**ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PRODUCTIVITY OF MICROFINANCE BANKS**

#  ABSTRACT

This study investigated the impact of corporate social responsibility practices on financial productivity of micro finance bank in Nigeria. The study used generalized least square multiple regression to analyze the secondary data extracted from the annual reports and accounts of Seedvest Micro finance Bank, Ibadan. for the period of ten years from 2006 to 2016. The study found that environmental management, and customer services have a positive and significant impact on the financial productivity of micro finance banks. The study also found that corporate community development influences the financial productivity of the banks positively and insignificantly. In view of the findings, the study concluded that, though environmental management is having a negative effect, the bank’s engagement in environmental management could be of corporate strategic relevance as not all investment can yield financial returns. Also, the study recommended among others that the management of Seedvest Micro finance Bank, should patronize more of strategic CSR activities in order to be more credible which can improve their reputation since the application of CSR varies by industry.

**CHAPTER ONE**

**INTRODUCTION**

**1.1.     BACKGROUND TO THE STUDY**

People establish firms to allocate their resource for the purpose of common goal, to earn the profit. To achieve this goal, they also interact with society. On the basis of their motives, organization can be divided into Profit organization, Government organization and Non for Profit organization. Profit oriented organizations try to maximize owner’s wealth, Government organizations define the regulations and structure of society in which firm continue its operations and not for profit organizations perform the social deeds when society need. In society there are such types of organizations exist. No doubt they perform different task but they are interdependent in well-organized society.  Business impact on society is growing with the passage of time and the number of Stakeholders also increased.

Though, at an earlier point in history, societal expectations from business organizations did not go beyond efficient resource allocation and its maximization. But today, it has changed and modern business must think beyond profit maximization toward being at least socially responsible to its society.

CSR, this phrase consists of three things, Corporate, Social and Responsibility. CSR check the relationship between firms and society in which they operate and interact, Corporate social responsibility (CSR) is a fast growing concept in banking industry with little attention paid to its linguistic. CSR is common in the literature but not in the practice. Despite the need for business to be morally conducted, one of the primary reasons in CSR is whether organisations pursue it for economic reasons or because of the advantages involve. Unfortunately, there has been few or no empirical test conducted in support of the advantages and disadvantages involve in CSR. This makes CSR practice sustainable to the popular accusation of being a profitable public relations and marketing strategies (Adegboyega and Taiwo, 2011).

In modern business world, corporate social responsibility has been emphasized by stakeholders as a driving tool for success to be accomplished. It has become an increasing evident and crucial component of overall performance of business organizations generally. Conscious of this concept, ordinary citizen, potential investors, pressure groups, politicians, insurance companies and a wide range of other stakeholders are increasingly demanding organizations to account for the social, natural environment and economic impacts that they have on every community in which they operate (Nwachukwu, 2006). CSR has today become imperative, due to the goodwill it generates and the belief that the overall health of both the corporate entities and the environment where they operate are mutually dependent.

Only if business and particularly Nigerian microfinance banks learn that to do well it has to do good, can we hope to tackle the major challenges facing developing societies today. The economic realities ahead are such that ‘social needs’ can be financed increasingly only if their solution generates commensurate earning which precisely is what business is known for. Most microfinance banks in every country is indispensable in the economic development of such country. This is probably the reason why the banking industry is the most regulated of all the industries in most countries.

Furthermore, the performance of business organizations is affected by their strategies and operations in market and nonmarket environments. Hence, there is a debate on the extent to which company directors and managers should consider social and environmental factors in making decisions. In essence, Corporate Social Responsibility (CSR) may be described as an approach to decision making which encompasses both social and environmental factors. It can therefore be inferred that CSR is a deliberate inclusion of public interest into corporate decision making, and the honoring of a triple bottom line which are People, Planet and Profit (Harpreet, 2009).

CSR has become a critical aspect in strategic decision making of microfinance banks primarily due to financial scandals and a drop in investors` confidence. CSR has stepped into the limelight in the 21st century to add to the financial productivity of a firm and suggests that corporate decision makers must take care of a range of social and environmental affairs in other to maximize long-term financial returns. Every MFB differs in the way it implement CSR in strategic business practices, with its size, operating industry, stakeholder demands, historical CSR engagement, level of diversification, research and development and labour market conditions a few of the factors that determine this decision making.

**1.2.     STATEMENT OF PROBLEM**

In today’s global world, Microfinance banks have many challenges to operate and earn profits. People have more knowledge about the banks, their services and the way such MFB operate their businesses. People are more conscious about the thier work for the prosperity of the society, the environment in which they operate and earn profits.  In the countries many of this financial institutions are facing many problems with a new role, which is to fulfill the demands of the present generation in a socially responsible way. MFB must take responsibility for the ways they operate in the societies and natural environment because their operations impact societies and the natural environment.

Secondly, Corporate social responsibility commends the attention of executives everywhere, if their public statements are to be believed and especially that of the managers of microfinance banks. We can actually say MFB involved in Corporate Social Responsibility are actually not regretting because of the increase it has made on their sales leading to profit and how they have impacted the environment. Unfortunately, this is not the case. In some banks, more money is spent on advertising their CSR projects. There is therefore the question of finding out the extent to which corporate social responsibility affect micro finance banks in Nigeria.

Banking sector occupies important key position in the economy of a nation. In Nigeria virtually all the banks reports their expenses on social responsibility towards sustainable development in their annual reports. Most of them strive to meet the demand of charitable organizations, government agencies, religious organizations and tertiary institutions.

Microfinance banks efforts on social responsibility have produced multiplier effects on the sustainable development, these social responsibilities costs them some expenses which have effects on their financial productivity.

**1.3 Research Questions**

1. To what extent does Environmental management affect the financial productivity of micro finance banks in Nigeria?

2. What is the effect of Community development on the financial productivity of micro finance banks in Nigeria?

3. To what extent does employee relation affect the financial productivity of micro finance banks in Nigeria?

**1.4 Objectives of the Study**

The main objective of this study is to assess the effect of CSR on the financial productivity of micro finance banks in Nigeria. The specific objectives of the study are:

To examine the effect of Environmental management on the financial productivity of micro finance banks in Nigeria.

To examine the effect of Community development on the financial productivity of micro finance banks in Nigeria.

To determine the effect of Employee relation on the financial productivity of micro finance banks in Nigeria.

**1.5 Hypotheses of the Study**

To achieve the study objectives, the following null hypotheses were formulated for

testing:

H01: Environmental management has no significant effect on the financial productivity of micro finance banks in Nigeria

H02: Community development has no significant effect on the financial productivity of micro finance banks in Nigeria.

