



# Corporate Social Responsibility Disclosure and Market Valuation of Listed Deposit Money Banks (DMBs) in Nigeria

<sup>1</sup>Sunday Friday, <sup>2</sup>Clifford Ofurum, <sup>3</sup>Ebere Christopher Chukwuma

<sup>1</sup>Department of Accounting

<sup>1</sup>University of Port Harcourt, Choba, Rivers State, Nigeria

**Abstract:** This study investigates the impact of CSR disclosure on market valuation for deposit money banks in Nigeria. Consistent with the stakeholder theory, the study identifies four dimensions of CSR disclosure: namely, community, employee, government, and shareholders, and estimate their relative impacts on market price per share using a sample of 12 listed deposit money banks in Nigeria for the period from 2010 to 2021. Using the conventional panel estimation methods, we find that none of the CSR disclosure variables exerts a statistically significant effect on market valuation of the sampled banks. However, consistent with the fixed effect theory, our results also show that unobserved bank-specific factors such as organizational culture, and management style and philosophy are significant factors explaining the movements of bank prices in the stock market. Based on these findings, we conclude that investors in the Nigerian banking industry do not assign significant premium to information relating to banks' CSR activities in their pricing or valuation model.

**Key words:** CSR disclosure, market valuation, panel data

## INTRODUCTION

The issue of corporate social responsibility (CSR) and its performance implications has continued to dominate scholarly debate in the strategic management literature. CSR refers to corporate actions over and above legal obligations towards the immediate business environment and the larger society. The instrumental stakeholder theory states that firms deliberately implement CSR activities as an instrument for improving their financial performance. Further, the signaling theory argues that investors assign premium to information relating to corporate social responsibility in their firm valuation or risk pricing model. These theories imply that corporate social responsibility practices can improve firms' financial and stock market performance.

In Nigeria, bank performance has trended downward over the past three years. Data obtained from the Nigerian Exchange (NGX) show that the composite market price per share of the four leading depository banks: namely, ACCESS, FBNH, UBA and ZENITH, increased significantly by approximately 101% from ₦27.41 in 2015 to ₦55.19 in 2017, while it decreased by approximately 11% from that point to ₦49.05 in 2020 (NGX, 2021). At the same time, banks have increasingly implemented strategies and policies that are aimed at improving their corporate response to social and environmental issues as a way of balancing the interests of their different stakeholders towards improving their financial performance. The important question is: To what extent can the observed declining trend in banks' financial performance be linked to CSR implementation and reporting?

Although, several studies have investigated the extent of the impact of CSR practices and reporting on different performance measures, the empirical findings reported so far on the direction, magnitude, and significance of CSR variables in the corporate performance model are conflicting. Also, there seems to be limited CSR research on banking sector in developing countries as much of the previous studies are largely focused on nonfinancial firms operating mainly in the developed countries. Hence, CSR-performance relationship is still an under-research topic.

This study joins the ongoing debate on the CSR-performance relationship by examining the impact of CSR disclosure on bank performance from the perspective of the stock market investors within the panel data framework. Consistent with the stakeholder theory, the study identifies four dimensions of CSR disclosure: namely, community and charity, employee welfare, government taxation, and shareholders' wealth, and examine their relative impacts on stock market valuation using data collected on 12 listed deposit money banks in Nigeria between 2010 and 2021.

## LITERATURE REVIEW

Soana (2011) investigates whether there is a significant relationship between corporate social responsibility performance and measures of financial performance for both Italian banks and international banks. Using a sample of 16 Italian banks and 21 International banks they find no association correlation between CSR and measures of corporate financial performance.

Nguyen et al. (2015) analyze the empirical association between CSR disclosure and firm value in using the panel data framework. Using a sample 50 listed firms in Vietnam between 2010 and 2013. They find that none of the CSR disclosure dimensions (community, employee, customer and environment.) exerts a significant contemporaneous effect on firm value, measured by Tobin's Q. However, one period lagged values of both employee and environmental dimensions exert a significant effect on firm value.

Li et al. (2018) use the ESG framework to examine the extent to which CSR disclosure affects firm value in UK, focusing on FTSE 350 firms. Their empirical analysis is based on a panel dataset comprising 2415 firm-year observations on 367 firms between 2004 and 2013. CSR disclosure is measured in terms of ESG disclosure score developed by Bloomberg, while firm value is measured in terms of Tobin's Q. Their empirical model incorporates firm-specific variables such as leverage, capital expenditure, firm size, fixed assets (property, plant and equipment) and growth. Also, both year and industry effects are controlled in their model. Their empirical results indicate that CSR disclosure has a positive effect on firm value. They also find that CEO power plays a positive moderating role in the relationship between CSR disclosure and firm value.

Emeka-Nwokeji (2019) empirically examine the causal link from corporate social responsibility disclosure to market value of nonfinancial firms in Nigeria. Market value is measured by Tobin's Q, while social donations, charitable gifts, human resources and employee policies, employee investment, job creation, employees' health, safety and welfare are used as the explanatory variables. Also, the study uses firm size, leverage and firm age as the control variables. Their empirical analysis is based on data collected from 93 listed non-financial firms from 2006 to 2015. The pooled OLS approach is employed for empirical analysis. They find that employee investment and social donation are significant explanatory factors for market value, while other included CSR variables exert no significant effect on market value. For the control variables, firm size has no significant effect on market value, while there is evidence that both firm age and financial leverage exert a significant impact on market value.

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.

