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Corporate Social Responsibility and Profitability of Nigerian Listed Deposit Money Banks: A Panel Data Analysis (2005-2020)

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Bank Profitability, Corporate Social Responsibility (CSR), Nigerian Stock Exchange (NSE), Panel Data Analysis, Sustainable Development

ABSTRACT

Nowadays, a lot of banks publish statistics on their CSR expenditures, indicating that they have included the discretionary type of CSR into their business operations. Still, a lot of them haven't figured out how this will affect their revenues. The purpose of this study is to ascertain whether or not CSR spending affects banks' profitability by examining the link between CSR expenditure and the profitability level of Nigerian listed banks. Based on secondary data analysis from fifteen listed banks' annual reports for the years 2005 through 2020, the study was conducted. Out of the thirty-three licensed deposit money banks (DMBs) in Nigeria as at 2020, all fifteen listed on the Nigerian Stock Exchange (NSE) were chosen using a purposive sampling technique. This study used panel data regression analysis to investigate the impact of CSR spending on the profitability of deposit money banks listed on the Nigerian Stock Exchange. The period of study covered 2005 to 2020, providing insights into the effectiveness of CSR initiatives on financial outcomes. The results show a significant correlation between the tested banks' profitability and their spending on corporate social responsibility (CSR). Specifically, each unit increase in CSR spending was accompanied by slightly above a percent rise in the banks' profit after taxes. The study comes to the conclusion that CSR spending has a major role in understanding why banks' profitability levels vary. Therefore, it is advised that banks strategically allocate the CSR funds they spend in order to boost their long-term profitability for survival and, as a result, optimize the advantages for sustainable development in society.

Introduction

The environment in which organizations function is dynamic, complicated, and uncertain. As such, when conducting their daily business, they have to keep the interests of the general public in mind. Organizations have an impact on society, and they coexist in a symbiotic relationship with the communities in which they are located. As a result, mutual support between the organizations and their host communities is expected. Societies provide organizations with workers, security, and customers for their goods and services, and in return, society wants these organizations to contribute socioeconomically to the advancement of their surroundings. But only if they live up to each other's standards can they have a happy relationship (Ojo, 2008; Oriaje, 2024; Uadiale & Fagbemi, 2011). Banks are not an exception because of how deeply they affect society and how important it is to execute social responsibility. Due to the banking sector's

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undeniable importance to the nation's economic development, there has been a significant increase in its quest for social responsibility spending, even though it does not aggressively negatively impact the environment in comparison to other industries like petrochemical, agro-allied, and manufacturing. However, organizations face obstacles in society because they must conduct their daily operations in a way that is both lawful and ethical, and they must also dedicate themselves to meeting the expectations of their stakeholders. This introduces the idea of corporate social responsibility, which is thought to be essential to meeting these goals. The phrase "corporate social responsibility" (CSR) refers to an organization's obligation to actively participate in improving society. CSR requires businesses to address the demands of other stakeholders in addition to meeting the needs of their shareholders (Moir, 2001;Tuhin, 2014; Festus et al., 2023).

Obi, (2013) opines that due to the long-standing belief that companies have a need to "give something back" to the communities in which they operate, the concept of corporate social responsibility is not new in Nigeria. Certainly, there have been prior efforts to "give something back" to host communities, particularly by international oil and gas corporations, which is thought to be where Nigeria's codified corporate social responsibility (CSR) history started. For most businesses, the incorporation of CSR implementation into corporate strategy is a relatively recent development. Currently, the concept of corporate social responsibility (CSR) is widely understood and implemented by Nigerian corporations as corporate philanthropy. These companies primarily provide cash donations and corporate gifts, such as pipe-borne water, educational materials, buildings like schools and hospitals, medical aids, food items, vehicles, scholarships, clothing and household items, wheelchairs for the disabled, sport kits, surveillance (electronic) gadgets, etc., with the aim of addressing socio-economic development challenges that have come to light as a result of agitations by civil society groups in the host communities and wider society (Ayon & Oyedokun, 2022; Ezejiofor et al., 2021). This is what onlookers excuse as a CSR entry model. To guarantee sustainable socially responsible behavior, there are, however, few regulations from the government (Abdullahi, et al., 2012; Ojo & Akande, 2013; Oriaje, 2024).

