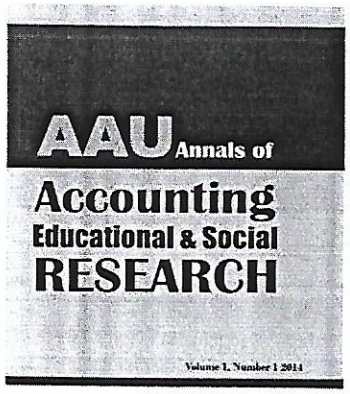
AAU

Accounting, Educational & Social RESEARCH

Volume 1, Number 1 2014

An Official Publication of the
**Department of Accounting,
Adekunle Ajasin University,
Akungba-Akoko, Ondo State, Nigeria**



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AAU Annals of Accounting Educational & Social RESEARCH

Volume 1, Number 1 2014

EVALUATING THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON PROFITABILITY IN THE OIL AND BANKING SECTORS OF NIGERIA

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Key-words:
Keywords: Corporate Social Responsibility, Profitability and Causality
JEL codes: M14, L25

Abstract:

Although corporate social responsibility is a means of given back to the society in place of social and environmental damage that organizations might have caused, thereby reducing communal conflict and facilitate smooth operation, however, it also serves as income leakage thereby serving a dual role. This study investigate the impact of Corporate Social Responsibility on profitability in the oil and banking sectors of Nigeria for the period of 2001 to 2010 using secondary data generated from annual reports of Royal Dutch Shell Plc. and First Bank of Nigeria Plc. A correlation analysis estimated with ordinary least square method was used to evaluate the relationship between Corporate Social Responsibility expenditure and Profit before Tax of both firms while a cause and effect relationship between the two variables was established using granger causality method. The result finds a strong and significant positive relationship between Corporate Social Responsibility and profitability in both sectors which precisely implies that a unit increase in Corporate Social Responsibility expenditure will lead to an increase in Profit before Tax of both sectors. More so, no causation was found to exist between the two variables It is therefore recommended that organizations should improve on their CSR activities, look beyond the interest of the shareholders alone but take into cognizance the interest of the society and the host community as well, while government should monitor CSR expenditure of corporate organizations to ensure compliance with extant laws and as well prevent tax evasion by overstating the CSR expenditure, all with a view to have a better by far society and a growing economy

1.1. Background to the Study

Performance is no longer restricted to corporate profitability alone but also anchors on how socially responsible a company is in terms of giving back to the society as well as maintenance of the social ethics. The significance of such societal alertness has been a watchword by most professional accounting bodies as well as regulatory bodies with a view to maintain the environment, sustain both human and animal lives and ensure continuous maintenance of the going concern concept of the companies. It was in this spirit that (Anderson and Bieniaszewska, 2005) pointed out that the emergence of globalization and the internationalization of many companies in various sectors, had led to competitive edge which has taken a new trend with a greater emphasis on the socially responsible behavior of companies, and the protection of the communities that they explore

In the words of Nwete (2009), most developing countries in the world today Nigeria inclusive depend largely on natural resources from the energy and mining industries, creating global attention to the emerging economies This implies that the world will continue to depend on the emerging markets for these resources and for a very long time too. Consequently, this might create market for increased investment in the development of energy and mining projects across these regions, as well as with increased opportunities for future investments. It has also brought with it, huge revenue both for the governments and energy industries operating within these regions.

More so, sustenance of high standard of living in these countries through poverty reduction and infrastructural development should be guaranteed not only from the government of these countries alone but with a major support from the companies within each sector of the economy through their sustainability development activities.

Corporate social responsibility is taking to denote corporate activities, beyond profit making, and beyond the internal affairs of a company. It incorporates both the internal and external affairs which include protecting the environment, caring for employees, being ethical in trading, and getting involved in the local community. (Asraf, 2008) put it more precisely, when he pointed that some of the main issues involved in CSR include promoting human rights, community involvement, human resource management, socially responsible investing and social reporting.

