Effect of Corporate Social Responsibility on the Performance of Commercial Banks in Nigeria: Error Correction Mechanism Approach (ECM)

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Abstract

This study examined the effect of corporate social responsibility on the performance of commercial banks in Nigeria, between 2005 and 2019. The study adopted variables such as return on asset (ROA), corporate social responsibility expenditure (CSRE), Liquidity ratio (LQR), and interest rate (INT). Annual time series data sourced from Central bank of Nigeria statistical bulletin were utilized in the study. Return on Asset was used as the measure of performance. Consequently, error correction mechanism (ECM) was adopted to analyze the regression model. Moreover, the variables were investigated for unit root using Augmented Dickey-Fuller test (ADF). Hence, they were found to be integrated of different order 1(1) and 1(2), thus paving the way for cointegration test. The Engle-Granger Cointegration test showed that ECM (-1) is statistically significant at 5%, and 10% critical level. However, the ECM regression results showed that corporate social responsibility, and Liquidity ratio exert positive significant influence on the performance of commercial banks in Nigeria, while interest rate was found to exert negative influence on commercial banks performance in Nigeria for the period under review. The study therefore recommends that commercial banks should pursue policies that will enhance the administration of friendly and flexible interest rate to businesses and entrepreneur in their environment.

Key Words: Corporate Social Responsibility, Return on Asset, Interest Rate, Liquidity Ratio and Error Correction Mechanism

1. Introduction

Corporate social responsibility is a building block to achieving social economic development, particularly in a developing country like Nigeria. Branco & Rodrigues (2007) concisely explained corporate social responsibility as an unrelentless loyalty by businesses to conduct their selves ethically, enhance the standard of life of their employees, as well as their families, local environment, the society in which they live and ultimately contribute to economic development. However, Carroll (1979) held that a wider understanding of CSR has emerged, with respect to the environment. He held that although the banking industry was previously assumed free of
environmental concerns. Meanwhile, changes in social values makes examination of the banking industry and environmental protection both important and necessary. The idea of business ethics and social responsibility is not new, but highly influenced by changes in social morals and local factors such as religion (Campbell, 2007). The issue of Corporate Social Responsibility (CSR) is associated to an ample spectrum of relations among the corporation and its various stakeholders, as well as to the environment. Firm relations with several stakeholders, clients and with the society in general, and even with shareholders, are part of the CSR scope.

Consequently, Firms such as banking industry are assumed to be socially responsible because they expect to reap benefit of their actions from the environment. Such benefits include but not limited to reputation enhancement, ability to charge premium price for its outputs, or the adoption of CRS to recruit and retain skilled innovative labour (Safiya, Joshua, Terzungwe & Onipe, 2018). These benefits are postulated to digest the cost associated with CRS, since resources must be allocated to enable firms pursue and achieve CSR status (Safiya, et al, 2018). Meanwhile, Nkanbra & Okorite, (2007) opined that a key indicator to determine the true worth and value of modern organizations is their ability to give back part of their income through some mutual beneficial initiative to the society.

Notwithstanding, in the contemporary business world, CSR has now become indispensable, involuntary though, but social need of the society is however making it imperative for corporate organization to become sensitive to the evolving incidence occurring in the society or environment in which they function, thus they seek to ensure a more mutual understanding and good relationship between the organization and the society, since CSR is a means of contributing to the wellbeing of the people (Obaloha, 2008). Moreover, a typical example of how environment could impact the performance of corporate organization is the protest tagged “EndSARS” that created social unrest, which grounded business activities in Nigeria for a good number of weeks.

Though, CSR is applicable to many types of business organizations; nevertheless, banks are most sensitive to CSR because the banking sector includes a diverse group of individuals (Achua, 2008). Banks are generally opaque, rather than transparent, in comparison to other financial institutions; this opacity can easily disguise problems (Awotundun, Kehinde, & Somoye, 2011). Banks also need positive reputations to have qualified employees, a large customer base, and many solid investors (Achua, 2008). If leaders of Nigerian businesses practice CSR, they can address many of the challenges that face Nigeria. Corporate social responsibility in the Nigerian banking sector needs studying because it has the potential to lead to positive social change by reducing poverty and corruption, increasing ethical and transparent banking practices, and increasing business in Nigeria. The stability of a banking sector is vital to any society. Other financial institutions, industrial sectors, and service sectors of the economy are of paramount importance for development as well. However, these sectors need the banking sector to thrive, and a responsible banking sector is mandatory for societies to advance economically. According to Achua (2008), corporate social responsibility and the banking sector have been entangled because CSR is a necessity in the banking sector. Additionally, it is critical to improve
sustainable development in societies with high poverty rates such as Nigeria. According to Adegbite and Nakajima (2011), effective CSR is likely to make tremendous strides in the lives of Nigerians and Nigeria as a nation. Leaders in the Nigerian banking sector could practice CSR in an attempt to improve its standing in the community by helping to improve the society in which it operates. If leaders of Nigerian banks practice CSR and take the initiative to assist society, they stand to gain a greater profit because more individuals will have funds to invest in the banking sector.

