

The Impact of Corporate Social Responsibility Disclosure Practice on Financial Performance in Nigeria (A Study of Selected Banks in Nigeria)

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Abstract: This study looks at impact of social responsibility on corporate performance of Banks in Nigeria. Regression analyses were used with SPSS Package to analyze the data which was generated from the four Banks. There is strong relationship between cash and profit after tax in GTB, UBA, ZBN and FBN from 2004 - 2014; there is strong relationship between investments and profit after tax in GTB, UBA, ZBN and FBN from 2004-2014; there is correlation between goodwill and profit after tax in GTB, UBA, ZBN and FBN from 2004-2014. It is discovered that: there is strong relationship between cash and profit after tax in GTB, UBA, ZBN and FBN between 2004-2014; there is strong relationship between investments and profit after tax in GTB, UBA, ZBN and FBN between 2004-2014; there is strong relationship between goodwill and profit after tax in GTB, UBA, ZBN and FBN between 2004-2014; ZBN and FBN from 2004-2014. In conclusion, it was observed that Banks do well if they embark on enough corporate social responsibility. The Central Bank of Nigeria should enact serious and constant reviewed monetary policy that encourage investment by Banks while maintaining reasonable interest rate for investors; the margin between interest chargeable and interest receivable by Banks should be optimal; goodwill should not be exploitative; Banks should use wisely goodwill and other intangible assets to boost their clientele.

Key words: Social responsibility, Financial performance, Corporate and Nigeria

INTRODUCTION

No business organization exists in a vacuum without interacting with people outside. Somebody sold the land on which the business is situated. Customers also make demand on the company. Who becomes a customer tomorrow is the product of the company's relationship with the environs today. Social responsibility as defined by Institute of Accounting of the Republic of [1] is the collective efforts made by any firm to over look immediate gain in monetary terms to undertake social projects within its community properly to live in peace with its environment. It is social responsibility functions which attract gains to the firm in the long run. According to Moha [2], it is a well welfarist activity that belongs to welfare economics.

There are two major distinct but related types of social responsibility functions. A Bergson-Samuels social responsibility function notes Oliver (2010), [3],

considers responsibility for a given set of individual preferences or welfare rankings. AnGordee social responsibility function (2010), observes Samuel [4], considers responsibility across different possible sets of individual preferences or responsibility rankings and seemingly reasonable axioms that constrain the function.

Abram Bergson notes Solomon [5], introduced the social responsibility function. The object was "to state in precise form the value judgments required for the derivation of the conditions of maximum economic responsibility" set out by earlier writers, including Marshall and Pigou, Pareto and Barone and Lerner. The function was real-valued and differentiable. It was specified to describe the society as a whole. Arguments of the function observe Stephens, Scott & Wood (2011), [6], included the quantities of different commodities produced and consumed and of resources used in producing different commodities, including labor.

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Necessary general conditions are that at the maximum value of the function:

- The marginal "dollar's worth" of responsibility is equal for each individual and for each commodity responsibility
- The marginal "diswelfare" of each "dollars' worth" of labor is equal for each commodity produced of each labor supplier
- The marginal "dollar" cost of each unit of resources is equal to the marginal value productivity for each commodity.

Stewart [7], showed how responsibility economics could describe a standard of economic efficiency despite dispensing with interpersonally-comparable cardinal utility, the hypothesization of which may merely conceal value judgments and purely subjective ones at that. Earlier neoclassical welfare theory, heir to the classical utilitarianism of Bentham, had not infrequently treated the Law of Diminishing Marginal Utility as implying interpersonally comparable utility, a necessary condition to achieve the goal of maximizing total utility of the society. Irrespective of such comparability, income or wealth is measurable and it was commonly inferred that redistributing income from a rich person to a poor person tends to increase total utility (however measured) in the society. But Veterinary Economics (2011), [8], argued that how or how much utilities, as mental events, would have changed relative to each other is not measurable by any empirical test [9]. Nor are they inferable from the shapes of standard indifference curves. These research looks at the impact of corporate social responsibility Disclosure practice on financial performance in Nigeria [10].

Statement of the Problem: The problems of the study are:

- Poor cash allocation to effect good social responsibility disclosure.
- Much money comparatively set aside for other investments in disfavor of corporate social responsibility.
- Non maximization of goodwill in Banks which negatively affect profit after tax.
- Inadequate alignment with real estate banking principles with corporate social responsibility ideas.

Objectives of the Study: The purpose of the study is to discover the impact of corporate Assets on corporate social responsibility Disclosure practice on financial performance in Nigeria a study of First Bank of Nigeria Plc, Zenith Bank Plc, UBA Plc and Guarantee Trust Bank

Plc specific objectives include:

1. To determine how cash available for social responsibility affects profit after tax of the selected Banks.
2. To evaluate how amount set aside for other investments affects profit after tax of the selected Banks.
3. To ascertain how goodwill affects profit after tax of the selected Banks.
4. To survey how real estate Banking affects profit after tax of the selected Banks.

