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Corporate Social Responsibility and Financial Performance of First Bank Limited in Nigeria

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ABSTRACT: *The study focused on the nexus between corporate social responsibility and financial performance of First Bank Limited in Nigeria. The financial performance of commercial banks in Nigeria pertains to the detailed analysis and disclosure of specific factors influencing the after tax profit, the effectiveness of credit risk management practices, and the impact of macroeconomic variables on asset quality, which are crucial for assessing the overall health and stability of the banking sector. The specific objectives were to: ascertain the effect of social expenditure on profit after tax; and determine the effect of environmental expenditure on profit after tax of First Bank Limited. Ex-post facto design was adopted for this study. Ex-post facto design was used since the researcher relied on historic or secondary accounting data obtained from published annual financial statements of the bank for a period of ten years covering 2013 to 2022. The finding of the study indicates that: there is a positive and significant effect of social expenditure on profit after tax; and there is a positive and significant effect of environmental expenditure on profit after tax of First Bank Limited. The study concluded that there is significant effect of corporate social responsibility and financial performance of First Bank. It was recommended that the bank continues to prioritize and potentially increase investments in social initiatives, ensuring alignment with its corporate objectives, and also expand its environmental sustainability initiatives, leveraging opportunities to invest in eco-friendly technologies and green infrastructure.*

KEYWORDS: environmental expenditure, profit after tax, social expenditure, sustainable growth

INTRODUCTION

The financial performance of a commercial bank encompasses various metrics including profitability, liquidity, asset quality, and capital adequacy, which collectively indicate its ability to generate income, manage risks, maintain sufficient funds for operations, and meet regulatory requirements. The financial performance of a commercial bank serves as a comprehensive

reflection of its operational efficiency, risk management practices, and overall stability within the financial system. In recent years, there has been a growing interest in Nigeria, both within academia and the business community, regarding the intersection of corporate social responsibility (CSR) and financial performance. In the Nigerian environment, corporate social responsibility has become a significant and contextually relevant issue for all stakeholders, including the government. It is widely believed that when banks actively engage in social responsibility initiatives, both businesses and society stand to benefit. Corporate organizations gain enhanced reputation, competitive advantage, and increased patronage, while society benefits from the social projects undertaken by these corporations. Given the pivotal role of the banking sector in any nation's economy, socially responsible actions by banks in Nigeria would not only complement government efforts but also create an environment conducive for both business operations and the general public (Dianita & Rahmawati, 2022).

In essence, CSR embodies the concept that organizations must consider the impact of their operations and business practices not only on shareholders but also on customers, suppliers, employees, community members, and the environment. It represents a gesture of gratitude and appreciation to all stakeholders involved in the business, reflecting a conscious effort to give back to the society from which the corporation has benefitted immensely. Advocates of CSR contend that companies with strong social and environmental records are likely to perform better in the long run. This is because customers prefer to support companies with positive social and environmental impacts, viewing them as aligned with community values. The financial performance of commercial banks in Nigeria is influenced by various factors such as economic conditions, regulatory environment, competition, and technological advancements, which collectively impact their profitability, asset quality, liquidity, and overall stability within the country's banking sector (Uadiale & Fagbemi, 2019). The multifaceted aspect influenced by a multitude of factors shaping the country's banking setting. Economic conditions play a pivotal role, with factors such as GDP growth, inflation rates, and exchange rate stability impacting loan demand, credit quality, and interest income. Additionally, the regulatory environment set by the Central Bank of Nigeria (CBN) and other relevant authorities significantly affects banks' operations, with regulations governing capital adequacy, reserve requirements, and lending practices impacting profitability and risk management strategies (Wagle, 2020).

Furthermore, competition within the Nigerian banking sector, characterized by both traditional and non-traditional players, drives innovation and efficiency as banks strive to attract customers and expand market share. Technological advancements have also transformed the banking industry, with the adoption of digital banking platforms, mobile payments, and fin-tech solutions reshaping customer preferences and operational processes. Banks' ability to adapt to these technological shifts while maintaining robust cyber-security measures is critical to their competitiveness and long-term success (Yu & Choi, 2019). In analyzing the financial performance of commercial banks in Nigeria, key metrics such as return on assets (ROA), return on equity (ROE), net interest margin (NIM), and non-performing loan (NPL) ratios offer insights into their profitability, asset quality,

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and operational efficiency. Moreover, liquidity ratios and capital adequacy ratios provide indications of banks' ability to meet short-term obligations and regulatory requirements, ensuring financial stability and resilience (Adepoju, 2020). Overall, a comprehensive understanding of the financial performance of commercial banks in Nigeria requires a holistic assessment of economic trends, regulatory dynamics, competitive pressures, technological advancements, and key financial metrics, enabling stakeholders to gauge the sector's resilience, growth prospects, and contribution to the broader economy (Babalola & Abiodun, 2022).

