance studied the impact of CSR on the financial performance of Pakistani banks. They found that there is a positive relationship between CSR and the two measures. Akindele (2011) using retail banks in Nigeria examined the relationship between CSR practices and sustainable growth / development in the local communities. He found that there is a significant relationship between bank profitability and CSR practices. The study of Emilson (2012) on the correlation between CSR and profitability using economic value added (EVA), showed a low positive correlation between profitability and CSR. While Amole, Adebisi & Awolaja (2012) using the ordinary least square model of regression in testing the relationship between CSR and firms financial performance, reported a positive relationship between banks CSR activities and profitability. The study by Samina (2012) in which she used six Islamic banks of Bangladesh to examine the relationship between CSR expense and Islamic bank transactions

equally showed a positive relationship between the variables of the study. Apart from that, the study reported that the CSR practices of the six Islamic banks accounted for 24.29% of total CSR expense of commercial banks in the country.

Some other studies reported a divergent view. For instance McWilliams and Siegel (2000) in their study on the relationship between CSR and profitability found a non-significant relationship between the two variables. Similarly, Amaeshi et al (2006) found that CSR relates negatively with profitability. While Moore (2001) investigated the relationship between CSR and corporate financial performance (CFP); and reported a negative relationship between CSR and CFP. The finding of Barnett and Salomon (2006) also agreed that there was no relationship between CSR and profitability because its relationship is complex to understand. To Chapple and Moon (2005), the practice of CSR by companies can involve incurring short-term costs without any immediate financial benefit to the firms. They however established through their study that CSR practices by companies can promote positive social and environmental changes; which position has been corroborated by Adeyanju (2012); Carlsson and Akerstom (2008). These studies no doubt provide useful insight into the relationship between CSR practices and profitability of firms. However, some of the firms used were from the non-banking sector. In cases where banks were used, they were foreign with the exception of few. None of these studies was found to have used the exact dimension of CSR (corporate philanthropy) and measure of profitability (PAT) used in this study. But most importantly, this study went beyond the usual practice of establishing the relationship between the two constructs, to relating the CSR-Profitability equation to its implications on SD.

III. Methodology

Research designs according to Robson (2002) are of three types – explanatory, exploratory and descriptive studies. This study explored the performance of the sampled banks; hence, it is an exploratory research. While the archival research strategy was adopted in that materials which are of original source were accessed, analysed and used for purposes different from those they were originally intended for (Cortez, 2004). The study’s population comprised the Deposit Money Banks (DMBs) in Nigeria which numbers twenty-three (CBN statistical bulletin, 2015). However, due to the nature of the data and analysis involved in this study, it may not be feasible to study the entire DMBs. Moreover, the average market share of deposits and assets of the Nigerian banking industry are largely dominated by five banks (CBN cited in Udunze, 2015). Hence the researcher based the study on five banks believed to be the topmost banks out of the eight banks designated by the central bank of Nigeria (CBN) as strategically important banks in Nigeria (CBN cited in Chima, 2015). These include First Bank of Nigeria Limited, Guaranty Trust Bank Plc (GT Bank), Zenith Bank Plc, United Bank for Africa Plc (UBA) and Access Bank Plc.; while the sample size consists of a 10 year period from 2005 to 2014. The study extracted data from the annual reports relating to CSR costs and PAT for the period under review. The analysis was carried out using ordinary least square (OLS) model of regression; while the Statistical Package for Social Sciences (SPSS) software technology version 20.0 aided the analysis. The model specification has been presented below; while the data used for the analysis has been attached as an appendix.

Econometric Model Specification

$$\text{Profitability} = f(\text{CSR})$$

$$\text{PAT} = \beta_0 + \beta_1\text{CSR} + \mu$$

Where:

- PAT = Profitability (Profit After Tax)
- CSR = Corporate Social Responsibility
- β_0 = Intercept i.e. Constant Term
- β_1 = Coefficient of the independent variable.
- μ = Stochastic Variable i.e. Disturbance Term

IV. Results

The analysis and result for the different banks have been presented below.

