

Journal of

# Business and Strategic Management

(JBSM)

An Appraisal of Corporate Social Responsibility on  
Organisational Performance of Commercial Banks in Nigeria



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## **An Appraisal of Corporate Social Responsibility on Organisational Performance of Commercial Banks in Nigeria.**

**<sup>1</sup>\*Okafor Immanuel Emeka, <sup>2</sup>Nwigwe Ekene Collins, <sup>3</sup>Obiakor Chukwunonso E, <sup>4</sup>Ass. Prof. G. C. Mgbemena**

<sup>1234</sup> MSc. Business Administration, Chukwuemeka Odumegwu Ojukwu University, Igbariam Campus, Anambra State

\*Corresponding Author's Email: [immanuelokafor@yahoo.com](mailto:immanuelokafor@yahoo.com)

### **Abstract**

The research examined an appraisal of Corporate Social Responsibility on Organizational Performance of Commercial Banks in Nigeria. The research adopted historical method to analyze the data collected from secondary data only (Journals, Textbooks), Internet, library and Newspaper. One main objective and two (2) specific objectives were highlighted. Furthermore, Conceptual clarification, theoretical framework and discussion of findings we're examined. Among other things are, things that affect Cooperate Social Responsibility on Nigeria Economy, Challenges and Recommendations were made to sustain Corporate Social Responsibility to enhance Organizational Performance of Commercial Banks in Nigeria.

**Keywords:** *Corporate Social Responsibility, Organizational Performance, Nigerian Banks.*

## 1. INTRODUCTION

In developing countries such as Nigeria, the governments must often produce explicit Corporate Social Responsibility guidelines/standards to encourage companies to take active roles in elevating the quality of life in society and as a means of taking pressure away from the government to alleviate poverty (Campbell, 2007). The concept "Corporate Social Responsibility" are three (3) compound words and for the purpose of simple understanding, it is necessary to conceptualized the three (3) words.

The first word "Corporate" is a word that dates from the 15th century, it was derived from Latin 'Corporatus' which is the past participle of 'Corporare' or it means to form into a body. The Latin word 'Corpus' means body. Corporate has come to refer to a group of people that can be treated as a single entity for administrative purposes, which would explain its application in the business community.

The second word "Social" was also derived from a Latin Socialis ("of or bringing to a companion or companionship or association, social), from Socius ("a companion, fellow, partner, associate, ally"), Seuor ("Fellow").

In view of this development the 3rd term "Responsibility" was derived from a Latin also, "responsabilis", the past participle of "respondere" meaning "respond". The word did not come to imply any measure of accountability until the middle 1600s. The suffix ability on the other hand comes from the Latin use of "ability" meaning capability.

Corporate Social responsibility has become an emerging issue in the recent business world. It is a known fact that the main reason for a firm's existence is that of profit maximization. The result has been unhealthy workplaces and the surrounding environment through emission of toxic substances and other similar issues (Lindgreen, Swaen & Johnston 2009).

Firms have come to realise that without Corporate Social Responsibility it cannot compete favourably in the arena. The result has been an immense involvement of firms in varied ranges of Corporate Social Responsibility activities, if only to win and retain the confidence of investors and that of the other stakeholders (Lee, 2008). Globally Corporate Social Responsibility has emerged as a high-profile notion that has strategic importance to many companies. Companies are taking direct and visible steps to communicate her Corporate Social Responsibility spending to consumers (Luo and Bhattacharya, 2006). Although various stakeholders has pushed companies to implement Corporate Social Responsibility on developing countries, it seems many firms do not have sufficient knowledge to actualize it (Fambrun, 1996. Moreover, there are no accepted rules in developing countries to enforce stakeholder demand (Visser, 2008). Others suggest that manager's lack of understanding about the benefits of Corporate Social Responsibility inhibits its implementation (Agarwal, 2008).

### 1.2 PROBLEM STATEMENT/STATEMENT OF THE PROBLEMS

Corporate Social Responsibility has been in existence from time immemorial and it is as old as organization existence. Corporate Social Responsibility has developed from one stage to

another most importantly in our more globalised managerial world. Banks face a lot of problems with increasing pressure for Corporate Social Responsibility (Waddock, 2004). for this, they enlisted problem below has been outlined by Bauch (2003), Financial Performance, environment issues, society issue, corporate governance, economic issues, social issues and cost of capital/structure.

