Impact of Corporate Social Responsibility on Organizational Performance (A Case of Selected Banks in Nigeria)

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Abstract

This study examines the relationship between corporate social responsibility (CSR) and financial performance in Nigerian banks, using return on assets (ROA) and return on equity (ROE) as key indicators. Employing panel least squares regression on data from 2019 to 2023, the results reveal a statistically significant negative relationship between CSR expenditure and both ROA and ROE. Specifically, the coefficient of LOG(CSR) in the ROA model is -0.302233 (p = 0.0022), indicating that a 1% increase in CSR spending leads to a 0.30% decline in ROA. Similarly, the coefficient of LOG(CSR) in the ROE model is -0.167564 (p = 0.0337), suggesting that a 1% rise in CSR investment results in a 0.17% reduction in ROE. These findings suggest that while CSR initiatives contribute to social and environmental sustainability, they may not provide immediate financial returns. High CSR expenditures could divert funds from core banking operations, affecting short-term profitability and shareholder value. However, strategic CSR alignment with financial goals can mitigate these negative effects. Banks should optimize CSR investments by prioritizing initiatives that enhance both corporate reputation and long-term financial performance. This study highlights the need for a balanced approach to CSR, ensuring that social impact efforts support sustainable economic growth.

Keywords*: *Corporate Social Responsibility (CSR), Financial Performance, Return on Assets (ROA), Return on Equity (ROE), and Nigerian Banks

1. Introduction

1.1 Background of the Study

Corporate Social Responsibility (CSR) refers to the ethical obligation of organizations to contribute positively to societal development while maintaining profitability. In Nigeria, banks are increasingly integrating CSR initiatives into their business strategies to foster stakeholder trust and improve overall performance (Kesto, 2017). This study investigates the relationship between CSR and organizational performance among selected banks in Nigeria. Corporate Social Responsibility (CSR) has evolved from a voluntary initiative to a strategic component of business operations. Traditionally, businesses focused solely on profit maximization, but the growing awareness of social and environmental issues has compelled organizations to adopt CSR practices. In the banking sector, CSR has gained prominence due to its potential to enhance financial performance, build customer trust, and improve brand reputation (Maqbool & Bakr, 2019).

In Nigeria, the banking industry plays a vital role in economic development, providing financial services that drive business growth and social progress. Over the years, Nigerian banks have adopted CSR strategies to support community development, promote financial inclusion, and enhance environmental sustainability. Some leading banks have implemented initiatives such as educational scholarships, healthcare support, microfinance programs, and environmental conservation projects. These efforts not only benefit society but also contribute to the overall sustainability and profitability of the banks. Despite the growing adoption of CSR, its direct impact on organizational performance remains a subject of debate. While some studies suggest a positive correlation between CSR and business success, others argue that CSR investments may not yield immediate financial returns (Imai, & Kim, 2019).

1.2 Statement of the Problem

The banking sector in Nigeria operates in a highly competitive and dynamic environment, where financial institutions must differentiate themselves to maintain market share. One of the key strategies adopted by banks to gain a competitive edge is Corporate Social Responsibility (CSR). CSR initiatives, ranging from community development programs to environmental sustainability projects, are implemented with the expectation of improving corporate reputation, fostering customer loyalty, and enhancing overall business performance. However, despite significant investments in CSR, there is limited empirical evidence on how these initiatives influence organizational performance in Nigerian banks (Chen et al., 2019).

Many financial institutions allocate substantial resources to CSR programs, yet the impact of these efforts on financial performance, customer loyalty, and employee productivity remains ambiguous. Some stakeholders question whether CSR initiatives are driven by a genuine commitment to social responsibility or merely serve as a strategic branding tool to enhance corporate image. This skepticism raises concerns about the authenticity of CSR efforts, especially in cases where banks continue to face reputational challenges due to unethical business practices (Kesto, 2017).

Furthermore, the lack of standardized assessment models for measuring CSR effectiveness makes it difficult to determine its actual benefits. Without a clear framework for evaluating CSR outcomes, banks may struggle to align their initiatives with strategic business goals. Another critical issue is the perception of CSR among stakeholders. While some customers and employees appreciate CSR initiatives, others remain doubtful of their true motives, particularly when such programs do not translate into improved service delivery or ethical business conduct (Pratihari & Uzma, 2018). Given these challenges, this study aims to investigate the impact of CSR on organizational performance in selected Nigerian banks.