Nigeria is a developing nation, but its banking sector is the fastest growing in Africa. The country continuously performs well on the Nigerian Stock Exchange (NSE), one of the largest equities in Africa (Adegbite & Nakajima, 2011; Sanusi, 2010). The NSE, lists approximately 300 companies, and in 2007 was the best performing stock market in the world (Adegbite & Nakajima, 2011; Sanusi, 2010). The poverty rate in Nigeria increased from 28% to 66% between 1980 and 1996, which is an indicator that the government needs to make changes to assist impoverished individuals (Phillips, 2006). According to Blowfield and Frynas (2005) where strong governance and rule of law are lacking, CSR is more essential to assist with development than it is in nations with strong governance systems. Therefore, corporate social responsibility is necessary in Nigeria, especially in the banking sector to allow for the implementation of good governance. Corporate social responsibility has not been researched thoroughly in emerging markets, which are vital to the world economy there is more research on corporate social responsibility in industrialized nations than in developing nations, but the need for CSR is greater in developing nations (Dobers & Halme, 2009). Enderle stated in 2010 that further research was necessary on CSR in Asia, Africa, and Latin America. However, there has been significantly more CSR research on Asia than on Latin America and Africa, and the primary focus on Africa has been limited to South Africa (Idemudia, 2011).

The banking sector is the engine for economic growth and development of the economy; therefore, leaders must sufficiently manage and guide it to maintain the confidence of the public, who are the ones who invest in the banking sector (Gbervie, 2012; Nwakama, Okereke, & Arewa, 2012). Thus, the aim of this study was to examine the nexus between CSR and the Nigerian bank’s performance. Establishing this information may provide a rationale regarding why CSR is necessary in the Nigerian banking sector.

2. Literature Review

2.1 Conceptual Clarifications

Corporate Social Responsibility (CSR)

There is no universal definition of CSR, organizations have framed different definitions and there are several perceptions of the term according to the context locally and among the countries.

According to Baker (2005), states that CSR is about how companies manage the business processes to produce an overall positive impact on society, in accordance with, the World Business Council for Sustainable Development (WBCSD) that states, "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." Whereas, Egels (2005), the area defined by advocates of CSR increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment.

(Adeyanju, 2012; Akanbi & Ofoegbu, 2012; Terungwa, 2011), opined that CSR offers a good reputation for businesses, better financial performance, promotion of ethical values, employee rights, human rights, accountability, transparency, and stakeholder disclosure. the above features are critical for the Nigerian banking sector because Nigeria is an impoverished nation with poor governance and a culture of corruption. Additionally, the Nigerian banking sector has a history of mismanagement, corruption, and unethical practices (Olayiwola, 2010). Leaders at the Central Bank of Nigeria (CBN) have made recent improvements in the banking sector, but the sector still has low ethical standards and is not accountable for its actions (Achua, 2008). Therefore, a need for CSR exists in the Nigerian banking sector.

2.2 Theoretical Review

The theoretical framework for this study was anchored on classical and socioeconomic synthesis. The theory was drawn from (Safiya, et al, 2018). These theoretical foundations are the two major views of corporate social responsibility as advanced by Robbins and Coulter (2007).