The view that every commercial Bank that focuses on profit making should usually be prepared to take up societal environmental problems like degradation, spillage, pollutions and other essential needs of the host communities.

Many Empirical research has supported this preposition, works of Babalola (2013), Mutsim & Saliah (2012); Amole, Adebisi & Awolaja (2012); Lev, Petrovits & Radhakrishnan (2008); Lopez, Gacia & Rodriguez (2007); Perrini & Tencati (2006); Bagnoli & Watts (2013); Ortlitzki, Schmidt & Rynes (2003); has revealed that Corporate Social Responsibility is a business cost and hence it development reduces banks overall profitability level. More criticism which has occurred in recent time argue that trying to satisfy the conflicting objectives of different stakeholders might result in inefficient use of resources and eventual deteriorate the financial performance, and that the cost incurred from socially responsible actions may put the firms at an economic disadvantage. Therefore, these arguable issues have created a vacuum that this research intends to fill, which is examining Corporate Social Responsibility on the performance of Organization.

### **1.3 OBJECTIVE OF THE STUDY**

The main objective of this research is to find out the synergy between Corporate Social Responsibility and Organizational Performance; while the specific objectives are as follows;

- (1). To examine the role of Corporate Social Responsibility in the Performance of Banks.
- (2). To examine the mode in which corporate Social Responsibility is been carried out in relation to Bank Performance.

### **1.4 MATERIAL AND METHOD**

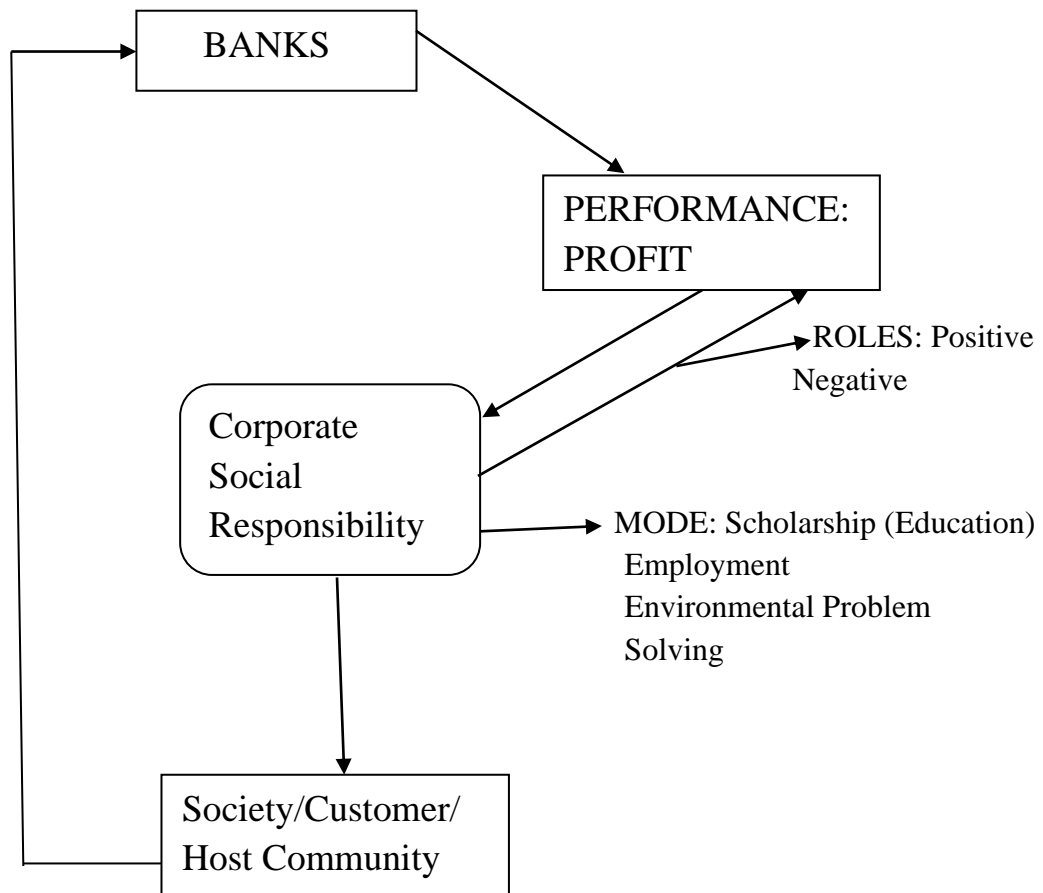
The material/data used for this research were retrieved from the internet, libraries,

Newspapers, Journals and Text books. The methodology of this research was focused basically on historical analytical methods.

