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Financial Performance and Corporate Social Responsibility of Some Selected Banks in Nigeria

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Abstract: **This paper examined the effect of financial performance on corporate social responsibility of banks in Nigeria. After analyzing the different studies in the literature, a sample size of 7 banks out of 15 being listed on the Nigerian Stock Exchange with the total of 21 banks in Nigeria was used. The study employed ex-post-facto research design, using a data of 6 years period, ranging from (2010-2015). The study used Multiple Regression Model as the technique of analysis using STATA software version 12. The study found that, two of the independent variables (i.e. ROA and ROCE) have significant positive effects on CSRD and the other (i.e. EPS) negative effect. In line with the findings of the study, the study concluded that financial performance plays a significant role on the CSRD in Nigeria. The study therefore recommends that banks should determine their CSRD in proportion to return on asset and return on capital employed, which in the long-run will increase their profitability. Managers should make sure that this collective wealth is utilized in consistence with the principles of reasonable improvement that supports the idea of social responsibility.**

Keywords: **Financial performance, corporate social responsibility.**

1. INTRODUCTION

Organization whether profit oriented, non-profit or government organization, is expected to give back what it takes from its host environment to sustain its operation. However, environmental protection and the wellbeing of employees, the community and civil society in general are factors that bring about the concept of Corporate Social Responsibility (CSR). Corporate Social Responsibility is seen as a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that increase value added, and thus, improves the competitive position of a firm (Etim, 2011).

There is an on-going debate on the appropriateness of firms' involvement in CSR. Economic arguments suggest that, managers should make that decision which can increase the wealth of stockholders, on the other hand, Sociologists suggest that, it is the responsibility of firm to groom the society, and should make those decisions that go beyond the owner's wealth maximization (Iqbal, Ahmad, Hamad, Bashir, & Sattar, 2014).

In the Nigerian society, CSR has been a highly contemporary and contextual issue to all stakeholders, including government and corporate organization, such as listed banks and the general public. The issue of CSR actually came to limelight because of the activities of multinational corporations operating in the Niger Delta area of Nigeria, as they are only concerned with what they can take out of the society and de-emphasized giving back to the society. This translates to negative integrity and reputation on the part of corporate identity, as people perceived this as exploitation and greed for profitability and wealth maximization (Babalola, 2012). The concept of CSR was later introduced to the banking sector, receiving the greater attention of researchers and analysts, because of the pivotal role of banks and the huge profit recorded every financial year, within the Nigerian economy.

Contemporary researches in Nigeria call for the financial institutions to be socially responsible to their host community (Akinpelu, Ogunbi, Olaniran & Oluwalogbon, 2013). CSR activities disclosure became an interest area in Nigerian companies, who wish to maintain relevance and good patronage by the society (Amaeshi, Adi, Ogbechie & Amao, 2006). African economies are developing rapidly, and the banking sector is critical to this development. Nigerian banks must be good corporate citizens if they are to make profits and function well in society (Erondu et al., 2004).

Financial performance simply refers to a subjective measure of how well, a firm can use assets from its primary mode of business and generate revenues. It is one of the criterions of determining the success of CSR of banks. In order to gain more insight about financial performance, accountants and financial analysts make use of ratios in making qualitative judgment about a firm's financial performance. Companies engage in CSR after establishing a highly prosperous operation that greatly enhance the profitability, size and market position of the company. As companies gain prominence in their industry as they grow in size and profitability as they become more enmeshed in the practice of CSR. This is often triggered by good Financial Performance (i.e. ROA, EPS, and ROCE). This study specifically aimed at assessing the effect of financial performance on corporate social responsibility of some selected banks in Nigeria.

Corporate Social Responsibility (CSR) has become a research agenda for many years, as a result of its importance to the society. Research was stimulated by a hope that community can receive benefit from CSR (Margolis and Walsh 2003). CSR emerged as a result of conflict between community and company; also the company's effects, arising from its existence and operations to the environment. Within its existence, company cannot be separated with community as an external environment supporter. This important aspect should be considered in order to create synergy between them.

Many researches had been conducted both on the relationship and effect between CSR and corporate performance but few as regard to the relationship between financial performance and CSR, especially within finance and firm value. The studies conducted so far on the relationship between financial performance and CSR include that of Nawaiseh (2015) who tested the impact of company size and financial performance on CSRD in the Jordanian industrial public share holding companies. The study show a positive significant impact of operating performance measured by Return on Assets (ROA) for the sample on CSRD towards employees dimension only, the impact of ROA on CSRD towards the environmental dimension is positive and insignificant. The impact of ROE has negative insignificant on CSRD towards employees. Consequently, it showed positive insignificant impact of ROE on CSRD towards environmental dimension, among Jordanian industrial public share holding companies. The study's analysis was based on contents disclosed in their annual reports for 2013.

Similarly, Hermawan et al. (2014) who tested whether companies' profitability contributes to CSR in the Indonesian context. The study suggested that not all profitability ratios are significantly correlated to CSR disclosure, also the motivation of Indonesian CSR disclosure is merely to maintain good reputation to shareholders, rather than a consequence of allocating surplus funds, between the period of 2007 to 2009.

Also comparatively, the study that was carried out in Nigeria on the relationship between financial performance and CSR were relatively few or none based on the material available to the researcher. However it should be noted that the aforementioned studies and results were found in the developed countries, as such it is in the light of the above issues plus cultural, economical, technological and geographical differences, the researcher decided to conduct similar study in a newer context of Nigeria as a result of limited studies that have been conducted so far in this area.

This paper is aimed at examining the effect of financial performance on corporate social responsibility using empirical evidence from the Nigerian banking sector. Specific objectives comprised the following:

- To examine the extent to which ROA affect the CSR of banks in Nigeria.
- To examine the extent to which EPS affect the CSR of banks in Nigeria.
- To examine the extent to which ROCE affect CSR of banks in Nigeria.

