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Original Paper

Corporate Social Responsibility and Organizational Performance of Deposit Money Banks in Rivers State

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Abstract

In recent years, the concepts of corporate social responsibility have risen to the fore in both developed and developing countries as a result of a growing perception of corporate misconduct. For millennia, people have believed that businesses have responsibilities to society in addition to producing profits for shareholders. The study examines the effect of corporate social responsibility on organizational performance from the perspective of the banking sector in Nigerian economy. Three hypotheses formed the basis of the study. Descriptive survey research design method was adopted, the findings of the study reveals that corporate social responsibility has positive and significant impact on organizational profit, customers' loyalty, and employees' loyalty. According to the findings, corporate social responsibility has a favourable impact on both financial and non-financial performance. As a result, the study recommends that businesses engage more in corporate social responsibility in order to improve their overall performance.

Keywords: Corporate social responsibility, Ethical activities, Organizational performance, operating environment, Philanthropic activities

1. Introduction

Businesses have worked for a long time to maximize profits in many ways, regardless of the impact on customers and the environment. Businesses have increasingly been pushed to pay particular attention to the concept of corporate social responsibility due to a variety of factors. Customers' pressures, growing knowledge of environmental issues, globalization, increased competitiveness, regulatory regulations, more media scrutiny, and a dynamic and complicated corporate environment are examples of such causes (Awad et al., 2016; AlGhwayeen & Abdallah, 2018). In such an environment, businesses must learn to meet the aforementioned requirements.

Managers work hard to fulfill their legal, ethical, environmental, and social responsibilities. As a result, social responsibility became more widely recognized, and many businesses began to include it into their structures and practices (Thorone et al., 2013). CSR is no longer an option; it is a need (Cone, 2013). Though the term "corporate social responsibility" first became prominent in the 1960s, it has been increasingly popular with businesses, governments, and the media in recent years (Ditlev-Simonsen, 2011).

Everyone agrees that businesses must follow the law. Businesses, however, have additional moral or ethical responsibility to dedicate resources voluntarily to environmental conservation beyond strict compliance with environmental legislation (Reinhardt et al, 2008). Why should corporations engage in CSR, to be more specific (Ismail, 2011)? CSR is defined as situations in which a company goes beyond compliance and engages in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams et al., 2006), and it can be done for a variety of reasons, including to attract new investors, as part of a branding strategy, as a government requirement, and so on (Ismail, 2011). CSR, on the other hand, comprises more than just participating in charitable activities and events; it also entails taking responsibility for society's development by conceptualizing future ideas for socioeconomic justice and being aware of one's own responsibility for society's welfare.

CSR has been created and applied in most firms in recent years, and it now plays an important role not only in large corporations but also in small and medium enterprises (SME). The majority of the companies are now developing ways to explore this new scheme. Today, CSR is becoming a strategy more widespread, mainly due to the tendency of people to choose the company that provides a better relationship with the customers and other stakeholders. Companies that embrace CSR get a competitive edge over their competitors, such as a positive public image, a positive employee image, high profitability, and a strong return on investment, all of which are significant when sponsoring events that are not directly related to their main company.

Several empirical studies have looked into the influence of CSR on organizational, financial, market, and personnel performance. Although the majority of previous studies revealed positive linkages between CSR and performance outcomes, other studies found conflicting or contradictory results when it came to the financial and non-financial benefits of internal and external CSR. Furthermore, just a few studies in Nigeria have attempted to investigate this link. Only a few studies have looked at the influence of CSR on financial and nonfinancial performance, indicating that this topic hasn't received much attention.

1.1 Problem Statement

In today's highly competitive business world, every company must focus on building positive and long-lasting relationships with consumers and society as a whole in order to secure long-term commercial viability. Some businesses have recognized and embraced corporate social responsibility as a means of improving their performance. Others, on the other hand, are skeptical of the concept of "Doing Better at Doing Good," believing it will harm organizational performance. CSR, they believe, depletes the company's financial resources, therefore they either disregard their social obligation or refuse to participate in CSR. Focusing simply on financial performance, on the other hand, ignores the whole impact of CSR on a company's overall performance. Most businesses, meanwhile, are too focused on short-term financial gains to recognize the strategic importance of CSR. As a result, the research problem is to investigate how corporate social responsibility influences organizational performance in Nigeria's banking industry.