This will create a better opportunity for the researcher to trace the history of Corporate Social Responsibility in Nigeria banking sector and how it relates or relating it to their performance.

## **2 CONCEPTUAL CLARIFICATION, THEORETICAL FRAMEWORK AND DISCUSSION OF FINDINGS.**

### **2.1 CONCEPTUAL CLARIFICATION.**



**CONCEPTUAL MODEL WRITTEN, DESIGNED, FORMULATED, PREPARED AND PROPOSED BY ME OKAFOR IMMANUEL EMEKA MSC. BUSINESS ADMINISTRATION (2022), THE GROUP LEADER.**

**EXPLANATIONS:**

**2.1.1 BANKS:**

Banks play an important role or function in the development and growth of a nation. The principal role carried out by banks is to ensure there is adequate flow of money to service deficit sectors of the economy and facilitate the movement of funds amongst economic units. In Banks three (3) major groups are said to be very important and they are classified into:

- (1). The Owner (Shareholders)
- (2). The Staff/Employees.
- (3). The Customers.

For Banks to be able to grow and exist the owner must employ staff who will take care of the activities in the bank and those employees must be in charge of the daily activities of the bank in relation to customers which in turn favour the bank in order to make profit.

**2.1.2 PERFORMANCE**

The performance of banks is basically known through the end of the year records/result. If the organization make profit, it is said that the performance of Bank is favourable or positive, but when an organization doesn't make profit, it is said that the performance of the Bank is unfavourable or negative or at loss. So, we are looking at performance here in this research in terms of profit/ favourable outcome. It is only when a Bank makes profit that they will only think of Corporate Social Responsibility. All allocated Resources for Corporate Social Responsibility comes from the headquarters to States headquarters then Local Governments then to other local branches of the banks were they will now use it on the community were they exist.

### **2.1.3 CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility is being used today to establish good rapport with the public (Nalon, Noxton & Co. 2009). It is also used as pre-emption strategy by the corporations to save their skin from unforeseen risk and corporate scandals, possible environment accidents government rules and regulations, protect eye catching profits, brand differentiation, and better relationship with employees based on volunteerism terms. Madu (2000) argued that it is also the intelligent and objectives concern for the welfare of the society which restrains individual and corporate behaviour from ultimate destructive activities, no matter how immediately profitable and which leads in the direction of positive contribution to human betterment.

#### **2.1.3.1 ROLE OF CORPORATE SOCIAL RESPONSIBILITY ON BANK PERFORMANCE.**

The role of Corporate Social Responsibility on Banks performance could be Positive or Negative.

##### **2.1.3.1a POSITIVE ROLE OF CORPORATE SOCIAL RESPONSIBILITY ON BANKS PERFORMANCE.**

The Positive role of Corporate Social Responsibility on Banks performance is that Corporate Social Responsibility encourages much or large patronization of customers to the bank i.e. It generates more customers which in turn bring more profit to the bank. When the Bank is in need/support/help/ sympathy from it immediate environment, the immediate environment comes to their rescue. Also keeping the environment peaceful for their business to thrive is another positive role played by Corporate Social Responsibility on the performance of banks. Sometimes Banks recruit/employ from their immediate environment in other to show responsibility to the environment which they operate (sense of belonging). If Para venture anything happens negatively or go wrong or a harm is coming to the bank from the immediate environment and they remember that their sons and daughters are working there and that is where they earn their living and also benefit from them, they will withdraw and wouldn't attack the bank negatively to destroy it because it will also affect them and their children's too.

### **2.1.3.1b NEGATIVE ROLE OF CORPORATE SOCIAL RESPONSIBILITY ON BANKS PERFORMANCE**

When Banks performance is negative i.e. when Banks are not making profit or not benefiting from the adoption and implementation of Corporate Social Responsibility. E.g. A Bank may employ a graduate from the immediate environment and send him/her abroad to acquire some certain skills and education and knowledge that is needed and will be useful to the bank, when the employee comes back instead of staying and contributing the skills, education and knowledge which they send him abroad to acquire for the growth and development of the bank they decided to leave the bank on personal excuses, the bank losses, it could be termed as a negative role of Corporate Social Responsibility on banks performance. Corporate Social Responsibility can also make the society or environment over depend on the Banks for survival thereby putting pressure on the bank backing away their personal responsibilities (Parent Responsibility) and hard work not knowing if the bank is really making profit or they are at lost.