Fahad and Busru (2021) investigate the effect of corporate social responsibility disclosure (CSR) on firm profitability and firm value in India using a panel regressions framework. Firm value and firm profitability are respectively measured in terms of Tobin's Q ratio and return on assets, CSR disclosure is measured using the ESG score developed by Bloomberg, which is calculated based on the extent of CSR disclosure. Their sample includes 386 listed companies over a period of 10 years from 2007 to 2016. Their empirical analysis is based on a fixed effects model that incorporates as control factors firm-specific variables such as firm age, firm size, innovation, cost of capital, growth, and advertisement. They find that both CSR and all its three dimensions individually exert a negative and statistically significant effect on both firm profitability and firm value.

Zraaq et al. (2021) investigate the extent of the effect of CSR disclosure on market performance of listed companies in Jordan. They use panel data obtained from 42 companies for the period from 2014 to 2019. To measure CSR disclosure, they construct a CSR disclosure index comprising several CSR related activities with each activity given a value of 1 if reported, or 0 otherwise. On the other hand, market performance is measured in terms of Tobin's Q. Their empirical model incorporates 5 control variables: namely, leverage, size, profitability, corporate governance, and audit quality. They find that CSR disclosure exerts a negative effect on market performance.

Mbonu and Amahalu (2022) employ the panel least square method to investigate the impact of the costs associated with CSR implementation on firm financial performance, focusing on the banking industry in Nigeria. Four CSR cost dimensions are considered: namely, training cost, remediation cost, corporate donations, and occupational health and safety cost, while financial performance is measured in terms of return on assets. Their analysis is based on panel data obtained from 13 listed deposit money banks for a 10-year period from 2011 to 2020. The empirical evidence provided by the study shows that all the four CSR cost dimensions exert a positive and significant impact on bank profitability.

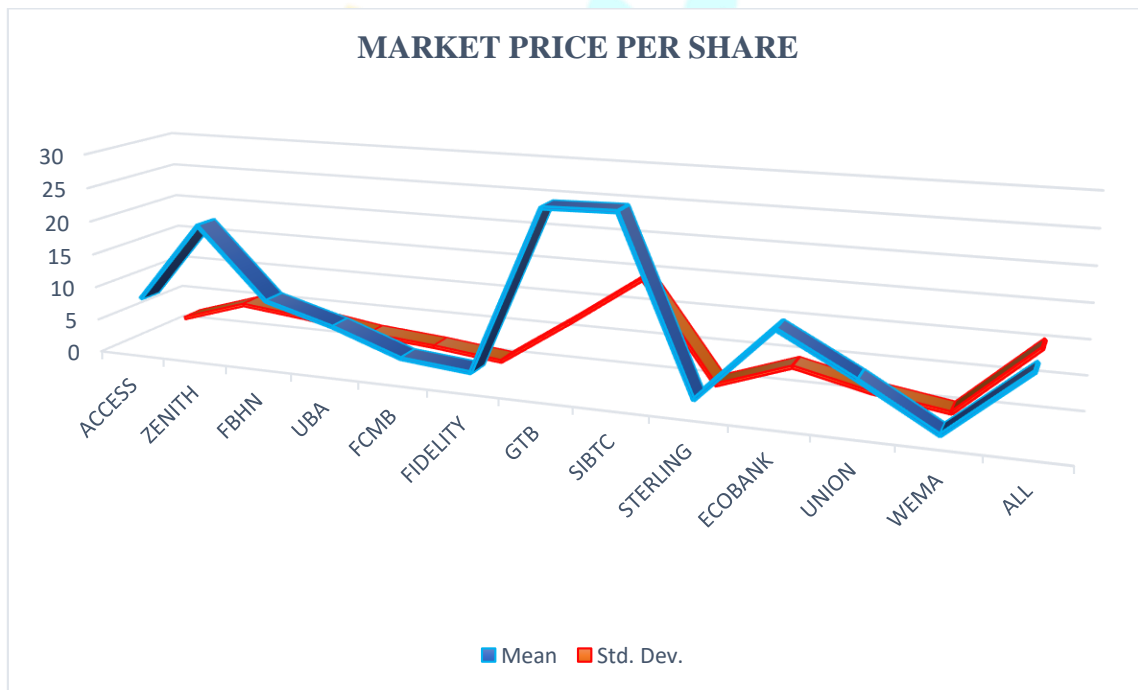
## METHODOLOGY

### Data and Sample

The data used for our empirical analysis consist of 144 bank-year unbalanced panel observations on 12 banks that are listed on the Nigerian stock exchange over a period of 12 years from 2010 to 2021. The banks are ACCESSSS, ZENITH, UBA, FCMB, STERLING, UNION, SIBTC, ECOBANK, FBN, GTB, FIDELITY, and WEMA. Table 1 describes the variables and their proxies, while Figure 1 – 5 presents the basic descriptive statistics for these variables.