2. Literature Review

2.1 Concept of Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to the ethical obligation of businesses to contribute positively to society while maintaining profitability and compliance with legal regulations. CSR is often viewed through four primary dimensions: economic, legal, ethical, and philanthropic responsibilities (Javed et al., 2020).

- **Economic Responsibility**: Businesses are expected to operate profitably, providing returns to shareholders while ensuring long-term financial sustainability.
- **Legal Responsibility**: Compliance with laws and regulations is crucial, ensuring that businesses adhere to labor laws, environmental protection policies, and financial reporting standards.
- **Ethical Responsibility**: Beyond legal compliance, firms are expected to engage in fair business practices, uphold transparency, and promote ethical standards in decision-making.
- **Philanthropic Responsibility**: Organizations voluntarily engage in activities that improve societal well-being, such as educational sponsorships, healthcare programs, and community development projects.

CSR has evolved from a discretionary activity to a strategic approach that enhances business reputation, fosters customer loyalty, and strengthens stakeholder relationships. The stakeholder theory (Freeman, 1984) and related academic works (Cho eta al., 2019; Maqbool & Bakr, 2019) further support the notion that CSR initiatives should balance financial performance with social and environmental responsibilities.

2.2 Organizational Performance

Organizational performance is a crucial measure of a company's efficiency, profitability, and overall sustainability, particularly in the banking sector. Financial metrics such as Return on Assets (ROA) and Return on Equity (ROE) are widely used to evaluate how effectively banks allocate resources and generate returns. ROA assesses how efficiently a bank utilizes its assets to generate earnings, while ROE measures profitability relative to shareholders' equity. These indicators help determine the financial impact of Corporate Social Responsibility (CSR) initiatives on banking institutions (Imai & Kim, 2019). It is an ongoing debate among scholars on relationship between CSR expenditures and both ROA and ROE in Nigerian banks, suggesting that CSR investments may impose short-term financial burdens. However, despite the immediate costs, CSR can enhance long-term corporate reputation, stakeholder trust, and regulatory compliance. Effective CSR integration requires strategic alignment with core business objectives to ensure sustainable growth while maintaining profitability. Therefore, banks should balance CSR commitments with financial performance goals (Garai, 2017).

Beyond financial indicators, non-financial performance metrics also play a crucial role in assessing CSR effectiveness. Customer satisfaction, employee productivity, brand reputation, and corporate governance are essential components of organizational performance that are influenced by CSR engagement. For instance, banks that implement CSR programs focused on financial literacy, fair lending practices, and environmental sustainability often experience higher customer retention rates and brand loyalty, as clients prefer to associate with socially responsible institutions. Additionally, CSR initiatives that prioritize employee welfare, such as fair wages, diversity policies, and workplace safety measures, contribute to increased staff motivation, job satisfaction, and lower turnover rates. Furthermore, organizations that demonstrate strong CSR commitment tend to attract ethical investors and strategic partnerships, strengthening their market position. While financial metrics provide quantifiable evidence of CSR's impact, the integration of both financial and non-financial indicators is necessary to obtain a holistic evaluation of CSR's role in enhancing overall organizational performance in the banking industry (Sharma & Mishra, 2019).

2.3 CSR in the Nigerian Banking Sector

The Nigerian banking industry has increasingly embraced CSR as a strategic tool for fostering social and economic development (Ezekiel, 2023). Banks implement CSR initiatives in areas such as financial literacy programs, community development, environmental sustainability, and employee welfare.

1. **Financial Literacy and Inclusion**: Many Nigerian banks engage in programs aimed at improving financial literacy among underserved communities. Initiatives such as free financial education seminars and digital banking awareness campaigns help bridge the financial knowledge gap.

2. **Community Development**: CSR activities in community development include scholarships, healthcare programs, infrastructure development, and youth empowerment schemes. These efforts enhance the social well-being of communities while strengthening the bank's public image.
3. **Environmental Sustainability**: Nigerian banks have also incorporated environmentally responsible practices, such as reducing carbon footprints, promoting paperless banking, and supporting renewable energy projects. These initiatives align with global sustainability goals.
4. **Employee Welfare and Development**: Many banks invest in employee welfare programs, including healthcare benefits, leadership training, and workplace diversity initiatives. These efforts contribute to a more engaged and productive workforce.