Lawal et al, (2020) opines that the topic of corporate social responsibilities, or CSR, is one that is very relevant and modern to all parties involved, including the public, the government, and the company entity itself. The public said that having the freedom to withdraw from society in the form of corporate social responsibility (CSR) activities carried out by other stakeholders is sufficient justification for paying taxes and upholding other civil rights. The obvious contamination of the air, water, and environment was a defining feature of Nigerian life a decade ago. The majority of business companies downplay the importance of giving back to society and are more focused on what they can extract from it (their host communities).

As noted by Adeyanju (2012), one example of how this attitude frequently renders an entire community uninhabitable is the Niger Delta region of Nigeria, where years of intensive oil exploration have resulted in serious environmental degradation and widespread poverty due to people losing their means of subsistence. This has negatively impacted corporate identity and integrity because people saw it as exploitation and greed for profitability and wealth maximization within the collapsing Nigerian economy. It is widely held, therefore, that when businesses actively work to be socially responsible, both company and society benefit; that is, business organizations gain from their improved reputation, and society benefits from the social programs that business companies carry out. But in the present era, businesses are now deeply engaged in CSR after realizing the advantages and favorable return on their investment in this initiative, which has had a positive and profitable impact on society. Businesses, including Nigerian banks, are starting to realize how important it is to uphold and create value in society since doing so is predicted to benefit the business.

However, Lawal and Brimah, (2012) are of the view that in recent years, Nigerian banks have been forced to come up with innovative strategies to boost their corporate brands and win over stakeholders' moral sensibilities. Corporate social investment has been successful in enhancing the public perception and financial performance of forward-thinking companies that currently disclose their CSR operations on their websites and/or yearly financial reports. While it may seem counterintuitive to donate a portion of their profits to charitable causes, there are significant benefits in terms of increased brand recognition. One percent (1%) of Zenith Bank

Plc's Profit after Tax (PAT) has been designated for corporate social responsibility (CSR) initiatives. In order to allay suspicions of tax evasion, a portion of PAT must be committed to CSR. Similarly, a number of companies listed on the Nigerian Stock Exchange (NSE), including First Bank of Nigeria Plc, GTBank Plc, United Bank for Africa Plc and Access Bank Plc, have been observed in the past giving large sums of money to various societal groups while declaring tax payments (Ameashi, et al. 2006; Ayon & Oyedokun 2022; Fodio, et al. 2013; Obi, 2013).

Nigerian banks' recent increase in their Corporate Social Responsibility (CSR) investment highlights their admirable dedication to sustainable growth and community development. The nation's top financial companies have dramatically increased their charity contributions despite growing inflation and rising rates of poverty, showing a strong response to socioeconomic issues. According to CSR Reporters (2024), in the first quarter of 2024, Nigerian banks including Zenith Bank Plc, United Bank for Africa (UBA) Plc, Stanbic IBTC Holdings Plc, FBN Holdings Plc, FCMB Group Plc, Wema Bank Plc, and Fidelity Bank Plc increased their combined CSR activities from N1.57 billion to N3.38 billion, a remarkable 115 percent increase. This is against eight Nigerian banks spending of a total of N1.869 billion on several community-related projects in 2012 as part of their corporate social responsibility efforts to become more integrated into the communities in which they operate. This is almost 55% of the N3.4 billion in total CSR spending made by the banking sector during that year, compared to N1.7 billion the year before.

Tier 1 banks (Zenith Bank Plc, UBA Plc, GTBank Plc, FBN Plc, and Access Bank Plc) dominated the list out of the eight banks. These banks are ranked according to a variety of criteria, including their large market share and capital base. Zenith Bank Plc topped the list of CSR expenditures with N585 million, followed by GTBank Plc with N364.8 million. The oil and gas business funded corporate social responsibility (CSR) with N9.5 billion in 2011, telecoms with N6.4 billion, and the banking sector in third place. It is seen that these numbers has continued to rise as more people become aware of the concept of CSR. This significant increase in contributions also demonstrates their proactive approach to meeting communities' urgent needs. Through their investments in ICT, healthcare, and education, these banks are not only meeting basic needs but also building community trust and goodwill in the community (Csr reporters, 2024; Lawal, 2019).

This study uses panel data regression analysis to investigate the impact of CSR spending on the profitability of Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange. The period of study covers 2005 to 2020, providing insights into the effectiveness of CSR initiatives on financial outcomes.