2. THEORETICAL FRAMEWORK/MODEL OF THE STUDY

Theorists have advanced a variety of models to account for Corporate Social Responsibility's influence on corporate financial performance; each proposes mechanisms through which corporate social performance has its effects. Preston & O'Bannon (1997) distinguish between the direction of the relationship – positive, negative or neutral –and the causal sequence – whether one type of performance follows another or whether they are synergistic. They finally arrive at six possible causal and directional hypotheses – social impact, available funding, trade-off, managerial opportunism and synergistic hypotheses.

More recently, Moore (2001) suggested extending this typology in order to allow for more complex relationships between CSP and CFP other than simply linear ones. As Moore (2001:300) noted, "There may be an optimum level of social performance beyond which social expenditures detract from rather than contribute to financial performance". For example, Bowman & Haire (1975) found a statistically significant inverted U relationship between CSP and CFP.

Stakeholder theory suggests that CSP is positively associated with CFP (Freeman, 1984; Donaldson & Preston, 1995) because it enhances the satisfaction of various stakeholders – and consequently the firm's external reputation – and lead to better financial performance. Theorists supporting such a hypothesis (Freeman & Evan, 1990) propose that managers typically increase the efficiency of their organization's adaptation to external demands "by addressing and balancing the claims of multiple stakeholders" (Orlitsky et al. 2003:405). Conversely, Cornell & Shapiro (1987) argue that failure to meet the expectations of various stakeholders will generate market fears, and consequently, will increase corporate's risk premium and ultimately result in lost profit opportunities.

Other scholars (McGuire et al. 1988; Kraft & Hage, 1990) suggest that CSP and CFP are positively associated "but that the causal relationship is from financial to social performance" (Preston & O'Bannon, 1997: 423). According to the available funding hypothesis (known also as the slack resource hypothesis), firms will follow the normative rules of good corporate social depending on the financial resource available. Hence, profitability in one time period may increase a firms' ability to fund discretionary social performance projects.

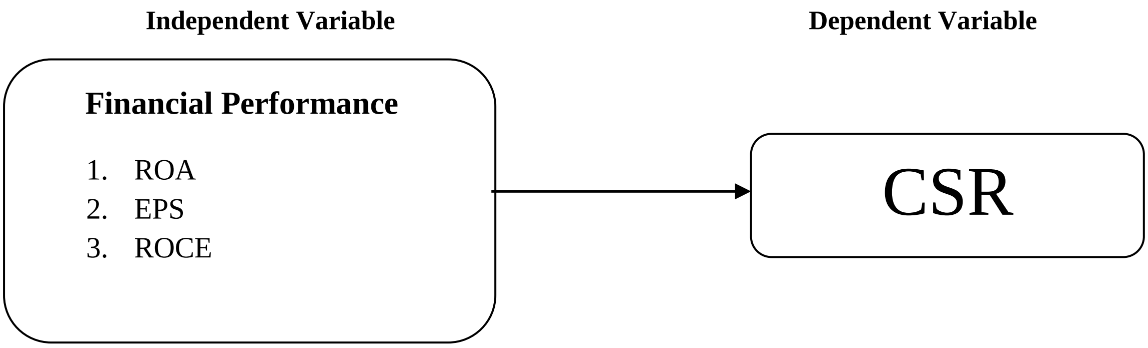

Figure :1

According to the model, as firms engage more in CSR as their return on assets (ROA), earning per share (EPS), return on capital employed (ROCE) of the firms increases. CSR plays an important role for the development of the society, which ultimately leads to higher return to the company (ROA, ROCE) as well as to the investor (EPS). This means that business managers can only maximally serve the interests of shareholders by serving the interests of all stakeholders.

3. REVIEW OF RELEVANT LITERATURE AND HYPOTHESIS DEVELOPMENT

The bone of contention between corporate social responsibility and financial performance is addressed in studying the relationship between the two concepts. In recent decades, many theories about the relationship between corporate social performance and corporate financial performance were put forward, ranging from a predicted negative impact of corporate social responsibility on financial performance to a positive relation from financial performance to corporate social performance. In the same period, many of these theories and predictions were put to the test; results from these tests were often contradictory. Partly, this is due to differences in research methodology and different ways of conceptualizing and operationalizing the variables of interest (Wissink, 2012). Therefore, the empirical study results on the CSR and CFP have never been in agreement, because so many researchers found different results. In recent years there are few or little researches conducted on CFP and CSR.

The Relationship between CSR and FP:

In a study conducted by Karagiorgos (2010) on Financial Performance linkage with the CSR in Greek companies, using a data ranging from 2007 to 2009, the study found that there is a positive correlation among stock returns and CSR performance. Wuncharoen (2013) results showed a positive correlation between CSR and Return on Equity (ROE)/Return on Assets (ROA) of Hotels in Kho Samui Island Thailand, through observation and a study of the hotels' 2011 annual reports. Zahoor (2014) revealed that CSR practices have shown positive correlation with financial performance of companies in India. Also Mujahid and Abdullah (2014) found that there is significant positive relationship between Corporate Social Responsibility and firm's financial performance and shareholders wealth in Pakistan using financial data of 2011 annual report.

Lin et al. (2009) examined the impact of corporate social responsibility on financial performance of firms in Taiwan, using Donation to measure CSR and Return on Asset (ROA) to financial Performance between the period of 2002 to 2004. Result showed that while CSR does not have much positive impact on short-term financial performance, it does offer a remarkable long-term fiscal advantage. Vintila and Duca (2013) found that company size and company profitability have an influence toward the corporate social responsibility of Romanian firms. While Iqbal et al. (2014) concluded that there is positive relationship between CSR and Financial performance of firms in Pakistan. While Chen et al. (2013) collected a data ranging from 2007 to 2008 of Chinese firms to explore the relationship between CSR and corporate financial performance (CFP) empirically. Their result demonstrated that TCSR is positively associated with financial performance of a firm, whereas ICSR is negatively related to financial performance.