However, lack of good corporate social responsibility from these companies on the host community naturally leads to, social unrest, kidnaps, agitation for self-rule and or resource control, stagnated development and an impoverished population, environmental degradation and human rights abuse resulting from the development of oil and mining projects and Nigeria is not an exception (the Niger Delta region of the country).

In the same spirit, in theory, being socially responsible involves cost and cost serves as draw down on profitability while being socially responsible reduces risk of fund losses from communal classes and operational disruption. There is thus the existence of a compensating concept in force in evaluating the connectivity between CSR and profitability. What then is the reality of this relationship in contradistinction to theory?. This investigation forms the foundation upon which this study rests.

1.2. Statement of the Problem

Oil operations pose threats to the environment at each stage of exploration, production, transportation and refining. Environmental hazards caused by oil industries includes, land clearing, drilling, pipe leakages, atmospheric emission from gas flaring, tankers release oil into the sea in the course of pumping out bilge-water or unloading the cargo, the release of waste water containing oil residuals, solid waste disposal and atmospheric emissions from the refineries. All of these had led to permanent loss of vegetation, release into the ecosystem of drilling fluids, fire; oil spills (Frynas, 2005). However, Mathew (2009), was of the view that as petroleum companies expand operations in the Arctic and other peripheral regions, they confront series of unique challenges and their activities pose certain risks for host communities. For example, in 2012, Shell Nigeria reported 137 oil spills of which 5% is caused by operational spill and remaining by theft and sabotages (Royal Dutch sustainability report, 2012).

Additionally, oil operations also have adverse social effects on the host communities in oil-producing areas, including human beings, plants water and animals. While establishment of oil infrastructure has rendered many of the local communities jobless, homeless due to oil spills, hazardous atmospheric condition leading to increase in poverty and low standard of living.

So also is the banking industry, Nigeria is a country with unstable power supply causing most of the banks to operate on a full generator capacity as an alternative to power supply to meet up with the competing environment, as a result, their activities pose some challenges like noise, air pollution through smoke on the environment (Amole, Adebiyi and Awolaja. 2012).

In view of the above, there is no how a firm will take from the environment without causing damages to the community while it is imperative for companies to be involved in corporate social responsibility activities to fill those gaps that have been created due to their operations.

Unfortunately, if the economic objective for setting up a firm is profit maximization while being socially responsible is of necessity and fund leakage, it is important to investigate whether companies that engage in corporate social responsibility (CSR) still meet up with their economic objectives as profit maximization, and/ or to assess whether corporate social responsibility has adverse or positive impact on firms profitability. This is because expenses on CSR are charges against corporate profit.

1.3. Research Questions

The following research questions are relevant from the issues raised above:

(i) is there any significant relationship between corporate social responsibility expenditure and profitability in the oil and banking sector in Nigeria?

(ii) does corporate social responsibility impact positively on oil and banking sector profitability in Nigeria?

1.4. Objectives of the Study

The general objective of this study is to assess the impact of corporate social responsibility profitability in the oil and banking sector of Nigeria. However, the specific objectives are to:

(i) Ascertain the relationship between corporate social responsibility and profitability among oil and bank sectors in Nigeria and;

(ii) Compare the impacts of CSR on profitability between the two sectors

1.5. Justification for the study

Corporate social responsibility has been a burning issue the world over and it has been adjudged very important to the success of most business organizations. As it facilitates smooth business operations which enhances profitability, unfortunately, it also constitutes a charge against profit. This relationship has been investigated by different scholars but researchers have no unanimous resolutions on the relationship between CSR and Profitability.

For instance, Mahbuba and Farzana, (2013) investigated corporate social responsibility and profitability of banks in Bangladesh and the study reveals that CSR expenditure of banks impact positively on their profitability while Uadiale and Fagbemi, (2011) examined the extent to which corporate social responsibility contributes to financial performance of Nigerian listed firms but their findings show that CSR has a positive and significant relationship with the financial performance measures. Also, Amole, Adebiyi and Awolaja, (2012) examined the impact of corporate social responsibility on profitability on Nigeria banks. The study concludes that CSR has a positive impact on banks profitability.