Note: the P value for all the analysis is 0.05

Table 1: Regression Result of CSR and PAT for FBN

Hypothesis	R	R ²	Adjusted R ²	Sig value	Decision
H ₀ : There is no significant relationship between CSR and profitability.	.877	.769	.740	.001	Reject hypothesis

Source: Result based on SPSS Output, 2016

Table 1 showed an R value of 0.877 for hypothesis 1; indicating a strong positive relationship between CSR and PAT. The R square value of 0.769 stands for the coefficient of determination; which indicates that PAT can be predicted by CSR to the tune of 76.9%. The adjusted R square attempts to correct the R square. Thus only 74.0% of the variation in the dependent variable PAT can be explained by CSR; leaving the rest to other variables not captured by the model. The significant value of .001 which is less than the 0.05 level of significance indicates a very significant relationship.

Table 2: Regression Result of CSR and PAT for Zenith Bank

Hypothesis	R	R ²	Adjusted R Square	Sig value	Decision
H ₀ : There is no significant relationship between CSR and profitability.	.161	.026	-.096	.657	Accept hypothesis

Source: Result based on SPSS Output, 2016

From table 2, it could be seen that the R value for hypothesis 1 is 0.161; indicating a negligible positive relationship between CSR and PAT. The R square value of 0.026 stands for the coefficient of determination; which indicates that PAT can be determined by CSR only to the tune of 2.6%. This is too negligible to be considered as an explanation for the variations in the dependent variable; which is even worsened by the adjusted R square value of -.096. The significant value of .657 is far greater than the 0.05 level of significance; which indicates that there is no significant relationship between CSR and PAT in Zenith bank.

Table 3: Regression Result of CSR and PAT for GTbank

Source: Result based on SPSS Output, 2016

Hypothesis	R	R ²	Adjusted R Square	Sig value	Decision
H ₀ : There is no significant relationship between CSR and profitability.	.931	.866	.850	.000	Reject hypothesis

Table 3 shows an R value of 0.931; indicating a very high positive relationship between CSR and PAT. The R square value of 0.866 which stands for the coefficient of determination indicates that PAT can be determined by CSR to the tune of 86.6%. The adjusted R value of 0.85 shows that 85% of the variations in PAT can be explained by CSR, leaving the rest to other factors not considered in the model. The significant value of .000 is far lower than the 0.05 level of significance; which indicates that there is a significant relationship between CSR and PAT.

Table 4: Regression Result of CSR and PAT for UBA

Hypothesis	R	R ²	Adjusted R Square	Sig value	Decision
H ₀ : There is no significant relationship between CSR and profitability.	.256	.065	-.051	.476	Accept hypothesis

Source: Result based on SPSS Output, 2016

In table 4, it could be seen that the R value for hypothesis 1 is 0.256; indicating a low positive relationship between CSR and PAT. The R square value of 0.065 stands for the coefficient of determination; which indicates that PAT can be determined by CSR only to a negligible tune of 6.5%; which further shows a negative prediction of 0.51% (0.051) when the adjusted R Square is considered. The significant value of .476 is greater than the 0.05 level of significance; which indicates that there is no significant relationship between CSR and PAT.

Table 5: Regression Result of CSR and PAT for Access

Hypothesis	R	R ²	Adjusted R Square	Sig value	Decision
H ₀ : There is no significant relationship between CSR and profitability.	.830	.689	.650	.003	Reject hypothesis

Source: Result based on SPSS Output, 2016

Table 5 shows an R value of .830; indicating a high positive relationship between CSR and PAT. The R square value of .689 which stands for the coefficient of determination indicates that PAT can be predicted by CSR to the tune of 68.9%. The adjusted R value of .650 shows that 65% of the changes in PAT can be

accounted for by CSR, leaving the rest to other factors not captured in the model. The significant value of .003 is lower than the 0.05 level of significance; which indicates that there is a significant relationship between CSR and PAT.

Econometric Modelling

The econometric model can be used to predict or determine the actual Profit (PAT) for a given CSR expenditure. Although that is not the focus of this study, a sample of how it can be deduced has been presented below using the FBN model summary.

