Corporate Social Responsibility and Organizational Performance: A Case of Deposit Money Banks in Nigeria

**Abstract:** The study investigates the relationship between corporate social responsibility (CSR) and organizational performance, a case of deposit money banks in Nigeria. The study precisely focuses on the non-financial performance of the bank which is proxy with customer retention ratio. Eight banks are included in the survey and all the data are sourced from the annual reports of the banks. Descriptive and Panel data analysis are applied. The results reveal that the impact of CSR on non-financial performance is not significant. The study recommends that Nigerian banks should harmonize commitment to corporate social responsibility spending with non-financial performance so as to reduce the intrinsic negative effect of allocating funds that could be used for sustaining growth and expansion of business to areas of social responsibility.

**Keywords:** Corporate Social Responsibility, Deposit Money Banks, Non-financial Performance.

**INTRODUCTION**

Over the years, organizations across the globe have been strategizing to enhance their overall performance through various mechanisms including advertisement, promotions and corporate social responsibility sequel to increasing global competition. But the relative impact of these CSR activities on the performances of the organizations remains a problem especially for service-oriented organizations like the Deposit Money Banks. This is because their products are intangible and requires a considerable level of literacy to transact business with them unlike producers of tangible products like the manufacturers which their customers do not need any formal education to patronize their products (Okoth, 2018).

It has been shown from various annual reports of the Banks that huge amount of money is devoted to CSR but the question is “Does these huge CSR expenditures reflect on their performances?” or is it rewarding for the banks to be CSR inclined or not? Researches have been carried out to identify the relationship between corporate social responsibility and organizational performance with their findings ranging from positive relationship to inconclusive results. While Hill, Ainscough, Shank and Manullang, (2017) found positive relationship, Folajin, Ibitoye and Dunsin (2014) obtained negative relationship, Ali, Rehman, Yilmaz, Nazir and Ali (2016) found inconclusive result. Majority, if not all the available researches investigated the relationship between corporate social responsibility and organizational performance looking at the finance (profit) as the yardstick for measuring organizational performance.

However, it was noted from all the past studies on the relationship between CSR and organizational performance that most of them investigated the impact of CSR on performance of different organizations (Arthur, 2015; Eweje, 2016; Falck & Hebich, 2017). However, few of them like Marcia (2013) and Folajimi and Dunsin (2014) who focused on banks performance only considered financial performance which might not reflect the overall performance of the banks since organizational performance can either be financial or non-financial performances. Consequently, it is important to also investigate the impacts of CSR on variables like customer retention capacity of the banks, which measures a non-financial performance.

Against this backdrop, the study seeks to investigate the impact of CSR on non-financial performance of banks in Nigeria.

**Research Question:** What is the impact of CSR on non-financial performance of the deposit money banks?

**Main objective:** assess the impacts of CSR on non-financial performance of deposit money bank.

**Research Hypothesis:** CSR does not have significant impact on non-financial performance (customer retention rate) of deposit money banks in Nigeria.


**Literature Review**

Adewoye, Olaoye and Ogundipe (2018) assessed the impact of CSR on performance of oil and gas company in Nigeria. This study adopted ex-post facto research design, in estimating the model; Breusch Pagan Lagrangian Multiplier (LM) test and Hausman test were used, while fixed effect panel analysis was used to analyze the data. The study revealed that the individual effects of ethical, environmental and societal social responsibilities are mixed on performance, but with the F-ratio 3.109387 (P value = 0.002652< 0.1, 0.05 & 0.01 levels of significance) indicated that there is a significant relationship between corporate social responsibilities and performance of oil and gas companies in Nigeria. The study recommended that the companies should review the expenditure items of their corporate social responsibilities.

Krishna (2018) examined the conceptual part of social responsibility and its importance in Nepal in his article. It also has emphasized on how corporate should comply and get motivated to do activities for the development of society and helping government and social institutions to face problems like environment risks, unemployment, poverty and others.

