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CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND PROFITABILITY OF LISTED DEPOSIT MONEY BANKS (DMBS) IN NIGERIA

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***Abstract*:** It is well established in theory that the adoption and implementation of corporate social responsibility model moves a firm towards sustainability. However, there is limited empirical research on the extent to which different dimensions of corporate social responsibility affect firm profitability, especially from the perspective of deposit money banks in Nigeria. This study employs the conventional panel data models (fixed effects and random effects) to examine the extent of the impact of corporate social responsibility disclosure on bank profitability using panel data on 12 listed deposit money banks in Nigeria covering from 2010 to 2021. The results show that at the 5% significance level, employee responsibility disclosure, government responsibility disclosure, and shareholders' responsibility disclosure none has a significant effect on bank profitability, measured by return on assets. However, the effect of shareholders' responsibility disclosure is significant at the 10% level. On the contrary, community responsibility disclosure exerts a negative and highly statistically significant on bank profitability. Based on these findings, we conclude that deposit money banks in Nigeria have not been effective in using their corporate social responsibility model as an instrument for achieving higher profit levels.

Keywords: Corporate social responsibility disclosure, bank profitability, panel data

INTRODUCTION

With the increasing hostility and fierce competition in the global business environment as well as the increasing global concern regarding the environmental, social, and governance factors threatening the quality of life and business, firms, especially banks, are now redefining their business models towards improving their competitiveness and financial performance with minimal adverse impact on both their immediate environments and the larger society. Particularly, banks are now investing heavily in sustainability and social responsibility practices as a way of being more accountable to their several stakeholders and a strategy for achieving superior performance. For example, Sterling bank plc paid an income tax of ₦1,130million to the government in 2020, which is substantially higher than the ₦70million income tax it paid in the previous year (Annual Report, 2020, p.2). Also, available statistics from the Nigerian stock exchange show that 4 out of the 14 depository banks that are currently listed in the Premium Board category of the exchange, which comprises only firms that follow the best international practices in corporate accountability and governance. Also, this trend is most likely to continue in the foreseeable future given that more and more banks are now adopting the international banking model, which, among other things, requires them to be more responsible, accountable, and responsive to the needs of their different stakeholder groups.

One aspect of corporate social responsibility (CSR) practices that have attracted the attention of scholars is corporate social responsibility (CSR) disclosure. Schreck (2013) defines CSR disclosure as a firm's disclosure of information about its performance measured by social indicators. CSR are companies' actions over and above legal obligations towards the environment and society. According to Bouten, et al. (2011), firms are now incorporating information on their CSR activities in their financial reports due to the increasing demand for accountability and the need to inform different stakeholders about the social and environmental impacts of corporate activities. Also, as argued by Jizi, et al. (2014), a comprehensive CSR disclosure is necessary as it helps to reduce the level of asymmetric information between managers and other stakeholders and aids the monitoring and control of corporate managers. Thus, CSR communication to different stakeholder groups is likely an alternative strategy using corporate reputation to record positive operational performance.

One dimension of CSR disclosure is the corporate employee responsibility disclosure. This aspect of CSR disclosure focuses on information disclosure relating to employee welfare and well-being. Lozano (2015) argues that attracting and retaining employees, having a more compliant workforce, and improving employee productivity are among the main internal drivers of corporate sustainability practices.

Another important dimension of CSR disclosure is corporate community responsibility disclosure. This dimension, which combines both the environmental and social aspects of corporate social responsibility practices, focuses on disclosing the firm's activities and management actions towards achieving sustainable communities. According to Walter (1998), community responsibility is the ability of the firm to meet the survival conditions of the community and to promote a healthy and just society. Franco and Tracey (2019) find that improving community capacity building for sustainable development priority areas appears to be the strongest factor for enhancing the capability of local communities to confront sustainability challenges over time. Hence, corporate community responsibility disclosure is a way of being accountable to the host community and the society at large.

Another main dimension of CSR disclosure is corporate shareholder responsibility disclosure. Corporate managers are primarily concerned with their shareholders' interests and welfare, which explains their increasing tendency to align their sustainability objectives with their core business models. It is shown in Lafarre and Van der Elst (2019) that shareholders are increasingly willing to contribute to the attainment of corporate social and environmental goals. Also, according to Knoepfel (2001), CSR opportunities and risks are correlated with the firm's commitment to innovation, governance, shareholders, leadership, and society. Also, according to Knoepfel (2001), while investors are increasingly diversifying away from companies that are not committed to sustainability issues, they are embracing firms that create long-term shareholder value through opportunities and risks that are present in the economic, environmental, and social environments.

The main goal of a firm is to maximize its financial performance. Financial performance, which has different aspects, represents an objective or quantitative way of assessing both a firm's success (or failure) in creating value for its stakeholders and its survival path. Firm profitability, which is a measure of management or managers' efficiency, is the extent to which a firm generates revenue that exceeds its overall input costs. According to Sholichah et al. (2021), firm profitability is the ability of a firm to choose an investment that will produce positive returns based on the available resources and in the face of alternative investments.

Theoretically, the literature establishes a strong link between CSR and bank profitability. Accordingly, the stakeholder theory emphasizes the need for firms to adopt and implement strategies that are aimed at achieving high financial and economic performance with little or no externality costs to society and the environment. According to the theory, the effective management of various interest and stakeholder groups (employee, community, shareholder, government, NGOs, environmental activists etc.) is instrumental in achieving superior economic performance (Donaldson & Preston, 1995; Jones 1995).

Despite this well-established theoretical link, there is little agreement in the empirical literature regarding the sign, size, and significance of the impact of CSR disclosure on a firm's financial performance. This study therefore contributes to the ongoing debate by investigating the relative impact of four dimensions of CSR disclosures: namely, community, employees, government, and shareholders, within the conventional panel data framework using firm-level data collected on listed deposit money banks in Nigeria. The study has four specific objectives as follows:

1. To determine the extent of the impact of community responsibility disclosure on bank profitability.
2. To determine the extent of the impact of employee responsibility disclosure on bank profitability.
3. To determine the extent of the impact of government responsibility disclosure on bank profitability.
4. To determine the extent of the impact of shareholders' responsibility disclosure on bank profitability.

The remainder of this study is structured as follows: The next section contains the review of the empirical literature on CSR and profitability relationship. Section 3 describes the methodology and the modeling approach. Section 4 contains empirical analysis and discussion of findings. Section 5 concludes the study.