### **2.1.4 TYPE/MODES OF CORPORATE SOCIAL RESPONSIBILITY IN BANKS**

There is different type or modes of exhibiting Corporate Social Responsibility depending on the Bank and its policies. Some Banks gives:

- (1). Educational Scholarships to the children of the immediate environment
- (2). Employment of employees/staffs from the immediate environment.
- (3). Solving Environmental Problems such as:
  - (a). Spillages
  - (b). Pollution
  - (c). Degradation
  - (d). Providing of health centre.
  - (e). Providing of water resources.
- (4). Poverty Eradication Programme.

Furthermore, Amaeshi et al (2006) notes that the following banks engaged in Corporate social Responsibility this:

**TABLE 2.1.4.1**

<b>BANKS</b>	<b>TERMINOLOGY</b>	<b>MAIN TARGETED</b>	<b>ISSUES</b>
Access bank Plc	Corporate Responsibility	Education	Infrastructure Development, Arts/Culture.
First Bank of Nigeria Plc	-	Education	
Guaranty Trust Bank	Community Development	Education, Infrastructure	Health care, Development, Capacity Building
Union Bank	Social Responsibility	Education, Sports, Development	Health care, Infrastructural
Zenith Bank	Philanthropy	Education, Infrastructure	Health care, Development, Capacity building

### 2.1.5 SOCIETY/CUSTOMERS

This are the people who patronize and are supposed to benefit from the Corporate Social Responsibility (The host Community). It is the same community which gives that benefit from the Bank which they patronize. The society/community or the customers has great influence on the business that the banks offer, they are the reason why the banks operates, without the customers there will not be banks. The customers deposit money, take loans and pay back with interest, transfer and withdrawal of fund etc.

### 2.2 THEORETICAL FRAMEWORK

Signalling theory was used in this study to explain the influence of Corporate Social Responsibility and appraising it with Bank performance in Nigeria. As soon as one assumes Corporate Social Responsibility he has been fully defined, new phrases such as Corporate Social Performance, Corporate Sustainability, and Corporate Social Responsiveness and also forth emerge (Matten & Moon, 2008). Showing that Corporate Social Responsibility issues have not been fully resolved (Carroll, 2008) Bowen the father of Corporate Social responsibility defined Corporate Social Responsibility as the parameters of obligations, decisions and actions a business man pursues in terms of societal objectives and values (Bowen, 19533). The Corporate Social Responsibility concept formerly developed into two important angles in theory, which are the stakeholder and the social contact theory (Carroll, 2008; Freeman 1984). These two angles formed the most basic school of thought and



investigations were carried out to find areas of commonalities and to determine which one outdoes the other in theoretical understanding of Corporate Social responsibility (Bebington, Larrinaga & Monera 2008; Kanji & Agrawal, 20166) The stakeholder theory suggest that firms exercise Corporate Social Responsibility that is in line with taking care of the views or concerns of their stakeholders (Argandona, 1998; Freeman 19844; Post, 2003). Rahim, Jalaludin and Tajuddin (2011) claim that organizations succeed and survive as they meet both non-economic (e.g Corporate Social Performance) and economic (Profit maximization) objectives. Early work by Freeman 1984) defines a stakeholder as any group or individual affecting and/or getting affected by the existence of a Corporate. There are primary stakeholders which include employees, shareholders, customers, investors, suppliers and secondary stakeholders which are diverse, not directly involved in the Corporate but can exert influence or are affected by the firm e.g the media, government and the general community (Donald & Adam 2004). Organization take care of stakeholder's interests in other to achieve a firms economic wellbeing, survival, competitive edge, trust and allegiance (Mitchell, Angle & Wood, 2007). Pirsch et al (2007) believe that the stakeholder theory articulates that a firm's success and survival is contingent with meeting economic and non-economic goals in line with the needs of the Corporate Stakeholders (Maxwell C, Fortunate S, Yvonne U, 2021).

