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Preface

We are excited about the release of this maiden edition of the Hallmark University Journal of Management and Social Sciences (HUJMSS).

HUJMSS is a scholarly, peer-blind-reviewed journal published to provide avenue for disseminating top-notch, cutting edge research outputs of academics and professionals in the management and social sciences.

The journal boasts global reach, as its contents will be accessible from around the world via the Hallmark University subdomain, http//:hujmss.hallmark.edu.ng.

We hereby invite papers/contributions from scholars across the globe for publication in the next edition. Please note that contributions should be submitted in MS Word format to hujmss@hallmark.edu.ng.

Thank you,

Editorial Board

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EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON ACCOUNTING EXPENDITURE CONSERVATISM IN THE NIGERIA BANKING INDUSTRY

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ABSTRACT

There has been ongoing debate on the role of CSR in organizational activities. However, there is lack of consensus on the usefulness of CSR among privately-owned establishments. This study examines the impact of corporate social responsibility (CSR) on accounting conservatism in the Nigerian banking sector. The study employed the quantitative research design, precisely the experimental research design. The major findings of the study revealed that CSR captured as societal expenditure, employee relations expenditure and environmental management expenditure had positive but negligible impact on accounting conservatism in selected deposit money banks in Nigeria. A million naira increase in societal expenditure, employees relation and environmental management expenditure would increase conservatism approximately by 0.01%, 1.1% and 0.04% respectively. To this end, the study concludes that although corporate social responsibility promotes conservatism in the Nigerian banking sector, it's impact is not robust.

Keywords: Accounting Conservatism, Corporate Social Responsibility, Societal Expenditure, Environmental Management Expenditure, Employee Relations Expenditure.

1. INTRODUCTION

Accounting is the process of identifying, recording, analyzing and communicating financial information to enable the users of this information to make decisions (Saad & Hanan, 2015). The accounting information is subject on preparing to a large number of standards, policies and accounting principles which governs the measurement process and accounting recognition to such process. The principle of caution (Accounting conservatism) is one of the important restrictions on accounting information because it takes cognisance to the lowest level of valuable things and income as well as higher values for expenses and losses (Basu, 2004; Saad & Hanan, 2015). The existence of criticisms against accounting conservatism as implies negativity that relates to the distortion of accounting information and makes it un-explainable therefore influences its suitability, reliability and comparability.

Amongst the external factors that affects conservatism practices are the operational interruption caused by hosting communities of organizations. The effect ranges from environmental degradation to societal conflicts as a result of the activities of these organizations. The idea of corporate social responsibility is advocated to bridge the existing conflicts between organizations and their hosting environments, thereby creating concern over the implementation and the quantification of the benefits to both the community and the organizations.

Although, series of arguments based on researches are found in literature as to the relevancy or irrelevancy of corporate social responsibility to the host community, there is no unanimous agreement on the subject matter due to the peculiarities of settings and the variations of methodology adopted by past studies (Aras, Aybals & Kutlu, 2010; Cheng & Kang, 2016; Cooper & Wagman, 2009; Kim, Hatfield & Carlos, 2012; Karsalari, Agahee & Ghasemi, 2017). The adoption of corporate social responsibility practices by an organization is inconclusive in literature. Proponents maintain that CSR promotes the organizational performance while critics allude that CSR is injurious to an organization because it diverts the attention of an organization from the primary motives such an organization is established to less important issues.

To this end, the study evaluates the effect of corporate social responsibility on accounting conservatism in Nigeria with reference to the banking industry over a six-year period ranging between 2011 and 2016. Specific objectives of the study are to:

i. Assess the effect of societal expenditure on accounting conservatism in Nigerian banking industry.
ii. Investigate the effect of employee relations expenditure on accounting conservatism in Nigerian banking industry.
iii. Explore the effect of environmental management expenditure on accounting conservatism in the Nigerian banking industry.

The following hypotheses of the study are stated in their null:

i. Societal expenditure does not have significant effect on accounting conservatism in Nigerian banking industry.
ii. Employee relations expenditure does not significantly affect accounting conservatism in Nigerian banking industry.
iii. environmental management expenditure has no significant effect on accounting conservatism in the Nigerian banking industry.