The classical synthesis postulated that management's chief social responsibility is to maximize profit. The most vocal advocate of this approach is an economist called Milton Friedman (1962 and 1970). Friedman argued that managers' main responsibility is to operate the business in the best interest of the stakeholders. According to Friedman, the concern of the stakeholders is financial return. Hence, anytime managers decide to spend the organization's resources for social goods, they are adding to the cost of doing business. These costs have to be passed on to consumers either through higher prices or be absorbed by stakeholders through a smaller profit return as dividends. Consequently, with respect to Friedman's postulations, Robbins and Coulter (2007) further enunciated that the socioeconomic view is of the view that management social responsibility goes beyond making profit to include protecting and enhancing social welfare of its stakeholders and the environment the firm operates. This stand is anchored on the notion that firms are not independent entities responsible only to stakeholders. They however, have the duty to the society that accommodate their formation through various laws and regulations and support them through purchasing their products and services (Carroll, 2008). Carroll explicated further on firms responsibility by discussing about social responsibilities. Under social responsibility, Carroll listed ethical and discretionary responsibilities. These are denoted as the "should-Do's" and the "Might-Do's" respectively (Zain, 2008). In Zain's argument, Carroll foresaw the importance of ethical standards as part of a firm's success in the long run. In the same vein, going by the notion of moral standards and pro-actively volunteering to search for charitable avenues, the social responsibility dimension will create a positive rapport between the firm and the parties that are privy to its operation. Where as according to Griffin and Mahon (1997), stakeholders theory maintains that maximizing the interests of the shareholders of the
company is the most important aim that a business organization should achieve. However, it should not be considered core objective.

### 2.3 Empirical Literature

Scholarly works on the nexus between corporate social responsibility and the profitability of firms have produced mixed results. While some studies concluded that a positive association exist, others held that the relationship is negative.

According to Amole, Adebiyi and Awolaja (2012), they examined the impact of corporate social responsibility on the profitability of Nigerian banks. The study adopted ordinary least square (OLS) regression model in testing the relationship between CSR and profitability. The study adopted data on corporate social responsibility expenditure and net profit margin for the period of 2001 to 2010. It utilizes model on the causal relationship between CSR and profitability. The study outcome showed that the R² was 0.893, denoting that CSR accounted for 89.3% of the variation in the profitability of the bank. Whereas, Uadiala and Fagbemi (2012) examined the impact of corporate social responsibility activities on financial performance measured with return on Equity (ROE) and return on Asset (ROA). The study outcome reinforced the accumulating body of empirical support for the positive impact of CSR on financial performance.

Adetayo, Adeyemi and Sajuyigbe (2014) carried out empirical investigation on the nexus between corporate social responsibility and profitability of Nigerian banks. Data were collected from annual reports of sampled six banks, for the period of 10 years (2003-2012). The study utilized sample regression analysis as a statistical technique to analyze data collected using STATA 11. The result outcome revealed that there is a significant association between expenditure on corporate social responsibility and profitability of Nigerian banks.

In the same vein, Maisaje (2015) examined the impact of corporate social responsibility on the financial performance of listed money banks in Nigeria. The study used panel data from listed deposit money banks for over a period of 10 years, covering 2005 to 2014. Two measures of financial performance were utilized: community CSR, human resource management and charitable donations. The study found positive association between CSR and financial performance. While the two measures of financial performance adopted by the study are consistent with extant literature, the three measures of CSR adopted by the study call for further investigation of literature that support them.

Iya, Magaji and Bawuro (2015) examined the impact of corporate social responsibility expenditure on the performance of First Bank Nigeria Plc covering 2001 to 2014. Secondary data was utilized in the study, via first bank the pamphlet of the bank and annual reports. The study adopted Ordinary least square Technique (OLS), Augumented Dickey Fuller Technique (ADF), Breusch-Godfrey serial correlation LM test and Breusch-Pagan Godfrey Heteroskedasticity test and Pairwise Granger Causality test were employed in the analysis of the data. The result outcome showed that increase in corporate social responsibility expenditure raises the performance of First Bank Nigeria Plc. The coefficient of corporate social responsibility expenditure is statistically significant and consistent with the theoretical expectation. The F-
statistics value of the study indicates that all the parameters of the model are jointly and statistically significant. The ADF unit root result reveals that all the variables of the model are stationary at 1% at first difference. The Granger Causality test results showed that CSR causes the performance of First Bank Nigeria Plc. The serial correlation and heteroskedasticity results reveal that there is no serial correlation and no heteroskedasticity in the data.

