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THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON BANKING SYSTEM STABILITY IN NIGERIA

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Abstract

The study of Corporate Social Responsibility (CSR) is becoming prominent because of its heightened importance as a critical component in strategic business operations. The study examined the effect of Corporate Social Responsibility (CSR) on banking system stability in Nigeria, the efficiency and efforts of Banks' operations has been questioned owing to the increase of Non-performing loans and the little empirical evidences as to how engagements in Corporate Social Responsibility (CSR) reduces incidences of credit and liquidity risk exposure. A casual research design was applied, and data were collected for 13 Nigerian banks for the scope of 2014-2021. The data was analysed by panel data and we regress social dimension of Corporate Social Responsibility (CSR) against Credit risk, liquidity risk and Return on Assets (ROA) using Multiple Linear Regression (MLR), that is after all the underline assumptions have been duly considered. The results reveals a positive and significant relationship between CSR, banks' liquidity risk (0.044) and ROA (0.008), while a positive but insignificant relationship was obtained between credit risk and CSR (0.514). The finding shows that banks' can reduce incidences of Non-Performing Loans (NPLs) through their Corporate Social Responsibility (CSR) engagements hereby inducing banking system stability. The study contributes to the infancy of empirical evidences on the

Keywords: Social dimension, Non-performing loans, Credit risk exposure, Liquidity risk exposure, Banking system stability.

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subject and recommended that banks should ensure they stick to best practices in their overall activities, as credit and liquidity risk exposure are necessitated by the inadequacy in loan disbursement framework, therefore adequate attention needs to be placed on loan disbursements and recovery.

Introduction

Financial instability has been traced to excessive risk-taking behaviours by banks which has led to plethora of problems including non-performing loans (Li, Kong, Atuahene, Micah & Ayapong, 2020). Undoubtedly, banks' unethical behaviours erode social trust and undermine public confidence in the banking sector's ability to allocate economic resources efficiently and contribute to societal advancement (Claessens, 2017). The 2008/2009 global financial crisis (GFC) heightened the need to regulate banks activities by regulators so as to ensure the renewed confidence in the banking system. Regulatory agencies and central banks are putting every effort to develop stress testing exercises and early warning indicators to avoid a financial crisis in the future (Schenk, 2021).

Bank's stability can be measured in terms of credit and liquidity risks which proves Stability in the Banking system (Li, et al., 2022; Masoud & Albaity, 2021; Alyousfi & Saha,2021; Chiaramonte, Dreassi, Girardone, & Pisera, 2021). The proper management of loan disbursement and recovery improves society's trust for the banks and solidifies confidence. For banks to increase confidence and maintain stability it has also been established by Tran (2022) and Li et al. (2022) that it should incorporate frameworks of stakeholders' inclusion and transparency in their dealings. Banks are to operate not only for its benefits but that of the society as well and this is referred to as its responsibility towards its entire stakeholders and the society it operates in (Caroll, 2021).

The excessive risk-taking behaviours by banks led to the incorporation of corporate social responsibility- hereafter CSR and codes of ethics into their lending and financing decision-making processes by the implementation of the ISO 14000 Environmental Management System and the disclosure of their CSR practices in accordance with GRI sustainability reporting standard (Li et al., 2022). Corporate Social Responsibility (CSR) is a dominant paradigm in the field of business and it is a useful organization strategy and a prominent approach to ethical business and innovation because of its ever-growing importance and need to breed an organization that is not only profitable but responsible (Alyousfi et al., 2021). A responsibility-oriented organization portrays it in a new light which draws the society attention, there have been a positive and significant relationship between CSR and customer trust (Jeong & Lee, 2021; Worokinasih & Zaini, 2020; Carroll,2021).