2. LITERATURE REVIEW

Bowen (1953) was the first person to recognize the concept of corporate social responsibility in his article titled "Social Responsibilities Businessman". Since then, corporate social responsibility is acknowledged to address the changes in business requirements and diverse social responsibilities (Omodero & Ogbonnaya, 2017).

There are some indices that are used for measuring corporate social responsibility in relation to performance (Guru, 2008). Corporate Social Performance Disclosure which makes use of content analysis of annual accounts and reports. This indicator provides an internal ratio or ordinal measurement of corporate social responsibility. Content analysis is the approach of measuring corporate social performance, which entails the textual evaluation of an organization's social and environmental disclosure in the annual accounts to deduce the social performance of the organization.

Kinder, Lydenberg & Domini (KLD) Index which was created by Kinder, Lydenberg and Domini (KLD) & Co in 1989. This index contains rating on a wide range of corporate social responsibility related items collated from various sources such as government agencies, NGOs, media, regulatory agencies and company disclosures (Guru, 2008). The KLD index arranges various CSR-related items such as qualitative issue areas which include the community, corporate governance, diversity, employee relations, the environment, human rights and product and service characteristics. For each qualitative area, KLD assigns a binary (1, 0) rating to a set of concerns and strengths. KLD index is regarded as the most widely used measurement of corporate social performance (Martial, 2010).

Corporate Responsibility Index which allows organizations to be assessed against a corporate responsibility framework, including an examination of how corporate responsibility is translated from strategy into mainstream management practice, and how material risks are monitored and managed. The response of an organization is then externally audited, and results are published.

2.1.3 Concept of Accounting Conservatism

Accounting conservatism according to Basu (2004) refers to the pursue to acquire a higher level of certainty for the recognition of good news such as profits, and to have a lower level of certainty for the recognition of bad news such as losses and casualties. Wasaki, Otomasa, Shiiba and Shuto, (2018) defines accounting conservatism as the asymmetry between verification requirements of profits and losses, so that increased difference between the degree of verification required for profits and degree of verification required for losses mean greater conservatism. Hamdan (2012) views accounting conservatism as the disclosure of the minimum values of assets, revenues and higher values of obligations and expenses.

The amount of conservatism in the preparation of financial statements or the quality of accruals items presented in financial reports is the criteria by which the quality of financial reporting can be measured (Wang, Ziljil & Hogartaigh, 2009). The principle of conservatism is one of the first and most important ways of dealing with the ambiguity of transactions and events of the economic unit. The essence of accounting conservatism is to provide accurate information for the correct financial decision-making of an organization. Hsieh & Novoselov, (2018) consider accounting conservatism as selection of method and estimation from accounting which evidently shows asset book value lower than usual. Thus during inflation conditions choosing of Last-in-First Out (LIFO) technique instead of First-In-First-Out (FIFO) is a conservative method to identify inventory. Similarly, the application of least cost in market for allocating the cost of research and development expenditures, selection of depletion fast techniques and policies that lead to consider higher reserves for bad debts and recognition of the related accruals for guarantee are conservative techniques which cause showing book net value of an economic unit lower than real value. Wasaki et.al, (2018) maintained that accounting conservatism denotes necessity of attaching difference in demonstrating possibility of recognizing profit versus loss. According to this notion, prediction of future profits should be able to be proved more than future losses.

Wang, Ziljil and Hogartaigh (2009) maintain that several measures have been put forward in literature to measure accounting conservatism. The common measures are asymmetric timeline of profits, asymmetric receivables to cash flows, measure of book value to market value, net asset measures, valuation model measures, accrual measures, earning measures and earning stock relation measures.

Asymmetric Timeline of Profits (Basu 2004) indicates that under accounting conservatism, the bad news will be reflected on profits faster than good news, so that negative revenues will fully reflect the entire profit of the period they occurred. The positive earnings dividends will reflect the profits of the period partially, thus the profit will be more closely associated with the movement of the share price in periods described with bad news compared to the period of good news. Basu (2004) adopts the equation below to capture conservatism:

$$EPS_{it}/P_{it} = a_0 + a_1R_{it} + a_2D_{it} + a_3(D_{it} \,.\, R_{it}) + u_{it}$$

Where: EPs = earnings price share; P= share price at the beginning of the year; R=rate of compound earning share; D= is a dummy variable that takes the value of (1) if the earnings of a share is less than zero (0) which is bad news and (0) values if the earnings of a share is more than zero (0) which is good news.