LITERATURE REVIEW

Soana (2011) investigates the correlation between corporate social responsibility performance and financial performance focusing on both Italian banks and international banks. While corporate social responsibility is proxied by ethical ratings, both accounting and market ratios are used to measure performance. They find no significant correlation between corporate social responsibility and corporate financial performance.

Vitezić et al. (2012) employ the logistic regression framework to analyze the empirical link between corporate social responsibility disclosure and financial performance for a sample of 42 large Croatian firms. While 22 of the sampled firms report their CSR activities, 20 do not. The empirical analysis, which is based on a model that allows CSR disclosure to depend on profitability, firm size and ownership, covers the period from 2002 to 2010. Their findings show that CSR disclosure is significantly related to both profitability and firm size, while its relationship with ownership is statistically insignificant.

In a cross-sectional study of 90 Islamic banks operating in 13 countries, Mallin et al. (2012) investigate the causal relationship between CSR disclosure and financial performance using both the OLS and three-stage least square methods. They construct a CSR disclosure index which comprises 10 CSR dimensions with 84 items, while financial performance is measured in terms of the average annual change in return on equity/return on assets over the period 2006–2010. Their empirical findings show, among other things, that while CSR disclosure has a positive relationship with financial performance, and that the causality between the two variables flows from financial performance to CSR disclosure.

In Sri Lanka, Abeysinghe and Basnayake (2015) examine the relationship between CSR disclosure and financial performance in 6 high-performing domestic commercial banks. The period spans from 2009 to 2013. Among the study variables are GRI index G3 guidelines to identify CSR disclosure among the banks, whereas firm size is proxied by the logarithm of total assets of the banks. The panel data analysis shows a negative relationship between CSR disclosures and the financial performance of selected domestic commercial banks. The result shows that EPS dependence on CSR leads to a decline. Further findings indicate that CSR disclosure is higher in private banks than in the government owned banks.

In Egypt, Hafez (2015) examines the concept of corporate social responsibility as it is implemented in different bank categories: namely, local, international, and Islamic banks, and the extent to which financial performance is affected. While the study focuses on 34 banks for the period from 2005 to 2013, its empirical analysis is based on the ANOVA framework. It is found that corporate social responsibility has a marginal and insignificant effect on banks' financial performance, measured by return on assets. Hence, the study concludes that corporate social responsibility does not matter for bank financial performance.

Siueia et al. (2019) seek to validate the stakeholder theory by examining the effects of voluntary corporate social responsibility disclosure on bank financial performance within the panel data framework focusing on banks in the Sub-Saharan region. More specifically, the study compares corporate social responsibility performance in top-rated banks in South Africa and Mozambique using panel data covering for the period from 2012 to 2016. Financial performance is measured in terms of return on assets and return on equity. Their empirical analysis is based on a sample of 20 banks (10 from South Africa and 10 from Mozambique). Also, their empirical model incorporates bank capital, loan, financial leverage, and bank size as control variables. They find, among other things, a positive and significant association between corporate social responsibility disclosure and financial performance.

Tangngisalu (2020) use the multiple regression framework to consider the impact of corporate social responsibility disclosure on firm value for a panel sample 33 listed banks in Indonesia covering from 2017 to 2019. Using a model that incorporates cash flow as a control variable, they find that corporate social responsibility disclosure has a positive impact on firm value.

In India, Bag and Omrane (2022) use the panel regression framework to examine the relationship between corporate social responsibility and firm financial performance. Their sample includes 100 companies that are top-rated in the Indian National Stock Exchange. Among their findings is that corporate social responsibility has a positive and significant relationship with two performance measures: namely, profitability and market share.

Ellili and Nobanee (2022) employ the dynamic panel regression framework to examine the impact of corporate social responsibility (CSR) disclosure on the performance of listed banks in UAE. While performance is measured in terms of growth of interest income, the three dimensions of CSR disclosure: namely, environmental, social, and economic dimensions, are examined. The economic dimension of CSR disclosure comprises capital structure, dividend policy, financial growth, payment of capital, financial performance, and retained earnings. The environmental dimension includes variables such as energy projects, energy saving, green product, environmental policies, and investment in renewable energy. The social dimension includes human resource development, contribution to community, human rights, product responsibility and corporate governance. Using panel data obtained from a sample of 16 banks (12 conventional and 4 Islamic) from 2003 to 2013, they find, among other things, that the overall CSR disclosure as well as the social dimension of CSR disclosure exert a positive and significant impact on bank performance.

METHODOLOGY

Data and Sample

This study is a bank-level panel research, focusing on deposit money banks that are listed in the Nigerian exchange. The data comprise 144 bank-year observations obtained from 12 listed deposit money banks in Nigeria including Access, Ecobank, FCMB, Fidelity, FBNH, GTB, Bank, SIBTC, Sterling, UBA, UBN, Wema, and Zenith.

Variables and Descriptive Statistics

Table 1 shows the study variables and their proxies. Figures 1 – 5 displays the means and standard deviations of the variables.

Table 1: Variables and Proxies

Variable	Role	Proxy	Identifier
Bank Profitability	Dependent Variable	Return on Assets	ROA
Corporate Community Responsibility Disclosure	Explanatory Variable	Corporate Donations	CDCC
Corporate Employee Responsibility Disclosure	Explanatory Variable	Total Employee Costs	CEC
Corporate Government Responsibility Disclosure	Explanatory Variable	Current Corporate Tax	CTAX

Corporate Shareholders' Responsibility Disclosure	Explanatory Variable	Dividend Payment	CDP
Firm Size	Control Variable	Total Assets	TA
Corporate Governance	Control Variable	Board Size	BS