Contrarily, Peter and Arzizeh, (2012) studied the social responsibility cost and its influence on the Profitability of Nigerian Banks, but reveals a negative influence between social cost, pollution cost and profitability in the short run.

In other useful analogy, as Waddock and Graves, (1997) shows a negative relationship between the two variables, (Cornell and Shapiro, 1987), showed a positive relationship while McWilliams and Siegel, (2000) reveals a neutral connection. The link between the two was pointed out by Amole, *et al.* (2012) to depend on the term of study, whether it is long run or short run based.

Besides the fact that the impact of CSR expenditure on profitability has been inconclusive, studies combining the bank and the oil sectors in Nigeria has not been found in the literature. That is the gap identified and forms the basic objectives of this paper.

In essence, this study will be of help to the policy formulators of the two sectors to know how their involvement in corporate social responsibility on the host community can influence their profitability level. Also, it will bring into their awareness the essence of creating a better and enabling social and friendly environment for the stakeholders

1.6. Research Hypotheses

The study hypotheses are given as:

(i) H_0: There is no any significant relationship between corporate social responsibility expenditure and profitability of oil and banking sectors in Nigeria.

(ii) H_0: Corporate social responsibility does not impact positively on profitability of the oil and banking sectors in Nigeria.

2.0 Literature Review

This section gives a comprehensive insight to the concept of corporate social responsibility, its principles and impacts as well as profitability concept and the relationship between the two. The Theoretical underpinning of the two concepts are also reviewed as well as empirical studies.

2.1 Conceptual Framework

2.1.1 Corporate Social Responsibility (CSR)

Up to the present days there is no universal and concrete definition of Corporate Social Responsibility (CSR). For instance, Zenisek, (1979) points out that CSR means something, but not always the same thing, just to everyone. This goes for a variety of definitions of CSR, adopted by different groups and very specific to their own interests. Various management disciplines have recognized that CSR fits their purposes, such as quality management, marketing, communication, finance, human resource management and reporting. The bulk of definitions incorporate the three dimensions to the concept, that is, economic, environmental and social dimensions.

For instance, The World Business Council for Sustainable Development in 1998 defines CSR generally as '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 can therefore be applied to issues ranging from human rights to the environment, but certain aspects of CSR are universal. CSR is always characterized by voluntary and 'beyond compliance' measures taken by industry to reduce harm from its business. CSR is becoming increasingly normalized in global business, and increasingly institutionalized through UN initiatives like the Global Compact, by the European Commission and voluntarily by businesses (Mathew, 2009).

In a broader approach, Carroll (1991) introduces a four-part dimension of CSR: economic, legal, ethical and philanthropic. Carroll's definition took into consideration the philanthropic characteristics of a firm without ignoring economic objectives of a firm. He refers to these four concepts as the pyramid of CSR. which begins with the *economic responsibilities* as the foundation. The economic responsibility is the most important dimensions of all the concept, it serve as the bases of foundation before organizations can embark on any social responsibilities, business organizations provides goods and services at reasonable prices that are needed by the society and consequently, make reasonable profits to sustain the business existence. Carroll stipulates that it is important for the business to perform in a manner consistent with profit maximization.

While businesses are expected to operate profitably, their operation must oblige with the law of the land in which they operate on, which brings about the *legal responsibility* of a firm. Carroll, (1991) explains that it is imperative for business to perform in a manner consistent with expectations of government and law, to be a law-abiding corporate citizen. More so, organizations are expected to behave ethically in their operations, although, *ethical responsibilities* may not be coded into law, organizations must ensure ethical operations and avoid actions that are prohibited by the society.

The last dimension is the *philanthropic responsibility*, which observes organizations as a good corporate citizen, is expected to voluntarily dedicate part of their financial and human resources capacity to the society as part of their sustainability responsibilities.