Asymmetric Receivables to Cash Flows (Ball 2006) modified the measure of asymmetric receivables to cash flow, which can be expressed as:

$$ACC_t = a_0 + a_1DCFO_t + a_2CFO_t + a_3(DFO_t.\ CFO_t) + u_t$$

Where ACC is the total receivables; CFO is the cash flows and DCFO is a dummy variable valued zero (0) if the cash flow is greater than or equal to zero (0); the value of (1) if the cash flow is less than zero (0).

Measure of Book Value to the Market Value explains that as the accounting conservatism system tends to reduce the net book value of the company to the actual economic value; if the ratio of book value is reduced to the ratio of market value, signifying a high degree of accounting conservatism (Wang, Ziljil&Hogartaigh, 2009). Whenever the ratio of the book value to the market value ratio is less than one, it indicates the existence of conservatism.

Net Asset Measure is the market value of the assets and liabilities which consist of net assets change every period but all these changes are not recorded in the account and financial reports. In conservatism, increases in assets (gains) that are not verifiable are not recorded while decreases of similar verifiability are recorded. The result is that net assets are understated below market value. Researchers such as Wasaki et.al, (2018) obtained estimates of this understatement using models of valuation of the firm's shares and/or the ratio of the firm's book value of net assets to its equity value.

Valuation Model Measure, (Felhtam & Ohlson valuation model 1995) are usually employed to estimate the extent of undervaluation of net assets. This model includes parameters that reflect the degree of understatement of operating assets. The model induces the understatement by assuming accounting depreciation exceeds economic depreciation. Conservatism parameter estimates are obtained from estimation of valuation model and from time series estimation of the relation between accounting variables that are inputs to the valuation model. The valuation model estimate comes from cross-sectional regression of firm market value on abnormal earnings, assets and investment (Beaver, 2002). Ahmed and Schafer (2004) regressed firms' goodwill on abnormal earnings, lagged operating assets and contemporaneous investment in operating asset. To the extent the book value of net assets is underestimated, goodwill is overstated. The coefficient of lagged operating assets should be positive if conservatism has understated the lagged assets.

Earnings Measures explained that under literature, negative earnings changes are more likely to reverse in the next period than positive earnings changes. In confirming this assertion, Basu (2004) regressed earnings changes, deflated by beginning-of-period price, on lagged deflated earnings changes for samples of positive and negative earnings changes.

Accrual Measure,(Hayn 2009) noted that conservatism reduces cumulative reported earnings overtime. He suggested the sign and magnitude of accumulated accruals overtime are measures of conservatism. In Earnings Stock Relation Measures, Stock market prices tend to show asset value changes at the time those changes occur whether those changes imply losses or gain in asset-value stock returns tend to be timely (Hayn, 2009). Since conservatism predicts that accounting losses are predicted to more contemporaneous with stock returns than accounting gains. Basu (2004) predicts that stock returns and earnings tend to reflect losses in the same period, but stock returns reflect gains earlier than earnings.

2.2 Theoretical Review

Several theories have been postulated in literature to explain corporate social responsibility. The relevant ones among them are agency theory, legitimacy theory, social benefit theory and stakeholder theory. The agency theory talks about an organization as a link between the agents and their principals because of the contractual relationship the agent (manager) is carrying out on behalf of the principals (shareholders). The theory is concerned with resolving conflicts that exists between the principal (shareholders) and agents (top officials in the organization).

Legitimacy theory was developed by Neuin 1998 and the theory posits that organizations must consider the rights of the community at large, not merely those of investors or shareholders. If the organization does not act within bounds of the behavior considered appropriate by the community, the community will act to remove the organization's right to continue its operations.Shehu (2015) maintains that organizations are bound by social contract in which they agree to perform various socially desired actions in return for approval of its objectives and other rewards, and this can ultimately guarantee its continued existence.

Social benefit theory promotes firms contribution towards the wellbeing of the host communities. Businesses do not operate in a vacuum; somehow, the daily pollution as a negative externality affects the people in the environment. Watt (2007) alludes that social benefit theory makes organizations to consider the welfare of their host communities and to discharge their social responsibilities that will benefit all interest groups in the society.