One significant gap in understanding the financial performance of commercial banks in Nigeria pertains to the detailed analysis and disclosure of specific factors influencing their after tax profits, the effectiveness of credit risk management practices, and the impact of macroeconomic variables on asset quality, which are crucial for assessing the overall health and stability of the banking sector (Chapagain, 2020). This gap highlights the need for more granular data and transparency regarding the composition and drivers of non-performing loans within Nigerian commercial banks. Understanding the root causes of loan defaults, whether due to borrower insolvency, industry-specific challenges, or broader economic downturns, is essential for accurately assessing credit risk and making informed investment decisions. Moreover, insights into the effectiveness of banks' credit risk management practices, including underwriting standards, loan monitoring processes, and risk mitigation strategies, are crucial for evaluating their resilience to credit-related shocks and safeguarding depositor funds (Jain et al, 2021).

Additionally, a deeper analysis of the relationship between macroeconomic variables and asset quality is imperative for comprehensively assessing the financial performance of Nigerian commercial banks. Factors such as GDP growth, inflation rates, exchange rate volatility, and regulatory policies can significantly influence borrowers' ability to repay loans and the overall quality of banks' loan portfolios. By understanding how these macroeconomic factors interact with banks' lending activities and risk management frameworks, stakeholders can better anticipate potential credit risks and vulnerabilities within the banking sector (Friedman, 2020). Addressing this gap requires enhanced data collection, reporting standards, and regulatory oversight to ensure greater transparency and accountability in the Nigerian banking industry. By promoting more detailed disclosures regarding non-performing loans and their underlying drivers, regulators, investors, and other stakeholders can gain deeper insights into banks' credit risk profiles and financial resilience. Moreover, fostering a culture of proactive risk management and continuous monitoring of macroeconomic trends can help mitigate potential vulnerabilities and enhance the overall stability of the Nigerian banking sector, ultimately supporting sustainable economic growth and development (Gujarati, 2022).

In terms of environmental expenditure, First Bank is committed to promoting sustainability and mitigating environmental impacts through eco-friendly practices and initiatives. The bank invests in environmental conservation efforts, such as tree planting campaigns and habitat restoration projects, to protect natural ecosystems and biodiversity. Furthermore, First Bank integrates

environmentally responsible practices into its operations, including energy efficiency measures, waste reduction initiatives, and the adoption of renewable energy sources, aiming to minimize its ecological footprint and contribute to a healthier environment for present and future generations (Hou, 2019). By allocating resources to both social and environmental expenditures, First Bank demonstrates its holistic approach to corporate social responsibility, recognizing the interconnectedness of social, environmental, and economic factors in sustainable development. These investments not only benefit communities and the environment but also align with the bank's long-term business interests by fostering goodwill, enhancing brand reputation, and contributing to the overall socio-economic development and environmental sustainability of Nigeria (Ramzan et al, 2021).

Statement of problem

The statement of the problem in the financial performance of commercial banks in Nigeria, with profit after tax (PAT) as the dependent variable, involves identifying and investigating the key factors that influence variations in PAT among these banks, encompassing aspects such as regulatory constraints, economic fluctuations, operational efficiency, credit risk management practices, and market competition, with the aim of providing insights into enhancing profitability and sustainability within the Nigerian banking sector (Jitaree, 2019). The financial performance of commercial banks in Nigeria, as indicated by profit after tax (PAT), presents a complex and multifaceted problem that requires thorough investigation and analysis. Profit after tax serves as a crucial indicator of a bank's overall profitability and financial health, reflecting its ability to generate income while effectively managing costs and risks. However, the Nigerian banking sector faces various challenges that can impact PAT and contribute to fluctuations in profitability (Aras et al, 2020).

One significant factor affecting the financial performance of commercial banks in Nigeria is regulatory constraints. The banking industry in Nigeria operates within a regulatory framework set by the Central Bank of Nigeria (CBN) and other regulatory bodies, which impose prudential regulations, capital requirements, and risk management guidelines. Compliance with these regulations can impose costs on banks, affecting their profitability. Additionally, changes in regulatory requirements or policies can influence banks' operations and profitability, making it essential to assess the regulatory environment's impact on PAT (Chauvey et al, 2019).

Economic fluctuations also play a crucial role in shaping the financial performance of commercial banks in Nigeria. The country's economy is susceptible to factors such as fluctuations in oil prices, inflation rates, exchange rate volatility, and overall GDP growth. These macroeconomic variables can impact loan demand, interest income, credit quality, and operating expenses for banks, consequently influencing their PAT. Understanding the relationship between economic indicators and PAT is essential for evaluating banks' resilience to economic shocks and identifying strategies to mitigate risks.