Bird et al. (2017) conducted a research study on potential conflict of management following the application of the stakeholder theory view. The data were from KLD Research & Analytics, Inc. KLD is a company that provides social issue ratings of various CSR activities and the impact on stakeholders in the United States market, from 2001 to 2016. The activities examined were community (charitable activities), diversity (opportunities for minorities), employee relations (profit sharing), environment (pollution prevention), and product (high innovation). Bird et al. used a regression model with the Wald test to evaluate the significance. Bird et al. (2017) found that diversity and concern for the environment indicated market rewards for businesses and the market was hesitant to realize CSR activities. However, after 2 years, CSR activities improved the companies, with an increase of good employment practices (Bird et al., 2017). Organizations whose leaders failed to recognize diversity and environmental concerns were hindered (Bird et al., 2017). The broad data analysis periods from 2001 to 2007 and 2008 to 2016 were strengths of Bird et al.’s research study. Nonetheless, the deletion of small positive book value stocks was a weakness of the research study because the stocks could have altered the results.

Eze and Okoye (2013) examined the effect of corporate social responsibility on the deposit money bank in Nigeria. The objective of this study was to determine the effect of corporate social responsibility on the performance of Nigerian deposit money banks.

The study adopted descriptive survey design in carrying out the study. The empirical review of this study relied on the relationship between corporate social responsibility and performance of developed and developing countries deposit money banks like Nigeria. The study revealed that social responsibility has a great impact on the society by adding to the infrastructures and development of the society thus helping to provide environmental social security. The study concluded that a company has to give back to the society in which it operates, clean up all forms of pollution it has caused in the course of its operation and also provide infrastructural facilities to the society as a way of giving back and developing the society. He also recommended that corporate social responsibilities should be seen by the firm as social obligations business concerns owe their shareholders, the local (host) community, general public, customers, employees and the government in the course of operating their legitimate businesses, such that CSR should be included in the law and enforced on the firms accordingly and that Government should fix a minimum percentage of profit corporate firm should expend on corporate social responsibility activities.

Adeyemo, Oyebamiiji and Alimi (2013) examined factors influencing corporate social responsibility in Nigerian manufacturing companies. The population of the study covered all the staff of the selected manufacturing companies in Ibadan (Nigerian Breweries, Nigerian Bottling Company, Procter and Gamble, Yale Nigeria limited and Eagle Flour Mill). Purposive sampling method was used to select ten (10) respondents from each organization totaling 50 respondents. Multiple regression was used to analyze the data with the aid of SPSS version 20. The result identified factors that influenced CSR practices as competition, employees demand, government policy, organizational culture, and customer demand (β = 0.547,0.34, 0.044, 0.017and 0.008) respectively. The study recommended that organization should see social performance as an enlightened self- interest and should therefore handle it with a great concern.

NergisPoroy & AvdemCiftcioglu (2010) in their article on Investigate CSR and segment reporting relationship” has studied the firms from 1st July 2009 to 30th September 2009 which were having ranking in 100 at integrated synthesis environment( ISE) and having ISE corporate governance Index for determining segment reporting and social responsibility relation. After studying various firms it was found that in Turkey only two firms did not prepare segment reporting. So firms are socially responsible as it provides true information about their activities to the society.

Arman. (2016) Legal, Economic and Business Insights of Corporate Social Responsibility the paper examines various questions like do the companies do CSR for sustainability or
available across all the DMBs and also it falls after recapitalization of the banking industry when merger and acquisition will not affect data collection. The data were collected from the published Annual Reports and Statements of Accounts of the selected banks, Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC) and Nigerian Stock Exchange (NSE).

Population of the Study
The population of the study comprises the registered and quoted deposit money banks in Nigeria.

Sampling and Sampling Techniques
In selecting the research sample, purposive sampling technique was employed. Consequently, the Eight banks (which comprises of these big five in tier I, such as Zenith Bank, First Bank of Nigeria, United Bank of Africa, Access Bank and Guaranty Trust Bank and other three banks in tier 2 namely, Fidelity, FCMB and Union banks) quoted on Nigeria stock exchange were selected for this study.

Model Specification:
The model specification for this research work is to examine the effects of CSR on the non financial performances of the deposit money banks. However, customer retention ratio is used as proxy for nonfinancial performance as it is shown in equation 1

\[ CR = \beta_0 + \beta_1 \text{TCSR} + \beta_2 \text{TOA} + \beta_3 \text{WC} + \beta_4 \text{LV} + \text{Ui} \]  

Where
\[ CR = \text{customer retention}, \ TCSR= \text{Total Corporate Social Responsibility}, \ TOA= \text{Total Asset}, \ WC= \text{Working Capital}, \ LV= \text{Leverage ratio}. \]

Data analysis technique
The study adopted the panel data regression analysis to analyze the impact of Corporate Social Responsibility on nonfinancial performance of banks in Nigeria.