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The application of CSR in the operations of bank should be able to evoke trust, the trust factor plays a major role in determining banking system stability (Li et al., 2022). Friedman (2007), prompted the argument which has been supported, that CSR activities should be undertaken for profitability's sake as it motivates businesses to keep engaging in it. In the banking industry CSR is mostly checked against Performance indicators, as can be seen from the numerous studies which looked at the effect of CSR on firm financial performance (Gentzoglanis,2020; Keskin, Dincer & Dincer,2020; Nasir, Amir & Musa,2020; Nosratabadi, Pinter, Mosavi & Semperger,2020; Olateju et al.,2021). With only that in mind the motives for carrying out CSR by organizations might not be purely moral as in the case of decoupling and organizations who engage in CSR activities to the detriment of other stakeholders. Studies on CSR and bank stability in developing countries are limited and few (Li et al., 2021; Chiaramonte et al., 2021). To address this gap, this study would extend the key drivers of banking stability in Nigeria to the role of Social activities in explaining Bank's risk exposures to liquidity and credit risks and its effect on their profitability.

Liquidity of banks is its ability to either hold cash or own assets that can be readily converted to cash at short notice without additional costs. Insolvency risk of banks arise when banks are unable to meet depositors request for withdrawals and hence either have to opt to borrow at a higher cost or sell financial and nonfinancial assets at a discounted value, this would eventually lead to a liquidity risk (Mohammad, Asutay, Dixon & Platonova.,2020). During the times of financial distress, the knock-on effect of a liquidity risk might lead to the instability of banks, consequently leading to economic volatility (Li et al.,2022). Credit risk refers to the possibility that debtors will be unable to repay the interest and principal they owe to the bank (Kinateder et al., 2021). When not properly resolved, credit risk can potentially contribute to the emergence of systemic risk affecting the general population (Li et al., 2022).

This study is focused on banking Social performance because of the peculiarities of the banking sector with respect to CSR practices. Although banking firms appear to have lower direct Social impacts relative to their industrial counterparts, as cited in Li, et al. (2022) 'banks facilitate industrial activities by lending to firms that may engage in socially irresponsible corporate behaviours such as pollution, manufacturing of hazardous products and human rights violations' (Kotchen & Moon, 2012; Thompson & Cowton, 2004). Evidences has proven that banks have been accused of facilitating unethical social behaviours such as corruption, bribery and money laundering, in addition to other dubious lending, investment and asset management practices (Altunbas, Thornton & Uymaz, 2021; Arnold, 2018).

The literature on CSR activity and Banks' stability in Nigeria is at its infancy, this study therefore draws from both the study of Chiaramonte et al. (2021), which called for research on the variables to be undertaken in a developing country so as to have an

overall conclusive result. Likewise, the study of Li et al. (2022), who measured banks stability as a degree of their risk exposures by looking at both liquidity and credit risk as metrics for banking system stability. This study would enrich the existing (and limited) knowledge on banking CSR in Nigeria by investigating a comprehensive set of key drivers for banking risk exposures, the study also provides new insight on the role of legitimacy through banks engagements in CSR which creates corporate stakeholder-centred culture.

STATEMENT OF PROBLEM

Nonperforming loans (NPLs) has been witnessed to be the major determinant of both credit and liquidity risk which affects banks' stability, non-performing loans (NPLs) not only affects banks' overall performance but also reduces society trust for the banks. NPLs results from banks' credit risk exposure, which is banks inability to properly oversee their lending activities to ensure that loans disbursed, are properly recovered. Worthy to note is that NPLs leads to liquidity issues, as those unrecovered loans are majorly depositors' funds and its non-recovery would place the banks in a tight position, Nonperforming loans acts as a springboard to Banks' Liquidity risk exposure.

Banks' activity is majorly hinged on the trust factor, hence the extra vigilance placed on it by regulatory agencies. Nonperforming loans not only affect banks' performance but also erodes individuals trust and confidence in the banking sector (Li et al., 2021). It has been established that responsibility-oriented firms act according to regulations to avoid incidences that would jeopardize the confidence placed on them. Corporate social responsibility on this note act as a vehicle for enhancing the trust and confidence in the banking sector and thus, encouraging banks to reduce their excessive risk-taking behaviours which would ultimately reduce their Nonperforming loans.

