CORPORATE SOCIAL RESPONSIBILITY A PANACEA FOR BANKING SUSTAINABILITY IN DEVELOPING ECONOMIES. A STUDY OF NIGERIA BANKING SECTOR

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Abstract
The study examined corporate social responsibility as a panacea for banking sustainability in developing economies as Nigeria. Multiple regression of ordinary least square analysis techniques was employed. The result from the analysis indicated that; banks environmental expenditures has positive but non-significant effect on return on asset of the banks, while banks community development has no positive and significant effect on return on asset of banks. The study therefore concluded that corporate social responsibility has not contributed much to banking sustainability in developing economies based on the Nigeria banking sector experience in recent time. The study then recommends the following; that banks and organisations in developing economies like Nigeria should pay more attention to the environment where they are operating by increasing their budget on environmental expenditures as this is one of their core corporate social responsibilities and that government should establish a vibrantagency that will be monitoring banks and organisations compliance to community development such as investment in schools and education, creating job opportunities, youth and women empowerments, provision of basic infrastructure and other social amenities and construction good roads for the community in which they operate; as this will foster peace and security in the community which will enhance business activities and financial returns leading to their organisational shareholders' wealth maximisation goal which will then become a panacea for banking sustainability in developing economies like Nigeria.

Keywords: Corporate Social Responsibility, Banking Sector, Developing Economy, Sustainability, Wealth maximisation.

Introduction

Banks and organisations practices all over the world including developing countries like Nigeria in the past has been focus on maximization of shareholders' wealth through efficient utilization of its resources. To this end, the major expectation of society from firm usually centred on efficient resource allocation and its maximization. However, over the years, business focus has been modified, thereby changing the focus of modern day business managers beyond wealth or profit maximization towards being socially responsible.

The effects of banks and organisations operations in the society has been shaped by increase competitions, customer's awareness, human right activities, industrial labour agitations, litigations and the media in exposing the unethical activities of the firm in the society and how their activities has impacted negatively on the environment, thereby increasing the awareness on environmental and ethical issues. Thus, today's strategic managers are changing their focus and embracing the ideas of how to develop a good relationship with their customers, host community and also their employee to forestall a smooth operation without jeopardizing production of quality products and service that are environmentally friendly.

The developing countries is plague with some of social problems like reach good governance, unstable democracy, inconsistent government policies, poverty, poor infrastructures, drug abuse, insecurity and crimes, inadequate electricity generations, motivated workforce, faulty production output, uncontrolled environmental damages or environmental pollutions most especially by banks and multinational companies and most important unethical business practices by business managers. This means that banks and organizations seeking to operate in this business climate must be ready to tailor their strategy in overcoming and providing solutions to some of the highlighted issues. It therefore shows that society today are more interested in what the banks and organizations do, how they carry out their operations and the effect of their decisions.

In the years past, Nigeria banking sector have been involved in series of sharp practices by most of its management team which has leads to most of these banks going insolvent and distresses. The effect of this banking activities usually affects the customers, shareholders, workers and even the economy as most SME‟s and other business go bankruptcy when the banks fails. A case in question of recent is distresses most of the recapitalized bank around August, 2009 as a result of huge debt in non-performing loans (NPL). This led to a drastic banking reform by the then CBN Governor (SanusiLamidoSanusi) in areas of corporate governance, accountability, responsible reporting and also designing a sustainability scheme for the bank. The CBN had come up with a bailout plans through AMCON to buy up the holding shares of these banks so that customers‟ deposits are protected and insured. Also in September, 2011, the CBN came up with a Sustainable Banking Principle, document which was sign by all the banks operating in Nigeria.

Nevertheless, there is still a wide information gap as to how developing countries like Nigerian banks and organisations adopt and practice Corporate Social Responsibilities. In view of this, it is therefore imperative to examine the effect of Nigerian banks and organisations corporate social responsibilities practices as it relates to meeting social objectives in a more organized form, using the Nigeria banking sector as a focal point.

Objective of the Study

The main objective of this study is to examine the effect of corporate social responsibility on banking performance as a way of sustaining developing economies like Nigeria.

While, the specific objectives include:

1. To ascertain the effect of banks environmental expenditure on banks performance
2. To examine the effect of banks community development on banks performance.

Literature Review

Conceptual Framework

The issue of corporate social responsibility is a contemporary and extremely contextual issue in the Nigerian banking and corporate organisations with different views from all stakeholders. Corporate social responsibility has been described in different ways by various authors in their literatures. From various views of the authors, it can be said that there is no universal definition of corporate social responsibility, which means it a function of the societal perception, as what seems socially accepted in one clime is different in another clime. Simply put, corporate social responsibility is defined as a managerial obligation to engage in activities that protects and improves both the welfare of society as a whole and the interests of the organization.