Panel data analysis
The method of analysis embraced in this study is basically panel data estimating techniques precisely the linear panel data comprising of fixed and random effect model. There are four possibilities and options when it comes to panel data regression but all the four are broadly categorized under both fixed and random effect methods. These options are discussed as follows;

The Fixed Effect Model
The term “fixed effect” is a popular panel regression method which explains the situation where the intercept may differ among cross-sectional units but each of them does not vary overtime, that is time-variant. This is the major assumption under this model i.e. while the intercept are cross-sectional variant, they are not time variant. The fixed effect can be estimated in three different forms depending on the objective of the researcher.

Within-Group Fixed Effects
In this version, the mean values of the variables in the observations on a given cross-sectional unit are calculated and subtracted from the data for the individual unit, that is;

\[ Y_{it} - \bar{Y}_i = \sum_{t=2}^{k} \beta_i (X_{i,ij} - \bar{X}_{ij}) + \delta(t - t) + E_{it} - \bar{E}_i \]

The unobserved effect disappears. This is known as the within groups regression model.

First Difference Fixed Effect
In the first difference fixed effect approach, the first difference regression model, the unobserved effect is eliminated by subtracting the observation for the previous time period from the observation for the current time period, for all time periods. For individual \( i \) in time period \( t \) the model may be written:

\[ Y_{it} = \beta_1 + \sum_{t=2}^{k} \beta_i X_{i,t-1} + \delta t + \alpha_i + \bar{E}_{it} \]

For the previous time period, the relationship is

\[ Y_{it-1} = \beta_1 + \sum_{t=2}^{k} \beta_i X_{i,t-1} - 1 + \delta(t - 1) + \alpha_i + \bar{E}_{i,t-1} \]

Subtracting (4.14) from (4.13) one obtains.

Available Online: https://iarconsortium.org/journal-info/IARJBM
Again unobserved heterogeneity has disappeared.

**Random Effect Model**

Another alternative approach of panel regression is the random effects regression model. It accommodates the situation where the variables of interest are constant for each cross-sectional unit and such variables cannot be included. The fixed effect is not applicable in this situation. However, the random effect operates under two conditions; The first condition is that it is possible to treat each of the first unobserved \( Z_p \) variables as being drawn randomly from a given distribution. This may well be the case if the individual observations constitute a random sample from a given population. That is

\[
Y_{i,t} = \beta_i + \sum_{k=2}^{K} \beta_{X_{i,j,t}} + \varnothing t + \alpha_{i} + \tilde{E}_{i,t} = \beta_i + \sum_{k=2}^{K} \beta_{X_{i,j,t}} + \varnothing t + \mu_{i,t} \quad \text{(6)}
\]

where: \( \mu_{ii} = \alpha_{i} + E_{it} \)

The unobserved effect has been dealt with by subsuming it into the disturbance term. The second condition is that the \( Z_p \) variables are distributed independently of all the \( X_j \) variables. If this is not the case, \( \alpha_{i} \) and here \( \mu_{ii} \) will not be uncorrelated with \( X_j \) variables and the random effects estimation will be biased and inconsistent.

**HAUSMAN Test**

The Hausman Test (also called the Hausman specification test) detects endogenous regressors in a regression model. Endogenous variables have values that are determined by other variables in the system. The Hausman test is sometimes described as a test for model misspecification. In panel data analysis (the analysis of data over time), the Hausman test can help you to choose between fixed effect model or a random effects model. The null hypothesis is that the preferred model is random effects; The alternate hypothesis is that the model is fixed effects. Essentially, the tests looks to see if there is a correlation between the unique errors and the regressors in the model. The null hypothesis is that there is no correlation between the two.

**RESULTS AND DISCUSSION**

**Descriptive Analysis**

The descriptive statistics include both the summary of statistics and the correlation matrix of the variables. This is to allow us ascertain the initial time series properties of the data that are used in the analysis.