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Operational efficiency is another key determinant of PAT for commercial banks in Nigeria. Efficient operations help minimize costs, streamline processes, and enhance revenue generation, thereby contributing to higher profitability. Factors such as technological advancements, digitalization, and process optimization can improve banks' operational efficiency and positively impact their PAT. Conversely, inefficiencies in operations, such as high overhead costs or ineffective resource allocation, can exert downward pressure on PAT (Sharma & Aggarwal, 2022). Credit risk management practices also significantly influence the financial performance of commercial banks in Nigeria.

The quality of banks' loan portfolios, their ability to assess and manage credit risk effectively, and the prevalence of non-performing loans (NPLs) can all affect PAT. High levels of NPLs can lead to increased provisioning expenses and loan write-offs, negatively impacting banks' profitability. Therefore, analyzing credit risk management practices and their impact on PAT is crucial for understanding banks' financial performance.

Furthermore, market competition is a pervasive factor shaping the financial performance of commercial banks in Nigeria. The banking sector in Nigeria is highly competitive, with numerous banks vying for market share across various segments. Intense competition can exert pressure on banks' margins, necessitating innovative product offerings, pricing strategies, and customer retention efforts to maintain profitability. Understanding the competitive dynamics within the banking sector and their implications for PAT is essential for banks to develop effective strategies for sustainable growth.

Objectives of the study

The main aim of this study was to examine the effect of corporate social responsibility expenditure on financial performance of First Bank Limited in Nigeria, using social expenditure and environmental expenditure as dimensions of corporate social responsibility and profit after tax as the measure of performance. The research questions addressed and hypotheses tested in this study were formulated on the basis of this broad objective. The review of related literature, methodology, results and discussion of findings, and summary, conclusion and recommendations are treated in the following sections of this article.

REVIEW OF RELATED LITERATURE

Conceptual Review

Corporate Social Responsibility

There exist numerous definitions of CSR, leading to considerable ambiguity and uncertainty surrounding its true meaning. Presently, CSR ranks as the second most significant factor influencing a company's reputation, following product quality (Simionescu & Dumitrescu, 2019). Also referred to as corporate conscience, corporate citizenship, social performance, or sustainable

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responsible business, CSR integrates social, environmental, ethical, and human rights concerns into a company's operations and core strategy, in close collaboration with stakeholders (Uwalomwa & Egbide, 2020). CSR activities encompass a range of endeavors, including charitable contributions, fundraising, donations, community regeneration, and environmental protection within areas where a company operates.

According to the World Business Council for Sustainable Development (WBCSD), CSR entails a continual commitment by businesses to behave ethically, contribute to economic development, and improve the quality of life for employees, their families, local communities, and society at large (Upadhyay-Dhungel & Dhungel, 2020). Schwartz and Saiia (2019) define CSR as a company's obligation to be accountable to all stakeholders in its operations and activities. Similarly, Business for Social Responsibility (BSR) defines CSR as achieving commercial success while upholding ethical values and respecting people, communities, and the natural environment (Yu & Choi, 2019).

CSR also involves addressing society's legal, ethical, commercial, and other expectations of business, making decisions that balance the interests of all key stakeholders fairly. In essence, CSR encompasses a comprehensive set of policies, practices, and programs integrated into business operations, supply chains, and decision-making processes throughout a company, supported and rewarded by top management (Gujarati, 2022). Carroll (2016) describe CSR as encompassing economic, legal, ethical, and discretionary expectations society holds for organizations at a given time. Ramzan et al. (2021) view CSR as a concept wherein an organization voluntarily initiates actions that positively impact its host community, environment, and people at large.

Across various definitions proposed by scholars, there is a common thread emphasizing that corporate organizations play a vital role in addressing societal issues beyond solely maximizing profits. However, it can be asserted that CSR revolves around how companies strategically manage their business processes to generate a positive impact on society. Essentially, it entails companies voluntarily deciding to contribute to societal betterment.

Social Expenditure

Social expenditure of commercial banks refers to the allocation of financial resources by these institutions towards initiatives and programs that contribute to societal well-being, including corporate social responsibility projects, community development initiatives, and investments in socially impactful ventures or sectors (Uwalomwa & Egbide 2020). Social expenditure by commercial banks encompasses a range of activities aimed at fulfilling their responsibilities beyond purely financial transactions. These initiatives often involve allocating resources towards projects and programs that address pressing social issues or contribute to the overall welfare of communities. One aspect of social expenditure for commercial banks involves corporate social responsibility (CSR) efforts, which can include donations to charitable organizations, sponsorship of community events, or environmental sustainability projects. By engaging in CSR activities,

banks demonstrate their commitment to ethical business practices and contribute to building a positive reputation among customers and stakeholders (Adeyanju & David 2019).