Corporate social responsibility according to World Business Council on Sustainability Development (1998) is the efforts of business corporations to engage in actions and behaviour's that are ethically approved by the society and also promote the operating business environment without compromising the economic objectives of the firm. In the opinion of European Union, corporate social responsibility is holding corporations responsible and accountable for every of its actions and inactions as it affects all its stakeholders. Corporate social responsibility is a business's contribution to sustainable development by meeting the needs of the present without sacrificing the ability to meet those of the future (Institute of Chartered Accountants, 2004).

Access Bank Nigeria Plc Sustainability Report (2008) presents corporate social responsibility as the engagement of organization in ethical behaviour, promotion of economic development, improvement in employees' quality of life while giving back to society through social and infrastructure development that preserve the environment.

In the Nigeria business environment settings, corporate social responsibility could be defined as the activities corporation engaged in order to support government effort in poverty alleviation, reduce unemployment through job creation, youth and women empowerments, and provision of basic infrastructure and amenities for the community in which they operate.

Generally, corporate social responsibility, irrespective of the business sector can be summarized as follows; a combination of policies and exercises that are associated to relationship with key stakeholders, values, compliance with legal requirements, and respect for people, communities and the environment and as the engagement of corporations‟ to bring about sustainable development.

Theoretical Framework

Classical view of corporate social responsibility

Milton Friedman in his view of corporate social responsibility, he supported a laissez-faire view worldwide economy, which is centred on maximization of shareholders' wealth, with a minimum of government regulations, argues against the concept of social responsibility. In the perspective of Milton Friedman, the involvement of corporations in social responsibility activities means the business managers are contradicting and not protecting the shareholders' wealth. Thus, he believes social cost is a burden to the maximization of corporate profit objective which may lead to inefficiency in the long run. In his opinion social responsible activities can only be approved by organizations only when such engagements can be used effectively for generating profit and not simply satisfying voluntary or philanthropic endeavours (Friedman, 1970).

Social Contract Theory

Social contract theory focus is on how to relate organization to the society. Social contract theory explains the implicit and explicit expectations that society has about how the corporation should conduct its operations. The implicit corporate social responsibility represents those values, norms and rules that form the corporations‟ requirements for addressing those social areas that are important to stakeholders. It therefore means the implicit corporate social responsibility are the ethical issues that business must fulfil. On the other hand, explicit corporate social responsibility refers to those social policies adopted by corporations to the society's interest. They represent the discretionary or voluntary activities of the organizations to the society. In other words, organization must act in a responsible manner not only to satisfy the commercial interest of the firm, but also satisfying the expectation on society on how a business should operate. It therefore means that the organization and the society are on equal partner, each entitle to some set of rights and having reciprocal responsibilities. Thus, when organization operates in a social responsible manner, there is a direct and indirect benefit between business organizations and the society. While organization need to the society to access its resources, customer sales, the society on the other hand expect corporations to operate in a social responsible manner that will not affect the society adversely (Lantos, 2001).

The Instrumental Stakeholder Theory

The instrumental stakeholder theory presented corporate social responsibility as a strategic tool for achieving economic objective of the firm. It also conferred legitimacy on the role of organizations to the society. Instrumental stakeholder theory postulates that: organizations may choose to support some social programmes with the objective of building brand or corporate image (public relations), gain competitive advantage and for other strategic purpose without compromising the interest of its shareholders. Some notable researchers that have contributed to this theory amongst, which include Lantos (2001), which describe the theory as "strategic corporate social responsibility"; Donaldson and Preston (1995) and Quazi and O'Brien.

The summary of these researchers' study view corporate social responsibility as a kind of investment for the organization. According to the instrumental stakeholder theory, there is a level of corporate social responsibility engagement that organization are expected to achieve which is refers to as the optimumlevel of corporate social responsibility. Therefore, corporate social responsibility engagement by business managers must be at the level such corporate social responsibility investment maximizes profit, while also meeting the stakeholders demand for corporate social responsibility.

Legitimacy Theory

This theory focuses on the status or condition which exists when an organization's value system is perceived as consistent with that of the society. Legitimation is the process which leads to an organisation being viewed as legitimate. This „process" can include corporate disclosures. Therefore, legitimacy theory describes corporate social responsibility as a response to the environmental pressures of social, political and economic forces. The theory explain that corporations should endeavour to strike a balance between their operations and how they are perceived by external stakeholders and what is thought by society to be appropriate (Deegan, 2002). Society's views of the organizations are very important and may affect its sustainability in the long run if there is a breached in social contract of the firm.

