

CORPORATE SOCIAL RESPONSIBILITY COSTS AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The study investigated the effect of corporate social responsibility costs on financial performance of listed deposit money banks in Nigeria. The specific objectives were to ascertain the effect of community development cost, health and safety cost, social regulation cost on net profit margin. The study collected secondary data from the annual reports of fifteen banks listed on the Nigeria Stock Exchange from 2015 to 2024. Eight of the banks were used as sample of this study using purposive sampling techniques. The method of data analysis was descriptive statistic, unit root test, Heteroskedasticity Diagnostic Test such as Breusch-Pagan-Godfre Heteroskedasticity test, Harvey Heteroskedasticity Test and Heteroskedasticity Test: Glejser. Finally the study adopted Auto Regressive Distributive Lag (ARDL) model with the help of E-view v10. Findings revealed, community development cost has negative and insignificant effect on net profit margin of listed deposit money banks in Nigeria in term of short run but in the term of long run, Community development cost has positive and insignificant effect on net profit margin of listed deposit money banks in Nigeria. Health and safety cost has negative and significant effect on net profit margin of listed deposit money banks in Nigeria in both short run and long run. Furthermore, social regulation cost has positive and significant effect on net profit margin of listed deposit money banks in Nigeria in both short run and long run. The study generally concluded that that there is significant effect of corporate social responsibility costs on financial performance of listed deposit money banks in Nigeria. The study recommended, among others, that; recruitment, hiring and training of competent personnel are very essential in facilitating not only the level of productivity but also the development of personnel in any organization. The bank therefore, should take staff training seriously.

Keyword: *Community Development Cost, Health and Safety cost and Social Regulation Cost*

Introduction

Understanding the interaction effect of corporate social responsibility (CSR) on financial performance within the Nigerian banking sector is essential for evaluating the long-term sustainability and profitability of financial institutions. 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 (Bariweni, 2024; Primasari, 2024 and Newstyle et al., 2024). From community perspective, every corporate organization is implicitly responsible to its host community. A business that is operating in a particular community can only have peace and earn the unwavering support of the people in that community, if it has a structure in place that emphasizes the development of

host community (Ogunsola, 2024). Organizations can contribute to the development of their host community in different ways, for example, by building free or affordable modern health care facilities for the people in the community, by constructing good roads in the community, by giving tertiary education scholarship or bursary to the youths in the community, and by empowering the unemployed graduates in the community. All these are expected to give a sense of belonging to the people in the community, thereby making it a responsibility for them to allow a peaceful coexistence between the company and the community (Brooks & Oikonomou, 2018). This is important for the survival of a business in the market.

Statement of the Problem

The integration of corporate social responsibility cost into financial performance assessments is challenged by inconsistent reporting practices and regulatory uncertainties surrounding corporate social responsibility cost. These inconsistencies make it difficult to accurately assess the effect of CSR initiatives on financial performance. Reliable and standardized reporting frameworks are essential for stakeholders to evaluate the effectiveness of CSR activities comprehensively. By addressing these challenges, banks can better demonstrate the tangible benefits of CSR, thereby fostering greater trust and engagement from stakeholders. In this context, the study aims to provide empirical evidence on how CSR investments influence key financial metrics, offering valuable insights for policymakers, regulators, and banking institutions striving for sustainable development. This comprehensive understanding is crucial for developing policies and strategies that align financial performance with broader social and environmental goals, ensuring that the banking sector contributes positively to societal well-being while maintaining its financial robustness.

Previous studies have produced conflicting results, necessitating further investigation to elucidate the specific ways in which CSR activities influence financial performance. Such studies includes; Oladele and Tedekon (2024), Ogunsola (2024), Arifin (2024), Izevbekhai and Mansur (2024), Bariweni (2024), Hermawan et al (2023), Newstyle (2022) etc. These studies on the effect of corporate social responsibility costs on financial performance have revealed mixed results. As a consequence, there are no conclusive findings on the effect, impact, relationship between social responsibility costs and financial performance, both in global and Nigeria contexts. In addition, most studies have been carried out in the oil and gas sector, few in the manufacturing sector. To the best of our knowledge none of the prior studies used social regulation cost as a dimension of corporate social responsibility against financial performance of listed deposit money banks in Nigeria which created a gap. Hence, this study sought to investigate the effect of corporate social responsibility costs on financial performance of listed deposit money banks in Nigeria.