Literature Review

Although the concepts of Corporate Social Responsibility (CSR) have long been a cornerstone of ethical business practices, they have seen an amazing rise and comeback in recent years. There appears to be an increasing amount of evidence supporting the idea that there are numerous definitions of corporate social responsibilities (CSR), each deemed useful in and of itself and tailored to the particular firm. The economic, ethical, environmental, and social components of the notion are included in the majority of definitions. CSR is also frequently defined as an example of specific responsible behavior toward society and the environment by the public and private (government and business) sectors (Lawal et al., 2020; Jamali and Mirshak,2006).

Shareholder Theory of CSR vs. Stakeholder Theory of CSR

Shareholder Theory of CSR also known as the "Friedman Doctrine" after economist Milton Friedman focuses on maximizing shareholder value as the primary responsibility of a company. It asserts that the primary obligation of corporate executives is to the owners of the company (the shareholders). It involves any engagement in social responsibility activities should directly contribute to increasing the firm's profitability. According to Friedman (1970), the main goal of a business is to generate profit for its shareholders. The theory postulates that the activities of business is beyond profit maximization, such as social or environmental concerns are not the responsibility of the company unless they contribute to profitability. Also, it asserts that management as agents of shareholder (corporate executives) must prioritize shareholder interests. However, companies may engage in CSR activities if they see potential benefits to profitability, such as enhanced reputation or customer loyalty. The criticisms of the theory are that it is with a short-term focus. This means that it may encourage short-term profit at the expense of long-term sustainability. It also ignores the wider social, environmental, and economic impacts of corporate activities. The theory also overlooks ethical responsibilities beyond financial gains. The postulates of this theory contend that by generating incentives and disincentives to encourage good economic behavior, free markets may both cause and solve social problems (Shrivastava, 1995).

On the other hand, the stakeholder theory of CSR advocated by Edward Freeman and others emphasizes the importance of considering the interests and well-being of all stakeholders, not just shareholders. The interaction between a group of people who have the potential to influence or be impacted by an organization's goals being achieved is the main emphasis of stakeholder theory. Freeman (1984) asserts that managers must satisfy a variety of constituents who are referred to as stakeholders (e.g. investors and shareholders, employees, customers, suppliers, government and competitors. Clarkson (1995) A person or group that has ownership rights or an interest in an organization and its past, present, or future operations is referred to as a stakeholder. These asserted rights or interests—which may be moral or legal, individual or collective—are the outcome of the organizations' actions. Starik (1995) added non-human and human entities to the definition of a stakeholder. He maintained that as the natural environment is a crucial part of the business environment, it may be incorporated into the idea of stakeholder management. The notion posits that companies should not limit their focus to gratifying equity holders or business owners, but should also take into account other groups of individuals whose activities could potentially compromise the organization's effectiveness. Therefore, stakeholders include anyone affected by the company's actions: employees, customers, suppliers, community, environment, and shareholders (Lawal, 2019).

In order words, companies have a responsibility to balance the interests of all stakeholders, promote sustainable business practices that consider long-term impacts on all stakeholders, integrate ethical and social responsibilities into the core business strategy and recognize that the well-being of different stakeholder groups is interconnected, and addressing their needs can benefit the company as a whole. Enormous benefits abound in the adoption of this theory which include but not limited to encouraging sustainable and ethical business practices, building trust and loyalty among customers, employees, and other stakeholders, help identify and mitigate risks associated with neglecting stakeholder interests and foster innovation and engagement by addressing diverse stakeholder needs and perspectives. The cons are balancing the needs and interests of diverse stakeholder groups can be complex and challenging and its difficulty to measure. Examples of adoption of the shareholders theory could be related to a company that focus on cost-cutting measures to improve profit margins, even if it means outsourcing jobs to countries with lower labor standards or CSR activities are pursued if they lead to increased sales, such as marketing a product as environmentally friendly to attract eco-conscious consumers. While for the stakeholder’s theory, a company might implement comprehensive environmental sustainability practices, not just because it enhances its reputation, but because it benefits the planet and future generations or engaging in CSR initiatives might include investing in local community projects, improving employee working conditions, and ensuring ethical supply chain practices, even if these actions do not lead to immediate financial gains.

The stakeholder idea serves as the foundation for this study even if opinions on CSR still veer between these two extremes. This is primarily because, while banks are expected to give back to the communities in which they operate, CSR spending should only be undertaken when the bank can afford to do so and when there are sufficient free resources to meet the needs of the bank's owners as well as other stakeholders (Waddock & Graves, 1997).