Tsoutsoura (2004) used extensive dataset which constituted most of the S&P 500 firms over a period of five years (1996-2000) to explore the relationship between corporate social responsibility and financial performance. The study indicated that the sign of the relationship is positive and statistically significant; supporting the view that socially responsible corporate performance can be associated with a series of bottom-line benefits in USA. Ofori et al. (2014) revealed that banks in Ghana view corporate social responsibility practices to be a strategic tool; banks are motivated to practice corporate social responsibility by legitimate reasons as much as they are motivated by profitability and sustainability reasons. Also Wan Ahamed et al. (2014) examined the relationship between CSR and Corporate Financial Performance (CFP) for Malaysia firms, the study used data from corporate annual report for three firms listed in Bursa Malaysia for the period from 2007 to 2011 and concluded that there is positive relationship between CFP and CSR practices together with Firm Size and Firm Revenue as control variable. In addition Waddock and Graves (1997) investigated the linkages between financial and social performance in USA, using return on assets, return on equity, and return on sales to measure corporate financial performance by the investment community and KLD to measure CSR. The result showed that CSP is positively associated with future financial performance, supporting the theory that good management and CSP are positively related.

Crifo et al. (2013) showed that isolated and aggregated CSR dimensions impacts positively on French firms' performance. The interaction between the various CSR dimensions also affects positively on firm performance but with a much stronger impact, suggesting that synergies among CSR practices matter a lot for firm performance. Also in (2013) they found that CSR dimensions in isolation impact differently on a firm's profit. The interaction among various CSR dimensions exerts different influences on firm performance in terms of profit, producing both substitutability and complementarity effects. While Inoue and Lee (2011) revealed that, each dimension had a differential effect on both short-term and future profitability and that such financial impacts varied across the four industries in USA. Likewise Soana, (2005) aimed to explore the relationship between corporate social performance (CSP) and corporate financial performance (CFP) in the banking sector. Multiple regression analysis was used in the study and the proxies for CFP were ROE, ROA, P/E ratio. The researcher concluded that a negative relationship exist between CSP and CFP.

Orlitzky et al. (2003) aimed to find out the links between CSR and corporate financial performance (CFP). They integrated 30 years of research from 52 previous studies by using the Meta analytical techniques method. Their results confirmed a strong positive correlation between financial performance and the CSR. They used the KLD index as proxy to measure CSR and the P/E, ROE and ROA as proxies for financial performance. Similarly, Malarvizhi (2016) investigated the link between corporate environmental disclosure and firm performance of selected companies listed in Bombay Stock Exchange (BSE), India. The study used regression model with EDI as dependent variable and return on capital employed (ROCE), return on assets (ROA), net profit margin (NPM) and earnings per share (EPS) as independent variable. Results show there is no significant relationship between the level of environmental disclosure and firm performance.

Pan et al (2014) examined the relationship between Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP) using panel data for 228 Chinese mineral listed firms from 2010 to 2013 with Pooled Least Squares regression analysis. The result showed that the differences in the relationship between CSR and CFP for five sublevel industries are due to industry characteristics. Likewise, Hull and Rothenberg (2008) results' in USA support both innovation and the level of differentiation in the industry as moderators for a positive relationship between corporate social performance and financial performance: corporate social performance most strongly affects performance in low-innovation firms and in industries with little differentiation.

Cavaco and Crifo (2013) analyzed the complementarity between various dimensions of corporate social responsibility (CSR) and financial performance using a sample of 595 firms from 15 European countries over the 2002-2007 period, the study suggested some kind of trade-offs between CSR components of firms in both France and Canada. Some CSR combinations appear as relative complements, human resources and business behaviour towards customers and suppliers, suggesting mutual benefits and less conflict between those stakeholders.

Rebocho et al (2014) examined the rapport between different levels of CSR disclosure and stock market performance; they analyzed a sample comprised by companies from Portugal, Spain and Italy, given that these are some of the countries most affected by the 2008 financial crisis. The period covered ranges from 2008 to 2012. The study unveiled that markets value a low CSR disclosure negatively, but do not find other levels of disclosure to add value, which implies that in times of crisis a low CSR disclosure may increase information asymmetry between a company and market participants. Chetty et al (2015) investigated the impact of CSR on a firm's Corporate Financial Performance (CFP), for the period from 2004 to 2013 in South Africa. The result showed that CSR activities lead to no significant differences in financial performance of firms. While Aile and Bausys (2013) examined the relationship between CSR activities and firm financial performance between the period of 2009 to 2011 in the Baltic States of Latvia, Lithuania and Estonia. CSR activities are subdivided in five categories (workplace, market place, environment, community and other CSR) to determine which particular CSR categories affect firm financial performance the most. The content analysis methodology was applied to measure CSR and regressions are run to determine the relationship between CSR and firm financial performance, approximated by return on assets (ROA). The results showed that on the overall level, CSR activities do not have any effect on firm financial performance in the Baltics. However, certain CSR categories were found to impact ROA.

Simionescu and Gberghina (2014) found a negative relationship between CSR and ROS, as well as a positive association between CSR and EPS of Romanian firms and by estimating fixed effects panel data regression models, the positive relationship between CSR and EPS was reinforced. Shehu (2015) examined the influence of corporate social responsibility on total assets of quoted conglomerates in Nigeria by using secondary source of data from annual reports of quoted conglomerates in Nigeria, and through fact books of Nigerian Stock Exchange (NSE) for the period of 2006-2011. The study found that two of the independent variables (i.e. ER and CP) have significant positive impacts and other one (i.e. EMS) negative impact on the performance.

Peters and Bagshaw (2014) examined empirically the impact of corporate governance mechanisms on firm financial performance using listed firms in Nigeria as case study for two years 2010 and 2011. The result showed that the banking sector has the highest level of corporate governance disclosure compared to the other two sectors, their result indicates that the nature of control over the sector have an impact on companies' decision to disclose online information about their corporate governance; and that there were no significant differences among firms with low corporate governance quotient and those with higher corporate governance in terms of their financial performance.

