# CORPORATE SOCIAL RESPONSIBILITY DISCLOSURES AND PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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**Abstract**

The global environmental performance index has ranked Nigeria very low in the disclosure of social related-matters. Conceivably, this has raised a stern concern on why companies in Nigeria must engage in corporate social responsibility initiatives, specifically those relating to their environment. This study investigates whether corporate social responsibility disclosures determine publicly listed companies' performance in Nigeria. Ex-post facto design was used and data of ten (10) publicly listed deposit money banks were obtained from the published financial statements from 2013-2024. Corporate social responsibility disclosures used were community development; educational sponsorship and donation costs while return on equity was used as companies' performance variable. Data obtained were validated via descriptive, regression diagnostic and panel-corrected standard error model. Results of panel-corrected standard error model revealed that all variables of corporate social responsibility disclosures (community development; educational sponsorship & donation costs) significantly determine companies' performance (return on equity) of publicly listed deposit money banks in Nigeria.In light of the results, the study suggests that publicly listed deposit money banks should boost their support of educational sponsorship initiatives, and community development. Also, charitable contributions and other endeavours should be encouraged; these call for increased corporate social responsibility disclosures which will improve not only financial performance of publicly listed deposit money banks overall but also their corporate social disclosure policies.

**Keywords:** Community development costs; Educational sponsorship costs; Donation Costs; Return on equity; Corporate social responsibility

**JEL Classification:** M49; M14

## 1. Introduction

Predominantly, companies are run with a holistic mentality, and their accountability extends beyond their core responsibilities. In addition to a company's financial success, stakeholders are also interested in its social and environmental performance (Oladeji, Ogundipe &Yinus, 2025). Because of the corporations' overwhelming responsibilities, a great deal of research has been done on corporate social responsibility disclosures (CSRD) in recent years (Oladeji, *et al,* 2025; Unwana, Uwem & Eno, 2025; Asemota, Eddo &Etale, 2024). The literature on CSRD contains conflicting findings; some researchers have found a negative relationship between CSRD and financial performance, while a study established a positive relationship (Simeon, Okpo & Umoren, 2024).

Some studies claimed that there is no significant relationship between financial achievement and CSRD. Businesses in Nigeria only partially disclose social, ethical, and environmental information, claim Unwana et al. (2025). We found that publicly listed deposit money banks show some information regarding corporate social responsibility (CSR) related to community or social services, despite the fact that previous studies found relatively little information about CSRD and financial performance of publicly listed deposit money banks. Furthermore, Simeon, et al (2024) employed a simultaneous equation approach in a study involving listed companies and found that CSRD information has a significant effect on companies' performance, but that companies' performance has no discernible effect on CSRD performance.

Additionally, this study is different from previous research in that it examined the relationship between corporate performance and three general CSRD attributes (costs on community development, donations, and educational sponsorship) and identified the three CSRD dimensions that significantly affect companies' financial performance (Aggarwal, 2019; Badingatus & Ukhti, 2021). Also, after the global financial scandal, businesses became more aware of their CSRD programs as a result of the criticism they received from both domestic and international sources (Bana, Shaker & Husam, 2019; Ghardallou, Borgi. & Alkhalifah, 2020). We have selected the 2013–2024 annual report of publicly traded deposit money banks to represent the changes in CSRD.

## 2. THEORETICAL LITERATURE AND HYPOTHESES DEVELOPMENT

In the era of globalisation, businesses are held accountable for their governance, social, and environmental initiatives in addition to their primary business operations (Unwana, *et al*, 2025). Stakeholders benefit most from this comprehensive view of the company (Ukpe, *et al,* 2024). Corporate social responsibility disclosures (CSRD) are the activities of businesses that provide social welfare returns in addition to their financial returns (Oladeji, Ogundipe. & Yinus, 2025). Recent CSRD research has focused on more than just determining the calibre of CSRD activities; it also heavily emphasises the connection between a company's success and the calibre of its CSRD (Simeon, et al, 2024)

Lydon, Ikechwukwu and Ayaundu (2021) found three types of relationships between CSR disclosures and the performance of the organisation: positive, negative, and non-significant, based on a meta-analysis. CSRD and company performance are strongly positively linked, as observed by Abdullah (2018). However, after accounting for ownership concentration, management ownership, and chief executive officer (CEO) authority, the link between CSRD and company success does not change.

The CSRD literature has a long and ambiguous history on the connection between CSRD and corporate performance (Irabora, 2019; Odunsi, Adeaga & Odeniyi, 2019). CSRD and corporate performance have been found to be negatively correlated in certain research (Gardberg *et al*, 2017), but significantly positively correlated in others (Chebet & Muturi, 2018). Others have discovered absolutely no meaningful association. These contradictory results from previous investigations raise new questions and call into question the validity of the findings from those earlier studies (Chaudhary, 2018). The foundation for more current research on CSRD and corporate performance was laid by these dubious discrepancies in earlier studies.