OBJECTIVES OF THE STUDY

The overall objective of this study is to ascertain the effect of corporate social responsibility (CSR) on Banking System Stability in the Nigeria banking industry. The specific objectives are;

1. To determine the effects of Social dimension of CSR on the credit risk of deposit money banks.
2. To ascertain the effects of Social dimension of CSR on the liquidity risk of deposit money banks.
3. To examine the effects of Social dimension of CSR on deposit money banks' profitability.

RESEARCH HYPOTHESIS

In line with the study Research objectives this study would test three Hypothesis stated in Null form;

Ho_1- There is no significant relationship between Social dimension of CSR and the credit risk of deposit money banks.

Ho_2- Social dimension of CSR has no significant effect on the liquidity risk of deposit money banks.

Ho_3- There is no significant relationship between Social dimension of CSR and Banks' deposit money profitability.

SIGNIFICANCE OF THE STUDY

Practical- The findings of this study would enable banks, financial analysts and various decision-makers to come up with decisions and choices that would minimize banks risk taking behaviour and boost corporate responsibility. The study would also contribute to existing literatures on CSR and banking system stability.

Policy- The findings and recommendations of the study would aid government and policy makers to come up with strategy that would improve banking system stability. Regulatory agencies would be armed with the truth that would enable the smooth running of their regulatory activities.

Theory- This study would contribute to the theoretical framework, by establishing the factor that explains CSR and its linkage to banking system stability.

Concept of corporate social responsibility

CSR was specified in the work of Bowen (1953) as being the primary responsibility of a business practitioner to ensure that all actions and behaviours are consistent with the desired goals and values of the society, this is the foremost aim of CSR, that business carry themselves in such a way that puts into consideration the society and how they can benefit the society. CSR emerged as a response to the call of business and its Responsibility to the society, as business operations tends to affect the environment, society and stakeholder in many ways (Matten & Moon, 2020). CSR is therefore considered as a strategic approach to overcome the negative impacts on the external environment (Tahir et al., 2021). The major conceptual contribution of CSR in the 1980s was stakeholder theory, articulated by R. Edward Freeman and it was considered as a major contribution to the CSR stream of literature and thought, Stakeholder theory is a concept that emphasizes the interrelationship between a business and its various stakeholders, including investors, customers, employees, suppliers, etc (Jansson, 2005).

Matten and Moon (2020) point out that CSR is dynamic not static; it changes in response to changing government regulations and shifting generational views and concerns about what is right or wrong or bad, with this we can say that various organizations view in engaging in CSR activity is based on what they consider right or wrong (kim & Tang, 2021). According to Friedman(2007), the primary responsibility of a business to the society is to

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increase profits whilst ensuring compliance with rules and law, thus profitability as a purpose for CSR activity might throw the genuineness of CSR to the mud as the organization sees CSR as a means to an end, a company's profit-driven CSR activities can damage the company's reputation especially from the customer's perception, also approaching CSR purely as a business strategy, without an accompanying ethical stance, can weaken public trust in business people and in companies.

According to Lee & Chan (2018), CSR generates win-win situations as firms can at the same time not only improve their performance but also create social benefits. Considerable research on CSR has been undertaken to determine what encourages firms to engage in social activities, and most of the studies concluded that CSR has a positive effect on firm's financial performance on its end the findings are encouraging and would motivate firms to push up their CSR activity but most studies has drawn out that firms that engage in CSR are mostly guilty of greenwashing- which is the disclosure that gives people an excessive positive image of a company's CSR performance- and CSR- decoupling which is the difference between what is portrayed and what firms are actually doing(Du & Wu, 2019) and this boils down to the ethicality and genuineness of CSR engagements in ensuring that CSR activities are carried out with the interests of all stakeholders in mind and to ensure best practices.

Concept of banking system stability

Financial stability has been defined as a lack of systemic financial crises or panics in a financial system, characterized by the absence of wide fluctuations in the prices of assets and stakeholders' confidence in the key financial markets and institutions. The term "financial stability" gained prominence in 1996, following the launch of the Bank of England's Financial Stability Review. A stable financial system which allocates credit efficiently, is capable of absorbing shocks, managing risks and positively impacting output, employment and inflation (Jibrin et al., 2020). As institutions, whose operations entail loans disbursement and deposit taking activities, banks play a central role in allocating capital, conducting financial intermediation, and in many contexts, dictating the overall direction and health of the financial sector.