2.1.2 The Concept of the Triple Bottom Line in Sustainability Development

Sustainable development is a concept that means meeting the needs of the present without compromising the ability of future generations to meet their own needs. According to Crane and Matten, (2004) cited in Adeyanju, (2012), the triple bottom line sees organizations has having one main objective which is to maximize profit, but then, organizations also have objectives of adding environmental and social value to society. Thus, the concept of the triple bottom line is based on three main concept economic, environment and social.

Sustainability development is often considered as having emerged from the environmental perspective and is about how to utilize effectively the present and physical resources so as not to jeopardize the future generations. Therefore, economic sustainability is about the economic performance of the organization of profit maximization. The development of the social perspective has not developed as fast as the environmental and economic perspectives. The key issue in the social perspective on sustainability is that of social justice. It can be seen from above that economic and environmental sustainability involved in the concept of externalities is mostly engendered in the importance placed by comparatives in the concept of social responsibilities (Adeyanju, 2012).

2.1.3 The Concept of Profitability

According to Abdallah, (2013), Profit is the prima facie object of every business. A business cannot survive without profits. It may be considered as a mirror of the operating performance of a company. Lord Keynes in his words says, "Profit is the engine that drives the business enterprise." Thus, organizations need profit not only for its existence but also for the expansion and diversification. Every business should earn sufficient profits to survive and grow over a long period of time. Management should try to maximize its profit, keeping in mind the welfare of the society. Thus, profit is not just the reward to owners but it is also related to the interest of other parties of the society. Profit is the yardstick for judging not just the economic, but the managerial efficiency and social objectives.

Profitability according to Shodhganga, (2010) means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market.

CSR Activities of Shell Nigeria

The CSR activities of Shell Petroleum Development Company of Nigeria (SPDC) focused on three global themes: enterprise development, road safety and safe and reliable access to energy for the communities around the Niger Delta, safety of their employees and the host communities, developing local economies by creating jobs and contracts. Health care service, Environment and also provide access to trade loan for small scale enterprise, making supply chain more sustainable, enabling access to energy services and products, and improving urban design and transport system in Nigeria. (Shell Sustainability report, 2012).

CSR Activities of First Bank (FBN) Nigeria Plc;

First Bank Nigeria has over the years focused their CSR activities on Education, Economic Empowerment, Health and Welfare, Special Projects and Economic Sustainability.

Educational Infrastructure Development: First Bank has complemented Government's efforts in the development and advancement of education nationwide by providing much need infrastructure in universities spread across Nigeria. The Bank has also committed to the development of an infrastructural project in the International Financial Reporting Standards (IFRS) Academy Nigeria which will serve as the hub for all Nigeria's financial reporting training and research.

(FBN CSR report, 2012) gave the banks Special Projects: to include: Disability Support and security, the bank set up a Disability Support Down Syndrome Foundation Nigeria to support the visually impaired, physically challenged Autistic children as well as children with Down syndrome

2.2.1 Theoretical Background

The identified theories guiding CSR and Profitability relationship is the the stakeholder theory. In the words of Freeman (1984), stakeholders are "*groups and individuals who can affect or are affected by, the achievement of an organization's mission*" Each of the stakeholder groups has a right not to be treated as a means to some end, and therefore should and must participate in determining the future direction of the company which they have a stake. A stakeholder are seen beyond employee, management and shareholders of a firm, but also encompasses the consumers, suppliers, local community, non-profit organizations and the society at large.

A stakeholder is succinctly captured by Werhane & Freeman (1999) as:

> *... any individual or group whose role-relationship with an organization: a) helps to define theOrganization, its mission, purpose or its goals, and/or b) is vital to the development, functioning,Survival and success or wellbeing of the organization and its services [....], or c) is affected by the organization and its activities.*

It therefore follows that management objectives must be set to include the interest of all stakeholders who are likely to be affected by the business activities of the firm. Such stakeholder is not limited to employee but also include the host communities and the generality of Nigerians and the emphasis is that interests of all these stakeholders must be taken into consideration in the policy formulation of each firm.

