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RESEARCH ARTICLE

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Measuring corporate governance performance beyond the financial metrics: A study based on deposit money banks in Nigeria

Ifeanyi Onuka Onwuka[1] | Blessing Chinemere Okoro[2] | Vincent A. Onodugo[3]

[1] Department of Finance, Faculty of Economics, University of Ibadan, Ibadan, Nigeria

[2] Department of Management, Faculty of Management and Social Sciences, Godfrey Okoye University Ugwuomu-Nike Emene, Enugu, Nigeria

[3] Department of Management, Faculty of Business Administration, University of Nigeria, Enugu, Nigeria

Correspondence
Onwuka, Ifeanyi Onuka, Department of Finance, Faculty of Economics, University of Ibadan, Ibadan, Oyo State, Nigeria.
Email: ifeanyionwuka57@gmail.com

Abstract

Studies on corporate governance and firm performance have traditionally used financial metrics such as return on investment, return on assets, return on equity, profitable after tax, earnings per share, firm value (Tobin's q), and other quantifiable matrices. These performance measurement indicators, however, do not fully account for the social and environmental benefits derivable from corporate activities. This study differed from this approach by measuring corporate performance of deposit money banks in Nigeria using the sustainability reporting and triple bottom line (TBL) framework. Two TBL-compliance metrics were developed that tracks the performance of banks along the TBL parameters, which is more robust than the usual financial indicators. Six banks were selected for the study and were assigned scores based on their relative achievement in the adoption process of 17 identified metrics in the TBL framework. The results showed that Nigerian banks lacked behind in corporate governance performance based on TBL framework. On the aggregate, the level of spending on corporate social activities as a percentage of profit after tax was less than 1% for the 10-year period reviewed (2013–2017). The study showed that all the sampled banks had put in place policy framework that is in tandem with the TBL template, but there is still a mix match between the policy enunciation and concrete investments needed to be fully TBL complaint. The study recommended that Nigerian banks should devote more resources towards meeting the increasing social, environmental, and ecological demands on them in line with global best practices.

KEYWORDS

corporate governance, financial metrics, financial performance, triple bottom line

1 | INTRODUCTION

Since the early 2000s, there has been an increased focus on corporate governance studies around the world. This renewed attention was driven largely by the exposure of large scale scandals following the collapse of global corporate giants such as Enron, WorldCom, Tyco International in the United States, HIH Insurance in Australia, Paramalat in Italy, and many other corporate failures around the world. The collapse of Enron in particular was very traumatic to the corporate world and led to a chain of supervisory and regulatory reactions especially the enactment of "The Sarbanes–Oxley Act in 2002" by the United States government, and many countries followed suit with similar enactments (e.g., stock exchange codes and corporate governance codes, Bathula, 2008). The overarching objective of these regulations was to improve the effectiveness of boards and other corporate governance practices.

The effectiveness of boards has traditionally been measured exclusively in terms of financial performance of the organizations, for instance, profit (bottom line) extracted from the income statements. Additionally, financial performance indices, such as return on investment (ROI), return on assets, return on equity, and earnings per share among others, are also extracted from financial statements (income statements, balance sheet, and notes to financial statements) and used to measure corporate performance. It is also common to find in the annual reports of organizations, some discussions, and disclosures relating to corporate social responsibilities (CSR) and other humanitarian activities (Muhktar, 2017).

These performance measurement indicators, however, do not fully account for the social and environmental benefits derivable from corporate activities. In other words, measuring corporate governance performance exclusively in terms of financial indices may be inadequate and misleading as it would not fully account for how much or less corporate organizations are contributing in addressing societal and environmental-related issues.

To this end, the broad objective of this study is to assess the corporate performance of commercial banks in Nigeria beyond the usual financial metrics. This approach is anchored on the concept of sustainability reporting and triple bottom line (TBL) framework as espoused by Elkington (1997). The study design is descriptive with anecdotal evidence gleaned from the annual reports and accounts of the selected banks in Nigeria. Analytical spotlight is placed on corporate activities within the realm of CSR and sustainability matrix. We believe this approach to measuring corporate performance causes a paradigm shift from the traditional "for profit" to a more comprehensive investment results along the dimensions of profit, people, and planet. This will ultimately culminate into sustainable corporate existence within a sustainable society and environment and will improve on previous empirical studies on the subject, which have measured board effectiveness and corporate performance based exclusively on financial metrics.

Following this introduction, the rest of the paper is organized as follows. Section 2 dealt with conceptual and analytical issues, whereas the methodology of the study is presented in Section 3. The result of the analysis based on data from selected deposit money banks (DMBs) in Nigeria is presented in Section 4. Section 5 concludes the paper.

2 | THE LITERATURE ON CORPORATE GOVERNANCE AND THE TBL APPROACH

Corporate governance and board research have been mainly influenced by a combination of agency theory, stewardship theory, and dependency theory (Bathula, 2008). Agency theory asserts that corporate managers are not owners but agents of owners, contracted to manage the company on their behalf. Because they are not direct owners but managers, and thus have less personal wealth at stake, they may be inclined to pursue self-interests, which could result in them taking riskier or even dishonest actions, which could bring harm to the firm or its owners (Jensen & Meckling, 1976). Proponents of the agency theory generally canvassed for a board of directors dominated or at least strongly influenced by people not otherwise employed by the organization. They also argue for a separation of the functions of chief executive officer and board chairperson. Conceptually, separating these functions and increasing outside influence should both monitor and moderate the natural self-promoting efforts of managers and thereby protect the owners and shareholders wealth (Bathula, 2008).

