CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCE IN NIGERIAN DEPOSIT MONEY BANKS

BY

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BEING A THESIS SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE (M.SC)

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DECLARATION

I hereby declare that this Thesis is a record of my research work carried out under the supervision of Dr. E.B Ekoja. The work to the best of my knowledge has never been submitted before for the award of any academic degree. All sources of information, references quoted in the text, and other material are dully acknowledged.

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CERTIFICATION

The project entitle “Corporate Social Responsibility and Performance in Nigerian Money Deposit Banks has been approved by the Accounting Department, Institute of Administration, Ahmadu Bello University Zaria, in partial fulfillment of the requirement of award of Masters degree in Accounting and Finance.

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Dean, Postgraduate School	Signature	Date

DEDICATION

This project is dedicated to my dearly beloved wife and my children.

ACKNOWLEDGEMENT

All that I have, all that I am, all that I have achieved and all that I will be, I owe total allegiance to the Lord, God Almighty. In the midst of a divided attention, the Lord has been my steadfast decision, for those moments when duties called and I felt, I could no longer carry on; Lord, you alone gave me strength. To you, be all the glory.

I lack words with which to express my sincere appreciation to my supervisor, Dr. Ekoja for his encouragement, constructive criticism and scholarly suggestions that have made this dream a reality despite all odds.

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May God almighty reward and bless you immensely.

BSTRACT

The study entitled "Corporate Social Responsibility and Performance in Nigerian Deposit Money Bank" was designed to examine the impact of Corporate Social Responsibility (CSR) on the performance of Nigerian Deposit Money Bank. Three research hypotheses were formulated in a null form. The aim was to examine to what extent CSR proxies vis-a-vis Community Corporate Social Responsibility (CCSR), Charity Contribution (CC) & Human Resources Development (HRM) have impacted on the performance variable Return On Equity (ROE). The population of the study comprises all the banks that survived the recapitalization exercise. A sample of seven banks was selected using judgmental approach. This approach seemed appropriate in selecting the sample size since set of criteria were laid down and is only those that met the conditions were selected. The study adopted descriptive research design as a research method. A set of model was formulated to address the stated problem. Multiple regression models were used to test the hypotheses at 5% significance level. All the hypotheses were rejected as all the proxies(independent variables) were found to have statistical significant impact on the performance variables at 5% significance level. The study recommends that a dialogue should be made with the business world and other stakeholders in determining common standards, reporting mechanisms and the extent to which they should be responsible.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Corporate Social Responsibility (CSR) is a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that increase value added, and thus, improves the competitive position of a firm. It is a comprehensive set of policies, practices and programmes that are integrated throughout business operations and decision making processes.

Dare (2004) noted that, there is a growing global trend towards both government mandated and voluntary corporate disclosure of information on the environmental, labour, human rights, and social impacts of business practices. The goal of this reporting grouped here under the rubric of Corporate Social Responsible (CSR) reporting, is to generate new and better information on the performance of Nigerian money deposit banks. This is aimed at supporting more informed decision-making by key shareholders, and ultimately to create new incentives for banks to reduce adverse impacts of their activities.

Over the past decade; a growing number of banks have recognized the business benefits of Corporate Social Responsible (CSR) policies and practices. Their experiences are bolstered by a growing body of empirical studies that CSR has a positive impact on business economic performance and is not detrimental to shareholder value.

Banks also have been encouraged to adopt or expand CSR efforts due to the result of pressures from customers, suppliers, employees, communities, investors, activist organizations and other stakeholders. As a result, CSR has grown dramatically in recent years, with banks of all sizes and sectors developing innovative strategies. Banks have come to realize that CSR is good for business, since it increase productivity, contribute to competitiveness and creates a positive corporate image in the eyes of consumers, investors, employees and community at large.

By the same token, socially responsible business, with a purpose beyond making profit, can have a positive social, economic and environmental impact by helping to improve working and surrounding conditions. Corporate Social Responsibility could be viewed as a symbolic relationship that exists between a firm and all the stakeholders. Ramanathan (1976), stated that there exist a social contract between the organization and society. Jaggi and Zhao (1996), agreed with the social view when they argue that organization do not exist in a vacuum, but are part of society, which creates and support them. They affirm that social environment is a part of the total environment in which business operates.

Researchers have shown that being socially responsible improves business financial health. Its reputation is promoted thereby providing it with an edge over its competitors (Nendu and Urieto, 1988).

In addition, the Federal Government of Nigeria decided to set up the Federal Environmental Protection Agency (FEPA) as stipulated in Decree 58 of 1988 to protect

the potential dangers that industrial activities may pose to the environment and the society at large, (Obeya, 1991). This Decree was later amended by Decree 59 of 1992. It was this decree that created the first provided guidelines for environmental regulation in Nigeria

1.2 Statement of the Problem

Nigeria is a former crown colony of Britain and almost every law has been inherited from the British. Financial reporting in Nigeria is guided mandatorily by the Companies and Allied Matter Act (CAMA) 1990, the Statement of Accounting Standards issued by the Nigeria Accounting Standards Board, the Banking Act 1991 (for banking institutions) the Insurance Act 1993 (for insurance Banks) the Income Tax Ordinance 1984 (for all banks and public enterprises), the Security and Exchange Rules and Regulation 1990 (for public limited banks) and Stock Exchange Rules and regulations.

As far as Corporate Social Responsibility is concerned, most of the compelling pressures mounted on organization to engage in CRS may not necessary applicable to banks operating in Nigeria. Local consumer and civil society pressures are almost non-existent and law enforcement mechanisms have been weak and inefficient (Limbs and Fort, 2000; Oyejide and Soyibo, 2001, and Ahunwan, 2002).

According to Idoko (1998) despite the fact that Corporate Social Responsibility is increasingly being recognized as an effective means of decreasing costs and

strengthening market share, there has been reluctance by many Deposit Money Banks in Nigeria to adopt these practices for a number of reasons. First, many banks do not fully understand what Corporate Social Responsibility is or how it can be practiced to improve their bottom lines and reduce risk and liabilities. Second, there are few local experts in Nigeria that could assist banks to implement Corporate Social Responsibilities measures, making the cost of consulting prohibitive, especially for smaller businesses. Third, transparency and disclosure of information has generally not been a requirement from governments and shareholders in Nigeria.

If these banks want to compete in the global market place, however, they must begin making changes and incorporating Corporate Social Responsibility measures. It is against this backdrop that this study is undertaken in an attempt to ascertain the impact of Corporate Social Responsibility on the performance of Nigerian Deposit Money Banks.

1.3 Objective of the Study

The main objective of the study is to examine the impact of corporate social responsibility on the performance of Nigerian Deposit Money Banks. Other specific objectives include:

1. To find out the impact of charitable contribution on return on equity of Nigerian Deposit Money Banks.

2. To determine the effect of community corporate social responsibility on return of equity of Nigerian Deposit Money Banks.
3. To find out the impact of human resources management on return on equity of Nigerian Deposit Money Banks.

1.4 Research Hypotheses

In line with the objectives of the study, the following hypotheses were formulated in null form:

1. Charitable contribution has no significant impact on the return on equity of Nigerian Deposit Money Banks.
2. Community Corporate Social Responsibility has no significant impact on the return on equity of Nigerian Deposit Money Banks.
3. Human Resources Management has no significant impact on the return on equity of Nigerian Deposit Money Banks.

1.5 Significance of the Study

Corporate Social Responsibility reporting assumes that the banks are socially conscious to discharge their social obligations for the well being of the stakeholders and society in general. Hence this study will be relevant to the following groups of people:

i. Governments and its agencies will find the work very interesting as it will help strategize effective ways of regulating environmental, labour and social impacts of industry. Governments appear to be particularly interested in disclosure system

that may also be more cost effective, flexible, and decentralized, and that build on market mechanism and public participation.

ii. The study will benefit the consumers since they are among the public that have growing concern about the environmental and social impacts of the products they buy, the places they work and the communities they live in, which led to new demands for corporate disclosure.

iii. Investors have increasingly urge banks to demonstrate their social and environmental performance to investors – both traditional mainstream investors and growing numbers of socially responsible investors will highly benefit from this study.

iv. Corporate organization will find the study useful in the process of developing reporting systems, measuring performance, and tracking changes over time can support the development of information systems that improve internal management of risks, stakeholders etc.

v. The study will add to the empirical evidence on Corporate Social Responsibility and accountability literature in Nigeria.

1.6 Scope of the Study

The study title Corporate Social Responsibility and Performance of Deposit Money Banks in Nigeria was designed to cover a period of five years (2004 – 2008). Due to circumstances beyond our control, the study focused on 9 banks out of the 20 banks listed in the Nigerian Stock Exchange

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter discusses the overall nature of corporate social responsibility. We consider its relevance and benefits to corporate organization. The chapter took a review of relevant and related literature. Issues discussed include: the concept of corporate social responsibility, beginning from its foundational development to the theoretical perspectives, argument against, theoretical framework, strategic role of corporate social responsibility. Others are corporate disclosure, accounting for social responsibility, approaches to social responsibility, impact of corporate social responsibility on firm value and customers' satisfaction. Furthermore, attention was given to some criticisms of this concept and finally in this chapter.

2.3 Concept of Corporate Social Responsibility

In a given society, banks cannot ignore the environment and major coalition members with which they interact. This is because the raison d'être for their existence- the accumulation of capital is only possible through the existence of their societies which otherwise constitute their markets (Hopkins, 2004).

In this way, corporate social responsibility is the inherent obligation of each business entity to account for the way its activities impact on the economic, social and environmental dimensions of its environs and to ensure that this impact generates equitable and sustain nable benefits-and no harm-to all stakeholders involved (De Regil, 2003).The stakeholders represent the various interest groups of society where the company operates. They comprise of workers, consumers, and indigenous groups all with a legitimate right to demand socially responsible and right corporate behaviour. The stakeholders include all the members belonging to the corporation's social environs, which contribute to or are encumbered by the corporation's activity. Corporate social responsibility (CSR) is thus concerned with treating the stakeholders of the firm ethically or in a responsible manner (Hopkins, 2004). 'Ethically' or 'responsibly' means treating stakeholders in a manner deemed acceptable in civilized societies. Stakeholders exist both within a firm and outside. Even the natural environment is a stakeholder (Carrol and Buchholz, 1999). The wider aim of social responsibility is to create higher standards of living while preserving the profitability of the corporation (Stakeholder Alliance, 2002).

The social responsibility of business was not widely considered to be a significant problem from the time of Adam Smith to the period of the great depression. However, increasingly since the 1960s, social responsibility has become an important issue not only for businesses but in the theory and practice of law, accounting and economics (De

Regil, 2003). Accounting theory and practice are not left behind in these developments.

Corporate social responsibility (CSR) has been a growing dimension in accounting theory and practice since the 70s. The accounting profession has been involved in the struggle to ensure that social responsibility expenditures are accounted for and adequately disclosed in the annual reports/financial statements.

Spicer (1978) observes that CSR is concerned with the provision of information about a firm's performance of the social contract. However, the development of a system of accounts for social responsibility has been met with difficulties. First, is the indefinite and imprecise theory of the social role of a business entity in modern times and second, is the lack of any objective criteria for social measurement that will enable the evaluation of performance. Nevertheless, trends suggest that businesses are aware of a social responsibility and some are ready and able to provide information on social performance. There is therefore, a perceived social contract between organizations and society. This presumed social contract gives banks a platform for determining their social constituencies, what these constituencies expect of their respective corporate inhabitants and how to initiate corporate social objectives to meet these expectations.

In many ways, CSR emerges as counterculture to the long established vision of private and free enterprise (Alvaro, 2003). Free enterprise was supposed to be very private, not to have answer to anyone about its business practices and conducts and not

to be accountable to society except for fiscal matters. The only original accountability of the business was to its private shareholders or institutional investors in the financial markets. Nevertheless, the increasingly adverse impact of corporations on aspects of social life and on the environment has been the catalyst in the advancement of a diversity of stakeholders demanding accountability about the impact of corporate activities on the life of the society. Thus, the corporation cannot ignore the society in which it operates.

A recent phenomenon is the introduction of legislations/codes of conduct to ensure that businesses undertake social activities. These include codes of conduct and standards like the Global Reporting Initiative (GRI), the Global Sullivan Principles (1999), Global Compact (2002), AA1000/AA1000s of 1999, the social venture network standards, and the ISO26000 have been initiated after much demand by civil rights and environmental activist groups.