**1.6. SIGNIFICANCE OF THE STUDY**

This research enhances the understanding of the relationship between corporate social responsibility and the financial productivity of banks. The results should be of interest to managers who contemplate engaging in CSR activities, investors and financial analysts who assess firm performance, and policy makers who design and implement guidelines on CSR.

The findings of this project will be used to improve information available to relevant actors regarding the current situation concerning corporate social responsibility in the banking industry and how this is related to the sectors profitability.

This project also sought to produce recommendations for other firms willing to incorporate corporate social responsibility practices in their various business operations.

The finding of the study will be of great importance to policy maker in the banking industry as they will be enlightened on the effect of corporate social responsibility on the financial profitability of Microfinance banks in Nigeria.

Lastly, the study will also be of great importance to future scholars and academicians as it will provide literature for future research as well as provide basis for future research.

**1.7. SCOPE OF THE STUDY**

The performance of business organizations is affected by their strategies and operations in market and non-market environments. Hence, there is a debate on the extent to which company directors and managers should consider social and environmental factors in making decisions.

It is therefore against the foregoing that this study examined corporate social responsibility on financial productivity of microfinance bank, using Seedvest Microfinance Bank, Ibadan as case study.

Although, there are many microfinance institutions in Nigeria, the scope of this research is however limited to microfinance banks with a special focus on a case study which Seedvest Microfinance Bank Limited.

The research study shall focus on the review and meaning of CSR, MFB and other challenges facing Microfinance banks when implementing social responsibility.

1.8. LIMITATION OF THE STUDY

The greatest challenge was the secrecy surrounding allocation of resources to various activities within the bank which led to the withholding of pertinent information from the researchers.

Environmental factor: this is another limitation envisaged in the research study because of the business environment in which the selected case study was situated and being that most microfinance bank has little capital earnings unlike other commercial banks.

Distribution and retrieval of questionnaires from respondents (banks official and the clients) also constitute limitation as we were unable to retrieve all questionnaires distributed.

**1.9. DEFINITION OF TERMS**

1. Volunteerism - The policy or practice of offering one's time or talents for charitable, educational, or other worthwhile activities, especially in one's community (Tuffey, 2009).

2. Corporate Social Responsibility: A management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. (Obrien, 2011).

3. Financial Literacy: is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others.

4. Profitability:  The state or condition of yielding financial profit or gain (Kweyun, 2009).

5. Donation:  Donation determinant shows the interest of financial institution to pay a specific amount of money to rehabilitate the society.

6. financial productivity:  financial productivity can be defined as it measures the financial position of a company over a specified time period to know how efficiently a company is using its resources to generate income.

7. Net profit: Net profit means revenues minus all expenses. Net profit of the organization is shown after deducting the interest expenses and taxes on the profit.

8. Earning per Share: Earnings per Share show the earning of banks that how much profit is earned during the period of one year on behalf of each outstanding share of common stock.

9. MFBs (Microfinance Banks)

**1.10. BACK GROUND HISTORY OF CASE STUDY SEEDVEST MICROFINANCE BANK LIMITED:**

- SEEDVEST MICRO-FINANCE BANK LIMITED started in Lagos in the year 2006 A D. as a FINANCE HOUSE known as SEEDVEST LIMITED RC439825 it was a financial institution service provider with superior financial strength and had interest in MICRO-FIANACE and SMALL SCALE BUSINESS financing.

SEEDVEST MICRO-FINANCE BANK LIMITED was registered under the provision of banks and other financial institution Acts No 25 of 1999 as amended to carry on micro-finance business on the 25th of June, in the 2007 and was officially opened as a micro-finance bank on the 30th of July, in the 2007 by the then deputy governor of Central Bank of Nigeria finance sector surveillance Mr. Tunde Lemo, also in attendance were the promoters of seedvest limited ,and the then Managing Director(Mr. Bode Ajayi),trade unions, etc . The vision of the company is to be Nigerian leading finance organization by providing critical finance for underserved entrepreneur.

(Source: Olumide A.L; Industrial Training Report; 2013 unpublished)

**CHAPTER TWO**

**LITERATURE REVIEW**

**2.1 Conceptual Framework**

In order to give a guide for proper understanding of the various concepts of the study,different perceptions, opinions and views of authors and scholars regarding the concepts used in this study are discussed.

**2.1.1 Financial productivity**

Corporate financial productivity is a vital concept that relates to the way and manner with which the financial resources at the disposal of the organization are judiciously put into usage to achieve the corporate objectives of such organization (Kajola, 2008). According to Sakunasingha (2006), performance measures are the life blood of economic units, since without them no decisions can be made. Investors are interested in the returns for their investment. Well performing businesses can bring higher returns to their investors.

Mirza and Javed (2013) opine that financial productivity of a company will increase the income of its employees, bring quality products to its customers and become friendlier to its operating environment. A company that has good performance can generate more profits which can lead to future investment that can provide employment opportunities and increase the income of people. Barbosa and Louri (2005) view firm‟s performance as the outcome of a firm‟s strategy or an assessment of how well a firm accomplished its business goals. In the words of Mirza and Javed (2013), firms‟ performance is the ability of a firm to achieve its objectives using its available resources. Company‟s financial productivity refers to the measurement of the results of a firm‟s strategies, policies and operations in monetary terms.

financial productivity provides a deductive measure of how well a company can use assets from business operations to generate revenue. financial productivity measurements are used as the indicators to evaluate the success of economic units in achieving stated strategies, objectives and critical success factors Lahtinen (2009). The main objective of financial productivity measuring is to determine the operating and financial characteristics and the efficiency and performance of economic unity in terms of resource management, as reflected in the financial records and reports (Amalendu, 2010).

The financial productivity of an organization would disclose to the various stakeholders of the organization the continuous ability for such organization to remain in business. The performance indicators to corporate financial productivity are seen from corporation‟s earnings per share, which has a strong significant relationship with a corporations share price and patronage of such shares at the stock market (Hartone, 2004).

**2.2 Measurement of financial productivity**

Measuring of firms‟ financial productivity is one of the management strategic functions aimed at satisfying the interest of shareholders and other stakeholders in a company. Firm‟s performance appraisal is an evaluation which is done periodically and systematically in determining the achievements of the company‟s objectives (Amelia, 2002). Although measuring financial productivity is considered a simple task, it also has its specific complications and there is little consensus about which measurement instrument to apply (Tsoutsoura, 2004). Some are of the view of using backward-looking firm profitability, that is, accounting based returns rather than forward-looking market value or stock returns..A performance measure need to be value relevant in order to be useful ( Aliabadi , Dorestani & Balsara, 2013).

