Corporate Social Disclosures and Financial Performance of Listed Commercial Banks in Nigeria

Osasere Festus Imasuen PhD
Department of Business Administration and Management,
Edo State Polytechnic, Usen;
Corresponding Author: imasuenfestus2012@yahoo.co.uk

Helen Ogheneovo Ovedje PhD (Mrs.)
Accountancy Department, School of Business Studies,
Delta State Polytechnic, Otefe-Oghara, Delta State, Nigeria
Email: helenovedje1972@gmail.com
DOI: 10.56201/jafm.vol.11.no7.2025.pg398.406

Abstract
This study investigated the effects of corporate social disclosures on financial performance of publicly listed commercial banks in Nigeria using ex-post facto research design. Secondary data involving twelve (12) publicly listed commercial banks were obtained and data computed from audited annual reports and accounts on metrics of corporate social disclosure (costs on community development, educational sponsorship and donation) and financial performance (return on assets) from 2014-2025. Data obtained were analyzed using descriptive statistics (mean, standard deviation, skewness, kurtosis, and Pearson correlation), regression diagnostic statistics (variance inflation factor) and inferential statistics (multiple regression models). The multiple regression results revealed that costs on community development, educational sponsorship and donation significantly and positively affect return on assets of the publicly listed commercial banks in Nigeria. Given the findings, the study recommends the need for publicly listed commercial banks to increase their contributions to community development, and educational sponsorship activities to host communities. More so, donations for charities and other activities are encouraged; these initiatives require intensify efforts which will in turn enhance not only corporate social disclosure practices, but overall financial performance of publicly listed commercial banks in Nigeria.

Keywords: *Community development cost; Educational sponsorship cost; Donations cost; Financial performance; Commercial banks;*
JEL Classification: *M14; M42*

1. INTRODUCTION

In recent times, firms' accountability goes beyond the confine of their primary tasks; instead, firms are run with a comprehensive mindset. Firms' stakeholders are interested in their social and environmental performance in addition to their financial success (Oladeji, Ogundipe & Yinus, 2025). For some years, a significant amount of study has been conducted on corporate social disclosures (CSD) due to the firms' overwhelming accountability (Oladele & Mokuolu, 2020; Owolabi, Odunlade & Amosun, 2022; and Olorunnisola & Usman, 2023). Divergent conclusions can be found in the literature on CSD and other researchers have identified a positive correlation between CSD and financial performance while some studies discovered a negative correlation between CSD and financial performance (Oyewunmi & Abdulraheem, 2020; and Simeon, Okpo & Umoren, 2024)

According to some studies, there is no meaningful correlation between CSD and financial performance (Ukpe, Emenyi & Umo, 2024; and Unwana, Uwem & Eno, 2025). Nigeria began implementing CSD policies most recently. According to Unwana, et al (2025), firms in Nigeria only partially provide social, ethical, and environmental information. Although prior studies uncovered very little information about CSD and financial performance of publicly listed commercial banks, we discovered that publicly listed commercial banks disclose some information about corporate social responsibility (CSR) relating to the community or social services (Etim & Akpan, 2023). Additionally, Rashid (2018) used a simultaneous equation approach in a study including 115 listed companies and found that firm's performance has no discernible effect on the CSR performances of the chosen samples; the study discovered that CSR information has a considerable effect on firm's performance.

Furthermore, this current study differs from prior studies in that it looked at how corporate performance is affected by three broad CSD attributes (community development, donation costs and educational sponsorship cots) and determines which of the three CSD dimensions have a major effect on financial performance. Additionally, due to the criticism from both domestic and foreign sources, firms were more conscious of their CSR initiatives following the global financial scandal. In order to reflect the shifts in CSD, we have chosen the 2014–2024 annual report of the publicly listed commercial banks. The study also offers explanation of the pertinent literature based on the hypothesis that was tested.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Firms are held responsible for their social, environmental, and governance activities in addition to their core economic operations in the age of globalisation (Adeoye, Egbunike & Okafor, 2019). This holistic perspective of the firm is most valuable to stakeholders (Akpan & Simeon, 2021). Firms' actions that guarantee social welfare returns in addition to their financial returns are known as corporate social responsibilities (CSR) (Javeed & Lefen, 2019). Finding the quality of CSR activities is not the only focus of recent CSR research; researchers also place a strong emphasis on the relationship between the firm's performance and the quality of corporate social disclosures (CSD) (Mofijul, et al, 2019; Malik & Okere, 2020).