Banking system stability can be measured by both credit and liquidity risk. Credit and liquidity risk determines and affects Banks' stability; liquidity risk is the inability of banks to meet depositor's demands for cash withdrawals. Credit risk is the probability of a financial loss resulting from a borrower's failure to repay a loan. Essentially, credit risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Lenders can mitigate credit risk by analysing factors about a borrower's creditworthiness, such as their current debt load and income (Li et al., 2021). Although it's impossible to know exactly

who will default on obligations, properly assessing and managing credit risk can lessen the severity of a loss.

The concept of the world been a global village has its effect also on the financial system of all the economy as they are inevitably connected to each other. The global financial crisis of 2008 sheds light to this, the catalysts for the GFC were falling US house prices and a rising number of borrowers unable to repay their loans. House prices in the United States peaked around mid-2006, coinciding with a rapidly rising supply of newly built houses in some areas, which ended up affecting the entire global financial system. The interconnectedness of the financial system worldwide can also be witnessed during the Covid-19 pandemic which resulting to economic fallout led to significant hardship, it also affected the global financial system. There is therefore need for all banking industry- banks being the major player in the financial system and decides the life and death of the financial system- to ensure the stick to best and sound practices to enable them operate optimally.

Legitimacy theory

Stakeholder theory adds resolution to legitimacy theory's "social expectations" by taking into account the organization's society, which acknowledges several stakeholders with competing interests (Olateju et al., 2021). Legitimacy theory expands on stakeholder theory by focusing on more than simply societal expectations of responsibility. Max weber identifies legitimacy as an important explanatory category for social science, because faith in a particular social order produces social regularities that are more stable than those that result from the pursuit of self-interest or from habitual rule-following (Weber 1964: 124). Legitimacy theory is derived from the concept of organizational legitimacy, which has been defined by Dowling and Pfeffer (1975) cited in James, Suresh and Leanne (2006) as "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part". CSR activities that are done with a legit cause goes to stand the test of times, the sense of legitimacy in every activity develops a sense of belonging, as it breeds in a person the duty of being selfless as it is always subjected to scrutiny through its disclosure. The legitimacy of CSR operations as established in Olateju & Olateju (2021) breeds trust and banking business is hinged in trust, and here there is trust there would be efficiency and stability in operations. Legitimacy always solves the problem of CSR-decoupling and greenwashing, by inputting into the firms a legit sense of duty to serve. Rochayatun and Kholifah (2021) findings reveal that legitimate status is demonstrated by reduction in the number of public complaints and the acceptance of the existence of the company by the society which boosts business stability.

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This is in truism to the fact that like attract like, as in the case of most corporations who heed to the society pleas and ensured environmental cleanliness by developing various measures to attain such, reaped the fruit for its effort. Some of the measures put in place emanated from the contributions of the management, as it was brought to their notice and they complied and made changes in the environment the undertake their business- a well observable fact is that the managers have a common mission and core values which are further enforced by the appropriateness of Corporate social responsibility. A legit firm undergoing or undertaking the CSR function or activity would really testify to the inherent ability of readily engaging in it purely for the true sake of CSR other than an underhanded motive (Olateju et al., 2021).

Social dimension of CSR and Liquidity risk

The study of Boubaker, Cellier, Manita, and Saeed (2020) examine how corporate social responsibility (CSR) affects the level of financial Distress risk (FDR). Using a sample of 1,201 US listed firms during 1991-2012, the results indicates that firms with higher CSR levels have lower FDR, suggesting that a better CSR Performance makes firms more creditworthy and have better access to financing, which is Rewarded with less financial defaults. Likewise, in the study of Alyousfi et al (2022), their results of the significant simultaneous test shows an effect of CSR disclosure, Firm Life Cycle, ROA in predicting financial Distress. While partially, the ROA variable has a negative and significant impact in predicting Financial Distress, CSR disclosure, and Firm Lifecycle has no effect in predicting Financial Distress.