Empirical studies indicate a positive correlation between CSR engagement and business growth in Nigerian banks (Kesto, 2017). Research suggests that CSR-driven banks tend to attract more customers, gain investor confidence, and experience enhanced financial performance. However, some challenges persist, such as the lack of standardized CSR measurement models, concerns about CSR authenticity, and limited regulatory enforcement.

2.4 Challenges of Implementing CSR in the Nigerian Banking Sector

Despite the growing recognition of CSR in the Nigerian banking sector, several challenges hinder its full implementation and effectiveness:

1. **Lack of Standardized CSR Metrics**: There is no universally accepted framework for measuring CSR performance in Nigeria. Banks often adopt different criteria, making it difficult to assess the true impact of CSR initiatives. This inconsistency leads to ambiguity in CSR reporting and benchmarking**.**
2. **Regulatory and Policy Limitations**: While financial regulators such as the Central Bank of Nigeria (CBN) and the Nigerian Stock Exchange (NSE) encourage CSR practices, there are no strict legal requirements compelling banks to engage in CSR. The absence of regulatory enforcement means that CSR remains largely voluntary, leading some banks to underinvest in meaningful social programs.
3. **Perception and Authenticity Issues**: Many stakeholders view CSR initiatives as mere public relations (PR) strategies rather than genuine efforts to improve society. Cases of corporate scandals, unethical banking practices, and customer dissatisfaction have led to skepticism about the sincerity of CSR programs in Nigeria.
4. **Economic and Financial Constraints**: Some banks struggle to balance CSR investments with their financial objectives, especially during economic downturns. When faced with financial instability, banks may cut back on CSR spending, prioritizing profitability over social impact.

5. **Lack of Public Awareness and Engagement**: Many CSR initiatives fail to reach their full potential due to limited public awareness and participation. Some banks do not effectively communicate their CSR efforts, resulting in low stakeholder engagement and minimal impact on corporate reputation.

2.5 Theoretical Framework for CSR and Organizational Performance

Stakeholder theory, developed by Freeman (1984), posits that businesses must consider the interests of all stakeholders' customers, employees, investors, suppliers, regulators, and the broader community rather than focusing solely on shareholder profits. This perspective suggests that corporate success is not merely determined by financial gains but also by a company's ability to manage and satisfy the expectations of diverse stakeholders (Freeman, 1984). Within the banking sector, CSR initiatives such as ethical lending, financial inclusion programs, and community development projects serve as strategic tools to enhance stakeholder relationships. By addressing social and environmental concerns, banks can foster goodwill, enhance corporate reputation, and build long-term sustainability (Makhdoomi & Nika, 2018).

Empirical studies support the notion that effective stakeholder engagement through CSR can drive financial and non-financial performance. Research by Pratihari & Uzma (2018) highlights that CSR initiatives aligned with stakeholder interests can lead to enhanced employee morale, customer satisfaction, and investor confidence, which ultimately contribute to financial performance. In the Nigerian banking industry, CSR programs focusing on financial literacy, affordable banking services, and social responsibility projects have been shown to influence positive customer perception and increase market share (Javed et al., 2020). However, critics argue that some CSR initiatives are merely public relations strategies rather than genuine efforts to address stakeholder needs, raising concerns about transparency and accountability (Chen et al., 2019). Despite these challenges, the stakeholder theory remains a foundational framework in understanding CSR's impact on organizational performance, emphasizing the need for businesses to integrate stakeholder concerns into corporate strategies.

2.6 Empirical Review

Boafo and Kokuma (2016) examined the impact of Corporate Social Responsibility (CSR) on organizational performance, with a focus on Vodafone Ghana Limited. They noted that while CSR plays a crucial role in business success in developed countries, many firms in Ghana prioritize profit maximization over stakeholder engagement. The study employed a descriptive research design, collecting primary data through questionnaires administered to management and staff. A total of 20 respondents were selected through simple random sampling. Findings revealed that Vodafone Ghana undertakes CSR initiatives to establish itself as a responsible corporate entity. CSR was found to have a significant and positive impact on financial performance, organizational growth, brand reputation, employee commitment, and market differentiation. The study recommended that businesses should align CSR initiatives with stakeholder needs and integrate them into strategic planning to maximize financial and reputational benefits.