Additionally, commercial banks may invest in community development initiatives to support economic growth and social progress in underserved or disadvantaged areas. This could involve providing funding for affordable housing projects, small business loans, or educational programs designed to enhance skills and employability. Such investments not only benefit the communities in which banks operate but also contribute to long-term economic stability and prosperity. Furthermore, commercial banks may choose to invest in socially impactful ventures or sectors, such as renewable energy, healthcare, or education technology. These investments align with the growing trend of impact investing, where financial returns are sought alongside measurable social or environmental benefits. By directing capital towards enterprises that address societal challenges, banks play a crucial role in driving positive change and advancing sustainable development goals (Chapagain 2020).

Environmental Expenditure

Environmental expenditure of commercial banks refers to the allocation of financial resources by these institutions towards initiatives and projects aimed at mitigating environmental impacts, promoting sustainability, and supporting the transition to a low-carbon economy, encompassing activities such as investing in renewable energy projects, financing green infrastructure, and implementing environmentally-friendly policies and practices within their operations (Brown & Forster 2019). Environmental expenditure by commercial banks represents a significant commitment to addressing pressing environmental challenges and advancing sustainability goals. These initiatives encompass a broad range of activities aimed at reducing the environmental footprint of banks themselves while also supporting initiatives that promote environmental conservation and mitigate climate change impacts.

One key aspect of environmental expenditure for commercial banks involves investing in renewable energy projects. This may include providing financing for solar, wind, hydroelectric, or other forms of renewable energy generation. By supporting the development and expansion of clean energy infrastructure, banks contribute to reducing dependence on fossil fuels and decreasing greenhouse gas emissions (Amran 2019). Furthermore, commercial banks may allocate resources towards financing green infrastructure projects. This could involve funding initiatives such as sustainable transportation systems, energy-efficient buildings, or water conservation projects. By investing in infrastructure that is designed to minimize environmental impact and enhance resource efficiency, banks play a critical role in fostering sustainable development and resilience to climate change (Friedman, 2020).

In addition to external investments, commercial banks also invest in internal measures to reduce their own environmental footprint. This may include implementing energy-efficient technologies, reducing paper usage through digitalization initiatives, and adopting sustainable practices in their

operations and supply chains. By embracing environmentally-friendly policies and practices, banks demonstrate their commitment to environmental stewardship and set an example for other industries to follow (Jitaree, 2019). Moreover, environmental expenditure by commercial banks extends beyond direct investments to encompass advocacy and engagement efforts. Banks may use their influence to advocate for policies that support environmental conservation and climate action, engage with stakeholders to promote sustainability best practices, and collaborate with industry partners to drive collective action towards shared environmental goals (Pradhan & Chaudhary, 2020).

Financial Performance

The financial performance of commercial banks encompasses a comprehensive evaluation of their profitability, liquidity, asset quality, capital adequacy, and operational efficiency, reflecting their ability to generate returns for shareholders, manage risks effectively, and sustainably support economic growth and financial stability within the broader economy (Sen & Bhattacharya, 2021). The financial performance of commercial banks is a critical aspect of their operations, as it reflects their overall health, stability, and ability to fulfill their role within the financial system. Profitability is a key component of financial performance, indicating the bank's ability to generate revenue from its lending, investment, and fee-based activities while effectively managing expenses. This is typically measured by metrics such as net interest margin, return on assets, and return on equity (Wagle 2020).

Liquidity is another important aspect of financial performance, as banks must maintain sufficient liquid assets to meet withdrawal demands and fund new lending opportunities. Asset quality is also crucial, as it assesses the risk of loan defaults and the value of assets held by the bank. Non-performing loans, loan loss provisions, and the quality of collateral are factors that contribute to evaluating asset quality. Capital adequacy is essential for ensuring that banks have enough capital to absorb potential losses and remain solvent during periods of financial stress. Regulatory frameworks such as Basel III set minimum capital requirements to safeguard the stability of the banking system. Operational efficiency measures how effectively banks utilize resources to generate revenue and manage risks, encompassing factors such as cost-to-income ratio and efficiency ratios (Uadiale & Fagbemi, 2019).

Profit after Tax

Profit after tax (PAT) of commercial banks represents the net income earned by the institution after deducting taxes, serving as a key indicator of their financial performance, sustainability, and ability to generate returns for shareholders, while also reflecting the effectiveness of their operations, risk management practices, and overall competitiveness within the banking industry (Yu & Choi, 2019). Profit after tax (PAT) is a fundamental metric used to gauge the financial health and performance of commercial banks. It represents the net income generated by a bank after accounting for all expenses, including operating costs, interest payments, provisions for loan losses, and taxes. As a crucial indicator of profitability, PAT provides insights into a bank's ability

to generate returns for its shareholders and sustain its operations over the long term (Hou, 2019). A positive PAT indicates that the bank's revenues exceed its expenses, resulting in net earnings that can be distributed to shareholders as dividends or retained for future growth and investment. Conversely, a negative PAT suggests that the bank incurred losses during the period, which may raise concerns about its financial stability and operational efficiency (Chauvey et al, 2019).