In contrast to agency theory stands another point of view, represented by the stewardship theory. Stewardship theory supports the concept that managers are essentially worthy of trust. The assumption in this case is that the managers of a corporation will apply their efforts and skills conscientiously to achieve profitability and earn returns for the shareholders. The proponents of this theory tend to favor a board of directors dominated, or at least more heavily influenced, by insiders, that is, members who are also employed by the corporation in addition to their board duties. In addition, this school of thought points to the merits of having one person serves as both CEO and board chair.

According to Bathula (2008), the dependency theorists focused on the provision of resources as the main function of the boards of directors, and they explore the relationship of the board capital, as the antecedent of this function with firm performance. Provision of resources refers to the ability of board members to bring resources to the firm; for instance, providing legitimacy/bolstering the public image of the firm, providing expertise, administering advice and counsel, linking the firm to important stakeholders or other important entities, facilitating access to resources such as capital, building external relations, diffusing innovation, and aiding in the formulation of strategy or other important firm decisions.

Because boards of DMBs in Nigeria are populated by people with little or no stake in the banks and are therefore agents to the shareholders, the agency theory is an appropriate theory to underpin the study. The main tenet of the agency theory is that corporate managers (boards) are not owners but agents of owners, contracted to manage the company on their behalf. Because they are not direct owners but managers, and thus have less personal wealth at stake, their natural pursuit of self-interest could result in them taking riskier or even dishonest actions, which could bring harm to the firm or its owners. The strength of the theory as canvassed by Jensen and Meckling (1976) is considered adequate and responsive for the usage of the study.

A review of extant literature reveals a large number of studies examining various shades of board effectiveness. For example, Daily and Dalton (2007), Muth and Donaldson (2008), Bathula (2008), Lorsch and MacIver (2009), Bhagat and Black (2012a), Forbes and Milliken (2012), Kula (2015), and Gabrielsson (2017) covered various aspects such as board composition, board characteristics, critical board decisions, and their impact on firm performance. Results from these studies suggest that board transparency, independence of the board, chair-CEO separation, board diversity, board remuneration, alignment of interests through shareholding, and active participation of nonexecutive directors in strategic decision making are key factors to increase the effectiveness of boards and improve corporate governance.

Many other aspects of the board and their influence on firm financial performance have also been considered by other scholars. These include separation of the board chair and CEO positions (Daily & Dalton, 2007; Lorsch & MacIver, 2009), nonexecutive directors

(Bhagat & Black, 2012b), interlocking directorates and director selection (Kiel & Nicholson, 2014), interlocked firms and executive compensation (Hallock, 2007), director ownership (Bhagat, Carey, & Elson, 2013; Kapopoulos & Lazaretou, 2015), women on the boards (Burke, 2007; Huse & Solberg, 2013; Singh, Vinnicombe, & Johnson, 2012), performance assessment of board (Lorsch & MacIver, 2009), and external networks on the board decision-making processes (Carpenter & Westphal, 2011).

According to Bathula (2008), studies on corporate governance can be divided along two streams; one stream of extant research examines discrete decisions that involve a potential conflict of interest between management and shareholders. Another stream of research with mixed and inconclusive results suggests that, rather than examining board effectiveness using critical decision making, a more accurate evaluation can be gained by examining the impact of board characteristics on firm performance (Dalton, Daily, Ellstrand, & Johnson, 2008; Finkelstein & Hambrick, 2009; Zahra & Pearce, 2012). For example, Dalton et al. (2008) and Weir and Laing (2009) find little evidence to suggest that board characteristics affect firm performance.

However, other studies have found a positive relationship between certain characteristics of board and firm performance (Kiel & Nicholson, 2014; Bonn, 2014). Nevertheless, there is a broad consensus in the extant literature that the role played by boards is critical to firm performance as the boards discharge their fiduciary responsibilities of leading and directing the firm (Abdullah, 2014).

Like in other jurisdictions, several studies have been conducted in Nigeria to assess board effectiveness and the role of boards on firm performance. These studies include, among others: Adams and Ferreira (2009); Sanda, Basfirinci, Ozsalih, and Elsayed (2011); Acharya and Brossard (2010); Oluyemi (2015). All these studies used financial performance metrics such as ROI, profit after tax (PAT), return on assets, return on equity, and price earnings-ratios, firm's value (Tobin q) to assess board effectiveness. None of these studies, at least to our knowledge, assessed the effectiveness of boards beyond the usual financial metrics nor did any do so directly or remotely in the context of the sustainability reporting and TBL accounting as suggested by Elkington (2009).

2.1 | Sustainability reporting and TBL framework

Sustainability has been an often mentioned goal of businesses, nonprofits, and governments in the past decade, yet measuring the degree to which an organization is being sustainable or pursuing sustainable growth can be difficult (Slapper & Hall, 2018). John Elkington (2009) strove to measure sustainability during the mid-1990s by encompassing a new framework to measure performance in corporate America. This accounting framework, called the TBL, went beyond the traditional measures of profits, ROI, and shareholder value to include environmental and social dimensions. By focusing on comprehensive investment results—that is, with respect to performance along the interrelated dimensions of profits, people and the planet—TBL reporting can be an important tool to support sustainability goals.

Interest in TBL accounting has been growing across for-profit, nonprofit, and government sectors. Many businesses and nonprofit organizations have adopted the TBL sustainability framework to evaluate their performance, and a similar approach has gained currency with governments at the federal, state, and local levels (Stephen, Sheppard & Meitner, 2005).

The TBL is an accounting framework that incorporates three dimensions of performance: social, environmental, and financial. This differs from traditional reporting frameworks as it includes ecological (or environmental) and social measures that can be difficult to assign appropriate means of measurement. The TBL dimensions are also commonly called the three Ps: people, planet, and profits (3Ps). Before Elkington introduced the sustainability concept as "triple bottom line," environmentalists wrestled with measures of, and frameworks for, sustainability (Minnesota, 2000). Academic disciplines organized around sustainability have multiplied over the last 30 years (see Savitz, 2006; Fell, 2007; Hackling & Guthrie, 2007; Hackling & Guthrie, 2008; Cascade Engineering, 2009; European Union, 2002; Sustainable Cleveland, 2019).