The field of CSR has grown exponentially in the last decade. In today's competitive environment CSR represents a high profile notion that has strategic importance to many banks (Xueming and Bhattacharya, 2006). The poverty of a nation's citizens, political unrest, exhaustion of natural resources, can have destructive effects for a corporation. A firm cannot healthily operate while neglecting its environment. This has thus entrenched CSR as a corporate dictate.

Friedman (1970) observes that the sole objective of the firm should be to maximize shareholders' wealth and thus an organization striving to attain this objective is already acting in the best interest of the society at large. Moreso, banks may be poorly equipped to address some of the social or environmental problems. But from another perspective, no matter how poorly equipped, banks may still be best positioned to ameliorate the problems. An increasing number of shareholders, analysts, regulators, labour unions, employees, communities, organizations are asking banks to be accountable for these CSR issues (Tsoutsoura, 2004). Certainly, adopting the CSR principles involves costs. Since being socially responsible involves costs, it should appropriately generate benefits in order to be a sustainable business practice. A corporation should not continue a policy that constantly generates negative cash flows (Tsoutsoura, 2004).Therefore being socially responsible should have bottom line benefits in order to be sustainable.

Mamman (2004), stress that there is no agreement over the meanings attached to the concept of Corporate Social Responsibility. The lack of unity in the definition of the concept generates the controversy surrounding the role that a business is expected to play in different countries among business theorists, executives, accountants and the general public. He noted that in Britain, most people see social responsibility as good industrial relations while others view as "doing good". In Germany for instance, attention is focused on the extent of workers' participation in the decision-making process. In Sweden, it is generally agreed that the state has the responsibility for social

and welfare matters not business (Oshagbemi, 1988). In Nigeria, it is widely assumed that the concept refers to management's consideration of social implications of business decisions (McOliver 1988: Mamman, 2004).

However, some businessmen see social responsibility as delivery of goods and making of profit. Other regards it as obeying strictly to the laws of the land in the course of business activities (Henderson, 2001).

In general, according to Mamman (2004), there are two opposing schools of thought regarding whether or not business should have to disclose social responsibility information in their financial statements. On the one hand is the Friedman School that upholds the goal of shareholders primacy and profit maximization. On the other hand is the Welfare School that upholds the goal of satisfying, which recognizes the need for profit but insists that the responsibility is not limited to maximizing shareholders return. This Corporate Social Responsibility must also include the interest of other groups in the society (CPF,2002).

According to Ejiofor, (1981), the Nigeria indigenization decree of 1977 enables many Nigerians to become shareholders in many formally expatriate owned and managed businesses. Although the country is now moving towards a full market economy, this development has led to scholars to suggest that businesses should discharge their social obligations at different levels (Mamman, 2004). This covers

responsibility to the owners, employees, consumers, government, the immediate community where the business operates its activities, and the wider community of humanity.

This suggest that the concept of Corporate Social responsibility can simply view as a comprehensive set of policies, practices and programmes that are integrated into business operations to address the legal, ethical, commercial and other expectations that society has on businesses as well as making decisions that fairly balance that claims of all key stake holders.

2.3 Ethical Issues on Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that increase value added and thus improves the competitive position of a firm. CSR is more than the collection of discrete activities or initiatives motivated by marketing, public relation or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations and decision-making processes.

In a true democratic ethos, the government's first responsibility is to provide for the welfare of all ranks of society (Smith, 1776). Unfortunately, political ambitions and corruption gradually eroded the government's will to fulfill that regulatory responsibility

and act as ‘balancing agents’ to control the natural excesses of the market system (De Regil, 2003).

It has been pointed out that considering the lack of will of most governments to fulfill their most basic responsibilities, it becomes needful that global civil society takes the responsibility. In this way, “the civil society had to ensure the common good of the people and the basic principle of governance of pursuing the welfare of all ranks of society” (Stake holder Alliance, 2001). Probably no issue has received more attention by business, governments, politicians and people in general in the past few years than the issue of social responsibility (Mc Oliver and Yomere, 1999).

The debate on CSR began in the early 20th century, as concerns about large corporations and their power came to the fore (Heal and Nair, 2005). With the emphasis on globalization, the great beneficiaries seemed to be the global corporations (Garcia, 2002). In a globalized set up, banks cannot ignore the societies in any of the social spheres where they interact. This is because they are formed and managed by individual members of society. Thus, the accumulation of capital is only possible due to the existence of these societies, which constitute their markets, and especially because their activities have a tridimensional impact (economic, environmental and social) on societies and their habitat (De Regil, 2003). Their huge political and economic influence has made government abandon their basic responsibilities, which results in very negative tridimensional effects (Stakeholder Alliance, 2001). Throughout the 20th century,

academics in the field of business and the society have addressed the question of the social responsibilities of business. However, the term 'Corporate Social Responsibility' (CSR) and related terms and contracts were not used in the literature until the 1950s (Phillips and Claus, 2002).

Carroll (1999) among others credits Bowen (1953) for initiating social responsibilities of the business man in the modern era which helped to stimulate academic interest and channel it into themes of serious on going research. Bowen (1953) defined corporate social responsibility as "the obligations of businessmen to pursue those polices, to make those decisions or to follow those lines of action which are desirable in terms of the \objective and values of our society". Thus being in business implies a degree of obligation to society. Literatures on the subject in the 1960s expanded the definition, suggesting that beyond legal obligations, banks had certain responsibilities to society (Drucker, 1984). Ever since then, academics have continued to debate the validity and nature of this obligation and may have espoused the view point that obligation stems from the intrinsic power that business holds in society.

Davis (1960) posits that the social responsibilities of businessmen need to be commensurate with their social power. Pinkston and Carroll (1996) characterize this power as a preponderance of resources and capacity, stating that society turns to business to become the vehicles of change and progress primarily due to their size, financial resources and visibility.

Phillips and Claus (2002) argue that in the present age of globalization, citizens around the world have become increasingly aware of the fact that the private sector influences their daily lives in innumerable ways. They also opine that the societal impact of global business has been negative oil spills, air/water pollution, exploitation of labour, e.t.c.

However, Fitch (1976) defines CSR as the serious attempt to solve social problems caused wholly or in part by the corporation, making the argument that business often causes societal problems. Corporate social responsibility is an expression used to describe what some see as a company's obligation to be sensitive to the needs of all the stakeholders in its business operations (Wikipedia, 2006). A company's stakeholders are all those who are influenced by, or can influence, a company's decision and actions. These can include (but are not limited to) employers, customers, suppliers, community, organization, subsidiaries and affiliates, joint venture partners, local neighborhoods, investors, and shareholders (Donaldson and Preston, 1995). Mc Williams (2001) came up with the stake holder theory which he called the 'dominant paradigm in CSR'. This theory is in response to one of CSR's most noteworthy critics, eminent economist Milton Friedman.

Friedman (1963) observes that few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. On

the other hand, Freeman (1984) directly challenged Friedman's assertion contending that banks have relationships with many constituent groups and these stakeholders both affect and are affected by the actions of the firm. He defines stakeholders as any group of individuals who can affect or is affected by the achievement of the organization's objective. Stakeholder theory has been touted as especially applicable to global business, where success depends on productive local relationships. Inclusion of all stakeholders in decision making ensures buy-in from the local community, cultural appropriateness, and the ability to meet local needs that are locally determined (The Consulting Network, 1998).

Corporate social responsibility is closely linked with the principles of 'sustainable development' in proposing that enterprises should be obliged to make decisions based not only on the financial/ economic factors but also on the social and environmental consequences of their activities (Wikipedia, 2006). Sustainability has been a popular concept throughout the 1990s into the 21st century, not only among CSR scholars and business people, but in the public sector international economic development community as well.

The most widely recognized definition of sustainability comes from the 1987 report, 'over common future', also known as the Brudtland report of the UN World Commission on Environment. The report defines sustainability as meeting the needs of the present generation without compromising the ability of future generation to meet

their needs. It is applicable at both the level of the individual firm and the global level. Just as firm are encouraged to make their own operations more sustainable, the business community as a whole is called upon to sustain the global environment and stabilize the global economy for the health of future generation (Phillips and Claus, 2002).

To live within an environment is to take into account in our every action those elements of our surroundings which are important to us and others (Mc Oliver and Yomere, 1999). Managers know that they must interact within an existing environment. This means that they must take into account every element in their surroundings that is important to their success and important to others who may be affected by the action taken. This is what they must do since the survival of their enterprises depends upon successful interaction with the critical elements of their environment (Inegbenohor and Osaze, 1999).

The application of the principle of sustainable development through the introduction of a CSR policy is often accompanied by what is called triple bottom line reporting which declares not only financial results but also the social and environmental impact of the business. Some countries like France have made such reporting mandatory (Wikepedia, 2006). Many large banks now produce annual reports that cover sustainable development and CSR issues, and these reports are often externally audited (Blake et al, 1978).

A widely quoted definition by the World Business council for sustainable development states that corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. (CSR: meeting changing expectations, 1999).

This holistic approach to business regards organizations as being full partners in their communities, rather than seeing them more narrowly as being primarily in business to make profits and serve the needs of their shareholders. Corporate social responsibility is therefore defined by this study as "the implied social contract that exists between the corporation and its environs of which the former improves the welfare of the latter beyond the interest of the firm so as to enjoy a healthy relationship.

Probably no issue has received more attention by business, governments, politicians and people in general in the past few years than the issue of social responsibility (Mc Oliver and Yomere, 1999). One anticipates that issues concerning social responsibility will continue to be important to managers for some time in future. Society is becoming more complex, and social problems are increasing. Business organizations are major institutions in society. As such, they are likely to be concerned with social responsibility firstly to avoid being faced with social protests and additional government regulation (Beesly and Evans, 1978) and secondly because most of the large

organizations, like the multinational corporations are highly visible and have a substantial impact on society (Mc Oliver, 1984)

Incorporating CSR means putting in place a management system with procedures controls and document is a mechanism that permits a firm to operate with CSR principles. Around the world, there exist numerous CSR standards that have been systemized, allowing for objective monitoring and evaluation.

Over the past decade, a growing number of banks have recognized the business benefits of CSR policies. Their experiences are bolstered by a growing body of empirical studies that demonstrates that CSR has a positive impact on business economic performance and are not detrimental to shareholder value. Banks also have been encouraged to adopt or expand CSR efforts due to the result of pressures from customers, suppliers, employees, communities, investors, activist organizations and other stakeholders. As a result, CSR has grown dramatically in recent years, with banks of all sizes and sector developing strategies. Banks have come to realize that CSR is good businesses, since it increases productivity, contributes to competitive and crates a positive corporate image in the eyes of consumers, investor, employees and the community at large. By the same token, socially responsible and environmental impact by helping to improve working and surrounding condition, including those of its small business suppliers.

While CSR has developed significantly in industrialized countries, progress in region is still at a somewhat incipient state. However, there are growing interest in CSR around the world placing increased pressure on banks in Nigeria to incorporate such concepts in order to compete effectively. Demand for CSR is being fueled by the increasing pace of banks worldwide in enhancing performance and by continued economic deregulation and trade reforms that are putting pressure on banks to improve their overall performance and respond to market demands and conditions. For example, non-compliance with international labour standards has the potential to be used as a barrier to export certain products and simple compliance with national laws may not suffice. Nigeria needs to be aware of the standards to which they will be held in the increasingly globalized markets.

2.13 Argument Against Corporate Social Responsibility

Consistent with McWilliams and Siegal (2001), we defined Corporate Social Responsibility (CSR) as situations where the firm 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”. This is only one interpretation of CSR, but confining the discussion to this definition allows researchers to move beyond defining and identifying CSR activities to serious examinations of the role of CSR organization.

Critical insights on the antecedents and consequences of CSR have emerged from a variety of social science disciplines including economics, political science and sociology and numerous fields in management, including strategic management, organizational behaviour, environmental management, psychology, marketing and finance. One of the earliest and most cited perspectives on CSR was Friedman (1970). He argue that the responsibility of managers is to maximize the return to shareholders and that any actions that further some social good, beyond the interest of the stakeholders can be viewed as deriving from an agency problem, (Friedman, 1970). This is managers who use corporate resources to further some social good are doing so only to advance a personal agenda such as promoting their self image.

An early challenge to Friedman's agency theory of corporate social responsibility was offered by Carroll (1979), who outlined a corporate social performance framework. This framework includes the philosophy of social responsiveness; the social issues involve the social responsibility categories. This framework allowed researchers to test the relationship between social responsibility and firm financial performance, (Aupperle et al 1985; Waddock & Graves, 1997).