### **2.3 CORPORATE SOCIAL RESPONSIBILITY IN NIGERIA**

There are indications that ever before the era of the western organised Corporate social Responsibility and the over bearing colonial influences on business practice of the indigenous firms, some Nigerian business men had engaged in some form of primordial Corporate Social Responsibility. It is generally believed that ethnicity, language and religion are the three major contexts and shaped Nigerian business practices and provided vehicles for indigenous Corporate Social Responsibility. A common trend among the different tribes and peoples, which have implication for the Corporate Social Responsibility discourse, is the communal philosophy of life and concept of extended kinship, which appear deep-noted in all the ethnic groups in Nigeria. They see family network as very important and almost, if not all, ethnic groups in Nigeria believe that individual responsibility extends beyond the boundaries of immediate family. This practice is seen as Nigeria form of social security. It is an indigenous style of the rich reaching out to the less privileged in the society. When gestures of this kind are done on behalf of business organizations, they are referred to as extended kinship responsibility. This native form of Corporate Social Responsibility existed virtually in all the ethnic groups in Nigeria before the importation of the western concept of Corporate Social Responsibility. Sometimes in establishing a firm, the founder represents not only the company but also the family, and in some instances the entire community. This is sometimes evidenced in the registration names of some business e.g Okwelle holdings. Okwelle is the name of the community where the business tycoon and the Chief Executive of the company hails from. When this happens, the founder therefore balances the demand of the business with his responsibility to the extended family - owned nature of most private business and the cultural notions of extended kinship suggest a propensity toward communitarian identity.

These businesses, from time to time engaged in acts of philanthropy along the lines of ethnicity, language and religion.

The acts of rudimentary Corporate Social Responsibility by Nigerian business continued all through the period of economic boom. However, an unprecedented decline in this direction began with the onset of economic adversity in the country coupled with the introduction of the organized and expanded version of western Corporate Social Responsibility. Many of these businesses strived to remain merely a float on the other hand, it is argued that the history of western organized Corporate Social responsibility in Nigeria can be traced to multinational companies (MNC) operating in the country from 1960s. The firm practice Corporate Social responsibility in Nigeria as business policy of their home countries (Jones, 1999 and Van, Tulder and kolk 2001). As more multinational companies found their way into Nigeria, especially in the oil and gas sector, coupled with increasing consumer rights awareness, the desire for corporate Social Responsibility began to rise beyond the indigenous practices. In addition, with increasing of exploration and its attendant devastating consequences on the environment in the Niger Delta region, the indigenes looked up to the oil companies and government for adequate corporate Social Responsibility. Unfortunately, the failure to meet the expectations of the indigenes has continued to generate social-political issues. In fact, it is argued that incessant political unrests within the country are not unconnected to the social and environment concerns that lie at the heart of Corporate Social responsibility debate. The Ogoni-Federal government Saga that eventually culminated in the death of famous Ogoni-leader, Ken Sarowiwa readily comes to mind here. After the incident, the people of Niger Delta region became more united and militant in their demand for Corporate Social Responsibility especially in response to oil and gas pollution as well as massive degradation of their environment by the activities of the oil companies operating in the region. The militancy assumed a worrisome dimension with incessant vandalization of major oil installation and pipelines; and kidnapping of the expatriates working in these companies.

Consequent on the above, the management of the oil and multinational companies in Nigeria now live in perpetual fear and hence discharge Corporate Social Responsibility not as a business culture anymore but to avert the wrath of the Niger-Delta militants. This development has not only re-ordered the driving factors of Corporate Social Responsibility in Nigeria for oil and MNCs but has become a major consideration in project completion time in region.

With the increasing global consciousness on Corporate Social Responsibility, emphasis in fast shifting away from philanthropic motives and creation of improved brand value as main drivers of corporate Social Responsibility in Nigeria as identified by Helg (2007). Nigerian companies are beginning to embrace the western version of the concept. However, while some Nigerian firms are yet to adopt the "Organized" form of Corporate Social Responsibility as a business culture, others appear to engage in it to give the impression that their companies are doing well or more recently to avert the wrath of their host communities. Yet, many others and indifferent.

## **2.4 CORPORATE SOCIAL RESPONSIBILITY AND HOW IT AFFECTS THE NIGERIA ECONOMY**

According to Mallen Baker through the website, [www.mallenbaker-net](http://www.mallenbaker-net), Corporate Social Responsibility is all about how companies and other corporate organizations manage their business process to produce an overall positive impact on host community/society. It is then the purposeful inclusion of public interest into corporate decision making.