**Table 1: Variables and Proxies**

Variable	Role	Proxy	Identifier
Market Valuation	Dependent Variable	Market Price Per Share	MPS
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 MPS**



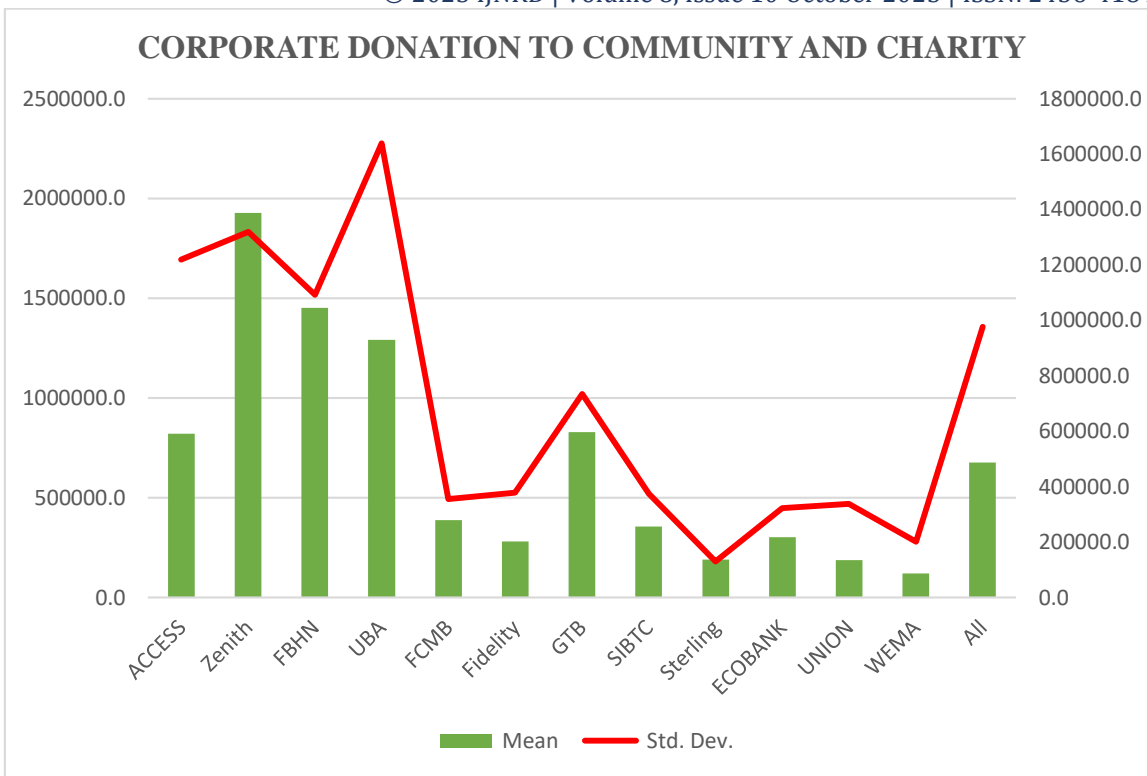


Figure 2: Mean and Standard Deviation for CDCC

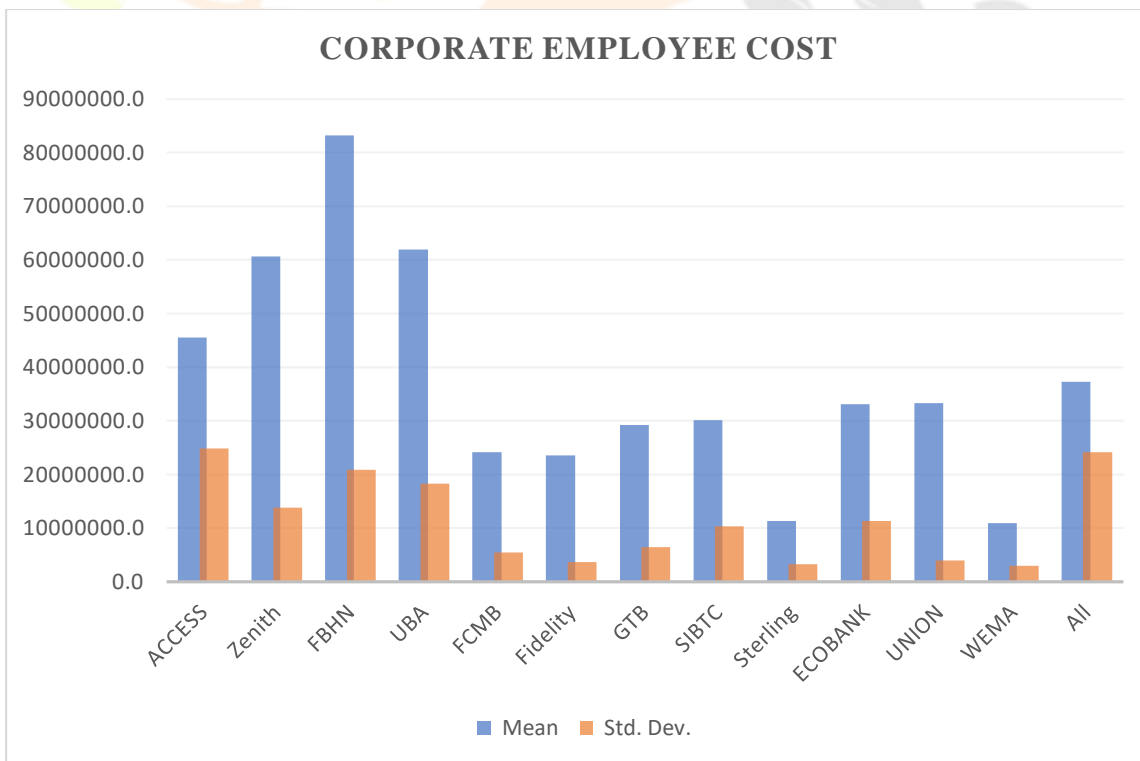


Figure 3: Mean and Standard Deviation for CEC