Several researchers, including Posnikoff (1997), Teoh, & Wazzan (1999) and Wright and Ferris (1997) applied this framework to examine a global CSR issue. In each case the researchers estimated the financial impact to banks of withdrawing operations from South Africa. McWilliams and Siegel (1999) critiqued these studies and noted that

banks have multiple stakeholders and, therefore, testing for the impact on only financial stakeholders is inappropriate. They suggested that the effects on other stakeholders, such as employees, customers, suppliers and local communities should also be measured. Additionally, although this was a global issue, the empirical tests examined only the impact on US banks. This highlights the narrow focus that characterizes the CSR literature.

An alternative, but similar theory to Carroll's was developed by Freeman who argued that corporate social responsibility is a valid role of management (Freeman, 1984). His argument was based on the idea that banks have numerous relevant constituents whose interests should be considered, because the firm cannot continue to thrive and survive without the support of these stakeholders, which include employees, customers, suppliers and community groups. This view was expanded by Donalson (1990), who introduced stewardship theory. According to this theory, there is a moral imperative for managers to "do the right thing", without regard to how such decisions affect the firm's financial performance. This dictum becomes difficult to adhere to internationally, because there may be no consequences on what "the right thing" is.

Narrowing the focus somewhat, institutional theory was applied to CSR by Jones (1995), who concluded that banks involved in repeated transactions with stakeholders on the basis of trust and corporation are motivated to be honest, trustworthy and ethical because the returns to such behaviour are high. Expanding this argument to CSR

activities, Fombrun and Shanley (1990) demonstrate that the returns to socially responsible behaviour are captured through the reputation of the firm. An implication of this that banks should consider CSR as an element of corporate strategy.

Attention to CSR as an element in corporate strategy led to examining CSR activities through the lens of the resource-based-view (RBV) of the firm. The RBV, as introduced by Wernerfelt (1984) and refined by Barney (1991), presumes that banks are bundles of heterogeneous resources and capabilities that are imperfectly mobile across banks. The perfect mobility of heterogeneous resources can result in competitive advantages for banks that have superior resources or capabilities. McWilliams and Siegel (2001) used a model based on RBV to address optimal investment in CSR. In their model, CSR activities and attributes may be used in differentiation strategy. They conclude that managers can determine the appropriate level of investment in CSR by conducting cost benefits analysis in the same way that they analyze other investments. Applying the RBV to CSR naturally leads to the question of whether banks can use CSR to achieve a sustainable competitive advantage. Reinhardt (1998), addressed the issue and found that a firm engaging in a CSR-based strategy could only sustain an abnormal return if it could prevent competitors from initiating its strategy. This is consistent with Barney's (1990) formulation of the RBV, which posits that sustainable competitive advantage requires that resources be valuable (V), rare (R), inimitable (I) and non-substitutable (S). in competitive markets, it is unlikely that a firm can prevent competitors from imitating a CSR-based strategy, so competitive advantage based on

CSR activities/attributes will be short lived. However, this also means that competing banks may be forced to imitate CSR activities to gain competitive parity. This raise the question-meeting activities should be considered "responsible" rather than simply strategic.

This question was formalized by Barron (2001) who noted, "it is the motivation for the action that identifies socially, as opposed to privately responsible action". If the motivation is to serve society, at the cost of profits, the action is privately responsible, as Friedman (1970) suggested it should always be. This does not change the fact that some activities that are motivated by the bottom line may have social benefits. For example, a firm might provide day care to increase employee morale and decrease absenteeism. The provision of this day care may provide social benefits by lowering juvenile crime and increasing school retention. It is difficult to distinguish between privately and socially responsible activities, because managers may have an incentive to report both under the label of "social responsibility". Many large banks and non-governmental organizations (NGO) now include statements about social responsibility in published documents and this creates pressure to expand and embellish reporting on CSR activities. It is not clear how reporting of CSR activities varies across nations, regions, and cultures or how differences in institutional environments will affect the expectations of stakeholders regard to CSR activity and reporting.

In recent study, Doh and Guay (2006) assessed how differences in the institutional environments of Europe and the US affected expectations about banks' social responsibilities. Employing case studies, they assessed the roles that US and European NGO have played in influencing CSR policies and found institutional differences in these two regions in influencing government policy, corporate strategy and NGO activism related to CSR. An implication of this study is that cross-sectional comparisons of the propensity of banks to engage in CSR should take into account institutional differences.

2.5 Strategic Role of Corporate Social Responsibility

As earlier stated, numerous definitions of CSR have been proposed and often no clear definition is given, making theoretical development and measurement difficult. CSR activities have been posited to include incorporating social characteristics or features into products and manufacturing processes (e.g. aerosol products with no fluorocarbons or using environmentally-friendly technologies), adopting progressive human resource management practices (e.g. promoting employee empowerment), achieving levels of environmental performance through recycling and pollution abatement (e.g. adopting aggressive stance towards reducing emissions) and advancing goals of community organization (e.g. working closely with groups such as United way). Researchers are moving beyond just defining and identifying CSR activities, to examine the strategic role of CSR in organization.

Similarly, there is growing interest among managers in the antecedents and consequences of CSR, especially for executives at multi-national, multi-divisional banks. These corporate leaders are mindful of the fact that business norms and standards, regulatory frameworks, and stakeholder demand for CSR can vary substantially across nations, regions and lines of business. They are also aware that their divisional managers are under constant pressures from employees, suppliers, community groups, NGOs and government to increase their involvement in CSR.

It therefore means that managers of various organizations have much to do in the area of corporate social responsibility, if they are to remain the ever growing competitive business world. According to Freeman (1984), managers must satisfy a variety of constituents (e.g. workers, consumers, suppliers, local community organizations) who can influence firm outcomes. He asserts that it is not sufficient for managers to focus exclusively on the needs of stakeholders, or the owners of the corporation. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non-financial stakeholders perceive to be important, because these groups might withdraw their support for the firm.

This stand was supported by Donaldson and Preston (1995) who stressed moral and ethical dimensions of CSR, as well as the business case for engaging in such activity. It is therefore understandable that the theory of firm perspective on CSR has several strategic implications. The first is that CSR can be integral element of a firm's

business and corporate level differentiation strategies. Therefore, it could be considered as a form of strategic investment. Even when it is not directly tied to a product feature or production process CSR can be viewed as a form of reputation building or maintenance. The second strategic implication of a theory of the firm perspective is that one can apply RBV logic to CSR, in the sense that it is possible to generate a set of predictions regarding patterns of investment in CSR across banks and industries. For instance, we expect to observe a positive correlation between CSR and both R&D and advertising (McWilliams and Siegel, 2000).

In evaluating the strategic implication of CSR, attention shall be focused on issues relating to industry evolution, market structure, firm dynamics and the role of asymmetric information in the context of CSR. This means that there are numerous unresolved theoretical and empirical issues relating to the strategic implication of CSR. These include determining the motivations for CSR, describing CSR strategies, modeling the effects of CSR on the firm and stakeholder group, determining the effects of leadership and corporate culture on CSR activity, assessing the effects of CSR on the firm and stakeholder groups, measuring the demand for CSR, measuring the cost of CSR and assessing the current knowledge base.

2.6 Corporate Social Responsibility Disclosure

Financial reporting is the communication of information about an entity's resources, obligations earnings, expenditures, and revenues to users. Financial reporting

is concerned with the communication of information to those users who have limited authority, ability of resources to obtain needed information. It communicates information about an economic entity to the users. There are generally two types of financial reporting: one is made for an existing company at regular and irregular intervals. The first type of reporting occurs through the prospectus. The second type of reporting is made through annual reports, interim reports, press releases, chairman's and director's speeches.

Conventional financial reporting focuses on the results of transactions between two or more entities. Exchanges between a firm and its social environment are partially ignored. Corporate Social Reporting CSR) assumes that the banks are to be socially conscious to discharge their social obligations for the well being of the society. Now business enterprises are under pressure from its stakeholders to report to them, as to what extent it has been successful in protecting their interests. It is expression of corporate social responsibilities and a new call for general corporate accountability.

Quite a number of studies examine the incidence of social and environmental disclosures, predominantly in corporate annual reports. Elias and Epstein (1999) found that the following items were disclosed in US Annual Reports; environmental quality product safety, employee benefits, etc. in a study of the largest 100 banks listed on the Sydney Stock Exchange in Australia, Tortman (1979) found an increased incidence of disclosure, from 28 banks in 1976, to 48 in 1972 and 69 in 1977. Kelley (1979)

examined selected social responsibility disclosures. This analysis was extended using 1983 annual reports (Guthrie and Mathews, 1985) Guthrie found that in both 1980 and 1983, annual reports of 56 percent of the sample banks made some form of social responsibility disclosure. Using the instrument developed by Guthrie, Gul et al (1984) studied a random sample of 136 annual reports of Australian banks. Due to the randomness of their sample, their results revealed that only 30 percent of the banks, 42 percent came from the construction industry and 32 percent from the manufacturing industry.

In the earlier study in New Zealand, Robertson (1977) found the largest 100 banks (based on paid-up capital), 54 made some sort of social disclosure (ranging from major to very minor). In the USA, the best-known studies of social reporting incidence were conducted by Ernst and Ernst (1972). A report was produced for each year's 1972 – 1978 based on the annual reports of the fortune 500 banks. By 1978, the survey was showing a small decline in the number of banks making social disclosures, but it was only a minor decline from 91.2 percent to 89.2 percent of surveyed banks making social disclosures.

Somewhat less evidence is available concerning disclosure in Europe and specially the UK. However, research by Roberts (1992), suggests a situation of generally increasing levels of disclosure. Instances of extensive disclosure exist in the reports from European countries with disclosure levels being significantly higher in Germany than

any other country. Roberts (1991) conducted a survey of a sample of 110 banks from five of the largest mainland European countries and found that 68 percent of them provided at least one item of environmental information in their reports. However, while the overall number of banks providing at least some information was fairly high, the level of disclosure of any sub-category of environmental information was generally low.

Chiog et al (1993) examined the 1990 annual reports of a sample of 51 Singapore incorporated banks listed on the Singapore Stock Exchange as at 31 December 1990. They found that 48 percent of the banks disclosed social information in 1990.

Overall, however, international studies suggest that a majority of banks have some time been engaging in at least some form, however minimal, of social and environmental accountability disclosures.

2.7 Accounting for Corporate Social Responsibility

Corporate social responsibility accounting evolved from the dynamic pattern of the socio-economic environment of accounting practice. Environmental changes have been recognized in the definition of accounting given by the American Accounting Association in 1975. The definition expands the scope of accounting to include providing information that is potentially useful for making economic decisions and which if provided will enhance social welfare (Wolk et al, 2002, Mamman, 2004).

According to Mamman (2004), the whole concept of corporate social responsibility accounting, therefore, is anchored on measuring or making available in an optimal manner, to all social constituents, relevant information about banks goals, policies, programmes and contribution.

As noted by National Association of Accountant (USA) in 1974, as reported by Underdown and Glutier (1997), revealed that 695, which represent 71% of its members, agreed that a system of accounting for corporate social responsibility performance was needed. Besides, 90% of the respondents identified a need for both descriptive and numerical (non-monetary and monetary) measurement approach of performance. In the area of usefulness, Beston (1982) argued that corporate social responsibility has not lived up to its expectation because of the subjectivity of the numbers that purport to measure a company's contribution to society.

Underdown and Glutier (1997) however disagreed with this position. They felt that the users of accounting information might benefit by the accounting procedures that are voluntarily adopted by corporate social responsibility in a unified manner. Similarly, a survey in Germany and Switzerland indicates that the target groups perceive the concept of corporate social responsibility accounting to be significant and relevant (Diekes and Antal, 1985).

Hence, corporate social responsibility accounting can be perceived as an extension of accounting services aimed at identifying and measuring the periodic net social contribution of an individual firm. This includes not only the cost and benefits internalized to the firm but also those arising from externalities affecting various social segments (Ramathan, 1976; Mamman, 2004).

Therefore, accounting for corporate social responsibility deals with disclosure of corporate social responsibility in the financial statement of an entity. Disclosure is the manner in which financial and non-financial accounting information is presented in the financial statement (Mamman, 2004). The purpose is to provide sufficient information in the statement to permit the prediction of future divided trends, variability and co-variability of future return (Greuning and Koen, 2002). Financial information disclosures in the financial statement are required to assist in the proper functioning of the country's capital market and at the same time to force banks to present their true profit figures upon which will be based.