2.3 Empirical Studies

Lee, Pati and Roh (2011) examined the relationship between corporate sustainability performance and tangible business performance evidence from oil and gas industry in US between 2006-2008, using accounting performance (ROS, ROE and ROI), market performance and market value to capture Tangible Business Performance (TBP) as the dependent variable and Environmental performance and Social performance to capture Corporate Social Performance (CSP) as the independent variable. He uses Hierarchical Multiple Regression Analysis model and reported a strong evidence of a direct relationship between the environmental and social sustainability index (the PSI) and market performance.

Mahbuba and Farzana, (2013) investigated corporate social responsibility and profitability in Bangladesh between 2002-2011 using Ordinary Least Square (OLS) model. The study reveals that there is a significant relationship between CSR expenditure and PAT and that CSR expenditure of banks impact positively on banks profitability.

Uadiale and Fagbemi, (2011) empirically examined the extent to which corporate social responsibility contributes to financial performance of Nigerian listed firms. The study uses ROE and ROA as the dependent variables to capture financial performance and uses Community Performance (CP), Environment Management System (EMS) and Employee Relations (ER) as the independent variables to capture CSR activities. Their findings show that CSR has a positive and significant relationship with the financial performance measures.

Amole, Adebiyi and Awolaja, (2012) examined the impact of corporate social responsibility on profitability on Nigeria banks using Data relating to cost/investment/expenditure for the bank on corporate social responsibility and profitability for the period 2001 – 2010 was used to construct ordinary least square (OLS) regression model used. The study found out that there is a positive and strong relationship between CSR and PAT and also concludes that CSR has a positive impact on banks profitability.

Peter and Arzizeh, (2012) studied the social responsibility cost and its influence on the Profitability of Nigerian Banks, the study uses social cost and pollution cost as the independent variable and profit as the dependent variable of five commercial banks in Nigeria using regression analysis. The study revealed that Social Cost (SC) and pollution cost (PC) is negatively related, meaning that there is a negative influence between social cost, pollution cost and profitability in the short run.

The debate on CSR and profitability/financial performance have been on for years now, however, the empirical studies results on the relationship between CSR and profitability have never been in agreement, as some studies shows negative relationship (Waddock and Graves, 1997), some showed positive relationship (Cornell and Shapiro, 1987), while others are neutral (McWilliams and Siegel, 2000). Such link also depends on the term of study, whether it is long run or short run based (Amole, *et al.* 2012).

However, the combination of CSR and profitability of the oil and banking sector is close to non-existence in the literatures, which is the gap identified and thus forms the focus of this study.

3.0 Research Methodology

3.1. Research Design

This study adopts secondary data sourced from annual financial reports of shell Petroleum Development Company of Nigeria (SPDC) and First Bank Nigeria PLC (FBN) as case studies. SPDC was chosen because Shell Nigeria discovered the first commercial oil field at Oloibiri in the Niger Delta and started oil exports in 1958. Also shell Nigeria has the second highest percentage among the joint venture operator in Nigeria which is 30% (SPDC, 2013). Also, FBN was chosen to represent the banking sector, as it is one of the oldest generation bank and rank third on the banks performance table for 2012 showing good strength on profitability and cost efficiency (Business world, 2012).

The amount of CSR expenditures of these two sectors as reported in their audited annual financial reports for the periods 2001 to 2010 were pooled together with the profit before tax (PBT) of both Shell Nigeria and FBN. CSR expenditure represents the independent variable while PBT represents the dependent variable, Ordinary Least Square Regression technique was used to estimate the impact of corporate social responsibility expenditure on the profitability of these sectors. This study also adopts Pearson Product Moment correlation method of analysis to establish, if any, significant relationship between the independent variable (CSR) and the dependent variable (PBT) (i.e. to test the stated hypothesis), while the results were presented in tables for visual understanding.