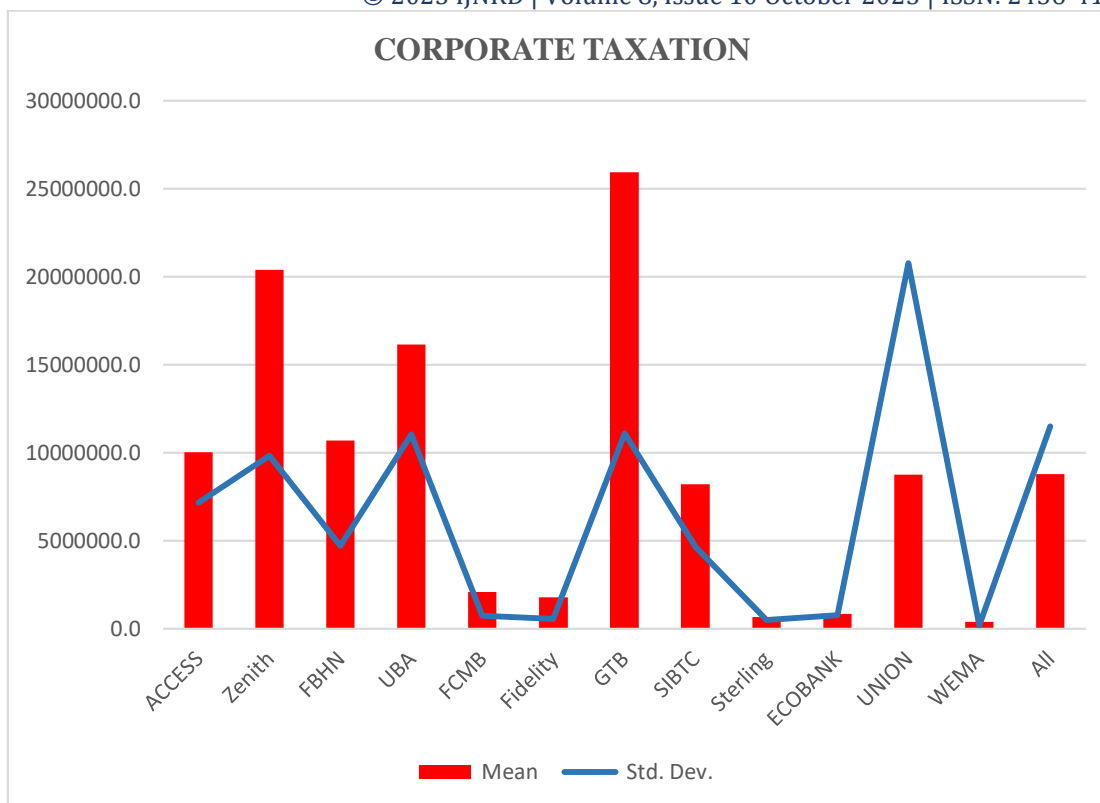


Figure 4: Mean and Standard Deviation for CTAX

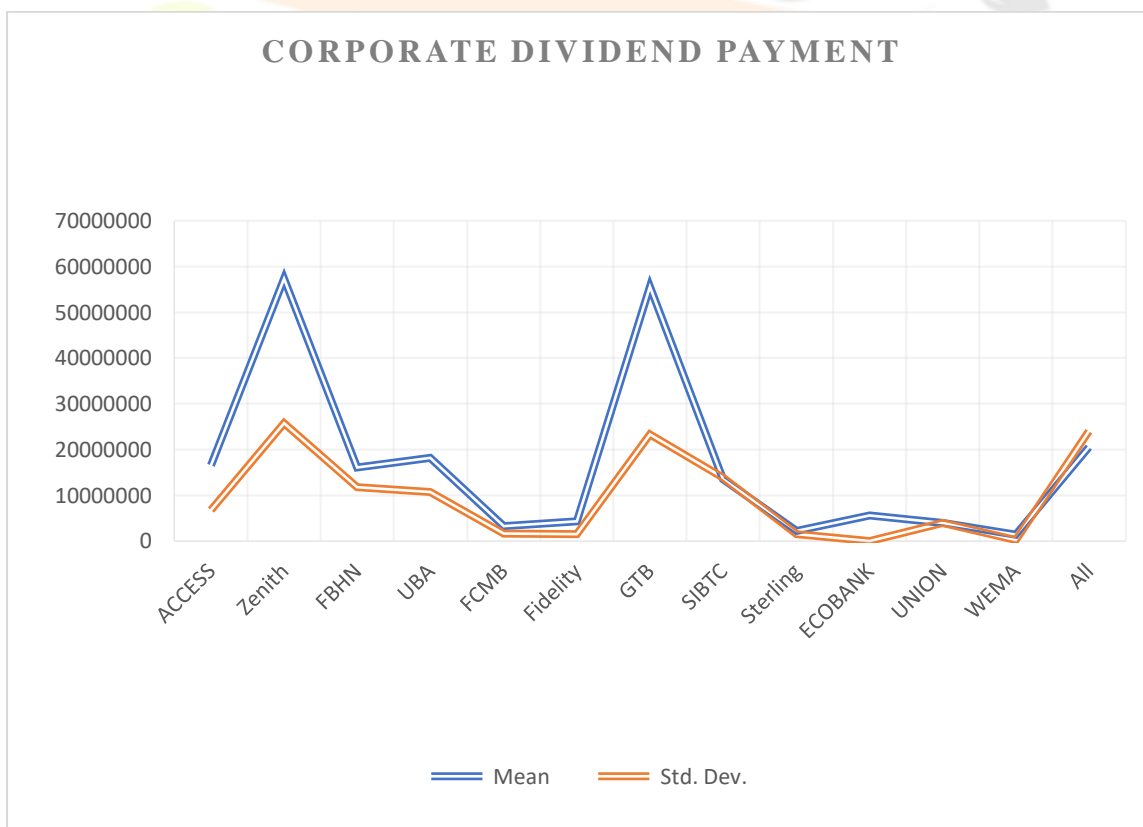


Figure 5: Mean and Standard Deviation for CDP

**Model and Methods**

Our empirical model for the impact of CSR disclosure on market valuation, incorporating firm size and board size, is specified as follows