Aim and Objectives of the Study

The aim of the study was to evaluate the effect of corporate social responsibility costs on financial performance of listed deposit money banks in Nigeria. The specific objectives are to:

1. determine the effect of community development cost on net profit margin of listed deposit money banks in Nigeria,
2. investigate the effect of health and safety cost on net profit margin of listed deposit money banks in Nigeria,
3. examine the effect of social regulation cost on net profit margin of listed deposit money banks in Nigeria,

Research Questions

The study was guided by the following research questions:

1. How does community development cost affect net profit margin of listed deposit money banks in Nigeria?

2. How does health and safety cost affect net profit margin of listed deposit money banks in Nigeria?
3. What extent does social regulation cost affect net profit margin of listed deposit money banks in Nigeria?

Research Hypotheses

The following research hypotheses were formulated to guide the study;

- H₀₁:** Community development costs have no significant effect of net profit margin of listed deposit money banks in Nigeria,
- H₀₂:** The effect of health and safety cost on net profit margin of listed deposit money banks in Nigeria is not significant,
- H₀₃:** There is no significant effect of social regulation cost on net profit margin of listed deposit money banks in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

1. **Corporate Social Responsibility Costs:** 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 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.
2. **Community development cost:** Community development, an aspect of organizations social responsiveness holds that companies have a duty towards the society and business decisions should be linked to ethical values and respect for individuals, society and environment. Thus, organizations as corporate citizens are expected to give back to the society especially communities where they operate (ICAN, 2014). Community development aligns with the philanthropic expectation placed on organizations at any given time Carrol, (1991). Also, Oti et al. (2017) emphasized that community development is anchored on firm's initiative at cushioning the effect of their externalities on the host communities. Disclosure on community developments costs depict a firm in good light and convince stakeholders that an organization performs its operations ethically. Dessy and Rosita, (2015) posited that utilizing local labour in a community as a form of job expansion strategy is very important as it reduces labour cost incurred by the company and impacts positively on the community.
3. **Health and Safety Cost:** Health, just like education, is a form of human capital. In the Grossman (1972) model, the most common theoretical framework describing individual decisions related to health, people invest in their health because it serves two purposes. First, health enters the utility function, meaning that it provides utility on its own. Second, and most importantly for our study, the stock of health determines the amount of sick time the person will have to spend away from work and, implicitly, the total income that the person earns in the

labor market. Recent extensions of the model allow for a further role of the health stock, which is that it can affect the productivity of a person at work (e.g., French, 2005; Jacobson, 2000). One general implication is that people respond to health shocks by increasing their investments in health, typically through higher use of medical services.

4. **Social regulation cost:** It is common practice around the world that regulations are applied by both government and regulatory bodies in various sectors of the economy to help shape these economies and society at large. According to Maina and Okech (2018), these regulations are set to enthrone good governance that will engender growth and development and help organizations and society achieve broader objectives of socioeconomic welfare and environmental sustainability and establish the rule of law. Most of these regulations or rules elicit compliance from firms in these sectors, resulting in costs that affect the performance of the companies. According to Yusuf and Ekundayo (2018), the banking sector is highly regulated to ensure discipline and encourage good conduct. Austin (2021) classifies social regulation cost into three dimensions to include (1) All fees and charges paid for any professional services rendered to the firm or person (2) All cost of legal services rendered or disbursement made and (3) all court costs and similar legal expenses. Similarly, Sundgren and Svanström (2014) maintain that social regulation costs include all fees and charges duly documented and payable for professional and legal services. Legal Costs may be incurred by a person or firm in defense of an action, resulting in liabilities (Okezie & Okereke, 2023).
5. **Financial Performance:** Financial performance is an analysis carried out to see how a company has performed by using financial implementation regulations properly and correctly. Financial performance serves as an indicator of a company and a standard for investors when making investment decisions for the company as a whole (Porzio et al., 2023). Financial performance is the goal of every company to achieve these goals, so the company can be assessed as having good financial performance Nguyen et al. (2021). According to Ezuma (2022), financial performance refers to the act of performing financial activity. In a broader sense, financial performance refers to the degree to which financial objectives are being or have been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.
6. **Net Profit Margin (NPM):** According to Tulsian (2014) NPM ratio shows the relation between net sales and net profit. NPM is achieved by dividing Net income by total revenue. He stated further that the ratio is computed to determine the efficiency of organization business. A higher ration implies a better operational efficiency of the organization. Net profit margin (NPM) is also known as profit margin or net profit margin ratio, is a financial performance ratio used to calculate the percentage of profit a company produces from its total revenue. It measures the amount of net profit a company obtains per naira of revenue gained. The NPM is equal to net profit also known as net income divided by total revenue expressed as a percentage(%). It is calculated mathematically as;