Harikumar and Laxmi (2020) explored the effect of CSR on the financial performance of small and medium-sized enterprises (SMEs) in India. The study focused on stakeholder participation and its influence on business success and media perception. Using a primary data approach, they analyzed responses from business practitioners. Partial sampling techniques were employed for data analysis. The study found that 36% of respondents strongly believed that CSR enhances business efficiency and customer relations. Additionally, CSR initiatives were found to improve brand perception and deepen customer understanding of products and services. The research concluded that CSR has a direct and positive impact on financial performance, as it fosters stronger customer engagement and improves economic productivity. The study suggested that businesses should integrate CSR into their corporate strategies to enhance financial success, especially in highly competitive markets.

Ezekiel (2023) investigated the relationship between CSR and organizational performance using a theoretical approach. The study emphasized that CSR serves as a strategic tool for businesses to gain a competitive advantage in a highly competitive market. It highlighted that firms engaging in CSR initiatives benefit from enhanced reputation, public goodwill, and greater stakeholder acceptance. The study noted that companies that neglect CSR risk long-term sustainability challenges. Findings suggested that CSR contributes to increased profitability, improved stakeholder relationships, and overall financial and non-financial business performance. The study recommended that organizations incorporate CSR into their strategic planning and ensure top management support for its implementation. Furthermore, identifying and addressing stakeholders' core needs before embarking on CSR initiatives was emphasized to maximize value and stakeholder appreciation. It was also recommended that firms establish a transparent CSR disclosure framework to enhance their public image.

Nwikpo and Etale (2024) examined the link between CSR and financial performance in First Bank Limited, Nigeria. The study analyzed the bank's financial data from 2013 to 2022, focusing on social and environmental expenditures. Using an ex-post facto research design, secondary data from the bank's annual reports were analyzed. Findings revealed that social and environmental expenditures positively and significantly impacted the bank’s profit after tax. The study concluded that CSR plays a crucial role in improving financial performance, particularly in the banking sector. The research recommended that First Bank Limited prioritize CSR investments that align with its corporate objectives and expand environmental sustainability initiatives. It also suggested leveraging opportunities in eco-friendly technologies and green infrastructure to enhance long-term financial success.

Ibrahim (2021) assessed CSR disclosure and its relationship with financial performance (FP) in Maldivian public companies. The study adopted a mixed-methods, longitudinal research approach covering the period from 2014 to 2018. Data were extracted from annual reports of listed firms on the Maldives Stock Exchange (MSE). Using judgmental sampling, panel data regression analysis was conducted via STATA 15 software. Results indicated a significant negative relationship between CSR and return on assets (ROA). It was found that diversity and environmental initiatives positively influenced return on equity (ROE) and earnings per share (EPS), but the overall impact of CSR on FP was negative. The study suggested that the CSR framework applied may not have been tailored to the Maldivian context, limiting its effectiveness. It recommended developing a customized CSR framework suited to the Maldivian corporate environment and increasing the sample size for future research to enhance generalizability.

Ashutosh and Navindra (2024) investigated the impact of CSR on the profitability of public and private sector companies in the context of Industry 5.0. The study aimed to assess how CSR initiatives influence financial outcomes by analyzing five randomly selected companies from each sector. The study covered a five-year period from 2018-19 to 2022-23, comparing CSR expenditure and profitability metrics. Findings showed that CSR spending had a positive effect on profitability in both public and private sector firms. The research highlighted that CSR is crucial in balancing technological advancements and societal issues, particularly in the modern business landscape. The study recommended that companies integrate CSR into strategic decision-making processes to support long-term organizational growth and enhance financial performance.

3.0 Methodology

3.1 Research Design

This study adopted a quantitative research approach and employed an ex-post facto research design. This design was chosen because it allows for the analysis of historical data to determine the impact of corporate social responsibility (CSR) on organizational performance in Nigerian banks. Unlike experimental research, an ex-post facto design does not manipulate variables but rather examines existing data to identify patterns, relationships, and potential causal effects. The study relied on secondary data, extracted from the published audited financial statements of selected banks in Nigeria. The period covered spanned from 2019 to 2023, ensuring a comprehensive analysis over multiple years. This extended time frame enhances the study's validity by capturing meaningful trends and variations in CSR practices and financial performance.