The most popularly used performance measurement is the accounting based measurement. Returns On Assets (ROA), was widely used as was found in the following studies: Bello (2012),DiGiuli& Kostovetsky (2013), El Mosaid and Boutti (2012), Olayinka & Fagbemi (2012), Uadiale&Fagbemi (2011), Usman &Amran(2015). Returns on assets represent the profitability of the firm with respect to the total assets under the firms control (Hull & Rothenberg, 2008). Return on Equity (ROE) is another accounting measure used in measuring firms „financial productivity in previous studies such as the work of El Mosaid & Boutti (2012),Meijer &Schuyt (2005), Tsoutsoura (2004), and Uadiale & Fagbemi (2011),. Tobin‟s Q is another accounting measure of firms‟ financial productivity. It has ability to measure long-term investment and it is calculated by the sum of a firm‟s equity values and its total debt divided by the firm‟s total assets. Tobin‟s Qhas been used in the previous empirical studies such as the work of, Sanda, Mikailu & Garba (2005), Bhagat & Bolton (2008); Oba (2009) and Fodio, Abdissamad& Oba,(2013). Profit after tax (PAT) has been used in the works ofAbdulraman (2014);Bolanle, Olarenwaju & Muyideen (2012), Gunu, (2008), Okafor & Oshodin, (2012) and Uwalomwa, Olubukunola & Anijesushola (2011).

The market based measure of firms‟ financial productivity used in the previous studies include Dividend,Gross earnings which is used in the works ofGunu (2008), Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA).Stock price used by Usman and Amran(2015).

**2.3 Concept of Corporate Social Responsibility**

Corporate Social Responsibility has been a subject of intense controversy and interest in the academic world over recent decades, and scholars have devoted great attention to this issue. The first standpoint on CSR was offered by Bowen (1953) in his Social Responsibilities of the Businessman. Bowen defined CSR as an obligation to pursue appropriate policies, to make appropriate decisions, and to follow those lines of action which are desirable in terms of the objectives and values of our society.

In the 1960s, CSR was increasingly discussed in the managerial context. Davis (1960) asserted that socially responsible business decisions could be justified by a long, complicated process of reasoning as offering an opportunity to bring the company long-run economic gain, thus repaying it for its responsible outlook (Carroll, 1999).However, this viewpoint also aroused criticism. Among other scholars, Friedman, (1970), argued that the only social responsibility of a corporation was to increase its profits. Furthermore, Friedman asserted that the resources allocated to CSR are better spent on increasing company efficiency from a social perspective as well. Although Friedman‟s viewpoint on CSR prevailed in the 1970s, scholars increasingly started to shed light on the multiplicity of responsible business practices. First, Johnson & Greening, (1999) identified specific interest groups with a variety of different needs, stating that “social responsibility in business is the pursuit of socioeconomic goals through the elaboration of social norms in prescribed business roles”. Furthermore, Steiner (1971) acknowledged the interrelationship between business and society at large, referring to social responsibility as a “social contract”. Basically, a social contract can be seen as a set of rights and obligations related to corporate impacts on the welfare of society. According to Wartick and Cochran (1985) a social contract is a binding element between business behavior and society‟s objectives. When the surrounding societal conditions change, the specifics of the social contract may also change.

**2.3.1 Environmental Management**

In recent times, arguments about the importance of environmental responsibility have been laudable in relation to corporate performance (Deegan, 2002). Firms that undertake Environmental activities can create additional costs and benefits that can ultimately affect a company‟s financial productivity. The costs include those related to compliance, insurance, on-site waste management, pollution control and future liability. Benefits can be increased revenues from contributing to the resources of firms that later bring competitive advantages and enhance company image (Russo & Fouts, 1997). According to Linde and Porter (1995), when firms follow properly designed environmental standards, these can trigger innovation that may partially or more than fully offset the costs of complying with them. Such innovation can also enhance competitiveness and create advantages over firms in other countries that are not subjected to similar environmental standard. Environment responsibility involves implementing environmental management system, accounting for environmental risk or management of supply chain compliance to so called standard. The supply and development of „green‟ or socially responsible financial product is another means by which a bank can signal its commitment to sustainable development (Scholten, 2009). Samy, Odemilin and Bampton (2010) Posited that the UK companies placed greater importance on environmental activities, waste disposal gas-emission and other related environmental issues through CSR.

**2.3.2 Community Development**

Corporate Social Responsibility emphasizes community participation by business enterprises. It proposes that both public and private firms have responsibilities to society that extend beyond making profit. It is the obligation of the firm‟s decision makers to make decisions and act in ways that recognize the relationship between the business and the society. It is therefore important for a business to continue in its commitment to behave ethically and contribute to economic development while improving the quality of life of its work force and the surrounding community which can be achieved through the various CSR activities that the business chooses to engage in for the benefit of its stakeholders.

Community development is part of the CSR activities engaged by firms or organizations. Which involve those activities, strategies and how firms conduct their business in a way that is ethical, society friendly and beneficial to communities in terms of development (Roja & Sherina, 2015).Community development responsibility is one of the elements of social responsibility when assessing CSR of an organization. Nejati and Ghasemi (2012) pointed that disclosure of community development points are different ways in which companies can contribute to the betterment of society by integrating societal norms and values in the firm‟s corporate strategy.

Community development initiatives ranges from charity and donations, support for education voluntary programs, support recreational activities and Arts exhibition, support for skill acquisition training to community, support to medical health care services and support for water supply in their business decision (Branco& Rodrigues, 2006).Firms can also obtain legal cost reduction by managing their relationship with the community and with the government.

Therefore, improving firm‟s reputation by increasing CSR can create good relationship and improve external perceptions (Aguilera,Rupp,Williams & Ganapath,2007). When firms engage in socially responsible activities, it has a reciprocal benefit as firms again improve reputation and the society gains from the projects implemented (Achua, 2008 &David, 2012). Chakraborty (2010) defined CSR as commitment to improve community well-being through discretionary business practices and contributions of corporate resources. According to Achua(2008) as cited by Terungwa & Achua (2011), banks need to be socially responsible to earn their reputational capital, which enables them to attract high quality employees, charge higher fees, negotiate better deals, expand their market base, attract more investors and win the public.