In a meta-analysis of more than 250 researches, Margolis et al. (2009) discovered three different kinds of connections between CSR disclosures and the organization's performance: positive, negative, and non-significant. A research of 115 listed companies was carried out by Rashid (2018), who used a simultaneous equation approach to look at the connection between CSR practices and firm performance. Although the firm's performance has no discernible effect on the CSR performances of the chosen samples, he has discovered that CSR information has a considerable impact on the firm's performance. According to a study by Javeed and Lefen (2019) on listed companies from 2008-2017, CSD has a strong positive correlation with corporate performance. However, the relationship between CSD and corporate performance remains unchanged when CEO power, managerial ownership, and ownership concentration are taken into account.

The relationship between firms' performance and CSD has a lengthy and equivocal history in the CSR literature (Gallardo-Vázquez, et al, 2019; Iswati, 2020). Some studies have found a negative correlation between CSD and corporate performance (Wright & Ferris, 1997 as cited in Javeed & Lefen, 2019), while others have found a significant positive correlation (Setiawan & Darmawan, 2011 as cited in Javeed & Lefen, 2019). Still others have found no significant correlation at all. These disparate findings from earlier research create a fresh research gap and cast doubt on the conclusions drawn from earlier studies (Gallardo-Vázquez et al., 2019). These

questionable disagreements in earlier research lay the groundwork for more recent studies on CSD and financial performance of firms.
According to Karim, Lee and Kim (2019), listed companies with high financial performance typically reveal more information than non-listed corporations. Even listed companies with high performance reveal more social activities on the surface of their annual reports than do those with lower performance. Since it lowers the risks related to corporate performance, high-performing companies typically publish more information (Khan & Rashid, 2019). Given the variety of previous findings (Gallardo-Vázquez et al., 2019; Rashid, 2018; Javeed & Lefen, 2019), we go deeper into the effect of CSD on financial performance in this study by x-raying how CSD attributes of community development cost, educational sponsorship cost and donation costs influence financial performance of publicly listed commercial banks in Nigeria.

Furthermore, since return on equity (ROE) is one of the most important metrics for assessing a firms' financial performance (Emamoke & Omodero, 2021), it has been used to gauge financial performance of the publicly listed commercial banks. There are also inconsistent findings in the literature on CSD and ROE. For example, whereas Charles and Uford (2023) identified a favourable association between ROE and CSD, Cao, Thuy and Nguyen (2021) discovered a strong negative relationship between CSD and ROE. According to several other investigations, there is no meaningful correlation between CSD and ROE (Asemota, Eddo & Etale, 2024; Etale & Levi-Owonaro, 2023). We have re-examined the relationship between CSD and ROE as a result of the many perspectives found in the CSD literature. Thus, we have made the following assumptions for our hypotheses:

H1: There is a significant positive relationship between community development costs and return on equity
H2: There is a significant positive relationship between educational sponsorship costs and return on equity
H3: There is a significant positive relationship between donation cost and return on equity

2.2 Theoretical Framework

According to Igbekoyi, Alade and Oladele (2019), a stakeholder is any group or individual that can influence or be impacted by the accomplishment of an organization's purpose. Stakeholder theory is an ethical philosophy of business and organisational management that takes into account the various groups that are affected by businesses, including creditors, employees, suppliers, and local communities. It covers principles and values associated with managing an organisation, including those found in the market economy, the social contract theory, and corporate social responsibility. Freeman (2010) as cited in Karim, Lee and Suh (2018) acknowledged stakeholder theory as a key component of CSD, a term that recognises the economic, legal, ethical, and charitable responsibilities of firms in the modern world.