The concept of stakeholder was first used in 1963 internal memorandum at the Stanford Research Institute. They define stakeholders as those groups without whose support, the organization would cease to exist. The theory was later modified and championed by Freeman in the 1990s. Since then, it has gained wide acceptance in business practice and in theories related to strategic management, corporate governance, business purpose and corporate social responsibility. Low(2015)notes that stakeholder theory is true if and only if stockholder theory is true and the only way that managers can maximally serve the interests of shareholders is by serving the interests of all stakeholders.

2.3 Empirical Review

Saad and Hanan (2015) assess the effect of accounting conservatism on the fair value of Jordanian industrial companies during the period 2006-2013. 30 industrial firms listed on Jordanian Stock Exchange were sampled. The dependent variable of the study is the fair value of the company proxied by market capitalization while the independent variable is accounting conservatism proxied by the ratio of book value to market value. Total assets, return on assets, debt to equity ratio, dividend payout ratio and fixed assets ratio to total assets are adopted as control variables. The results indicate that accounting conservatism positively and significantly affects the fair value of selected firms. Also, total assets and return on assets are positively and significantly affects fair value of selected firms while dividend payout ratio and fixed assets ratio have no significant impact on fair value of selected firms.

Omodero & Ogbonnaya (2017) examines corporate social responsibility and profitability of commercial banks in Nigeria between 2006 and 2015. A total number of ten banks out of twenty-one commercial banks in Nigeria were selected for the study. Profitability is measured by profit after tax, total revenue and net asset while corporate social responsibility is represented by natural logarithm of CSR expenditure. The results indicate zero impact of profit after tax and total revenue while the impact of net asset is negative. The probability values of the variables arenot significant. The study maintains that expenditure on CSR is not significant enough and has not been positively affected by the financial performance of banks.

Jibrin, Dahiru and Mukthar (2016) investigate the relationship between corporate social responsibility and financial performance of listed deposit money banks in Nigeria for a 6-year period ranging from 2008 to 2013. The data was obtained from the annual reports of twelve banks selected for the study. Corporate social responsibility as the independent variable was proxy by natural logarithm of the total amount spent on corporate societal activities while return on assets and return on equity are used to capture financial performance. The results indicate that corporate social responsibility has positive and significant effect on return on asset and return on equity of listed deposit money banks in Nigeria.

Karsalari, Agahee and Ghasemi (2017) assess the effect of mandatory corporate social responsibility components on accounting conservatism in Tehran Stock Exchange for the period between 2011 and 2016. The study samples 100 listed firms in Iran. Net income is used to measure accounting conservatism while corporate social responsibility expenditure, cash flow, depreciation cost ratio, age of firm and return on assets are used as independent variables. The results indicate that corporate social expenditure have negative effect on accounting conservatism while the other independent variables such as age of firm, return on assets, depreciation cost ratio and cash flow have positive effect on accounting conservatism.

Shehu (2015) examines the impact of corporate social responsibility on the financial performance of quoted conglomerates in Nigeria between the period 2006 and 2011. Corporate social responsibility is represented by community performance, employee relations and environmental management system while financial performance is captured by return on asset. The results indicate that employee relations and community performance have positive and significant impact on return on asset while environmental management system exerts negative effect on return on asset. The study maintains that corporate social responsibility plays a significant role on the profitability of conglomerates in Nigeria.

Fodio, Ahmad and Oba (2013) examine the effect of corporate social responsibility on firm value of quoted firms in Nigeria between the period - 2004 to 2007. A total of 35 firms in the financial services listed on the Nigerian Stock Exchange are selected as sample for the study. Firm value is represented by Tobin's Q while corporate social responsibility is captured by human resource management, community development and environmental performance. Also, firm size, firm growth rate, leverage and dividend payment are employed as control variables. The results indicate that proxy variables for CSR have significant positive effect on the value of selected firms.

Rebecca, Felix and Onyeisi (2015) explore the effect of conservatism on the value relevance of quoted firms in Nigeria. The sample of the study consists of 30 firms drawn from 10 industries. The data for the study were obtained from the financial reports of selected firms between 2005 and 2010. Value relevance of firms is captured by earnings per share while average annual accruals, market-based conservatism, non-operating accruals and market value of net operating assets. The results showed that market-based conservatism and average annual accruals have negative effect on value relevance of selected firms while net operating accruals and market value of net operating assets have positive effect on value relevance of selected firms.

