Effect of Corporate Social Responsibility on Profitability of Polaris Bank Ltd, Bauchi

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Abstract
This study is on the effect of corporate social responsibility on profitability of Polaris Bank Ltd, Bauchi. Primary source of data collection was used in this study, through questionnaire administration. The collected data were analyzed and hypothesis tested by the use of correlation and regression analyses. The result of the hypothesis showed that corporate social responsibility (measured by Contribution to community standard, good public image and better business environment) has significant positive effect on the profitability of Polaris bank ltd, Bauchi. The study revealed that Polaris Bank has incorporated social responsibility in terms of better business environment, contribution to the community standard of living hence good public image. The study recommends increase in allocation for corporate social responsibility and human resources development as a way of enhancing Polaris Bank ltd profitability.
Keywords: Corporate social responsibility, Contribution to community standard, good public image, better business environment and Profitability.

Introduction

Corporate social responsibility, corporate responsibility, corporate citizenship and sustainability all matter because they influence all aspect of business. And businesses matter because they create much of the wealth and well-being of the in society. As such, Corporate social responsibility is increasingly crucial to both business and social success William B. W Jr. & David C, (2011).

A business primary involvement with society includes all the direct relationships necessary or it to perform its major mission of producing goods and services for the society. These interactions are usually conducted through the market mechanism that is selling and buying process. In other words, business buys employees time and skills, buy supplies, borrows capital, sells stocks, contracts with dealers and supplier and of course sell products to its customers in competition with other firms Imam (2002).

Corporate social responsibility activities constitute an important part of doing a business ethically. Corporate social responsibility starts when businesses exist. Companies must behave as responsible members of the society and perform their social duties in a manner as an individual is expected to serve his family. Socially responsible companies have a comprehensive set of policies and programs relating to the company’s responsibility towards the society which they integrate with their business operations and decision making processes. CSR can increase the goodwill of business. Holme and Watts (2007) describe that corporate social responsibility is considered as a long term promise to act as economic development and to improve the living standard of the societies.

It is generally held that corporate social responsibility could increase company profits and thus most large companies are actively engaged in it. The research does not show that it may improve profits. However, linking profit growth to abstract variables that are frequently difficult to define is a challenging task. Most executives believe that corporate social responsibility can improve profit. They understand that corporate social responsibility can promote respect for their company in the market place, which can result in higher sales, enhance employee loyalty and attract better personality to the firm Robbins (2011).

Corporate social responsibility is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organization interact with their employees, suppliers, customers and he communities in which they operate, as well as the extent they attempt to protect the environment William B. W Jr. & David C, (2011).

Hypothesis

Corporate social responsibility has no effect on profitability of Polaris Bank ltd.

The Concept of Corporate Social Responsibility

In the early 19th century, companies were not effusive in their social concerns. Charitable contributions continued and grew overtime as great fortunes to benefit society and did so without any reference to the interest of the companies that were the fountainheads of their wealth. During the later parts of the 19th century, a number of forces converged to lead business leaders especially of larger corporations to address social problems.

By the 1920's three (3) interrelated themes had emerged to justify broader social responsibility. First, managers were trustee. Secondly, manager believed they had an obligation to balance the interest of theirs groups and thirdly, many managers subscribed to the service principles, a principle with two mere-spiritual beliefs that business simply by operating for profit has the power to redeem society by creating s broad general welfare. A second understanding of the service principle however was that although the capitalist system elevated humanity, individual companies and manager were still obligated to undertake social program to benefit or serve the public. These three (3) interrelated ideas, trusteeship, balancing of interest and more business opinion leaders accepted services Oni (2004).

In the last forty (40) years, the concept of business social responsibility has continued to expand. Today, the efficient use of resources to make profit is still seen as the primary corporate social responsibility of business. One fundamental reason why the concept of corporate responsibility has expanded is the accelerating industry activity. In this regard, the corporate social responsibility arises from the impact of corporate action on the society.

Corporate social responsibility has almost as many definitions as there are people willing to define the concept. However, most writers on corporate social responsibility see the concept as the disposition of an organization to exhibit "missionary" rather than "mercenary" attitude towards the society.

William and Jerome are of view that marketing should be socially responsible. They define social responsibility as a firm's obligation to improve its positive effects on society and reduce its negative effects. In the same view, Timmerman (1981) define social responsibility as the marketer/obligations acceptance of obligation to consider profit, consumer satisfaction and social well-being of equal value on evaluating the performance of the firm. He concludes that the recognition of organization must be considered with the more qualitative measures of sales, revenue and profits by which the marketing/organization performance is traditionally measured.