**2.4 Review of Empirical Studies on CSR and financial productivity**

The search for a link between CSR and financial productivity is a quest that was begun many years ago and is not yet concluded. During the past years, dozens of studies have examined this relationship. Academics who had previously reviewed the literature exploring the relationship between CSR and financial productivity had found the studies to be inconclusive: no link between CSR and financial productivity could be proved or disproved (Orlitzky et al, 2003). According to Barnett and Solomon (2003), despite the intensity of studies directed at it, the relationship between CSR and financial productivity remains in dispute. Waddock and Graves (1997) found significant positive relationship between an index of CSR as measured by the Kinder Lydenderg and Domini database and performance measures such as ROA (Return on assets). They suggest that the reason why a virtuous circle would exist is because positive stakeholder relationship can reduce the likelihood of difficulty when dealing with groups such as employees, customers, and the community in addition, good social performance and good managerial practice may be related, so this in turn may lead to strong financial productivity.

Prior research has shown that there is a reverse- causality concern between CSR and financial productivity. In this regard, it is believed that a firm‟s CSR affects its future performance and a firm‟s history of financial productivity contributes to its current CSR involvement. McGuire, Sundgren, and Schneewies (1989) find that prior year‟s stock returns and accounting based performance measures are related to current measures of CSR, but that a past record of good social performance does not affect the current financial productivity of a firm. This sounds incredible and seems a reversal of cause but however finds defense and strong support in the works of (Cho and Pucik (2005) and Xueming and Bhattacharya (2006). However Xueming and Bhattacharya as well as Cho and Pucik (2005) accommodate this reverse causality concern by using ratings of CSR from fortune magazine with a one year lag and as such rendered the reverse-causality bias no longer a concern.

In contrast, Tsoutsoura (2004) found a positive association between CSR and profitability. KLD scores were used as a measure of CSR while profitability was represented by ROA (return on assets). Nelling (2006) provides new insights on the causal relationship between firm performance and corporate social responsibility. He uses the KLD Socrates Database to measure CSR and ROA as firm performance and finds that CSR and performance are related when the standard OLS regression model is used but using a time series fixed effects approach, finds that the relation between CSR and financial productivity is much weaker.

Brine, Brown and Hackett, (2006) examine the relationship between financial productivity and corporate social responsibility across the top 300 AS listed companies for the 2005 financial year. They based their CSR measurement on whether companies made separate sustainability disclosure beyond what is required of them by the regulatory framework. As such, the measure of CSR is a dummy variable. This variable has a value of one if the firm has adopted CSR and a value of zero if it has not. Accounting measures were used to calculate the financial productivity of each company. The measures used were return on assets, return on equity and return on sales. The study found no statistical significant relationship between the adoption of CSR and a firm‟s financial productivity.

Amaeshi, Adi, Chris and Olufemi (2006) used a two pronged and two stage approach to carry out a research on Corporate Social Responsibility (CSR) In Nigeria: Western mimicry or indigenous practices? The results/analysis showed that the understanding and practice of CSR in Nigeria is still largely philanthropic and altruistic. There finding differs from the understanding and practice of CSR in western economies where CSR have advanced beyond philanthropy.

Achua (2008) investigated corporate social responsibility in the Nigerian banking system. The study supports the restructuring of the commercial banks of Nigeria by creating a new supervisory agency to enable it to focus exclusively on bank supervision for more effective enforcement of good corporate governance by the banks. The new structure would allow the commercial banks of Nigeria to focus adequately on fiscal policy management to create a macro economic environment that is conducive for the banks to operate socially and profitably.

Uadiale and Fagbemi (2011), in their study, impact of CSR activities and financial productivity in Nigeria, used a sample of forty listed companies. Regression analysis was use to analyzed the data, the result revealed that CSR has positive significant impact on performance. Indicating that, firms that engage in CSR are likely to have improved financial productivity. This means that, CSR is one of the factors that drive financial productivity.

Similarly, Bolande, Olanrewaju and Muyideen (2012) examined the effect of CSR and profitability in Nigerian Banks. The study identified only a single bank (First Bank) for the period of 2001 to 2010. The finding showed a positive significant relationship between CSR and profitability. Taking the above finding into consideration, it can be observed that the sample used for the study is not enough, for a single sample cannot be used for generalization as it only captures a single firm thereby neglecting other firms in the same sector. As often emphasized, the sample size and number of observations have direct impact on the appropriateness and statistical power of multiple regressions (Musa, 2005). Very large samples make the statistical significance test overly sensitive while small sample size reduces the statistical power of multiple regressions. This study overcomes this problem by using a larger sample size of 15 DMBs and used firm size and leverage as control variables. Also, the study left out quality product and customers satisfaction as proxy of the CSR model.

Djauvou, Vasylieva, Lyeona and Lasulova (2015) examined the relationship between corporate social responsibility and financial productivity of 16 transition countries of the former Soviet Union and central Eastern Europe. The study investigated the nature of the link between CSR and financial productivity and also the motive of banks engagement in corporate social responsibility practices during stable periods (2002 -2005) and turbulent periods (2008 – 2012) of 254 banks. They believe that the link between CSR and financial productivitys of firms depends on the method and data used for analyses and their motives for engagement as well. The results showed that CSR is primarily a business strategy that has a positive effect on bank performance in transition countries in both periods, consistent with the situations in developed and developing countries. Therefore, CSR activities are necessary to set align with banks strategies and focus on the long term. However, the impact of ROA and ROE on CSR was negative in both periods and this implies that less financially sound banks of the transition countries have comparatively stronger willingness to conduct social activities. The results also confirmed that there is a simultaneous effect between corporate social responsibility and bank performance.

Lys, Naughton and Wang (2015) undertook a study on signaling through corporate accountability reporting using change in return on asset, change in operating cash flow and size adjusted stock returns as functions of financial productivity and CSR scores related to expenditure on social and environmental activities to measure CSR. The study collected information on CSR activities from the Thomson Reuters Asset4 data base for 5928 firms focusing on both manufacturing and service industry in Russell from 2002- 2010. The result of the study showed that CSR expenditure have different attributes to different firms and there is a positive and significant association between CSR practices and different aspect of financial productivity; but the causality does not necessary go from CSR expenditure to financial productivity, rather that a firm undertake CSR initiatives because the firm expects strong future financial returns. They concluded that the positive relation is more likely due to the signaling value of CSR expenditure rather than the positive returns on those investments. The study is cross-sectional and therefore its results and findings can be generalized as it covers more than a sector of the country.

**2.5 Theoretical Framework**

Different theories have been used by previous researchers to underpin studies in this area. The theories include stakeholder theory, legitimacy theory, strategic theory, agency theory and stewardship theory.