Singh (2014) investigated the impact of corporate social responsibility (CSR) disclosure on the financial performance of firms in UK. The work is extended to three industries of UK, viz., industry of extraction of crude petroleum and natural gas, industry of mining of metal ores and preparations and industry of manufacture of basic pharmaceutical products and pharmaceutical preparations, using corporate social responsibility disclosure in terms of published CSR keywords on the annual reports of the firms over five years ranging from 2008 to 2012. The result of the study showed that there is no significant impact of CSR disclosure on the financial performance, both in short-term scenario and long-term scenario for the chosen industries.

Fauzi (2009) addressed the issue of the relationship between corporate social and financial performance by moderating company size and financial leverage with the help of two types of industry as control variable, using a data between the period of 2004-2006 and said that corporate social performance (CSP/CSR) has no effect on corporate financial performance (CFP) under slack resource and good management theory. It is also shown that only financial leverage could moderate the interaction between CSP/CSR and financial performance of the listed American companies. Nevertheless, Uadiale and Fagbemi (2011) examined the impact of CSR activities on financial performance measured with Return on Equity (ROE) and Return on Assets (ROA) in developing economies. The study used a sample of forty audited financial statements of quoted companies in Nigeria. The results showed that CSR has a positive and significant relationship with the financial performance measures of quoted companies.

Bolanle et al. (2012) examined corporate social responsibility and profitability of Nigerian banks based on causal relationship by using First Bank of Nigeria Plc as the case study for the period of ten years (2001-2010). The study found that there is a significant positive impact of CSR on PAT. Adeboye and Olawale (2012) examined corporate social responsibility (CSR) and business ethics as effective tools for business performance in Nigerian banks, their result showed that there is no significant difference between employees of First Bank and Guaranty Trust Bank on corporate social responsibility and business ethics as regard business performance. Amaeshi et al. (2006) looked at corporate social responsibility in Nigeria, a western mimicry of indigenous practices. They explored four key sectors of the Nigerian economy and came up with the conclusion that firms are socially constructed and their behaviour must reflect the society in which they are embedded, thus they must be socially responsible to the environment in which they operate. So also Tela, (2011) conducted an MSc thesis on CSR and financial performance of the Nigerian construction industry using multiple regression analysis as a tool for the data analysis. The study used ROE, ROA and ROCE as the independent variables to measure performance and found that a positive significant relationship exist between CSR and ROA but not positive relationship between CSR and ROE, ROCE.

Uwalomwa (2011) investigated the association between firms‟ characteristics and the level of corporate social disclosures in the Nigerian financial sector between the period of 2005-2009. The study observed that a positive association exists between a firm's characteristics and the level of corporate social disclosure, and that corporate social disclosures by listed firms are still in its infancy. Adebayo et al. (2012) explored the meaning and practice of corporate social responsibility in relation to its impact on profitability (return on assets and return on equity) of firms in Nigeria. The study concluded that performance and reporting of social responsibility goes a long way in boosting the reputation, sales and profit level of the firms.

The Relationship between FP and CSR:

However, the studies conducted on the relationship between financial performance and corporate social responsibility include that of Nawaiseh (2015) who tested the impact of company size and financial performance on Corporate Social Responsibility Disclosure (CSRD), from the Employees' and Environmental Dimensions perspective with reference to the disclosure frequency and quality of these dimensions among Jordanian industrial public share holding companies. The study's analysis based on contents disclosed in their annual reports for 2013. The study showed a positive significant impact of operating performance measured by Return on Assets (ROA) for the sample on CSRD towards employees dimension only, the impact of ROA on CSRD towards the environmental dimension is positive and insignificant. The impact of ROE has negative insignificant on CSRD towards employees. Consequently, it showed Positive insignificant impact of ROE on CSRD towards environmental dimension.

Hermawan et al. (2014) also tested whether companies' profitability contributes to Corporate Social Responsibility in the Indonesian context. The research included company's profitability of net profit margin, ROA and ROE, in relation to number of lines in CSR disclosure. Firm's size, Kompas100 companies and industry-specific are included as control variables. The samples are taken from 543 listed companies in Indonesia from 2007 to 2009. The result suggested that not all profitability ratios are significantly correlated to CSR disclosure, also the motivation of Indonesian CSR disclosure is merely to maintain good reputation to shareholders, rather than a consequence of allocating surplus funds. However these lead to the following hypotheses:

H_{01}: There is no significant relationship between ROA and the CSR of banks in Nigeria

H_{02}: There is no significant relationship between EPS and the CSR of banks in Nigeria

H_{03}: There is no significant relationship between ROCE and CSR of banks in Nigeria

4. METHOD

The paper sampled 7 banks in the Nigerian Banking industry. The study used data of 6 years' time frame (i.e. from 2010-2015). A 6 years period is considered adequate to provide enough data for the study, as it enable the researcher to examine the necessary variables from the annual financial reports of the Nigerian Banking Industry.

A sample size of 7 banks was chosen out of 15 being listed on the Nigerian Stock Exchange with the total of 21 banks in Nigeria. Each bank in the population must have finished its obligation in delivering annual report of the year ended 2015. Archival records was used to gather the secondary data needed for the study. Annual reports of listed banks was the data source of corporate social responsibility. Financial data related to independent and dependent variables was from the banks' database. And the website of the banks provide supplementary information for the sample.

Dependent variable of the study is corporate social responsibility which is represented by Content analysis. The independent variable/parameter is represented by ROA, EPS and ROCE.