**Table 1: Summary of descriptive Statistics**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>289</td>
<td>0.7482398</td>
<td>0.5729477</td>
<td>0.0438035</td>
<td>6.434435</td>
</tr>
<tr>
<td>TCSRS</td>
<td>289</td>
<td>118.6789</td>
<td>249.0362</td>
<td>0.0</td>
<td>1960</td>
</tr>
<tr>
<td>TOA</td>
<td>289</td>
<td>446007.7</td>
<td>719893.2</td>
<td>600.126</td>
<td>3750327</td>
</tr>
<tr>
<td>WC</td>
<td>289</td>
<td>-160674.4</td>
<td>353235.5</td>
<td>-2071186</td>
<td>265788.4</td>
</tr>
<tr>
<td>LEV</td>
<td>289</td>
<td>6.809136</td>
<td>12.0029</td>
<td>-7.219781</td>
<td>191.2097</td>
</tr>
</tbody>
</table>

Source: E-view Computation, (2020)

Note: CR= Customer retention ratio, TCSRS= Total Corporate Social Responsibility Spending (Million naira), TOA=Total Asset (million naira), Working capital (million naira), LEV=leverage (ratio).

Table 1 shows average, minimum and maximum values for each of the variables used, with observation cutting across firms over the period covered in the study. Table 4.1 revealed that average corporate social responsibility spending stood at 118.6789 million for all firms sampled in the study, with minimum and maximum value of 0 and 1960 million. This value is closer to the minimum limit than the maximum thus indicating that the data on the CSR across the banks are not too widely dispersed. The same scenario is replicated for other variables where average values reported in table 4.1 stood at 0.7482398 for customer retention ratio, 14090.28 million for working capital and 6.809136 for leverage ratio. All the variables are closer to the minimum limit than the maximum limit.

**Table 2: Correlation Matrix**

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>CR</th>
<th>TCSRS</th>
<th>TOA</th>
<th>WC</th>
<th>LEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TCSRS</td>
<td>-0.113</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOA</td>
<td>0.0819</td>
<td>-0.085</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WC</td>
<td>-0.006</td>
<td>0.0539</td>
<td>-0.886</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>0.0095</td>
<td>0.0182</td>
<td>-0.034</td>
<td>0.0394</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Author’s Computation, (2020)
Correlation coefficient reported in table 2 revealed that there is negative correlation between customer retention ratio and variables including total corporate social responsibility spending ($r=-0.113$) and working capital ($r=-0.006$), which implies movement in opposite direction. On the other hand result showed that there is positive correlation between total corporate social responsibility spending and variables such as total asset ($r=0.0819$), and leverage ratio ($r=0.0095$). In all the correlation coefficient between each of the variables are very weak and majority of them fall below 0.1 which suggest a weak relationship among the variables.

### Panel Unit root test.

Before the estimation of the panel model, it is important that all the variables to be used must be stationary. Therefore, the panel unit root test is conducted to determine the stationarity of each of the variables.

#### Table 3: Panel Unit Root Test Result

<table>
<thead>
<tr>
<th>Variables</th>
<th>LLC</th>
<th>IPS</th>
<th>ADF</th>
<th>LLC</th>
<th>IPS</th>
<th>ADF</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>-9.15026*</td>
<td>-6.70601*</td>
<td>101.850*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TCSR</td>
<td>-2.95947**</td>
<td>-1.47903*</td>
<td>60.3818**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOA</td>
<td>-3.69565*</td>
<td>-1.36259</td>
<td>45.2442</td>
<td></td>
<td>-7.7251*</td>
<td>115.931*</td>
</tr>
<tr>
<td>WC</td>
<td>-4.03189*</td>
<td>-0.55787</td>
<td>40.7137</td>
<td></td>
<td>-8.8508*</td>
<td>127.474*</td>
</tr>
<tr>
<td>LEV</td>
<td>-45.5912*</td>
<td>-17.1513*</td>
<td>104.495*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*(**) connote rejection of unit root hypothesis at 1% (5%) level of significance level

**Source:** Author’s Computation, (2020).

Table 4 present results of Levin-Lin-Chu test (LLC), Im-Pesaran-Shin test (IPS) and ADF fisher Chi-square test statistics of unit root for continuous variables used in the study in the quest to describe stationary property of each of the variables. The test statistics is reported at level and first difference. Result showed that there is evidence to reject the null hypothesis of no unit root at level for all the variables used, based on all the three unit root test conducted, except in the case of total asset, and working capital which shows rejection of null hypothesis at level base on Levin-Lin-Chu test only. However, the two are stationary after the first difference which shows that they are integration of order one that is I(1). Consequently, all the variables can be included in the panel model.