Neitzert and Petras (2022) analyse the impact of corporate social responsibility activities on bank risk and explored its determinants. They confirmed a risk-reducing effect of the corporate social responsibility activity on an aggregated level. The decomposition of this effect suggests that environmental activities determine this risk mitigation. In contrast, social and governance activities do not show similarly unambiguous results. In this way, their analysis highlights the great importance of environmental aspects in banks' risk management. A contrary study of Hong, Zixuan, Jianrong, and Amina (2023) found a negative association between CSR and firm liquidity risk after controlling for various firm characteristics, i.e., year and industry fixed effects.

Finally, the study of Li et al (2022), examined the effect of environmental and social (ES) activities on global banking stability in the shadow of the COVID-19 pandemic. Using a sample of 244 commercial banks across 52 countries from 2002 to 2020, they provide evidence that during the global health crisis, banks with higher levels of ES activities are more financially stable (i.e., lower credit and liquidity risk exposures). They observed that ES activities constrain excessive and aggressive bank risk-taking during turbulent times when short-termism prevails, and their analysis also revealed that investors value such

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beneficial effects of ES activities. The literatures reviewed showed that most research undertaken on CSR and liquidity risk are done internationally.

Social dimension of CSR and credit risk

Banner, Bofinger and Rock (2022) study the relationship between corporate social responsibility and credit risk for U.S. and European firms over the period 2003 to 2018. Differentiating between the various facets of corporate social responsibility shows that only environmental aspects are negatively related with various measures of credit risk for U.S. firms. For European firms, both environmental and social aspects are negatively associated with credit risk. Their findings reveal that credit ratings do not reflect the same contemporaneous relationship with corporate social responsibility.

Braulio and Valenzuela (2022) examines the effect of each Corporate Social responsibility dimension (i.e., Environmental, Social, and Governance activities) on firms' credit risk for two countries with a different CSR culture, Canada and Mexico. They used a probability of Default and Credit Default Swaps spread, with 1-year and 5-years maturities, as credit risk proxies for a sample of 287 firms from both countries for the period of 2011-2020. Fixed-effects (FE) were employed to run the regressions on the unbalanced panel data set. The results do not show a statistically significant effect of any of the CSR pillars on credit risk either in Canada or in Mexico; and they obtained a similar result for both countries, despite of their contrasting CSR cultures.

The study of Kung and Kim (2022) examine the relationship between corporate social responsibility (CSR) and credit risk. They tested how CSR strengths and concerns impact credit default swap (CDS) spreads during the global financial crisis period. The findings revealed that CDS spreads capture additional effect of CSR on credit risk that credit ratings miss, implying that CDS spreads have advantages over credit ratings for studying CSR. Their empirical results show the asymmetric effects of CSR concerns and strengths on credit risk. CSR concerns increase and CSR strengths reduce CDS spreads during the non-crisis period, whereas their effects change during the financial crisis. CSR strengths during an adverse economic environment can indicate agency problems and overinvestment.

Likewise, the study of Troung and Kim (2022), examined the short and long run effects of Social activities on the credit risk implied in credit derivative prices. Fama-macbeth regressions revealed that firms with higher CSR scores tend to have more gently decreasing credit default swap slop because on average CSR activities reduces credit risk in the long-run more than in the short-run. The study recommended that regulatory agencies should ensure that banks and other financial institutions engage in CSR activities which would help reduce the incidences of credit risk exposure.

Social dimension of CSR and Profitability

The literature on CSR and profitability is saturated with a lot of studies, as there have been both positive, negative neutral and mixed findings. The study of Worokinasih and Zaini (2020) Assessed the effect of the mediating role of Corporate Social Responsibility (CSR) disclosure on Good Corporate Governance (GCG) And Firm Value. The study showed that Good Corporate Governance has a significant and positive effect on corporate value, Good Corporate Governance has a significant and negative effect on Corporate Social Responsibility.