$$LMPS_{it} = \alpha_0 + w_i + \alpha_1LCDCC_{it} + \alpha_2LCEC_{it} + \alpha_3LCTAX_{it} + \alpha_4LCDP_{it} + \alpha_5LTA_{it} + \alpha_4LBS_{it} + \epsilon_{it} \tag{1}$$



Where  $\epsilon_{it}$  represents the regression residuals or error disturbances,  $\alpha_0$  is the model intercept which can be interpreted as the average value of MPS 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  $\alpha_1, \alpha_2, \alpha_3$ , and  $\alpha_4$  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,  $\alpha_5$ , and  $\alpha_6$  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 do not usually vary with time.

Further, the relationship between CSR disclosure and market price per share 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 MPS and also correlates significantly with CSR in the MPS model, the random effects theory assumes that  $w_i$  follows an error process, and hence has correlation with  $\epsilon_{it}$ .

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  $\chi^2$  distribution, is implemented under the null hypothesis that there is a zero correlation between  $w_i$  and CSR variables, which is consistent with the random effects theory. Hence, the significance of the Hausman test would lead to the rejection of the random effect explanation in favour of the fixed effects theory. It would also imply that  $w_i$  and CSR variables are significantly correlated, and the correlation between the two variables significantly affects the behaviour of the MPS model. In other words, if the Hausman is significant, then there is empirical evidence that  $w_i$  affects market price per share both directly and through its interaction with the CSR dimensions.

## EMPIRICAL ANALYSIS AND RESULTS

### Model Estimation

Our model specifies market price per share as a function of corporate donation, corporate employee costs, corporate taxation, and corporate dividend payment with firm size (total assets) and board size as control variables. The objective is to determine the extent to which corporate social responsibility disclosure affects bank market valuation or stock market performance. In this section, we estimate this model using the two conventional panel data methods: namely, fixed effects and random effects methods. The estimation, which is based on log-transformed data is done in EViews. Panel A contains the coefficient estimates (main regression results), while Panel B contains the goodness of fit and model diagnostic test results. Further, the residual diagnostic plots are shown in Figures 6 and 7, while the estimated unobserved (latent) bank-specific effects and model specification tests are presented in Table 3.

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

Variables/Coefficients	Fixed Effects Estimates	Random Effects Estimates
<b>Panel A: Main Regression Results</b>		
Constant ( $\alpha_0$ )	-0.3416 (0.9556)	-5.0283 (0.1566)
LCDCC ( $\alpha_1$ )	-0.0429 (0.3945)	-0.0510 (0.4615)
LCEC ( $\alpha_2$ )	-0.3902 (0.4020)	-0.1349 (0.6522)
LCTAX ( $\alpha_3$ )	0.0862 (0.3041)	0.1283* (0.0728)
LCDP ( $\alpha_4$ )	0.1100 (0.2118)	0.1672** (0.0152)
LTA ( $\alpha_5$ )	0.1118 (0.7915)	0.3181** (0.0404)
LBS ( $\alpha_6$ )	0.0382 (0.9115)	0.0757 (0.7554)
<b>Panel B: Goodness of Fit and Model Diagnostic Tests</b>		
$R^2$	0.8908	0.1953
$\bar{R}^2$	0.8712	0.1465
F-ratio	45.393*** (0.0000)	4.0048*** (0.0012)
DW-Statistic	1.1570	0.9935

\*indicates significance as 10% level, \*\*indicates significance as 5% level, \*\*\*indicates significance as 1% level