According to Slapper and Hall (2018), the TBL "captures the essence of sustainability by measuring the impact of an organization's activities on the world … including both its profitability and shareholder values and its social, human, and environmental capital."

In recent times, there has been a shift from profit making orientation towards the social and environmental benefits derivable from corporate activities. In this regard, various stakeholders are expressing interest to know how much corporate organizations are contributing in addressing societal- and environmental-related issues. Hence, the concepts of sustainability reporting and TBL measure of corporate performance have dominated major global discourse.

The TBL is a concept, which broadens a business' focus on the financial bottom line to include social and environmental considerations. A TBL measures a company's degree of social responsibility, its economic value, and its environmental impact. The phrase was introduced in 1994 by John Elkington and later used in his 1997 book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (Elkington, 1997). A key challenge with the TBL, according to Elkington, is the difficulty of measuring the social and environmental bottom lines, which necessitates the three separate accounts being evaluated on their own merits.

Normally, a company's bottom line on its income statement is its net income, that is, its profits. Elkington's TBL is intended to advance the goal of sustainability in business practices, in which the focus of companies is extended beyond profits to include social and environmental issues to measure the total cost of doing business. An investment manager, individual investor, or CEO who wants to pursue the TBL must consciously consider, in addition to the economic bottom line, the social and environmental areas in making investing and business decisions. Deploying money and other resources, such as human labor, to a project or an investment can either contribute to these three goals or focus on profit at the expense of one or both of the

other two. Some of the repercussions that have come about from ignoring the TBL in the name of profits include destruction of the rainforest, exploitation of labor, and damage to the ozone layer (Anabel & Granados, 2013; Maria & Dos Santos, 2014).

In effect, TBL is the idea that it is possible to run an organization in a way that not only earns financial profits but also betters people's lives and helps the planet. The elements of the TBL are referred to as "people, profits, and planet" (Elkington, 1997).

According to Cockburn (2013), it can be challenging to maximize financial returns while also doing the greatest good for the people and the environment. Consider a clothing manufacturer whose best way to maximize profits might be to hire the least expensive labor possible and to dispose of manufacturing waste in the cheapest way possible. The result might be the highest possible profits for the company but miserable working and living conditions for laborers and damage to the natural environment and the people who live in that environment. In the past, such practices were more socially acceptable, but today, many consumers are willing to pay more for clothing and other products if it means that workers are paid a living wage and the environment is being respected in the production process. Many consumers want companies to be transparent about their practices and to be considerate of all their stakeholders, hence the popularity of the TBL concept that accounts for the full cost of doing business.

Adding the "people" element of social responsibility to corporate bottom lines shifts the focus to the fair treatment of employees and off-site labor, as well as enacting favorable practices in the communities where companies conduct business. For example, Mars' Sustainable Cocoa Initiative requires its cocoa farmers to be certified by fair trade organizations to ensure they follow a code of conduct that includes fair treatment to those providing labor. In exchange for certification, Mars provides productivity technology and buys cocoa at premium prices (Mars, 2019).

The bottom line referred to as the "planet" represents the implementation of sustainable practices and the reduction of environmental impact. These measures range in scope from green initiatives such as recycling programs within corporations to companies dedicated to manufacturing products using only sustainable materials. For example, Axion Structural Innovations builds railroad ties and pilings using recycled plastic bottles and industrial waste instead of using standard materials such as wood, steel, and cement (Axion, 2019).

The addition of social and environmental responsibilities can have a positive effect on a company's financial bottom line. A Nielsen report released in October 2018 found that 73% of millennial, which represent the largest consumer demographic in U.S. history, were willing to pay more for sustainable goods, an increase of 46% from 2014. The study found 56% of consumers were willing to pay more for products offered by companies committed to social values. In addition to growing revenues, companies are integrating social and environmental standards with corporate governance policies, which can reduce the chances of brand-damaging events and missteps. In addition to governance benefits, the transformation to a TBL is increasingly seen as a vital factor in building corporate brands and goodwill, which represent 30% of the value of public companies, on average (Nielson, 2018).

2.2 | Measuring the TBL

It should be remarked that the 3Ps do not have a common unit of measure. Profits for U.S. companies for instance are measured in dollars. What is social capital measured in? What about environmental or ecological health? Finding a common unit of measurement is one challenge. Some advocate monetizing all the dimensions of the TBL, including social welfare or environmental damage. Although that would have the benefit of having a common unit—for instance, dollars—many object to putting a dollar value on wetlands or endangered species on strictly philosophical grounds. Others question the method of finding the right price for lost wetlands or endangered species (Slapper & Hall, 2018).

Another solution would be to calculate the TBL in terms of an index. In this way, one eliminates the incompatible units issue and, as long as there is a universally accepted accounting method, allows for comparisons between entities, for example, comparing performance between companies, cities, development projects, or some other benchmark. An example of an index that compares a county versus the nation's performance for a variety of components is the Indiana Business Research Center's Innovation Index (Hackling & Guthrie, 2008). There remains some subjectivity even when using an index however. For example, how are the index components weighted? Would each "P" get equal weighting? What about the subcomponents within each "P"? Do they each get equal weighting? Is the people category more important than the planet? Who decides?

