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CORPORATE SOCIAL RESPONSIBILITY DISCLOSURES AND FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA: DOES BOARD INDEPENDENCE MATTERS?

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ABSTRACT: *This study examines the effect of Corporate Social Responsibility (CSR) disclosures on the financial performance of listed Deposit Money Banks (DMBs) in Nigeria, with a particular focus on the moderating role of board independence. The study uses secondary data collected from the annual reports of 14 listed Nigerian banks between 2014 and 2023. A panel regression model was employed to analyze the data. The results reveal that while CSR disclosures have a small positive effect on financial performance, as measured by Return on Equity (ROE), the effect is not statistically significant. However, the interaction between CSR disclosures and board independence shows a statistically significant positive effect on financial performance, indicating that board independence enhances the effectiveness of CSR disclosures. This suggests that while CSR alone may not significantly influence financial performance, an independent board plays a crucial role in amplifying the potential benefits of CSR initiatives. Based on these findings, the study recommends that policymakers promote regulations that encourage both CSR disclosures and board independence in the Nigerian banking sector to enhance financial performance, transparency, and accountability.*

KEYWORDS: Corporate Social Responsibility (CSR), Financial Performance, Board Independence.

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INTRODUCTION

Financial performance has traditionally been regarded as the primary determinant of the long-term success and sustainability of any business. In the past, firms were primarily evaluated based on profitability, revenue growth, and shareholder returns, which were seen as the most critical indicators of a company's success (Htwe, 2023). However, recent shifts in both the academic and business landscapes have challenged this singular focus on financial performance. Over the past two decades, there has been a growing recognition that financial outcomes alone do not fully capture the complexity of modern business success. Companies are now being evaluated through a broader lens that includes corporate governance, environmental sustainability, social responsibility, and stakeholder engagement (Doni et al 2023). This broader understanding reflects the evolving expectations of investors, regulators, and consumers, who increasingly demand businesses to demonstrate ethical practices, long-term value creation, and transparent governance. As such, the emphasis on traditional financial metrics has been supplemented by the need for firms to demonstrate accountability and social responsibility, particularly in their governance structures (Uyar et al 2024).

In today's competitive and interconnected world, engaging in socially responsible activities is no longer a mere option for companies; it is increasingly viewed as a fundamental requirement for fostering business growth and sustainability (Sheehy & Farneti, 2021). This shift reflects a broader understanding that businesses, while aiming for profitability, must also contribute positively to society and the environment. CSR practices encompass a wide range of activities, including environmental sustainability efforts, community engagement, ethical labor practices, and transparent governance. These activities aim to create value not only for the shareholders but also for the broader community, including employees, customers, suppliers, and society at large which create good corporate image for the organization.

One of the key ways in which CSR disclosures can positively affect financial performance is through the enhancement of a company's reputation (Pham & Tran, 2021). Furthermore, companies that are transparent about their CSR initiatives tend to foster greater trust among investors, which can lead to higher investment flows and, in the long term, improved financial performance (Wu, et al., 2020).

Board independence is a vital corporate governance mechanism that ensures the alignment of a company's decisions with the interests of shareholders and other stakeholders, rather than just management or controlling shareholders (Zaid et al 2020). Independent directors bring diverse perspectives and expertise, particularly in areas like risk management, sustainability, and ethical decision-making (Boivie et al 2021) Independent boards are often seen as more credible, which can lead to higher investor confidence (Gurrea-Martínez 2021). Investors are more likely to reward companies that demonstrate genuine CSR commitment, especially if they perceive that the company's CSR initiatives are overseen by an objective and independent governance structure. This can lead to lower costs of capital and higher stock prices, contributing to improved financial performance.