High-performing listed companies tend to disclose more information than non-listed ones, as opined by Ahmad, *et al,* (2018). On the surface, even publicly traded corporations with strong success disclose more social activities than do those with poorer performance. High-performing businesses usually release more information because it reduces the risks associated with corporate performance (Ashok, 2018). We thus investigate whether CSRD determine companies' performance by examining the ways in which CSRD attributes of community development, educational sponsorship, and donation costs affect performance of publicly listed deposit money banks in Nigeria.

Additionally, return on equity (ROE) has been used to measure the financial performance of publicly traded deposit money banks since it is one of the most significant indicators for evaluating a firm's financial performance (Asemota, Eddo &Etale2024). The research on CSD and ROE also yields contradictory results. Numerous studies have found no significant relationship between CSRD and ROE. Because the CSRD literature contains a variety of viewpoints, we have re-examined the link between CSRD and ROE.

According to Asemota, et al (2024), any group that can have an effect on or influence the achievement of an organization's goal are considered a stakeholder. The ethical concept of business and organisational management known as stakeholder theory considers the different groups that enterprises impact, including as suppliers, employees, creditors, and local communities. It covers the values and tenets of managing a company, such as those found in corporate social responsibility, the social contract theory and the market economy. According to stakeholder theory, businesses strive to satisfy the expectations of every stakeholder group in their operations (Amoako, *et al* (2017).

It is essential for companies to maintain balanced relationships with all stakeholders. When making decisions on corporate transparency, managers should consider and honour the expectations of all stakeholder groups (Amoako, *et al*, 2017). Stakeholder theory, the foundation of CSRD, maintains that businesses can enhance their performance by putting socially responsible initiatives into practice. According to Agyemang, et al (2021), this entails not only "doing good" but also reaping the benefits of outcomes like reduced expenses and less economic risks, especially those resulting from penalties or legal action for unethical activity. Adopting CSRD activities can improve relationships and employee engagement while also obtaining legitimacy and broader community acceptance, as stated by Unwana et al. (2025). Arising from the above discuss, the following hypotheses were developed:

H1: Community development cost has no significant effect on return on equity of publicly listed deposit money banks

H2: Educational sponsorship cost has no significant effect on return on equity of publicly listed deposit money banks

H3: donation cost has no significant effect on return on equity of publicly listed deposit money banks

## 3. Methodology

We chose ten (10) publicly listed deposit money banks from the Nigerian Exchange Group (NGX) Limited to conduct the study because some of the sectors' formations have changed slightly and some of the firms have special laws pertaining to their financial reporting. More importantly, though, is the grouping of publicly listed deposit money banks in Nigeria. Annual reports are also more trustworthy because they are subject to a third-party audit. For this reason, we have decided to conduct the study using the audited annual reports of deposit money banks that are publicly traded. We collected secondary data from 2013 to 2024 in accordance with the time frame. The study employed secondary data because it assessed the extents to which disclosures of corporate social responsibility affect performance of deposit money banks in Nigeria.

Financial performance, as determined by return on equity, or ROE, is the study's dependent variable. Noteworthy is the fact that while there are other performance variables. This study employed ROE as a financial performance variable because of its ability enabling investors to assess performance on the basis of their profit and total capital; hence, ROE was determined by dividing net profit by total capital utilised. The independent variable is CSRD, which may be further divided into three main categories: community development costs, educational sponsorship, and donations. Descriptive, regression diagnostic and inferential statistical methods were used in the study's data analysis.

The mean, standard deviation, skewness, kurtosis and Pearson correlation were descriptive statistics used; variance inflation factor was included in the regression dialogistic statistic; and panel-corrected standard error model was the inferential statistics. The following models were estimated in light of the study's independent and dependent variables in order to investigate the connection between CSRD and companies' performance:

$$Roet = f\,(Cdcs, Escs, Dcss) \qquad \text{eq. 1}$$

$$Roet_{it} = \beta_0 + \beta_1 Cdcs_{it} + \beta_2 Escs_{it} + \beta_3 Dcss_{it} + \textstyle\sum_{it} \qquad \text{eq.2}$$

Where: $_I$ denote listed deposit money banks; Roet is return on equity, Cdcs is community development costs; Escs is educational sponsorship cost; Dcss is donation costs; *t* is time period (2013-2024); while ∑ is error term. A-priori expectation is that CSRD variables will significantly influence companies' performance.

**Table 1: Descriptive Statistics**

| Parameters | Mean Score | Standard Deviation | Kurtosis Score | Skewness Scores |
|---|---|---|---|---|
| Roet | 7.3976 | 2.8531 | 0.8610 | -0.0218 |
| Cdcs | 1.1643 | 0.1427 | 1.1920 | -0.3800 |
| Escs | 1.0477 | 0.1435 | 1.3364 | -0.4117 |
| Dcss | 0.9516 | 0.1525 | 1.3627 | -0.4322 |

Source: Computed by the Researcher (2025)

## 4. Empirical Results

Table 1 is the descriptive statistics of the variables of the study which include CSRD (Cdcs, Escs, and Dcss) and companies' performance (Roet) of the publicly listed deposit moneybanks; the result showed that the dimensions of CSRD have significant sizeable mean and standard deviation scores, indicating that CSRD variables are good indicators of companies' performance. The skewness score showed that CSRD variables go together in same direction with companies' performance. Furthermore, the kurtosis score showed that the independent and dependent variables were normally distributed because the kurtosis scores were not above 3.