**2.5.1 Stakeholder Theory**

Stakeholder theory concentrates and focused on particular stakeholders groups. It explains how an organization interacts with these particular groups. The theory holds that business organization must play an active social role in the society in which it operates. Freeman (1984) one of the advocates of stakeholder theory, presented a more positive view of manager‟s support of CSR. He asserts that managers must satisfy a variety of constituents (e.g. investors and shareholders, employees, customers, suppliers, government and local community organizations) who can influence firm outcomes. According to this view, it is not sufficient for managers to focus exclusively on the needs of stockholders, or the owners of the corporation. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR activities that non- financial stakeholders perceive to be important, otherwise, these groups might withdraw their support. Stakeholder´s groups vary from firm to firm, as well as the importance of each of them. CSR should begin with identification of stakeholders and follow by finding the strategy how to satisfy and harmonize their expectations.

The Stakeholder theory has two important parts. First, an ethical (normative) part and second managerial (positive) part (Deegan & Unerman 2006). The ethical part as described by Deegan et al. (2006) stated that companies should treat all their stakeholders fairly, regardless of their power. This part deals with the reasons for promoting stakeholder interests even in the absence of any obvious benefit. All groups have intrinsic rights, including the right to information. For example stakeholders have some rights like safe working conditions and fair pay. The managerial part describes that companies are more interested to satisfy the powerful stakeholders (Deegan & Unerman 2006). The demands of the different stakeholders will have an influence on the company disclosures and operations. The managerial branch of the Stakeholder theory explains that companies will rather satisfy the demands of those powerful stakeholders that are essential for their survival.

**2.5.2 Legitimacy theory.**

Stakeholder theory concentrates and focused on particular stakeholders groups. Legitimacy theory discusses expectations of society in general. Legitimacy theory is one of the most important theories in explaining corporate social reporting (Campbell, 2007). This theory rests on the concept that organizations have a social contract with society (Cormier and Gordon, 2001) and that fulfilling this social contract would provide them legitimacy to operate. One way in which companies can obtain legitimacy is through communicating to their various constituencies. In his research, Campbell (2007) described the evolution of corporate social reporting – measured by the number of pages and the number of words spent on corporate social disclosures in the annual report – within one specific company, namely Marks 1and Spencer Plc, over a period of 28 years. The author concluded that legitimacy theory can explain only partially, not completely, the evolution of these corporate social disclosures. Due to the fact that the key switching points in the volume of corporate social reporting matched the points of succession of the different chairmen, Campbell (2000) assumed that the company‟s chairmen had an important influence on the volume of this voluntary reporting. However, the influence of the chairman could not be explained by legitimacy theory. Several other studies also tested whether legitimacy theory (Wilmshurst and Frost, 2000; Cormier et al. 2004)or other theories, such as agency theory and stakeholder theory could provide a theoretical framework.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 Research Design**

This study employed correlation research design to examine the effect of CSR activities on the financial productivity of Seedvest Micro finance Bank.. Correlational research design is chosen in this study because of its consistency with the research objectives, as the aim of the design is to investigate the relationships between variables and to estimate the impact of the independent variable on the dependent variable, so as to establish a causal relationship or otherwise among the variables.

**3.2 Population of the study**

The population of this study is the management and employees of Seedvest Microfinance Bank, Ibadan, Oyo state.

**3.3 Sources and Method of Data Collection**

The study used secondary data contained in the annual financial statements of Seedvest Microfinance Bank, Ibadan for the period 2006 to 2016. Relevant information on the dependent and independent variables of the study were extracted from the financial statements. The panel data set comprised 150 observations which were subjected to different tests for analysis.

This study used data from secondary sources. The data is obtained from the annual reports and accounts of.” Secondary data were used due to the nature of the variables under study. Panel data were extracted from the annual reports and accounts of the firm for the purpose of assessing the relationship between the variables of the study”.

Technique for Data Analysis

Multiple regressions were used for the panel data analysis in order to establish relationship between the variables. Multiple regression was considered appropriate in view of the fact that it helps in not only establishing “relationship” between variables, but cause and effect. In order to achieve reliability of the result, robustness tests like Multicolinearity test, Hausman test, autocorrelation and Heteroskedasticity test were conducted.

# Model Specification and Variables Measurement

ROAit +

The model used to empirically test the hypotheses formulated is as follows:

 β0 +β1 *ENVN*it +β2CMNTYit +β5fSIZEit + **5 *LEV +* eit

Where;

ENVN = Environmental management CMNTY = Community development HRES = Employee Relations

PDCUS = Product and Customer Service LEV = Leverage

FSIZE = Firm Size

e = error term

The model includes firm-level control variable. It is likely that different firms have different level of CSR activities.

Variables Specification

The variables of the study consist of dependent variable which is firm financial productivity measured by return on assets (ROA) and the independent variable is CSR practices (Environmental management, community development, human resource management and product and customer services). CSR practice was measured using content analysis of annual reports of Seedvest Microfinance Bank, Ibadan. The disclosure index was developed with the aid of checklist of social and environmental disclosure items as shown in appendix B. The checklist is divided into four (4) broad categories: Environmental management, community development, Human resource management, product and customers service which are derived from the core indicators based on the global reporting initiative (GRI) guidelines. A dichotomous approach (un-weighted) scoring system was used. The disclosure quantity was calculated based on the presence or absence of each item in the individual annual report (Scholten, 2009; Usman & Amran, 2015). A score of one (1) was awarded if an item is reported in the annual report; otherwise a score of zero (0) will be given. Therefore, a firm could score a minimum of zero (0) and a maximum of seven (7), twelve (12), nine (9), and nine (9) points for Environmental management, community development, human resource management, product and customer service respectively. The independent variables are controlled by leverage and the size of firm.