3.1 Methodology

The research design adopted in this research work is “ex-post facto” and analytical research designs. The study used annual reports of 10 banks for periods 2005 – 2019 (14 years) in Nigeria which were randomly selected namely, First bank of Nigeria Plc, Eco bank of Nigeria plc, United Bank for Africa plc, Zenith Bank plc, Guaranty Trust bank plc, Union Bank of Nigeria plc, Starling Bank plc, Access Bank plc, First City Monument Bank plc and Fidelity Bank plc. Consequently, study adopts and modifies model on the causal relationship between Corporate Social Responsibility (CSR) and Firm’s Financial Performance (FFP), this study employs regression analysis as the main statistical method, when CSR is an independent variable and FFP is a dependent variable, as shown in the equation below;

$$FFP = \alpha_0 + \beta_1CSR + \varepsilon$$ - - - - eq 1.

Where;
- FFP (bank’s Profitability) is the dependent variable,
- CSR is the independent variable
- $\alpha_0 = $ Constant
- $\beta_1 = $ Regression Coefficient
- $\varepsilon = $ error term

Although, the study examines how CSR influences the bank’s profitability, there are however, other factors that influence its profitability which require to be controlled for in the estimation. The control variables include; Liquidity ratio (LQR), and interest rate (INT). Thus equation (1) is expanded as stated below:

$$ROA = \alpha_0 + \beta_1CSRE + \beta_2LQR + \beta_3INT + \varepsilon$$ - - - - eq 2

Where;
- ROA = Return on Asset
- $\alpha_0 = $ Constant
- $\varepsilon$ represents stochastic error term
- $\beta_1 - \beta_3 = $ regression coefficients
- CSR = Corporate social responsibility expenditure
- LR = Liquidity ratio
- INT= Interest rate

Consequently, to standardized the coefficients of the model, the variables are then stated in log form, as expressed below.

$$\ln{ROA} = \alpha_0 + \beta_1\ln{CSRE} + \beta_2\ln{LQR} + \beta_3\ln{INT} + \varepsilon$$ - - - - eq 3

To estimate the model in eq 3, the study utilized Error Correction Mechanism (ECM), and Error correction model Granger causality test were used to estimate the models.
4.1 Presentation of Empirical Results

Table 1: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>CSRE</th>
<th>LQR</th>
<th>INT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>556.2740</td>
<td>2363.496</td>
<td>48.49667</td>
<td>20.14000</td>
</tr>
<tr>
<td>Median</td>
<td>551.1100</td>
<td>2393.790</td>
<td>48.8000</td>
<td>19.4900</td>
</tr>
<tr>
<td>Maximum</td>
<td>677.9800</td>
<td>3619.070</td>
<td>75.8000</td>
<td>26.7100</td>
</tr>
<tr>
<td>Minimum</td>
<td>423.5900</td>
<td>1325.450</td>
<td>30.4000</td>
<td>13.5000</td>
</tr>
<tr>
<td>Std. Dev</td>
<td>71.81141</td>
<td>701.0580</td>
<td>12.02994</td>
<td>4.337835</td>
</tr>
<tr>
<td>Skewness</td>
<td>0.021390</td>
<td>0.195516</td>
<td>0.535937</td>
<td>0.145026</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.341815</td>
<td>2.106857</td>
<td>3.110366</td>
<td>1.830460</td>
</tr>
<tr>
<td>Jargue-Bera</td>
<td>0.271899</td>
<td>0.594132</td>
<td>0.725684</td>
<td>0.907472</td>
</tr>
<tr>
<td>Probability</td>
<td>0.872887</td>
<td>0.742995</td>
<td>0.695696</td>
<td>0.635250</td>
</tr>
<tr>
<td>Observation</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Computed by the Author, eviews 9, 2020

Table 1 above, reveals the descriptive statistics results. Hence, the average value for each series is determine by the mean. Whereas, the measure of spread is shown by the standard deviation. As such, how high/low the value is determines the degree of deviation from the mean. While the values of the series in the present sample are revealed by the maximum and the minimum. Skewness verifies the distribution of the series around the mean. A normal distribution has zero skewness. Hence, a positive skewness means that the distribution spreads to the right, whereas, a negative skewness shows that the distribution spread to the left. Kurtosis on the other hand, verifies the peakedness of the series. Usually, the kurtosis for a normal distribution is 3, the distribution is assumed to be leptokutic if it exceeds the value of 3. On the contrary, the distribution is considered platykurtic when it is less than 3. Nevertheless, the null hypothesis statement for the test statistic for normal distribution (Jarque-Bera) is that series is normally distributed. As such, null hypothesis is accepted when the p-value is higher than 0.10%, otherwise, we reject.