Review of Selected Empirical Studies on Corporate Social Responsibility (CSR) and Financial Performance

The literature contains a number of studies on the relationship between corporate social responsibility expenditures and profitability, as well as the degree to which one influences the other. Nevertheless, the conclusions of these studies give inconsistent evidence of the relationship. As a result, the results fall into three categories. While some research indicates a favorable association between CSR and financial performance, other studies revealed a negative correlation or no correlation at all between the two variables.

Oriaje, (2024) investigated the impact of Corporate Social Responsibility (CSR) disclosure on the financial performance of listed Deposit Money

Banks (DMBs) in Nigeria. Utilizing an ex-post facto research design, the study sampled 13 out of 15 DMBs listed on the Nigerian Exchange Group, covering data from 2009 to 2022. The CSR activities examined include financial inclusion and economic empowerment, educational and health initiatives, environmental sustainability, and social infrastructure development. Multiple regression analysis, specifically pooled OLS and OLS models, was employed to assess the impact. The findings indicate that most CSR activities have an insignificant impact on financial performance, measured by Net Interest Margin (NIM) and Tobin's Q, except for financial inclusion and economic empowerment, which significantly impacted financial performance as proxied by Tobin's Q. The study concludes that CSR disclosure has an overall insignificant impact on the financial performance of Nigerian DMBs and recommends that these banks should not prioritize CSR activities as a benchmark for financial performance. Although, the study spans a lengthy period (2009-2022), allowing for an extensive analysis of long-term trends and by examining various CSR categories, the study provides a broad view of CSR's potential impacts. Its limitation is the predominance of insignificant results raises questions about the relevance or effectiveness of CSR activities in impacting financial performance and the reliance on NIM and Tobin's Q as the sole financial performance metrics might not capture the full spectrum of financial impacts from CSR activities. Including additional financial performance indicators could provide a more nuanced understanding.

Ogunleye et al. (2023) study focused on investigating the value relevance of CSR disclosures by listed food manufacturing companies in the Nigerian consumer goods sector. This study emphasized on examining the impact of CSR disclosures on share prices. The methodology adopted census sampling of all 9 listed food manufacturing companies in the Nigerian consumer goods sector and analysis of annual reports, sustainability reports, and NSE website data from 2011 to 2020. The hypotheses tested using multiple linear regression. The findings revealed among others that CSR disclosures are value relevant, impacting share prices. While environmental responsibility disclosures have the most significant impact, followed by community and customer/product responsibility disclosures, the study provides valuable insights into the specific components of CSR that drive market value in the food manufacturing sector and relied on a decade-long data set enhances the robustness of the findings.

Oluyinka (2021) on the other hand **a**nalyzed the impact of CSR initiatives (community development, education, and health) on the financial performance of banks in Nigeria. The methodology examined data from 2009 to 2018 and used Return on Asset (ROA) as the sole measure of financial performance. The limitations of this study included the narrow scope of CSR initiatives examined which might overlook other significant CSR activities. Also, ROA may not capture the full spectrum of financial performance and a ten-year timeframe might not be sufficient to observe long-term effects. Nevertheless, the study highlights the need for broader CSR metrics and more comprehensive financial performance indicators to capture the true impact of CSR initiatives.

Onipe and Ismaila (2022) focused broadly on examining the impact of CSR on the financial performance of companies. The methodology adopted the use of various financial performance metrics but lacks specificity to the banking sector. The major limitation is that the results are not specific to banks, which might affect the applicability of findings to the banking industry. This study underscores the importance of industry-specific analysis when evaluating CSR impacts on financial performance.

Ayon and Oyedokun (2022) investigated the impact of CSR on financial performance within the Nigerian food and beverage industry. In the methodology, the study adopted five-year study period, used ROCE and EPS as financial performance indicators. The major limitation was the short study period might not capture long-term trends. The study also collected selected financial performance indicators which may not cover all aspects of financial performance. The study's findings may have limited applicability beyond the specific context of the Nigerian food and beverage industry, necessitating broader and longer-term analyses.

Tuhin (2014) in its study measured the impact of CSR expenditure on the profitability of listed banks in Bangladesh. The methodology adopted the analysis of secondary data from 10 listed banks from 2007 to 2011. It employed the regression analysis for determining the association between CSR expenditure and profitability of Bangladesh listed banks. The findings showed that there was a significant positive association between CSR expenditure and profitability. The study supports the positive impact of CSR on financial performance but is limited by its regional focus and relatively short timeframe.