1.2 Objectives of the Study

The study's major goal is to determine the relationship between corporate social responsibility and organizational performance of deposit money banks in Rivers State. The following are the precise goals:

1. To investigate the relationship between Philanthropic CSR activities and bank profit
2. To determine the relationship between Ethical CSR activities and customers' loyalty, and
3. To evaluate the relationship between focused CSR activities on Employees' loyalty and morale.

1.3 Research Hypothesis

In the study, the following hypotheses were tested:

Ho_1: There is no significant relationship between Philanthropic CSR activities and banks operating profit

Ho_2: There is no significant relationship between Ethical corporate social responsibility and banks customers' loyalty

Ho_3: there is no significant relationship between employees' focused CSR and employees' loyalty

2. Literature Review

This component of the study contains reviews of the study's theoretical and empirical literature. We begin with the study's conceptual literature, then move on to the theoretical literature, and ultimately to the empirical literature.

2.1 Conceptual Literature

Businesses should contribute to society's well-being rather than focused just on profit, according to the concept of social responsibility. This obligation could be "negative," meaning a lack of accountability or guilt, or "positive," implying a responsibility to act in a good manner (proactive stance).

According to the Green Book (2001) of the European Commission, social responsibility is a concept in which businesses voluntarily contribute to a more just society and a cleaner environment. On this basis, business management cannot and/or should not be aimed toward the fulfillment of the company's owners' interests, as well as the interests of other stakeholders such as workers, local communities, consumers, suppliers, governmental authorities, competitors, and society as a whole. As a result, there are two ways to look at the concept of social responsibility. Employees and, more broadly, all stakeholders who are influenced by business and, as a result, can influence their outcomes are referred to as internal. The impact of an organization's actions on its external components, such as the environment, business partners, and surroundings, is considered at the external level.

2.2 Theoretical Literature

The amount of literature available on CSR is massive and it continues to grow. Corporations' social involvement has grown in recent years. Previously, corporate organizations were primarily concerned with their financial goals, such as profitability, cost of production, and margins. Corporate social responsibility is becoming more and more of a problem for businesses (Swapna, 2011). Companies can no longer satisfy their investors' needs, i.e. shareholder value, alone. A lot of persons or groups have an impact on the company. These groups, known as stakeholders, are also influenced by the corporation.

Stakeholder theory, legitimacy theory, shareholder theory, and the ethical case are only a few of the theories. The following is a basic summary of the theories:

2.3 The Stakeholder Theory

The stakeholder's theory was detailed by Freeman in 1984. The theory attempts to identify various different factions within a society to whom an organization may have some responsibility. It asserts that managers must satisfy a diverse group of stakeholders (e.g., employees, consumers, suppliers, and local community organizations) who can influence corporate outcomes. The concept considers the fiduciary responsibilities owed to the company's stakeholders. The program supports a few moral theories. The concept is founded on a company's ethical obligation to society, and it focuses on the best way to achieve society's welfare.

2.4 Legitimacy Theory

The notion claims that business and society have an unspoken social compact. Business value's social duties stem from the social power it wields (Davis, 1967). The corporation is viewed as a citizen with responsibilities and some role in society (Andriof, McIntosh, Matten, & Crane, 2001). According to the theory, businesses are bound by a social contract in which they commit to execute a variety of socially valued behaviours in exchange for approval of their objectives and other benefits, which allows them to continue to exist.

A broad sense or presumption that an entity's acts are desirable, legitimate, or appropriate within some socially formed system of norms, values, beliefs, and definitions is characterized as legitimacy (Van der Laan, 2009). According to the idea, there is interaction between groups and society. Organizations are a part of society, and they only exist if the various factions of society think them legitimate. Businesses should endeavour to operate within socially acceptable parameters, according to the principle, which is the essence of CSR. Stakeholder theory and legitimacy theory emerged from a larger political economics approach. Despite their distinctions, both are concerned with the company's interaction with its operating environment (Van der Laan, 2009).

2.5 Ethical Aspect

The ethical justification for CSR says that firms have a moral obligation to people and the environment that outweighs profit alone. The ethical branch of stakeholder theory asserts that all stakeholders have the right to be treated fairly by an organization. Immanuel Kant is a philosopher who wrote about ethics

(1990). “The alignment of corporate operations with social values” is how the CSR ethic has been defined. Focusing entirely on shareholders while ignoring the demands of employers and customers is unethical (Gotherstrom, 2012). According to ethical stakeholder theory, the firm is a vehicle for coordinating stakeholder interests, and management has a fiduciary responsibility to all stakeholders: where interests conflict, business is managed to create optimal balance among them (Tilt, 2010).