A neutral finding by Lu, Liang, Zhang, Rong, Guan, Mazeikaite and Streimikis (2020) noted that there are currently no clear conclusions regarding the connection between CSR and corporate profitability as it is difficult to distinguish between companies doing well financially because they do good socially and companies doing good socially because they do well financially. They also noted that CSR assessment tools are not useable and they are difficult to measurement so to propose a model suitable for all sectors and countries now is impossible. There had also been a debate as to whether profitability affects the incorporation of CSR and its disclosure, hence the study of Heriansyah and Hayanti (2023), explained that company size and profitability has no effect on corporate social responsibility disclosure, Meanwhile, liquidity and board of commissioners has a positively and significantly effect on corporate social responsibility disclosure. Another study made use of Profit after Tax and investment in CSR data, the data collected were analysed using simple regression, the study revealed that, there is positive correlation between CSR investments and organizational profitability.

Finally, the study of Chiaramonte et al., (2021) investigated the joint and separate effects of Environmental (E), Social (S), and Governance (G) score on bank stability. They authors used a sample of European banks operating in 21 countries and found out that ESG score as well as its sub-pillars, reduces bank fragility during periods of financial distress and this stabilizing effect holds strongly for banks with higher ESG ratings. The study of Olateju et al., (2021) also found a positive relationship between CSR and banks return on asset.

From the empirical study it would be deduced that studies on CSR and banking system stability has been majorly conducted outside Nigeria, with few bordering on one or two measures of banking system stability and hence this study would look at the effect of CSR on banking system stability to give findings and conclusions that would aid effective decision making.

Data and Sample

The study adopted the panel research design, as data was collected from the specified sample at various time intervals from the sane group of participants. The panel research design has been adopted by authors' in most CSR study (Olateju et al.,2021; Li et al.,2020,

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& Apaydin, Frank, Demirbag, & Jamali, 2021). The design choice is based on the fact that panel data could blend both inter-individual units' differences in cross-sectional and intra-individual crescendos in time-series data (Olateju & Olateju, 2023). The population for this study comprises of all the conventional banks in Nigeria authorized and recognized by the Central bank of Nigeria. A total of 23 banks made up our research population.

The sampling technique used for this study is the non-probability sampling and 14 banks are used for the study sample for the period of 8years (2014-2021). Data were sourced from banks' annual reports and financial statements for the data analysis. The study relied on secondary sources of data-CBN bulletin, peer reviewed journals, Banks' financial statements and Textbooks- to get its information.

Measures of variables

1. Credit risk is measured as the ratio of banks Nonperforming loans to total loans. These values are extracted from banks' annual financial reports. These values are extracted from banks' annual financial reports.
2. Liquidity risk measured as the ratio of Total loans to Total deposits.
3. Profitability is proxy by return on assets (ROA) which is the ratio of banks Profit after Tax to Banks' total assets. These values are extracted from banks' annual financial reports.
4. Social dimension of CSR is measured as the total donations and charitable gifts. These values are extracted from banks' annual financial reports.

Method of Data Analysis

Simultaneous multiple regression (SMR) was used in the analysis because all the dependent variables were tested at the same time. The following assumptions are considered in the calculation as stated in the study of Olateju and Olateju (2023).

. Regression analysis makes use of outliers and outliers can be spotted by standardizing the value and checking the standardized values to check for absolute values higher than 3.29. Such values are removed from the dataset.

Homoscedasticity, normality and the absence of multicollinearity are considered critically. Test for normality are carried out by observing a normal P-P plot. If the data have a straight line beside the diagonal, then it can be assumed to be normal. To evaluate homoscedasticity a random scatter plot is observed gotten from standardized residuals with standardized predicted values and if this is seen, then the assumption is met. Multicollinearity can be assessed by computing variance inflation factors (VIFs). The value of VIF is better is less than 10 to avoid multicollinearity.

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Model Estimation

The model for testing the nexus between Social dimension of CSR and banking system stability (i.e., bank specific risks and profitability) is constructed by estimating the Regression model with robust standard errors (Trinh, Li, Elnahass ,2020 & Li et al.,2022).