Sanni, et al. (2014) examined the impact of CSR expenditure on the profitability of Nigerian Deposit Money Banks (DMBs). The methodology adopted a Purposive sampling technique to select a sample size of 10 out of 21 DMBs, the Analysis of data from 2007 to 2011 using correlation and panel data regression. The findings revealed that CSR expenditure has no significant impact on profitability. It also suggests cautious CSR spending to avoid jeopardizing profit objectives. The study provides a cautionary perspective on CSR expenditure, emphasizing financial prudence.

Malik and Nadeem (2014) investigated the impact of CSR on the corporate financial performance (CFP) of banks in Pakistan. The methodology adopted the Panel data regression analysis and Secondary data from annual reports of eight banks from 2008-2012 was used. **Financial performance metrics like** Earnings per Share (EPS), Return on Assets (ROA), Return on Equity (ROE), and net profit were used as proxies for the study. The findings of the study revealed that there is a positive relationship between CSR practices and profitability metrics and indicated a lack of widespread CSR practices in Pakistan's banking sector. It concluded that banks that implement CSR practices tend to earn more profit over the long term and it promotes the idea that integrating CSR into business operations can enhance financial performance. The use of multiple financial performance metrics provides a robust analysis especially with the use of longitudinal data over five years which allows for observing trends over time. However, the study limited sample size to eight banks, which may not be representative of the entire banking sector.

Amole, et al. (2012) examined the relationship between CSR and profitability in the Nigerian banking industry using First Bank Plc as a case study. The methodology adopted the use of secondary data by analysing annual reports from 2001 to 2010 using correlation and regression techniques. The findings showed that there was a positive relationship between CSR expenditure and profitability, with a 95% increase in profit after tax per unit change in CSR expenditure. It recommends high commitment to CSR for long-term profitability. The study highlights the long-term benefits of CSR investment, aligning with stakeholder theory.

Akanbi and Ofoegbu (2012) Investigated the effect of the dimensions of CSR on organizational performance in the banking industry, specifically focusing on United Bank of Africa (UBA), Lagos. The methodology adopted the survey research design and primary data was sourced with the use of questionnaire administered to 250 employees selected using stratified sampling technique, covering all cadres and departments. The study employed the use of t-test, regression, Pearson correlation, and ANOVA for its analysis. The study revealed that the dimensions of CSR have a significant effect on organizational performance and that factors hindering CSR performance include excessive taxation and lack of corporate and public awareness. Comprehensive data collection from employees across different levels and departments was used and it also used multiple statistical tools to validate findings, its limitations remains that it was limited to a single bank, which may affect the generalizability of the findings and it over relied e on self-reported data, which can be subject to bias.

Bedi (2009) studied the relationship between social and financial performance of top Indian firms for the financial year 2007-2008. The methodology employed the use of Correlation and regression analysis to analyze data collected from 37 companies rated by NGO Karmyog, which spent financial resources on CSR activities. The findings showed that there is a Positive relationship between CSR expenditure and financial performance and Corporate social expenditure is influenced by the financial performance of the firm in India. It concluded that financially strong companies are more likely to spend on CSR activities, indicating a cyclical relationship where good financial performance enables CSR, which in turn can enhance financial performance. Although the study used both descriptive and inferential statistics which strengthened the validity of the findings and its focus on top firms provides insights into best practices in CSR. Its limitation is that it focused on one financial year, which may not capture long-term trends and its use of a small sample size of 37 companies may limit the ability to generalize the results.

The reviewed studies offer diverse perspectives on the impact of CSR on financial performance across different sectors and regions. The common themes include the importance of specific CSR components, the need for comprehensive financial metrics, and the benefits of long-term CSR investment. This study could benefit from broader and more nuanced analyses, incorporating various CSR activities and financial performance indicators over extended periods. It is clear that opinions regarding the relationship between CSR and profitability are not shared by all. The relationship between CSR spending and profitability as well as the degree to which CSR spending impacts a company's profitability have been the subject of conflicting research. Numerous factors, such as sample size, cultural context, and market value, have been suggested as causes of these discrepancies (Sanni et al, 2014).