2.6 Shareholder Theory

Milton Friedman established the shareholder hypothesis, which asserts that a company's sole job is to increase profits. He asserted that a company has no "social responsibility" to the public or society because its primary mission is to maximize profits for its stockholders. Managers may prioritize themselves in the running of organizations, meaning that they do not create value for shareholders. Shareholders, on the other hand, must rely on management to carry out a number of obligations (Lazonick & Osullivan, 2000).

Furthermore, businesses do not always have the necessary knowledge or expertise to carry out various types of social and environmental projects. Resources are not used effectively when companies engage in different CSR activities (Henderson, 2001). Most businesses begin with an owner initiative that is risky. This is where the shareholder perspective comes from. The owner or entrepreneur invests resources in a concept with no guarantee of return, while the return to other stakeholders, including as lenders, employees, and suppliers, is typically governed by contracts (Gotherstrom, 2012). In terms of shareholder value, the owners are distinct stakeholders, and their interests should be emphasized. The owner can exert influence over the business, which to some extent compensates for the higher risk. The owners should therefore be prioritized over other stakeholders (Borglund *et.al*., 2012).

2.7 Empirical literature

Baruch (2017) looked at the financial impact of CSR on shareholders in a related study. The analysis concluded that the business upside (potential profit) from CSR is low at best. Damage to communities or the environment, on the other hand, could come at a high price in terms of reputation. According to the report, companies should engage in CSR if it boosts sales and profits.

When it comes to CSR, Tamayo (2015) investigated the impact of customer awareness on company value. According to the study, CSR and company value are positively linked for businesses with high customer awareness as evaluated by advertising expenditures. The relationship is either negative or insignificant for organizations with little customer awareness. Furthermore, the authors, Servaes and Tamayo, discovered that the influence of awareness on the CSR–value link is inverted for companies with a poor prior reputation as corporate citizens. This study backs up the notion that CSR programs can add value to a firm, but only in certain situations. Company advertising at work produces awareness as a side effect.

Using positivity and negativity effects as a theoretical foundation, Hossein et al. (2015) explored the link between CSR and economic performance by examining the effects of good and bad CSR activities on the financial performance of hotel, restaurant, and airline firms. The findings show mixed results across industries, which should help firms make better strategic decisions regarding CSR by providing more accurate data on the financial implications of each CSR activity.

Emilson (2014) investigated the link between CSR and profitability using economic value added (EVA). According to the study, profitability and CSR have a weak positive relationship. Past research and practical experience from the selected firms, on the other hand, show that CSR and profitability are inextricably intertwined. In another study, Okeudo (2012) looked at the impact of social responsibility (SR) on society. According to the study's conclusions, corporate social responsibility will benefit society.

Skare and Golja (2012) investigated the relationship between corporate social responsibility and financial results. The authors discovered that CSR businesses outperform non-CSR businesses in terms of financial success. Swapna (2011) investigated how corporate social responsibility (CSR) contributes to community development (CD). Because business is so reliant on the community, the study determined that it bears a clear responsibility for its development.

Tilt (2010) looked into the effect of corporate social responsibility on customer loyalty in the banking business in South Africa. The findings show that for a select set of South African banks, corporate social responsibility has a significant impact on client loyalty.

In terms of economic value added (EVA) and market value added (MVA), Mittal et al., (2008) examined the relationship between corporate social responsibility (CSR) and organizational profitability (MVA). The authors identified a favourable relationship between CSR and a company's reputation, as well as a lack of evidence that firms with a code of ethics generate much more economic value added (EVA) and market value added (MVA) than those without codes.

The relationship between corporate social responsibility and the environment was examined by Lyon and Maxwell (2008). The study looked at how market and non-market elements interact to make environmental and humanitarian CSR profitable. According to the authors, non-governmental organizations have a significant impact on CSR operations through both public and private politics. CSR, according to the authors, can have a number of effects, including attracting green customers or investors, avoiding government regulation, and promoting regulation that impacts competitors. However, they did point out that CSR's beneficial effects are limited, and that there is no guarantee that CSR will boost social welfare.