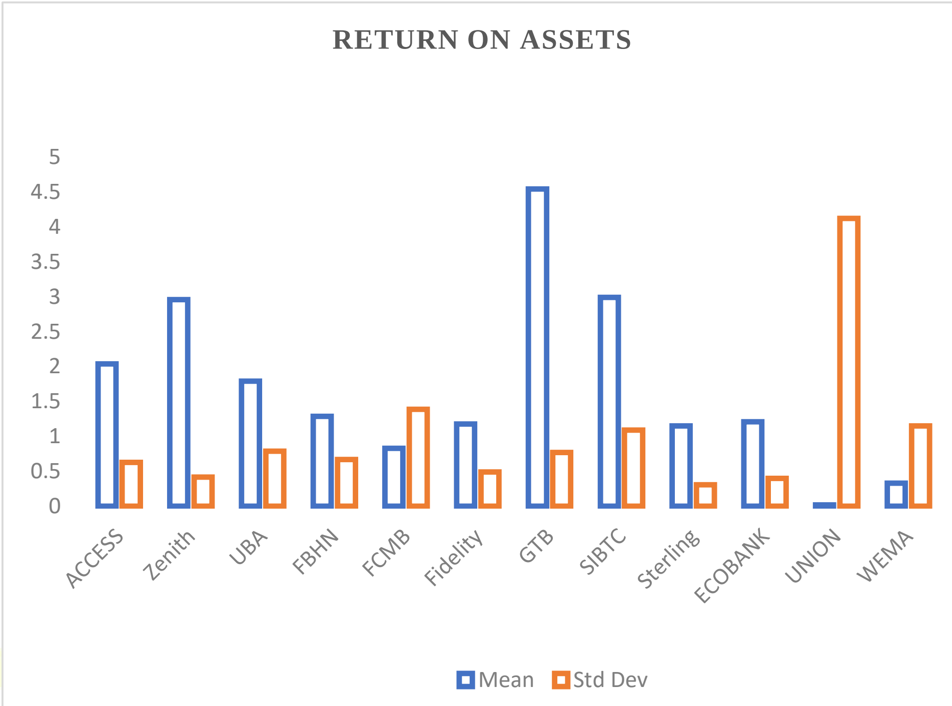

Figure 1: Mean and Standard Deviation for ROA

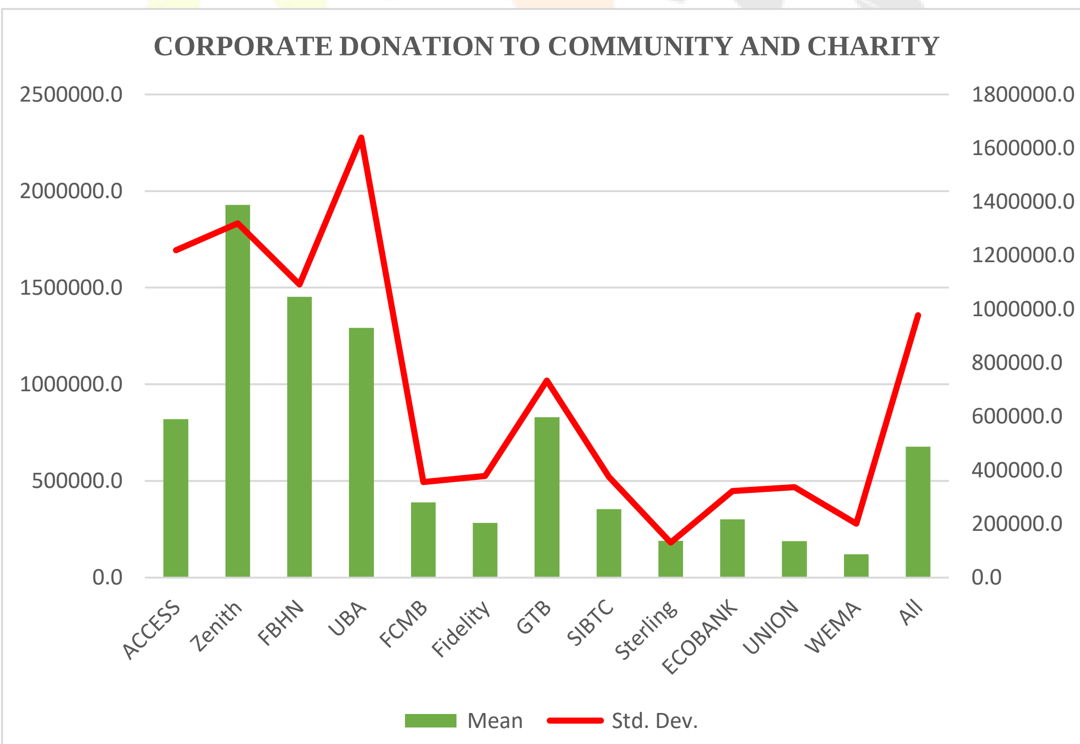

Figure 2: Mean and Standard Deviation for CDCC

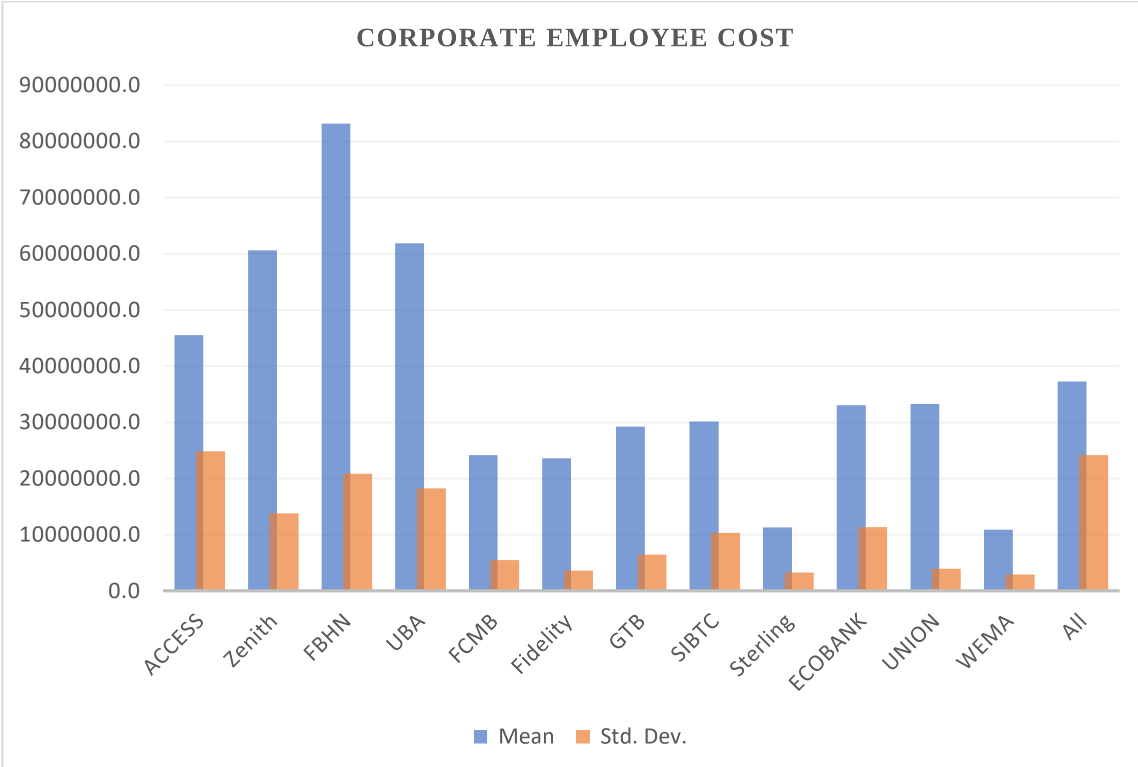

Figure 3: Mean and Standard Deviation for CEC

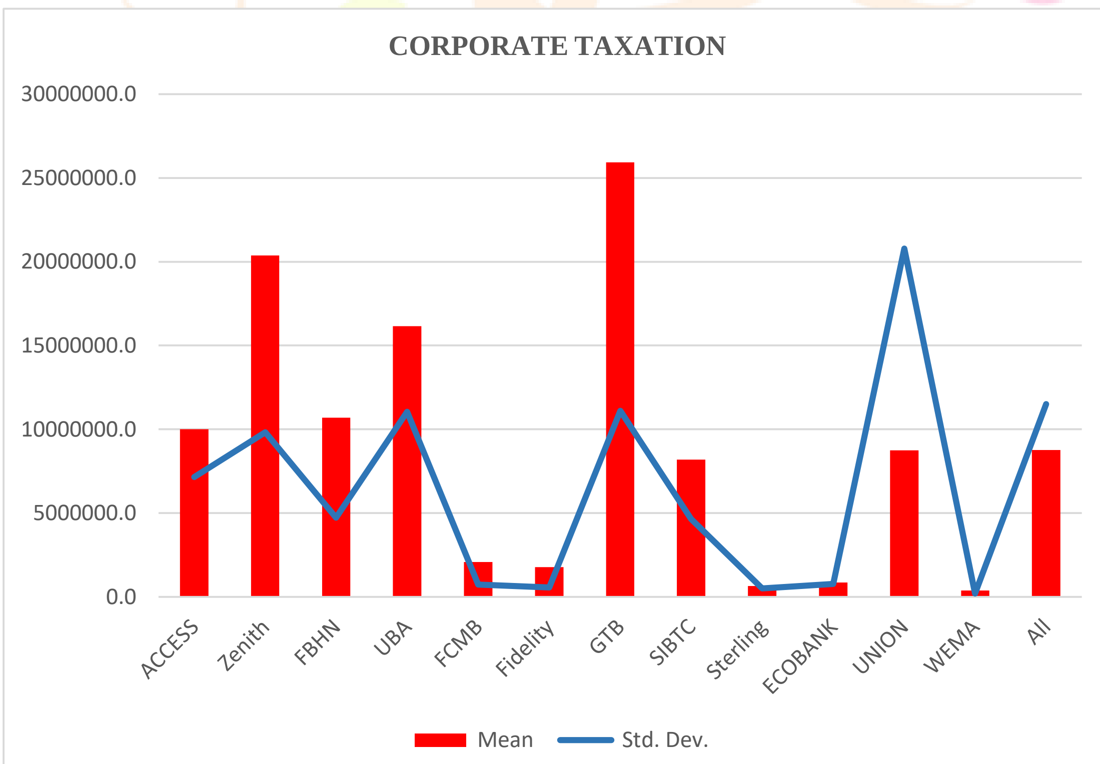