In the Nigerian context, while there is growing evidence regarding the influence of Corporate Social Responsibility (CSR) on financial performance, the literature has predominantly focused on non-financial sectors, with limited attention given to the banking sector, particularly Deposit Money Banks (DMBs). Previous studies have explored the relationship between CSR and financial performance in industries such as manufacturing, agriculture, and

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telecommunications (Ajagbe et al., 2023; Jeroh, 2020; Adesunloro et al., 2019). However, the banking sector presents a unique context due to its regulatory environment, the nature of financial transactions, and the high level of public scrutiny that DMBs face. The specific dynamics between CSR disclosures and financial performance in Nigerian DMBs remain under-explored, with little research examining how corporate governance mechanisms, such as board independence, influence this relationship. It is against the backdrop that this study attempts to examine the moderating effect of board independence on the relationship between CSR disclosures and financial performance of listed DMBs in Nigeria.

LITERATURE REVIEW

Financial Performance

Financial performance is one of the most critical measures of a firm's success, reflecting its ability to generate revenue, manage costs, and ultimately create value for its stakeholders. In the context of listed Deposit Money Banks (DMBs) in Nigeria, financial performance is not only a key indicator of the bank's operational efficiency but also a critical aspect of maintaining investor confidence, complying with regulatory requirements, and achieving long-term growth.

Financial performance is typically assessed using a variety of quantitative indicators that provide insights into a firm’s financial health. Commonly used metrics include return on assets (ROA), return on equity (ROE), return on investment (ROI), profitability ratios, liquidity ratios, and market share (Ross et al 2019). These indicators help to evaluate the overall profitability, efficiency, and financial stability of the firm, which are crucial for decision-making by investors, creditors, and managers.

CSR Disclosures

Corporate Social Responsibility (CSR) disclosures refer to the communication and reporting by firms about their social, environmental, and ethical activities, as well as the effect of those activities on various stakeholders. In recent years, CSR disclosures have become increasingly important for businesses, particularly in sectors where firms are under scrutiny by investors, regulators, and the public. These disclosures provide transparency on how firms manage their operations in ways that benefit society and the environment, beyond their primary financial objectives.

CSR disclosures are significant because they provide valuable information to stakeholders about a company's social and environmental effect, thereby fostering trust, enhancing corporate reputation, and improving stakeholder relationships (Huang & Watson, 2015). In today's global business environment, organizations are expected not only to be profitable but also to demonstrate responsibility towards the society and environment in which they operate (Kolk, 2003). As such, CSR disclosures offer insights into how companies align their operations with broader social goals, helping investors, regulators, and the public to assess the company's commitment to sustainability and ethical practices.

Corporate Social Responsibility (CSR) disclosures have been recognized as an essential mechanism for enhancing transparency and providing stakeholders with critical insights into

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a company's social, environmental, and governance activities. The relationship between CSR disclosures and financial performance, however, can be both positive and negative, depending on various internal and external factors.

One of the most positive significant effect of CSR disclosures is the improvement in a company's reputation and brand image. Companies that openly report their CSR activities are often seen as more responsible and trustworthy by customers, investors, and other stakeholders. In competitive markets, a strong reputation can lead to customer loyalty, which in turn drives sales and revenue growth (Wang et al., 2016). In the context of banks, CSR disclosures can foster trust among customers, who may prefer banks that contribute positively to society through social and environmental initiatives (Jeroh, 2020).

CSR disclosures can open doors to new market opportunities. For instance, businesses that demonstrate strong CSR practices may find it easier to form partnerships with other organizations, gain access to government contracts, or enter socially conscious markets (Lu et al., 2014). CSR disclosures also position companies favorably in the eyes of regulatory bodies, which may lead to more favorable policies or incentives for socially responsible businesses. Companies that engage in CSR activities that align with their core business models can achieve long-term profitability. By fostering a positive public image, improving customer loyalty, and reducing operational risks, CSR can contribute to sustainable business growth. CSR disclosures play a vital role in communicating these initiatives, building stakeholder support for the company's long-term strategy (Velte, 2022). While CSR activities can lead to long-term benefits, the immediate costs of implementing these initiatives can be substantial. For companies, particularly in developing economies like Nigeria, the financial burden of engaging in CSR activities—such as funding community projects, reducing environmental impact, and implementing ethical labor practices—can be a strain on short-term financial performance. In some cases, the money spent on CSR programs may not immediately translate into profits, potentially leading to reduced financial performance in the short term (Adesunloro et al., 2019).