Despite the acceptance of the accounting for social responsibility in Nigeria, no standard so far has been promulgated on how the costs of social responsibility programmes are to be accounted for and how they are to be disclosed. Thus, even if business adopt social responsibility policies as required agencies such as FEPA, they still face the challenge of reporting their performance in this area, this create concern regarding business transparency and raises the question as to whether or not the business

should be forced to draw up a report to account for social responsibility performance as adopted in some developed countries where their regulation specify that businesses listed on their stock exchanges must provide social sections in their annual reports (Henderson, 2002).

In Nigeria, according to Mamman (2004), what sort of information of corporate social service is to be disclosed still remains undetermined? Some stakeholders are suggesting the introduction incentives measures to motivate disclosure rather than regulation. However, without regulation, the disclosure may come in different shapes and forms and this will contain many hard to verify issues or incomplete statements. However, Mamman (2002), pointed out many scholars have suggested that there are three major approaches adopted by banks in reporting corporate social responsibility: descriptive; cost of outlay and cost-benefit approaches, none has been accepted as a standard by accounting regulators. He added that the following areas are the possible areas that corporate social responsibility information can be located in the financial report, chairman's report, director's notes, note to the accountants, statement of accounting policy and core financial statement but the study failed to qualify the values of such disclosure, whether it is reasonable enough to justified the damages an organization inflicted to the environment.

2.7.1 Approaches to Social Responsibility Accounting

Underdown and Glutier (1997), stated three main approaches to accounting for social responsibility being:

Descriptive Approach

This approach advocates the listing of all corporate social activities which may be reported in form of short sections in the annual report to shareholders, or in a separate publication dealing with corporate social responsibility.

The disadvantage of this approach is not being qualified to enable a good assessment of corporate responsiveness towards its social responsibility.

Cost Outlay Approach

This approach lists corporate expenditure on each activity undertaken, quantified in money terms. The advantage of this approach is that, it makes comparison in achievements between successive years in the level of financial commitment to social activities to be possible. This approach however, does not disclose the benefits made and therefore does not comply with the matching concept. Similarly, it may include inefficient programmes.

Cost-benefit Approach

This approach matches expenditure incurred on each social activity with the benefits associated with it. In this approach, it is difficult to quantify some elements of benefit as they are qualitative.

2.7.2 Measurement of Social Contribution

This is a general acceptance of the concept of social responsibility. There is however, the problem of measurement as it is difficult to quantify some expenditure incurred and some benefits derived.

Measurement of social contribution is dependent on who determines what social responsibility is. There are also some techniques recommended for giving values to quantitative social responsibility. Some of these techniques according to Dogo, (1984) are:

Surrogate Valuation

This is the assignment of value of an activity similar to the social activity in question to the value of that social activity. For instance, where an oil spillage occurs in Kolo Creek and the amount of loss cannot be determined, a similar past occurrence in another location, which has been determined and decided by a court, can be surrogated to that of Kolo Creek, after some adjustments, if the need arises.

Appraisal

This method uses the services of experts to carry out independent in order to place value.

Court Decisions

Paying for damages as determined by a court ruling e.g. in the case of some communities in Bayelsa State that took Shell to court over some environmental problems, which the court ruled in favour of the Bayelsa communities.

2.7.3 The Disclosure Contents of Corporate Social Responsibility

As far as social reporting is concerned, most of the banks in Nigeria do not provide any social and environmental information in their annual reports. Though, some

did but the disclosures are not sufficient in discharging the social responsibilities of the company. Disclosure regarding social responsibilities can be reviewed according to the following headings disclosure contents, which includes: human resource information. Environmental issues, community involvement and consumer issues. Others include disclosure format, location of social reporting in the annual report, value-added state and factors influencing disclosure.

2.7.4 Social Responsibility Reporting

There are five concepts on the manner in which social responsibility may be reported, Glauter and Underdown (1988).

Net Profit Contribution

This concept is of the view that profit maximization goal satisfies both organizational goals and social responsibility goals. It therefore, advocates that banks should still state in the financial statements the net profit contribution to social responsibility. The concept assumes interdependence between profit and social responsibility as a conducive social environment will enhance profitability, some of which should be ploughed back to the community for social development.

It is clear from this that the interdependence relationship is seemingly absent between most banks and their host communities. As they are only interested in the profit

they will make, they give very little consideration to the social consequence. As a result of this, they have their pipelines blown up and vandalized and their workers held hostage.

The concept of net profit consideration is to draw attention to the circumstances under which the profit has been produced.

Human Resource Contribution

This advocates that the impact of a firm's activities on the people that constitute the human resources (or man power) should be reflected. A firm should therefore state the contribution on: on the job training, employment opportunities, job security, promotion, appealing remuneration packages, conducive working conditions, staff school, canteen services, training school, drug and alcohol counseling and job enrichment.

Public Contribution

This concept holds the view that firm's social responsibility should be in relation to that firm's contribution to the public, that is, in its involvement in activities that will benefit the entire community which should include general philanthropy or charities, public transportation, health services, housing, education in form of scholarship grants, building of schools, classrooms, hostels etc.

Environmental Contribution

This should involve the organization's contribution towards the alleviation, elimination or prevention of environmental pollution. Some oil banks in Nigeria are

lacking in this. In all countries they operate in, they adhere to environmental laws, both locally and internationally. In Nigeria, the case is different. Prominent and eminent persons have died while trying to insist that they comply with international laws.

Product and Service Contribution

This should be in the form of maintenance and promotion of the quality of goods being produced by a company, good packaging and labeling, general product safety and responsiveness to consumers' complaints.

Corporate Social Responsibility and Financial Performance

There is an emerging view over the years that CSR can contribute to the financial performance of a company. This approach which has been described as the 'Enlightened Stakeholders Approach' suggests that corporate decision makers must consider a range of social and environmental matters if they are to maximize long-term financial interest (Brine *et al*, 2006). The attempt to establish or prove a general cause- effect relationship between CSR and a firm's financial performance is the fastest growing and most significant area of CSR research today (Phillips and Claus, 2002). This focus is not new, as far back as the 1970s, scholars were interested also in the question of whether socially responsible banks were also profitable banks (McWilliams and Siegel, 2001). In the late 1980s, the view became common that CSR initiatives might bring long run economic gain. CSR was perceived as a road to long- run profit maximization (Carroll, 1999). In fact, Johnson (1971) argues that businesses carry out social programs to add profits to their organization. But while this may have been endorsed as an underlying assumption,

today's researchers are demanding more hard, quantitative evidence (Phillip and Claus, 2002).

The search for a link between CSR and financial performance is a quest that was begun many years ago and is not yet concluded. During the past 25 years, dozens of studies have examined this relationship (Roman *et al*, 1999).

Academics who had previously reviewed the literature exploring the relationship between CSR and financial performance had found the studies to be inconclusive: no link between CSR and financial performance could be proved or disproved (Orlitzky *et al*, 2003). Most recently according to Barnett and Solomon (2003), despite the intensity of studies directed at it, the relationship between CSR and financial performance remains in dispute.

According to Margolis and Walsh (2002), one hundred and twenty two published studies between 1971 and 2001 empirically examined the relationship between CSR and financial performance. Moskowitz (1972) is generally credited as being the first to empirically examine the link between CSR and financial performance (Peloza, 2005); however Tsoutsoura (2004) recognizes Narvel (1971) as being the first to carry out such study.

Orlitzky *et al* (2003) observe that most of this studies conducted narrative reviews or used vote- counting methods of which neither is adequate because they do not correct sampling and measurement error. Academic research in the causal relationship between

CSR and financial performance sometimes referred to as the "virtuous circle" remains inconclusive (Nelling 2006).

Orlitzky *et al* (2003) therefore use meta- analysis in their review precisely because it corrects for sampling and measurement error when reviewing multiple studies. Meta analysis is a *proven* statistical technique that is frequently used in the medical research field to review multiple studies so its use in the management field is relatively new (Social Investment Forum Foundation, 2004).

Orlitzky *et al* (2003) searched the literature for the fullest list possible of journal articles on the relationship between CSR and financial performance. They located more than 1,200 business and trade journal articles, from 1970 to the period of the research. They limited the studies they analyzed to those that:

i Qualitatively examined the relationship between CSR and financial performance.

ii Were concerned with at least one aspect of a firm's economic performance. These resulted in the 52 studies that were subjected to meta- analysis.

Reviews of the literature often found the many studies to be dissimilar in their findings. However, none of these researchers had applied meta-analysis-the aggregation of many studies using complex statistical techniques to their reviews of the field. This left open the question of whether the reviews of the literature were inconclusive because the methods for reviewing the literature were not sophisticated enough to find

correlations that were observed by methodological artifacts (such as sampling and measurement errors).

Orlitzky et al(2003) were able to support all four of their hypotheses through their findings that:

i There is a statistically significant relationship between social responsibility and financial performance,

ii That social responsibility and financial performance mutually reinforce each other,

iii The correlation between social responsibility and financial performance are shown to be due to improved managerial competency and improved corporate reputation and

iv The variance in studies is due to sampling or measurement error and different data sources.

Waddock and Graves (1997) find significant positive relationship between an index of CSR as measured by the Kinder Lydenderg and Domini database and performance measures such as ROA (Return on assets) in the following year. They suggest that the reason why a virtuous circle would exist is because positive stakeholder relationship can reduce the likelihood of difficulty when dealing with groups such as employees, customers, and the community in addition, good social performance and

good managerial practice may be related, so this in turn may lead to strong financial performance.

Prior research has shown that there is a reverse- causality concern between CSR and financial performance (for example.McGuire, Sundgren, and Schneewies 1989). In this regard, it is believed that a firm's CSR affects its future performance and a firm's history of financial performance contributes to its current CSR involvement. McGuire *et al* (1988) find that prior year's stock returns and accounting based performance measures are related to current measures of CSR, but that a past record of good social performance does not affect the current financial performance of a firm. This sounds incredible and seems a reversal of cause but however finds defence and strong support in the works of Cho and Pucik (2005) and Xueming and Bhattacharya (2006). However Xueming and Bhattacharya as well as Cho and Pucik (2005) accommodate this reverse causality concern by using ratings of CSR from fortune magazine with a one year lag and as such rendered the reverse-causality bias no longer a concern.

Aupperle *et al* (1985) did not find any significant relation between CSR as measured by subjective indicators and a firm's risk adjusted return on assets. In contrast, Tsoutsoura (2004) find a positive association between CSR and profitability. KLD scores were used as a measure of CSR while profitability was represented by ROA (return on assets). Nelling (2006) provides new insights on the causal relationship between firm performance and corporate social responsibility. He uses the KLD

Socrates Database to measure CSR and ROA as firm performance and finds that CSR and performance are related when the standard OLS regression model is used but using a time series fixed effects approach, finds that the relation between CSR and financial performance is much weaker.

Brine *et al* (2006) examine the relationship between financial performance and corporate social responsibility across the top 300 AS listed banks for the 2005 financial year. A total of 277 banks were drafted into their sample after banks with missing data were eliminated. They based their CSR measurement on whether banks made separate sustainability disclosure beyond what is required of them by the regulatory framework. As such, the measure of CSR is a dummy variable. This variable has a value of one if the firm has adopted CSR and a value of zero if it has not (Gujarati, 1999). Accounting measures were used to calculate the financial performance of each company. The measures used were return on assets, return on equity and return on sales. They found no statistical significant relationship between the adoption of CSR and a firm's financial performance.

There is no evidence of the impact of social responsibility on stock returns at the firm's level, aside from studies by Feldman *et al* (1997) and Derwall *et al*, (2004). Feldman *et al* (1997) focus on the environmental aspect of CSR only, and suggest that banks who are able to improve their environmental performance can reduce their CAPM betas and raise their stock prices by up to 5%. Derwall *et al*, (2004) employ data from

the invest rating database of “ecoefficiency” scores. They rank their sample of banks with ecoefficiency scores and form them into portfolios comprising the highest and lowest scoring banks. They find that the high scoring portfolio significantly out performs the low- ranking one.

Determining how social and financial performances are connected is further complicated by the lack of consensus of measurement methodology as it relates to corporate social responsibility (Tsoutsoura, 2004). In many cases, subjective indicators are used, such as a survey of business students (Heinze, 1976) or faculty members (Moskowitz, 1972). Significantly, it is unclear exactly what these indicators measure. Still other studies use survey instruments (Aupperle, 1991) or behavioural and perceptual measures (Wokutch and McKinney, 1991).