Figure 4: Mean and Standard Deviation for CTAX

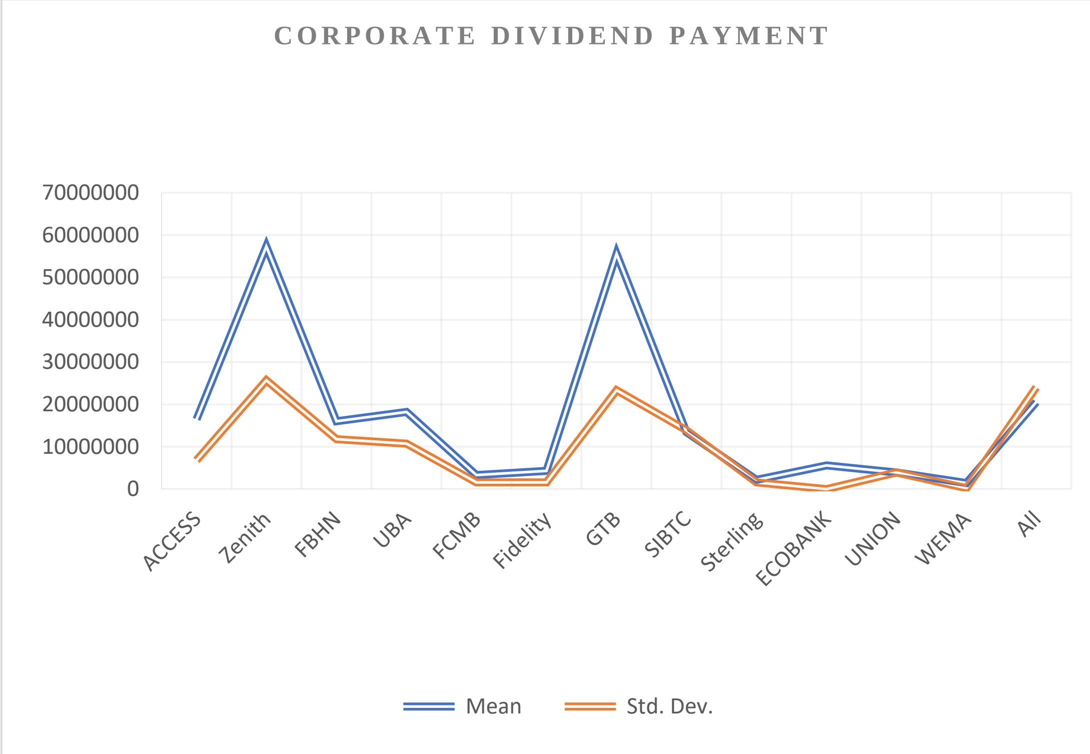

Figure 5: Mean and Standard Deviation for CDP

Model and Methods

We specified the panel data model for the impact of corporate social responsibility disclosure on return on assets as follows:

The econometric specification, in logarithmic form, of the conventional panel model, incorporating total assets (TA) and board size (BS) as control variables, is written as follows:

$$LROA_{it} = \beta_0 + w_i + \beta_1 LCDCC_{it} + \beta_2 LCEC_{it} + \beta_3 LCTAX_{it} + \beta_4 LCDP_{it} + \beta_5 LTA_{it} + \beta_4 LBS_{it} + e_{it} \qquad (2)$$

Where e_{it} represents the regression residuals or error disturbances, β_0 is the model intercept which can be interpreted as the average value of ROA when all other right-hand side variables are zero; w_i is the cross-sectional heterogeneity parameter representing the unobserved bank-specific factors such as organizational leadership, philosophy and culture, while β_1, β_2, β_3, and β_4 are the main regression coefficients, respectively capturing the effects of corporate donations to community and charity, corporate employee costs, corporate taxation, and corporate dividend payments. Also, β_5 and β_6 respectively capture the effects of total assets and board size in the model. Besides, while other variables have both space and time indexed, w_i has only space index since they represent latent organizational factors that do not usually vary with time.

Further, the relationship between CSR disclosure and return on assets can be governed by the fixed effects theory or the random effects theory. While the fixed effects theory contends that w_i is a significant determinant of return on assets and also correlates significantly with CSR disclosure variables in the ROA model, the random effects theory assumes that w_i follows an error process, and hence has a correlation with e_{it}.

To determine which theory is consistent with our data-generating process, we employ the widely used specification test suggested by Hausman (1978). This test, which asymptotically follows χ^2 distribution is implemented under the null hypothesis that there is a zero correlation between w_i and CSRD variables, which is consistent with the random effects theory. Hence, the significance of the Hausman test would lead to the rejection of the random effects explanation in favour of the fixed effects theory. It would also imply that w_i and CSRD variables are significantly correlated, and the correlation between the two variables significantly affects the behaviour of the ROA model. In other words, if the Hausman is significant, then there is empirical evidence that w_i affects return on assets both directly and through its interaction with the CSRD dimensions.

EMPIRICAL ANALYSIS

Model Estimation and Results

Table 2 shows the panel regression results for the impact of CSR disclosure on bank profitability. Panel A reports the estimated model coefficients, while the goodness of fit statistics are shown in Panel B. Table 3 displays the estimated unobserved bank-specific effects and the model specification/selection tests Figures 6 and 7 show the residual diagnostic plots for fixed effects and random effects methods. The empirical analysis is done in EViews.

Table 2: Fixed Effects and Random Effects Regression Results (DV = LROA)

Variables/Coefficients	Fixed Effects Estimates	Random Effects Estimates
Panel A: Main Regression Results		
Constant (β_0)	-3.1905 (0.3764)	-2.2934 (0.3296)
LCDCC (β_1)	-0.1676*** (0.0098)	-0.1752*** (0.0033)
LCEC (β_2)	0.0805 (0.7902)	-0.1579 (0.4488)
LCTAX (β_3)	0.0063 (0.9299)	0.1100* (0.0855)
LCDP (β_4)	0.1160* (0.0735)	0.1934*** (0.0014)
LTA (β_5)	0.1399 (0.3760)	0.1078 (0.2866)
LBS (β_6)	0.0669 (0.7635)	0.0985 (0.6127)
Panel B: Goodness of Fit and Model Diagnostic Tests		
R^2	0.7201	0.2544
$\bar{R}^2$	0.6668	0.2068
F-ratio	13.511*** (0.0000)	5.3472*** (0.0000)
DW-Statistic	1.7232	1.6329

***indicates significance at 10% level**
*****indicates significance as 1% level**

Table 3: Unobserved (Latent) Bank-Specific Effects

Bank	Fixed Effects	Random Effects
FBHN	-0.4864	-0.3070
SIBTC	0.4144	0.2973
Sterling	-0.2550	-0.1153
UNION	-0.2922	0.0180
WEMA	-0.2317	-0.0176
Zenith	0.4075	0.1978
Fidelity	-0.4892	-0.3191
UBA	-0.0242	-0.0494
ACCESS	-0.0248	-0.0485
FCMB	-0.1618	-0.0262
GTB	0.7798	0.3701
LR Statistic	48.449*** (0.0000)	
Hausman Statistic	13.977** (0.0299)	