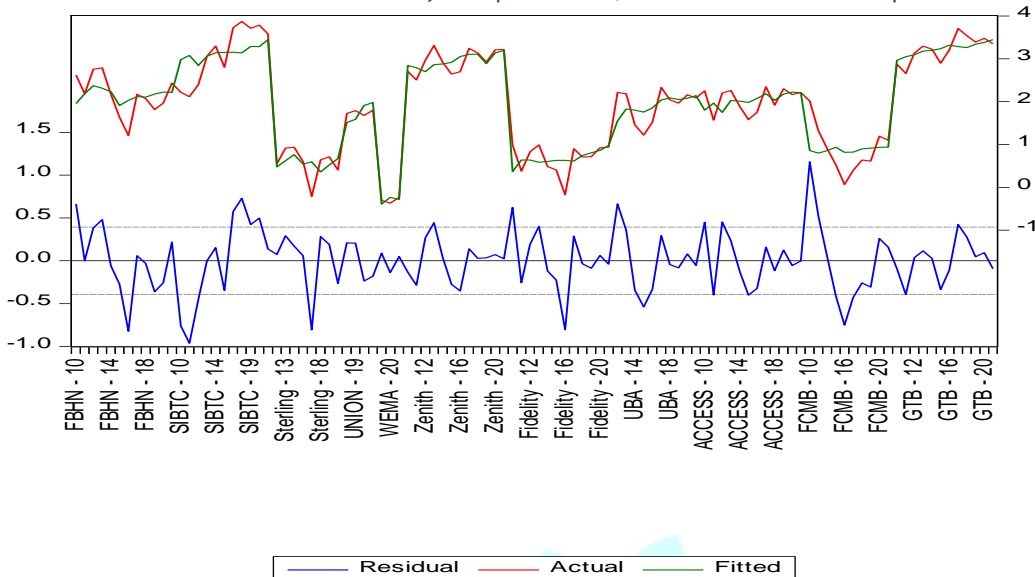


Figure 6: Residual Diagnostic Plot for Fixed Effects

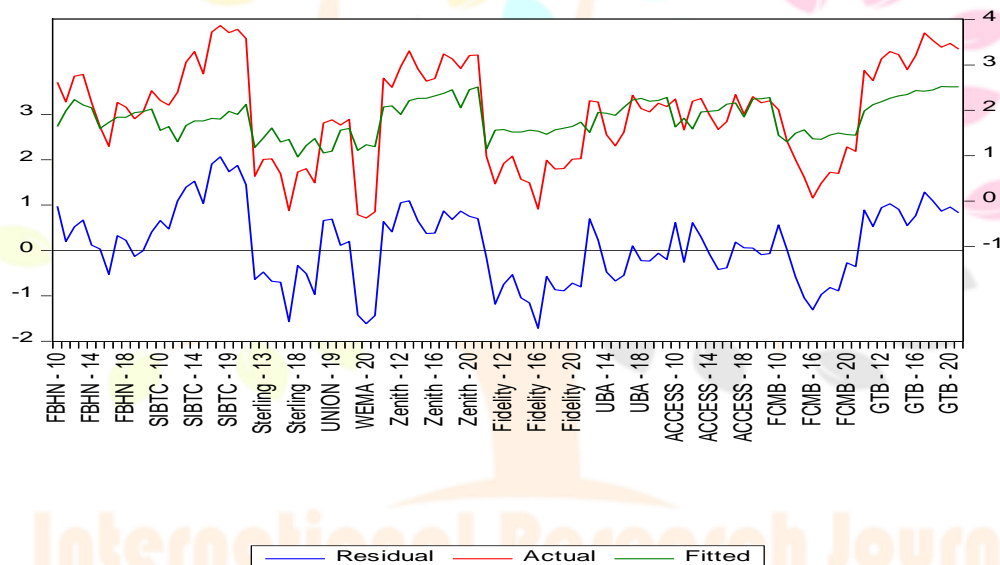


Figure 7: Residual Diagnostic Plot for Random Effects

Table 3 Unobserved (Latent) Bank-Specific Effects

Bank	Fixed Effects	Random Effects
FBHN	0.2576	0.2258
SIBTC	1.3242	1.3314
Sterling	-1.1641	-0.6973
UNION	0.1308	0.3757
WEMA	-1.8927	-1.3047
Zenith	0.7645	0.6821
Fidelity	-1.0970	-0.8356
UBA	-0.0810	-0.1323
ACCESS	-0.0491	0.0404
FCMB	-0.8019	-0.5433
GTB	0.8516	0.8577
LR Statistic	129.46*** (0.0000)	
Hausman Statistic	17.506*** (0.0076)	

\*\*\*indicates significance as 1% level

From Panel A of Table 2, we can see that the results for different estimation methods are similar for all variables, especially in terms of the coefficient signs. For both methods, both LCDCC ( $\alpha_1$ ) and LCEC ( $\alpha_2$ ) are estimated with a negative sign, indicating that market price per share moves in opposite direction with corporate donations and corporate employee costs, while LCTAX ( $\alpha_3$ ), LCDP

( $\alpha_4$ ), LTA ( $\alpha_5$ ) and LBS ( $\alpha_6$ ) all are estimated with a positive sign, indicating that market price per share moves in similar direction with both corporate taxation, corporate dividend payment, firm size and board size. In terms of the statistical significance of the estimated coefficients, we can see that all the fixed effects coefficients are associated with a high probability, indicating that none of them is statistically significant. On the other hand, the random effect estimates for LCDCC ( $\alpha_1$ ), LCEC ( $\alpha_2$ ), and LBS ( $\alpha_6$ ) are not statistically significant, while the random effect estimates for while LCTAX ( $\alpha_3$ ), LCDP ( $\alpha_4$ ) and LTA ( $\alpha_5$ ) are statistically significant at varying levels.

From Panel B, although, the F-statistic (p-value < 0.01) indicates that both the fixed effects and random effects results are highly significant, 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 0.8712 and 0.1465 show that proportion of the model variance explained by the explanatory variables is as high as approximately 86% for the fixed effects method, while it is as low as approximately 15% for the random effect 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 = 1.1570) outperforms the random effects method (DW = 0.9935). Finally, comparing the residual plots in Figures 6 and 7, 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 effect 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 ACCESS Bank, whose latent factors affect its market price per share 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 market valuation in Nigeria. Hence, there is need to formally test the extent of the significance of these latent variables in our empirical model for bank valuation.

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 market valuation. The LR Statistic (p-value = 0.0000) is highly significant, indicating that the unobserved variables are significant explanatory factors for banks' market price per share. Also, the Hausman statistic (p-value = 0.0076) is significant at less than 1% level, indicating the existence of a significant correlation between the latent factors or unobservables and the main regressors. Hence, our results have confirmed that the latent bank-specific factors such as organizational culture, management philosophy and style affect market valuation 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 would be based on the fixed effects results.