According to Slapper and Hall (2018), there is the option to do away with measuring sustainability using for instance, dollars or using an index. If the users of the TBL had the stomach for it, each sustainability measure would stand alone. "Acres of wetlands" would be a measure, for example, and progress would be gauged based on wetland creation, destruction, or status quo over time. The downside to this approach is the proliferation of metrics that may be pertinent to measuring sustainability. The TBL user may get metric fatigue.

2.2.1 | What measures go into the index?

As stated earlier, there is no universal standard method for calculating the TBL. Neither is there a universally accepted standard for the measures that comprise each of the three TBL categories. This can be viewed as a strength because it allows a user to adapt the general framework to the needs of different entities (businesses or nonprofits), different projects or policies (infrastructure investment or educational programs), or different geographic boundaries (a city, region, or country; Slapper & Hall, 2018).

Both a business and local government agency may gauge environmental sustainability in the same terms, say reducing the amount of solid waste that goes into landfills, but a local mass transit might measure success in terms of passenger miles, whereas a for-profit bus company would measure success in terms of earnings per share. The TBL can accommodate these differences. Additionally, the TBL is able to be case (or project) specific or allow a broad scope—measuring impacts across large geographic boundaries—or a narrow geographic

scope like a small town. A case (or project) specific TBL would measure the effects of a particular project in a specific location, such as a community building a park. The TBL can also apply to infrastructure projects at the state level or energy policy at the national level.

The level of the entity, type of project, and the geographic scope will drive many of the decisions about what measures to include. That said, the set of measures will ultimately be determined by stakeholders and subject matter experts and the ability to collect the necessary data. Although there is significant literature on the appropriate measures to use for sustainability at the state or national levels, in the end, data availability will drive the TBL calculations.

Slapper and Hall (2018) categorized the traditional sustainability measures—measures vetted through academic discourse to include the following:

Economic measures

Economic variables ought to be variables that deal with the bottom line and the flow of money. It could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors. Specific examples include the following:

- Personal income
- Cost of underemployment
- Establishment churn
- Establishment sizes
- Job growth
- Employment distribution by sector
- Percentage of firms in each sector
- Revenue by sector contributing to gross state product

Environmental measures

Environmental variables should represent measurements of natural resources and reflect potential influences to its viability. It could incorporate air and water quality, energy consumption, natural resources, solid and toxic waste, and land use/land cover. Ideally, having long-range trends available for each of the environmental variables would help organizations identify the impacts a project or policy would have on the area. Specific examples include the following:

- Sulfur dioxide concentration
- Concentration of nitrogen oxides
- Selected priority pollutants
- Excessive nutrients
- Electricity consumption
- Fossil fuel consumption
- Solid waste management
- Hazardous waste management
- Change in land use/land cover

Social measures

Social variables refer to social dimensions of a community or region and could include measurements of education, equity and access to social resources, health and well-being, quality of life, and social capital. The examples listed below are a small snippet of potential variables:

- Unemployment rate
- Female labor force participation rate
- Median household income
- Relative poverty
- Percentage of population with a post-secondary degree or certificate
- Average commute time
- Violent crimes per capita
- Health-adjusted life expectancy

Data for many of these measures are collected at the state and national levels but are also available at the local or community level. Many are appropriate for a community to use when constructing a TBL. However, as the geographic scope and the nature of the project narrow, the set of appropriate measures can change. For local or community-based projects, the TBL measures of success are best determined locally.

There are several similar approaches to secure stakeholder participation and input in designing the TBL framework: developing a decision matrix to incorporate public preferences into project planning and decision making, using a "narrative format" to solicit shareholder participation and comprehensive project evaluation (Satterfield, Slovic & Gregory, 2000) and having stakeholders rank and weigh components of a sustainability framework according to community priorities (Stephen, Sheppard, & Meitner, 2005). For example, a community may consider an important measure of success for an entrepreneurial development program to be the number of woman-owned companies formed over a 5-year time period. Ultimately, it will be the organization's responsibility to produce a final set of measures applicable to the task at hand.

From the foregoing, it can be seen that the TBL can be difficult to measure because although the issue of profitability is black and white, what constitutes social and environmental responsibility is somewhat subjective. How do you put a dollar value on an oil spill—or on the prevention of one? Is it good enough to pay workers in Bangladesh three times the average local wage if that wage still sounds horrifyingly low to consumers in the United States? How do you measure the cost of child labor? Does it benefit children and their families by allowing them to rise out of poverty, or does it perpetuate poverty by denying children sufficient time to get educated and deprive them of a carefree childhood (Elkington, 1998)?

The upside of this lack of standardized measurement is that metrics can be adopted that make the most sense for each organization, project, or location. A restaurant could measure and report on how

much it reduces its waste by switching to environmentally friendly packaging and serving leftover food to a local homeless shelter that would otherwise be thrown out (Anabel & Granados, 2013). A car manufacturer could measure its progress toward producing less-polluting vehicles. A government project to expand public transit could measure how much it reduces highway and surface road congestion (John et al., 2013).

Other key factors to report on, depending on the organization, might include job creation, employee turnover, fossil fuel consumption, hazardous waste management, percentage of women and minorities employed overall and in management positions, contributions to charity, how employee income and benefits compare with a living wage, and number of employees taking advantage of workplace benefits for pursuing higher education.

Several studies have shown that federal, state, and local governments as well as nonprofit organizations have also implemented the TBL approach. Maria and Dos Santos (2014) shows that some school principals in Spain have adopted the TBL in their management approach. John et al. (2013) shows that TBL could be a significant factor in assessing aviation safety and management, whereas George (2017) reported on the move by several universities in the United States to incorporate green chemistry into the undergraduate chemistry major. Moreover, a study by Mohammed, Shafigh, Alizadeh, and Khattab (2018) shows that TBL is adopted in life-cycle thinking-based selection of building facades in architectural works in Turkey, whereas Barbara (2013) shows that TBL framework could be used in meeting broad, varied, and competing priorities in conservation and environmental sustainability.