$$\text{Net Profit margin} = \frac{\text{Profit After Tax}}{\text{Total Revenue}} * 100$$

Theoretical Review

Stakeholder Theory

The stakeholder theory was developed by Freeman (1984), the theory suggests that a business has a key goal of meeting the needs of stakeholders (employees, customers or clients, investors, and the public as a whole), especially those that can influence the generation of profits for the business (Freeman, 1984; Rahman & Chowdhury, 2020). Companies engaging in socially responsible practices gain a competitive advantage in the business, as it attracts more investors to the company and it also reduce operating costs (Nguyen, 2018). Companies buy human resources and raw

materials from society to produce and deliver products and services to society. When waste of this process is disposed of, society bears the consequences. In turn, a disruption in the relationship may evolve which may result in society boycotting the company's product, ultimately leading to a decrease in revenues and profits. Hence, CSR investment is necessary to avoid this negative consequence. The theory focuses on the relationship between managers and stockholders whereby the former being an agent is expected to maximize profit for the latter (Tanggamani et al., 2018). This theory might explain why CSR does not enhance financial performance when managers' decision is detrimental to the shareholder's objective. Furthermore, the fact that the company incurs a cost when investing in CSR gives a competitive disadvantage to the firm, resulting in a negative synergy which explains the negative impact of CSR on financial performance (Tanggamani et al., 2018). The Stakeholder Theory provides a comprehensive framework for understanding the relationship between CSR and financial performance, highlighting the importance of stakeholder engagement, alignment of interests, and long-term sustainability in driving positive outcomes for companies. Applying this theoretical lens can help elucidate the mechanisms through which CSR initiatives influence financial performance metrics in the context of listed deposit money banks in Nigeria.

Empirical Review

Newstyle et al. (2024) evaluated the effect of corporate social responsibility costs on firm value of listed agricultural firms in Nigeria. The study adopted an ex-post facto research design. The population of the study was five (5) listed agricultural firms in the Nigerian Exchange Group were sampled to the same five (5) using census sampling technique. The data used in this study was sourced from annual reports and statement of accounts of the selected firms between 2013 and 2022. The method of data analysis was descriptive statistic, unit root test, diagnostics test, and multiple regression of Panel Least Square (PLS) with the help of E-view 10. The study results disclosed that, there is a positive and insignificant effect of community engagement cost on Tobin's Q and book value of equity of listed agricultural firms in Nigeria, there is a positive and insignificant effect of legal duties cost on Tobin's Q of listed agricultural firms in Nigeria, there is a negative and insignificant effect of community engagement cost on book value of equity in listed agricultural firms in Nigeria, there is a positive and insignificant effect on the relationship between corporate social responsibility cost and Tobin's Q of listed agricultural firms in Nigeria, and finally, there is a positive and insignificant effect on the relationship between corporate social responsibility cost and book value of equity of listed agricultural firms in Nigeria. Based on the findings, the study concluded that there is positive and insignificant effect of corporate social responsibility costs and firm value of listed agricultural firms in Nigeria. The study recommended amongst others that companies should evaluate the potential risks and opportunities associated with community engagement initiatives and incorporate them into firm value. This ensures that the financial implications of community engagement related risks and opportunities are adequately considered when determining firm value.