Waddock and Graves (1997) draw upon the Kinder Lydenberg Domini (KLD) rating system, where each company in the standard and poor 500 is rated on multiple attributes considered relevant to social performance. KLD uses a combination of surveys: financial statements, articles on banks in the popular press, academic journals and government reports in order to assess corporate social performance along eleven dimensions (Alexander and Buccholz, 1978). Based on this information, KLD constructed the Domini 400 social index (DSI 400), the functional equivalent of the standard and poor’s 500 index, for socially responsible banks. The Ethical investment research service (EIRIS) specialize in the measurement of CSR against an objective set

of criteria, principally for use by institutional investors. EIRIS survey banks concerning their social performance, but also undertake their own research. As a result, they are able to provide social performance scores for a firm irrespective of whether it participates in their survey (Brammer et al, 2005).

One other approach to measuring CSR initiatives is to rely on the amount of CSR investment disclosed in financial annual reports to shareholders. However, there are many important doubts about the validity of the announced CSR investments, despite the seeming attractiveness of this approach. For example, there is a lack of consensus on this aspect (Margolis and Walsh 2003; Orlitzky et al 2003, Tsoutsoura, 2004). Few banks have their announced CSR investments audited or validated externally by third parties. Thus, some banks may over-report CSR investments for impression management (i.e. exaggerating their giving). Other banks may under report CSR investments because they may regard CSR investments only as donated cash or in- kind products and service (excluding investments that benefit the environment and their employees). Although some external sources (for example Business ethics, social responsibility initiative reports) may track banks CSR investments objectively, the nature and amount of CSR investments for the same firm can change dramatically from one source to another (Berner 2005, Formbrun and Shanley 1990, Margolis and Walsh 2003).

Although measuring financial performance is considered a simple task, it also has its specific complications and there is little consensus about which measurement

instrument to apply (Tsoutsoura,2004). Many researchers use market measures (Alexander and Buccholz, 1978; Vance, S.C 1975) others put forth accounting measures (Waddock and Graves, 1997, Cochran and Wood, (1984) and some adopt both of these (McGuire et al, 1988). The two measures, which represent different perspectives of how to evaluate a firm's financial performance, have different theoretical implications (Hillman and Keim, 2001) and each is subject to biases (McGuire et al, 1986). The use of different measures, needless to say, complicates the comparison of the results of different studies (Tsoutsoura, 2004).

In other words, accounting measures capture only historical aspects of firm performance (McGuire et al, 1986). They are subject, moreover, to bias from managerial manipulation and differences in accounting procedures (Branch, 1983; Brilloff, 1972) Market measures are forward looking and focus on market performance; they are less susceptible to different accounting procedures and represent the investors' evaluation of the ability of a firm to generate future economic earnings (McGuire et al, 1988). But the stock market based measures of performance also yield obstacles (McGuire and Branch, 1986). According to Ullman (1985), for example, the use of market measure suggests that an investor's valuation of a firm's performance is proper performance measure (McGuire et al, 1988).

Rust et al (2004) conclude that market measures are different from (and perhaps more important than) accounting measures because the latter are retrospective and

examine historical performance while market value of banks hinges on growth prospects and sustainability of profits or the performance in the future.

However, there remains a serious question pertaining to the proper operationalization of the CSR- financial performance relationship; for example on their meta analysis, Orlitzky et al (2003) highlight a large amount of unexplained variance across the studies suggesting the presence of moderators, and McWilliams and Siegel (2001) find that when research and development expenditures are factored into the relationship, the link between CSR and financial performance becomes neutral.

Xueming and Bhattacharya (2006) also control for the influence of research and development expenditures on performance. They argue that a firm's research and development intensity enhances innovation activities and investors evaluation of the firm (also Chauvin and Hirschey, 1993; Gruca and Rego, 2005; McGuire et al, 1988). Here, a further refinement to the CSR-financial performance relationship is offered. Attempts to accurately reflect the financial return from CSR are more than an academic exercise (Peloza, 2005). The increased pressure faced by managers to justify the allocation of scarce resources means that money spent on CSR activities are becoming more closely scrutinized and are at risk of being withdrawn. This area of research remains inconclusive but however should provide quantitative evidence so that through such widened perceived value of CSR investments, banks can better justify their role in solving societal woes from a position of enlightened self-interest.

2.8 Difficulties in Reporting Social Responsibility Accounting

According to Dogo (1984), several problems characterized the social responsibility reporting. They are as follows:

Problems of the definition of the users of such information. It is difficult to determine the user's social responsibility accounting report (or information). All the users of accounting information will also need this information. The need of one group of users may conflict with other group(s). Where this problem exists, it will be difficult to define their objectives and develop an acceptable concept.

The problem of the definition of the users' objectives in receiving such information. For instance, the information need of a sect in the group might be in conflict with other sect. also, a pressure group within the group might impose their own objectives on the majority. Users of corporate financial reporting information have different objectives from the group's users of social responsibility accounting report and the identification of these needs posses a complex problem.

Having no general acceptable concept of the social responsibility of business enterprise, organizations have not yet developed clear views of society's preferences and priorities, therefore they are not able to plan social activities nor make a good report on their performance.

Due to difficulty in making public decisions about the social good of an organization, Arrow (1963) argued that without including the possibility of interpersonal comparison of utility, whether measure or method used to determine the social preferences for a wide range of set of individual orderings are either imposed or dictated in quantifying some aspects of social activities carried out by corporate organizations.

2.9 Impact of Corporate Social Responsibility on Firm Value

Broadly defined, CSR is a company's activities and status related to its perceived societal or stakeholder obligation (Brown and Dacin, 1988; Sen and Bhattacharya 2001; Varadarjan and Menon 1988). But Margolis and Walsh (2003) conclude that the relationships between CSR and financial performance are decisively "mixed".

There are at least two explanations for these conflicting findings. First, existing studies have largely related CSR to backward looking from profitability (i.e. accounting-based return on investment) but not to forward-looking firm market value. Theoretically, however, market value is different from return on investment because "accounting measures are retrospective and examine historical performance. In contrast, the market value of banks hinges on growth prospects and sustainability of profits, or the expected performance in the future" (Rust et al, 2004). Second, the equivocal link between CSR and firm performance may be due in part to extent strategy and finance literature having largely omitted the underlying processes or contingency conditions that may explain the range of observed relationships, (Sen and Bhattacharya, 2001).

In recent times, Anderson et al (2004); Fornell et al (2006) have demonstrated the positive relationship between customer satisfaction and market value. We build on this literature and institutional theory to purpose that CSR – firm market value linkage exists (at least partially) because of the underlying process through customer satisfaction. In addition, drawing on work in the area of corporate identity and associations (Brown and Dacin, 1997), we posit that firm's corporate abilities (i.e. product quality and innovativeness capability) moderate the relationship between CSR and market value.

2.10 Impact of Corporate Social Responsibility on Customer Satisfaction

Customer satisfaction is defined as an overall evaluation based on the customer's total purchase and consumption experience with goods and services over time (Anderson et al, 2004; Farrell, 1992). In the marketing literature, customers' satisfaction has been recognized as an important part of corporate strategy (Farrell et al, 2006) and a key driver of firm long term profitability and market value (Gruca and Rego, 2005).

Why a firm's CSR initiative should leads to greater customer satisfaction? At least three studies stream point to such a link: First, both institutional theory (Scott, 1987) and stakeholder theory (Maigan, and Ferrell, 2005) suggest that a company's actions appeal to the multidimensionality of the customer as not only an economic being but also a member of a family, community and country (Handelman and Arnod, 1999). Building on this, Duab and Ergenninger (2005), propose the term 'generalized customer" to denote people who are not only customers who care about the consumption experiences

but also actual or potential members of various stakeholders groups that banks services that socially responsible banks offer.

Second, a strong record of CSR creates a favourable context that positively boosts consumers' evaluations of and attitude towards the firm (Brown and Dacin, 1997; Gurthan-Cani and Batra, 2004; Sen and Bhattacharya, 2001). Specifically, recent works on customer – company identification (Bhattacharya and Sen 2003, 2004) suggest that CSR initiatives constitute a key element of corporate identity that can induce customers to identify with the company. Indeed, Lichtenstein et al (2004) note that "a way that CSR initiatives create benefits for banks appears to be by increasing consumer's identification with the corporation and support for the company". Not surprisingly, identified customers are more likely to be satisfied with a firm's offering (Bhattacharya et al, 1995).

The third literature stream that enables us to relate CSR to customer satisfaction examines the antecedents of customer satisfaction. For example, perceived value is a key antecedent that has empirically shown to promote customer satisfaction (Farrell et al, 1996; Mithas et al, 2005). In our context, all things being equal, customers highly derive better-perceived value and, consequently, higher satisfaction from a product that is made by social causes responsible company (i.e. added value through good social causes). Furthermore, engaging in CSR may allow banks to understand their generalized

customers better and thus improve their customer-specific knowledge (Sen and Bhattacharya, 2001).

2.11 The Role of Government in Corporate Social Responsibility Disclosure.

Large multinational banks, private investors, or non-governmental organizations have often driven corporate social responsibility. Nonetheless, there are important roles for governments, and particularly developing country like Nigeria, to play in further advancing reporting systems.

The World Bank has previously groped government roles in supporting corporate social responsibility into five categories of action: mandating, facilitating, partnering, endorsing and demonstrating (Deborah, 2006). Governments, and their citizens however must decide how they can most effectively support an environment for socially responsible business, and specifically advance CSR reporting.

Mandating Role

According to Deborah (2006) government can legally mandate reporting requirements through company law, stock listing regulations, pensions fund regulations, or direct disclosure laws. These laws can set precise standards for corporate reporting, including lists of metrics, format for reporting and frequency of reporting. Government can also set other laws – such as tax law, labour standards, environmental regulations, etc. that establish measurement and reporting requirements.

Government can then monitor this reporting, both by evaluating reporting data and comparing it to physical inspections of facility performance. Government agencies can work to ensure the quality of the work to ensure the quality of reported data by requiring external, third-party verification procedures, quality assurance standards and regulations for auditors of CSR reports, (David, 2000). Government agencies can then oversee these verification and assurance procedures and hold auditors accountable. In addition, government can also mandate sanctions for non-disclosure or false disclosures of CSR data to create incentives for full and accurate reporting.

Facilitating

Baune & William (2002) argue that government can also work to facilitate CSR reporting through the development of voluntary agency might work with trade associations, banks, or multi-stakeholder organization to design voluntary programs. The government could then play a facilitating role in assisting in the collection, collation and dissemination of CSR information.

Government agency as opined by Bakar and Mallen (2002) could to support users of CSR information both inside and ouside banks. One strategy for facilitating firm learning, according to Brower and Carol (1996), would involve dissemination of information from reporting through a programme of technical assistance to banks to learn about “best practices” in their industry. Government technical assistance might also support improved participation of small and medium-sized enterprises (SMEs) in reporting systems. Government can also support and motivate increased dialogue with the business community to ensure CSR reporting is in line with government priorities

and policies. According to Conroy and Micheal (2001), government might go further to tie reporting and performance to tax incentives, export promotion assistance, export quotes, buyer-supplier matching, or direct production subsides. Trade and investment promotion and could significantly motivate and facilitate reporting. Doane and Deborah (2002) added that Government efforts can also support citizens and NGOs who seek to use CSR information to motivate laggards to improve performance.

Perhaps the most important form of facilitation would involve building a stable and transparent environment for socially responsible business within a country. This would involve basic efforts to improve the openness and accountability of governance structures and economic activity.

Partnering

As noted by Bakar and Mallen (2002), government can also play a positive role through partnering with specific groups to support reporting. By engaging multi-stakeholder initiatives or individual banks, government agencies and can act as partners in the development of reporting initiatives. Graham and Mary (2001), further added that government agencies could also establish and support simple networks of operating banks in order to facilitate learning on environmental or social problems and strategic responses.

Government agencies might also ‘partner” by providing government collected data (or links to government databases) to non-governmental disclosure systems. Government data on enforcement actions, compliance rates, numbers of inspections

according to Reo and David (2000), could be very useful to open dialogues and decision making processes to stakeholders, and to facilitate learning.

Endorsing

Government can focus more on endorsing disclosure as pointed out by Wade and Will (2003), May through positive efforts to increase awareness of CSR issues by commending, supporting and honouring banks that are transparent. Their agencies can as well support award programmes, disseminate information on "leading" banks, and otherwise lend credibility and legitimacy to company efforts. While Fung et al (2002), maintained that governments can create a wide range of incentives and rewards for banks that act responsible and take leadership position on reporting.