Indeed, the interest in measuring performance along the TBL dimensions continues to grow as more for profit, not for profit, national, and supranational organizations are integrating these principles in their decision making and reporting. The growing adoption of TBL is expected in the light of globalization and continuous convergence on global values. Therefore, by adopting the TBL, the contributions of an organization to critical global issues such as global warming, global security, poverty reduction, global fight against hunger, and global fight against racism and discrimination among others are measured.

It is important to note that an organization's effort in any of the critical global issues usually impacts first and directly on its immediate operating environment and then to the larger national and global environment.

2.3 | Reporting the three components of the TBL

In Elkington's (1998)study, "Accounting for the Triple Bottom Line—Measuring Business Excellence," he observed that, all dimensions of an organization's social and environmental investments cannot be fully captured in monetary terms. It is therefore, important to fill such gap with management discussions and other forms of disclosures. In this regard, two dimensions to disclosures and discussions of social and environmental issues stand out. The first dimension is the business risk of social and environmental issues to the reporting entity, whereas the second dimension is the efforts of the reporting entity towards minimizing or eliminating the negative effects of identified social and environmental issues on itself and others.

Concerning the disclosures and discussions of the business risks of social and environmental issues, organizations are increasingly being asked to provide more information and assessment of how critical social and environmental issues affect their businesses, focusing more on the future effect. Such information is usually provided as part of the risk management disclosures and discussions in the annual or quarterly reports of organizations. Shareholders, employees, regulatory agencies, customers, suppliers, and other stakeholders are all interested in this information in order to assess the ability of the organization to continue as a going concern. If an organization is considered to face significant risk due to certain social and environmental issues, nondisclosure of such information could lead to legal actions or regulatory sanctions. For example, in August 2017, shareholders of Commonwealth Bank of Australia, sued the bank for failure to disclose the risk it faces due to climate change, contending that, such failure amounts to misleading investors about the bank's financial position (Climate Homes News, August 8, 2017).

With regard to the efforts or organizations towards combating critical social and environmental issues, there is a growing demand for more investments and disclosures with greater transparency of such efforts. Some of these expected corporate social and environmental interventions have taken the forms of regulations, whereas others are considered global best practices and others left in the domain of CSR. In Nigeria, for example, there is a regulatory requirements for banks to present the gender mix of their top management in their annual reports (Nigeria Security & Exchange Commission, 2018). Financial inclusion and financial literacy have also taken a center stage in the Nigerian banking industry (Central Bank of Nigeria, 2012). It has also become conventional for large corporate, especially public interest entities to present their CSR report as part of their annual reports in addition to a separate annual sustainability report. In recent times, corporate bodies have been providing both material and financial supports to victims of terrorism, flood victims, mud slide victims, and earthquake victims and making conspicuous disclosures of these efforts in their annual reports and other publications.

Corporate bodies are also increasingly dedicating quality time to demonstrate their support for certain social values such as general health awareness, cancer awareness, awareness on green environment, water and air pollution, among others. In the same vein, corporate bodies have occasionally joined other organizations and the global community to reject and denounce certain behaviors conserved to be socially and environmentally detrimental. For example, corporate bodies have stood firm to denounce terrorist attacks, racisms, gender inequality, religious intolerance, excessive gas emission, gas flaring, and pollution of water bodies that are critical to the survival of certain communities. All these activities represent the social and environmental investments of corporate bodies and should be communicated to all stakeholders to facilitate a more comprehensive assessment of corporate performance (Muhktar, 2017).

3 | METHODOLOGY

3.1 | Design

The study design is largely descriptive with anecdotal evidence gleaned from a quantitative and qualitative dataset of financial activities and CSR expenditure of DMBs in Nigeria for the period 2008–2017.

3.2 | Sample and sampling technique

Six banks were selected for the study. The purposive sampling technique was used in the selection of the banks. The selection criterion is that the bank must hold a minimum of 8% of the industry's total assets and liabilities. On the aggregate, the six selected banks accounts for approximately 70 of the sector's total assets and liabilities as at December, 2017 (CBN, 2017). Ipso facto, the banks selected were adjudged good candidates for a study in the banking sector in Nigeria.

3.3 | Analytical framework

In line with the TBL framework, three indexes were constructed that tracked each bank's progression to being TBL compliant. The TBL rests on three tripods, namely, a company's economic value creation (profit-bottom-line), social responsibility (people-bottom line), and its environmental impact (planet-bottom line). In the study, the first tripod, economic value was proxied by PAT, which was quantitatively verified from annual reports and accounts of selected banks over a period of 10 years (2008–2017). For the remaining two tripods, namely, social responsibility and environmental sustainability, the study used composite expenditure on CSR on bank-wide basis as proxy for social responsibility and environmental sustainability in line with the TBL framework. Expenditure on CSR was also quantitatively ascertained from the published annual reports and accounts of the selected banks for the period under review.

To measure each bank's progression on the TBL-complaint matrix, the study used qualitative construct. To derive the dataset, the study constructed two indexes to take account for the gradual progression of each bank towards the TBL framework. The first TBL index (TBL_1) was derived from the method of principal components matrix. Principal component analysis is useful for reducing the dimension of a dataset and extracting the main relations from it. This method was used to obtain an index, which measures the different phases in the TBL institutional-adoption process. We identified five major indicators of moves towards adopting the TBL framework, which are commitment to disaster and humanitarian reliefs, commitment to reduction in carbon emission, commitment to improved energy efficiency in service process, commitment to increasing use of renewable energy, deploying more energy efficient technologies, and closely monitoring emissions from all activities.

