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# Corporate Social Responsibility and Organizational Performance: Pragmatic Evidence from Nigerian Banks

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Abstract

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*The study examines the influence of CSR on the performance of Nigerian banks. Recent evidence suggests that CSR has become a strategic driver of organizational sustainability and stakeholder value creation in emerging economies with particular reference to the selected banks. Purposive sampling technique was used to select 50 branch managers, 10 each from Zenith bank, Guaranty bank, First bank, Access bank and United Bank for Africa respectively as a sample for the study. Data instrument for this study was structured closed ended questionnaire designed by the researchers for the study. Data analysis was performed with the aid of descriptive statistics, factor analysis, and linear regression. The study established that Nigerian banks recognized the importance of CSR and they are doing their obligations to the stakeholders, both internal and external as well as society at large this is proved with the grand mean of 3.69 which is above the criterion mean of 3.0. The study also confirmed that adoption of CSR by Nigerian banks was influenced by meeting the demands and expectations of other stakeholders, to serve as a source of competitive advantage and to comply with government policies with highest mean value of 4.2990. Subsequently, the study recommended that CSR should be seen by Nigerian banks as social obligations business concerns owe their shareholders, the host community, general public, customers, employees and the government in the course of operating their legitimate businesses.*

KEYWORDS: Corporate Social Responsibility, Nigerian Banks, Performance, Stakeholder Development, Pragmatic

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## 1 INTRODUCTION

The business of the twenty-first century irrespective of its size is going to be part of the global business community affecting and being affected by social change, events and pressures from around the world. This is so because the business environment is changing, dynamic, turbulent, discontinuous and highly competitive (Nwokorie, 2024). According to Adeyemi and Ojo (2021), in this modern business world, corporate social responsibility has been emphasized by stakeholders as a driving tool for success to be accomplished. It has become an increasing evident and crucial component of overall performance of business organizations generally. The issue of Corporate Social Responsibility (CSR) and sustainable development have attracted worldwide attention, especially in the media and in academia (Okafor & Ogbeide, 2022). Modern business organizations expectations are beyond making and maximizing profit towards being socially responsible to the society. Since business organizations do not exist in isolation but exist within a society, therefore business organizations need to contribute positively to the development of society in which they are operate (Usman & Ibrahim, 2020).

Despite the growing adoption of CSR practices, there remains ongoing debate regarding its actual impact on organizational performance. Organizational performance encompasses both financial indicators such as profitability, return on assets, and market value and non-financial indicators like customer satisfaction, employee engagement, and corporate reputation (Bello & Ahmad, 2023). While some scholars argue that CSR initiatives contribute positively to organizational performance by strengthening stakeholder relationships and enhancing brand equity, others contend that CSR activities may represent additional costs that do not necessarily translate into immediate financial gains (Ebiringa et al., 2022).

Banking sector occupies important key position in the economy of a nation. In Nigeria virtually all the banks report their expenses on social responsibility towards sustainable development in their annual reports. Most of them strive to meet the demand of charitable organizations, government agencies, religious organizations and tertiary institutions (Okafor & Ogbeide, 2022).

Despite Nigerian banks are socially responsible to an extent, the Nigerian economy today is faced with multiplicity of challenges ranging from high unemployment rate, high poverty corruption, youth restiveness, political crises, security challenges which has great effect on investments and economic growth among others (Nwokorie, 2024). These problems are generally seen as social issues, thus the more social improvements relate to a company's business, the more it leads to economic benefits as well. Nwokorie, 2024 is of the opinion that Nigerian banks need to rethink CSR in' all key sectors (such as education, power, health, agriculture, and small and medium-sized enterprises) of the economy as this will help them to look as being good corporate citizen. Consequently, earn trust, be profitable, assist in reducing poverty and create jobs thereby mitigating the security problem and at the same time contributing to the economic growth of the nation. Therefore, corporate social responsibility in the Nigerian banking sector needs studying because it has the potential to lead to positive social change by reducing poverty and corruption, increasing ethical and transparent banking practices, and increasing business in Nigeria (Okafor et al., 2022)