## Discussion of Findings

### Corporate Community Responsibility Disclosure and Market Valuation

The fifth hypothesis of this study addresses the issue of whether corporate community responsibility disclosure enhances market valuation of listed deposit money banks in Nigeria. Corporate community responsibility disclosure is measured in terms of corporate donations to community and charity while market valuation is measured by market price per share. Both agency theory and signaling effect theory claim that corporate managers deliberately disclose information relating to their investment decisions and choices to influence shareholders' perception about their managerial performance. In other words, the information effect on market valuation is what explains why corporate managers disclose relevant information to corporate stakeholders and investors. These theories, therefore, imply that corporate social responsibility disclosure and market valuation are significantly related. Based on this theoretical view, we expected, *a priori*, that the coefficient linking corporate donations to community and charity to market price per share would be highly significant so that the null hypothesis of no significant effect of corporate community responsibility disclosure on market valuation would be strongly rejected.

Contrary to our expectation, *a priori*, our empirical results show that corporate community responsibility disclosure has no significant impact on market valuation. As shown in Column 2 of Table 2, the coefficient on LCDCC ( $\alpha_1$ ) has an estimated value of -0.0429 with a p-value of 0.3945, showing that the impact of corporate donations to community and charity on market price per share is not statistically significant. However, the negative sign attached to  $\alpha_1$  shows that corporate community responsibility disclosure and market valuation move in opposite direction: community responsibility disclosure tends to reduce market valuation. More specifically, the estimated coefficient shows that a 1% increase in corporate donations would, on average, leads to about 0.04% reduction in market valuation, holding other factors constant. Hence, contrary to both agency and signaling theories, our empirical evidence does not lead us to reject the null hypothesis that corporate community responsibility disclosure has no significant effect on market valuation. Our finding agrees with Soana (2011) and Felmania et al. (2014), and Nguyen et al. (2015). On the contrary, our finding contradicts Gutsche et al. (2017) and Tangngisalu (2020).

Our analysis indicates that corporate community responsibility disclosure has no significant information or signaling effect in the Nigerian banking sector, despite its tendency to trigger a price fall. This provides evidence that bank investors do not incorporate information on corporate investment in charity and community projects in their risk pricing and market valuation model. Hence, contrary to signaling and agency theories, it is our informed view that CSR information on community development does not influence investors' perception about bank stocks in the Nigerian stock market. The managerial implication of this finding is that bank managers should not use their corporate investment in charity and community as a management tool for improving their banks' prospects in the stock market as corporate community responsibility disclosure does not matter for investors in the Nigerian stock market.

### Corporate Employee Responsibility Disclosure and Market Valuation

The sixth hypothesis of this study addresses the issue of whether corporate employee responsibility disclosure enhances market valuation of listed deposit money banks in Nigeria. Corporate employee responsibility disclosure is measured in terms of corporate employee costs while market valuation is measured by market price per share. Both agency theory and signaling effect theory claim



that corporate managers deliberately disclose information relating their investment decisions and choices to influence shareholders' perception about their managerial performance. In other words, the information effect on market valuation is what explains why corporate managers disclose relevant information to corporate stakeholders and investors. These theories, therefore, imply that corporate social responsibility disclosure and market valuation are significantly related. Based on this theoretical view, we expected, *a priori*, that the coefficient linking corporate employee costs to market price per share would be highly significant so that the null hypothesis of no significant effect of corporate employee responsibility disclosure on market valuation would be strongly rejected.

Contrary to our expectation, *a priori*, our empirical results show that corporate employee responsibility disclosure has no significant impact on market valuation. As shown in Column 2 of Table 2, the coefficient on LCEC ( $\alpha_2$ ) has an estimated value of -0.3902 with a p-value of 0.4020, showing that the impact of corporate employee costs on market price per share is not statistically significant. However, the negative sign attached to  $\alpha_2$  shows that corporate employee responsibility disclosure and market valuation move in opposite direction: employee responsibility disclosure tends to reduce market valuation. More specifically, the estimated coefficient shows that a 1% increase in corporate employee costs would, on average, leads to about 0.39% reduction in market valuation, holding other factors constant. Hence, contrary to both agency and signaling theories, our empirical evidence does not lead us to reject the null hypothesis that corporate employee responsibility disclosure has no significant effect on market valuation. Our finding agrees with Soana (2011) and Felmania et al. (2014), and Nguyen et al. (2015). On the contrary, our finding contradicts Gutsche et al. (2017).

Our analysis indicates that corporate employee responsibility disclosure has no significant information or signaling effect in the Nigerian banking sector, despite being negatively correlated with market price per share. This provides evidence that bank investors do not incorporate information on corporate investment in employees' compensation and development in their risk pricing and market valuation model. Hence, contrary to agency and signaling theories, it is our informed view that CSR information on employee welfare does not influence investors' perception about bank stocks in the Nigerian stock market. The managerial implication of this finding is that bank managers should not use their corporate investment in employee welfare as a management tool for improving their banks' prospects in the stock market as corporate employee responsibility disclosure does not matter for investors in the Nigerian stock market.

### Corporate Government Responsibility Disclosure and Market Valuation

The seventh hypothesis of this study addresses the issue of whether corporate government responsibility disclosure enhances market valuation of listed deposit money banks in Nigeria. Corporate government responsibility disclosure is measured in terms of corporate taxation while market valuation is measured by market price per share. Both agency theory and signaling effect theory claim that corporate managers deliberately disclose information relating their investment decisions and resource allocations to influence shareholders' perception about their managerial performance. In other words, the information effect on market valuation is what explains why corporate managers disclose relevant information to corporate stakeholders and investors. These theories, therefore, imply that corporate social responsibility disclosure and market valuation are significantly related. Based on this theoretical view, we expected, *a priori*, that the coefficient linking corporate taxation to market price per share would be highly significant so that the null hypothesis of no significant effect of corporate government responsibility disclosure on market valuation would be strongly rejected.