Another potential negative effect of CSR disclosures is the risk of "over-saturation." In an attempt to demonstrate their commitment to CSR, some companies may engage in excessive reporting, disclosing an overwhelming number of CSR initiatives that may lack substance or clarity. This could lead to stakeholder fatigue or indifference, as investors and customers may no longer find the disclosures credible or impactful. Excessive CSR efforts without tangible results may lead to diminishing returns on the company's investment in social initiatives (Wang et al., 2016).

Board Independence

Board independence refers to the presence of non-executive directors (NEDs) on a company's board who are independent of the management and have no material relationship with the company, its executives, or its affiliates (Omobolaji-Epoyun,2016). These directors are expected to provide unbiased judgment, oversight, and strategic guidance without being influenced by internal management, conflicts of interest, or personal ties. The independence of the board is crucial in ensuring that corporate decisions are made in the best interest of shareholders and other stakeholders rather than catering to the interests of management or other controlling parties.

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One of the main contributions of independent boards is their ability to offer objective, unbiased decisions. Independent directors can act as a counterbalance to management, who may be more inclined to focus on short-term financial goals. When it comes to CSR, an independent board can ensure that CSR initiatives are well thought out, integrated with the company's strategic objectives, and sustainable in the long term, rather than just aiming for quick reputational gains. This ensures that CSR initiatives are genuine and aligned with the long-term interests of the firm, thereby positively influencing its financial performance (Velte, 2022; Jeroh, 2020).

The strategic role of independent boards also extends to guiding the company's CSR initiatives. Independent directors can help steer CSR strategies toward areas that align with the company's strengths and long-term strategic objectives. For example, in the banking sector, independent directors may help prioritize CSR activities that support financial inclusion, sustainable investments, and responsible lending practices. By aligning CSR efforts with strategic goals, the company can generate tangible long-term benefits, including improved financial performance (Barauskaite & Streimikiene, 2021).

Board independence, therefore, acts as a moderating factor in enhancing the strategic direction of CSR activities. In contrast to boards dominated by executive directors, which may focus on short-term financial metrics, independent boards are more likely to support CSR initiatives that drive long-term sustainability, which can enhance both reputation and profitability.

One of the challenges in CSR activities is balancing short-term financial goals with long-term social and environmental objectives. Independent boards can play a moderating role by helping management strike a balance between achieving immediate financial objectives and making sustainable CSR investments that will pay off in the long run. This balance is particularly crucial in the banking sector, where short-term profit maximization may sometimes conflict with long-term CSR investments aimed at community development or environmental sustainability.

Independent boards ensure that CSR initiatives are not sacrificed for the sake of short-term profitability, which is crucial for sustaining long-term financial performance. By overseeing CSR activities and ensuring their alignment with long-term strategic goals, independent boards contribute to the company's sustainability and financial success over time (Lu et al., 2014).

Empirical Review

Bennett and Obalade (2023) investigated the relationship between the corporate social responsibility (CSR) and financial performance (FP) of the leading commercial banks in South Africa. It is proxy by Corporate social responsibility, financial performance Return on asset, Net profit after tax and net profit margin annual. Time series was used to analyzed the data. The overall finding is that CSR positively affected ROA, NPAT and NPM for both Standard Bank and Nedbank.

Dewi et al (2023)analysed the influence of the determinants of disclosure sustainability reporting. Proxy by company size, profitability, leverage, liquidity, board of directors, audit committee and Return on Assets. Quantitative approach was use to analyse the data. The

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main finding of this study is that sustainability reporting cannot mediate the relationship between financial performance and firm value.

Araujo et al (2023)studied the effect of corporate social responsibility (CSR) on brand image and brand equity and its impact on consumer satisfaction. Proxy by CSR, Brand image, brand equity and customer satisfaction. Quantitative methodology was use to analyse the data. The findings show that CSR initiatives positively affect consumer satisfaction through the mediating effect of brand image and brand equity.