3.2 Model Specification

This study utilized a panel data regression approach to analyze the relationship between corporate social responsibility (CSR) and the organizational performance of selected banks in Nigeria. Panel data regression was chosen due to its ability to capture both cross-sectional and time-series variations, ensuring a robust analysis of trends over multiple years. The regression model used in this study was adapted from Garai (2017), who previously examined the interrelationship between CSR and organizational performance within the Nigerian banking sector. By leveraging this model, the study aims to provide empirical insights into how CSR initiatives influence key financial performance indicators.

The model specification for this study is presented as follows:

Model 1

$ROA = \beta_0 + \beta_1 CSR + u$

Model 2

$ROE = \beta_0 + \beta_1 CSR + u$

Where:

ROA = Return on Assets

ROE = Return on Equity

CSR = Corporate Social Responsibility

β_0 = Constant term

β_1 = Coefficient

u_1 = Error term

3.3 Data Analysis Techniques

The study employed multiple regression analysis to examine the relationships between corporate social responsibility (CSR) and organizational performance in Nigerian banks. The analysis was conducted using E-Views statistical software, which is widely used for econometric modeling. To estimate the parameters of the model, the study adopted the Panel Least Squares (PLS) method**,** which is particularly suitable for panel data as it minimizes the sum of squared differences between observed and predicted values of the dependent variable. The statistical significance of the regression coefficients was assessed using probability values (p-values), ensuring the reliability of the findings. Additionally, the R-squared statistic was used to evaluate the overall goodness of fit of the model, determining how well the independent variables explain variations in the dependent variable.

4. Data analysis

Model 1

Table 4.1 Panel Least Squares

Dependent Variable: LOG(ROA)
Method: Panel Least Squares
Date: 03/10/25 Time: 14:23

Sample: 2019 2023
Periods included: 5
Cross-sections included: 5
Total panel (balanced) observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.386921	0.826212	-1.678651	0.1068
LOG(CSR)	-0.302233	0.087494	-3.454339	0.0022

Source: E-views 10.0

The panel least squares regression results presented in Table 3.1 indicate a statistically significant negative relationship between corporate social responsibility (CSR) and return on assets (ROA) in Nigerian banks. The coefficient of LOG**(**CSR**)** is -0.302233, with a p-value of 0.0022, suggesting that an increase in CSR expenditure is associated with a decrease in ROA. This means that for every 1% increase in CSR investment, ROA decreases by approximately 0.30%.

From a financial perspective, ROA is a key profitability metric that measures how efficiently a bank utilizes its assets to generate earnings. A negative relationship between CSR and ROA implies that banks' CSR expenditures may not be yielding immediate financial benefits or that such spending is not being effectively translated into enhanced profitability. This result aligns with the idea that CSR initiatives often involve substantial costs, such as charitable donations, community development programs, and environmental sustainability projects, which may not provide immediate financial returns.

One possible explanation for this finding is the trade-off between short-term profitability and long-term sustainability. While CSR investments improve brand reputation, regulatory compliance, and customer loyalty, their financial benefits are typically realized over an extended period. In the short term, these expenditures may strain profitability, especially if not strategically aligned with the bank’s core financial objectives. Additionally, inefficient allocation of CSR resources or excessive spending without a clear return on investment could lead to financial underperformance.

Despite the negative impact on ROA, banks should not entirely abandon CSR initiatives. Instead, they should optimize CSR spending by focusing on projects that create both social impact and economic value. Future research could explore whether CSR contributes positively to other financial performance indicators such as Return on Equity (ROE) or market valuation. Overall, this study highlights the importance of balancing CSR commitments with financial performance goals to achieve sustainable growth **(**Table 3.1**)**.

Model 2
Table 4.2 Panel Least Squares

Dependent Variable: LOG(ROE)
Method: Panel Least Squares
Date: 03/10/25 Time: 14:25
Sample: 2019 2023
Periods included: 5
Cross-sections included: 5
Total panel (balanced) observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.410024	0.700745	-0.585126	0.5642
LOG(CSR)	-0.167564	0.074207	-2.258063	0.0337

Source: E-views 10.0

The panel least squares regression results indicate a statistically significant negative relationship between corporate social responsibility (CSR) and return on equity (ROE) in Nigerian banks. The coefficient of LOG(CSR) is -0.167564, with a p-value of 0.0337, suggesting that an increase in CSR expenditure leads to a decline in ROE. This means that for every 1% increase in CSR investment, ROE decreases by approximately 0.17%.