According to 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. According to Ruggie (2002), CSR is a strategy for demonstrating good faith, social legitimacy, and a commitment that goes beyond the financial bottom line. 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."

Oliver & Yomere (2009) defined social responsibilities at the long range goals of an organization inevitably focused upon its contributions to the needs of society tangible or intangible, its contribution may be in terms of goods or services or both.

The Need for Corporate Social Responsibility

How does the need for corporate social responsibility arise? In the pursuit of the objective of profit optimization, businesses consciously forget that they operate in an environment that gives them succor without which they will not exist on the first place.

Drucker suggest two major ways to which the demand for social responsibility arises. In the first place, it arises from social impact of business organization. In other words, the negative consequence of business activates such as rapid urbanization, environmental pollution, deceptive and advertising, defective products offered for sale in a seller market, tax evasion and avoidance, all these create disenchantment and demand for more socially responsibility behavior Drucker (1974).

Secondly, socially responsibility also arises from the problems of society itself including falling standard of living, illiteracy, poor infrastructural facilities and social amenities and the growing disenchantment with government, and its ability to solve major social problems. Hence, society has come to expect business with their successful operations to help solve a major part of these problems by providing effective social responsibility objective and strategies.

In their contribution to the need of social responsibility, Nwasike and Onn (2002) highlighted six (6) social issues that call for corporate social responsibility. They are:

Poverty: Poverty has remained a serious and endemic problem especially throughout third world countries. Though it is acute in some countries, it is a phenomenon that has distributed many Nigerians. The difference between living conditions of the average person and poverty-stricken are so large. In many parts of Africa, there are people who feed on less than one dollar per day, and something ought to be done about this problem. More often, this problem seems to be solving easily by organization that demonstrate corporate behavior.

Unemployment: Unemployment is another striking problem in our communities today. In most occasions, organizations are implored to employ as many individuals as possible in order to reduce the problem of unemployment.

Environmental pollution: This problem arises from industrial activities of companies. The major dangers in environmental pollution are that lives of the residents in such communities are threatened by many environmental hazards. Such hazards include air pollution, acid rain, the green house effects, social pollution and toxic waste etc.

Consumer issues: Problems are arising when the consumer's expectation are not met. Ordinarily, consumers expect more from business than simply good products at reasonable prices. They also want information that will help them make wise buying decisions. They want products that will not injure or make them sick. They want goods and services produced in ways that minimize harm to the environment as well as products of high quality. Numerous consumer force place requirements on business organizations.

Low standard of living: Some of the above-mentioned problems like poverty and unemployment lead to low standard of living. The situation arises when people can no longer afford even two square meals a day due to extent of human degradation.

Lack of necessary infrastructure: Infrastructure facilities like good hospital, good roads, schools, tap water etc. are necessities in every society. These infrastructures are however lacking in our communities, hence organization are called upon to provide them Nwasike and Onn, (2002).

Effect of Corporate Social Responsibility on Profitability

Most business organization seek to make profit that is, they aim to achieve revenue that exceed the cost of operating the business Smith (1976). However, its effect has two sides. Thus, effect on profitability could be positive or negative. In essence, social programs might negatively or positively affects business organisations. No doubt, corporate social responsibility is costly. According to Oni (2004), social responsibility is purely a cost on item and may soon become an endless transaction with adverse effect on the company's profitability.

Based on the premises that corporate social responsibility is a cost item, Drucker (1974) opined that business organisation has to engage in corporate social responsibility, yet they must do so responsibly within the limit of their competence and without endangering their performance capacity.

It is worthy of note that social responsibility is dependent on profitability. The ability of business concerns to execute these functions requires availability of fund. Organisation that operates at losses cannot dream of performing social responsibility function, if they engage in social responsibility the cost of social involvement will drive out marginal firms in future.

Methodology

The study makes use of survey method as its research design. The population of this study consisted of the entire staff of Polaris Bank Ltd Bauchi. The study essentially concentrates on effect of corporate social responsibility with emphasis on profitability. The study is limited to Polaris Bank Ltd, Bauchi. Data used for this study were from using primary source through questionnaire administration. Considering the nature of this study, correlation and regression analyses were employed to analyses the effect of corporate social responsibility on profitability of Polaris bank ltd, Bauchi branch.