Given the growing importance of CSR and the mixed findings regarding its effect on organizational outcomes, there is a need to examine the extent to which CSR contributes to the financial performance of Nigerian banks and stakeholder development. Therefore, this study seeks to examine the impact of Corporate Social Responsibility on the financial performance of Nigerian banks. Specifically, the study aims to determine whether there is a significant relationship between CSR expenditure and the financial performance (profitability) of Nigerian banks, assess whether the adoption of CSR programs positively influences stakeholder development, and identify the factors influencing CSR adoption within the Nigerian banking industry. To achieve these objectives, the study is guided by the following hypotheses:

*H01: There is no significant relationship between the adoption of CSR programs and stakeholder development.*

*H02: There is no significant relationship between CSR expenditure and the financial performance of Nigerian banks.*

The findings of this study are expected to provide valuable insights into the role of CSR in enhancing organizational performance and stakeholder welfare within the Nigerian banking sector, thereby contributing to both academic discourse and managerial practice.

## 2 LITERATURE REVIEW

### 2.1 Concept of Corporate Social Responsibility (CSR)

Historically speaking the notion of CSR has been associated with corporate philanthropy. However, recent conceptualizations emphasize that CSR is no longer just voluntary "giving back" but a strategic necessity for institutional survival (Adeyemi & Ojo, 2021). While the Green Paper of the European Union (2001) defines Corporate Social Responsibility as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". modern scholars in the Nigerian context define it as a commitment to national economic development through ethical practices and stakeholder engagement (Bello & Ahmad, 2023).

Similarly, European Foundation for Quality Management (EFQM, 2004) also defines CSR as "a whole range of fundamentals that organizations are expected to acknowledge and to reflect in their actions. It includes among other

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things respecting human rights, fair treatment of the workforce, customers and suppliers, being good corporate citizens of the communities which they operate and above all the conservation of the natural environment."

The Nigerian Federal Executive Council (2008) defined CSR as "the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families' as well as the community at large" (FEC, 2008, para. 1). According to the Minister of the Federal Executive Council (FEC), Daggash, CSR should also include "corporate governance, ethics, health, safety, human rights, human resource management, anti-bribery, and anticorruption measures" (FEC, 2008, para. 1). In May 2008, members of the FEC approved the development of a CSR policy for Nigeria in an attempt to promote ethics in Nigerian businesses and therefore society (FEC, 2008). The FECs development of a CSR policy for Nigeria is an example of implicit CSR. Implicit CSR are formal and informal institutions that share responsibility for the community with organizations and consists of rules and values for corporations (Adeyanju, 2012; Matten & Moon, 2008).

**2.2 Financial Performance**

Organizational performance refers to the ability of a firm to achieve its objectives efficiently and effectively. It is commonly measured using both financial indicators (such as Return on Assets (ROA), Return on Equity (ROE), and profitability) and non-financial indicators (such as customer satisfaction, brand reputation, and employee commitment) (Usman & Ibrahim, 2020).

In Nigerian banks, performance measurement has evolved beyond financial metrics to include broader indicators such as customer retention and stakeholder engagement (Okafor & Ogbeide, 2022).

**2.3 Theoretical Review**

This study anchors on stakeholder theory, because the theory is very relevant to this study. Freeman (1984) one of the advocates of stakeholder's theory, presented a more positive view of managers support of CSR. He asserts that managers must satisfy a variety of constituents (e.g investors and shareholders, employees, customers, suppliers, government and local community organizations) who can influence firm outcomes. Recent studies confirm that stakeholder theory remains the most relevant framework for Nigerian banks as it balances profit-making with social equity (Bello & Ahmad, 2023). According to Okafor and Ogbeide (2022), stakeholder theory explains how company leaders should consider CSR and the way it affects all persons of interest. According to this view, it is not sufficient for managers to focus exclusively on the needs of stockholders, or the owners of the corporation. Stakeholder theory is a key process in defining CSR. According to Okafor and Ogbeide (2022), stakeholders consist of individuals who are making decisions on behalf of an organization. These stakeholders can include "creditors, employees, customers, suppliers, and the communities at large" (Okafor and Ogbeide 2022)).

**2.4 Empirical Review**

The results of previous studies on the relationship between corporate social responsibility and organizational performance remain a subject of intense academic scrutiny. Usman and Ibrahim (2020) examined the impact of CSR on the profitability of listed deposit money banks in Nigeria. Using a panel data approach for the period 2010–2019, their findings indicated that CSR expenditure has a positive and significant influence on the Profit After Tax (PAT) of banks operating in Nigeria.