Germanova (2008) looked into the usage of corporate social responsibility (CSR) as a tool for corporate governance in Bulgaria. He came to the conclusion that CSR is linked to values-based governance because it holds companies accountable to a wide range of stakeholders (employees, suppliers, the local community, and society as a whole) and incorporates social and environmental values into their operations to manage relationships with these stakeholders that can affect the company's development.

The relationship between corporate social responsibility and employee loyalty was investigated by Bechetti et al., (2007). Employee loyalty and shareholder fund maximization are both aided by CSR, according to the research. Employee loyalty is low in non-CSR performing firms, according to Bechetti et al., Social responsibility indexes and ethical funds are being phased out.

Despite the rising interest in CSR, particularly in terms of its impact on financial performance, previous research has yielded mixed results. This signifies that there is a great deal of ambiguity surrounding this topic. This gap is the driving force behind the investigation. Furthermore, previous research focused on profitability, although organizational success encompasses more than only profitability, leaving a gap in the factor. The majority of earlier studies were conducted in other countries, indicating that there is a dearth of study on African economies. So far, no agreement has been reached. Despite the lack of a clear causal relationship, social responsibility appears to have an ambiguous and complex impact on corporate performance. While there is some evidence of a positive association, it hasn't been completely demonstrated (Park & Lee, 2009), and the techniques through which CSR improves a company's reputation are not well understood.

3. Methodology

The study selected a descriptive methodology because we want to draw conclusions about the impact of social corporate responsibility on bank performance from the findings. The study was designed as a survey with two variables: an independent variable and a dependent variable. The dependent variable was organizational performance, which was measured as customer satisfaction, and the independent variable was corporate social responsibility, which was measured by three sub-variables (ethical, environmental, and philanthropic).

Customers and managers from five (5) First City Monument Bank branches in Port Harcourt were the study's target group. There are 10,287 FCMB clients and 38 managers in the selected five FCMB branches in Port Harcourt.

The study's sample size includes 423 people, including 385 bank customers and 38 bank employees. Data was collected using stratified random sampling procedures. Because the number of bank managers is so small, we used all of them. The Taro-Yamane method, on the other hand, was used to determine the sample size and we arrived at of bank clients as follows:

$$S_i = \frac{N}{1+N\partial^2}$$

Where S_i is sample size, N is the population, and ∂ is the level of significance. Hence,

$$S_i = \frac{10{,}287}{1+(10{,}287)0.05^2} = 385.$$

Category	Population	Sample size
Bank staffs	38	38
Bank customers	10,287	385
Total	10,325	423

Source: Field Survey

The main instrument for the data collection was a purposively structured questionnaire. The questions were divided into variables of interest (CSR and customers' satisfaction). Likert scale with point 5 was used with 1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Stongly agree. The variable under study included Philanthropic, Ethical and legal. All three variables were related to a bank's corporate social responsibility in the area under investigation. As a measure of bank performance, the dependent variable was customer retention. The respondent was asked to rate the strength of each variable on a scale of 1 to 5.

Best and Kahn (2006) define validity as the quality of a data gathering instrument or procedure that enables it to measure what is supposed to measure. The questionnaire was examined by professionals in business administration to assess its appropriateness in terms of question phrasing, language complexity, answer scale, and question redundancy to guarantee that the instrument has validity. This method was used to confirm that the survey was well-designed and that the items accurately measured the essential characteristics. As a result of this review, the questionnaire was modified where necessary.

On the other hand, reliability refers to the constancy of an instrument or technique (Best & Kahn 2006). The respondents' consistent results were used to attain reliability in this research. The Cronbach's Alpha correlation coefficient was used to analyze the responses for correlation, and the test and retest method was performed to assess the instrument's reliability. For the two instruments, the Cronbach' Alpha coefficients are 0.78 and 0.71, respectively. Cronbach's 0.70 is generally preferred in business management studies (Hair et al., 2010). The instruments achieved the recommended value of 0.70, indicating that they are trustworthy.

All collected data was properly coded into SPSS Version 16.0. To solve the study topic, the descriptive statistics method employing mean and standard deviation was applied. T-test statistics were used to evaluate all research hypotheses at 0.05 levels of significance. The null hypothesis is accepted if the estimated t-value is less than the critical t-value at 0.05 levels of significance. Otherwise, the null hypothesis is rejected at 0.05 levels of significance.