We then allocate to each of these indicators a value of 0 prior to adoption to TBL framework. After the adoption of TBL framework, the indicators take on values from 1, and this increases depending on the progress made for each specific TBL indicator. From this, we got a matrix of three indicators for each bank and then apply the principal component analysis. We identified 17 major moves towards adopting the TBL framework, and the principal component analysis was used to derive the first TBL nonfinancial index.

The second index (TBL_2) involves assigning a numerical value to each of the progress made in the 17-ladder matrix for TBL complaint. The assignment of value was based on a prima facia evaluation and analysis of each bank's commitment and policy enunciation along the TBL framework from their annual reports and statement of accounts for the period 2008–2017.

This approach, to our knowledge, is the first study that has constructed such nonfinancial metrics for corporate governance performance measurement in Nigeria.

4 | RESULT AND DISCUSSIONS

4.1 | Data from the banking sector in Nigeria

There is scanty official data on social and environmental investments by Nigerian banks. Therefore, the study scanned through annual reports and statement of accounts published by selected commercial banks in Nigeria for the period 2007–2017. The exercise was to isolate investments in CSR that could stand proxy for social and/or environmental investments for the period under review.

In terms of economic value creation and performance (profit-bottom-line) proxied by PAT, Table 1 shows that all the banks performed remarkably well for the period under review (see Appendix C for details of individual bank performance). For instance, Access Bank posted a PAT of approximately N350 billion over a 10-year period, averaging almost N35billion annually, whereas its expenditure on CSR for the same period was N2.5 billion or 0.7% of the PAT. Diamond Bank also posted an above-industry average

TABLE 1 Aggregate indices for the selected banks (profit after tax and expenditure on CSR)

Aggregate performance indices	Profit after tax (N'Million)	Expenditure on corporate social responsibility (N'000)	% of PAT on CSR
Access Bank	348,090	2,491,058	0.7
Diamond Bank	188,177	2,259,324	1.2
Guaranty Bank	779,757	3,957,127	0.5
United Bank for Africa	414,197	3,042,092	0.7
First Bank of Nigeria	489,309	4,236,646	0.9
Zenith bank	819,702	13,872,662	1.7
Aggregate Value	3,039,232	29,858,909	0.9

Abbreviations: CSR, corporate social responsibility; PAT, profit after tax.
Source: Authors' computation from Banks' Annual Accounts (various years).

performance of approximately N188 billion PAT for the period or N18.8 billion annually on the average. In terms of their expenditure on CSR, the bank expended approximately N2.3 billion for the period or N0.23 billion annually.

Guaranty Trust Bank recorded approximately N800 billion for the 10-year period under review and spent approximately N4 billion or 0.5% on CSR-related causes for the same period. On its part, the United Bank for Africa netted in over N400 billion as PAT for the same period and spent approximately N3 billion on CSR-related causes for the 10-year period under review.

Zenith Bank was most spectacular in comparative terms, posting well over N819 billion for the period under review as PAT. The bank also committed approximately N14 billion on CSR for the period. In other words, the bank's expenditure on CSR averaged over N1 billion annually or 1.7% of the PAT on aggregate for the period.

From the descriptive statistics in Table 2, the performance of the sampled banks on aggregate was dismal, when measured against the other two tripods of the TBL framework, that is, social responsibility and environmental sustainability. In terms of their social and environmental investments loosely proxied by expenditures on CSR, the average expenditure ratio on CSR as a ratio of PAT was less than 1% for all the banks sampled for the period under review. As shown in Table 2 above; for the 10-year period under review, the six banks sampled recorded a PAT of well over N3 trillion but committed approximately N30 billion or 0.9% of the PAT on CSR (see Appendix B for details of individual performance of banks).

In terms of commitment (policy and concrete actions) to social and environmental issues represented in the (TBL_2) framework, Table 3 shows that none of the banks scored up to 50% on aggregate in the (17-TBL_3) adoption-process matrix constructed to measure social,

TABLE 2 Aggregate descriptive statistics

Aggregate descriptive	Profit after tax	Expenditure on corporate social responsibility
Mean	506538.7	4976485
Median	451753	3499610
Maximum	819702	13872662
Minimum	188177	2259324
SD	248194.9	4427880
Skewness	0.201618	1.665484
Kurtosis	1.654928	3.978044
Jarque–Bera	0.492955	3.01298
Probability	0.781549	0.221687
Sum	3039232	29858909
Sum Sq. Dev.	3.08E+11	9.80E+13
Observations	10	10

TABLE 3 Relative Scores of the Banks on the TBL Score Sheet (2008–2017)

Bank	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	% Score*	Rank
Access	6	6	8	8	10	10	12	13	13	14	100	29.4	6th
Diamond	8	8	8		8	10	11	11	14	17	95	27.9	5th
Guaranty	8	10	10	10	13	14	17	18	20	20	140	41.2	3rd
United Bank for Africa	6	6	10	11	12	12	14	16	16	21	124	36.5	4th
First Bank of Nigeria	7	7	8	10	13	15	18	20	20	20	138	40.6	2nd
Zenith	10	10	12	14	17	18	18	22	24	24	169	49.7	1st
Aggregate Scores	**45**	**47**	**56**	**53**	**73**	**79**	**90**	**100**	**107**	**116**	**766**	**225.3**	

Source: Index computed from the Banks Annual Report for various years

*Percentage Score = $\frac{\text{Total Score Attained}}{\text{Total Attainable}} \times \frac{100}{1}$

Total Attainable = Maximum Score for a year x Number of years

= (2 × 17) = 34

= 34(10)

= 340

environmental, and ecological issues of the society (see Appendix A for details of matrix).