Data Analysis

Twenty five (25) questionnaires were administered to the entire staff of the bank, out of the 25 questionnaires, 21 (representing 84%) were successfully filled and returned and they are found to be useable. Of the 21 respondents 16 are males while the remaining 5 are females. Job status of the respondents, 3 (14.3%) of the respondents are managerial staff, 4 (19.0%) are senior staff, 9 (42.9%) are middle staff while 5 (23.8%) are junior staff. This implies that there are more middle level staff in the bank than other staff.

Results and Discussion

Under the advance analysis, correlation analysis was first used to measure the degree of association between different variables under consideration. Regression analysis was used to determine the impact of corporate social responsibility variables on firms' profitability.

Table 1: Pearson's Correlation Coefficients Matrix

	PROF	CCSL	GPI	BBE
PROF	1.00			
CCSL	0.8344	1.00		
GPI	0.9628	.6981	1.00	
BBE	0.3236	.1870	.2765	1.00

Source: Research Findings, 2018.

Table 1 shows that at 0.05 confidence intervals, there were good, significant and positive correlation between profitability and Contribution to community standard (0.8344), good public image (0.9628) and better business environment (0.3236). There was also good, significant and positive correlation between Contribution to community standard and good public image (0.6981); Contribution to community standard and better business environment (0.1870) as well as between better business environment and good public image (0.2765).

Regression Analysis

The study further used regression analysis to examine the relationship between corporate social responsibility and the profitability of Polaris Bank.

Table 2: Model Goodness of Fit

F	R2	Adjusted R2	Prob > F
311.40	0.9821	0.9790	0.000

a. Predictors: (Constant), Contribution to community standard, good public image and better business environment

b. Dependent Variable: Profitability

Source: Research Findings, 2018.

The study used regression analysis to establish the relationship between profitability and corporate social responsibility variables including Contribution to community standard, good public image and better business environment.

R-squared of 0.98 further revealed that Contribution to community standard, good public image and better business environment explain 98 percent of the variations in profitability while the remaining 2 percent is explained by other factors not accounted for in the model. The R squared of 97 percent is an indication that the explanatory variables in the model are explaining the dependent variable.

Table 3: Regression Coefficient Results

	Coef	Std error	T	Sig.
CCSL	.3238	.0462	7.01	.000
GPI	.6727	.0430	15.63	.000
BBE	.2624	.1378	1.90	.074
Coctant	-0.369	.2483	-1.49	.155

a. Dependent Variable: Profitability

Source: Research Findings, 2018.

The coefficients of determination in table 3 above reveal a positive relationship between profitability and all the Predictor variables, that is, Contribution to community standard, good public image and better business environment. In this regard, the established regression equation is:

Prof = 0.3238CCSL + 0.6727GPI + 0.2624BBE – 0.369 + e

Significant tests (T-tests and P-values) revealed that all of these relationships were significant; thus, the study to establish the effect of corporate social responsibility on the profitability of Polaris bank Nigeria plc. It is also established that a unit increase in CCSL, while holding other variables constant, would result in a .3238 increase in profitability. This statistic had a t-value of 7.01 with a P value of 0.000 showing that the statistic is significant at 95% confidence level. Holding other factors constant, a unit decrease in GPI would cause an increase in profitability by .6727 while a unit increase in BBE would lead to a .2624 increase in profitability. T-values of 15.63 and 1.90 and P values of .000 and .074 were also established at 95% and 90% confidence levels respectively hence the relationships were statistically significant. This implies that among other factors, Contribution to community standard, good public image and better business environment positively and significantly influence the profitability of Polaris bank Nigeria ltd.

Conclusion

The study has enabled us to have a fundamental understanding of corporate social responsibility, its approaches, impact and challenges. Corporate social responsibility is not only expected as an ethical behavior of companies, it also defines the self-interest of companies. By investing in the core element of corporate social responsibility, a company is also simultaneously facilitating a medium conclusive for the emergence of a healthy and friendly environment that would assist the company in attaining its economic growth and objectives. Socially responsible companies are regarded by the public as friendly, good companies and regarded as partners in the progress of the community.

Corporate social responsibility has no negative effect on profitability. It is a short term cost item for the business and has a long-term benefit for it. Corporate responsibility is a 'win-win' thing as both the organization and other group will benefits from corporate social responsibility.

Though, corporate social responsibility could be burdensome and costly, especially to some Nigerian firms that are still searching for a strong formation for profitability, efficiency and effectiveness. Social corporate responsibility should not be abandoned no matter how little because it as a 'win-win' strategy.

The corporate social responsibility activities of Polaris Bank ltd are commendable, but a lot still need to be known. If the concept of social responsibility is to be successfully applied, it must be a part of a company's business culture and should feature in its planning and day-to-day decision.

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