# Table 3.2 Variables Measurement and Definition

|  |  |
| --- | --- |
| **Variables** | **Definition and Measurement** |
| **Dependent variables** |  |
| Returns On Assets (ROA) | Measured as earnings before interest and tax divided by the firm‟s total assets Fauzi(2009) and Gunu(2008) |
| **Independent variables**Environmental management (ENVR)Community Development (CMNTY) | Measured as Ratio of disclosure score of individual firm to maximum score obtainable for environmental activities(Ngwakwe,2008)Measured as Ratio of disclosure score of individual firm to maximum score obtainable for community development activities (Gunu,2008; Ni, Egri, Lo & Lin 2015) |
| **Control Variables** |  |
| Firm Size (FSIZE)β ε it | Measured as natural logarithms of firm‟s total assets (Babalola 2012 andUsman & Amran, 2015)Intercept Error termFirm i at time t |

## Sources:*Compiled by the Author from Various Literature*

* 1. **Robustness Test**

The following robustness tests were conducted in order to improve the validity of statistical results:

1. Multicolinearity test: The study adopted multiple regression models to ascertain the association between the independent and dependent variables. Where the association is highly correlated, multi colinearity exists. For that the study tested for it, to see the possibility of its existence or otherwise. This was done using Variance Inflation Factor (VIF) and the Tolarance value. The VIF tell us the degree to which each independent variable is explained by the other independent variables. Tolerance represents the amount of variability of the selected independent variable not explained by the other independent variables (that is, one minus the coefficient of determination, R2). As a general rule, a very small tolerance value (the common cut off threshold of which is 10 and a large VIF values represent muilticulinarity.
	* 1. Heteroscedasticity test: The study deals with observations that constitute different sizes, some are in decimal while others in units, and that heteroscedasticity sometimes occurs when there is a large difference among the sizes of observations. Heteroskedasticity test was conducted to check whether the variability of error terms is constant or not. The presence of heteroskedasticity signifies that the variation of the residuals or term error is not constant which would affect inferences in respect of beta coefficient, coefficient of determination (R2) and F-statistics of the study. Where the chi-square is large it indicates that heteroskedasticity is present.The study implored Breusch-pagan/cook-weisberg test for heteroskedasticity.
		2. Hausman test: In view of the fact that both fixed and random effect tests were conducted. Hausman test was used to decide the best out of the two results. The test enabled the researcher to choose the most appropriate between the fixed and random effect models. The test is designed to detect violation of the random eﬀects modeling assumption that the explanatory variables are orthogonal to the unit eﬀects. If there is no correlation between the independent variable(s) and the unit eﬀects, then estimates of β in the Fixed Eﬀects model should be similar to estimates of β in the Random Eﬀects model.Under the null hypothesis of orthogonality, H is distributed chi-square with degrees of freedom equal to the number of regressors in the model. A ﬁnding that p < 0.05 is taken as evidence that, at conventional levels of signiﬁcance, the two models are different enough to reject the null hypothesis, and hence to reject the random effects model in favor of the ﬁxed effects model. If the Hausman test does not indicate a signiﬁcant difference (P> 0.05), then, it does not necessarily follow that the random eﬀects estimator is “safely” free from bias, and therefore to be preferred over the ﬁxed effects estimator.

# CHAPTER FOUR

**DATA PRESENTATION AND ANALYSIS**

# Descriptive Statistics

The descriptive statistics of the data for the study are presented and analyzed in this section, as presented in Table 4.1;

# Table 4.1: Descriptive Statistics

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variables** | **Mean** | **SD** | **Min** | **Max** | **Skewness** | **Kurtosis** | **N** |
| **ROA** | 1.6379 | 3.5351 | -10.540 | 19.3050 | 1.5273 | 12.8819 | 150 |
| **ENVR** | 0.1280 | 0.0588 | 0.0200 | .24000 | -0.0393 | 1.8509 | 150 |
| **CMNTY** | 0.1553 | 0.0474 | 0.0500 | 0.24000 | -0.0418 | 2.0729 | 150 |
| **LEV** | 1.0935 | 1.4546 | .3499 | 10.9679 | 5.9872 | 37.8451 | 150 |
| **FSIZE** | 20.3299 | 0.9776 | 18.0991 | 22.2273 | -0.2487 | 2.5106 | 150 |

**Source: STATA OUTPUT (Appendix A1)**

The table 4.1 presents the descriptive results of the measures of financial productivity (ROA), and the CSR practices (environmental management, community development, employee relation and product/customer services) of Seedvest Micro finance Bank. in Nigeria during the period 2006-2016. The table indicates that the average financial productivity based on the accounting-based measure, ROA is 1.6% with standard deviation of 3.535 and minimum ROA of -10.54% as well as the maximum ROA of 19.31% during the period. Higher return on assets signifies better financial productivity while lower return on assets shows lower financial productivity. The average value of return on assets is 1.6 which signifies that the average financial productivity of Seedvest Micro finance Bank is N1.6b.The results provide preliminary evidence that the variable did not follow the normal distribution as the value of standard deviation indicated a wide dispersion from the mean value. Similarly, the coefficient of Skewness 1.527 indicates that the data is positively skewed, that is, most of the data are on the right side of the normal curve, and the data did not follow the normal distribution. The value of kurtosis 12.882 on the other hand, suggests that the data does not follow the normal curve as requires by the Gausian distribution assumption.

The average environmental management performance score of Seedvest Micro finance Bank, Ibadan is 12.8%, with standard deviation of 0.0587 and minimum score of 2% as well as the maximum ENVR of 24% during the period. The result signifies that the banks engagement to environmental management is low. Additionally, the coefficient of Skewness of -0.0393 indicates that the data is negatively skewed, that is, most of the data are on the left side of the normal curve, and the data did not follow the normal distribution.

The Table also indicated that the average community development performance score of the sample banks is 15.5%, with standard deviation of 0.047 and minimum score of 5% as well as the maximum CMNTY CSR of 24% during the period. Higher performance means 20% involvement in community development and lower performance means 5% involvement in community CSR.

The descriptive result shows that the average firm leverage (LEV) of the sample banks during the period of the study is 1.094 with standard deviation of 1.455, and the minimum and maximum LEV of 0.349 and 10.968 respectively. These results provided evidence that there is a bank with negative net assets (Union Bank Plc) in the sample of the study, which lead to the leverage of more than one. The standard deviation suggests that the data is widely dispersed from the mean, because of the higher value of standard deviation. The kurtosis value of 37.845 shows that the data is not normally distributed as it is far from; on the other hand, the coefficient of Skewness 5.987 implies that the data is positively skewed, and thus, the normal distribution assumption is not been met. The table shows that the average firm size (FSIZ) of the banks during the period of the study is 20.329 with standard deviation of 0.997. This implies that the data deviate from the mean from both sides by 0.977%, the standard deviation suggests that there is dispersion from the mean. The minimum and maximum values of FSIZ are 18.099 and 22.227 respectively.