It is quite clear that government can also help to better inform the public, and particularly consumers, about the performance of banks. Government statements and reports can help transparent banks distinguish themselves in the market place. Government agencies can also work with financial and sustainability rating agencies to highlight superior performance of banks within a country (Nicholas, 2001).

Over the long-term, governments might also use endorsing strategies to market a region or country that supports a positive climate for socially responsible banks that hosts banks that produce sustainable, fair trade or socially responsible goods and that publicly reports on conditions and practices in their country, Jenkins et al (2004).

According to Fung (2002), government can directly demonstrate the principles of increased transparency by publicly disclosing material information on their own activities. He added that they are in many countries either the largest, or one of the

largest employer, consumers of goods and services, owners of land, mineral rights, buildings, vehicles, etc. and users of energy and other resources. Over the last several years, a number of governments have thus begun initiatives to provide information to the public on the impacts of this consumption, employment and resource management.

Some governments are now taking a role in "walking the talk" to show private sector entities – from whom they are demanding increased transparency that government agencies can help to similar standards. These initiatives range from simple disclosure of raw data on the environmental, social and economic impacts of government agency operations, to structured reporting of performance information, to reporting on the effectiveness of government policies and programmes, to progress reports on government efforts to achieve sustainability goals.

In recognition of these varied initiatives, the Global reporting Initiative (GRI) has begun a project to learn from the helps standardize public agency sustainability reporting. A number of governments are now sponsoring this work and experimenting with GRI report for their operations, in order to demonstrate the benefits of reporting for other government agencies, private sector actors and the public.

2.12 Theoretical Framework

As mention earlier, there is no strong consensus on a definition for CSR. CSR has been used as a synonym for business ethics, defined as tantamount to corporate philanthropy, and considered strictly as relating to environmental policy. CSR has also been confused with corporate social performance and corporate citizenship. The lack of

consistency in the use of the term CSR makes it difficult to compare results across studies, hampering our ability to understand the implication of CSR activity (McWilliams et al, 2006)

Having good definition of CSR, with a common terminology, would aid us in modeling the role of organizational culture and leadership in determining the importance of CSR within an organization. Researchers could analyze how changes in corporate control, particularly through merger or acquisition, affect the types and level of CSR activity within banks. Alternatively, changes in top management (CEO or team) might be examined to determine whether leadership style and characteristics are more important than corporate control/culture for predicting CSR activity. Understanding the role of leadership could be extended to understanding the decision making process and how decisions about CSR activity affected by demands for multiple stakeholders.

Asymmetric information makes it difficult to study the antecedents and consequences of CSR. Managers may perceive the many external shareholders view CSR activity more favourably if it is devoid from any discussion of the bottom line. With this in mind, managers may not reveal the more practical motivation (such as product promotion, labour cost control and reputation building) behind their CSR activities, especially in corporate publications such as annual reports. This lack of candid information has made it difficult to distinguish and discuss the different motivations for CSR, which may be private or social.

The use of CSR to capture value referred to as strategic CSR by Baron (2001) who points out that 'it is the motivation for the action that identifies socially, as opposed to privately, responsible action'. That is, if the motivation is to serve society, at the cost of profits, the action is socially responsible, but if the motivation is to serve the bottom line, then the action is privately responsible. For privately responsible actions, there may well be social benefits that exceed the cost of action to the firm. However, this does not change the motivation, unless these social benefits are of value to managers. For example, providing day care may lower the number of juvenile crimes in a community, but the firm might provide the day care only because it increases the availability of workers and lowers the cost of absenteeism.

Social Benefit Theory

This is reminiscent of the consideration of private externalities associated with innovative activity. An externality if defined as the impact of an economic agent's actions on the well-being of a bystander. Pollution is a classic example of negative externality, while innovation (whose benefits cannot be entirely appropriated by its creator) is a classic example of positive externality. While the private returns to innovation (or those that accrue to the company) may be high, the socials returns to innovations (through the creation of new improved products and processes) may be greater. Researchers need to use more direct methods, such as interviews and surveys, to 'tease out' less self-serving information about motivations for CSR activity and improve the precision of measurement of the private and social returns to CSR.

In addition to understanding the motivation for the provision of social benefits, we need to understand how the provision of these goods, through strategic CSR, affects society. An example of strategic CSR is when a firm links the provision of a public good to the sale of their (private) products (e.g. eco-building). Bagoli and Watts (2003) model this behaviour and found that the propensity of banks to engage in strategic CSR depends on two factors: the intensity of competition in the market and the extent to which consumers are willing to pay a premium for social responsibility. The authors conclude that there is an inverse relation between intensity of competition and provision of CSR. That is, in more competitive markets, less of public good would be provided through strategic CSR. Conversely, in less competitive markets, more of the public goods will be provided. This is easy to understand, since more competition results in lower margins and therefore, less ability to provide additional (social) attributes or activity. Conversely, less competition leads to the potential for higher margins and more ability to provide additional attributes or activity.

An analysis of the provision of public goods by private firm is a welcome addition to the management literature on CSR, which has been primarily concerned with answering the following question: do banks do well by doing good? Showing that a firm does well by doing good is often referred to as making the business case for CSR. While understanding the relation between firm performance and social performance is of primarily importance in the management's literature, a more thorough understanding of the CSR phenomenon requires that we take account of other stakeholders as well. These

stakeholders include: customers, employees, governments, suppliers, taxpayers, community groups and underrepresented groups.

Strategic Theory Approach

Our understanding of CSR should be extended to an examination of the strategic use of CSR activities. Fombrum and Shanley (1990) established that investing in CSR attributes and activities might be important elements of product differentiation and reputation building. McWilliam and Siegel (2001) suggest that CSR activities be included in strategy formulation and that the level of resources devoted to CSR be determined through cost/benefit analysis.

Analysis of the strategic implication of CSR is hampered by cross-country/cultural differences in the implications that regulate market activity, including expectations and different returns to activity. For banks operating in multiple countries/cultures this complicates the process of determining which activities to engage in and how much to invest. As the knowledge base of CSR develops worldwide, we will be better able to analyze and advertise on CSR.

The CSR literature suffers from definitional questions that limit the future research. Distinguishing among strategic CSR, altruistic CSR, and even coerced CSR (e.g. Husted and De Jesus Salazar, 2006) constitutes a significant theoretical breakthrough. However, until theory and research can adequately agree upon what, specifically, constitutes CSR, research will continue to provide a lack of consistent results. It is to this empirical research that we next turn our attention.

Problems with measurement of the costs and benefits of CSR activities continue to cloud our understanding of the strategic implication of CSR. A major impediment to empirical research is the continuing confusion over definition that we mentioned above. It is possible to measure what we cannot define and as long as we use different definitions, we will get empirical results that cannot reliably be compared.

Event Theory Approach

Early studies used either the event study methodology (which is based on analysis of short-run changes in stock prices as a proxy for firm performance in the aftermath of a CSR-related event) or regression analysis (which uses an accounting measure of profitability, such as return on assets, as the dependent variable in regression model that explains firm performance). The studies usually attempted to answer the questions: do banks do well by doing well? The reported results have ranged from showing a negative relation between CSR and firm performance, to showing no relation, to showing a positive relation which may result in inconsistency in defining CSR, inconsistency in research design, misspecification of models, changes over time, or some more fundamental variance in the samples that are being analyzed.

McWilliams and Siegal (1997) critiqued the use of the event study methodology to measure the consequences of CSR. The authors reported that the findings of event studies of CSR appearing in top management journals were unreliable, due to serious flaws in the research design and implementation of the event study methodology. They also cautioned that the use of stock price as a metric for performance is not appropriate for studying CSR. This is because CSR is a firm level measure and many socially

responsibility activities occur at the plant level or the product level. Another concern is that an analysis of stock price effects only relates to financial stakeholders and it is clear that non-financial stakeholders are also affected by CSR activities.

McWilliams and Siegel (2000) challenged the convectional regression model used to assess the relationship between corporate social performance (CSP), which is often used as a synonym for CSR, and firm performance. They noted that the typical regression equation estimated was mis-specified because it did not include two key variables: the level of R&D and advertising expenditures. Both of these variables have been shown to be determinants of firm performance and, because all three (R&D, advertising and CSP) are elements of differentiation strategy, they hypothesized that R&D and advertising would be correlated with a measure of CSP. The results of McWilliams and Siegal's estimation of the correctly specified, expanded equation demonstrated that the three explanatory variables were correlated. Thus, the model that excluded R&D and advertising were included in the model, CSP was not a significant determinant of firm performance, as had been reported in several widely-cited studies.

Consistent with Baron's (2001) distinction between altruistic CSR and strategic CSR, Hillman and Keim (2001) conjuncture that empirical tests of the relation between CSR and firm performance should disaggregate CSR activities into those that are strategic (stakeholder management) and those that are altruistic (social issue participation). Based on estimation of a disaggregated model, they report that there is a positive relation between firm performance (measure using market valued added) and strategic CSR and a negative relation between altruistic CSR and firm value.

The Theory of Firm Value

McWilliams and Siegal (2001) provide a framework for analyzing CSR within the context of the theory of the firm. Based on this framework, they develop hypothesis regarding the provision of CSR attributes across industries and market structures. They hypothesize that 'the provision of CSR will depend on R&D spending, advertising intensity, the extent of product differentiation, the percentage of government sales, consumer income, the tightness of the labour market, and the stage of the industry life cycle. All of these should be tested empirically to see if the results support the hypothesis.

McWilliams and Siegel conclude that 'there is some level of CSR that will maximize profits while satisfying the demand for CSR from multiple stakeholders. The ideal level of CSR can be determined by cost benefit analysis. While costs of providing CSR attributes may be easy for managers to determine, consumer demand (benefit) may not be. Consumer demand for CSR could be difficult to measure because CSR attributes are among many attributes of a product.

Legitimacy Theory

Legitimacy theory is derived from the concept of organisational legitimacy, which has been defined by Dowling and Pfeffer (1975) as a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy.

Legitimacy theory posits that organisations continually seek to ensure that they operate within the bounds and norms of their respective societies. In adopting a legitimacy theory perspective, a company would voluntarily report on activities if management perceived that those activities were expected by the communities in which it operates (Deegan 2002; Deegan, Rankin and Voght 2000; Cormier and Gordon 2001).

Legitimacy theory relies on the notion that there is a 'social contract' between a company and the society in which it operates (Deegan 2000; Deegan 2002; Mathew 1993; Patten 1991; 1992).

While there is no generally accepted theory for explaining CSR disclosure practices, recent research in the CSR literature has primarily relied on legitimacy theory (Deegan 2002). Indeed, "it is probable that legitimacy theory is the most widely used theory to explain environmental and social disclosures" (Campbell, Craven and Shrives, 2003) while, according to Gray, Kouhy and Lavers (1995), legitimacy theory has an advantage over other theories in that it provides disclosing strategies that organisations may adopt to legitimate their existence that may be empirically tested. For these reasons, this paper adopts legitimacy theory as the theoretical perspective for the purpose of explaining variations in CSR within the performance of Nigerian deposit banks.

Model Specification

In order to establish the impact of corporate social responsibility on the performance of the banks, a model is design for this purpose. The bases for this model were premised on the variables that has to impact positively on the environment in

which the banks operate. Such variables include community corporate social responsibility, human resources management, charitable contribution and firm size.

Measurement of Variables

An initial challenge in testing the relationship between CSR and financial performance is identifying those banks that have adopted corporate social responsibility. This is because CSR reflects an approach to internal decision making, the presence or absence of which may not easily be determined by external observers (Brine *et al*, 2006).

This study employs CSR disclosures on certain indicators which consist of content analysis of annual reports in a bid to examine the impact of these indicators on market value of sample banks.

Indicators employed are community services, human resources management and charitable contributions. They are identified on the extent of their being reported in the audited financial statements.

The community CSR concerns environmental and social performance. It covers waste management, biodiversity, customer relations and community contributions to sports, education, human rights, prevention and cure of diseases and provision of social amenities.

The human resource management indicator is based on three measures relating to health and safety systems, systems for employee training and development, equal opportunities policies (without discrimination against physical disability or racial/tribal differences).

Brine *et al* (2006) argue that banks that account for the interests of their employees by offering good working conditions will achieve better performance in terms of quality and delivery, and, therefore, experience higher levels of productivity.

Charitable contributions are based on total philanthropic donations made by the company as reported in the financial statements.