Jiatai and Xiangyi (2024) examined the relationship between CSR and company financial outcomes using statistical regression analysis. The primary sources of data for this research are the CSMAR database and data from HX. Data encompassing the period from 2010 to 2020 from publicly traded companies in the information Consumer goods sector are collected and organized. The study adopted regression analysis. Strong evidence is noted that the relationship of financial outcomes with Corporate Social Responsibility (CSR) activity postulates a positive relationship amid CSR's shareholder accountability and both the comprehensive CSR index and corporate performance. These findings point out that integration of ESG criteria in investment decisions is important because they provide insight that a company is bound to sustain and meet up with its resistance in the long run. Further, research has outpointed the significance of corporate governance directing CSR efforts towards infusing business with transparency and responsibility. Focusing on sustainability and social responsibility enhances the way a company is perceived, attracts investment, and helps to mitigate

risks linked with the environment and society. These are the main observations that underline the importance of public awareness and the necessity for organizations to develop future-oriented CSR approaches that would positively feed into a more sensitive corporate environment and sustainable economic development.

Nyahuna and Doorasamy (2023) evaluated the nexus between CSR and the financial performance of 42 Johannesburg Stock Exchange (JSE) listed mining companies. The study followed a quantitative research approach with a correlational non-experimental research design. Data were collected from 2013 to 2021. Financial performance was the dependent variable proxied by return on equity, return on assets and earnings per share. The independent variable of this research consisted of a CSR index based on the Boston College Carroll School of Management Center for Corporate Citizenship reports. The findings show that return on assets was positively and significantly linked to return on assets. Two financial performance measures (earnings per share and return on equity) displayed no significant relationship with CSR. It was concluded that if companies adopt the right CSR initiatives can increase financial performance. From a practical standpoint, this study contributes towards developing CSR policies and functions as a trigger for listed companies to improve financial performance from CSR.

Bikrant and Nimisha (2023) examined impact of corporate social responsibility on financial performance: A comprehensive analysis of Indian firms. The study utilizes data collected from annual reports of listed companies in the National Stock Exchange (NSE), Annual CSR reports, and the website www.CSRbox.in. Secondary data analysis uses SPSS, employing linear regression and correlation analysis techniques. The findings reveal a significant and very low positive relationship between CSR and key financial indicators, including return on assets (ROA), return on equity (ROE), and profit before tax (PBT), when controlling for firm size. Therefore, it can be concluded that there exists a significant low positive relationship between CSR and financial performance. The implications of this study are relevant for academicians and the corporate world, providing insights into the relationship between CSR and financial performance in developing countries like India. Furthermore, the study highlights that CSR represents the efforts of companies in India to address societal issues, going beyond mere legal compliance. The data was used to analyse solvency and profitability indicators such as PBT, ROI, ROE, ROA, and liquid ratio.

Narwastu (2023) determined the effect of corporate social responsibility on financial performance moderated by Good Corporate Governance in construction and building sub-sector companies listed on the Indonesia Stock Exchange for the 2019-2021 periods. The quantitative methodology was used in the study. Purposive sampling was used for the study's sampling, which produced final sample of 13 businesses. The information used in this study is secondary data. The results of this study indicate that: (1) economic dimension information has a significant positive effect on financial performance, (2) environmental dimension information has significant negative effect on financial performance, (3) social dimension information has insignificant negative effect on financial performance, (4) GCG can moderate the relationship of information on the environmental dimension to financial performance (5) GCG cannot moderate the relationship between information on the economic dimension and information on the social dimension on financial performance.

Nestor and Chijioke (2023) ascertained the effect of Corporate Social Responsibility on Financial Performance of quoted oil and gas firms in Nigeria from 2009-2021. Specifically, this study ascertained the effect of Donation on Net Profit Margin, Return on Assets, Return on Equity of quoted Oil and Gas firms. The study employed ex-post facto research design. The sample size of the study consists of seven quoted oil and gas firms in Nigeria. Pearson Coefficient Correlation and simple linear regression analysis were employed via E-View 9.0. The study found a significant positive relationship between Net Profit Margin, Return on Assets, Return on Equity and Donations

at 5% level of significance respectively. The implication of the findings is that CSR implementation maximizes future returns for oil and gas firms in Nigeria. It was recommended among others that Oil and Gas firms in Nigeria should make effort to increase their commitment to social responsibility activities such as community projects and environmental protection in order to improve financial performance.