The descriptive statistics results and analysis and the presence of skewness and kurtosis above clearly show that the data collected for the studied variables is not normally distributed, hence the need for the conduct of a normality test through the Sarpiro- Wilk test which was carried out and the results are presented in Table 4.2 and followed by a brief analysis of the results:

# Table 4.2: Normal Data Test Result

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variables** | **W** | **V** | **Z** | **P-Values** | **N** |
| **ROA** | 0.719 | 32.615 | 7.900 | 0.000 | 150 |
| **ENVR** | 0.962 | 4.086 | 3.351 | 0.000 | 150 |
| **CMNTY** | 0.979 | 3.107 | 2.001 | 0.022 | 150 |
| **LEV** | 0.203 | 1.769 | 10.268 | 0.000 | 150 |
| **FSIZE** | 0.986 | 1.554 | 0.999 | 0.158 | 150 |

## *Source: STATA OUTPUT*

In this section, the study employs Shapiro test of normality which shows that all the variables (ROA, ENVR, CMNTY, and LEV) of the study are not normally distributed except firm size. This is for the fact that the P-values (0.000 0.000 0.022 0.001 0.000 and 0.000) for the coefficient of the test indicates significant except that of the firm size (0.158) which is normally distributed. The abnormality of the data does not affect the statistical inferences of the result as supported by Gausian (1929) and Shoa (2003).

# 4.2 Presentation and Analysis of Correlation Results

# In this study, the Pearson correlation has been used in order to determine the correlation between the quantitative variables. The correlation matrixes between the variables have been provided in Table 4.3:

# Table 4.3: Correlation Matrix

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Variables** | **ROA** | **ENVR** | **CMNTY** | **HRES** | **PDCUS** | **LEV** | **FSIZE** |
| **ROA** | 1.0000 |  |  |  |  |  |  |
| **ENVR** | 0.1495(0.0679) | 1.0000 |  |  |  |  |  |
| **CMNTY** | -0.0432(0.5997) | -0.7707(0.0000) | 1.0000 |  |  |  |  |
| **LEV** | 0.4943(0.0000) | 0.2113(0.0094) | -0.1120(0.1726) | -0.1376(0.0932) | -0.1094(0.1826) | 1.0000 |  |
| **FSIZE** | -0.0625(0.4471) | 0.5499(0.0000) | -0.4878(0.0000) | -0.4480(0.0000) | -0.5206(0.0000) | -0.3906(0.0000) | 1.0000 |

P-Values in Parentheses (2-tailed)

## *Source: STATA OUTPUT (Appendix A12)*

The correlation results from Table 4.3 shows the relationships between the financial productivity and the corporate social responsibility activities of Seedvest Micro finance Bank, Ibadan. The table shows a significant positive relationship between ROA and the environmental management (ENVR) of Seedvest Micro finance Bank, Ibadan from the correlation coefficient of 0.1495 which is statistically significant at 10% level of significance (p-value of 0.0679). This result implies that there is direct relation between ENVR of the bank and the return on assets during the period. Table 4.3 also shows a negative relationship between return on assets (ROA) and community CSR (CMNTY) of the bank from the correlation coefficient of -0.0432 which is not statistically significant at all levels of significance (p- value of 0.5997). This result implies that Seedvest Micro finance bank’s community involvement is inversely related with its financial productivity.

With regard the controlling variables (Leverage and firm size), the table shows a significant positive relationship between ROA and the firm leverage (LEV) of Seedvest Micro finance Bank, from the correlation coefficient of 0.494 which is statistically significant at 1% level of significance (p-value of 0.0000). This result implies that there is direct relation between leverage in moderation of banks‟ CSR activities and the return on assets during the period. The table on the other hand shows a negative relationship between ROA and the firm size (FSIZE) of the sample banks from the correlation coefficient of -0.0625 which is not statistically significant at all levels of significance (p-value of 0.4471). This result indicated an inverse association between firm size in moderation of banks‟ CSR activities and the return on assets during the period.

In addition to the normality test conducted and in an effort to ensure the validity and reliability of the data collected on the explanatory variables, the study further conducted diagnostic test for multicollinearity using variance inflation factor (VIF) and tolerance value (TV) and heteroscedasticity using Breusch-Pagan test on the data obtained on the explanatory variables. The multicollinearity test results are presented in Table 4.4 and followed by an analysis of the multicollinearity and heteroscedasticity test results respectively.

# Table 4.4Multicollinearity Test Using VIF and Tolerance Values

|  |  |  |
| --- | --- | --- |
| **Variables** | **VIF** | **1/VIF** |
| ENVR | 3.99 | 0.250337 |
| CMNTY | 3.83 | 0.261097 |
| FSIZE | 2.46 | 0.406834 |
| LEV | 1.72 | 0.579925 |

**Source: Extracted from Stata Output, 2016 (Appendix A6)**

The results of the multicollinearity test as depicted from table 4.4 clearly indicate that VIF value and tolerance value for each explanatory variable is less than 10 and greater than 0.10 respectively, implying that the variables do not pose multicollinearity problem with one another, as rule of thumb (Gujarati & Porter, 2009). Similarly, the result of the heteroscedastiscity test conducted which the detailed result is presented in appendix (A4) indicates chi square value of 3.29 with a p-value of 0.0697 which is significant at 10% level. This is an indication of the presence of heteroscedastiscity. Consequently, a robustness test was carried out in order to address the problem which the result as presented in appendix (A5) indicates that the model is fit and thus reliable for analysis and drawing statistical inferences on the results.

Furthermore, this study subjected the model to Fixed and Random Effects regression in addition to OLS and other robustness tests to achieve a reliable result. The result shows the presence of Heteroskedasticity as indicated by the Breuch Pagan/Cook-Weisberg test for heteroskedasticity (Hettest) Chi2 of 3.29 with p-value of 0.0697. This proved that the assumption of constant variance of the error term (homocedasticity) has not been met, and as a result OLS estimators may not be best linear unbiased estimators (BLUE). This is corrected using robust Feasible Generalized Least Squares, after the results of random effect test, Breusch and Pagan Lagrangian Multiplier Test for Random Effects indicated that there is no statistical significant variance among the units in the panel (Chibar2 of 0.00 with p-value of 1.0000) implying that OLS technique is appropriate. On the other hand, the result indicated the absence of the perfect Multicolinearity among the explanatory variables, as shown by the mean VIF of 3.24. The decision criterion for the Variance Inflation Factor is that a value of 10 and above implies the presence of perfect multicollinearity.