Contrary to our expectation, *a priori*, our empirical results show that corporate government responsibility disclosure has no significant impact on market valuation. As shown in Column 2 of Table 2, the coefficient on LCTAX ( $\alpha_3$ ) has an estimated value of 0.0862 with a p-value of 0.3041, showing that the impact of corporate taxation on market price per share is not statistically significant. However, the positive sign attached to  $\alpha_3$  shows that corporate government responsibility disclosure and market valuation move in similar direction: government responsibility disclosure tends to improve market valuation. More specifically, the estimated coefficient shows that a 1% increase in corporate taxation would only marginally increase market valuation by about 0.09%, holding other factors constant. Hence, contrary to both agency and signaling theories, our empirical evidence does not lead us to reject the null hypothesis that corporate government responsibility disclosure has no significant effect on market valuation. Our finding agrees with Soana (2011) and Felmania et al. (2014), and Nguyen et al. (2015). On the contrary, our finding contradicts Gutsche et al. (2017).

Our analysis shows that corporate government responsibility disclosure has no significant information or signaling effect in the Nigerian banking sector, despite being positively correlated with market price per share. This provides evidence that bank investors do add significant premium to corporate tax information in their risk pricing and market valuation model. Hence, contrary to signaling and agency theories, it is our informed view that CSR information on government responsibility does not influence investors' perception about bank stocks in the Nigerian stock market. The managerial implication of this finding is that bank managers should not use their tax compliance and tax payment activities as a management tool for improving their banks' prospects in the stock market as corporate government responsibility disclosure does not matter for investors in the Nigerian stock market.

### Corporate Shareholders' Responsibility Disclosure and Market Valuation

The eighth hypothesis of this study addresses the issue of whether corporate shareholders' responsibility disclosure enhances market valuation of listed deposit money banks in Nigeria. Corporate shareholders' responsibility disclosure is measured in terms of corporate dividend payment while market valuation is measured by market price per share. Theoretically, there are contending views regarding the effect of dividend payments on firm valuation in the stock market. While the irrelevance theory argues that dividend payment does not matter for market valuation, other theories such as agency theory, signaling theory contend that dividend payment significantly affects stock market valuation due to its information content effect. Based on these latter theories, we expected, *a priori*, that the coefficient linking corporate dividend payment to market price per share would be highly significant so that the null hypothesis of no significant effect of corporate shareholders' responsibility disclosure on market valuation would be strongly rejected.

Contrary to our expectation, *a priori*, our empirical results show that corporate shareholders' responsibility disclosure has no significant impact on market valuation. As shown in Column 2 of Table 2, the coefficient on LCDP ( $\alpha_4$ ) has an estimated value of 0.1100 with a p-value of 0.2118, showing that the impact of corporate dividend payment on market price per share is not statistically significant. However, the positive sign attached to  $\alpha_4$  shows that corporate shareholders' responsibility disclosure and market valuation move in similar direction: shareholders' responsibility disclosure tends to improve market valuation. More specifically, the estimated

coefficient shows that a 1% increase in corporate dividend payment would only marginally increase market valuation by about 0.11%, holding other factors constant. Hence, contrary to both agency and signaling theories, our empirical evidence does not lead us to reject the null hypothesis that corporate shareholders' responsibility disclosure has no significant effect on market valuation. Our finding agrees with Soana (2011) and Felmania et al. (2014), and Nguyen et al. (2015). On the contrary, our finding contradicts Gutsche et al. (2017).

Our finding contradicts the signaling and agency theories that corporate information drives stock market performance. It shows that corporate shareholders' responsibility disclosure has no significant information or signaling effect in the Nigerian banking sector, despite being positively correlated with market price per share. This provides evidence that bank investors do add significant premium to corporate dividend payment information in their risk pricing and market valuation model. Hence, consistent with the irrelevance theory of Miller and Modigliani (1961), it is our view that CSR information on shareholders' responsibility does not influence investors' perception about bank stocks in the Nigerian stock market. The managerial implication of this finding is that bank managers should not use their dividend payment activities as a management tool for improving their banks' prospects in the stock market as corporate shareholders' responsibility disclosure does not matter for investors in the Nigerian stock market.

### Conclusion

It is well established in theory that corporate social responsibility reporting is among the corporate governance practices that enhance firm performance and valuation. However, there are mixed empirical results regarding the impact of CSR reporting on firm value. This study investigates the impact of CSR disclosure on market valuation, focusing on listed deposit money banks in Nigeria. The study is based on 144 bank-year unbalanced panel data observations on 12 listed deposit money banks covering from 2010 to 2021.

Our results show that none of the four dimensions of CSR disclosure (community and charity, employee welfare, government taxation, and shareholders wealth) exerts a statistically significant impact on bank valuation, measured by market price per share. Our results, therefore, suggest that despite the great efforts by banks to improve their corporate reputation through CSR investment and reporting, as evidenced in their annual reports, investors do not assign significant premium to information relating to their CSR activities in their valuation model. However, it appears that bank investors are mainly interested in the unobserved bank-specific factors such as management quality, management philosophy and organizational culture.

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