Furthermore, Table 3 shows the level of progress each of the sampled banks has made in the TBL-adoption process. It could be adduced from the table that all the sampled banks made remarkable improvement on year-on-year basis as shown in the increasing relative marks scored in each of the years starting from 2008. But overall, there is still much that needs to be done in the TBL adoption process for the sector to be fully compliant.

5 | CONCLUSION, POLICY IMPLICATIONS, AND RECOMMENDATIONS

The TBL concept developed by John Elkington has changed the way businesses, nonprofits, and governments' measure sustainability and the performance of projects or policies. Beyond the foundation of measuring sustainability on three fronts—people, planet, and profits—the flexibility of the TBL allows organizations to apply the concept in a manner suitable to their specific needs. There are challenges to putting the TBL into practice. These challenges include measuring each of the three categories, finding applicable data and calculating a project or policy's contribution to sustainability. These challenges aside, the TBL framework allows organizations to evaluate the ramifications of their decisions from a truly long-run perspective.

Based on these, the study has shown that there is a need for the banking sector in Nigeria to pay more attention to social and environmental issues affecting their immediate operating environments and the larger global operating environment. It is important to note that measuring and reporting corporate social and environmental interventions are as imperative as measuring and reporting corporate financial performance. The study revealed that the sector is lacking behind in this area as shown by the relative poor performance of the sector in the TBL framework.

The findings of the study have some policy and practical implication, as follows:

1. There is a need for the banking sector in Nigeria to increase significantly their investment in social and environmental issues. The current sector's investment in social and environmental causes is grossly inadequate.
2. There is a need for the banking sector in Nigeria to adopt a hybrid approach (a combination of quantitative and qualitative methods) in the reporting of their activities. This will enable the sector to capture social and environmental interventions they engage in as much as possible. In other words, there is a need for the banks to provide more discussions, assessments, and quantifications (as much as possible) of their social and environmental efforts to their stakeholders.
3. There is a need for the sector to develop an appropriate template for managing their social and environmental engagements in line with the TBL framework and to specify actionable activities in social and environmental sustainability including timelines in meeting them over time.

ORCID

Ifeanyi Onuka Onwuka https://orcid.org/0000-0003-0452-4592

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APPENDIX A.

SEVENTEEN INDICATORS ON THE SUSTAINABILITY REPORTING AND TRIPLE BOTTOM LINE (TBL) FRAMEWORK

S/No	Indicator	Rank
1.	Policy and concrete investment on global warming, pollution, and deforestation	0–2
2.	Policy and concrete investment on global security, terrorism, and armed conflicts	0–2
3.	Policy and concrete investment on poverty reduction and financial inclusion	0–2
4.	Policy and concrete investment on global fight against hunger and malnutrition	0–2
5.	Policy and concrete investment on global fight against racism	0–2
6.	Policy and concrete investment against all forms of discrimination—racial, sexual, religion, creed, and so on	0–2
7.	Policy and concrete investment on use of raw materials that are environmentally friendly such as fresh natural and/or organic ingredients	0–2
8.	Policy and concrete investment on social value and national orientation	0–2
9.	Policy and concrete investment to charity and donations to the less privileged members of the global community	0–2
10.	Policy and concrete investment on water-related issues	0–2
11.	Policy and concrete investment on women empowerment and girl-child education	0–2
12.	Policy and concrete investment to disaster assistance to victims and humanitarian reliefs	0–2
13.	Policy and concrete investment to reduction in carbon emission	0–2
14.	Policy and concrete investment to improved energy efficiency in manufacturing and organizational process	0–2
15.	Policy and concrete investment on increasing use of renewable energy, deploying more energy-efficient technologies and closely monitoring emission from all activities	0–2
16.	Policy and concrete investment towards the physically challenged members of the community	0–2
17.	Policy and concrete investment on equal employment opportunity for male and female	0–2
	Maximum attainable mark	34

[a]Assign 1 where there is policy framework but no concrete action, 2 where both exist, and 0 where none exist.

APPENDIX B.

FINANCIAL PERFORMANCE METRICS

Access Bank

Year	PAT (N'Million)	CSR (N'000)	% of PAT on CSR	Div yield
2017	61,990	480,474	0.8	1.65
2016	64,267	285,339	0.4	2.52
2015	58,924	201,887	0.3	2.65
2014	34,455	391,000	1.1	2.86
2013	26,621	173,229	0.7	2.33
2012	22,897	156,655	0.7	2.12
2011	18,987	239,008	1.3	1.77
2010	21,008	184,890	0.9	1.65
2009	22,885	201,676	0.9	1.41
2008	16,056	176,900	1.1	1.73
Total	348,090	2,491,058	8	21

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

Source: Computed from Annual Report and Accounts of the Bank (Various Years)

Diamond Bank

Year	PAT (N'Million)	CSR (N'000)	% of PAT on CSR	Div yield
2017	24,874	480,474	1.9	2.52
2016	19,770	387,000	2.0	1.94
2015	38,337	353,001	0.9	1.73
2014	22,057	260,123	1.2	1.25
2013	29,754	203,776	0.7	1.77
2012	22,543	176,990	0.8	1.54
2011	13,765	140,850	1.0	1.83
2010	8,009	91,889	1.1	1.22
2009	5,171	89,123	1.7	0.8
2008	3,897	76,098	2.0	0.3
Total	188,177	2,259,324	13	15

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

[a]Source: Computed from Annual Report and Accounts of the Bank (Various Years)

Guaranty Bank

Year	PAT (N'Million)	CSR (N'000)	% of PAT on CSR	Div yield
2017	161,285	867,002	0.5	5.48
2016	126,837	449,622	0.4	4.31
2015	94,308	398,243	0.4	3.33
2014	93,431	599,908	0.6	3.17
2013	85,545	632,141	0.7	2.91
2012	64,881	257,909	0.4	2.54
2011	52,009	276,001	0.5	2.33
2010	49,343	155,980	0.3	1.87
2009	31,876	177,234	0.6	1.44
2008	20,242	143,087	0.7	1.03
Total	779,757	3,957,127	5	28