# 4.2 Analysis of Regression Results and Discussion of Findings

# In view of the nature of the data, both fixed effect and random effect models were tested. Hausman specification test was then used to decide between the two results. The result from the Hausman fixed and random effect test revealed a Chi2 value of 5.30 with p-value of 0.5061 that is statistically insignificant. This implies that the test considered the Random effect as the most appropriate estimator. The full results of the fixed and random effect as well as Hausman test are attached as appendix (IIE and IIF). Also Breusch and Pagan Lagrangian Multiplier test was conducted for the random effect in order to establish whether there is panel effect between the variables to warrant the use of Generalized Least Square or not, hence the use of Pooled Generalized Least Square. The test revealed that the data do not have heteroscedasticity problem, as the hettest revealed a Chi2 value of 3.29 with p-value of 0.0697, and Breusch and Pagan Lagragian Multiplier test for random effect revealed a Chi2 value of 0.00 with p-value of 1.0000 which is not statistically significant as per the result attached as appendix (1). In the absence of heteroscedasticity, Generalized Least Square model was adopted for the study

# Table 4.3 presents the summary of the regression results obtained from the model of the study while the full results are shown in appendix (2):

# Table 4.5: GLS Estimators

|  |  |  |  |
| --- | --- | --- | --- |
| **Variables** | **Coefficient** | **T- Values** | **P- Values** |
| **CONSTANT** | -20.876 | -7.36 | 0.000 |
| **ENVR** | -6.872 | -2.61 | 0.611 |
| **CMNTY** | 1.837 | 0.51 | 0.000 |
| **LEV** | 1.591 | 10.25 | 0.000 |
| **FSIZE** | 114.412 | 7.36 | 0.000 |
| **R2** | 0.2866 |  |  |
| **F- Stat** | 158.53 |  |  |
| **Prob.Chi2** |  |  | 0.0000 |

## *Source: Stata Output 2020*

Table 4.3 shows that the functional relationship between the dependent and independent variables is:

# ROA= -20.876 – 6.872ENVR +1.837CMMTY **+1.591LEV+ 114.412FSIZE**

Table 4.5 presents the parameter estimates of CSR practices of Seedvest Micro finance Bank. The table shows that ENVR has a significant negative effect on the financial productivity (ROA) of Seedvest Micro finance Bank, Ibadan, from the coefficient of -6.872 with t- value of -2.61, which is statistically significant at 1% level of significance (p-value of 0.009). This result suggests that, the higher the level of environmental responsibility by banks in Nigeria, the lower the financial productivity of Seedvest Micro finance Bank. (that is, profitability reduces by 6.8%). The result suggested that the effect of environmental management by the bank is negative and the result is significant at 99% confidence level with respect to ROA. Based on this empirical evidence, the study rejects the null hypothesis one (H01) which states that, environmental management has no significant effect on the financial productivity of Seedvest Micro finance Bank. This is consistent with the findings of Usman and Amran (2015) Fodio Abdissamad and Oba (2013) and contradicts the findings of Samy et al 2010; and Yao, Wang and Song (2011)

The results in Table 4.5 indicated community CSR has a positive effect on the financial productivity (ROA) of Seedvest Micro finance Bank, Ibadan, from the coefficient of 1.837 with t- value of 0.51, which is not statistically significant at all levels of significance (p-value of 0.611). This result suggests that, the higher the level of community responsibility by banks in Nigeria, the higher the financial productivity of banks in Nigeria (that is, profitability increases by 1.8%), but is not statistically significant. The implication of this finding is that most investment on community development yields financial returns; the information disclosed by the firms may not accurately reflect the CSR activities performed in a specific year. The result provided a basis for failing to rejecting the second hypothesis, which states that community development has no significant effect on financial productivity of microfinance banks in Nigeria. The finding is not consistent with the findings of Oba, (2009), Lee ,Seo and Sharma, (2013) who found a negative relationship between community development and financial productivity, but consistent with the findings of Fodio, Abu- Abdissamad and Oba, (2013), Torres, Bilmolt, Tribo and Verhoer ,(2012) and Kabir and Thai, (2020) who found a positive significant relationship between community development and financial productivity.

# CHAPTER FIVE

**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

# 5.1 Summary

In this study, the emphasis was given to the assessment of the “impact of corporate social responsibility practices on the financial productivity of microfinance banks in Nigeria”, using environmental management, community development, and return on asset as proxies for CSR practices and financial productivity respectively. Seedvest Micro finance Bank, Ibadan was used as a case study. The data was analysed using descriptive statistics and inferential statistics, that is, panel regression technique. The test of the formulated hypotheses of this study and the analysis of the data, led to the following major findings:

There is a strong negative and significant relationship between environmental managementand financial productivity(return on asset) of microfinance banks in Nigeria. The relationship between community development and financial productivity (return on asset) of microfinance banks in Nigeria is also positive and significant.

The results also show that there is a negative and significant relationship between employee relations and the financial productivity (return on asset) of microfinance banks in Nigeria. The product quality and customer service a strong positive and significant relationship with the financial productivity (return on asset) of microfinance banks in Nigeria.

# 5.2 Conclusions

The following conclusions are drawn from the findings of the study:

The environmental management negatively and significantly influences the financial productivity (return on asset) of microfinance banks in Nigeria, the banks that engage in high environmental management are likely to have low financial productivity while those that engage in low environmental management are likely to have higher financial productivity.

Community development has positive relationship with return on asset but insignificantly affects the financial productivity of microfinance banks in Nigeria. Signifying that the return on assets of Seedvest Micro finance Bank is insignificantly affected by CSR practices directed at community development. CSR practices directed at communities in form of developmental projects have no ripple effect on the triple bottom line.

The financial productivity of the microfinance banks in Nigeria is negatively and significantly influenced by CSR activities to employee, implying that not all investment on employees yields better financial productivity.

# 5.3 Recommendations

In line with the conclusions of the study and for a continuous attainment of high financial productivity through CSR practices of microfinance banks in Nigeria, the following recommendations are proffered:

1. The management of the companies should prudently explore the use of debt financing to be invested in viable projects that would boost the share value of the companies in the stock market.
	* 1. The result which indicates that the financial productivity of the microfinance banks is insignificantly affected by community development could be attributed to the inability of some of Seedvest Micro finance Bank to disclose more of its engagement to community regularly during the period under consideration. Therefore, management of the microfinance banks in Nigeria should ensure a regular disclosure of their activities directed at community development.
		2. The study reveals that employee relation does not have any effect on the financial productivity of the bank. We therefore, recommend that management of Seedvest Micro finance Bank should be concerned with the expectations of their employees, be socially responsible as well as engaging in more proactive employee relations through more training, better working conditions, motivational packages, better health and safety policies and compliance to ISO26000, which will bring about efficiency and effectiveness in achieving both their personal and corporate objective.
		3. The microfinance banks in Nigeria should improve on their product quality and customers service through providing qualitative and environmental friendly products, ensuring improve and organized customers‟ service which will build better and bigger brand names and improving their brand equity. Since product and customer CSR have a positive and significant effect on their financial productivity.

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