Methodology

This study is based on the analysis of secondary data collected from the annual reports and accounts of all listed DMBs from 2005 to 2020. The descriptive statistics, correlation and panel research design was adopted to analyze the association and effects of corporate social responsibility expenditure on banks profitability. Panel studies are those in which the independent and dependent variables are measured repeatedly on municipalities (banks) and on several occasions (years). Panel study was considered an efficient analytical method for this study because it allows the inclusion of data for (N) cross –sections and (T) time periods.

The population of this study comprises thirty three (33) licensed deposit money banks in Nigeria, as at 31st December 2020.The study employed a sample size consisting of fifteen (15) deposit money banks listed on the Nigerian stock exchangeas at 31st December 2020 using purposive sampling technique.

Table 1: Listed Deposit Money Bank

S/No.	Names	Date of Listing
1	Access Bank Plc	1998
2	ECO Bank Transnational Incorporated	2006
3	First Bank of Nigeria Plc	1971
4	FCMB Group Plc	2004
5	Fidelity Bank Plc	2005
6	Guaranty Trust Bank	1996
7	Jaiz Bank Plc	2014
8	NPF Microfinance Bank	2010
9	Stanbic IBTC Holdings Plc	2012
10	Sterling Bank Plc	1993
11	Union Bank	2005
12	United Bank for Africa	1970
13	Unity Bank	2005
14	WEMA Bank Plc	1990
15	Zenith Bank Plc	2004

Source: NGX website, 2023

The emphasis on banks listed is based on the premise that they are by law (Investment and Securities Act, 2007) mandated to file their periodic financial reports. The adoption of listed firms as case study is not unusual, as studies such as Tevfk and Oktay (2008), Sanni *et al*. (2014), Rabi'u et al, (2016), and Ogunleye et al, (2023) have used listed firms as their case studies. Sample data was collected from 2005 to 2020; this period was chosen because it marked the period of post-consolidation era in the Nigerian banking industry (Ernest, 2012). The total number of observations was 15 banks for 15 years which makes up 225 observations.

Secondary data was used for this study and were extracted from the annual financial reports of the banks and the fact-book published by the Nigerian stock exchange. These sets of data comprised mainly amounts reported as spent on CSR activitiesand the firms profit after tax for the period under consideration**.** Data collected were subjected to both descriptive statistics, correlation and regression analysis. Descriptive statistics involved the use of tables, central tendencies and graphs in order to present the level of CSR expenditure of banks, while correlation was employed to establish the relationship between CSR spending and profit of banks. The regression analysiswas used to show the impact of CSR expenditure on profitability of the banks studied as against the OLS assumption of common constant among the cross sections of selected banks, and in fixed effects method the constant is treated as group. The fixed effects estimation is referred to as the least squares dummy variables (LSDV) estimator in order to allow for different constants for each group (bank), and it includes a dummy variable for each bank. The fixed effects model assumesconstant coefficients but the intercept varies over the individual banks. The study determines whether CSR uptake of banks have any impact on their profitability and in doing so the regression equations will use panel data that consists of cross sectional and time series observations. This will enable the use of a larger number of data points, increasing the degree of freedom and reducing the co-linearity among the independent variables. This conforms to the work of Mahoney and Roberts (2007) on the CSR-FP link for publicly held Canadian companies.

The dependent variable is profitability, which is proxy by profit after tax (PAT) of the banks. PAT is the net profit earnedby the company after deducting all expenses such as interest, depreciation and tax. PAT can be fully retained by a companyto be used in the business. Dividends, if declared, are paid to the shareholders from this residue. It is a more accurate lookat operating efficiency for leveraged companies. Profits after tax directly impact the amount investors earn and hence affect market capitalization accordingly. The independent variable is the corporate social responsibility (CSR) expenditure of the banks, which is measured in this study using the amount of all donations and corporate gifts reported in selected banks' financial reports.

Data Presentation and Results

This section reveals the descriptive result of the correlation coefficient between the independent and dependent variables and analyses the empirical results based on the panel data regression model estimates while discussing the findings of thestudy.

Descriptive Statistics Result

Table 2 presents the summary of the descriptive statistics of the dependent and the independent variables. The mean, minimum, maximum and standard deviations are presented in order to provide an insight into the distribution of the underlying variables.