*****indicates significance as 1% level**
****indicates significance as 5% level**

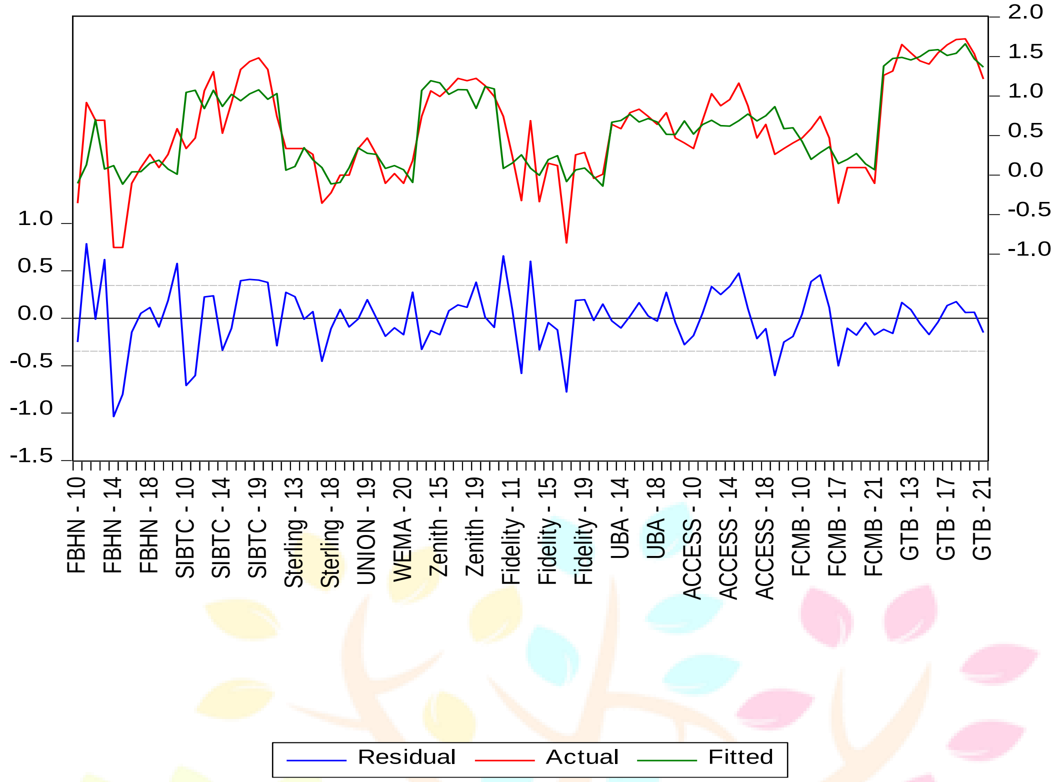

Figure 6: Residual Diagnostic Plot for Fixed Effects

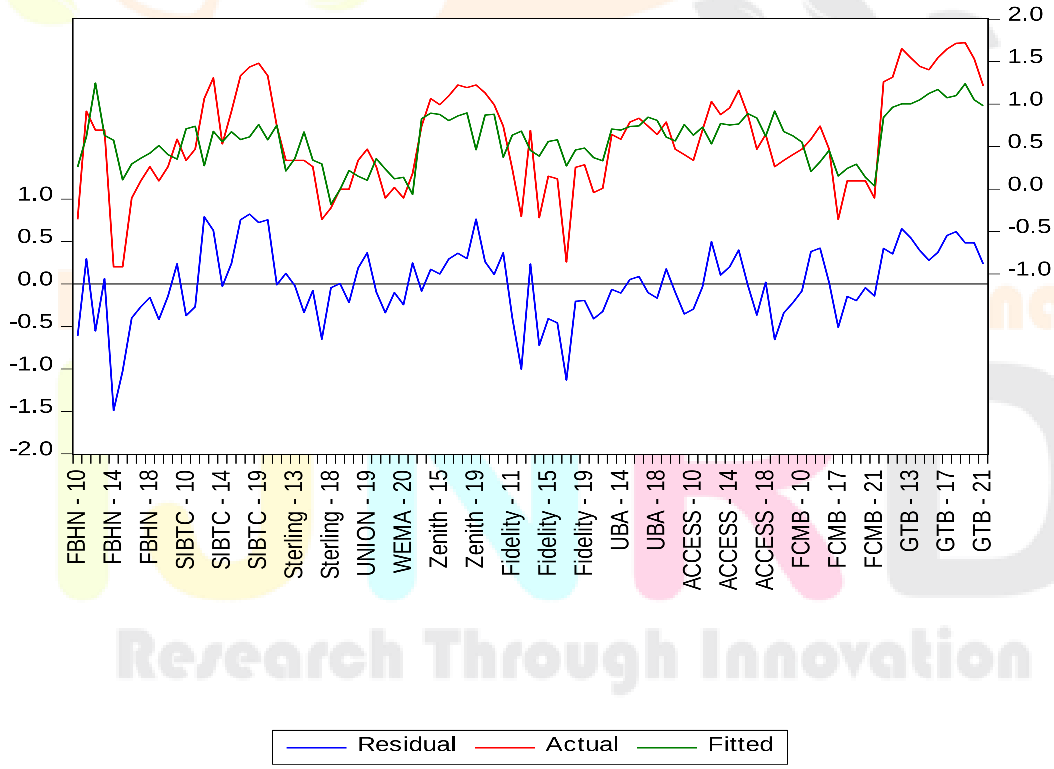

Figure 7: Residual Diagnostic Plot for Random Effects

From Panel A of Table 2, we can see that in terms of the coefficient signs, the fixed effects estimation results are comparable with those of the random effects, with the coefficient on LCEC(β_2) being the only exemption. For both methods, LCDCC (β_1) is associated with a negative sign and a p-value that is significantly below 0.01, showing that corporate donation to community and charity has a negative and highly significant impact on return on assets. On the contrary, both LCTAX(β_3) and LCDP(β_4) are associated with a positive sign, indicating that they move in a similar direction with return on assets. However, their significance levels differ. While LCTAX (β_3) is significant at the 10% level for the random effects method, it is not significant for the fixed effects method. Also, while LCDP (β_4) is significant at the 1% level for the random effects method, it is significant at the 10% level for the random effects method. Besides, LCEC(β_2) is not significant for both methods, although it has a mixed sign.

For the control variables, both LTA (β_5) and LBS (β_6) are associated with a positive sign for both fixed effects and random effects methods, indicating that they move in a similar direction with return on assets. This shows the tendency for bigger banks with larger board size to be more profitable than smaller banks with smaller board size. However, the attached p-values are much higher than the conventional significance levels, indicating that both firm size and board size and not significant determinants of bank profitability, measured in terms of return on assets.

From Panel B of Table 2, the F-statistic (p-value < 0.01) indicates that both the fixed effects and random effects results are highly significant. However, the coefficient of multiple determination shows that the fixed effects results seem to be much closer to reality than the random effects results. The $\bar{R}^2$ of 0.7201 and 0.2544 shows that the proportion of the model variance explained by the explanatory variables is approximately 72% for the fixed effects method, while it is approximately 25% for the random effects method. Also, while the Durbin-Watson statistic is much higher than R^2 for both methods, which indicates that both results are valid (see Granger and Newbold (1974) for a detailed insight on spurious regression), it further indicates that the fixed effects method (DW = 1.7232) outperforms the random effects method (DW = 1.6329). Finally, comparing the residual plots in Figures 4.5 and 4.6, we can see that the actual and fitted lines are much closer for the fixed effects method than the random effects method. Hence, the superiority of the fixed effects method over the random effects method is further shown in the residual diagnostic plots.

For the unobserved bank-specific effects, the results in Table 3 are significant in two ways. Firstly, the results for different banks are largely similar for different methods, except for UNION Bank, whose latent factors affect its return on assets negatively for the fixed effects method but positively for the random effects method. Secondly, the differences in the size of the latent variables across banks are clearly observable, which is in line with our modeling assumption that cross-sectional heterogeneity is an important aspect of the relationship between CSR disclosure and bank profitability in Nigeria. Hence, there is a need to formally test the extent of the significance of these latent variables in our empirical model for bank profitability.