**Table 2: Pearson Correlation**

| | Roet | Cdcs | Escs | Dcss |
|---|---|---|---|---|
| Roet | 1.0000 | | | |
| Cdcs | 0.0362 | 1.0000 | | |
| Escs | 0.2310 | 0.0229 | 1.0000 | |
| Dcs | 0.0234 | 0.0254 | 0.2334 | 1.0000 |

Source: Computed by the Researcher (2025)

Table 2 is the Pearson result; it was found that the CSD variables (Cdcs, Escs, and Dcss) were positively correlated with companies' performance (Roet*)*. This implies that when publicly listed deposit money banks engage in CSRD (Cdcs, Escs, and Dcss), they contribute positively to influence Roet. Remarkably, none of the Pearson coefficients were above 0.7; this implies an absence of multicollienarity among pairs of the study's independent variables.

**Table 3: Variance Inflation Factor**

| Parameters | VIF | I/VIF |
|---|---|---|
| Cdcs | 1.01 | 0.9900 |
| Escs | 1.05 | 0.9523 |
| Dcss | 1.07 | 0.9345 |
| **Aggregate VIF** | **1.04** | |

Source: Computed by the Researcher (2025)

The aggregate VIF in Table 3 is 1.04; this did not exceed the aggregate VIF benchmark of 10, this indicates an absence of multicollinearity in the models of CSRD (Cdcs, Escs and Dcss) and companies' performance (Roet) of the publicly listed deposit money banks in Nigeria.

**Table 4: Panel-Corrected Standard Error Model**

| Panel-Corrected<br>Roet | Coef. | Std. Err. | Z-Score | P>\|z\| |
|---|---|---|---|---|
| Cdcs | 0.2091 | 0.1394 | 5.50 | 0.000 |
| Esc | 0.3295 | 0.1857 | 6.77 | 0.000 |
| Dcs | 0.3182 | 0.0630 | 6.61 | 0.000 |
| _Cons | 0.0863 | 0.1286 | 3.67 | 0.000 |
| R-squared | | | | 0.826 |
| Wald chi2(5) | | | | 21.84 |
| Prob > chi2 | | | | 0.000 |

Source: Computed by the Researcher (2025)

The results (Table 4) showed that R-squared is 0.826; an indication that variables of CSRD (Cdcs, Escs and Dcss) jointly predict companies' performance (Roet) by 83 percent while the unexplained variation is about 17 percent. The panel-corrected standard error coefficients indicate that an increase in Cdcs, Escs and Dcss would lead to about 21 percent, 33 percent and 32 percent increase in Roet. The Z-score for the variables with probability value which were less than 0.05 suggest that the empirical model showed a good fit to the datasets.

The Z-scores revealed that the null hypotheses were rejected while the alternate hypotheses were accepted. This implies that community development, educational sponsorship, and donation costs significantly positively affect return on equity of the publicly listed deposit money banks in Nigeria. The implication of the finding is that CSRD leads to increased deposit money banks' performance. Also, the study demonstrates that when publicly listed deposit money banks focus on CSR activities, performance can be improved upon.

This result agrees with that of Unwana, et al, (2025); Ukpe, et al (2024) who found significant effect of CSRD on companies' performance. Also, the global environmental performance index has ranked Nigeria very low in the disclosure of corporate social related-activities. This has further raised stern concerns on why publicly listed companies in Nigeria should engage in CSR initiatives, specifically those relating to their environment.

**5. Conclusion and Recommendations**

We found that several publicly listed deposit money banks do not publish substantial information regarding corporate social responsibility (CSR) in their audited annual reports, but even if their CSR practices are poor, they are still far better than they were in the past. Furthermore, it is intended that deposit money banks that are publicly listed see their CSR expenditures as investments rather than expenses. The findings indicate that return on assets of Nigeria's publicly listed deposit money banks is considerably and favourably impacted by expenses related to community development, educational sponsorship, and donations. Raising CSRD would incentivise companies to increase their CSR spending because doing so will enhance their long-term (solvency) and short-term (profitability) performance.

The overall findings of the study will influence businesses to consider CSR expenditures an investment rather than a cost. In light of the results, it suggests that Nigerian deposit money banks that are publicly listed should boost their funding for community development and educational sponsorship initiatives. Also, charitable donations and other causes are required and should before be encouraged; these programs call for increased effort, which would improve the financial performance of Nigeria's publicly listed deposit money banks overall as well as their corporate social disclosure policies.

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