Methodology

The study employed ex-post facto research design due to the nature of this research, there is no manipulation of factors. The population of the study consisted of fifteen (15) deposit money banks listed on the floor of the Nigerian Exchange Group as at 31st December 2024. The sample size of this study consisted of eight (8) listed deposit money banks in Nigeria as from 1st January, 2015 -to- 31st December, 2024. This study utilized purposive (Judgmental) sampling technique. The reason for chosen the purposive sampling technique was due to availability of the panel data chosen for the time frame for the sample deposit money banks.

Table 1 Measurement of variables

Dimensions/Measures with Abbreviation	Category	Measurements	Authors Source
Community development cost (CDC)	Independent Variable	Natural log of donation and charity	Kankpang et al (2024), Aaron & Jonah (2024), Ebe et al (2023), Eke et al (2024)
Health and Safety Cost (HSC)	Independent Variable	Natural log of medical expense or security expense	Newstyle (2022), Graciella and Hatane (2023), Hermawan et al. (2023).
Social regulation cost (SRC)	Independent Variable	Natural log of Legal Fee	Okezie & Okereke (2023).
Net Profit Margin (NPM)	Dependent Variable	Net profit Total Revenue	Izevbekhai and Mansur (2024), Bariweni (2024)

X 100

Method of Data Analyses

This study employed descriptive statistics; unit root tests, Heteroskedasticity Diagnostic Test such as Breusch-Pagan-Godfre Heteroskedasticity test, Harvey Heteroskedasticity Test and Heteroskedasticity Test: Glejser. Finally the study adopted Auto Regressive Distributive Lag (ARDL) model was employed to ascertain the long run and short run coefficients of the dimensions of the study with the help of E-views version 10.

Model Specification

The model's specifications were made in a way that it answered the study's specific goals. In carrying out this research work on the effect of corporate social responsibility costs on the financial performance, we developed a compact form of our as follows:

Model: Net Profit Margin (NPM) Model

$NPM = f(CDC, HSC, SRC) \dots\dots\dots i$

From equation 1, the econometric form is stated thus:

$NPM_{it} = a_0 + a_1CDC_{it} + a_2HSC_{it} + a_3SRC_{it} + U_{it} \dots\dots\dots ii$
 $a_1 > 0; a_2 > 0; a_3 > 0$

Where:

- NPM= Net Profit Margin as proxy for financial performance
- CDC = Community development cost as proxy for corporate social responsibility cost
- HSC = Health and Safety Cost as proxy for corporate social responsibility cost

SRC = Social regulation cost as proxy for corporate social responsibility cost

t = time period under study

a_0 = constant

a_1 - a_3 = parameter or coefficient of explanatory variable

u = error term

Data Analysis and Discussion of Findings

Descriptive Analysis

Table 2: Descriptive Statistics of the Variables

	BOS	CDC	HSC	SRC	NPM
Mean	12.63750	3.742817	3.959561	5.385405	39.60056
Median	12.00000	3.691223	3.583615	4.811398	25.53992
Maximum	20.00000	6.677043	6.954725	7.761653	258.3167
Minimum	10.00000	0.778151	1.041393	2.727541	3.331612
Std. Dev.	2.511965	1.680212	1.816848	1.494313	44.06652
Skewness	1.061546	-0.021564	0.054963	0.019080	2.926708
Kurtosis	3.458306	1.900635	1.640998	1.770744	13.91107
Jarque-Bera Probability	15.72521 0.000385	4.034878 0.132996	6.196569 0.045127	5.041753 0.080389	511.0468 0.000000
Sum	1011.000	299.4253	316.7649	430.8324	3168.044
Sum Sq. Dev.	498.4875	223.0258	260.7740	176.4047	153406.8
Observations	80	80	80	80	80