#### Table 4 Fixed Effects Estimates (nonfinancial performance)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>41.88382</td>
<td>0.000</td>
</tr>
<tr>
<td>TCSR</td>
<td>.0074312</td>
<td>0.687</td>
</tr>
<tr>
<td>TOA</td>
<td>.0000378</td>
<td>0.000</td>
</tr>
<tr>
<td>WC</td>
<td>.0000746</td>
<td>0.000</td>
</tr>
<tr>
<td>LEV</td>
<td>.1202321</td>
<td>0.587</td>
</tr>
<tr>
<td>R-Square=0.1530</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-Square=0.0825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F- Statistics= 2.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob(F-stat)= 0.0132</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Author’s Computation, (2020)

Fixed effect cross sectional specific estimation presented in table 4 revealed that for the banking industry impact of corporate social responsibility on customer retention is positive and insignificant, with coefficient estimate of 0.0074312 ($p=0.687 > 0.05$).

### Panel data analysis of the effects of CSR on nonfinancial performance of the Banks

One of the novelties of this study is the usage of customer retention ratio to proxy nonfinancial performance of the banks. The second analysis of the effect of CSR on performance of the banks is based on the nonfinancial performance. The results are presented as follows:

#### Fixed effect estimation of the effects of CSR on nonfinancial performance

Following the same sequence used under the assessment of the effects of CSR on financial performance of the banks, the same approach is also followed here. The fixed effect result for the impacts of the CSR on financial performance of the banks is presented in table 4.

Impact of total asset is positive and significant with coefficient estimate of 0.0000378 ($p=0.000 < 0.05$), impact of working capital is positive and significant, with coefficient estimate of 0.0000746 ($p=0.000 < 0.05$), while impact of leverage ratio is positive but not
significant, with coefficient estimate of 0.12023219 (p=0.587 > 0.05). However, total asset and working capital are the variables with significant impact on nonfinancial performance of the banks.

Random effect estimation of the effects of CSR on nonfinancial performance

Similarly, random effect is also used to investigate the impact of CSR on the customer retention of the banks which is the proxy for nonfinancial performance of the banks. The result is presented in table 5.

Table 5: Random effect Model for nonfinancial performance (customer retention rate)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>19.2693</td>
<td>0.482</td>
</tr>
<tr>
<td>TCSR</td>
<td>.0117436</td>
<td>0.061</td>
</tr>
<tr>
<td>TOA</td>
<td>.000031</td>
<td>0.000</td>
</tr>
<tr>
<td>WC</td>
<td>.0000605</td>
<td>0.655</td>
</tr>
<tr>
<td>LEV</td>
<td>.0961534</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R-Square=0.4745
Wald chi2(5)=15.53
Prob> chi2 = 0.0037

Sources: Author’s Computation, (2020)

Result presented in table 5 revealed that in the random effect estimated model for nonfinancial performance of banking industry, corporate social responsibility spending impact on customer retention rate is positive and insignificant with coefficient estimate of .0117436 (p=0.001 < 0.05). Total asset and leverage ratio exert significant positive impact on customer retention rate with coefficient estimate of .000031 (p=0.000 < 0.05), and .0961534 (p=0.000 < 0.05), while impact of working capital is positive but not significant.

Post estimation Test for (nonfinancial performance)

The diagnostics for nonfinancial performance of the banks is estimated ranging from the Hausman test to other post estimation tests, the results are presented as follows:

Table 6: Hausman Test for nonfinancial performance

<table>
<thead>
<tr>
<th>Null hypothesis</th>
<th>Chi-square stat</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference in coefficient not systematic</td>
<td>24.92</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Source: E-view Computation, (2020)

Table 6 reported chi-square statistic of 24.92 and probability value of 0.0000 for banking industry in the bit to test whether differences between random effect estimation and fixed effect period specific estimation for banking industry is significant. Result showed that there is enough evidence to reject the null hypothesis that differences in coefficients of fixed effect estimation and random effect estimation is not significant. Thus making fixed effect suitable for the analysis.