Table 6: Model Summary and Parameter Estimates							
Dependent Variable: PAT							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.769	26.668	1	8	.001	10247968305.456	42.406
The independent variable is CSR. <i>Source: SPSS Output</i>							

As can be seen from the table 6, the constant term i.e intercept is 10247968305.456 which indicate positive relationship; while the slope is 42.406. The error term as shown in the linear regression analysis model is 8.206. Therefore the econometric model for the relationship between CSR and PAT is:

$$PAT = \beta_0 + \beta_1 CSR + \mu$$

$$PAT = 10247968305.456 + 42.406 CSR + 8.206$$

Thus, for any given value of CSR expenditure, PAT can be easily be ascertained.

V. Discussions

The results presented above showed that apart from Zenith bank that reported a negligible positive relationship between CSR and PAT, and UBA that reported a moderate positive relationship, the rest of the five banks reported a high positive relationship between CSR and PAT. Since majority of the banks reported a high positive relationship, this study adopts that there is a significant relationship between CSR and PAT of Nigerian banks. This result agrees with the findings of Osisioma, Nzewi and Nwoye (2015), Akindele (2011), Shehu (2013), Emilson (2012), Samina (2012) and Igbal et al (2014). Each of these studies reported a positive relationship between CSR and Profitability. Although some of them used measures of profitability that are different from the one used in this study – PAT, the conclusions are the same. This finding however disagreed with those Amaeshi et al (2006); McWilliams and Siegel (2000); as well as Barnett and Salomon (2006). This few dissenting studies are understandable as some of them used industries that are different from the banking sector. Moreso, the sample size and parameters of the studies may have contributed to the seeming contradictory nature of their findings. So basing this study’s findings on the ample supportive studies cited above, the researchers affirm that there is a positive and significant relationship between CSR and profitability of banks. Hence, Nigerian banks can become more profitable by increasing the amount of money they spend on CSR. The reason for this is that the more socially responsible they become, the more trusted they become in the eyes of the Nigerian populace; which will now see them as partners in progress. As this trust continues to grow, the public will gain more confidence in buying into the products of the banks and investing in them. This will in turn lead to greater profitability.

Implications for service Delivery

No doubt that SD has been a major issue in the Nigerian business environment; especially in the banking industry. Nevertheless, the fact that CSR plays a role in mitigating this challenge is not in contest as it has been proven to play important role in perceived service quality (Poolthong & Mandhachitara, 2009). By establishing that bank’s profitability can be enhanced through improved CSR practices which incorporates service delivery (SD), this study has shown that CSR can motivate quality SD in the Nigerian banking industry. First, it should be noted that banks are in business to make profit through the quality of service they intend to deliver as contained in their mission statements (e.g., FBN’s Annual Reports) Hence, this study integrates the view of linking mission-driven delivery and competition to achieving quality SD (Besley & Ghatak, 2007); as well as relating customer satisfaction to SD (kukoyi & Iwuagwu, 2015) in explaining the implication of the CSR-Profitability equation on SD.

Specifically, the economic responsibility of CSR discussed by Carroll (1991) in the CSR pyramid requires businesses to provide *goods and services of value* to the society and make profits thereof. This requirement draws the attention of banks to their basic function of delivering quality services to the Nigerian populace as a condition for being profitable. Lindgreen, Swaen & Maon (2009, p. 1) captured the essence of this when they averred that “CSR is the right thing to do, and leading organizations see well-managed CSR as a way to improve their performance and create new business opportunities”.

The second Carroll’s CSR responsibility encourages banks to be legally responsible and pursue profits in such a way that meet at least minimum legal obligations. This is a very important component of SD; which necessitated the establishment of regulatory bodies like SERVICOM, NDIC and most importantly, CBN. By stipulating this legal responsibility, CSR helps to reinstate and reinforce the position of the law on SD and the right of the customer to expect compliance; as well as to seek redress legally when SD falls below expectations.

Ethical responsibilities in the CSR pyramid stipulated the need for businesses to be fair and just, observe human rights, environmental protection and utilitarianism. Global best practices, emerging values and norms in the society form the bases for the expected performance from businesses. Consequently, banks are expected to report on corporate governance in their annual reports and financial statements. This obviously goes a long way to enhancing compliance with the tenets of quality SD.