Source: Researcher Computation, (2025) using E-Views 10

The table above disclosed that, net profit margin reported a mean, median, standard deviation value as 39.60055; 25.53992; and 44.06652 respectively highlighted the minimum and maximum net profit margin ranges from 3.331612 to 258.3167 turnovers for the time period observed among the sampled listed deposit money banks in Nigeria. The community development cost (CDC) has a mean, median, standard deviation value as 3.742817; 3.691223; and 1.680212 respectively that highlighted the minimum and maximum community development cost (CDC) ranges from 0.778151 to 6.677043 donations for the time period observed among the sampled listed deposit money banks in Nigeria. The health and safety cost (HSC) revealed a mean, median, standard deviation value as 3.959561; 3.583614; and 1.816848 respectively whereby the minimum and maximum health and safety cost (HSC) ranges from 1.041393 to 6.954725 held for the time period observed among the sampled listed deposit money banks in Nigeria. The social regulation cost (SRC) disclosed a mean, median, standard deviation value as 5.385405; 4.811398 and 1.494313 respectively that highlighted the minimum and maximum compensation cost ranges from 2.727541 to 7.761653 for the time period observed among the sampled listed deposit money banks in Nigeria. The skewness statistics indicated that two out of the three dimensions of corporate social responsibility cost (HSC and SRC) are positively skewed which showed the variables has a long right tail while CDC indicated negative skewed which means CDC has short right tail. Also, the the measure of financial performance (NPM) is also positively skewed which shown the variables has a long right tail. The information provided by kurtosis result demonstrated that NPM have a mesokurtic values which is greater the kurtosis value (3) for the time period observed among the sampled listed deposit money banks in Nigeria while CDC, HSC and SRC have a lesokurtic values which is less the kurtosis value (3) for the time period observed among the sampled listed deposit money banks in Nigeria. Finally, the Jarque-Bera test statistics disclosed that probability values (0.132996 and 0.080389) of the variables (CDC and SRC) are greater than the 5% critical level implying that the data set is normally

distributed while 0.045127 and 0.000000 which implies that HSC and NPM variables are less than the 5% critical level implying that the data set is not normally distributed.

Table 3 Unit Root Test Results

Variable	ADF FISHER						Order of integration	Remark
	At Level			At 1 st Differences				
	t-Statistic	ADF	Prob	t-Statistic	ADF	Prob		
CDC	-2.473167	0.1259		-8.709672	0.0000		I(1)	Stationary
HSC	-2.160137	0.2224		-8.564475	0.0000		I(1)	Stationary
SRC	-2.051533	0.2647		-8.653496	0.0000		I(1)	Stationary
NPM	-5.590544	0.0000		-	-		I(0)	Stationary

Source: Researcher Computation, (2025) using E-Views 10

The empirical results of the ADF - Fisher unit root test at 5 percent critical levels in table 4.2 above shows that only two variables of interest are I(0), that is, stationary at levels. Their p-values are less than 5% with respect to ADF - Fisher Chi-square Prob while three variables of interest are I(1), that is stationary at 1st differences. Due to the mixed order of integration, the researcher changes the intended method of data analysis from multiple regression to ADRL model method of data analysis and also conducted Johansen Cointegration Test.

Diagnostic Test**Table 4: Results of Diagnostic Test for the Model (NPM)**

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	3.191055	Prob. F(2,29)	0.2400
Obs*R-squared	5.250764	Prob. Chi-Square(2)	0.0822

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.234841	Prob. F(8,31)	0.3124
Obs*R-squared	9.666373	Prob. Chi-Square(8)	0.2892
Scaled explained SS	5.729026	Prob. Chi-Square(8)	0.6776

Heteroskedasticity Test: Harvey

F-statistic	1.068758	Prob. F(8,31)	0.4095
Obs*R-squared	8.647333	Prob. Chi-Square(8)	0.3729
Scaled explained SS	7.610632	Prob. Chi-Square(8)	0.4724

Heteroskedasticity Test: Glejser

F-statistic	1.366377	Prob. F(8,31)	0.2496
Obs*R-squared	10.42762	Prob. Chi-Square(8)	0.2363
Scaled explained SS	7.561587	Prob. Chi-Square(8)	0.4774