2.4 Gap in Literature

Almost all the studies reviewed are directed to examine the effect of corporate social responsibility on either profitability or financial performance of organization. Furthermore, other studies investigated the effect of accounting conservatism on firm value or value relevance of firms. To the best of the researcher's knowledge, no studies have been conducted to investigate the effect of corporate social responsibility on accounting conservatism of firms in Nigeria. To this end, the study covers gap in literature by examining the effect of corporate social responsibility on accounting conservatism in banking industry in Nigeria.

3.1 METHODOLOGY

The study adopts the quantitative research design. Quantitative research design is the use of statistical and computational techniques to empirically investigate an observable phenomenon. Out of these four components, the experimental design is the most appropriate for the study because it uses scientific method to establish cause-effect relationship between two or more variables (Creswell, 2013).
The population of the study consists of all deposit money banks in Nigeria. There are twenty-two (22) listed deposit money banks in Nigeria as at 2018 (CBN Economic and Financial Review, 2018). The Taro-Yamane sample size determination is adopted to ascertain the appropriate sample size based on the study population at 95% confidence interval and 5% error of tolerance. A sample size of 9 banks was selected

The study adopts the judgmental sampling technique to select nine (9) deposit money banks in Nigeria. The factors considered for the selection of sampled banks include: banks who operated within the period of study; banks who included their expenditures on corporate social responsibilities in their financial statements within the period of study and those whose financial statements were published and available for the period of study.

The study adopts secondary data; the data are sourced from the published financial statements of selected banks between 2011 and 2016. The variables of interest are computed from the published financial statements of selected banks.

3.5 MODEL SPECIFICATION

The specific objectives of the study are to examine the effect of societal expenditure, employee relations expenditure and environmental management expenditure on accounting conservatism of selected banks in Nigeria. The study employed the panel regression in the analysis of data.The conceptual model can be expressed as:

$Y_{it} = \beta_0 + \beta_1 X_{it} + \beta_2 Z_{it} + \mu$

Where:
Y_{it}= Dependent variable
X_{it} = Independent variable
Z_{it}= Control variable
β_0 = Constant term of the model
β_1 = Regression coefficient of independent variable
β_2 = Regression coefficient of dependent variable.
μ= Error term

The dependent variable is accounting conservatism (CON) represented by book value to market value of equity. The independent variable is corporate social responsibility measured by societal expenditure (SOE), employee relations expenditure (ERE) and environmental management expenditure (EMR). The control variables adopted in the model are size of firm (natural logarithm of total assets) and leverage (ratio of total liabilities to total assets).

Model 1: Impact of Societal Expenditure on Accounting Conservatism

$CON_{it}=\beta_0 + \beta_1 SOE_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} +\mu$

Model 2: Impact of Employee Relations Expenditure on Accounting Conservatism

$CON_{it}=\beta_0 + \beta_1 ERE_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} +\mu$

Model 3: Impact of Environmental Management Expenditure on Accounting Conservatism

$CON_{it}=\beta_0 + \beta_1 EME_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} +\mu$

The study is delineated to deposit money banks in Nigeria and covers a six-year period ranging from 2011 to 2016. In addition, analysis of data is subjected to descriptive statistics and pooled ordinary least square technique. Ethical issue that is taken into consideration during the course of data collection is confidentiality. The financial statements of selected banks are used exclusively for academic purpose.

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Descriptive Analysis

Table 4.1: Descriptive Analysis of Variables

	CONV	**SOE**	**ERE**	**EME**	**SIZE**	**LEV**
Mean	0.867037	109.7217	29.20093	16.97019	17.21723	0.467667
Median	0.850000	91.15500	27.62000	17.09000	16.67271	0.485500
Maximum	1.130000	264.1200	52.89000	25.68000	21.28304	0.643000
Minimum	0.650000	45.65000	7.880000	9.500000	13.11746	0.137000
Std. Dev.	0.124894	55.41478	11.53574	3.971977	2.824925	0.107267
Skewness	0.342097	1.595942	0.128275	0.266888	0.062945	-1.105516
Kurtosis	2.260606	4.922707	2.345220	2.605215	1.203195	4.463621
Jarque-Bera	2.283356	31.24108	1.112749	0.991738	7.299802	15.81941
Probability	0.319283	0.000000	0.573284	0.609041	0.025994	0.000367
Sum	46.82000	5924.970	1576.850	916.3900	929.7307	25.25400
Sum Sq. Dev.	0.826726	162752.3	7052.880	836.1597	422.9507	0.609832
Observations	54	54	54	54	54	54

Table 4.1 presented the summary statistics of conservatism, societal expenditure, employee relations expenditure, environmental management expenditure, leverage and firm size. The results above reported the mean, median, standard deviation, skewness, Kurtosis, Jarque-Bera statistic, probability, sum, sum of squared deviation and number of observations.