Adeyemi and Ojo (2021) investigated the relationship between CSR and the financial performance of Nigerian banks using Return on Assets (ROA) and Return on Equity (ROE). Their study, which utilized secondary data from annual reports, revealed that banks with high CSR engagement scores tended to report better financial stability and higher investor confidence compared to those with lower engagement.

In a more recent study, Okafor and Ogbeide (2022) investigated the impact of CSR on the brand reputation and profitability of selected banks in Nigeria. To achieve their objectives, they analyzed data from six major banks over a 10-year period. Their regression results revealed a significant positive relationship between social responsibility initiatives and customer loyalty, which indirectly boosted long-term profitability.

Conversely, Ebiringa et al. (2022) examined the cost implications of CSR on the performance of Nigerian financial institutions. Their study suggested that while CSR improves public image, the immediate high costs associated with environmental and social projects can lead to a short-term decrease in net profit margins, highlighting a "negative influence" in the short run similar to earlier findings by Bessong and Tapang (2012).

## 3 RESEARCH METHODOLOGY

Research Design: Descriptive survey was employed for the study. A descriptive survey method is a kind of research where participants answer the set of questions. The responses are then studied and explained.

Sampling Technique and Sample size: Purposive sampling technique was used to select 10 branch managers each of Zenith bank, Guaranty bank, First bank, Access bank and United bank for Africa respectively totaling 50 respondents as a sample for the study. The choice of these banks is based on the fact that there are five banks being ranked among 1000 global banks by The Banker Magazine in 2025 and it is expected to have uniform corporate social responsibility policy.

Data Instrument: Data instrument for this study was structured closed ended questionnaire designed by the researchers for the study.

Validity of Instrument: Validity is to check whether the measuring instrument measures what it intends to measure. The instruments used for the study are among the instruments adjudged by experts in the field as suitable.

Reliability of Instrument: Reliability of instrument has to do with the consistency or reproducibility, the degree to which the instrument consistently measures what it intends.

The reliability coefficients (Cronbach's) of CSR scale were 0.81, stakeholder interest scale was 0.80 while the performance scale yielded reliability alpha of 0.78.

Method of Data Analysis: Data was performed with the aid of descriptive statistics, factor analysis, and linear regression.

## 4 **RESULTS AND DISCUSSION**

### 4.1 Data Analysis

Table 1: Distribution of respondents by Corporate Social Responsibility

| Statements | Obs | Mean | Remark |
|---|---|---|---|
| Bank maintains cordial relationships with regulators and partners with government in infrastructure development | 50 | 4.12 | Accepted |
| Bank incorporates in practice, the principles of accountability, transparency, ethical conduct, consideration of stakeholders' interest | 50 | 4.20 | Accepted |
| Bank follows regulations and standard regulating their activities. | 50 | 4.13 | Accepted |
| Provides a family friendly work environment | 50 | 3.79 | Accepted |
| Recruitment and human capital development system is efficient and effective | 50 | 3.15 | Accepted |
| Adequate recognition, reward and training of workers to maintain and retain skilled workforce | 50 | 3.21 | Accepted |
| Health and safety at work is maintained | 50 | 3.23 | Accepted |
| Employee rights are respected by the bank | 50 | 3.25 | Accepted |
| Sustainable resource use, energy and material efficiency, valuing and protecting ecosystem | 50 | 4.10 | Accepted |
| Preventing all identifiable forms of pollution | 50 | 3.81 | Accepted |
| Grand Mean | | 3.69 | |

In Table 1, the grand mean of 3.69 which is above the criterion mean of 3 shows that respondents agreed that the sampled Nigerian banks are socially responsible. Furthermore, respondents agree that bank incorporates in practice,

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the principles of accountability, transparency, ethical conduct, consideration of stakeholders' interest with highest mean value of 4.20 followed by bank follows regulations and standard regulating their activities, bank maintains cordial relationship with regulators and partners with government in infrastructure development, and sustainable resource use, energy and material efficiency, valuing and protecting ecosystem with mean value of 4.13, 4.12 and 4.10 respectively. This implies that Nigerian banks are socially responsible as being observed by Okafor and Ogbeide (2022) that over the years Nigerian banks have spent billions of naira as their contribution towards addressing the peculiarity the social economic development challenges of the society. The principal beneficiaries of banks' CSR policies are in the areas of healthcare, education, security, housing, agriculture, arts and tourism, sports, charity organisations, religion, social clubs, government agencies, youth development and public infrastructure development