It is important to consider firm characteristics when examining the relationship between market value and CSR (Brammer *et al*, 2005). To accommodate this, we control for the influence of firm size in the CSR-financial performance relationship. Firm size is denoted by the total assets of the firm. This is considered expedient because large banks have more resources available to support CSR efforts (Nelling, 2006; Xueming and Bhattacharya, 2006).

Large banks may have more resources and thus enjoy economies for scale, but small banks may have higher strategic flexibility when seeking entrepreneurial rents (Dutta *et al*, 1999; Rao *et al*, 2004).

As regards the debate on financial performance measures, three broad subdivisions exist. They include market based (investor returns), accounting-based (accounting returns), and perceptual (survey) measures. First, market based measures, reflect the notion that shareholders are a primary stakeholder group whose satisfaction determines the company's fate (Cochran and Wood 1984). The bidding and asking processes of stock-market participants, who rely on their perceptions of past, current and future stock returns and risk, determine a firm's stock price and thus market value.

Alternatively, accounting-based indicators, such as the firm's return on asset (ROA), return on equity (ROE), capture a firm's internal efficiency in some way (Cochran and Wood, 1984).

Accounting returns are subject to managers' discretionary allocation of funds to different projects and policy choices, and thus reflect internal decision-making capabilities and managerial performance rather than external market responses to organizational actions. Lastly, perceptual measures of financial performance ask survey respondents to provide subjective estimates of, for instance, the firm's 'soundness of financial position', or 'wise use of corporate assets' (Conine and Madden, 1987; Wartick, 1988).

We utilize market measures in this study because they hinge on growth prospects and sustainability of profit (Rust *et al*, 2004) and also are devoid of manipulation from differences in accounting procedures (Branch, 1983; Brilloff, 1972) and represent investors' evaluation of the ability of the firm to generate future economic earnings (McGuire *et al*, 1988).

In accordance with the basic argument made by Jensen (2002) that the single objective of a firm is to maximize its market value; we identify this type of corporate behaviour (accounting measures) as pure profit maximization which is actually different from market value maximization and thus we label it 'antithetical' to CSR and as such 'irresponsible'.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the types of research methods employed and the various sources of data and methods used in the collection of data. The techniques used in the analyses of data are also presented.

According to Jankawicz (1991), methodology is the “analysis of, and rational for, the particular method or methods used in general”. While Asika, (1991) defined research methodology as ‘that which help the researcher to a mental image of the structure for gathering the data and analysis that will follow’. Thus, methodology is an outline, a general arrangement or plan from which may be made. It is a “blue print or a plan which specifies how data relating to a given problem should be collected and analyzed, it provides the procedural outline for the conduct of any investigation” (Nwoga 1991).

According to Tull and Hawkins (1980) research methodology as ‘the separation of procedure for collecting and analyzing the data necessary in solving the problems at hand such that the difference between the cost of obtaining various levels of accuracy and the expected value of the information associated which level of accuracy is maximized. The research methodology requires the specifications of procedures, which

involves the decisions on what information to generate, the collection of data, the object to be measured and the way in which the data is to be analyzed.

3.2 Research Method Used

In selecting the choice of research method to be used by a researcher for the purpose of acquisition, analysis and interpretation of data, it is very paramount to put in mind the nature of the study, the problem at hand and the desire objective. In line with these, the research method adopted for this study is the descriptive approach

Descriptive research, according to Ndaji (1984) is concerned with the collection of data for the purpose of describing and interpreting existing conditions, prevailing practices, beliefs, attitudes on going process. It is therefore a research method which specifies the nature of phenomenon. Osuala (1993) added that, descriptive research is a prerequisite for finding answers to questions, it is not in self sufficiently comprehensive to provide answers. Descriptive research as the name suggests is used to describe what is really on this field. It involves the collection of first-hand information and data from primary sources by the researcher. This may be done either by observation or inquiry through the use of questionnaire. The study equally utilizes to a large extent secondary data to examine the level of corporate social responsibility disclosure of the various firms under study.

3.3 Population and Sample Technique

Ham (1971) defined population as “the group of objects, elements or units about which the study will make some conclusions”. It is “a census of all the elements or subjects of interest and may be finite or infinite” (Asika 1991).

For the purpose of this study, our population is defined as all the Banks listed on the floor of Nigerian Stock exchange as at December2008. A total of twenty (20) banks were listed on the first tier of the Nigerian Stock Exchange as obtained from daily official list. This sector was selected for this study because they have updated financial records with NSE within the scope of our study. This implies their financial statements were readily available and easily accessible. More importantly, the banks are found virtually in all the 774 local government council in Nigeria. They also play significant role in the economic development.

In the course of a research work, it is usually not possible to study the whole population especially, the case of exceeding large number of individuals, subjects or events in a particular research even when it is finite. This is because the resource and circumstances of research are often tight at the researcher’s disposal. Therefore, sampling is implored as a way of choosing or selection of design quantities or proportion as representation (samples) of the whole population.

For the purpose of this study, judgmental sampling technique was adopted. The procedure was employed based on the following conditions.

The procedure was employed based on the following conditions.

Age: - The banks to be selected must have been in operation for a minimum of ten years period from its date of first trading on the floor of Nigeria Stock Exchange. This to ensure that the banks such selected must have aged enough to discharged corporate social responsibility.

Disclosure Requirement: - The banks must display an element of CSR disclosure in their financial report within the period in consideration. The table below summarized the following conditions of the various banks under review.

Table 3.1 Determination of sample Size

S/n	Banks	Date Listed	Age	Disclosure Requirement	Remark
1	Access Bank Plc	1998	11	Disclosed	Qualified
2	Afribank Plc	1993	16	Disclosed	Qualified
3	Diamond Bank Plc	2005	5	Disclosed	Not qualified
4	Ecobank Nig Plc	2006	3	Disclosed	Not qualified
5	Fidelity Bank Plc	2005	4	Disclosed	Not qualified
6	First Bank Plc	1971	28	Disclosed	Qualified
7	F C M Bank Plc	2004	5	Disclosed	Not qualified
8	First Inlandbank Plc	1993	16	Disclosed	Qualified
9	Gtbank Plc	1996	13	Disclosed	Qualified
10	In't Cont. Bank Plc	2003	6	Disclosed	Not qualified
11	Oceanic Bank Plc	2004	5	Disclosed	Not qualified
12	Bank PH Plc	2005	4	Disclosed	Not qualified
13	Sky Bank Plc	2005	4	Disclosed	Not qualified
14	Stanbic IBTC Plc	2005	4	Disclosed	Not qualified
15	Sterling Bank	1993	16	Disclosed	Qualified
16	Union Bank Plc	1970	29	Disclosed	Qualified
17	UBA Plc	1971	29	Disclosed	Qualified
18	Unity Bank Plc	2005	4	Disclosed	Not qualified
19	Wema Bank Plc	1991	18	Disclosed	Qualified
20	Zenith Bank Plc	2004	5	Disclosed	Not qualified

Compiled from Nigeria Stock Exchange Fact Book, 2009

Selection Criteria:

Based on the information tabulated above, 11 banks were not qualify as a result of operational date of listing requirement. 9 banks were qualified for the study as indicated in the table above.

This implies those that met all the selection criteria are: Access bank Plc, First Bank Plc, Afribank Plc, First Inland Bank Plc, Guarantee Trust Bank, Stering Bank PLc, United Bank for Africa Plc, Union Bank Plc, and Wema bank Plc.

3.4 Method of Data Collection

The study utilizes secondary data only to examine the level of corporate social responsibility commitment of Nigerian banks. This is because the estimation of the model employed in the study requires the use of data in the form of financial and market information.

In this regard, the sources of data for the study are the financial statement of the sampled banks obtained from Nigerian Stock Exchange Fact Books for 2004 – 2008.

3.5 Model Specification

Performance variable is represented by return on equity

The equation is stated as follows,

$ROE = bo + b_1 CC + b_2 HRM + b_3 CCSR + uit.$

Where ROE = Return on Equity

CCSR = Community Corporate Social Responsibility

HRM = Human Resource Management

CC = Charitable Contributions

b_1-b_3 = coefficients

uit =Random error term

3.5.1 MEASUREMENT OF VARIABLE

A variable is a phenomenon or events that can be measured or manipulated in a study. Two variables exist in research; there are independent and dependent variables. Independent variable represents the level of factors and is used to group observations into different treatment group. In case of this study, the Independent Variable is Corporate Social Responsibility, Charity Contribution, Human Resource Development, while the Dependent Variable is Return on Equity.

3.6 Technique of `Data Analysis

This study employs the multivariate technique for the purpose of data analysis. A multiple regression model has been structured using the ordinary least squares (OLS)

method. The model uses a single dependent variable (ROE) and three explanatory variables– charitable contributions, community CSR and human resource management.

The basic aims of the multiple regression models in this study are to investigate empirically the extent to which the predictor variables explain the hypothesized performance variable in Nigerian banks. The model is estimated using the coefficients of the independent variables and their level of significance. The coefficient of determination (R^2) is obtained and helps to assess the significance of the model. The F test is employed to determine the predictive ability of the model while the standard error test and T values are used to determine the significance of the three explanatory variables. Tests of multicollinearity are conducted to see if the parameter estimates are determinate and then an autocorrelation test is used to assess the presence or absence of serial correlation among the residuals using Durbin - Watson. These tests provide an empirical platform in drawing generalization for the study.

Decision

When the probability value is less than 5% level of significance for a null hypothesis which predicts no impact of corporate social responsibility on Money Deposit Bank, it indicates that the null hypothesis should be rejected.

3.7 Justification of the research Design adopted

Both the descriptive research design and correlation approach are non experimental approach to research. More so, there are no attempts to control, manipulate or interfere with the variables.

The descriptive and correlation strategy measures a variable(s) as they exist naturally, the main goal is to describe and establish the relationships that exist between variable(s)

3.8 Summary

This chapter on research methodology explored in detail the research method used, the data collection technique, the population and sampling selection technique as well as method of data analysis.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter deals with the presentation, analysis and interpretation of the time-series data collected for the purpose of testing the model developed in this study. Multiple regression has been used to estimate the relation between the independent variables (Charitable contributions, Community Corporate Social Responsibility and Human Resources Management) and the dependent variable (Return on Equity) as the measure of Nigerian Banks' performance. The technique of least Squares has been used to estimate the regression coefficients in the model of the form.

$ROE = b_0 + b_1 CCSR + b_2 HRM + b_3 CC + uit$

The results are presented in the following sequence of some basic statistics from the entire quoted Nigerian Banks used in the study, regression results for the study and discussion of the combined impact of Corporate Social Responsibility on the performance of the Nigerian Banks. The data collected from the sampled Banks are presented in table 4.1 below:

Table 4.1 Values of Explained and Explanatory Variables

YEAR	BANK	ROE	CC	CCSR	HM
2004	Access Bank	90.0	0.5	13.0	1.0
	Afribank	78.0	0.15	48.0	1.0
	First Bank	7.0	0.11	38.0	41.0
	First Inland	55.0	0.05	27.0	1.0
	Gtbank	14.0	0.11	13.0	1.0
	Sterling	45.0	0.06	22.0	1.0
	Union Bank	8.0	0.09	41.0	38.0
	UBA	4.0	0.1	21.0	1.0
	Wema Bank	14.0	0.2	30.0	1.0
2005	Access Bank	24.0	0.29	14.0	4.0
	Afribank	2.0	0.02	11.0	2.0
	First Bank	9.0	0.1	47.0	48.0
	First Inland	57.0	0.67	28.0	2.0
	Gtbank	73.0	0.08	36.0	3.0
	Sterling	11.0	0.32	15.0	1.0
	Union Bank	11.0	0.08	55.0	41.0
	UBA	5.0	0.1	25.0	1.0
	Wema Bank	48.0	0.18	24.0	4.0
2006	Access Bank	57.0	0.24	28.0	6.0
	Afribank	2.0	0.02	10.0	2.0
	First Bank	12.0	0.1	25.0	64.0
	First Inland	81.0	0.07	40.0	3.0
	Gtbank	59.0	0.8	12.0	2.0
	Sterling	13.0	0.15	29.0	99.0
	Union Bank	17.0	0.04	33.0	3.0
	UBA	41.0	0.24	20.0	4.0
	Wema Bank	2.0	0.05	10.0	4.0
2007	Access Bank	56.0	0.12	28.0	3.0
	Afribank	3.0	0.01	18.0	2.0
	First Bank	18.0	0.09	21.0	83.0
	First Inland	3.0	0.03	18.0	4.0
	Gtbank	99.0	0.08	49.0	4.0
	Sterling	52.0	0.2	26.0	5.0
	Union Bank	13.0	0.14	39.0	10.0
	UBA	2.0	0.04	11.0	5.0
	Wema Bank	50.0	0.2	25.0	5.0
2008	Access Bank	3.0	0.05	17.0	8.0
	Afribank	5.0	0.01	35.0	3.0
	First Bank	30.0	0.23	11.0	35.0
	First Inland	28.0	0.03	14.0	4.0
	Gtbank	32.0	0.04	16.0	6.0
	Sterling	53.0	0.2	26.0	5.0
	Union Bank	13.0	0.15	34.0	10.0
	UBA	20.0	0.01	11.0	4.0
	Wema Bank	45.0	0.56	22.0	12.0

Source: Compiled from Various Bank Annual Report (2008).