Research Questions: The following research questions are raised for the study:

1. To what extent does cash available for social responsibility affect profit after tax of the selected Banks?
2. How does amount set aside for other investments affect profit after tax of the selected Banks?
3. How does goodwill affect profit after tax of the selected Banks?
4. How does real estate Banking affect profit after tax of the selected Banks?

Research Hypotheses: The following research Hypotheses are formulated by the study:

1. There is no significant relationship between cash available for social responsibility and profit after tax of the selected Banks.
2. There is no significant relationship between amounts set aside for other investment and profit after tax of the selected Banks.
3. There is no correlation between goodwill and profit after tax of the selected Banks.
4. There is correlation between real estate Banking and profit after tax of the selected Banks.

Research Methodology: The design of the research is Ex-post factor which used Secondary Data to explain information on four selected Banks in Nigeria. The Data was analyzed using regression as formulated in the hypotheses:

Model Specifications:

In H_1 , y = Profit after tax of the banks in Nigeria between 2004 – 2014

x = Cash deposits of the Banks in Nigeria between 2004 – 2014

In H_2 , y = Profit after tax of the Banks in Nigeria between 2004 – 2014

x = Investments of the Banks in Nigeria between 2004 – 2014
 In H₃, y = Profit after tax of the Banks in Nigeria between 2004 – 2014
 x = goodwill of the Banks in Nigeria between 2004 – 2014

Data Presentation and Analysis

Guarantee Trust Bank Plc:

year	Y profit after tax	x ₁ cash	x ₂ investment	X ₃ Goodwill
2004	4,575,000	30,861,568	20,114,796	4,022,808
2005	5,331,000	46,293,166	32,333,424	7,399,936
2006	7,906,000	212,834,000	5,700,000	36,446,000
2007	28,603,078	193,519,908	124,612,948	18,091
2008	29,913,704	252,003,983	127,549,286	23,835
2009	23,675,595	35,889,931	106,418,812	6,070
2010	37,916,321	28,855,906	51,837,353	9,821
2011	52,115,554	116,663,077	109,387,401	39,143
2012	63,703,851	143,912,876	169,521,593	24,102
2013	65,504,113	228,609,551	364,056,362	2,256,768
2014	65,054,540	203,286,458	1,073,986,970	67,101,535

Regression analysis:

Regression Equation:

Regression /Missing Listwise /Statistics Coeff Outs R Anova/ Criteria = PIN (.05) POUT (.10) /Noorigin /Dependent Profitaftertax /Method=enter Cash, Investment, Goodwill

$$y = -2.475 + 11.417 x_1 - 11.625 x_2 + 3.291 x_3$$

From the regression equation slopes of the curve is 11.417 t calculated is thus greater than table value 0.056 signifying that H₁ is true. So, there is significant relationship between cash available for social responsibility and profit after tax of the selected Banks.

From Anova table of F-Ratio distribution calculated value = 53.253 which is greater than the table value of 0.000 signifying that H₁ is true.

Coefficient of determination = 0.991 which is reasonable above 0.50 signifying high rate of relationship between x and y

$$\frac{2.994}{3.050} = 0.98163934426 \times$$

100 = 98.16% signifying that 98.16% of x is

explained by y

UBA PLC:

Year	Y Profit after Tax	x ₁ cash	x ₂ investment	x ₃ Goodwill
2004	5,190,768	121,891,453	4,427,083	3,294,490
2005	7,155,926	180,407,249	6,139,063	4,755,887
2006	11,488,800	1,716,364	4,427,063	4,755,889
2007	46,524	232,207	16,935	23,476
2008	51,993	239,502	64,564	52,295
2009	20,503	126,779	158,977	78,619
2010	32,305	130,604	172,780	63,000
2011	41,301	211,098	267,050	65,877
2012	95,803	313,546	256,905	16,814
2013	83,414	587,793	212,523	1,703
2014	68,218	533,825	1,389,341	41,819

Regression Analysis:

Regression /Missing Listwise /Statistics Coeff Outs R Anova/ Criteria = PIN (.05) POUT (.10) /Noorigin /Dependent Profitaftertax /Method=enter Cashinvestment Profitaftertax.

$$y = -0.120 + 1.477 x_1 + 2.881 x_2 - 0.910 x_3$$

From the regression equation slopes of the curve is +1.477 t, calculated is thus less than table value 0.909 signifying that H₂ is true. So, there is significant relationship between amounts set aside for other investment and profit after tax of the selected Banks.

From ANOVAs table of F-Ratio distribution calculated value = 2.949 which is greater than the table value of 0.130 signifying that H₂ is true.