Sarwar et al. (2022) find out how Corporate Governance, Corporate Social Responsibility, and Corporate Performance are linked in Saudi Arabian capital market. Corporate Social Responsibility (CSR), Corporate Governance (CG), and Corporate Performance (CP), ROA. Board Size (BS), Board Meeting Frequency (BMF), Audit Committee Size (AUCS) and Ownership Concentration of major shareholders (OWNCON), financial performance, ROE. Hausman, Durbin-WU-Hausman test and the TSLS were used to test the variables. The findings indicate that CSR partially contribute to enhance a firm's performance in the context of Saudi companies.

Arzizehet al (2022) looked at the role of corporate social responsibility in mediating the link between corporate governance and financial performance. Corporate governance, financial performance and corporate social responsibility are the variables used. The proxies used are Financial performance, corporate governance and corporate social responsibility. structural equation modelling approach was used to analysed the data. the results revealed that corporate social responsibility has an insignificant effect on corporate governance. It also revealed that corporate social responsibility has a significant effect on financial performance. Additionally, the results showed that corporate governance has a significant effect on financial performance. Furthermore, the research found that corporate social responsibility has no role in mediating the relationship between corporate governance and financial performance CSR partially contribute to enhance a firm's performance in the context of Saudi companies.

Zelalem et al (2022) looked into the effect of corporate governance on the financial performance of Ethiopian insurance companies that are heavily regulated. It is proxy by board size (BS), debt (DEBT), dividend policy (DP), management soundness (MS), board remuneration (BR), financial disclosure (FD), ROA and ROE. Random effect estimation technique was use to analyse the data. The result revealed that board size, management soundness, board remuneration, and financial disclosure have a positive and significant effect on insurance company financial performance, whereas debt and dividend pay-out have a negative and significant impact on insurance company financial performance.

Hariamand Turgut (2021) examined the effect of Corporate Governance (GC) on the performance of firms in non-financial sectors listed on the Frankfort Stock Exchange in Germany over the period 2002-2018. Firm performance, corporate governance, and financial performance are the independent variables used proxy by ROA and ROE. Explanatory research approach was use to analyse the data. The results provided evidence that the characteristics of the audit committee and board of directors have significant and negative effects on firm financial performance, whereas the effect of CEO duality is not statistically significant. Large board size could bring about the issue of deferred decision making by the

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board members in the insider-controlled CG system of Germany. Furthermore, IFRS adoption in 2005 was found to have a positive effect on firm performance.

Sri et al (2021) analysed the impact of the company's financial performance in mediating the relationship between Intellectual Capital and GCG on Corporate Value in banking companies listed on the Indonesia Stock Exchange (IDX). Also, this study analyses the direct effect of intellectual capital and GCG on corporate value and the indirect effect through the company's financial performance. Intellectual capital, managerial ownership, institutional ownership, the board of independent commissioners' audit quality & financial performance proxy by ROE and corporate value path analysis. The results showed that the financial performance of banking companies was proven to mediate the relationship between intellectual capital and GCG.

Susanto et al (2021) determined the effect of financial performance on firm value by disclosing corporate social responsibility and good corporate governance as a moderating variable. Proxy by ROA and Tobins Q. Quantitative approach was use to analyse the data. Findings shows that financial performance with variables (ROA) has a positive and significant effect on Corporate Value (Q) Corporate social responsibility (CSR) has not been able to influence the relationship between performance profit against company value. The proportion of independent commissioners as a proxy for good corporate governance (GCG) does not affect the relationship between financial performance and company value.