3.1 Model Specification

The model is specified as follows

$PBTS_t$ (SPDC/ FBN) = β0 + β1CSRS$_t$ (SPDC/ FBN) + μ -------------------------------- i

Where:

PBTS = Profit before Tax of SPDC/ FBN

CSRS= Corporate Social Responsibility Expenditure of SPDC/ FBN

μ= error terms

β0 = intercept

β1, = parameter estimates

t = the t-th year (time series annual data)

The a-priori expectations of the model estimate is that CSR > 0; indicating that the higher the values of the independent variables in each sector, which is CSR expenditure the more the value of the dependent variables (PBT) of each of the sectors.

More so, a granger causality test was conducted to determine the causality or predictive tendencies between the CSR and profitability.

The causality model involves running the following regression models:

$$T_t = \sum_{i=1}^{m} \alpha_i P_{t-i} + \sum_{j=1}^{n} \beta_j T_{t-j} + U_{1t} \quad \text{.. ii}$$

$$P_t = \sum_{i=1}^{m} \gamma_i P_{t-i} + \sum_{j=1}^{n} \delta_j T_{t-j} + U_{2t} \quad \text{...iii}$$

Where T is the target variable (Profitability), P is independent Variable (CSR expenditure) and U_{1t} and U_{2t} are the disturbances which are assumed to be uncorrelated. In this framework, there are four possible null hypotheses:

Case 1: Unidirectional causality from P to T. This is indicated if $\sum \alpha_i \neq 0$ *and* $\sum \delta_j = 0$.

Case 2: unidirectional causality from T to P. This is indicated if $\sum \alpha_i = 0$ *and* $\sum \delta_j \neq 0$.

Case 3: Bilateral causality. This is indicated if $\sum \alpha_i \neq 0$ *and* $\sum \delta_j \neq 0$.

Case 4: Independence. This is indicated if $\sum \alpha_i = 0$ *and* $\sum \delta_j = 0$.

4.0 Data Presentation and Analysis

Table 1: Pearson's Correlation Result for FBN Plc.

	CSR	PBT
CSR	1.000000	0.900531
PBT	0.900531	1.000000

Source: Author's computation, (2013)

Table 2: Pearson's correlation result for SPDC

	CSR	PBT
CSR	1.000000	0.835849
PBT	0.835849	1.000000

Source: Author's computation, (2013)

The result of the Pearson's moment correlation test for both FBN Plc. and SPDC shows that a strong positive relationship exists between CSR and profitability. This is evidenced by the "r" value of 0.90 and 0.84 for FBN and SPDC respectively. This implies that, an increase in CSR expenditure by both FBN Plc. and SPDC will lead to improvement in their profitability.

Table 3: Granger Causality Test for FBN Plc.

Pairwise Granger Causality Tests Date: 09/16/13 Time: 14:07 Sample: 2001 2010 Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
PBT does not Granger Cause CSR	8	1.15746	0.4241
CSR does not Granger Cause PBT		0.26805	0.7814

Source: Author's computation, (2013)

Table 4: Granger Causality Test for SPDC

Pairwise Granger Causality Tests Date: 09/16/13 Time: 14:31 Sample: 2001 2010 Lags: 1			
Null Hypothesis:	Obs	F-Statistic	Prob.
PBT does not Granger Cause CSR	9	2.09205	0.1982
CSR does not Granger Cause PBT		0.30453	0.6010

Source: Author's computation, (2013)

The granger causality test reveals an existence of independence of causation between profitability and CSR for both SPDC and FBN. This was evidenced by the F-statistics critical value of 5.12 at 5% level of significance which is greater than the 2.092 and 0.3045 for SPDC and 1.157 and 0.268 for FBN Plc. This shows that the data are significantly independent.