Philanthropic responsibilities in the Carroll’s CSR pyramid require businesses to be good corporate citizens and be involved in programs and activities that promote societal welfare and goodwill. While this may appear voluntary and at the discretion of businesses, it needs to be stated that global best practice is that CSR (in this case, corporate philanthropy) ought to be a vital part of the novel business model. Hence, it should be seen as the way that firms working with stakeholders can develop innovative and economically *viable products, processes and services* within core business processes, resulting in improved environmental protection and social conditions (Homen, 2007). integrates the view of linking mission-driven delivery and competition to achieving quality SD (Besley & Ghatak, 2007); as well as relating customer satisfaction to service delivery (kukoyi & Iwuagwu, 2015).

In addition to the practical implication of this study to industry practice (especially in terms of service delivery), it equally has implications for theoretical literature. It has strengthened the stakeholder theory and shown that firms can improve their profitability through CSR (corporate philanthropy). Consequently, the theory should be revisited to include the fact that contrary to Carroll’s position (Carroll, 1991) on philanthropic responsibilities, it should be expected in an ethical and moral sense; and should not be left at the volition and discretion of firms. Rather, they should be monitored and regulated to ensure conformity to expectations and standards; because in a symbiotic sense, only acceptable exchange can guarantee the desired effect.

VI. Conclusions

This study which focused on establishing the relationship between CSR and Profitability as well as its implication for SD used Corporate Philanthropy as the only dimension of CSR and PAT as the measure of Profitability. Data for the study was generated from the annual reports of the five banks (FBN, Zenith Bank, GTbank, UBA and Access bank) chosen for the study. The findings showed that there is a positive and significant relationship between CSR and Profitability; with far-reaching implications for industry practice and theory. These findings may have been limited by the relatively small number of banks used. However, since the banks used for the study are the best five banks in Nigeria, largely controlling the average market share of deposits and assets of the Nigerian banking industry (CBN cited in Udunze 2015), the findings are acceptable and implications tenable. Consequently, the study concluded that CSR is of major concern in the Nigerian banking sector; and that banks can use it to improve on core business objectives such as profitability and quality service delivery.

Recommendations

Based on the findings and conclusions, this study recommends that:

1. Since CSR has been proven to improve profitability, Nigerian banks are encouraged to see it as a possible means of achieving some of their corporate objectives; and should fully integrate it into their operations. However, they should not limit their CSR practices to Corporate Philanthropy alone; but should extend it to include other aspects of CSR captured in Carroll’s model.
2. Government agencies and other regulatory bodies should monitor the CSR activities of banks to ensure they conform to international standards. Such regulatory frameworks should be properly empowered to impose stiffer sanctions and penalties when banks fall short of the CSR expectations on them.
3. Banks that excel in CSR should be recognized and honoured so as to encourage them to do more; and motivate other banks to emulate them.

4. Banks should develop a proper framework for articulation and implementation of CSR programmes so as to execute programmes that have direct bearing on the needs and aspirations of the people; especially their host communities.

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Appendices

Model Summary and Parameter Estimates for the five Banks

Model Summary and Parameter Estimates for FBN							
Dependent Variable: PAT							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.769	26.668	1	8	.001	10247968305.456	42.406
The independent variable is CSR.							
Model Summary and Parameter Estimates for Zenith Bank							
Dependent Variable: PAT							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.026	.213	1	8	.657	36514087412.363	9.508

The independent variable is CSR.							
Model Summary and Parameter Estimates for GTBank							
Dependent Variable: PAT							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.866	51.892	1	8	.000	1217510016.917	149.023
The independent variable is CSR.							
Model Summary and Parameter Estimates for UBA							
Dependent Variable: PAT							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.065	.559	1	8	.476	4695654835.775	21.714
The independent variable is CSR.							
Model Summary and Parameter Estimates for Access							
Dependent Variable: PAT							
Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.689	17.694	1	8	.003	4129880944.333	82.630
The independent variable is CSR.							

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