Analyzing PAT over time allows stakeholders to assess the trajectory of a bank's financial performance and evaluate its profitability trends. Consistent growth in PAT indicates that the bank is effectively managing its resources, expanding its customer base, and maximizing revenue opportunities. Conversely, a decline in PAT may signal challenges such as increasing costs, deteriorating asset quality, or unfavorable market conditions that warrant further investigation and remedial action. Moreover, PAT is a crucial component of financial ratios and performance metrics used by investors, analysts, regulators, and rating agencies to assess the overall health and viability of commercial banks. It influences investment decisions, credit ratings, and regulatory compliance requirements, shaping the bank's access to capital markets, funding sources, and business opportunities (Adeyanju & David 2019).

CSR and Financial Performance

Various academic researchers have explored the relationship between CSR and financial performance to discern the sign of the relationship and the direction of causation (Wagle, 2020). While CSR focuses on the social responsibilities of businesses to their diverse stakeholders, financial performance assesses the outcomes of company policies and operations in monetary terms, typically reflected in ratios such as ROE, ROA, EPS, and ROCE.

Research findings on the relationship between CSR and financial performance have been categorized into three groups: those indicating a positive relationship (Jitaree, 2019; Friedman, 2020; Aras et al., 2020; Chapagain, 2020; Brown and Forster, 2019; Sharma and Aggarwal, 2022) argue that CSR enhances company value and image, ultimately improving financial performance. Conversely, those suggesting a negative relationship (Amran, 2019; Adeyanju and David, 2019; Chauvey et al., 2019) contend that embracing CSR detracts from stakeholder interests, as corporations should allocate resources solely to profit maximization, thus adversely impacting financial performance. These scholars highlight CSR activities such as charitable donations, community support projects, environmental protection initiatives, and educational support as potentially diverting resources from more economically profitable endeavors. Additionally, some researchers propose a neutral relationship (Simionescu and Dumitrescu, 2019; Uadiale and Fagbemi, 2019), positing that CSR has no significant impact on corporate financial performance. Given the conflicting results in determining the relationship between CSR and financial performance, it is evident that uncovering the linkage between these two key terms is a challenging task (Adhikari, 2020).

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On another note, a wide array of definitions of firm performance has been proposed in the literature, with both accounting and market definitions utilized to study the relationship between CSR and firm performance (Pradhan & Chaudhary, 2020). Financial performance serves as one criterion for assessing CSR in banks, with accountants and financial analysts employing ratios to qualitatively assess a firm's financial performance. Various types of ratios, including leverage, liquidity, activity, and profitability ratios, can be derived from financial statements, with a focus here on profitability and liquidity ratios for banks, as these ratios are critical factors for charitable contributions (Adepoju, 2020).

Theoretical Review

Various theoretical frameworks have been utilized to analyze the relationship between CSR and financial performance, including agency theory, legitimacy theory, stakeholder’s theory, Accountability theory, political economy theory, among others. However, the theoretical foundation guiding this study is stakeholder theory, which pertains to organizational management and business ethics, focusing on moral and ethical considerations in organizational governance.

Stakeholder Theory

Stakeholder theory seeks to address the fundamental question of who or what holds a significant place within an organization. It encompasses not only investors, customers, and suppliers but also governmental bodies, political groups, trade associations, trade unions, communities, affiliated corporations, potential employees, potential customers, and the broader public. According to Babalola & Abiodun (2022), stakeholder theory emphasizes the inclusion of diverse stakeholders in organizational decision-making processes. The stakeholder theory posits that businesses should not only prioritize the interests of shareholders but also take into account the concerns and well-being of all stakeholders affected by their operations.

This approach to corporate governance emphasizes a broader view of corporate responsibility beyond solely maximizing shareholder wealth. By integrating stakeholder interests into strategic decision-making processes, companies can enhance their corporate social responsibility (CSR) efforts. In embracing CSR initiatives such as environmental sustainability, ethical labor practices, community engagement, and philanthropy, companies demonstrate a commitment to addressing societal and environmental challenges. This not only benefits stakeholders directly impacted by the firm's operations but also contributes to the overall welfare of society. Moreover, CSR initiatives can lead to improved brand reputation, customer loyalty, and employee morale, all of which can positively influence financial performance in the long term. Thus, directing focus towards the realms of CSR initiatives undertaken by companies enhances their relationships with identified stakeholders, consequently leading to enhanced overall financial performance (Aras et al., 2019).