Conservatism, which is measured by the book value of shares to market value of shares, averaged 0.87 with a standard deviation of 0.12. This connotes that sampled banks have an acceptable level of conservatism in their financial reports during the periods of investigation as the average conservatism within the reviewed years is less than one. The mean and standard deviation of societal expenditure are N109.72 million and N55.41 million respectively. Societal expenditure ranged between N45.65 million and N264.12 million. The mean and standard deviation of employee relations expenditure are N29.20 million and N11.54 million respectively. Employee relations expenditure ranged between N7.88 million and N52.89 million. The mean and standard deviation of environmental management expenditure are N16.97 million and N3.97million respectively. Environmental management expenditure ranged between N9.50million and N25.68 million. Firm size was represented by the natural logarithm of banks' total assets. The mean and standard deviation of firm size are 17.21 and 2.82 respectively. Firm size ranged between 13.12 and 21.28. Leverage was represented by total debt ratio. The mean and standard deviation of debt ratio are 0.47 and 0.11. This connotes that about 47% of the total assets of sampled banks are financed by debt.

The distributions of the variables except leverage are positively skewed. In addition, the distribution of societal expenditure and leverage are heavily-tailed as their kurtosis exceeded three. On the other hand, the distribution of employee relations expenditure, environmental management expenditure, conservatism index and firm size are lightly-tailed as their kurtosis is less than three.

Table 4.1.2: Correlation Matrix

	CONV	**SOE**	**ERE**	**EME**	**SIZE**	**LEV**
CONV	1.000000	0.141245	0.171349	0.028099	0.040879	-0.247205
SOE	0.141245	1.000000	0.554214	0.529103	0.060070	-0.318924
ERE	0.171349	0.554214	1.000000	0.726903	0.213111	-0.390129
EME	0.028099	0.529103	0.726903	1.000000	0.285538	-0.223886
SIZE	0.040879	0.060070	0.213111	0.285538	1.000000	0.058563
LEV	-0.247205	-0.318924	-0.390129	-0.223886	0.058563	1.000000

Table 4.2 presented the correlation coefficients between the variables. Correlation coefficient indicates the strength of linear interrelationship between two variables. The result showed that conservatism is positively related with societal expenditure, employee relations expenditure, firm size, environmental management expenditure but negatively related with leverage. This implies that conservatism and societal expenditure, employee relations expenditure, size and environmental management expenditure move in similar direction, but relates inversely with leverage. None of the correlation coefficients between the independent variables was high enough to warrant the problem of multicollinearity.

4.2 HYPOTHESES TESTING

Panel Data Analysis

The pooled ordinary least square technique tends to produce misleading results because it does not capture heterogeneity between cross-sections. The pooled ordinary least square represses the heterogeneity that may exist among the subjects and across time in the sample as the individuality of each subject is subsumed in the disturbance term. The fixed and random effect-models are prominent in panel data analysis. The fixed effect model estimate capture heterogeneity across subjects but assumes heterogeneity to be time-invariant. In principle, random-effect assumes that observed characteristics that time-invariant heterogeneity is retained in the regression model, whereas in fixed-effect estimation, they are dropped.

The Hausman test is carried out to determine the appropriate estimation model to use. The Hausman test inquires whether there is significant difference between the fixed-effect and random-effect models. The probability of the Hausman test is compared with 0.05. If the probability value of the Hausman chi-square statistic is less than 0.05, it indicates there is significant difference between the fixed-effect and random-effect model, and as such the fixed-effect model is appropriate. On the other hand, if the probability value of the Hausman chi-square statistic is greater than 0.05, it connotes that there is no significant difference between both models, and as such the random-effect is accepted.