Table 2: Descriptive Statistics Summary

	CSR Exp.	**PAT**
Mean	4.56E+08	1.18E+10
Maximum	1.90E+10	1.18E+11
Minimum	774000.0	-8.32E+10
Std. Dev.	3.30E+09	2.53E+10
Skewness	11.35545	0.815395
Kurtosis	130.9401	8.389218
Jarque-Bera	94975.00	178.3302
Probability	0.000000	0.000000
Sum	6.16E+10	1.59E+12
Sum Sq. Dev.	1.46E+21	8.61E+22
Observations	225	225

Source: Author's computation, 2023

Table 2 shows the mean value for PAT as N11.8bn while CSR has a mean value of N456m. The banks were on the averageprofitable during the period of 2005 to 2020 regardless of the minimum loss of N83.2bn reported in one of the listed banksduring the period. The maximum CSR expenditure was N1.9bn.The standard deviation of both variables indicates high variation in the distribution of the series, indicating that both CSR and profitability were unstable during the period. The skewness and kurtosis show that the CSR are positively skewed and has a fat tail; this is also applicable to profitability. Equally the probability of the Jarque Bera statistics, which is significant, shows that the distribution of both the CSR and profitability is not normal. Therefore, the application of OLS method is inappropriate. Hence, the fixed effect and random effect models are used in this study.

Correlation Result

Table 3: Correlation matrix between the dependent and independent variables

Variables	PAT	CSR
PAT	1.0000	
CSR	0.2584	1.0000

Source: Author's computation, 2023

The matrix, as shown in Table 3, depicts that with the correlation coefficient (0.2584), there is a positive relationship between CSR and profitability of banks. Although the relationship is weak, it could have great impact. This implies that for banks to really maximize value from embarking on CSR spending, they need to deploy more resources to their CSR engagements.

Presentation and Analysis of Panel Data Regression Model

Table 4: Estimates of Fixed Effect Regression Model

Fixed-effects (within) Regression	Number of Observation = 225
Group variable: bankid	Number of groups = 15
R-sq: within = 0.0387	Observation per group : min = 15
between = 0.02892	Average =15
Overall = 0.0668	Max = 15
	F(1.119) = 4.78
corr (u I, Xb) = 0.1595	Prob > F = 0.0307

Profitability	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
csr	1.352377	0.6182478	2.19	0.031	0.1281843	2.576565
_cons	1.12e+10	1.92e+09	5.82	0.000	7.38e+09	1.50e+10
sigma u	1.345e+10					
sigma e	2.209e+10					
rho	0.27047257	(fraction of variance due to u_i)				

F test that all u_i=0: F(14, 119) = 3.25 Prob > F = 0.0002

Source: Author's computation, 2023

Table 4 shows the estimates of fixed effect model investigating the impact of corporate responsibility (CSR) on profitability. The value of coefficients of CSR (1.35237) shows that CSR is positively related to profitability. The model shows that CSR is a significant determinant of bank profitability. The p-value, (0.031) shows that the coefficient of profitability is statistically significant at 3.1%. The average effect of increase in the CSR on increase in profitability across banks over time is 1.352377 which implies that a unit increase in CSR will on the average bring about 1.352377 unit increases in profitability. That is, on the average, a million naira increase in the expenditure on CSR will lead to corresponding 1.352377 million naira increase in profit of banks. The F-statistics is 4.78 with probability value of 0.0307depicts that the model has a good fit. Hence, the findings of the model are valid for the banks involved in this investigation.The Rho statistics 0.27 indicates that about 27% variation in profitability across the banks over time is due to their peculiarunobserved differences.

Table 5: Estimates of Random Effects Regression Model

Random-effects GLS Regression	Number of Observation = 225
Group variable: bankid	Number of groups = 15
R-sq: within = 0.0387	Observation per group : min = 15
between = 0.02892	Average =15
Overall = 0.0668	Max = 15
Random effects u i ~ Gaussian	Wald chi2(1) = 6.85
corr (u I, X) = 0 (assumed)	Prob > chi2 = 0.0089

Profitability	Coef.	Std. Err.	z	P>|**z**|	[95% Conf.	Interval]
csr	1.591469	0.6079967	2.62	0.009	0.3998174	2.783121
_cons	1.11e+10	3.26e+09	3.40	0.001	4.68e+09	1.75e+10
sigma u	1.007e+10					
sigma e	2.209e+10					
rho	0.17210502	(fraction of variance due to u_i)				