Model Specification:

In examining the effect of financial performance on the CSR of the selected banks in Nigeria, this model was designed to consider three explanatory variables (ROA, EPS, ROCE), as measures of financial performance and Content analysis to measure CSR being the dependent variable, together with Bank size, Liquidity and Firm age as control variables. The model is constructed to determine whether financial performance have any significant effect on the CSR of the selected banks in Nigeria. This study employed panel data which was used in regression analysis and the coefficient of determination (R^2), was computed to explain the changes in the dependent variables attributed to the independent variables. The functional relationship among these variables is stated as follows:

$CSR_{it} = f\ (ROA_{it,}\ EPS_{it,}\ ROCE_{it,}\ BS_{it,}\ LIQ_{it,}\ AGE_{it,}\ )$ ………..……………..………………1

The above equation can be written in a more detail form as follows:

$CSR_{it} = \alpha_0 + \beta_1 ROA_{it} + \beta_2 EPS_{it} + \beta_3 ROCE_{it} + \beta_4 BS_{it} + \beta_5 LIQ_{it} + \beta_6 AGE_{it} + \epsilon_{it}$ ……........2

Where:

α_0 = intercept/constant, β_1, $\beta_{2,}$ $\beta_{3,}$ $\beta_{4:}$ are parameters to be estimated, ROA_{it} = Return on Assets, EPS_{it} = Earnings per Share, $ROCE_{it}$ = Return on Capital Employed, BS_{it} = Bank Size, LIQ_{it} = Liquidity, AGE_{it} = Firm Age and ϵ = error term

Measures:

Corporate Social Responsibility:

Many scholars had used different measures as a proxy for corporate social responsibility of firms, some used content analysis on CSR annual reports (Karagiorgos, 2010; Chen, et al 2013). Peters and Bagshaw (2014) employed Board Composition, Board size and Board committees, Fauzi (2009) used community issues, diversity in workplace, employee relation, environmental performance, international issues, product and business practices, and other variables concerning compensation, confidentiality, and ownership in other companies, Rais and Goedegebuure (2009) considered Employee relations, Customer relations, Shareholder relations, Supplier relations and Community relations.

Cavaco and Crifo (2013) used Vigeo database, Daniel (2014) considered monetary spending on social activities, Chetty et al (2015) used JSE SRI Index constituents, Wuncharoen (2013) employed content analysis via annual reports as well as hotel websites and surveys, Ghosh (2013) used ESG S&P India Index, Iqbal et al (2014) used Donation to measure CSR.

However, in many cases subjective indicators are used such as survey, questionnaire, corporate annual reports to shareholders or content analysis of annual reports, experts' evaluation and regulatory compliance data (Bowman & Haire, 1975; Cochran & Wood, 1984; Aupperle, et al 1985; Fombrum & Shanley, 1990). But because of lack of clear consensus on which measuring instrument to apply, some CSR indexes were introduced, these are Kinder Lynderberg Domini (KLD), the reputation index, Content analysis in form of annual reports, articles of companies in the press, the Dow Jones Sustainability Group Index (DJSGI), Journals and Government reports, the Council on Economic Priority Index (CEP) and the Corporate Responsibility or Social Audit Index (CRI). However, this study employed Index content analysis to measure CSR as used by Wuncharoen (2013) and Aile and Bausys (2013).

Financial Performance:

Many Scholars had used various measures also as a proxy for financial performance of Firms such as; Return on Asset (ROA) and Return on Equity (ROE) (Peters, and Bagshaw, 2014, Wan Ahamed et al 2014, Wuncharoen, 2013, Ofori et al 2014), Return on asset (ROA) (Chen, et al 2013, Fauzi, 2009), Ghosh (2013) used ROA, ROE and Tobins Q ratio while Mujahid and Abdullah (2014) employed accounting terms like ROA and ROE and shareholders wealth measures like EPS and stock price, Poddi and Vergalli (2009) used Return on Equity (ROE) and Return on Capital Equity (ROCE)

Bidhari et al (2013) used Return on Assets (ROA), Return on Equity (ROE) and Return on Sales (ROS), Shehu (2015) employed Return on Assets (ROA), Return on Equity (ROE) and Capital Adequacy Ratios (CAR), Inoue and Lee (2011) Return on Asset (ROA) and Tobin's q, Flammer (2013) employed Return on Asset (ROA) and Net Profit Margin (NPM).

Cavaco and Crifo (2013) considered return on assets (ROA) and Tobin's Q**,** Karagiorgos (2010) employed both Accounting-based and Market based measurement, Zahoor (2014) used Accounting profits only, Pan et al (2014) used EPS as a market-based CFP index and ROA, ROE, Growth Rate of Main Operating, and Expansion Rate of Net Assets as accounting-based CFP indicators.

However, from the above series of report of what scholars used to measure financial performance, it can be deduce that there is no one single acceptable method of measuring financial performance, as such three measures are prominent, that is accounting based measures, market based measures and self-report survey. But for the purpose of this study, the researcher employed the accounting measures as used by Waddock and Graves (1997); McWilliams and Siegel, (2000); Orlitzky et al. (2003); Karagiorgos (2010); Regina, (2010); and Ehsan et al. (2012).

The accounting measures of financial performance include: Return on Assets (ROA); Return on Equity (ROE); Earning per Share (EPS); Return on Sales (ROS); Return on Capital Employed (ROCE); and Price Earnings Ratio (P/E).

Control Variables:

Karagiorgos (2010) used Market Capitalization (CAP) to control for firm size, CAPM beta (BETA) to control for stock's risk (systematic risk) and previous years return (SR), Torugsa (2012) employed firm size (number of employee) and duration of experience in managing CSR, Simionescu and Gberghina (2014) considered firm size (total amount of sales and total number of employees), leverage (total debt to total assets) and years of listing on BSE. Crifo et al. (2013) utilized Size, Holding, Market Uncertainty, Market Conditions, Export, R & D, Advertising Intensity, and Sector of Activity.

In addition Wan Ahamed et al. (2014) used Firm size (Number of employee within the firm) Firm revenue (Total revenue for the firm sales), Inoue and Lee (2011) employed Firm size, Leverage and a set of year dummies, Hull and Rothenberg (2008) used Firm size (operationalized as the weighted average of its total assets), Firm risk (operationalized as the three year weighted average of its debt/asset ratio) and Firm industry (operationalized as its standard industrial classification code in 2001), while Waddock and Graves (1997) used Firm size (total sales, total assets and number of employees), Risk (long-term debt to total asset ratio) and Industry. However, for the purpose of this study the researcher employed Bank size, Liquidity and Firm age as control variables adopted from Waddock and Graves (1997), Hull and Rothenberg (2008), Wan Ahamed et al. (2014) and Simionescu and Gberghina (2014).