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

[a]Source: Computed from Annual Report and Accounts of the Bank (Various Years)

United Bank for Africa

YEAR	PAT (N'Million)	CSR (N'000)	% of PAT on CSR	DIV YIELD
2017	42,438	832,810	2.0	1.85
2016	47,541	321,705	0.7	1.86
2015	47,642	177,143	0.4	1.81
2014	40,083	388,108	1.0	1.72
2013	46,483	421,132	0.9	1.63
2012	42,005	345,987	0.8	1.58
2011	40,654	309,100	0.8	1.22
2010	33,876	124,543	0.4	0.77
2009	32,665	90,654	0.3	0.75
2008	40,810	30,910	0.1	0.82
Total	414,197	3,042,092	7	14

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

[a]Source: Computed from Annual Report and Accounts of the Bank (Various Years)

First Bank of Nigeria

Year	PAT (N'Million)	CSR (N'000)	% of PAT on CSR	Div yield
2017	92,751	497,001	0.5	2.21
2016	75,071	432,876	0.6	2.61
2015	21,801	201,004	0.9	2.55
2014	56,831	900,210	1.6	2.16
2013	70,631	654,223	0.9	2.15
2012	76,801	404,665	0.5	1.76
2011	38,863	376,908	1.0	1.43
2010	33,767	320,987	1.0	1.22
2009	12,028	260,007	2.2	0.87
2008	10,765	188,765	1.8	0.51
Total	489,309	4,236,646	11	17

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

[a]Source: Computed from Annual Report and Accounts of the Bank (Various Years)

Zenith Bank

Year	PAT (N'Million)	CSR (N'000)	% OF PAT ON CSR	DIV YIELD
2017	177,933	2,611,232	1.5	5.66
2016	129,652	2,557,987	2.0	4.12
2015	98,784	923,765	0.9	3.15
2014	92,479	1,102,006	1.2	2.95
2013	95,318	856,121	0.9	1.75
2012	95,803	587,321	0.6	1.62
2011	41,301	716,403	1.7	2.01
2010	23,543	892,543	3.8	1.32
2009	18,365	1,963,321	10.7	1.01
2008	46,524	1,661,963	3.6	1.76
Total	819,702	13,872,662	27	25

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

[a]Source: Computed from Annual Report and Accounts of the Bank (Various Years)

APPENDIX C.

DESCRIPTIVE RESULTS

Access Bank

	PAT	CSR
Mean	34809.00	249105.8
Median	24759.00	201781.5
Maximum	64267.00	480474.0
Minimum	16056.00	156655.0
SD	19240.69	107083.0
Skewness	0.699622	1.259883
Kurtosis	1.715601	3.223455
Jarque–Bera	1.503152	2.666316
Probability	0.471623	0.263643
Sum	348090.0	2491058.
Sum Sq. Dev.	3.33E+09	1.03E+11
Observations	10	10

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

Diamond Bank

	PAT	CSR
Mean	18817.70	225932.4
Median	20913.50	190383.0
Maximum	38337.00	480474.0
Minimum	3897.000	76098.00
SD	11124.45	140360.5
Skewness	0.153020	0.579640
Kurtosis	2.093203	2.025713
Jarque–Bera	0.381642	0.955485
Probability	0.826280	0.620182
Sum	188177.0	2259324.
Sum Sq. Dev.	1.11E+09	1.77E+11
Observations	10	10

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

Guaranty Bank

	PAT	CSR
Mean	77975.70	395712.7
Median	75213.00	337122.0
Maximum	161285.0	867002.0
Minimum	20242.00	143087.0
SD	43480.14	241515.0
Skewness	0.526764	0.680949
Kurtosis	2.445030	2.337775
Jarque–Bera	0.590798	0.955545
Probability	0.744235	0.620163
Sum	779757.0	3957127.
Sum Sq. Dev.	1.70E+10	5.25E+11
Observations	10	10

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

United Bank for Africa

	PAT	CSR
Mean	41419.70	304209.2
Median	41407.50	315402.5
Maximum	47642.00	832810.0
Minimum	32665.00	30910.00
SD	5158.605	228747.4
Skewness	−0.428311	1.095590
Kurtosis	2.210231	3.935368
Jarque–Bera	0.565639	2.365077
Probability	0.753656	0.306500
Sum	414197.0	3042092.
Sum Sq. Dev.	2.40E+08	4.71E+11
Observations	10	10

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

First Bank

	PAT	CSR
Mean	48930.90	423664.6
Median	47847.00	390786.5
Maximum	92751.00	900210.0
Minimum	10765.00	188765.0
SD	29437.98	218669.0
Skewness	0.018546	1.022662
Kurtosis	1.572300	3.280994
Jarque–Bera	0.849876	1.775961
Probability	0.653810	0.411486
Sum	489309.0	4236646.
Sum Sq. Dev.	7.80E+09	4.30E+11
Observations	10	10

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.

Zenith Bank

	PAT	CSR
Mean	81970.20	1387266.
Median	93898.50	1012886.
Maximum	177933.0	2611232.
Minimum	18365.00	587321.0
SD	50127.44	759314.0
Skewness	0.403993	0.653451
Kurtosis	2.394606	1.872882
Jarque–Bera	0.424726	1.240995
Probability	0.808671	0.537677
Sum	819702.0	13872662
Sum Sq. Dev.	2.26E+10	5.19E+12
Observations	10	10

Abbreviations: CSR, corporate social responsibilities; PAT, profit after tax.