In Nigeria, companies and other corporate organizations are involved in Corporate Social Responsibility as platform to connect with the people and their environment. While, some companies have identified education as one of their Corporate Social Responsibility platforms and it helps to boast educational development/intellectual development, they are increasing/ improving/developing the human capital in the country which is going to be tapped in the future to stimulate and create a productive economy for the country which will boast the economy. Others have lent a hand in providing support in upgrading public infrastructure such as road, rail way and other viable and valuable projects. This road, railway and other public infrastructure has a great impact on the economy of the nation. It facilitate easy and cheap transportation of goods and services which will make goods and services not expensive and also reduce the level of damages that will occur if the roads, rail and other infrastructure are not constructed or repaired adequately. If the transportation system is good the goods spend less time on the road, but if the roads/transportation system or infrastructures are not good the goods spend more time on the road and if they are perishable goods they tend to spoil as they spend more time on the road. If there are no roads/transportation system at all the goods produced cannot get to the final consumers thereby creating scarcity/ unavailable of goods where it is needed and the time it is needed in the society it thereby creates untold hardship which implies bad economy. Providing Social Amenities (such as water etc) to the society/host community as a weapon of Corporate Social Responsibility increases/improve the standard of people living in that community there by making the economy favourable and healthy. Also Organisations in Nigeria that take up or exhibit employment of staff from the host community as a way of their social responsibility helps the economy by reducing the rate of unemployment, youth restiveness and would keep the youths busy which will curtail the level of crime in the society particularly in the host community thereby making the economy good.

## **2.5 CHALLENGES OF IMPLENTING CORPORATE SOCIAL RESPONSIBILITY BY NIGERIAN BANKS.**

The challenges of implementing Corporate Social Responsibility by Nigerian Banks can be seen from this perspective in this research work;

The challenges of implementing Corporate Social Responsibility in Nigeria by banks raise the question of, who is to benefit from the Corporate Social Responsibility? This question calls for a thorough analysis by banks in Nigeria, because it must sort out the individuals who are to benefit, when it comes to individuality issue of Corporate Social Responsibility like Education. Should it be customers to enjoy the Corporate Social Responsibility when it

comes to individuality? Or should it be Non-customers? Or should it be both (Customers and Non-customers) to benefit from the Corporate Social Responsibility? (Social Justice).

What criteria is the bank using to select the individual if it has identified the group of individual to benefit from the Corporate Social Responsibility? after knowing the group of individual to benefit from the Corporate Social Responsibility you are now left with challenge of bring out the individual to benefit, what bases are you going to use to bring out the individual? is it by duration of time the individual has operated a bank account with the bank? or is it by what kind of bank account does the individual operates (Savings, Current or Fixed Account)? Or is it by level of deposit? Or is it by level of withdrawals? Different criteria for those who are customers to the bank etc it left for the bank to decide. We also look at Availability of fund/money.

If the bank doesn't have enough money for implementing Corporate Social Responsibility it becomes a challenge. Implementing demands a huge amount of money. The environment the bank wants to implement the Corporate Social Responsibility may resist what the bank has for them because of their believes and culture ("Lack of Exposure", here both human right and Environmental Challenges come to play).

In the part of Staffs/Employees that want to implement Corporate Social Responsibility they will demand for pay for implementing (Income) which banks in Nigeria must provide before the implementation that is one of the challenges that banks in Nigeria face in implementing Corporate Social Responsibility in the host community. Climate change also affects the implementation of Corporate Social Responsibility, some banks may decide to take the Corporate Social Responsibility in a particular period but because of the climate change (Raining Period), it becomes difficult to implement.

### **3. CONCLUSION**

An appraisal of Corporate Social Responsibility on Organizational Performance of Commercial Banks in Nigeria was critically examined through the adoption of historical method. This research however, highlighted on the main Objective and the two (2) Specific objective that of course will effectively guide the work to achieve it conceptual clarification/discussion of the finding, theoretical framework, Corporate Social Responsibility in Nigeria and how it affects the Nigeria Economy, Challenges and Recommendation were high lightened. In view of this, the research observed that Corporate Social Responsibility has the impact both negative and positive on Organizational Performance particularly in Commercial banks in Nigeria.

### **4. RECOMMENDATION.**

Commercial Banks in Nigeria should be able to know and have the percentage of performance (Profit) to invest into Corporate Social Responsibility to ensure that it doesn't affect the working capital of the business thereby rendering or making the bank run out of money to use in running there day to day activities. Nigeria as one of the countries with the highest number of Banks in Africa need a better and adequate Corporate Social

Responsibility that will be targeted to the right people. This of course demands that appropriate policies or guideline on Corporate Social Responsibility should be formulated for easily implementation and Corporate Social Responsibility should also target the right people at the appropriate time and age.

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