5. RESULT AND DISCUSSION

Table I: Descriptive Statistic

Variables	**Obs**	**Mean**	**Std. Dev.**	**Min**	**Max**
CSRD	42	0.769	0.023	0.745	0.800
ROA	42	0.044	0.093	-0.053	0.535
EPS	42	0.014	0.081	-0.002	0.522
ROCE	42	0.000	0.001	-0.000	0.006
BANK SIZE	42	7.527	1.594	5.571	10.690
LIQ	42	1.118	0.079	0.788	1.246
AGE	42	19.071	13.590	5.000	42.000

Source: Generated by the Author from Annual Reports of the sampled Banks (2010-2015) using STATA Output.

Table I above, shows the mean score of 76.9% of corporate social responsibility disclosure (CSRD), this means that on average deposit money banks disclosed 76.9% as corporate social responsibility to the society they operate in, this is further confirmed by the minimum value of 74.5% and maximum value score of 80% of the CSRD among the banks, this means that the highest CSR disclosed by the banks was 80% during the period. The standard deviation of 0.02324 indicates that CSRD varies from banks to bank, during the period.

The table also shows that on average return on asset has about 4.4% of the CSR disclosed by the banks for the period of the study, this indicates that the remaining 95.6% of the total asset was not disclosed for CSR activities by the banks, the minimum return on asset was -5.3% while the maximum was 53.5%, the standard deviation of 0.9265 indicates that the return on asset varies among the banks during the period.

The result on earnings per share shows a total mean score of 1.4% which means that the average earnings per share by the sampled banks is ₦1.4 and a minimum of -0.15k, the maximum earnings per share held by the banks is ₦52.2, the standard deviation of 0.0806 indicates that there is no significant variation in earnings per share of the banks. Also a mean score of 0.02% indicates that on average the return on capital employed by the banks is approximately 0.02%, the minimum score for the return on capital employed is -0.03% and maximum score of 0.59%. The standard deviation of 0.0009 indicates a significant dispersion among the banks concerning the returning on capital employed.

Moreover, the mean score of 7.53 indicates that on average the size of deposit money bank's total assets is approximately 7.53 billion. The minimum score for total asset is 5.57 and a maximum score of 10.69; the standard deviation of 1.5945 indicates a significant dispersion among the deposit money banks concerning the total asset. In addition the result on liquidity shows a mean score of 111%. This indicates that the ability of the deposit money banks to settle their obligation is 111% during the period, the minimum score for available liquid asset for the banks is 79% and a maximum score of 124%. The standard deviation of 0.07912 signifies that the available liquid asset of the banks varies significantly. And finally, a mean score of 19.1 indicates that on average the age of deposit money banks is 19 years. The minimum score for total years is 5 years and a maximum score of 42 years, the standard deviation of 13.5905 indicates a significant variation in ages of the banks.

Table II: Correlation Matrix of the Dependent and Explanatory Variables Model I

	CSRD	ROA	EPS	ROCE	BANK SIZE	LIQ	AGE	VIF
CSRD	1.000							
ROA	0.288	1.000						4.57
EPS	-0.195	0.504	1.000					4.17
ROCE	0.012	0.523	0.899	1.000				1.37
BANK SIZE	-0.183	0.277	0.822	0.864	1.000			1.37
LIQ	0.214	0.035	0.196	0.226	0.182	1.000		1.34
AGE	-0.688	-0.019	0.146	0.008	0.107	0.049	1.000	1.34

Source: Generated by the Author from Annual Reports of the sampled Banks (2010-2015) using STATA Output.

Table II above, shows the correlation coefficient on the relationship between the dependent variable (CSRD) and explanatory variables (return on asset, earnings per share, return on capital employed, bank size, liquidity and age). The values of the correlation coefficient range from -1 to +1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative), while the density of the value of the correlation coefficient indicates the extent of the relationships. The correlation coefficients on the main diagonal are 1.0; this is because each variable has a perfect positive linear relationship with itself.

The correlation results presented in Table 4.2 above indicates positive relationship between return on assets and CSR disclosure of banks with a coefficient value of 0.2878. However, the result shows a positive relationship of 0.2136 between liquidity and CSR disclosure. Also a positive relationship of 0.0122 was found between return on capital employed and CSR disclosure.

The correlation result however shows that all the explanatory variables with the exception of; earning per share (-0.1954), bank size (-0.1833) and bank age (-0.6878) are positively related with the dependent variable. Similarly, all the other explanatory variables are positively related between themselves except for bank age which is negatively (-0.0195) and weakly related with return on assets but strongly related with other variables.

Generally speaking, the matrix depicted in the correlation analysis table shows that some part of the independent variables are positively correlated with the dependent variable while some part are negatively correlated, meaning that they did not wholly support the null hypotheses of this study. Although the correlation might be reliable but would not imply causation (Cooper and Schindler, 2003). Thus correlation cannot provide sufficient evidence to predict cause and effect relationship among the variables, instead, a multivariate statistical analysis does that. This called for the use of multiple regression techniques because of their versatility in sorting compounding effect. Therefore this study employed multivariate analysis to test the formulated hypotheses.

Table III: OLS Regression Results

CSRD	Coefficient	Std. Err	T	P > /t/	95% Conf.	Interval
ROA	0.069	0.051	1.370	0.181	-0.034	0.172
EPS	-1.497	0.994	-1.510	0.141	-3.518	0.524
ROCE	152.442	20.427	7.460	0.000	110.884	194.000
BANK SIZE	-0.016	0.002	-9.390	0.000	-0.020	-0.013
LIQ	0.052	0.026	2.030	0.051	-0.000	0.105
AGE	-0.001	0.000	-10.530	0.000	-0.002	-0.001
Constant	0.849	0.036	23.360	0.000	0.775	0.923
R- Square	0.736					
Adj. R- Square	0.690					
F- Value	39.610					
P- Value	0.000					
Root MSE	0.013					
No. of Obs	40					

Source: Generated by the Author from Annual Reports of the sampled Banks (2010-2015) using STATA Output.