ROE is a key financial metric that assesses how efficiently a bank utilizes shareholders' equity to generate profit. A decline in ROE due to CSR expenditures suggests that banks' investments in social and environmental initiatives may not provide immediate financial benefits. This could be attributed to the significant upfront costs associated with CSR activities, including sustainability projects, employee welfare programs, and corporate philanthropy, which may not directly enhance short-term earnings. When CSR spending is not strategically aligned with profit-oriented goals, it can strain financial resources, potentially leading to lower profitability and diminished investor confidence.

The shareholder value trade-off theory explains that excessive CSR spending can divert funds away from core revenue-generating activities, ultimately reducing returns for investors. Additionally, inefficient allocation of CSR funds or investments in non-profitable initiatives may further weaken ROE. However, in the long run, CSR can enhance a bank’s reputation, build strong stakeholder relationships, and improve regulatory compliance, which may result in indirect financial gains such as increased customer loyalty and reduced business risks. Rather than perceiving CSR as a financial burden, banks should integrate it into their broader corporate strategy to balance social impact with long-term profitability (Sharma & Mishra, 2019). Ultimately, the results suggest the need for a balanced approach to CSR spending, ensuring it aligns with corporate objectives while safeguarding shareholder returns.

4.2 Summary

This study examined the impact of corporate social responsibility (CSR) on the financial performance of Nigerian banks, focusing on Return on Assets (ROA) and Return on Equity (ROE) from 2019 to 2023. The findings from the panel least squares regression analysis indicate a statistically significant negative relationship between CSR expenditure and both ROA and ROE. Specifically, the results show that a 1% increase in CSR spending is associated with a 0.30% decline in ROA (p-value = 0.0022) and a 0.17% decline in ROE (p-value = 0.0337). These findings suggest that CSR investments, while socially beneficial, may not generate immediate financial returns for Nigerian banks, potentially due to high upfront costs and inefficient allocation of resources.

The negative association between CSR and financial performance supports the shareholder value trade-off theory, which posits that excessive CSR spending may divert resources from core revenue-generating activities, thereby reducing profitability. However, CSR initiatives can yield long-term benefits by enhancing brand reputation, fostering stakeholder trust, and improving regulatory compliance. Thus, rather than perceiving CSR as a financial burden, banks should integrate it into their strategic planning to ensure that it aligns with business objectives and shareholder interests. These results highlight the need for a balanced approach to CSR investment, ensuring that social commitments do not undermine financial sustainability. Future research could explore alternative performance metrics, such as market valuation and customer retention, to assess the broader impact of CSR initiatives on banking institutions in Nigeria.

5.1 Conclusion

This study examined the impact of corporate social responsibility (CSR) on the financial performance of Nigerian banks, using return on assets (ROA) and return on equity (ROE) as key indicators. The regression results revealed a statistically significant negative relationship between CSR expenditure and both ROA and ROE, suggesting that increased CSR spending is associated with lower profitability in the short term. Specifically, a 1% increase in CSR investment leads to an approximate 0.30% decline in ROA and a 0.17% reduction in ROE. These findings indicate that while CSR initiatives may enhance corporate reputation and stakeholder engagement, they do not yield immediate financial gains and may impose short-term financial constraints on banks, particularly if not strategically aligned with revenue-generating activities.

Despite the observed negative relationship, CSR remains a crucial component of long-term corporate sustainability. Banks should not view CSR as a mere expense but as a strategic investment that, when effectively managed, can enhance brand reputation, customer loyalty, and regulatory compliance. The challenge lies in optimizing CSR allocations to ensure that social impact initiatives also generate economic value over time. Future research could explore alternative financial metrics to assess CSR's long-term benefits and investigate how banks can integrate sustainability goals with profitability objectives. Ultimately, a well-balanced CSR approach is essential for fostering both corporate growth and societal well-being.

5.2 Recommendations

1. Nigerian banks should ensure that CSR expenditures are strategically aligned with financial goals by investing in initiatives that create both social impact and economic benefits. Conducting cost-benefit analyses and prioritizing projects that enhance brand reputation, customer loyalty, and regulatory compliance will help mitigate the negative effects on profitability.
2. Given the negative relationship between CSR and financial performance indicators such as ROA and ROE, banks should adopt a balanced approach to CSR spending. This includes setting clear CSR budgets, ensuring efficient resource allocation, and integrating CSR into broader corporate strategies to maximize long-term financial and social returns.

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