Source: Author's computation, 2023

Similarly, the result of the random effect regression expressing the impact of CSR on profitability of banks is shown in table 5. It indicates that CSR is a significant determinant of the profitability of the banks investigated, i.e. CSR positively affects banks' profitability. This is indicated by the value, 1.5915 for the coefficients of CSR. The p-value 0.009 of the Z-statistics is 2.62, shows that the variable (CSR) is statistically significant. On the basis of magnitude, a unit increase in CSR expenditure will lead to about 1.5915 units increase in the banks' profitability and the reverse is the case when thereis a decrease in expenditure on CSR. By implication, one million naira increase in the expenditure on CSR result in about1.5915 million naira increase in the banks' profit. This portrays the average effect of change in CSR on the changes of profitability across banks over time. The intra-class correlation (rho) shows that about 17.2% variation in profitability of banks as a result of their unobserved individual differences while the Wald chi statistics, 6.85 with p-value 0.0089), indicates that the model has a good fit.

Table 6: Hausman Test

	(b) fix	(B) ran	(b-B) Difference	Sgrt (diag(V_b-V_B) S.E.
CSR	1.352377	1.591469	-0.2390924	0.1121177

b = consistent under Ho and Ha; obtained from xtregB = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(1) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 4.55
Prob>chi2 = 0.0330

Source: Author's computation, 2023

Given that both the fixed effect and random effect models exhibit goodness of fit, to determine the preferable one for adoption for this study between the two, the Hausman test was conducted using the estimates of the two models. The resultof the test is reported in table 6 above. The null hypothesis of the test is that random effect is preferable (difference in coefficients not systematic) against the alternative hypothesis that random effect model is not preferable (difference in coefficients systematic). The null hypothesis would be rejected if the probability of the chi-square statistics is significant. Therefore, the results of the test conducted in this study show that the null hypothesis is rejected. Hence, we conclude thatthe fixed effect model is preferable to the random effect model. This is indicated by the chi-square statistics is 4.55 with probability value of 0.0330. So, the findings of this study are preferably based on the estimates of the fixed effect which supersedes that of the random effect model.

Discussion of Findings

The findings, based on the correlation model result of 0.2584, show that a positive relationship exists between corporate social responsibility expenditure and profitability i.e banks' sustainability. With this correlation result, it is believed that itcould have great impact when banks deploy more resources to finance what the society expects from them. This might perhaps call for banks to adopt the concept as a business strategy rather than a mere act of generosity to really maximize value from embarking on CSR spending. Based on the regression estimates, there is indication that CSR expenditure is very significant in explaining the variationsin profitability level of sample banks. It is also revealed that for every unit increment in the CSR expenditure, there will be 1.35 increases in profit after tax of the company.

The finding is consistent with the works of Akanbi and Ofoegbu (2012), Amole *et al.* (2012), Bedi (2009), Malik and Nadeem (2014) and Tuhin (2014) who also discovered that a positive and significant relationship exists between CSR expenditure and profitability of banksin their countries, i.e. Nigeria, India, Pakistan and Bangladesh respectively, however, contrary to the findings of Sanni *et al*. (2014) which revealed that expenditure on CSR has no significant impact on bank's profitability.

Conclusion

The study reveals that deposit money banks in Nigeria recognizes the importance of sustainability and contributing to the socio-economic and environmental development of their host communities, this is evident by the diverse programmes expended on and reported as CSR expenditure of the banks examined, however, the data collected revealed that less of banks financial resources is still channeled towards CSR expenditure, as the maximum spent by a bank within the period studied was N1.9bn with is less than 2% of annual PAT of any of the banks. Based on the results from the study, it is therefore concluded that CSR spending by banks does not commensurate with theprofit they make even though the former enhances the latter and that every million naira increase in banks CSR expenditurewill lead to increases in their profit after tax by N1.35m.

Recommendations

Based on the findings and the stakeholders' theory, the study recommends that for banks sustenance they should endeavour to spend more on their CSR engagements by contributing more percentage of their profit after tax towards alleviating critical socio-economic and environmental problems within the society in which they carry out their operation so as to enhance their profitability and thus sustainable developments. They should also take the adoption of CSR as a business strategy rather than a mere act of generosity to derive long term value.

It is also important to expand the scope of the study by including unlisted banks, non-banking financial institutions like insurance companies, pension fund administrators, etc. Other financial performance measuring factors such as deposits, revenue, return on assets (ROA), earnings per share (EPS) and economic value added (EVA) can be investigated as outcome of CSR activities. Moreover, the scope of the research may be extended by increasing the sample size and carrying out a cross-country examination.

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