The table above contained the values for all the variables of the study as extracted from the financial statements of the sampled banks.

4.2 BASIC SAMPLE STATISTICS

The sample descriptive statistic is first presented in table 4.2; the correlation matrix is presented in table 4.3, while the tolerance and variable inflation factor are presented in table 4.4.

4.2.1 SAMPLE DESCRIPTIVE STATISTICS

Table 4.2 shows the mean, standard deviation, minimum and maximum values of the variables used in the study. The full results are contained in Appendix A.

Table 4.2 Sample Descriptive Statistics (2004-2008 data)

Variable	Mean	Std. Deviation	Min	Max
B_1	0.158	0.172	0.010	0.800
B_2	25.24	11.80	10.00	55.00
B_3	13.04	22.49	1.000	99.00
Y	30.31	27.22	2.000	99.00

Source: Regression Result Using SPSS Version 16

Y= Return on Equity, $\mathbf{b_1}$ = Charitable contributions, $\mathbf{b_2}$ = Community Corporate Social Responsibility, $\mathbf{b_3}$ = Human Resources Management.

Table 4.2 indicates that, on average, during the period of the study the Return on Equity is about 30%, while charitable contributions, Community Corporate Social Responsibility, Human Resources Management have a mean of 16%, 25% and 13% respectively. Charitable contributions have the lowest standard deviation of 0.16 signifying its higher contribution to the Nigerian Banks' performance model, while Human Resources Management has the highest standard deviation of 27.22 which indicates its lowest significance to the model. This can be confirmed by the significant t-

value and lowest mean value of the individual contributions of the independent variables to the return on equity.

Table 4.3: Tolerance and Variable Inflation Factor

Variables	Tolerance	VIF
b_1	0.976	1.025
b_2	0.929	1.077
b_3	0.940	1.064

Source: Regression Result Using SPSS Version 16

The tolerance value and the variance inflation factor (VIF) are two advanced measures of assessing multicollinearity between the independent variables of the study. In table 4.3, the variance inflation factors were consistently smaller than ten indicating complete absence of multicollinearity (eg Neter et al ; 1996 and Cassey, et al; 1999). This shows the appropriateness of fitting the model of the study with the three independent variables. In addition, the tolerance values are consistently smaller than 1.00 thus further substantiating the fact that there is complete absence of multicollinearity between independent variables (see Tobachmel and fidell, 1996).

4.2.2 CORRELATION MATRIX

The correlation matrix is used to determine the relationship between the dependent and independent variables of the study.

Table 4.4 below presents the correlation matrix for the sample observations. The full results are contained in Appendix A.

Table 4.4 Correlation Matrix for the sample Observed

Variable	ROE	CC	CCSR	HM
ROE	1.00			
CC	0.41	1.00		
CCRS	0.25	-0.14	1.000	
HM	0.27	-0.09	0.24	1.000

Source: Regression Result Using SPSS Version 16

Table 4.4 indicates that there is a positive relationship between Return on Equity and Charitable Contributions, Community Corporate Social Responsibility and Human Resources Management. This implies that Corporate Social Responsibility is contributing positively to the performance of Nigerian Banks. The association between them is positive and highly significant.

4.3 CORPORATE SOCIAL RESPONSIBILITY AND NIGERIAN BANKS' PERFORMANCE.

The results of OLS in relation to the impact of Corporate Social Responsibility on the performance of Nigerian Banks are discussed. The study used three Corporate Social Responsibility proxies; Charitable Contributions, Community Corporate Social Responsibility, Human Resources Management and Return on Equity as proxy of performance.

The regression results are presented in table 4.5 below.

Table 4.5: Impact of Corporate Social Responsibility on the Performance of Nigerian Banks in Nigeria.

Corporate Social Responsibility	Performance
Variables	ROE
Intercept	2.171
CC	0.001 *
CCSR	0.005 *
HM	0.017**
R	0.60
R^2	0.36
Adj. R^2	0.31
F. sig	0.000
Durbin Watson	2.044

Source: Regression Result Using SPSS Version 16

Table 4.5 relates Corporate Social Responsibility proxies to Nigerian Banks' performance variables. The estimated relationship for the model is ROE =2.171(b) + 0.001 (CC) + 0.005 (CCRS) + 0.017 (HM)

The model indicates that all the 3 proxies of Corporate Social Responsibility have significant impact on Nigerian Banks performance. Charitable contribution, Community Corporate Social Responsibility and Human Resources management are significant at 5%, which provides evidence to reject hypothesis 1,2 & 3 of the study. This support the finding of Becker and Huselid (1998) who conclude that high performance CRS system has an economically and statistically positive effect on company financial performance. The implication of these results is that the higher the level of Corporate Social Responsibility the higher the performance of the Nigerian Banks.

Finally, the combined impact of the proxies of Corporate Social Responsibility on the performance of Nigerian Banks is indicated in the model summary of the regression result. The combined relationship between the dependent and independent variables of the study is 60% which implies strong positive relationship. While the coefficient of determination R^2 0.40 shows that Corporate Social Responsibility in Nigerian Banks occupies 40% in determining Return on Equity and the remaining 60% is covered by other factors. The F-value of 0.000 implies a significant impact of Corporate Social Responsibility on the performance of quoted Banks in Nigeria. The Durbin – Watson Statistic of 2.044 indicates absence of serial correlation within the period of the study. The calculated F-value of 0.000 is less than 0.05 at 5% level of significance which reveals that all explanatory variables play a significant role cumulatively increasing the return on equity of Nigerian banks. Therefore, Charitable Contributions, Community Corporate Social Responsibility and Human Resources Management have significance impact on the performance of Nigerian Banks.

4.4 Discussion of Major findings

The study reveals that corporate social responsibility investments have impact on the performance banks.

The findings of this study contradict the argument Friedman, (1970); Barnet & Solomon, (2003); Apperle, (1995); and Beston, (1982) that expenditure on Corporate

Social Responsibility activities is largely destructive to shareholders' value. It further affirms that expenditure on CSR affects the bottom line positively and thus the values of banks that engage excessively in such activities are rewarded through building of positive corporate image which shareholders might be slow to realize. (Brudland Report of the Un World Commission on Environment, 1987; Waddock and Graves 1997; Tsoutsora 2004, Nelling 2006; and Feldman et al 1997).

With the growing emphasis on CSR both in social development and more so in corporate business culture, there has never been a period in the Nigerian history than the current period when quantitative evidence is being demanded by management to justify the allocation of scarce resources for CSR ventures. Possible implications exist regarding the use of the model employed in this study. The model has been structured to investigate the Nigerian banks performance as caused by proxies of corporate social responsibility (CCSR, HRM and CC). The results revealed that all of the proxies are significant in explaining and predicting variations in Nigerian banks performance. The absence of multicollinearity and autocorrelation is documented using stationary tests of tolerance and VIF values for multicollinearity, and Durbin-Watson for serial correlation. The result of the test is good signifying the fitness of the model as confirmed by the negative values of correlation between the explanatory variables of the study.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study used a multiple regression model for the purpose of predicting empirically the impact of CSR on market value of quoted conglomerates in Nigeria. The study employed the confirmatory approach to model development in order to estimate the relationship between three explanatory variables – Community CSR, Human Resource Management and, charitable contributions and Return on Equity as dependent variable. The study hypothesized a significant relationship between the three explanatory variables and return on equity. The study is predicated on the unsettled discourse on corporate social responsibility from various quarters – organization, community, government etc. The CSR issue has been a growing concern in the world and corporate Nigeria today. Nevertheless, critics posit that such moral values have no influence on the profitability or value of the firm. This contention has tarried without a clear position on the possible influence of CSR on value and as such legislations/codes of conduct generated vis-à-vis CSR have no stimulant since it is unclear if there was a positive impact. Several studies have been carried out in relation to these debates but most have been inconclusive.

The findings of this research are based on the pooled time series data collected for the period 2004-2008 from a sample of 25 banks quoted on the Nigeria stock exchange.

The results of the study revealed that the predictor variables have significant aggregate impact (at 95 percent confidence level) on return on equity of the sample bank The study has documented a significant relationship between return on equity and corporate social responsibility of the sample banks.

5.2 Conclusions

Based on the findings of the research, the study concludes as follows:-

First, the study has provided both empirical as well as statistical evidence on the use of four independent variables – Community CSR, Human Resource management, charitable Contributions and predicting return on equity of the sampled banks. The results show that the three variables have a significant aggregate impact (at 5%) on return on equity of the banks.

Second, the study has confirmed the significance of community CSR, Human Resources management and charitable contribution as predictor variables of the market value of the sampled banks. This goes to say that CSR directed at communities in the form of projects have ripple effect on the bottom line. It also lends itself to the fact that human resource development, training and welfare; to the extent that they are reported in the annual statements are tangible in influencing its value.

Thirdly, the study established the significance of charitable contributions in the operation of the CSR–market value relationship. It however reveals that the relationship

that exists is positive and as such, market value increase when more philanthropic costs are achieved by the firm and decrease when such costs are reduced. These findings support the instrumental stakeholder theory which purports that CSR activities generate financial benefits.

Fourthly, the study also affirm the work of Xueming and Bhattacharya (2006) that firm size has a major role to play in the link that abounds between CSR and return on equity.

Finally, the study has demonstrated that the virtue of CSR in maximizing financial performance/value is not just a philosophy and might be applicable to developing countries. We therefore recognize that the concept of CSR is inevitable because of the ever growing concern about environmental degradation; new concerns and expectations of citizens, consumers, public authorities, and investors in issues of company responsibility. Based on the above, this study advocates for a normative approach which suggests implementing CSR ventures as a moral obligation.

5.3 Limitation of the Study

Like any other study, this work was not devoid of limiting factors within the depth and breath of this work. The limitations that the researcher faced in the course of this work include: inadequate material resource information from books, and journals

etc. there was dart information that was within the scope of the researcher during the course of this study.

The pressure of work and financial constraint hamper the success of the study within the time frame.

5.4 Recommendations

The recommendations of the study have been directed at different parties who either have direct or indirect influence on a firm's CSR. These parties are the businesses, investors, government, and future researchers.

The study recommends that government should work closely with the private sector to support economic development and manage the funds entrusted in there care. A dialogue should be made with the business world and other stakeholders in determining common standards, reporting mechanisms and the extent to which they should be responsible.

All stakeholders should ensure that they encourage their banks to have serious commitment towards CSR as this has provided to add value to their investment in the long run. This will particularly encourage those investors who are interested in long term investment.

Business cannot successfully operate in a community which they ignore. It is important for managers to consider CSR initiatives in the light of the firm's corporate abilities. Managers should understand that a misalignment of CSR with internal factors can be detrimental and lead to decreased market value. As a consequence, they need to examine carefully the context in totality before implementing CSR activities.

Given the already intense pressure brought to bear by civil society, to what extent must the government promote CSR? The government has a role to play in promoting CSR for several reasons. Because they establish and monitor compliance with the legislative and regulatory framework by private corporations, financial markets, and institutional investors and so can encourage economic players to create ethical, social or environmental criteria.

As custodian of our natural resources, the state must ensure that this collective wealth is used in compliance with the principles of sustainable development that underpins the concept of social responsibility.

The public sector should play a role in increasing responsible investment since they have a considerable financial clout that could be used to encourage private corporations to consider social responsibility criteria. They should set an example for the private sector by applying the principles of responsible investment.

The government would have to work closely with the private sector to support economic development and manage the funds entrusted to it. A dialogue must be made with the business world and other stakeholders in determining common standards, reporting mechanisms and the extent to which they should be responsible.

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