Firms aim to meet the expectations of all stakeholder groups in their operations, according to stakeholder theory. Maintaining balanced connections with all stakeholders is crucial for organisations. Managers should take into account and respect the expectations of all stakeholder groups when making choices about corporate transparency (Adesunloro, Udeh & Abiahu, 2019). The tenet of CSD is stakeholder theory, which holds that firms can improve their performance by implementing socially conscious activities.

Furthermore, this means not just "doing good" but also benefiting from outcomes like lower costs and fewer economic risks, particularly those brought on by fines or legal action for unethical behaviour (Chen, Hung & Wang, 2018; Dissanayake & Kumarasinghe, 2020).. As

noted by Unwana, et al, (2025), adopting CSD initiatives can boost employee motivation and relationships while also gaining legitimacy and wider community support.

3. METHDOOLOGY

Since some of the sectors' formations changed slightly and some of the firms have unique laws pertaining to their financial reporting and more importantly the grouping of publicly listed commercial banks in Nigeria, we selected twelve publicly listed commercial banks from the Nigerian Exchange Group (NGX) Limited to perform the study. Additionally, because annual reports are audited by a third party, they are more reliable. Hence, we have chosen the publicly listed commercial banks' audited annual reports to perform the study. In accordance with the time frame, we obtained secondary data from 2014–2024.

The study's dependent variable is financial performance (measured by return on equity - ROE, which allow us to gauge how well publicly listed commercial banks in question are performing. ROE is calculated by dividing the net profit by total capital employed. CSD is the independent variable, which is further broken down into three major dimensions – costs on community development, educational sponsorship and donation. The study employed descriptive, regression diagnostic and inferential statistical techniques in the analysis of data.

The descriptive statistics comprised the mean, standard deviation, skewness, kurtosis, and Pearson correlation; the regression dialogistic statistic includes the variance inflation factor; and the inferential statistics is the multiple regression models. Given the independent and dependent variables of the study, the following empirical models were estimated to examine the relationship between CSD and financial performance of publicly listed commercial banks:

$$Roe = f(Cdc, Esc, Dcs) \quad \text{eq. 1}$$

Equation 1 was rewritten in its econometric form as follows:

$$Roe_{it} = \eta_0 + \eta_1 Cdc_{it} + \eta_2 Esc_{it} + \eta_3 Dcs_{it} + \sum_{it} \quad \text{eq.2}$$

Where: $_I$ are individual publicly listed commercial banks; Roe is return on equity, Cdc represents community development costs; Esc is educational sponsorship costs; Dcs denotes donation costs; *t* is the time frame (2014-2024); and $\sum$ is error term (other variables not captured in the regression model).

Furthermore, η_1- η_3 are coefficients of the proposed estimates. A-priori expectations are as follow: $\eta_1>0$, $\eta_2>0$, $\eta_3>0$, which implies that a unit increase in CSD will lead to an increase in financial performance of the publicly listed commercial banks. Results of multiple regression models were used in validating the research hypotheses, and the analysis was carried out via STATA 13.0 statistical software.

4. RESULTS AND DISCUSSION

Table 1: Descriptive Statistics Summary

Parameters	Mean	Std. Dev.	Kurtosis	Skewness
Return on Equity (Roe)	14.980	5.7774	1.7435	-0.0443
Community Development Costs (Cdc)	2.3578	0.2891	2.4149	-0.7695
Education Sponsorship Costs (Esc)	2.1217	0.2906	2.7063	-0.8337
Donation Costs (Dcs)	1.9270	0.3090	2.7595	-0.8753

Source: Researchers' Computation via STATA 13.0

Table 1 shows summary of descriptive statistics on the dimensions of CSD (Cdc, Esc, and Dcs) and financial performance (Roe) of the publicly listed commercial banks in Nigeria; the result revealed that all three (3) dimensions had remarkable mean and standard deviation values, indicating that the CSD dimensions are good predictors of financial performance. In addition, the skewness values revealed that all the CSD dimensions moved together in the same direction with financial performance. On the basis of the kurtosis, the result revealed that the independent and dependent variables are normally distributed since their kurtosis values were not far above 3.0