For model specification tests, the results in the lower panel of Table 3 confirm that the fixed effects method outperforms the random effects method in the context of the relationship between corporate social responsibility disclosure and bank profitability. The LR Statistic (p-value = 0.0000) is highly significant, indicating that the unobserved variables are significant explanatory factors for banks' return on assets. Also, the Hausman statistic (p-value = 0.0299) is significant at the 5% level, indicating the existence of a significant correlation between the latent factors and the main regressors. Hence, our results have confirmed that the latent bank-specific factors such as organizational culture, management philosophy and style affect bank profitability or return on assets not only directly, but also through their interactions with both corporate social responsibility disclosure and corporate governance variables. The implication of this confirmation is that our further analysis and hypothesis testing would be based on the fixed effects results.

Discussion of Findings

Corporate Employee Responsibility Disclosure and Bank profitability

The first objective of this study is to determine the extent to which CSR disclosure affects bank profitability. The instrumental stakeholder theory implies that corporate social responsibility that is consistent with the firm's shareholders' wealth maximization objective is a necessary ingredient for corporate performance. Hence, there is a direct positive relationship between corporate shareholder responsibility disclosure and firm profitability. Based on this theoretical argument, we expected, *apriori*, that the coefficient linking corporate dividend payment to return on assets would be positive and highly significant so that the null hypothesis of no significant effect of corporate shareholder responsibility disclosure on bank profitability would be rejected.

Contrary to our expectation, *apriori*, our empirical results show that corporate shareholder responsibility disclosure has no significant impact on bank profitability. As shown in Table 2, the coefficient on LCDP(β_4) has an estimated value of 0.1160 with a p-value of 0.0735, showing that the impact of corporate dividend payment on return on assets is statistically significant at the 10% level. However, we rejected the argument that corporate dividend payment matters for firm profitability, since the specified hypothesis is tested based on the 5% level of significance. This can be interpreted as suggesting that although corporate shareholder responsibility disclosure and bank profitability move in the same direction as shown by the positive sign attached to β_4, their empirical linkage is weak. More specifically, a 1% increase in corporate dividend payment would, on average, leads to about 0.12% increase in bank profitability, holding other factors constant. Hence, while the positive relationship between corporate government responsibility disclosure and bank profitability is expected, the weak significance of this correlation shows that our evidence is not sufficient to validate the instrumental stakeholder theory. This evidence tends to be consistent with Soana (2011), Hafez (2015), and Matuszak and Różańska (2017). These authors all find that corporate social responsibility does not significantly affect corporate financial performance. On the contrary, the current finding supports the findings of several previous studies including Ahmed et al. (2016), Martin et al. (2018), Ellili and Nobanee (2022), and Bag and Omrane (2022).

The current finding shows that corporate shareholders' responsibility disclosure has no direct effect on bank profitability, thereby supporting the neutrality hypothesis of CSR. This implies that society does not reward banks through increased patronage for implementing policies that are consistent with the shareholders' wealth maximization objective. Hence, paying more dividends as a strategy for corporate social responsibility does not contribute directly to bank profitability. This can be explained by the high cost associated with improving employees' welfare which nets out its expected financial benefit. According to Waddock and Graves (1997), the neutral effect of CSR disclosure can be linked to the presence of several intervening variables in the relationship between corporate shareholders' responsibility and profitability. When viewed from this perspective, our finding suggests that corporate shareholders' responsibility does not affect bank profitability directly but indirectly through other firm-specific variables. Therefore, corporate shareholders' responsibility disclosure is not a significant explanatory factor for the observed variation in profitability of listed deposit money banks in Nigeria.

Corporate Employee Responsibility Disclosure and Bank Profitability

The second hypothesis of this study addresses the issue of whether corporate employee responsibility disclosure enhances bank profitability. Corporate employee responsibility disclosure is measured in terms of corporate employee costs while bank profitability is measured by return on assets. The instrumental stakeholder theory implies that corporate social responsibility that focuses on employee welfare is a necessary ingredient for corporate performance. Hence, there is a direct positive relationship between corporate employee responsibility disclosure and firm profitability. Based on this theoretical argument, we expected, *apriori*, that the coefficient linking corporate employee costs to return on assets would be positive and highly significant so that the null hypothesis of no significant effect of corporate employee responsibility disclosure on bank profitability would be strongly rejected.

Contrary to our expectation, *apriori*, our empirical results show that corporate employee responsibility disclosure has no significant impact on bank profitability. As shown in Table 2, the coefficient on LCEC (β_2) has an estimated value of 0.0805 with a p-value of 0.7902, showing that the impact of corporate employee costs on return on assets is not statistically significant. However, the positive sign attached to β_2 shows that corporate employee responsibility disclosure and bank profitability move in the same direction: employee responsibility disclosure tends to enhance bank profitability. More specifically, this shows that a 1% increase in corporate employee costs would, on average, leads to about 0.08% increase in bank profitability, holding other factors constant. Hence, while the positive relationship between corporate employee responsibility disclosure and bank profitability is expected, the lack of significance of this relationship shows that our evidence is not sufficient to validate the instrumental stakeholder theory. This evidence is consistent with Soana (2011), Hafez (2015), and Matuszak and Różańska (2017), These authors all find that corporate social responsibility does not significantly affect corporate financial performance. On the contrary, the current finding supports the findings of several previous studies including Ahmed et al. (2016), Martin et al. (2018), Ellili and Nobanee (2022), and Bag and Omrane (2022).

The current finding shows that corporate employee responsibility has no direct effect on bank profitability, thereby supporting the neutrality hypothesis of CSR. This implies that the society does not reward banks through increased patronage for implementing policies that are aimed at improving the welfare of their employees. Hence, increasing employees' benefits and welfare as a strategy for corporate social responsibility does not contribute directly to bank profitability. This can be explained by the high cost associated with improving employees' welfare which nets out its expected financial benefit. Also, scholars such as Waddock and Graves (1997) have linked this neutral effect to the presence of several intervening variables in the relationship between corporate employee responsibility and profitability. When viewed from this perspective, our finding suggests that corporate employee responsibility does not affect bank profitability directly but indirectly through other firm-specific variables. Therefore, corporate employee responsibility disclosure is not a significant explanatory factor for the observed variation in profitability of listed deposit money banks in Nigeria.