Ayamga et al (2024) investigates the intricate relationship between Corporate Social Responsibility (CSR) initiatives, corporate governance structures (board independence & diversity), and financial performance [(Return on Asset (ROA), Return on Equity (ROE), & Gross Profit Margin (GPM)] in the context of Ghanaian firms operating in the manufacturing and service sectors. Adopting longitudinal secondary data analysis and drawing from annual reports of 39 firms in Ghana over a six-year period (2015-2021), our research reveals sector-specific nuances in the impact of CSR on financial metrics. CSR initiatives significantly predict ROA and GPM, underlining the potential for operational efficiency gains and profitability through socially responsible practices. However, these initiatives do not significantly predict ROE, indicating the need for nuanced CSR strategies tailored to specific financial objectives.

Theoretical Framework

Agency Theory

Agency theory, initially introduced by Jensen and Meckling (1976), posits that there is a potential conflict of interest between managers (agents) and shareholders (principals). This theory suggests that managers may act in their own interest rather than in the best interest of shareholders, particularly when it comes to decision-making around CSR initiatives. The primary goal of agency theory is to align the interests of agents and principals by introducing mechanisms like independent boards, performance-based incentives, and monitoring systems.

In the context of this study, board independence can mitigate agency problems by ensuring that CSR activities are aligned with shareholders' long-term interests, rather than being driven by the personal interests of management. Independent directors, without any ties to the company's executive management, are more likely to ensure that CSR disclosures are accurate, transparent, and beneficial to the firm's financial performance. Thus, agency theory

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helps to explain why board independence is an essential governance mechanism in moderating the impact of CSR disclosures on financial performance.

Signaling Theory

Signaling theory (Spence, 1973) suggests that companies signal their quality or value to the market through specific actions or disclosures. CSR disclosures can serve as a signal to investors, consumers, and other stakeholders that the company is committed to ethical business practices, environmental sustainability, and social responsibility. These signals can enhance the company's reputation, brand value, and consumer loyalty, potentially leading to improved financial performance.

The role of board independence in this framework is to ensure that CSR signals are credible and not merely superficial marketing tools. Independent directors can ensure that CSR disclosures are genuine and strategically aligned with the company's long-term interests, making the signal more effective and likely to translate into positive financial performance. As such, board independence moderates the signaling effect of CSR disclosures by ensuring that the messages sent to stakeholders are both authentic and strategically beneficial.

Stakeholder Theory

Stakeholder theory, initially proposed by Freeman (1984), offers a comprehensive framework for understanding the interactions between a business and its various stakeholders, including shareholders, employees, customers, suppliers, and the broader society. Unlike traditional profit-maximization models that primarily prioritize shareholder interests, stakeholder theory asserts that companies have an ethical obligation to consider and address the needs and expectations of all relevant stakeholders.

Board independence plays a crucial role in the application of stakeholder theory within the context of CSR. Independent directors bring an objective perspective to decision-making, ensuring that CSR practices are not just driven by short-term financial goals or the interests of management but are aligned with the broader needs of all stakeholders. They help maintain a balance between the company's financial objectives and the interests of external stakeholders, such as communities, employees, and customers.

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METHODOLOGY

Research Design

This study employs a longitudinal research design, which is a research method that involves repeated observations or measurements over a prolonged period of time. The primary goal of using a longitudinal design in this study is to observe and analyze the evolving relationship between Corporate Social Responsibility (CSR) disclosures and financial performance in Nigerian listed Deposit Money Banks (DMBs) while considering the moderating role of board independence.

Population and Sampling

The population of this study includes 14 listed Deposit Money Banks (DMBs) on the Nigerian Exchange Group (NGX) as of December 2023. These banks are Access Bank Plc, Ecobank Transnational Incorporated, FBN Holding, FCMB, Fidelity Bank Plc, Guaranty Trust Bank Plc, Jaiz Bank Plc, Stanbic IBTC, Sterling Bank Plc, Union Bank, United Bank for Africa, Unity Bank Plc, Wema Bank Plc, and Zenith Bank Plc. A census approach was adopted for this study, encompassing all 14 listed Deposit Money Banks (DMBs) on the Nigerian Exchange Group (NGX) as of December 2023.