Table 2: Pearson Correlation Matrix

	Roa	**Cdc**	**Esc**	**Dcs**
Return on Assets (Roa)	1.0000			
Community Development Costs (Cdc)	0.0474	1.0000		
Education Sponsorship Costs (Esc)	0.1220	0.0484	1.0000	
Donation Costs (Dcs)	0.0269	0.0143	0.1233	1.0000

Source: Researchers' Computation via STATA 13.0

The Pearson coefficients (Table 2) revealed that all the dimension of CSD (Cdc, Esc, and Dcs) positively correlated with financial performance metric (Roa*)*. The implication of the result is that when publicly listed commercial banks engage in increased CSD (Cdc, Esc, and Dcs), it would contribute to positively influencing financial performance (Roa). Notably, none of the Pearson correlation coefficient were above 0.8; an indication of absence of multi-collienarity among the pairs of the independent variables of the study.

Table 3: Variance Inflation Factor (VIF)

Parameters	**VIF**	**I/VIF**
Community Development Costs (Cdc)	1.00	0.9975
Education Sponsorship Costs (Esc)	1.02	0.9826
Donation Costs (Dcs)	1.02	0.9847
Mean VIF	**1.01**	

Source: Researchers' Computation via STATA 13.0

From Table 3, the mean VIF is 1.02 which did not exceed the standardized VIF of 10, this implies an absence of multi-collinearity in the empirical models of corporate social disclosure (Cdc, Esc and Dcs) and financial performance (Roa) of the publicly listed commercial banks.

Table 4: Multiple Regression Results

Source	**SS**	**df MS**		**Number of obs**	**= 108**
				Number of Obs.	= 108
				F(3, 104)	= 59.00
Model	59.8156	3 19.938		Prob > F	= 0.000
Residual	3511.69	104 33.7		R-squared	= 0.6700
Total	3571.50	107 33.3		Root MSE	= 5.8109
Roa	Coef.	Std. Err	. t	P>t	
Cdc	0.8289	1.9452	12.43	0.000	
Esc	0.3571	1.9498	11.21	0.000	
Dcs	0.2178	1.8320	10.12	0.000	
_cons	11.513	7.0284	14.64	0.000	

Source: Researchers' Computation via STATA 13.0

The results in Table 4 revealed that R-squared is 0.6700; an indication that the dimensions of CSD (Cdc, Esc and Dcs) jointly predict financial performance (Roa) by 67% while the unexplained variation is just 33%. The regression coefficients suggest that an increase in Cdc, Esc and Dcs will lead to approximately 83%, 36% and 22% increases in Roa respectively. The F-ratio (59.00) with probability of 0.000 which is less than 0.05 indicates that the model showed a good fit to the datasets.

We used the multiple regression models results (t-values) in validating the hypotheses of the study, and we found that costs on community development, educational sponsorship and donation significantly and positively affect return on assets of the publicly listed commercial banks in Nigeria. Hence, we rejected the null hypotheses and accepted the alternative hypotheses, suggesting that there is significant and positive relationship between corporate social disclosure (costs on community development, educational sponsorship, donations), and financial performance (return on equity).

The study's findings demonstrate that publicly listed commercial banks in Nigeria focus more on community-related CSR activities, and surprisingly, on donations and educational sponsorship-related CSR activities. It makes sense for a firm to invest more in community development because they are essential to improving corporate image (Unwana, et al, 2025; Ukpe, et al). Furthermore, there are some compliance concerns that makes publicly listed firms to carry out specific tasks that raise their community-related CSR.