Model One: Impact of Societal Expenditure on Accounting Conservatism

Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	2.7090	3	0.4387

The Hausman chi-square statistic is 2.71 with probability value of 0.4387. Since the probability value is greater than 0.05, it connotes that the fixed-effect and random-effect models is not significantly different. As such, the random effect model is accepted.

Table 4.2.1: Impact of Societal Expenditure on Accounting Conservatism of Selected Deposit Money Banks(Random-Effect Estimation)

Variable	**Coefficient**	**Standard Error**	**T-Statistic**	**Prob.**
C	0.681522	0.133930	5.088641	0.0000
SOE	0.000567	0.000321	1.768670	0.0830
SIZE	0.003336	0.005971	0.558458	0.5790
LEV	-0.386405	0.165627	-2.332987	0.0237
R-squared	0.120663			
Adjusted R-squared	0.067903			
Prob (F-Statistic)	0.089962			

Durbin-Watson stat	0.773508

Source: Researchers' Panel Regression Result

The result above presented the random-effect estimation of the impact of societal expenditure on conservatism. The coefficient of determination indicates that 12% of the variation in conservatism is explained by societal expenditure, firm size and leverage. This connotes that the explanatory variables has weak predictive influence on conservatism. The constant term of the model indicates that the ratio of the book-value of shares to market-value of shares would be 0.68 when the explanatory variables are assumed to be zero. The regression result showed that firm size has positive but insignificant effect on conservatism. Also, leverage exerted significant negative effect on conservatism. The coefficient and probability value of societal expenditure has positive but weak impact on conservatism.

The coefficient and probability value of societal expenditure are 0.0001 and 0.08 respectively. Since the probability value is greater than 0.05, it indicates that societal expenditure has positive but negligible impact on accounting conservatism in Nigerian banking industry. To this end, the null hypothesis is accepted that societal expenditure has no significant effect on accounting conservatism in banking industry in Nigeria.

Model Two: Impact of Employee Relations Expenditure on Accounting Conservatism

Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	1.554090	3	0.6698

The Hausman chi-square statistic stood at 1.554 with probability value of 0.6698. Since the probability value is greater than 0.05, it therefore depicts that there is no significant difference between the fixed-effect and random-effect models. As such, the random-effect estimation is appropriate.

Table 4.2.2: Impact of Employee Relations Expenditure on Accounting Conservatism of Selected Deposit Money Banks(Random-Effect Estimation)

Variable	Coefficient	Standard Error	T-Statistic	Prob.
C	0.843285	0.165043	5.109472	0.0000
ERE	0.001140	0.001679	0.679071	0.5002
SIZE	0.003345	0.006325	0.528813	0.5993
LEV	-0.245140	0.176759	-1.386862	0.1716
R-squared	0.073189			
Adjusted R-squared	0.017580			
Prob (F-Statistic)	0.279530			
Durbin-Watson stat	0.692019			

Source: Researcher's Panel Regression Result

The result above showed the random-effect estimation of the effect of employee relations expenditure on accounting conservatism. The coefficient of determination indicates that the explanatory variables- employee relations expenditure, firm size and leverage explained 7% variation in accounting conservatism. The constant term of the model connotes that the ratio of the book-value of shares to market-value would be 0.84 given that the explanatory variables are assumed to be zero. The result revealed that firm size has positive but insignificant effect on accounting conservatism while leverage has negative but insignificant effect on conservatism. Also, employee relations expenditure has insignificant positive effect on accounting conservatism.

The coefficient and probability value of employee relations expenditure are 0.0011 and 0.50 respectively. Since the probability value of employee relations expenditure is greater than 0.05, it indicates that it has no robust impact on accounting conservatism. Thus, the null hypothesis is accepted that employee relations expenditure has no significant effect on accounting conservatism in banking industry in Nigeria.

Model Three: Impact of Environmental Management Expenditure on Accounting Conservatism

Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	2.023374	3	0.5676

The Hausman chi-square statistic stood at 2.02 with probability value of 0.57. Since the probability value is greater than 0.05, it indicates that there is no significant difference between fixed-effect and random-effect models. As such, the random-effect estimation is appropriate.