Coefficient of determination = 0.864 which is reasonable above 0.50 signifying high rate of relationship between x and y

$$\frac{5.071}{6.791} = 0.74672360477 \times$$

100 = 74.67% signifying that 74.67% of x is

Explained by y. since t distribution value and f distribution value gave conflicting values we adopt f distribution decision. So H₂ is true. So, there is significant relationship between amounts set aside for other investment and profit after tax of the selected Banks.

Zenith Bank PLC:

Year	Y Profit after Tax	x ₁ cash	x ₂ investment	X ₃ Goodwill
2004	4,525	89,8220	2,387	13,603
2005	4,921	109,716	2,835	4,169
2006	11,550	79,825	26,576	35,616
2007	19,631	102,724	21,907	38,419
2008	40,825	95,733	96,397	88,007
2009	12,889	38,972	150,565	80,186
2010	2,167	39,819	313,659	18,044
2011	16,385	124,826	56,695	19,700
2012	27,066	714,115	680,817	18,598
2013	28,409	764,615	764,511	70,203
2014	15,349	93,849	51,739	13,364

Regression Analysis:

Regression /Missing Listwise /Statistics Coeff Outs R Anova/ Criteria = PIN (.05) POUT (.10) /Noorigin /Dependent Profitaftertax /Method=enter Cash Investmentprofitaftertax

$$y = -0.120 + 1.477 x_1 + 2.881 x_2 - 0.910 x_3$$

From the regression equation slope of the curve is +1.477 t calculated is thus less than table value 0.09 signifying that H₀ is true. So, there is correlation between goodwill and profit after tax of the selected Banks.

From Anova table of F-Ratio distribution calculated value = 2782.520 which is greater than the table value of 0.000 signifying that H₃ is true. So, there is correlation between goodwill and profit after tax of the selected Banks.

Coefficient of determination = 1.000 signifying a perfect relationship between x and y

$$5.805 = 0.99965558808 \times 100 = 99.97\% \text{ signifying that } 99.97\% \text{ of } x \text{ is } 5.807$$

explained by y. since t – distribution and f – distribution are given conflicting decisions will adopt f distribution meaning that H₃ there is correlation between goodwill and profit after tax of the selected Banks.

First Bank PLC:

Year	Y Profit after Tax	x ₁ cash	x ₂ investment	X ₃ Goodwill
2004	24,510	90,209	212,024	33,191
2005	12,184	30,220	24,655	30,625
2006	16,053	49,444	63,729	31,317
2007	18,355	60,881	64,048	3,043

2008	30,473	88,802	71,532	39,498
2009	35,074	142,353	65,336	48,007
2010	43,188	74,894	317,073	46,551
2011	44,785	199,227	572,853	1,006
2012	76,801	419,735	326,538	8,877
2013	392,200	199,091	222,018	55,352
2014	480,600	3,871,001	1,814,177	53,998

Source: Cooperate headquarters of: First Bank of Nigeria Plc, Guarantee Trust Bank Plc, Zenith Plc and UBA Plc

Regression Analysis:

$$y = -0.208 + 0.835 x_1 - 0.239 x_2 + 1.568 x_3$$

From the regression equation slope of the curve is + 0.835 t-calculated is thus less than table value 0.843 signifying that H₀ is true. So, there is correlation between goodwill and profit after tax of the selected Banks.

From Anova table of F-Ratio distribution calculated value = 1.091 which is greater than the table value of 0.463 signifying that H₄ is true. So, there is correlation between goodwill and profit after tax of the selected Banks.

Coefficient of determination = 0.722 which is reasonable above 0.50 signifying high rate of relationship between x and y

$$\frac{5.133}{9.839} = 0.52169935969 \times$$

$$100 = 52.17\% \text{ signifying that } 52.17\% \text{ of } x \text{ is}$$

explained by y. Since t – distribution decision conflicts with f- distribution we adopt f- distribution decision. So, there is correlation between goodwill and profit after tax of the selected Banks.

Findings, Conclusion and Recommendations

Findings

The Following Where Discovered:

1. There is significant relationship between cash available for social responsibility and profit after tax of the selected Banks.
2. There is significant relationship between amounts set aside for other investment and profit after tax of the selected Banks.
3. There is correlation between goodwill and profit after tax of the selected Banks.

CONCLUSION

In conclusion, it is the amount of cash kept aside for social responsibility that really determines the quality of

welfare function enjoyed by the world. Most banks look only at money welfare package not considering other non-material benefits like time and this affect the decision for some bank employees to vacate the job despite high pay structure. So, welfare package has to consider individual workers preferences to alternative to works status.

Recommendations: The view of the findings and conclusion of this research, the following are here by recommended:

- Banks should toe the impartial line in determining workers preference of any particular social welfare packages.
- Banks should give both material and non-material rewards in social responsibility.
- Material reward must be high enough to put the employee out of margin of no investment in social responsibility function.

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