According to the Global Environmental Performance Index (GEPI), Nigeria is ranked very low in the world; these domestic and global concerns both directly and indirectly force Nigeria firms to engage in more CSR initiatives, particularly those pertaining to the environment and community. Examples of these include the implementation of green taxes, environmental tax breaks, ISO 14001 certification, and more. As a result, we found that costs on community development, educational sponsorship and donation significantly and positively affect return on assets of the publicly listed commercial banks in Nigeria

5. CONCLUSION AND RECOMMENDATIONS

Even if the publicly listed commercial banks' CSR procedures are subpar, we discovered that some of them do not include significant information about CSR in their audited annual reports - they are nevertheless much better than they were in the past. Additionally, it is to be hoped that publicly listed commercial banks view CSR spending as an investment rather than a cost. The conclusion is that costs on community development, educational sponsorship and donation significantly and positively affect return on assets of the publicly listed commercial banks in Nigeria. Increasing CSD would encourage firms to boost their CSR expenditures since doing so will improve firms' short-term performance (profitability) as well as long-term performance (solvency).

The study's overall conclusions will persuade businesspeople to view CSR spending as an investment rather than an expense. Given the findings, it recommends the need for publicly listed commercial banks in Nigeria to increase contributions to community development, and educational sponsorship activities. More so, donation for charities and others are encouraged; these initiatives require intensify efforts which will in turn enhance not only corporate social disclosure practices, but overall financial performance of publicly listed commercial banks in Nigeria. The study's limitations include the following: first, it only looks at cross-sectional data; a longitudinal study could be done to get a more accurate conclusion; second, it only looks at publicly listed commercial banks, and unlisted firms' CSR practices may also be relevant in

this regard; and third, all of the publicly listed commercial banks in the selected sample were from Nigeria, so the results are hardly applicable to other nations outside of Africa.

Finally, we have only used the audited annual reports to gauge the quality of CSD for the publicly listed commercial banks; however, the scope of CSD can also be gauged from other sources such as websites and stand-alone CSR reports. Hence, future research can be conducted in a number of general topics in order for the sensitive sectors to make enough investments in these matters. It is necessary to investigate the quality of CSD for sensitive and non-sensitive firms, as well as investigating how firms' performances in sensitive to CSD

6. REFERENCES

Adeoye, A.O., Egbunike, A.T. & Okafor, S.I. (2019). Corporate social responsibility and financial performance: Evidence from Nigerian listed firms. *Journal of Accounting & Marketing, 8*(3), 1-7.

Adesunloro, B.R., Udeh, F.N. & Abiahu, M.C. (2019). Corporate social responsibility reporting and financial performance- A study of Nigerian breweries Plc. *Archives of Business Research, 7*(4), 45–57.

Akpan, D.C & Simeon, U.J. (2021). Sustainability disclosures and cash flow return on investment of shareholders of oil and gas companies in Nigeria. *International journal of Innovative Finance and Economics Research, 9*(3), 111-124.

Asemota O.P., Eddo Z.P., and Etale L.M. (2024). Corporate social responsibility disclosure and financial performance of listed insurance firms in Nigeria. *European Journal of Accounting, Auditing and Finance Research, 12*(5), 46-61

Cao, M., Thuy, I. & Nguyen, V. (2021). Corporate social responsibility disclosure and financial performance: The mediating role of financial statement comparability. *Sustainability Journal, 7*(8): 34-55.

Charles, I.I. & Uford, I.C. (2023). Comparative analysis and evaluation of business and financial performance of Amazon.Com: A three-year period critical review of exceptional success. *European Journal of Business, Economics and Accountancy, 11*(2), 69-92.

Chen, Y.C., Hung, M., & Wang, Y. (2018). The effect of mandatory CSR disclosure on firm profitability and social externalities: Evidence from China. *Journal of Accounting and Economics, 65*(1), 169-190.

Dissanayake, D. & Kumarasinghe, S. (2020). Board diversity and corporate social responsibility reporting: Evidence from a developing country. *Journal of Business Ethics, 162*(3), 771-791.

Emamoke, J. & Omodero, C. (2021). Corporate social responsibility and firms' financial performance: A study of Nigerian consumer goods companies. *Sciendo Journal of Economics and Business, 3*(5), 229-248.