Table 2: Descriptive Statistics of the factors influencing adoption of Corporate Social Responsibility

| Statement | N | Mean | Std. Deviation |
|---|---|---|---|
| To serve as a source of competitive advantage | 80 | 4.0309 | 1.01503 |
| To improve business image and reputation | 80 | 3.8557 | 1.32279 |
| To comply with government policies | 80 | 4.0206 | 0.84137 |
| To enhance the implementation of core business activities | 80 | 3.5361 | 1.36978 |
| To attract investors | 80 | 3.2887 | 1.33040 |
| To strengthen global networks | 80 | 3.6804 | 1.16857 |
| To promotes long-term profits for business | 80 | 3.3146 | 1.13413 |
| To meet the demands and expectations of stakeholders | 80 | 4.2990 | 0.70953 |

Table 2 depicts that respondents agreed that the above listed items are the factors influencing adoption of corporate social responsibility. Furthermore, results indicate that to meet the demands and expectations of other stakeholder's global best practices in accounting was the most factor influencing adoption of CSR in Nigerian banks with highest mean value of 4.2990.

Table 3: Principal Component Analysis of Factors influencing adoption of CSR by Nigerian banks.

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 3.346 | 41.820 | 41.820 | 3.346 | 41.820 | 41.820 |
| 2 | 1.523 | 19.037 | 60.857 | 1.523 | 19.037 | 60.857 |
| 3 | 1.009 | 12.611 | 73.468 | 1.009 | 12.611 | 73.468 |
| 4 | 0.818 | 10.226 | 83.694 | | | |
| 5 | 0.614 | 7.674 | 91.369 | | | |
| 6 | 0.339 | 4.241 | 95.609 | | | |
| 7 | 0.202 | 2.528 | 98.137 | | | |
| 8 | 0.149 | 1.863 | 100.000 | | | |

***Extraction Method:*** *Principal Component Analysis.*

Table 3 shows the importance of each of the eight principal components. Only the first three (to meet the demands and expectations of other stakeholders, to serve as a source of competitive advantage and to comply with government policies) has eigenvalues over 1.00, and together these explained 73.468% of the total variation of CSR adoption while remaining 26.54% of the variation was explained by some unknown factors.

Testing of Hypothesis

Hypothesis one:

*Ho1: - Adoptions of CSR programs have no significant influence on stakeholder development.*

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Table 4: Influence of CSR programs on stakeholder development

| Model | R | R Square | Adjusted R Square | Std Error of the Estimate | Durbin-Watson | |
|---|---|---|---|---|---|---|
| 1 | 0.869[a] | 0.755 | 0.750 | 0.23936 | 1.341 | |
| Model | | Sum of Square | df | Mean Square | F | Sig |
| | Regression | 8.470 | 1 | 8.470 | 147.840 | 0.000[b] |
| 1 | Residual | 2.750 | 48 | 0.057 | | |
| | Total | 11.220 | 49 | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig |
| | | B | Std. Error | Beta | | |
| | Constant | 0.333 | 0.357 | | 0.933 | 0.356 |
| 1 | CSR | 0.917 | 0.075 | 0.869 | 12.159 | 0.000 |

Table 4 shows that CSR (t=0.933) has a positive and significant influence on stakeholder development (F (1, 48) 147.840; R20. 755; P<.01). The predictor variable independently explained 75.50% of the variance of stakeholder development, indicating that adoption of CSR programs contributes 75.50% to the stakeholder development. The estimated Durbin - Watson value of 1.341 clears any doubts as to the existence of positive first order serial correlation in the estimated model. The model was constructed to test the null hypothesis that adoption of CSR has no significant influence on stakeholder development. The F-statistics of 147.840 indicate that the overall regression plane is statistically significant. Therefore, null hypothesis is accepted while alternative hypothesis is rejected.

Hypothesis Two
H02: - CSR expenditure has no significant influence on the performance of Nigerian banks.