Method of Data Collection

The study employed secondary data collection, utilizing information from the annual reports of the selected banks. Data was gathered from the annual reports of the 14 listed Deposit Money Banks (DMBs) on the Nigerian Exchange Group (NGX) for the period spanning from 2014 to 2023.

Technique of Data analysis and Model Specification

The study adopted panel regression as the technique of data analysis. Panel regression is a robust statistical method that allows for the analysis of data involving multiple entities (in this case, the 14 listed Deposit Money Banks) over time (from 2014 to 2023).

Model Specification:

The model can be written as:

$$ROE_{it}=\alpha+\beta_1 CSR_{it}+\beta_2 BIND_{it}+\beta_3(CSR_{it}\times BIND_{it} +\epsilon_{it}$$

Where:

ROE = Return on Equity for bank i at time t

CSR = Corporate Social Responsibility disclosures for bank i at time t.

BIND = Board Independence for bank i at time t

CSR × BIND = Interaction term to capture the moderating effect of board independence on the relationship between CSR disclosures and ROE.

α = Constant term.

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β1, β2, β3 = Coefficients for CSR, Board Independence, and their interaction term.

ε_ = Error term.

Variable Measurement

Variable	Definition	Measurement
Return on Equity (ROE)	Measures the profitability of a bank relative to its equity capital.	Shareholders' EquityNet Income ×100
CSR Disclosures	The extent of the bank's social, environmental, and economic responsibility disclosed in reports.	CSR Disclosure Index: Assign scores to CSR categories (environmental, community, ethical practices, etc.) based on disclosures.
Board Independence (BIND)	The proportion of independent non-executive directors on the board.	Number of Independent Directors / Total Number of Directors/ ×100

RESULTS AND DISCUSSION

In this section results are presented and discussed in the light of the research findings. First, a set of descriptive statistics are presented, then followed by the regression results.

Table 1: Descriptive Statistics

Variable	Mean	Std. dev.	Min	Max
Roe	.1832	.7440317	-3.943	6.417
Csr	69.04755	41.22388	0	100
csr_bind	11.99476	9.459096	0	36

The descriptive statistics presented in the table reveal key insights into the variables in the study. The Return on Equity (ROE) has a mean of 0.1832, indicating that, on average, the banks in the sample achieve a return of approximately 18.32% on their equity. However, the standard deviation of 0.7440 suggests substantial variability in profitability among the banks, with some experiencing significant losses (the minimum value of -3.943) and others showing high profitability (the maximum value of 6.417).

Regarding Corporate Social Responsibility (CSR) disclosures, the mean value of 69.05% indicates that, on average, the banks in the sample disclose a relatively high percentage of their CSR activities. The wide standard deviation of 41.22 points to significant variation, with some banks disclosing a full range of CSR activities (maximum of 100) while others disclose little or none at all (minimum of 0). This variation reflects different approaches to CSR among the banks, likely influenced by factors such as corporate governance, strategy, and resources.

The CSR × Board Independence (csr_bind) interaction term, which measures the combined effect of CSR disclosures and board independence, has a mean of 11.99. This suggests a

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moderate interaction effect between the two variables across the banks. The standard deviation of 9.46 indicates that this interaction varies widely, with some banks demonstrating a stronger relationship between CSR disclosures and board independence, while others exhibit a weaker one. The minimum value of 0 indicates cases where either CSR disclosures or board independence are minimal or absent, while the maximum value of 36 shows that in some instances, there is a strong combined effect between the two variables.

Table 2: Correlation Matrix Table

Variable	Roe	Csr	csr_bin
Roe	1.0000		
Csr	-0.073		
csr_bin	0.0518	0.7828	1.0000

Source: *output from STATA*

The correlation matrix presented in Table 2 provides insights into the relationships between the key variables of the study: Return on Equity (ROE), Corporate Social Responsibility (CSR), and the interaction term CSR × Board Independence (csr_bin). The correlation between ROE and CSR is very weak at -0.073, indicating that there is almost no relationship between the two variables. This suggests that, in the context of the banks studied, CSR disclosures do not appear to significantly impact their financial performance, as measured by ROE.