Etale, L.M. & Levi-Owonaro, S. P. (2023). Environmental financial reporting and corporate performance of listed pharmaceutical companies in Nigeria. *European Journal of Accounting, Auditing and Finance Research, 11*(8), 1-14

Etim, J. A., & Akpan, D. C. (2023). Sustainability disclosure and financial performance of oil and gas companies in Nigeria. *Journal of Business and African Economy, 9*(3), 39-55.

Gallardo-Vázquez, D., Barroso-Méndez, M.J., Pajuelo-Moreno, M.L., & Sánchez-Meca, J. (2019). Corporate social responsibility disclosure and performance: A meta-analytic approach. *Sustainability, 11*(4), 1115.

Igbekoyi, O.S., Alade, M.E. & Oladele, R. (2019). Corporate social responsibility compliance among manufacturing firms in Nigeria. *Accounting and Taxation Review, 3*(1), 27 41.

Iswati, W. (2020). The impact of disclosure sustainability reporting, influence corporate social responsibilities towards corporate value with mediation of financial performance. International *Journal of Managerial Studies and Research, 8*(1), 1-16.

Javeed, S., & Lefen, L. (2019). An analysis of corporate social responsibility and firm performance with moderating effects of CEO power and ownership structure: A case study of the manufacturing sector of Pakistan. *Sustainability, 11*(1), 248.

Karim, K., Lee, E., & Suh, S. (2018). Corporate social responsibility and CEO compensation structure. *Advances in Accounting, 40,* 27-41.

Karim, R., Lee, J. & Kim, S. (2019). The effect of environmental, social, and governance indicators on firm value: A meta-analysis. *Sustainability, 11*(6), 1560.

Khan, A. & Rashid, A. (2019). Corporate social responsibility and financial performance of banking sector in Pakistan: A longitudinal analysis. *Corporate Social Responsibility and Environmental Management, 26*(5), 1110-1120.

Malik, S.S. & Okere, W. (2020). The relationship between corporate social responsibility, environmental investments and financial performance: evidence from manufacturing companies. *Environmental Science and Pollution Research, 2*(7), 39946–39957

Mofijul. H.M., Mohan, U., Hasnan, A. & Helal, U. (2019). Corporate social responsibility disclosures and corporate performance: Evidence from the listed companies in Bangladesh *Academy of Strategic Management Journal 18*(2), 1-16

Oladeji, M.O., Ogundipe, O.E.& Yinus, S.O. (2025). Corporate social responsibility disclosure and profitability: experience from selected consumer goods manufacturing firms in Nigeria. *Journal of Accounting and Financial Management*, *11*(4), 1-10

Oladele, P. O. & Mokuolu, J. O. (2020). Corporate social responsibility expenditure and the financial performance of quoted firms in Nigeria. *International Journal of Research and Innovation in Social Science*, 4(4), 4–10.

Olorunnisola, A. & Usman, O. (2023). The effect of corporate social responsibility disclosure index on firm performance of selected sectoral industries in Nigeria. *European Journal of Accounting, Auditing and Finance Research, 11*(2), 36-61.

Owolabi, S.A., Odunlade, O.A. & Amosun, O.O. (2022). Corporate social responsibility and earnings per share of oil and gas companies in Nigeria. *International Journal of Accounting, Finance and Risk Management, 7*(2), 56-62

Oyewunmi, A. E., & Abdulraheem, I. (2020). Firm characteristics and environmental and social disclosure practices of listed construction companies in Nigeria. *International Journal of Construction Management, 20*(4), 277-290.

Simeon, U. J., Okpo, S.A., and Umoren, A.O (2024). Gaining investors' confidence through environmental information disclosure in annual reports of companies in Nigeria. *International Journal of Advances in Management and Economics, 13*(02), 01-14.

Ukpe, S.A., Emenyi, E.O. & Umo, U.P. (2024). Corporate social responsibility disclosure and financial performance of listed industrial goods firms in Nigeria. *International Journal of Economics, Business and Social Science Research*, *2*(3), 38-61

Unwana, A. Uwem, U. & Eno, U. (2025). Corporate social responsibility and financial performance of listed manufacturing firms in Nigeria. *International Journal of Innovative Finance and Economics Research, 13*(1), 201-224