Corporate Government Responsibility Disclosure and Bank Profitability

The third hypothesis of this study addresses the issue of whether corporate government responsibility on disclosure enhances bank profitability. Corporate government responsibility disclosure is measured in terms of corporate taxation while bank profitability is measured by return on assets. The instrumental stakeholder theory implies that corporate social responsibility that focuses on government revenue improvement is a necessary ingredient for corporate performance. Hence, there is a direct positive relationship between corporate government responsibility disclosure and firm profitability. Based on this theoretical argument, we expected, *apriori*, that the coefficient linking corporate taxation to return on assets would be positive and highly significant so that the null hypothesis of no significant effect of corporate government responsibility disclosure on bank profitability would be strongly rejected.

Contrary to our expectation, *apriori*, our empirical results show that corporate government responsibility disclosure has no significant impact on bank profitability. As shown in Table 2, the coefficient on LCTAX (β_3) has an estimated value of 0.0063 with a p-value of 0.9299, showing that the impact of corporate taxation on return on assets is not statistically significant. However, the positive sign attached to β_3 shows that corporate government responsibility disclosure and bank profitability move in the same direction: government responsibility disclosure tends to enhance bank profitability. More specifically, this shows that a 1% increase in corporate taxation would, on average, leads to about 0.01% increase in bank profitability, holding other factors constant. Hence, while the positive correlation between corporate government responsibility disclosure and bank profitability is expected, the lack of significance of this correlation shows that our evidence is not sufficient to validate the instrumental stakeholder theory. This evidence tends to be consistent with Soana (2011), Hafez (2015), and Matuszak and Różańska (2017). These authors all find that corporate social responsibility does not significantly affect corporate financial performance. On the contrary, the current finding disagrees with several previous studies, including Vitezić et al. (2012), Martin et al. (2018), Ellili and Nobanee (2022), and Bag and Omrane (2022).

Our analysis shows that corporate government responsibility has no direct effect on bank profitability, thereby supporting the neutrality hypothesis of CSR. This implies that the society does not reward banks through increased patronage for pursuing and implementing policies that are aimed at supporting governments' developmental efforts. Hence, being a good corporate citizen through regular tax payments and reporting is not a good source of competitive advantage for listed banks in Nigeria. According to Waddock and Graves (1997), the neutral effect of CSR disclosure can be linked to the presence of several intervening variables in the relationship between corporate government responsibility and profitability. When viewed from this perspective, our finding suggests that corporate government responsibility does not affect bank profitability directly but indirectly through other firm-specific variables. Therefore, corporate government responsibility disclosure is not a significant explanatory factor for the observed variation in profitability of listed deposit money banks in Nigeria.

Corporate Shareholder Responsibility Disclosure and Bank Profitability

The fourth hypothesis of this study addresses the issue of whether corporate shareholder responsibility on disclosure enhances bank profitability. Corporate shareholder responsibility disclosure is measured in terms of corporate dividend payment while bank profitability is measured by return on assets. The instrumental stakeholder theory implies that corporate social responsibility that is consistent with the firm's shareholders' wealth maximization objective is a necessary ingredient for corporate performance. Hence, there is a direct positive relationship between corporate shareholder responsibility disclosure and firm profitability. Based on this theoretical argument, we expected, *apriori*, that the coefficient linking corporate dividend payment to return on assets would be positive and highly significant so that the null hypothesis of no significant effect of corporate shareholder responsibility disclosure on bank profitability would be rejected.

Contrary to our expectation, *apriori*, our empirical results show that corporate shareholder responsibility disclosure has no significant impact on bank profitability. As shown in Table 2, the coefficient on LCDP(β_4) has an estimated value of 0.1160 with a p-value of 0.0735, showing that the impact of corporate dividend payment on return on assets is statistically significant at the 10% level. However, we rejected the argument that corporate dividend payment matters for firm profitability, since the specified hypothesis is tested based on the 5% level of significance. This can be interpreted as suggesting that although corporate shareholder responsibility disclosure and bank profitability move in the same direction as shown by the positive sign attached to β_4, their empirical linkage is weak. More specifically, a 1% increase in corporate dividend payment would, on average, leads to about 0.12% increase in bank profitability, holding other factors constant. Hence, while the positive relationship between corporate government responsibility disclosure and bank profitability is expected, the weak significance of this correlation shows that our evidence is not sufficient to validate the instrumental stakeholder theory. This evidence tends to be consistent with Soana (2011), Hafez (2015), and Matuszak and Różańska (2017). These authors all find that corporate social responsibility does not significantly affect corporate financial performance. On the contrary, the current finding supports the findings of several previous studies including Ahmed et al. (2016), Martin et al. (2018), Ellili and Nobanee (2022), and Bag and Omrane (2022).

The current finding shows that corporate shareholders' responsibility disclosure has no direct effect on bank profitability, thereby supporting the neutrality hypothesis of CSR. This implies that society does not reward banks through increased patronage for implementing policies that are consistent with the shareholders' wealth maximization objective. Hence, paying more dividends as a strategy for corporate social responsibility does not contribute directly to bank profitability. This can be explained by the high cost associated with improving employees' welfare which nets out its expected financial benefit. According to Waddock and Graves (1997), the neutral effect of CSR disclosure can be linked to the presence of several intervening variables in the relationship between corporate shareholders' responsibility and profitability. When viewed from this perspective, our finding suggests that corporate shareholders' responsibility does not affect bank profitability directly but indirectly through other firm-specific variables. Therefore, corporate shareholders' responsibility disclosure is not a significant explanatory factor for the observed variation in profitability of listed deposit money banks in Nigeria.

CONCLUSIONS

It is well established in theory that the adoption and implementation of corporate social responsibility model moves a firm towards sustainability. Also, the literature on the signaling effects of corporate information disclosure on firm financial performance is relatively large. However, there is limited consideration of the extent to which different dimensions of corporate social responsibility affect firm profitability, especially from the perspective of deposit money banks in Nigeria. This study employs both the conventional and dynamic panel data models to examine the extent of the impact of corporate social responsibility disclosure on profitability of listed deposit money banks in Nigeria using 144 bank-year unbalanced panel data observations covering from 2010 to 2021. The main conclusions of the study are as follows:

We find that controlling for firm size and corporate governance, employee responsibility disclosure, government responsibility disclosure, and shareholders' responsibility disclosure all have a positive but not statistically significant effect on bank profitability, while community responsibility discourse exerts a negative and highly statistically significant on bank profitability. However, the effect of shareholders' responsibility disclosure is significant at the 10% level. Therefore, we conclude that in Nigeria, deposit money banks have not been effective in using their corporate social responsibility model as an instrument for achieving higher profit levels.

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