Table 5: Result of Least Square Analysis for FBN Plc.

variable	Coefficient	Std. Error	t-statistic	Prob.
CSR	29.22123	4.988101	5.858186	0.0004
C	11342.35	2554.590	4.439991	0.0022
R-squared	0.810957			
Adjusted R-squared	0.787326			
F-statistic	34.31834			
Mean dependent var.	20829.20			
S.D. dependent var.	13547.70			
Durbin-Watson stat.	1.486896			

Source: Author's computation, (2013)

Table 6: Result of Least Square Analysis for SPDC

variable	Coefficient	Std. Error	t-statistic	Prob.
CSR	422.1486	98.02409	4.306580	0.0026
C	-384730.6	262733.7	-1464336	0.1813
R-squared	0.698644			
Adjusted R-squared	0.660974			
F-statistic	18.54663			
Mean dependent var.	724412.5			
S.D. dependent var.	282152.8			
Durbin-Watson stat.	2.460606			

Source: Author's computation, (2013)

The result of the least squares analysis in table 5 and 6 shows that the coefficient of determination (R^2) for both FBN and SPDC are 81% and 70% respectively. This implies that 81% and 70% of the changes in the profitability of FBN Plc. and SPDC are explained by changes in CSR expenditure while the remaining 19% and 30% can be attributed by other variables not captured in the model. The figure is however higher for FBN showing that the influence of CSR on profitability is more felt in the banking sector compared to the oil sector as represented by SPDC. In addition, the t-statistics value is also significant at 5% level of significant since the table value at this level is 1.96 for a two-tailed test. It can thus be inferred that corporate social responsibility has statistical significant impact on profitability of the two sectors.

Regression Analysis Result for FBN Plc.

The estimation equation gave PBT = C(1)*CSR+C(2) while;-----------------------------------iv

Substituted Coefficients gave: PBT = 29.2212252011*CSR+11342.3539111 ----------------v

The regression equation (III) shows that an increase in CSR expenditure will lead to an increase in profitability, this result conforms with the a- prior expectation of the model. The constant factor however shows that if CSR is held constant or equated to zero, profit will still be ₦11342.354 million.

Regression Analysis Result for SPDC

The estimation equation for SPDC gave PBT = C(1)*CSR+C(2) while;-----------------------vi

Substituted Coefficients gave: PBT = 422.148587858*CSR-384730.572172-----------------vii

For SPDC, the result of the regression equation also further confirms the result of the positive relationship between the two test variables. However, in a significant departure from the result obtained from FBN Plc; the constant term is negative indicating that if CSR were to be held constant or equated to zero, profit will decline by ₦ 384730.572 million annually.

Summarily, the result of the tests carried out confirms that there exist a statistically significant and positive relationship between CSR and profitability. This result is in line with earlier results obtained by Amole, *et al.;* (2012). It however contradicts the conclusion reached by McWilliams and Siegel in 2000 who had a neutral significant relationship between CSR and profitability. It also contradicts the findings of Waddock and Graves, (1997) who had earlier stated that CSR has a negative impact on profitability of firms.

5.0 Conclusion and Recommendations

This study concludes that corporate social responsibility in either the oil or the banking sector at the long run has a positive impact on their profitability level. This can be inferred from the fact that CSR expenditure is charged against corporate profit which can serve as tax shield for corporate organizations. The implication of this is that organizations commitment to CSR in their community will bring about better reputation, reduce social unrest, increased patronage, bring about smooth running of their operation which lead to better performance and thus increase in profitability.

However, the granger causality test while affirming the significance of CSR on profitability also shows that there is lack of causation between the two variables. This implies that CSR cannot be used to predict profitability level otherwise it would have been possible to increase CSR to a level necessary to attain a required amount of profit. It is also important to take into cognizance that most firms invest in CSR not because of the perceived ability to improve their profits, but simply because they are either required by law or the cost implication of ignoring CSR is simply higher.

Based on these findings, the study recommends that: (i) organizations should improve on their CSR activities, and look beyond the interest of the shareholders alone while taking into cognizance the interest of the society and the host community (i.e. stakeholder's wealth maximization objectives). This conform with the stakeholders theory which posits that management objectives must be set to include the interest of all stakeholders who are likely to be affected by the business activities of the firm .(ii) Also, there should be a proper monitoring of CSR expenditure of corporate organizations to ensure compliance with extant laws and as well prevent tax evasion by overstating the CSR expenditure.

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