Corporate social responsibility implementation in Nigeria

Implementing corporate social responsibility activities in Nigeria is classified into two modes: Internal and external modes. The Internal mode involves the organization handling its corporate social responsibility implementation by its own management, while the external implantation mode is the outsourcing or paying third parties to implement the corporate social responsibility activities on behalf of the organization. The commonly used internal delivery modes of corporate social responsibility implementation are Corporate Philanthropy, Direct Implementation and Community-based organizations or foundations.

a) **Corporate Philanthropy**: This is a common Corporate social responsibility delivery in Nigeria by most of the corporations. It involved the organization engaging in charitable activities like donations orphanage, donations to disaster victims, sponsorship of programmes.
b) **Direct Implementation of Corporate social responsibility Activities**: This requires full establishment of in-house department for discharging corporate social responsibility activities without involvement of third parties. It therefore means the firm must adequately staff the unit and provide the fund for smooth implementation in line with the CSR objective of the firm.
c) **Community-Based Organizations (CBOs):** This delivery mode, the company makes use or partner with some designated civil society group or NGOs in its immediate community to carry out corporate social responsibility activities that is most beneficial to that community in question. By this, the CBOs minimize the effect community hostility on corporation's staff. The CBOs are civil society or non-profit organizations (NGO) which operate within a single local community or communities in a designated geographical area.

Nevertheless, the external mode of delivery involves outsourcing of the corporate social responsibility engagement to third party for implementation. However, the corporation still have internal or in-house unit that is saddle with corporate social responsibility strategy formulation, corporate social responsibility programmes planning, monitoring implementation and reporting results. There are four identifiable external corporate social responsibility delivery modes in Nigeria; which includes intermediary organizations, strategic partnerships, foundations and multi-stakeholder schemes. Some examples of corporate social responsibility initiative under external mode of delivery are: Micro-credit scheme by Oil and gas companies (Intermediary); Security fund through government and private partnership.

Methology

The study used ex-post facto research design. The justification for the adoption of this type of research design is because secondary data was used by the researchers. In the same vain multiple regression of ordinary least square analysis techniques was employed.

The Data was source from the annual financial reports of the listed banks in Nigeria under study for ten (10) observations. Below are the banks and data used for the analysis.

Model Specification

The study adopted the model used by Temitayo andAkin (2015). Below is the model for this study.

ROA = f (BEEXP,BCDEV) ………………………………………………………Equation 1

$Y = \alpha o + \beta_1 X_1 + \beta_2 X_2 + \mu$………………………………………………………….Equation 2

ROA = $\alpha o + \beta_1$BEEXP + β_2 BCDEV + μ…………………………………………….Equation 3

Where:

ROA = Return on Asset (Proxy for bank performance)

X= Independent variable

Y= Dependent variable

BEEXP=Banks environmental expenditures (proxy for Corporate Social Responsibility)

BCDEV = Banks community development (proxy for Corporate Social Responsibility)
$\beta_1 - \beta_2$ = Coefficients of the independent variables
αo = The intercept constant value of the equation
μ = Stochastic variable or error term

Data Used for the Analysis

BANKS	ROA (%)	BEEXP (N) MILLION	BCDEV (N) MILLION
ZENITH	2.5	675.09	2,237.52
UBA	1.11	598.22	562.93
STERLING	0.61	110.71	218.76
STANBICIBTC	2.23	45.52	257.23
GTB	3.58	187.01	1,023.56
FIRSTBANK	1.68	387.72	2,808.45
FIDELITY	1.24	16.35	141.22
FCMB	1.11	184.46	386.09
DIAMOND	0.56	141.64	634.05
ACCESS	7.53	445.65	506.75

Source: Authors Computation from the Annual Reports of the Listed Banks

Regression Analysis Result/Discussion of Findings

Dependent Variable: ROA
Method: Least Squares
Date: 04/14/17 Time: 17:22
Sample: 1 10
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.573908	1.158966	1.358028	0.2166
BEEXP	0.003766	0.003899	0.965992	0.3662
BCDEV	-0.000468	0.000993	-0.471055	0.6519