Table III above, presents the OLS regression result of the dependent variable (CSRD) and the explanatory variables of the study (return on asset, earnings per share, return on capital employed, bank size, liquidity and firm age). The R- square shows the explanatory power of the model while the F-value is for the overall significance of the model.

The OLS regression results reveal the cumulative R^2 of 0.7355, which is the multiple coefficient of determination that gives the proportion, or percentage of the total variation in the dependent variable explained by the financial performance variables jointly, and the adjusted R-square of 0.6901, show how well the combination of independent variables predicts the dependent variable. The F-value is 39.61 and P-value is 0.0000. Hence, it signifies that approximately 74% of the variations in CSRD of banks in Nigeria, are influenced by the return on asset, earnings per share, return on capital employed, bank size, liquidity and firm age respectively, this however also means that the independent variables are good predictors of CSRD. This can be confirmed by the value of F-statistics of 39.61 at 5% level of significance.

The coefficient in the regression results as shown in table 4.3 indicate that return on assets has positive significant relationship with CSRD. The relationship is significant at 1% for OLS. This implies that the more profit banks made, the more likely it is for them to embark on CSRD. This is consistent with the findings of Uadiale and Fagbemi (2011) who used ROA to measure FP with a sample of forty audited financial statements of quoted companies in Nigeria, also Tela, (2011) used ROA as proxy for FP in the Nigerian construction industry, likewise Pan et al (2014) used ROA in the Chinese mineral listed firms, so also Orlitzky et al. (2003) and found positive relationship between return on asset and CSRD. However, the result contradict the findings of Ofori et al (2014) who found that negative relationship exist between return on assets have and CSRD in the Ghanaian banking sector and that of Soana, (2005) who also found same in the banking sector. This is due to cultural, economical, technological and geographical differences within which the research was conducted.

Earnings per share on the other hand have a negative and insignificant relationship with CSRD of the selected banks in Nigeria. The relationship is statistically insignificant at 1% for OLS. This shows that, the higher the EPS investors or shareholders make, the lower the CSRD of the banks. In other words whether the EPS increases or decreases its impact on CSRD will be very low. The result is in line with the findings of Rebocho et al (2014) who used EPS to measure FP in Portugal, Spain and Italy and Chetty et al (2015) used EPS as a proxy for FP in South African firms and found no relationship between EPS and CSRD. However, the result is contrary to the findings of Iqbal et al. (2014) in Pakistan, Pan et al (2014) in the Chinese mineral listed firms, Simionescu and Gberghina (2014) in Romanian firms, who found a positive relationship between earnings per share and CSRD. Similarly this is because of cultural, economical, technological and geographical differences within which the research was conducted.

In addition, return on capital employed also has a positive and significant impact on CSRD of listed banks in Nigeria in OLS. This means that, the higher the ROCE, the higher the CSRD of banks in Nigeria and vice versa. This is in line with the findings of Tela, (2011) who used ROCE as a proxy for FP and found a positive relationship between return on capital employed and CSRD in Nigerian construction industry. However, on the contrary the study contradicts the findings of Malarvizhi (2016) who found no significant relationship between return on capital employed and CSRD in the selected companies listed in Bombay Stock Exchange (BSE), India. Also this is as a result of cultural, economical, technological and geographical differences within which the research was conducted.

Moreover, bank size as a control variable was found to have a negative and significant relationship with CSRD of deposit money banks in Nigeria in OLS at 10% level of significance. This shows that, the more branches a particular bank has, the lesser the amount it is likely to allocate for CSRD. However, this supported the findings of Simionescu and Gberghina (2014), and Hull and Rothenberg (2008) who found a negative relationship between bank size and CSR, on the contrary the study contradict the findings of Karagiorgos (2010), Wan Ahamed et al. (2014), Torugsa (2012), Crifo et al. (2013) and Waddock and Graves (1997), who posited that bank size have a positive relationship with CSR.

Furthermore, liquidity was also found to be positively and significantly related with CSRD. This implies that the faster a bank can convert its assets to cash, the more likely it is for it to disclose CSR activities. This is in line with the findings of Karagiorgos (2010), who found a positive and significant relationship between liquidity and CSR, while the findings contradict that of Hull and Rothenberg (2008). And finally, the study found a negative and insignificant impact between firm age and CSRD. This shows that, the years of establishment of a bank does not really have impact on its CSRD in Nigeria. This support the findings of Simionescu and Gberghina (2014), who also found a negative and insignificant relationship between total number of years since listing on the BSE and CSR.

Test of Hypotheses:

In chapter one of this study, three hypotheses are formulated to test the link between banks financial performance and CSR of banks in Nigeria. The decision was based on the significance of P-Values. In testing the hypotheses, this study adopts the 5% level of significance as it is commonly used in social sciences research. To determine if the hypotheses can be accepted or rejected at 5% level of significance, the P >/t/ value would be compared with 0.05 in the regression as well as correlation matrix, the null hypotheses will be accepted if the P >/t/ value or P =/t/ at 0.05, and rejected if otherwise.

Hypothesis I:

H_{01}: There is no significant relationship between Size and the CSR of banks in Nigeria

Table III shows the P-value of 0.181 in OLS. This signifies that return on assets has positive insignificant impact on CSRD of banks. Consequently, the null hypothesis that there is no significant relationship between Size and the CSR of banks in Nigeria is accepted. This is consistent with the findings of Uadiale and Fagbemi (2011), Pan et al (2014), Tela, (2011), Orlitzky et al. (2003) and Saleh et al. (2007) and contrary to Ofori et al (2014), Adebayo et al (2012) and Soana, (2005).

Hypothesis 2:

H_{02}: There is no significant relationship between EPS and the CSR of banks in Nigeria

Table III shows the P-value of 0.141 in OLS. This signifies that earnings per share have positive insignificant impact on CSRD of banks. Consequently, the null hypothesis that there is no significant relationship between EPS and the CSR of banks in Nigeria is accepted. This is consistent with the findings of Iqbal et al. (2014), Pan et al (2014), Simionescu and Gberghina (2014) but contradict that of Uadiale and Fagbemi (2011).