Similarly, the correlation between ROE and the interaction term csr_bin is 0.0518, which is also weak. This indicates that the combined effect of CSR disclosures and board independence has a minimal impact on the banks' profitability. Furthermore, the correlation between CSR and csr_bin is relatively strong at 0.7828, indicating a significant positive relationship. This suggests that banks with higher CSR disclosures tend to have a stronger interaction with board independence, meaning that board independence might play a role in shaping the CSR practices within these banks.

Table 4 Multicollinearity Result

Variable	VIF	1/VIF
Csr	1.93	0.518486
csr_bin	1.09	0.915255
Mean value	1.94	

Source: *output from STATA*

The mean VIF value is 1.94, which is very low and suggests that, overall, multicollinearity is not a significant concern in the model.

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Hausman speciation test amd Breusch and Pagan lagrangian multiplier test for random effect

chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 2.60	Prob > chi2 = 0.2529
chibar2(01) = 20.12	Prob > chibar2 = 0.0000

Source: *output from STATA*

The Hausman test indicates that there is no significant difference between the fixed and random effects models (since the p-value is greater than 0.05), implying that the random effects model is appropriate for the data. The Breusch and Pagan test confirms the presence of random effects in the model (with a p-value of 0.0000), indicating that random effects should be included in the analysis

Table 6: Summary of Regression Result

	Coefficient	p-value
Csr	.0003749	0.962
csr_bin	.0624589	0.001
R-Square= 0.2639		
Wald chi2(7) = 78.23		
0.0000		

Source: *output from STATA*

The R-squared value of 0.2639 indicates that approximately 26.39% of the variation in financial performance is explained by the model, highlighting a moderate explanatory power. Additionally, the Wald chi-squared statistic of 78.23 with a p-value of 0.0000 confirms that the overall model is statistically significant.

The regression results indicate that while CSR disclosures have a small positive effect on financial performance, specifically measured by Return on Equity (ROE), this effect is not statistically significant, as evidenced by the p-value of 0.962. This suggests that CSR disclosures alone do not significantly influence the financial performance of listed Deposit Money Banks in Nigeria.

However, the interaction between CSR disclosures and board independence (csr_bin) shows a positive and statistically significant effect, with a p-value of 0.001. This implies that board independence plays a crucial moderating role, enhancing the positive impact of CSR disclosures on financial performance. This result aligns with Agency Theory, which posits that independent boards can reduce agency costs by ensuring that management acts in the best interests of shareholders, including the implementation of CSR activities that enhance long-term financial performance. This conclusion also aligns with previous studies, such as those by Arzizeh et al. (2022) and Sri et al. (2021), where CSR disclosures were shown to have varying effects on financial performance, with governance mechanisms like board independence playing an important moderating role in enhancing these outcomes. The study of Zelalem et al. (2022) further supports this notion, highlighting the significance of corporate governance factors in influencing financial performance. The positive moderating

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effect of board independence in this study confirms the essential role of governance structures in driving the benefits of CSR activities, particularly in financial institutions like banks.

CONCLUSION AND RECOMMENDATION

This study examined the effect of Corporate Social Responsibility (CSR) disclosures on the financial performance of listed Deposit Money Banks (DMBs) in Nigeria, with a particular focus on the moderating role of board independence. The regression results revealed that CSR disclosures alone have a small positive effect on financial performance, but this effect is statistically insignificant. However, the interaction between CSR disclosures and board independence demonstrated a significant positive effect on financial performance, indicating that board independence plays a crucial moderating role. This finding suggests that while CSR disclosures on their own may not significantly influence financial performance, the presence of an independent board enhances the potential for CSR activities to positively impact financial outcomes. Based on thr conclusion, the study recommends that Policymakers should consider enhancing regulations that promote both CSR disclosures and board independence in the banking sector. Encouraging such practices could foster greater transparency and accountability, thereby contributing to the overall financial stability and performance of the sector.

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