Source: Researcher Computation, (2025) using E-Views 10

The result of diagnostic tests is reported in Table 4 above. The result of the serial correlation test using Breusch-Godfrey LM test indicates that the series is statistically insignificant, signifying that the Auto Regressive Distributive Lag terms are not serially correlated. This implies that Auto Regressive Distributive Lag terms are independent implying that the Auto Regressive Distributive Lag in one period does not depend on the Auto Regressive Distributive Lag in another period; therefore, we accept the null hypothesis of no serial correlation. Also, the table 4.7 above showed

the heteroskedasticity diagnostic test using Breusch-Pagan-Godfre heteroskedasticity test, Harvey heteroskedasticity test and Heteroskedasticity Test: Glejser as the criteria for decision. The results of heteroskedasticity test illustrate a high P-values, this suggests an acceptance of the null hypothesis and conclude that there is no heteroskedasticity in the model.

Table 5: ARDL Long Run Form and Bounds Test

Dependent Variable: D(NPM)

Selected Model: ARDL(1, 0, 0, 0, 0)

Case 2: Restricted Constant and No Trend

Date: 02/16/26 Time: 04:49

Sample: 1 80

Included observations: 79

Levels Equation				
Case 2: Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CDC	-3.863437	9.763752	-0.395692	0.6935
HSC	-24.11117	8.877440	-2.716004	0.0082
SRC	19.88565	9.071410	2.192124	0.0316
C	79.61302	34.92295	2.279676	0.0256

$$EC = NPM - (-3.8634 * CDC - 24.1112 * HSC + 19.8857 * SRC - 2.9784 * BOS + 79.6130)$$

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
Asymptotic: n=1000				
F-statistic	10.34863	10%	2.2	3.09
k	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37
		Finite Sample: n=80		
Actual Sample Size	79	10%	2.303	3.22
		5%	2.688	3.698
		1%	3.602	4.787

Source: Researcher Computation using E-Views, 10

Result from table 5 indicated ARDL Long Run Form and Bounds Test, the F-statistic of 10.34863 and upper Bounds Test value of 3.09 implies that, there is a long run relationship between the corporate social responsibility cost (community development cost (CDC), health and safety cost (HSC) and social regulation cost (SRC)) and financial performance variable {return on assets (NPM)} since the F-statistic value is greater than the upper Bounds Test value. Furthermore, in term of hypothesis four; there is no significant effect of community development cost on net profit margin of listed deposit money banks in Nigeria on the long run since the Prob value of 0.6935 is greater than 0.05 significant level. In term of hypothesis five; there is a significant effect of health and

safety cost on net profit margin of listed deposit money banks in Nigeria on the long run since the Prob value of 0.0082 is less than 0.05 significant level. Finally, In term of hypothesis six; there is a significant effect of social regulation cost on net profit margin of listed deposit money banks in Nigeria on the long run since the prob value of 0.0316 is less than 0.05 significant level.

Table 6: Short Run Estimated ARDL Model (NPM)

Dependent Variable: NPM

Method: ARDL

Date: 02/16/26 Time: 04:53

Sample (adjusted): 2 80

Included observations: 79 after adjustments

Maximum dependent lags: 1 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (0 lag, automatic): CDC HSC SRC

Fixed regressors: C

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
NPM(-1)	0.096497	0.115237	0.837381	0.4051
CDC	-3.490626	8.857743	-0.394076	0.6947
HSC	-21.78451	8.315863	-2.619632	0.0107
SRC	17.96674	8.533529	2.105429	0.0387
C	71.93058	32.98926	2.180424	0.0324
R-squared	0.463358	Mean dependent var	39.79970	
Adjusted R-squared	0.426602	S.D. dependent var	44.31185	
S.E. of regression	33.55429	Akaike info criterion	9.937117	
Sum squared resid	82190.01	Schwarz criterion	10.11708	
Log likelihood	-386.5161	Hannan-Quinn criter.	10.00921	
F-statistic	12.60622	Durbin-Watson stat	1.913788	
Prob(F-statistic)	0.000000			

*Note: p-values and any subsequent tests do not account for model

selection.