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Empirical Review

Chapagain et al (2024) examined the managerial understanding of corporate social responsibility in Nepal using an explanatory sequential research design. Primary data was gathered through the administration of a structured questionnaire on 168 managers; and a semi-structured interview of 20 senior managers of listed companies in Nepal. The results show that managerial understanding of CSR (based on corporate philanthropy, stakeholder approach and political CSR) were found to be significantly and positively influenced by firm size. The study recommended that policymakers may devise and update common core and firm-size-specific informational, fiscal-economic, legal and partnering instruments; while companies may go for appropriate institutional arrangements for CSR as needed.

Between the years 2002 and 2021, Nigerian banking institutions allocated significant funds toward infrastructure development, environmental conservation, charitable donations, scholarship programmes, and sports sponsorships. However, the endorsement of a Corporate Social Responsibility (CSR) policy by the Nigerian government in May 2008 aimed to promote ethical behavior in businesses. Gujarati (2022) conducted research on CSR and corporate financial performance (CFP), aggregating findings from 52 previous studies spanning 30 years. Their results affirmed a strong positive correlation between financial performance and CSR, utilizing the KLD index as proxy for CSR and metrics like P/E ratio, ROE, and ROA as proxies for financial performance.

Conversely, Jain et al. (2021) examined the relationship between CSR and financial performance over a five-year period (1996-2000), employing multiple regression analysis. Their study, which utilized financial performance measures such as ROA, ROE, EPS, and ROS of S&P firms, found a positive and statistically significant correlation between CSR and financial performance. Brown and Forster (2019) investigated the correlation between CSR and financial performance within the Australian context, employing cross-sectional regression analysis. Their findings indicated no significant correlation between these two variables, using proxies like ROA, ROE and ROS for financial performance (the independent variable) and CSR as the dependent variable. Ramzan et al. (2021) discovered a positive relationship between CSR disclosure and financial performance in emerging markets, utilizing descriptive statistics and Pearson correlation. Their study included proxies such as ROE, ROA, employee relations, environment, and community involvement.

Adhikari (2020) focused on the banking sector, specifically on the influence of CSR on the financial performance of Zenith Bank. However, limitations were noted regarding the study's scope, as it solely examined one bank instead of a representative sample. Despite this, the research concluded a positive relationship between CSR and financial performance. Dianita and Rahmawati (2022) observed a moderate positive relationship between CSR and financial performance in Nigerian financial institutions, utilizing multiple regression analysis on panel data. Their study incorporated philanthropic activities as a dimension of CSR (THE independent variables) and ROE, ROA as proxies for financial performance (dependent variables).

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Schwartz and Saiia (2019) explored the CSR-financial performance paradox using CAPM as the analytical technique. Their results demonstrated a significant positive relationship between CSR and financial performance, considering performance indicators such as ROE, ROI and ROA.

METHODOLOGY

Research Design

The ex-post facto research design was adopted for this study. Ex-post facto design was used since the researcher relied on historic (secondary) accounting data obtained from published annual reports and accounts of First Bank for a period of five years 2013-2022. Data collected for the study were analyzed using multiple linear regression analysis based on the ordinary least squares method with the aid of SPSS version 20 software following the model specified below.

Model Specification

To facilitate the analysis of data using OLS multiple regression, the study adapted the statistical model utilized by Etale and Levi=Owonaro (2023) as stated below:

$PAT = f\ (SXP, EXP)$

The above model was transformed into a mathematical equation as stated below:

$PAT = \beta_o + \beta_1 SXP + \beta_2 EXP + \mu$ Equation 1

Where;

PAT = Profit after tax

SXP = Social expenditure

EXP = Environmental expenditure

β_o = Intercept or constant

β_1 and β_2 = Coefficients of the independent variables to be determined

μ = the error term of the equation

RESULTS AND DISCUSSION

Results of Analysis

Table 1: Summarized Regression Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.960000	0.922000	0.899000	150.9941	2.986000

a. Predictors: (Constant), EXP, SXP
b. Dependent Variable: PAT

Source: SPSS Version 20 Output 2024

The summarized regression results in Table 1 indicates a strong relationship between the predictors (EXP and SXP) and the dependent variable (PAT), as evidenced by the high coefficient of determination (R-square = 0.922000), suggesting that approximately 92.2% of the variability in

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the dependent variable can be explained by the independent variables. Additionally, the Durbin-Watson statistic of 2.986000 suggests the absence of significant autocorrelation in the model's residuals.

Furthermore, the adjusted R-square value of 0.899000 indicates that approximately 89.9% of the variability in the dependent variable is accounted for by the independent variables, after adjusting for the number of predictors in the model, highlighting its robustness in explaining the variance. It also implies that the model is proper and good fit and can be relied on in forecasting the variables adopted in the study.