Based on the above explanation, the descriptive statistics results showed that all the variables (ROA, CSRE, LQR and INT) are normally distributed with zero skewness. More so, the probability value for Jarque-Bera results is found to be above 0.10%, this further confirms that the series are normally distributed. Moreover, since the value of the series ROA, CSRE, and INT are all less than 3, they are playkurtic.

Table 2: Unit Root Test (Augmented Dickey-Fuller)

<table>
<thead>
<tr>
<th>Variables</th>
<th>ADF Test Statistic</th>
<th>Critical Value</th>
<th>Trend and</th>
<th>Order of Integration</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1%</td>
<td>5%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>GSJ: Volume 9, Issue 1, January 2021</td>
<td><a href="http://www.globalscientificjournal.com">www.globalscientificjournal.com</a></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The stationarity test results presented in table 2 above showed that results of the stationarity test in table 3 above revealed that the variables (ROA, CSR, LQR, and INT) are integrated of different order 1(1) and 1(2) at a critical value of 1%, 5% and 10%. Consequently, at intercept, the variables are stationary. This therefore, calls for cointegration examination.

Table 3: Engle-Granger Cointegration Test

Null Hypothesis: ECM has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=3)

<table>
<thead>
<tr>
<th>Augmented Dickey-Fuller test statistic</th>
<th>t-Statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3.424877</td>
<td>0.0298</td>
<td></td>
</tr>
</tbody>
</table>

Test critical values:
- 1% level: -4.057910
- 5% level: -3.119910
- 10% level: -2.701103

Source: Computed by the Author, eviews 9, 2020

As presented in table 3 above, to solve cointegration problem, the residual that was generated from the static model was subjected to unit root test through Augmented Dickey-Fuller (ADF) test criterion. The Engle-Granger Cointegration test showed that ECM (-1) is statistically significant at 5%, and 10% critical level. The results, therefore shows the existence of disequilibrium in the model. It also suggest the importance of adding ECM(-1) into the model.

Table 4: ECM Regression Results

Included observations: 14 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>5.13E-06</td>
<td>2.94E-06</td>
<td>1.745281</td>
<td>0.1414</td>
</tr>
<tr>
<td>DLOG(ROA-1)</td>
<td>0.997990</td>
<td>4.45E-05</td>
<td>22402.72</td>
<td>0.0000</td>
</tr>
<tr>
<td>DLOG(CSR)</td>
<td>0.207684</td>
<td>0.096628</td>
<td>2.149305</td>
<td>0.0843</td>
</tr>
<tr>
<td>DLOG(CSR-1)</td>
<td>-0.207563</td>
<td>0.096586</td>
<td>-2.148998</td>
<td>0.0844</td>
</tr>
<tr>
<td>DLOG(LQR)</td>
<td>0.010062</td>
<td>0.003004</td>
<td>3.349984</td>
<td>0.0203</td>
</tr>
<tr>
<td>DLOG(LQR-1)</td>
<td>-0.009841</td>
<td>0.002935</td>
<td>-3.353075</td>
<td>0.0203</td>
</tr>
<tr>
<td>DLOG(INT)</td>
<td>-0.009514</td>
<td>0.003072</td>
<td>-3.096965</td>
<td>0.0269</td>
</tr>
<tr>
<td>DLOG(INT-1)</td>
<td>0.008973</td>
<td>0.002907</td>
<td>3.086978</td>
<td>0.0273</td>
</tr>
<tr>
<td>ECM(-1)</td>
<td>-1.59E-08</td>
<td>1.96E-07</td>
<td>-0.081270</td>
<td>0.9384</td>
</tr>
</tbody>
</table>
From the ECM regression result, the (ECM-1) is negative. This implies once there is a disequilibrium shock in the system, it would take an average speed of 1.5% to adjust itself back to long-run equilibrium. The predictive ability of the model is shown by the R$^2$. Consequently, it revealed that 78% variation in ROA are explained by the independent variables (CSR, LQR and INT). Whereas, the error term accounted for the remaining 22%. Moreover, the results reveal that CSR and LQR exerts strong and statically significant influence on ROA. While INT was found to exert negative and statistically significant influence on ROA in Nigeria for the period under study. The overall significance of the model as measured by F-statistics revealed that the result is significant, as shown by the p-value at 5% critical value.