$BSS = a_i + \beta CSR_{it} + \varepsilon$.....Model 1

$CR = ai + \beta_{it} + \varepsilon$

$LR = a_i + \beta_{it} + \varepsilon$

$ROA = a_i + \beta_{it} + \varepsilon$

Where;

BSS= Banking system stability
CR = Credit risk
LR = Liquidity risk
ROA = Return on Assets
CSR = Corporate social responsibility
a_i = Regression constant
ε= Error term

Table 1



Source; Authors' computation, 2023.

Doornik-Hansen chi2(8) = 76.546 Prob>chi2 = 0.0000 Lawley chi2(5) = 11.86
Prob > chi2 = 0.0367

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Lawley test that correlation matrix is compound symmetric (all correlations equal) is rejected as there are differences in the correlation of the dependent variables. Doornik-Hansen test for multivariate normality is based on the skewness and kurtosis of multivariate data that is transformed to ensure independence. Generally, any t-value greater than +2 or less than - 2 is acceptable in line with the corresponding p-value, and from Table 1 the t-value for logCR, logLR and logROA are -0.66, -2.04 and 2.74 respectively. The coefficient of determination R-squared (R2) value is 0.0051 for logCR being the proxy of banking system stability signified that 0.51% of the systematic variations in the dependent variable is accounted for by the Independent variable CSR, while the rest were unaccounted for, hence captured by the error terms and other variables beyond the research scope. For logLR the 'R-sq' value 0.0472 signified that 4.7% of the systematic variations in the dependent variable (Liquidity risk) is accounted for by the independent variable (CSR) and the remaining percent is accounted for by other variables outside the research scope. Finally, for logROA the 'R-sq' value 0.0819 signified that 8.2% of the systematic variations in the dependent variable is accounted for by the independent variable (CSR).

The p-value for logCR (dependent variable) is 0.514 which is greater than 0.05 (probability value), the null hypothesis is hence accepted. The p-value for logLR is 0.044 which is less than 0.05 and hence the null hypothesis is rejected and restated as 'social dimension of CSR significantly affect banks liquidity risk exposure'. Finally, for logROA the p-value of 0.008 is also less than the the sig-value of 0.05, the null hypothesis is rejected and restated as 'social dimension of CSR significantly affects banks' return on asset'.

Table 2

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. mvreg logCR logLR = logCSR
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Equation	Obs	Parms	RMSE	"R-sq"	F	P
logCR	89	2	.9681554	0.0002	.0215442	0.8836
logLR	89	2	.6415761	0.0486	4.444284	0.0379

	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
logCR						
logCSR	-.0116454	.0793395	-0.15	0.884	-.1693414	.1460505
_cons	-2.992293	1.558234	-1.92	0.058	-6.089452	.1048655
logLR						
logCSR	-.1108393	.0525766	-2.11	0.038	-.215341	-.0063375
_cons	1.852814	1.032609	1.79	0.076	-.1996075	3.905236

Source; Authors' computation, 2023.

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Table 2 regressed logCR, logLR and logCSR with added 'Obs'. The R-sq value of 0.0002 and 0.0486 for logCR and logLR signifies that 0.02% and 4.8% of the systematic variations in the dependent variables (Credit risk and Liquidity risk) respectively is accounted for by the independent variable (CSR) and the rest accounted for by other variables outside the study scope. The p-value for logCR (0.884) is statistically insignificant hence the null hypothesis is accepted, while the p-value for logLR (0.038) is statistically significant and the null hypothesis is rejected.

DISCUSSION OF FINDINGS

The first objective of the study is to determine the effect of Social dimension of CSR on credit risk exposure of banks. As a measure of banking system stability, credit risk exposure of banks determines the overall health of the banking system. Credit risk refers to the possibility that debtors will be unable to repay the interest and principal they owe to the bank (Kinateder et al., 2021). Accordingly, credit risk can potentially contribute to the emergence of systemic risk affecting the general population (Li et al., 2022). The focus of the study is hitherto not unfounded, as it provides directory for regulatory agencies to know which areas to mandate in order to ensure adequate response from banks. From Table 1, a positive but insignificant relationship- (p= 0.514)- was established between credit risk exposure and social dimension of CSR, the study of (King and Kim, 2022; Troung and Kim, 2022; Li et al., 2022) found a significant relationship between the variables of the study. Banner et al., (2022) and a corresponding study of Branlio and Valenzuela (2022) found an insignificant relationship between social dimension of CSR and credit risk exposure.