Table 2: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	185606.2	2	92803.13	41.17200	0.000100
	Residual	15778.39	7	2254.046		
	Total	201384.59	9			

a. Dependent Variable: PAT
b. Predictors: (Constant), EXP, SXP
Source: SPSS Version 20 Output 2024

The ANOVA results reveal a significant overall relationship between the predictors (EXP and SXP) and the dependent variable (PAT), as indicated by the highly significant F-statistic ($F = 41.172$, $p < .0001$). The large sum of squares for regression (185606.2) relative to the sum of squares for the residuals (15778.39) suggests that the model explains a substantial amount of the total variability in the dependent variable. Therefore, the model appears to provide a good fit to the data, with the predictors collectively contributing significantly to the variation observed in the dependent variable.

Additionally, the large mean square value for the regression (92803.13) compared to the mean square for the residuals (2254.046) further emphasizes the substantial contribution of the predictors in explaining the variance in the dependent variable, reinforcing the robustness of the model's predictive capacity.

Table 3: Summary of Multiple Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1961.360	625.2963		-3.136000	0.016000
	SXP	16.62710	5.315100	0.547000	3.128000	0.017000
	EXP	215.8844	81.17854	0.465000	2.659000	0.032000

a. Dependent Variable: PAT
Source: SPSS Version 20 Output 2024

The coefficients of both predictors variables, SXP and EXP in Table 3, indicates that the independent variables have statistically significant effects on the dependent variable, PAT. After controlling for other variables in the model, each additional unit increase in SXP is associated with an increase of 16.62710 units in PAT, with a standardized coefficient (Beta) of 0.547000, suggesting a moderately strong positive relationship. Similarly, for EXP, each additional unit increase corresponds to an increase of 215.8844 units in PAT, with a standardized coefficient of 0.465000, indicating a positive relationship, albeit slightly weaker compared to SXP. The negative constant term suggests that when all predictors are zero, PAT is estimated to be -1961.360 units, although this may not be meaningful in the context of the data. Overall, these findings provide insights into the direction and strength of the relationships between the predictors and the dependent variable, helping to better understand the factors influencing PAT.

Furthermore, the statistically positive and significant t-values (SXP: 3.128000, EXP: 2.659000) and corresponding p-values (SXP: 0.017000, EXP: 0.032000) indicate that these coefficients are unlikely to have occurred by chance, reinforcing the reliability of the associations observed between the predictors and the dependent variable.

Test of Hypotheses

Hypothesis One
There is no significant relationship between social expenditure and profit after tax of First Bank. From Table 3, the p-value of social expenditure (SXP) is 0.017 which is less than 0.050 acceptance level of significance. It means that SXP has significant effect on PAT of First Bank; and this is positive since the Beta value is 16.62710. Therefore, the null hypothesis is rejected. SXP has significant positive effect on PAT.

Hypothesis Two
There is no significant relationship between environmental expenditure and profit after tax of First Bank. Again from Table 3, the p-value of environmental expenditure (EXP) is 0.032 which is less than 0.050 acceptance level of significance. It means that EXP has significant effect on PAT of First Bank; and this is positive since the Beta value is 215.8844. Therefore, the null hypothesis is rejected. EXP has significant positive effect on PAT.

The test of the study hypotheses using the regression results in Table 3 revealed that both SXP and EXP have significant positive effect on PAT. This implies that corporate social responsibility investment has significant positive effect on financial performance of First Bank.

DISCUSSION OF FINDINGS

The analysis reveals a statistically significant positive relationship between social expenditure and the profit after tax of First Bank Ltd, indicating that higher levels of social expenditure are

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associated with increased profitability for the bank. The findings suggest that First Bank Ltd may benefit financially from its investments in social expenditure initiatives. This positive effect implies that allocating resources towards social endeavors, such as corporate social responsibility programs, community development projects, or philanthropic activities, not only fulfills ethical and social obligations but also contributes to the bank's bottom line. This insight emphasizes the potential for a symbiotic relationship between corporate social responsibility and financial performance, highlighting the strategic importance of integrating social initiatives into business operations. As such, further exploration into the specific mechanisms through which social expenditure impacts profitability could provide valuable insights for optimizing resource allocation and enhancing both social and financial outcomes for First Bank Ltd. The research aligned with the findings of Brown and Forster (2019) and Adhikari (2020).

The analysis of the data pertaining to First Bank Ltd reveals a notable and statistically significant positive effect of social expenditure on the bank's profit after tax. This finding indicates that the bank's investments in social initiatives have a beneficial impact on its financial performance. Such a result emphasizes the importance and potential benefits of incorporating corporate social responsibility (CSR) practices into the bank's operations. By allocating resources towards initiatives that contribute to social welfare, such as community development projects, education programs, or environmental sustainability efforts, First Bank Ltd not only fulfills its ethical responsibilities but also enhances its financial well-being. This positive association suggests that as the bank increases its social expenditure, it can expect to see a corresponding improvement in its profitability. Moreover, this finding highlights the potential for synergy between social responsibility and financial success, suggesting that socially responsible actions can serve as a driver of competitive advantage and long-term sustainability for First Bank Ltd. Consequently, further exploration into the specific mechanisms through which social expenditure influences profitability could provide valuable insights for strategic decision-making and resource allocation within the bank, ultimately fostering a more holistic approach to business that prioritizes both financial prosperity and social impact.