Table 7: Other Post Estimation Test for nonfinancial performance

<table>
<thead>
<tr>
<th>Wald Test</th>
<th>Statistics</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panel homoscedasticity</td>
<td>11.9282</td>
<td>0.1156</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pesaran test</th>
<th>Statistics</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>No cross sectional dependence</td>
<td>12.071</td>
<td>0.0785</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Wooldridge test</th>
<th>Statistics</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>No AR(1) panel autocorrelation</td>
<td>34.2364</td>
<td>0.1132</td>
</tr>
</tbody>
</table>

Source: Author’s Computation, (2020)

Table 7 reported result of post estimation test conducted to confirm if the specified model is in tune with basic assumptions underlining panel estimation. The result showed that there is no evidence to reject null hypothesis on panel homoscedasticity, null hypothesis of no cross sectional dependence and null hypothesis of no AR (1) panel autocorrelation, given the reported probability statistics of 0.1156> 0.05 for Wald test, 0.0785 > 0.05 for Pesaran test, 0.1132 > 0.05 Hence the results validate assumptions of equal variance of residual terms, cross sectional independence and absence of serial autocorrelation. Which reflect that the model is fit for inferential analysis.
DISCUSSION OF FINDINGS

The results on the impact of CSR on nonfinancial performance showed that it (CSR) has been shown not to have significant impact on customer retention rate which is the proxy for nonfinancial performance used in the study. The implication is that CSR activities of the banks have not influenced the ability of the banks to retain customers. According to the findings from this study, the volume of customers deposits with the DMBs in Nigeria has nothing to do with their CSR activities. Although some studies have contrary findings but it was discovered that they used another proxy for nonfinancial performance. For instance, Burke, and Logsdon, (2017) concluded from their studies that CSR influence nonfinancial performance of organizations significantly. They use employees’ attractiveness as a measure of nonfinancial performance and they concluded that firms that are more CSR responsible are more attractive to employees and hence they are able to recruit good hands that will promote their performance.

Notwithstanding, some empirical results are also in support of the findings from this study despite the fact that they did not use same indicator to proxy nonfinancial performance. For instance Eweje, (2016); Font, & Chris, (2015); Garriga,& Mele, (2014) all supported findings from this study that CSR does not have significant impact on nonfinancial performance of an organization. However, some of these studies used banks as their case study while some used some firms in the real sector as their case study. Despite this differences they all came to the same conclusions that the study obtained on this study that CSR does not have significant impact on nonfinancial performance of the Banks in Nigeria.

Again, results from the study have shown that apart from the total asset of the banks, working capital is another important factor that affects the nonfinancial performance of the banks. The study concluded that the amount of working capital possessed by the DMBs has significant influence on their ability to retain their customers. Total asset is again a dominant factor that affects nonfinancial performance of the banks. The implication of the result is that rate of customer retention is higher at the big banks than the small banks. According to the NDIC (2016), above 60% of the total customer base in the Nigerian banking sector belongs to the five big banks. While the remaining 40% belongs to over fifteen banks that are either second tier or third tier lenders in the Nigerian banking sector.

CONCLUSION

Following the findings from this study, it can be concluded that CSR does not influence customer retention rate of the banks significantly. That is CSR again does not have significant impact on nonfinancial performance of the DMBs in Nigeria. From the literature, CSR activities especially when it is embarked upon by banks it should have potential positive effect on Patronage of the banks but this study has shown that although positive correlation exist that is CSR activities of the banks will lead to rise in customer retention rate but not significantly.

It was recommended that Nigeria Banks should harmonize commitment to corporate social responsibility spending with non-financial performance so as to reduce the intrinsic negative effect of allocating funds that could be used for sustaining growth and expansion of business to areas of social responsibility. It was also recommended that investigation should be done at bank’s level at intervals to track the role played by engagement in corporate social responsibility spending in the discourse optimal resources utilization, so as to be able to design framework that is flexible enough to sustain improve performance alongside value creation for the business environment. Banks should endeavour to put in place evaluation mechanism that can help quantify the contribution of corporate social responsibility spending to performance on yearly basis, so as to pin-point best areas to invest funds allocated for CSR in the nearest future.

REFERENCES

1. Adewoye, B., Olaoye, E., & Ogundipe, B. (2018). Corporate social responsibility and
8. Eweje, G. (2016). Corporate social responsibility and staff retention in New Zealand companies: A
literature review. Auckland: Department of Management and Intentional Business, Massey University.