R-squared	0.118866	Mean dependent var	2.215000
Adjusted R-squared	-0.132886	S.D. dependent var	2.086673
S.E. of regression	2.220995	Akaike info criterion	4.677113
Sum squared resid	34.52974	Schwarz criterion	4.767888
Log likelihood	-20.38556	Hannan-Quinn criter.	4.577532
F-statistic	0.472155	Durbin-Watson stat	1.360989
Prob(F-statistic)	0.642165		

Source: E-View statistical software package, 9.0

Test of Hypotheses

H_{o1}: Banks environmental expenditures has no positive and significant effect on return on asset

Variable	Coefficient	t-statistic	Prob.
BEEXP	0.003766	0.965992	0.3662
T-tabulated=1.76			

Source: Extracted from regression result table

The table above indicates that the critical value of 0.965992 is less than the T-tabulated value of 1.76 and the coefficient value is 0.003766 while the probability value =0.3662 all at 5% level of significant. Since the critical value is less than the T-tabulated value and the coefficient value is positive and the probability value is greater than 0.05% level of significant therefore, the null hypothesis one is accepted. The study therefore conclude that Banks environmental expenditures has positive but non-significant effect on return on asset of the banks under study.

Ho$_2$: Banks community development has no positive and significant effect on return on asset

Variable	Coefficient	t-statistic	Prob.
BCDEV	-0.000468	-0.471055	0.6519
T-tabulated=1.76			

Source: Extracted from regression result table

The table above shows that the critical value of-0.471055 is less than the T-tabulated value of 1.76, the coefficient value is -0.000468 while the probability value =0.6519 all at 5% level of significant. Since the critical value is less than the T-tabulated value while the coefficient value is negative and the probability value is greater than 0.05% level of significant therefore, the null hypothesis two is accepted. The study therefore conclude that Banks community development has no positive and significant effect on return on asset of banks under study.

However, the study's F-statistic value of 0.642165 indicates that the overall model is statistically insignificant at 5% level. This implies that corporate social responsibility indicators have no significant effect on the performance of banks in Nigeria. So, since all the banks in this study are all listed on the floor of the Nigerian stock exchange with good structure and adequate capitalisation, the study there for conclude that corporate social responsibility is not a panacea for banking sustainability in developing economies based on the Nigeria banking sector experience in recent time.

The insignificant effect of corporate social responsibility indicators on the performance of banks in Nigeria can be attributed to the insecurity and bad state of the Nigeria economy as so many organisations including banks are struggling to meet up and make profit, and this has led to so many banks and organisations reducing their work force in order to maximize shareholders' wealth. Hence, they do not pay much attention to corporate social responsibilities, may be when the economy recovers from its shock (recession) Banks and other organisations would put in more attention and continue with their good works in investing in corporate social responsibilities as then it will be a panacea for banking sustainability in developing economies like Nigeria.

Summary of Findings

Below is the summary of findings from the study:

a) That Banks environmental expenditures has positive but non-significant effect on return on asset of the banks under study.
b) That Banks community development has no positive and significant effect on return on asset of banks under study.

Conclusion

The study examined the effect of corporate social responsibility on banking performance as a way of sustaining developing economies like Nigeria. The study reviewed so many related literature through conceptual and theoretical reviews of some authors reported its positive effect. While our study's result indicated that corporate social responsibility indicators have no significant effect on the performance of banks in Nigeria. The study there for conclude that corporate social responsibility has not contributed much to banking sustainability in developing economies based on the Nigeria banking sector experience in recent time.

However, the study is of the view that the insignificant effect of corporate social responsibility indicators on the performance of banks in Nigeria reported in the study could be attributed to the insecurity and bad state of the Nigeria economy as so many organisations including banks are struggling to meet up and make profit, and this has led to so many banks and organisations reducing their work force in order to maximize shareholders' wealth. Hence, they do not pay much attention to corporate social responsibilities, may be when the economy recovers from its shock (recession) banks and other organisations would put in more attention and continue with their good works in investing in corporate social responsibilities as then it will be a panacea for banking sustainability in developing economies like Nigeria.

Recommendation

Based on our findings, we therefore recommend as follows:

a) Banks and organisations in developing economies like Nigeria should pay more attention to the environment where they are operating in a way making more budgeting on environmental expenditures as this is one of their core corporate social responsibilities.

b) Government should establish a vibrantagency that will be monitoring banks and organisations compliance to community development such as investment in schools and education, creating job opportunities,youth and women empowerments, provision of basic infrastructure and other social amenities and construction good roads for the community in which they operate; as this will foster peace and security in the community which will enhance business activities and financial returns leading to their organisational shareholders' wealth maximisation goal which will then become a panacea for banking sustainability in developing economies like Nigeria.

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