Furthermore, the second objective of the study is to know the effect of Social dimension of CSR on the liquidity risk exposure of banks, it has been established by various authors that banks liquidity risk exposure affects the overall health of banks and their stability (Li et al., 2022). Insolvency risks of banks arise when banks are unable to meet depositors request for withdrawals and hence either have to opt to borrow at a higher cost or sell financial and nonfinancial assets at a discounted value, this would eventually lead to a liquidity risk. The analysis of the study in Table 1 found a significant relationship between liquidity risk exposure and Social dimension of CSR (p= 0.044). The findings of this study are contrary with the study of Zixuan et al., (2023) who found a negative relationship between CSR activities and banks liquidity risk and Alyousfi who established a no effect between the variables of the study. Supporting findings includes that of (Li et al., 2022; Boubaker et al., 2020 and Neitzert & Petras, 2022), who found a positive and significant effect between the variables.

Finally, the third objective of the study is to ascertain the effect of Social dimension of CSR on banks profitability, bank profitability was proxy by Return on asset (ROA). Return on

asset examines banks' ability to earn adequate returns on its total assets, the findings of the study revealed a positive and significant relationship between Social dimension and banks ROA (p= 0.008). Worokinash and Zaini (2020) carried out a research on the effect of CSR activities on banks return on asset and found a positive link between the variables of the study. Kumai et al., (2023) and Olateju et al., (2021) also found a positive relationship between the variables of the study, while the findings of Lu et al., (2020) was neutral.

CONCLUSION AND RECOMMENDATION

Corporate Social Responsibility (CSR) has gained dominance owing to the issue of excessive risk-taking behaviours by banks, and the need to regulate their excessive risk-taking behaviours. The objective of the study is to determine the effect of social dimension on Credit risk exposure, liquidity risk expose and profitability of banks in Nigeria. Banks' Non-performing loans gives rise to Insolvency risk- when banks are unable to meet depositors request for withdrawals- and credit risk which refers to the possibility that debtors will be unable to repay the interest and principal they owe to the bank; this risk affects banks overall health which if not adequately managed can lead to overall banking system instability.

The analysis of the study found a significant relationship between liquidity risk exposure and Banks' Social dimension of CSR. As a measure of banking system stability, credit risk exposure of banks determines the overall health of the banking system. Credit risk refers to the possibility that debtors will be unable to repay the interest and principal they owe to the bank (Kinateder et al., 2021). Accordingly, credit risk can potentially contribute to the emergence of systemic risk affecting the general population (Li et al., 2022). From the study analysis, an insignificant relationship was established between credit risk exposure and banks Social dimension. Finally, the study found a positive and significant relationship between Social dimension of CSR and banks ROA. This goes to show the immense importance of CSR in ensuring banking system stability and reducing Non-performing loans, the more Banks engage in CSR activities the findings shows that banks would be able to reduce the incidences of both credit and liquidity risk exposure.

RECOMMNDATIONS

Based on the empirical findings and conclusions, the researchers recommends the following:

> Banks should ensure they stick to best practices in their overall activities. Credit and liquidity risk exposure is necessitated by the inadequacy in their loan disbursement framework. Hence, adequate attention needs to be placed on loan disbursements and recovery.

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From the findings and conclusion, banks can see the glaring effect of social dimensions on banking system stability measures. It has been established that banks CSR activities boosts trust and confidence in the banking sector, hence reducing the incidences of credit and liquidity risk. Banks managers are to be responsibility oriented actively engage its stakeholders in its overall operations.

The study recommends that regulatory agencies should mandate appropriate CSR disclosures by banks, so as to reduce incidences of decoupling and green-washing. Bank management should ensure that their CSR engagements are purely moral and not just to keep to status quo.

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