Table 5: Influence of CSR expenditure on the performance of Nigerian banks

| Model | R | R Square | Adjusted R Square | Std Error of the Estimate | Durbin-Watson | |
|---|---|---|---|---|---|---|
| 1 | 0.614[a] | 0.377 | 0.364 | 0.39996 | 1.301 | |
| Model | | Sum of Square | DF | Mean Square | F | Sig |
| | Regression | 4.641 | 1 | 4.641 | 29.014 | 0.000[b] |
| 1 | Residual | 7.679 | 48 | 0.160 | | |
| | Total | 12.320 | 49 | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig |
| | | B | Std. Error | Beta | | |
| | Constant | 1.357 | 0.597 | | 2.272 | 0.028 |
| 1 | CSR | 0.679 | 0.126 | 0.614 | 5.386 | 0.000 |

Table 5 reveals that CSR expenditure (t = 0.614) has a positive and significant influence on bank's performance (F (1, 48) 29.014; R2 = 0. 377; P<.01). The predictor variable independently explained 37.70% of the variance of bank's performance, indicating that adoption of CSR expenditure contributes 37.70% to the bank's performance. The estimated Durbin Watson value of 1.301 clears any doubts as to the existence of positive first order serial correlation in the estimated model. The model was constructed to test the null hypothesis that CSR expenditure has no significant influence on the performance of Nigerian banks. The F-statistic of 29.014 indicates that the overall regression plane is statistically significant. Therefore, null hypothesis is accepted while alternative hypothesis is rejected.

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The study is consistent with Usman and Ibrahim (2020) that CSR expenditure has significant impact on banks' performance. In another study, Adeyemi and Ojo (2021) investigate the impact of corporate social responsibility and profitability of Nigerian banks. The results affirm that positive relationship exist between CSR and profitability of Nigerian banks.

Similarly, the findings of Okafor and Ogbeide (2022), also agree that CSR is a major predictor of banks' performance.

However, the study has contradictory to the finding of Ebiringa et al. (2022) that CSR expenditure has a negative impact on banks' performance.

### 4.2 Discussion of Findings

The study examined the relationship between corporate social responsibility (CSR) and organizational performance in Nigerian banks, focusing on stakeholder development and financial performance. The findings reveal that Nigerian banks actively engage in CSR practices, as evidenced by a high grand mean score (3.69), indicating strong agreement among respondents that banks demonstrate responsibility through ethical conduct, regulatory compliance, stakeholder consideration, and environmental sustainability.

The study further identified key factors influencing CSR adoption in Nigerian banks. Among these, meeting stakeholder expectations emerged as the most significant driver, followed by the pursuit of competitive advantage and compliance with government regulations. Principal Component Analysis confirmed that these factors collectively account for a substantial proportion (73.47%) of the variation in CSR adoption.

In testing the hypotheses, the results showed that CSR programs have a strong and significant positive influence on stakeholder development, explaining approximately 75.5% of its variation. Similarly, CSR expenditure was found to have a positive and statistically significant impact on the financial performance of Nigerian banks, accounting for about 37.7% of performance variation. These findings suggest that CSR is not merely a philanthropic activity but a strategic tool that contributes to both stakeholder value and organizational success.

The results are consistent with several previous studies that established a positive relationship between CSR and bank performance, reinforcing the argument that CSR enhances profitability and corporate reputation. However, the findings contradict some earlier studies that reported a negative relationship, indicating that the impact of CSR may vary depending on context, measurement, and implementation.

Overall, the study concludes that CSR plays a crucial role in improving both stakeholder outcomes and financial performance in Nigerian banks, supporting its integration into core business strategy.

## 5 CONCLUSIONAND RECOMMENDATION

The study examines the influence of CSR on the performance of Nigerian banks with particular reference to the selected banks. The study established that Nigerian banks recognized the importance of CSR and they are doing their obligations to the stakeholders, both internal and external as well as society at large. The study also confirmed that adoption of CSR by Nigerian banks was influenced by to meet the demands and expectations of other stakeholders, to serve as a source of competitive advantage and to comply with government policies. In conclusion, study affirmed that CSR is an alternative paradigm to sustainable development.

Subsequently, the study recommended that CSR should be seen by Nigerian banks as social obligations business concerns owe their shareholders, the host community, general public, customers, employees and the government in the course of operating their legitimate businesses.

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