**Post Estimation Test Results**

**Table 5: Serial Correlation LM Test**

Breusch-Godfrey Serial Correlation LM Test:

<table>
<thead>
<tr>
<th>F-statistic</th>
<th>Prob. F(1,4)</th>
<th>0.7542</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obs*R-squared</td>
<td>Prob. Chi-Square(1)</td>
<td>0.5361</td>
</tr>
</tbody>
</table>

**Source: Computed by the Author, eviews 9, 2020**

The essence of Breusch-Godfrey LM test is to assist in ascertaining whether the specification exhibits autocorrelation problem. The alternative hypothesis states that, serial correlation is present in the econometrics model. However, the results showed nonexistence of serial correlation as indicated by F-statistic and the prob of Chi-square.

**Table 6: Heteroskedasticity Test**

Breusch-Pagan-Godfrey

<table>
<thead>
<tr>
<th>F-statistic</th>
<th>Prob. F(8,5)</th>
<th>0.3308</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obs*R-squared</td>
<td>Prob. Chi-Square(8)</td>
<td>0.2687</td>
</tr>
<tr>
<td>Scaled explained SS</td>
<td>Prob. Chi-Square(8)</td>
<td>0.9991</td>
</tr>
</tbody>
</table>

**Source: Computed by the Author, eviews 9, 2020**

Breusch-Pagan test facilitates the verification of heteroskedasticity of errors in the regression model. As such, the alternative hypothesis for Breusch-Pagan heteroskedasticity test, states that
error variances are not uniform. Consequently, null hypothesis is accepted since the p-value of the chi square is more than 0.1. This implies that the alternative hypothesis is rejected.

**Table 7: Ramsey Reset test**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>t-statistic</td>
<td>0.211127</td>
<td>4</td>
<td>0.8431</td>
</tr>
<tr>
<td>F-statistic</td>
<td>0.044574</td>
<td>(1, 4)</td>
<td>0.8431</td>
</tr>
<tr>
<td>Likelihood ratio</td>
<td>0.155148</td>
<td>1</td>
<td>0.6937</td>
</tr>
</tbody>
</table>

*Source: Computed by the Author, eviews 9, 2020*

Ramsey reset test outcome as presented above revealed that the model was correctly specified, since the t-statistic and f-statistic for testing the hypothesis of the coefficients on the powers of fitted values from the regression are jointly zero. Consequently, the null hypothesis cannot be rejected since the p-value is more than 0.1.

**NORMALITY TEST**

The Normality test of the dynamic model showed that, the regression residual was normally distributed since JB –statistics of 0.28 and the corresponding P-value of 0.86 is greater than the 5% (0.05) level of significance.

**5.0 Conclusion and Recommendation**

The study examined the effect of corporate social responsibility on the performance of commercial banks in Nigeria, for the period of 2005 to 2019. This study is timely at this time because of high level of deficiency of corporate social responsibility. This deficiency has directly or indirectly created social unrest in the society where the people now accused the corporate entities of neglecting the environment in which they operate. The outbreak of Covid-19 pandemic saw the banking industries donating money to federal government as a means of giving back to the environment, but has however criticized by the people. It is not surprising why the banking sector is now the first place of attack by armed robbers, who are to a large extent member of the immediate environment. However, the study utilizes variables such as, return on asset (ROA), corporate social responsibility expenditure (CSR), Liquidity ratio (LQR) and interest rate (INT), while the annual time series data were sourced directly from the central bank of Nigeria statistical bulletin. Consequently, error correction mechanism (ECM) was utilized in
the analysis of the dynamic model. The study outcome revealed that CSR and LQR exerts strong and statistically significant influence on ROA for the period under study, while INT exerts negative and statistically significant influence on ROA. This study outcome revealed that corporate social responsibility impacts positively of the performance of the commercial banks in Nigeria. It is therefore recommended that corporate bodies/businesses should continue to pursue policies that would enhance giving back to the communities, as such the environment would become more conducive for business to thrive and ultimately, they will reap the ripple effect/benefits that comes with it. While on the other hand, banks should develop competitive rate of interest. For instance, interest rate should be giving based on the type and nature of the business/investment.

References