The analysis reveals a statistically significant positive relationship between environmental expenditure and the profit after tax of First Bank Ltd, suggesting that the bank's investments in environmental initiatives positively impact its financial performance. The examination of the data concerning First Bank Ltd unveils a noteworthy and statistically significant positive effect of environmental expenditure on the bank's profit after tax. This finding suggests that the bank's commitments to environmental initiatives contribute positively to its financial outcomes. Such a result emphasizes the importance of incorporating environmental responsibility into the bank's operations, aligning with principles of sustainability and corporate citizenship. By directing resources towards initiatives that promote environmental sustainability, such as renewable energy projects, waste reduction strategies, or carbon offset programs, First Bank Ltd not only fulfills its ethical obligations but also enhances its financial performance. This positive association implies that as the bank increases its environmental expenditure, it can anticipate a corresponding

improvement in profitability. Furthermore, it highlights the potential for environmental stewardship to serve as a catalyst for competitive advantage and long-term viability for First Bank Ltd in an increasingly environmentally conscious market. Therefore, deeper investigation into the specific mechanisms through which environmental expenditure influences profitability could offer valuable insights for strategic decision-making and resource allocation within the bank, fostering a more comprehensive approach to business that integrates financial success with environmental sustainability. The study was consistent with the research conducted by Schwartz and Saiia (2019). The thorough analysis of First Bank Ltd's data reveals a compelling and statistically significant positive relationship between environmental expenditure and the bank's profit after tax. This finding emphasizes the impactful role of the bank's environmental initiatives on its financial performance, suggesting that investments in environmental sustainability yield tangible benefits for profitability. By prioritizing environmental responsibility and allocating resources towards initiatives such as renewable energy adoption, waste management, or eco-friendly practices, First Bank Ltd not only fulfills its corporate obligations but also enhances its competitive position and long-term viability in an increasingly environmentally conscious market. The observed positive association implies that as the bank increases its environmental expenditure, it can expect to see a corresponding improvement in its financial outcomes. Moreover, this finding highlights the potential for environmental stewardship to drive innovation, attract socially conscious customers, and mitigate risks associated with environmental degradation and regulatory changes. Thus, further exploration into the specific mechanisms linking environmental expenditure to profitability could provide valuable insights for strategic planning and resource allocation within First Bank Ltd, paving the way for sustainable growth and responsible corporate citizenship.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

This investigated the effect of corporate social responsibility investments on financial performance of First Bank in Nigeria. The findings of the study are summarized as follows:

1. Social expenditure has a significant positive effect on profit after tax of First Bank Limited in Nigeria; and
2. Environmental expenditure has significant positive effect on profit after tax of First Bank Limited in Nigeria.

Conclusion

The study examined the nexus between corporate social responsibility and financial performance of First Bank Limited in Nigeria. The financial performance of commercial banks in Nigeria pertains to the detailed analysis and disclosure of specific factors influencing the after tax profit, the effectiveness of credit risk management practices, and the impact of macroeconomic variables on asset quality, which are crucial for assessing the overall health and stability of the banking sector. The specific objectives of the stud were to: ascertain the effect of social expenditure on profit after tax; and determine the effect of environmental expenditure on profit after tax of First

Bank Limited. Ex-post facto design was adopted for this study. Ex-post facto design was used since the researcher relied on historic or secondary accounting data obtained from published annual financial statements of the bank for a period of ten years covering 2013 to 2022. The study employed the OLS based multiple regression analysis technique to analyze data. The finding of the study indicates that there is a positive and significant effect of social expenditure on profit after tax, and there is also a positive and significant effect of environmental expenditure on profit after tax of First Bank Limited. The study concluded that there is significant effect of corporate social responsibility on financial performance of First Bank.

Recommendations

1) Based on the observed positive effect of social expenditure on the profit after tax of First Bank Ltd, it is recommended that the bank continues to prioritize and potentially increase investments in social initiatives, ensuring alignment with its corporate objectives and stakeholder expectations, as this strategic approach not only enhances the bank's financial performance but also strengthens its reputation, customer trust, and overall societal impact.
2) Given the significant positive impact of environmental expenditure on the profit after tax of First Bank Ltd, it is advisable for the bank to further integrate and expand its environmental sustainability initiatives, leveraging opportunities to invest in eco-friendly technologies, green infrastructure, and sustainable practices, as this proactive approach not only contributes to financial gains but also reinforces the bank's commitment to environmental stewardship, regulatory compliance, and long-term resilience in the face of evolving environmental challenges and market expectations.

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