4. Results and Discussion

Due to data cleaning and cleaning we arrived at a usable sample size of three hundred and ninety-seven (397) which represents 94% of the total sample size which was eventually used for data analysis.

The goal of this research was to examine the impact of corporate social responsibility on the Nigerian banking industry's performance. Tables 1 through Table 4 provide the results of the correlations analysis.

Ho_1: There is no significant relationship between Philanthropic CSR activities and banks operating profit

Table 1. Correlation Test Result for Philanthropic CSR and Bank Performance (Profit)

Philanthropic CSR	Pearson Correlation	1	.888**
	Sig. (2-tailed)		.000
	N	397	397
Org. Perf (Profit)	Pearson Correlation	.888**	1
	Sig. (2-tailed)	.000	
	N	397	397

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation test result in Table 1 shows that Philanthropic CSR has positive correlation with organizational performance in terms of bank profit. The result implies that the more the banks invest in philanthropic CSR the more profit the banks make on the average.

Ho$_2$: There is no significant relationship between Ethical corporate social responsibility and banks customers' loyalty

Table 2. Correlation Test Result for Ethical CSR and Bank Customers' Loyalty

Ethical CSR	Pearson Correlation	1	.751**
	Sig. (2-tailed)		.000
	N	397	397
Bank customer loyalty	Pearson Correlation	. 751**	1
	Sig. (2-tailed)	.000	
	N	397	397

**. Correlation is significant at the 0.01 level (2-tailed).

From the result, the correlation coefficient is 0.751 and positive. This means that ethical CSR and organizational performance in terms of bank customer loyalty are highly correlated. The findings show that the more ethical CSR activities banks undertake, the more loyal their customers become.

Ho3: there is no significant relationship between employees' focused CSR and employees' loyalty

Table 3. Correlation Test Result for Employees Focused CSR and Employees' Loyalty and Morale

Employees Focused CSR	Pearson Correlation	1	.634**
	Sig. (2-tailed)		.000
	N	397	397
Employees Loyalty and Morale	Pearson Correlation	.634**	1
	Sig. (2-tailed)	.000	
	N	397	397

**. Correlation is significant at the 0.01 level (2-tailed).

The result of the relationship between employees focused CSR and employee’s loyalty and morale presented in table 3 shows that there is a positive relationship between employees focused CSR and employee’s loyalty and morale in the banking industry. The correlation coefficient for the relationship is 0.634 which implies a high and positive relationship between employees focused CSR and employee’s loyalty and morale.

5. Discussion of Findings

The findings revealed that CSR has an impact on both non-financial and financial performance, meaning that implementing CSR practices increases productivity, improves employee satisfaction, lowers operational costs, and improves reputation. For the banks studied, the association between employee-focused CSR and profit was shown to be favourable. The findings are similar to those of Brammer et al. (2007), who investigated the relationship between corporate commitment and employee perceptions of CSR using the theoretical foundations of social identity theory. Employee commitment was found to be favourably connected with employee perceptions of CSR. The favourable correlation between corporate social responsibility and organizational performance backs up Mittal et al findings from 2008, which demonstrated a link between CSR and a company's economic value added (EVA) and market value added (MVA) compared to those without codes. The conclusion, however, contradicts Emilson's (2014) findings, which revealed no influence of CSR on organizational performance. The gap could be explained by the study's organizational performance measures. The relationship between CSR and customer loyalty is both good and significant. Increased corporate social responsibility, according to the research, will increase customer loyalty. The findings are similar to those of Tilt (2010), who observed that in the South African banking market, corporate social responsibility contributes to client loyalty. The findings of this study on the relationship between CSR and employee loyalty back up Bechetti et al.'s (2007) conclusion that corporate social responsibility has a positive and significant impact on employee loyalty.

6. Conclusion and Recommendations

The goal of this study was to see how corporate social responsibility efforts affected the performance of the Nigerian banking sector. Based on the findings, it can be concluded that executing corporate social responsibility activities is vital to the banking industry's high organizational performance, which improves service delivery to the firm, its customers, and its community. All functional area strategies and capabilities must have full management support in order to be compatible with business unit goals and plans. In order to remain competitive, banking firms must employ and incorporate more and all dimensions of corporate social responsibility procedures into their management plans. We believe that corporate organizations should invest more in corporate social responsibility in order to improve their performance as a result of the study's findings.

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