Hypothesis 3:

H_{03}: There is no significant relationship between ROCE and CSR of banks in Nigeria

Table III shows the P-value of 0.000 in OLS. This signifies that return on capital employed has no significant impact on CSRD of banks. Consequently, the null hypothesis that there is no significant relationship between ROCE and CSR of banks in Nigeria is rejected. This is consistent with the findings of Malarvizhi (2016) and contrary to that of Tela, (2011).

Table IV: Summary of the study Hypothesis Testing

Null Hypothesis	Statement of Null Hypothesis	Remarks
H_{01}:	There is no significant relationship between Size and the CSR of banks in Nigeria	Supported
H_{02}:	There is no significant relationship between EPS and the CSR of banks in Nigeria	Supported
H_{03}:	There is no significant relationship between ROCE and CSR of banks in Nigeria	Not Supported

As shown on the summary of findings of the hypothesis of this study, one among the null hypotheses is deem rejected and the statement remain untrue as regards CSR disclosure. On the other hand, two hypotheses were supported – meaning that the statement remained valid.

6. DISCUSSION OF RESEARCH FINDINGS

From the model, three of the independent variables; ROA, ROCE and Liquidity appear positive and the remaining independent variables EPS, Bank size and firm age have a negative coefficient. In the case of the variables with positive coefficients, it means that for every increase in one unit of the variables, the dependent variable CSRD will increase by the coefficient values of the variables. The negative coefficient value interpretation is the opposite of what is obtainable when positive value is obtained. Hence, if an additional one Naira is expended out of ROA, this could leads to an increment in CSRD by ₦.0691. In the case of ROCE and Liquidity, the increment is ₦152.4 and ₦.0522 respectively. The last three variables in the model EPS, Bank size and Firm age with negative coefficients implied decrement value by 1.5k, ₦.016 and ₦.0015 respectively. However, this shows that the more the explanatory increases the more the CSRD increases and vice versa.

The study found that ROA, EPS, ROCE, Bank-size, Liquidity and Firm-age are good for the CSRD of deposit money banks in Nigeria. The study findings are that $\alpha = 0.8486622$, $\beta_1 = 0.0691$, B2 = -1.4970, $\beta_3 = 152.4$, $\beta_4 = -0.0164$, $\beta_5 = 0.0522$ and $\beta_6 = -0.0015$ suggesting that financial performance has both positive and negative effect on firm's CSRD. The regression coefficients illustrate that if a deposit money bank invest or engage in CSR, it would incur a profit of 0.8486622. The model also shows that, for every unit increase in ROA, ROCE and Liquidity, CSRD increases by 0.0691, 152.4 and 0.0522 units respectively and for every unit decrease in EPS, Bank size and Firm age, CSRD decreases by -1.4970, -0.0164 and -0.0015 units respectively.

Therefore, a model of six predictor variables (ROA, EPS, ROCE, Bank size, Liquidity and Firm age) can be used in forecasting CSRD of deposit money bank in Nigeria for the period of 2010 to 2015. The adjusted R-square of 69% shows that the model is a fair estimate of the relationship between CSRD and ROA, EPS, ROCE, Bank size, Liquidity and Firm age. It is therefore reasonable to state that financial performance helps in triggering CSR disclosure in deposit money banks and that the model of this study can be used to fairly determine CSRD of a deposit money bank during the period 2010 to 2015.

7. CONCLUSION

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

The study has provided both empirical as well as statistical evidence on the use of six independent variables – ROA, EPS, ROCE, Bank size, Liquidity and Firm age. The results show that the three variables have a significant aggregate impact (at 5%) on CSR disclosure of banks while the other three have not.

First, this research work found that there is positive and significant relationship between return on assets and CSR disclosure, using regression analysis and therefore concluded that return on assets has a positive and significant effect on CSR disclosure of banks in Nigeria.

Second, this study found a negative and insignificant relationship between earnings per share and CSR disclosure, from the regression analysis and therefore concluded that earnings per share have a negative and insignificant impact on CSR disclosure of Banks in Nigeria.

Third, this study found a positive and significant relationship between return on capital employed and CSR disclosure and therefore concluded that return on capital employed have a positive and significant effect on CSR disclosure of banks in Nigeria.

Fourth, this study found a negative and significant relationship between bank size and CSR disclosure and therefore concluded that bank size has a negative and significant influence on CSR disclosure of banks in Nigeria.

Fifth, this study found that a positive and significant relationship exist between liquidity and CSR disclosure and therefore concluded that liquidity has a positive and significant effect on CSR disclosure of Banks in Nigeria.

Finally, the relationship between firm age and CSR disclosure of banks is found to be negative and statistically insignificant; however, the study concluded that firm age has a negative and insignificant effect on CSR disclosure on banks in Nigeria.

8. RECOMMENDATIONS

Having discussed the various findings of the current study above, this section presented recommendation based on the findings as follows:

i. Since there is a positive relationship between return on assets and CSRD, banks are advised to determine their corporate social responsibility disclosure in proportion to return on asset, which in the long-run will increase their profitability.

ii. Bank Managers ought to increase their corporate social responsibility disclosure even when earning per share is found low or decreasing, that in the long-run will increase their turnover and net-worth

iii. While there is a positive relationship between return on capital employed and CSRD, managers should determine their corporate social responsibility disclosure in proportion to return on capital employed which in the long-run will increase their capital equity.

iv. Managers should make sure that this collective wealth is utilized in consistence with the principles of reasonable improvement that supports the idea of social responsibility.

Suggestion for further Research:

This research examines the effect of financial performance on corporate social responsibility of some selected banks in Nigeria. The study considers only return on assets, earnings per share, return on capital employed, together with bank size, liquidity and firm age as control variables to measure financial performance, there is need for further research in the area to incorporate other financial performance variables. Additionally, the study limited its scope on the CSRD of banking sector only; other sectors of the economy such as oil and gas, manufacturing and conglomerate require research efforts, especially as they are not covered in this work.

This study was for a period of six years from 2010-2015, future research may be conducted to cover a wider period, so as to have a more robust analysis and hence a better result.

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