Source: Researcher Computation using E-Views, 10

Table 6 shows the estimated coefficients of the dynamic model. It captures the impact of corporate social responsibility cost (community development cost (CDC), health and safety cost (HSC) and social regulation cost (SRC)) on net profit margin (NPM) between the period 2014- 2024 of eight listed deposit money banks in Nigeria. The coefficient of the R2 shows that about 42.6% of the variation in the net profit margin (NPM) can be explained by the explanatory variables of community development cost (CDC), health and safety cost (HSC) and social regulation cost (SRC) while the remaining 57.4% is captured by the stochastic term. In essence this reveals that the regressors in the model influences net profit margin (NPM) by 42.6% within the period covered. The Durbin-Watson value of 1.913788 is an indication that the estimated model is free from serial or autocorrelation. Also, the Prob (F-statistic) of 0.000000 shows that the overall model is statistically significant, thus making it fit for policy making.

Decision 1:

The results in table 6 disclosed t-value of -0.394076 that, community development cost (CDC) possesses a negative effect on net profit margin (NPM) in the short run. The Coefficient of -3.490626 implies that a unit increase in community development cost (CDC) will lead to decrease in the net

profit margin (NPM) of listed deposit money banks in the short run. This negative effect is insignificant since the absolute value of P-value (0.6947) was greater than 0.05. This simply indicated that the null hypothesis is accepted and the alternate hypothesis was rejected. Therefore, it was concluded that the effect of community development cost on net profit margin of listed deposit money banks in Nigeria is negative and insignificant.

Decision 2:

The results in table 6 disclosed t-value of -2.619632 that, health and safety cost (HSC) possesses a negative effect on net profit margin (NPM) in the short run. The Coefficient of --21.78451 implies that a unit increase in health and safety cost (HSC) will lead to decrease in the net profit margin (NPM) of listed deposit money banks in the short run. This negative effect is significant since the absolute value of P-value (0.0107) was less than 0.05. This simply indicated that the null hypothesis is rejected and the alternate hypothesis was accepted. Therefore, it was concluded that the effect of health and safety cost on net profit margin of listed deposit money banks in Nigeria is negative but significant.

Decision 3:

The results in table 6 disclosed t-value of 2.105429 that, social regulation cost (SRC) possesses a positive effect on net profit margin (NPM) in the short run. The Coefficient of 17.61133 implies that a unit increase in social regulation cost (SRC) will lead to increase in the net profit margin (NPM) of listed deposit money banks in the short run. This positive effect is significant since the absolute value of P-value (0.0387) was less than 0.05. This simply indicated that the null hypothesis is rejected and the alternate hypothesis was accepted. Therefore, it was concluded that the effect of social regulation cost on net profit margin of listed deposit money banks in Nigeria is positive and significant.

Conclusion

This study determines the effect of corporate social responsibility costs and financial performance of listed deposit money banks in Nigeria. Based on the data analysis, and discussion of findings; the following conclusions are drawn:

1. Community development cost has negative and insignificant effect on net profit margin of listed deposit money banks in Nigeria in term of short run but in the term of long run, Community development cost has positive and insignificant effect on net profit margin of listed deposit money banks in Nigeria.
2. Health and safety cost has negative and significant effect on net profit margin of listed deposit money banks in Nigeria in both short run and long run.
3. Social regulation cost has positive and significant effect on net profit margin of listed deposit money banks in Nigeria in both short run and long run.

Note: The study generally concluded that there is significant effect of corporate social responsibility costs on financial performance of listed deposit money banks in Nigeria.

Recommendations

Based on the findings and conclusions above, the following recommendations were made:

1. Recruitment, hiring and training of competent personnel are very essential in facilitating not only the level of productivity but also the development of personnel in any organization. The bank therefore, should take staff training seriously.
2. An organization that invests in its employee's welfare will outperform competitors that do not invest sufficiently. It is therefore recommended that the banks should take health cost seriously.
3. The banks should take their reward scheme seriously as compensation cost was seen as having positive effect on net profit margin.

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