Table 4.2.3: Impact of Environmental Management Expenditure on Accounting Conservatism of Selected Deposit Money Banks(Random-Effect Estimation)

Variable	**Coefficient**	**Standard Error**	**T-Statistic**	**Prob.**
C	0.761109	0.180988	4.205294	0.0001
EME	0.000435	0.004692	0.092740	0.9265
SIZE	0.002289	0.006441	0.355305	0.7239
LEV	-0.294965	0.166800	-1.768377	0.0831
R-squared	0.064353			
Adjusted R-squared	0.008214 0.339564			
Prob (F-Statistic)	0.694208			
Durbin-Watson stat				

Source: Researchers' Panel Regression Result

The result above showed the random-effect estimation of the impact of environmental management expenditure on accounting conservatism. The coefficient of determination revealed that 6% of the variation in conservatism is explained by the explanatory variables – environmental management expenditure, firm size and leverage. The constant term of the model indicates that the ratio of book value of shares to market value would be 0.76 on the axiom that the explanatory variables are zero. The result revealed that firm size and leverage have positive and negative impact on conservatism, but their effects are negligible. Also, environmental management expenditure was found to have insignificant positive impact on accounting conservatism.

The coefficient and probability value of environmental management expenditure are 0.0004 and 0.93 respectively. This indicates that environmental management expenditure has little impact on accounting conservatism given the fact that its probability value is greater than 0.05. To this end, the null hypothesis is accepted that environmental management expenditure has no significant effect on accounting conservatism in banking industry in Nigeria.

4.3 Discussion of Findings

Findings from the random-effect estimation indicated that corporate social responsibility surrogated as societal expenditure, employee relations expenditure and environmental management, has no strong impact on accounting conservatism in selected deposit money banks in Nigeria. This connotes although CSR contributes to conservatism, the effect of its magnitude is meager. The negligible impact of CSR could be attributed to the fact that Nigerian deposit banks are not fully complying with the code of corporate social responsibility. The code of corporate social responsibility mandates every registered organization to contribute to the economic, social and environmental development of their host communities. From the available data on accounting conservatism, which is represented by the ratio of book value of shares to market value shares, indicates that selected deposit money banks have a book value of shares to market value of share ratio less than one, which indicates a poor conservative practice. For clarity, conservatism ratio of First Bank averaged 0.885 between 2011 and 2016, Zenith Bank – 0.922; Union Bank – 1.078; GTB -0.873; Diamond Bank – 0.812; Wema Bank – 0.773; Sterling Bank – 0.743; UBA -0.938 and Fidelity Bank - 0.778 (Computed from Data in Appendix). As stated above, out of the nine banks, only one- Union Bank had an acceptable level of conservative practice between 2011 and 2016. This further buttresses the assertion that Nigerian deposit money banks are underperforming in conservative practices.

In another sense, some studies have advocated for the abandonment of corporate social responsibility amongst private enterprises. Arguments have been ongoing on the necessity of corporate social responsibility. Scholars such as Aras, Aybals and Kutlu (2010) contended that CSR should be shunned by private firms because it is a waste of time, finance and efforts and emblematizes the dissipation of organizational resources to unprofitable and unproductive projects and also because they have no legal and democratic justifications to pursue those programmes. On the other hand, some sets of scholars such as Cheng and Kang (2016) and Karsalari, Agahee and Ghasemi (2017) argued that CSR is important objectives every firm must achieve as it tend to enhance profitability; conservative practices and builds internal and international reputation.The non-significance of the CSR on accounting conservatism can equally be linked to the fact that deposit money banks, being private firms, are preoccupied to achieving the two most important organizational objectives which are maximization of profit and maximization of shareholders' wealth.

However, the findings of the study is consistent with the empirical results of Rebecca, Felix and Onyeisi (2015) who discovered that corporate social responsibility has positive impact on accounting conservatism amongst Nigerian quoted firms. Furthermore, the finding aligns with the result of Hayn (2009) who found no significant relationship between corporate social responsibility and discretionary accruals among Indonesian mining companies. On the other hand, the results negated the findings of Karsalari, Aghaee and Ghasemi (2017) who found that corporate social expenditure has adverse effect on conservatism among listed firms in Tehran Stock Exchange.

5.1 CONCLUSION

The study provided an empirical evidence of the effect of corporate social responsibility on accounting conservatism among Nigerian deposit money banks. Conservatism in this regard is represented by the ratio of book value of shares to market value of share while corporate social responsibility was surrogated by expenditure on societal development, employee welfare and environmental management. Based on the findings, the study concluded that although corporate social responsibility promotes accounting conservatism in the Nigerian banking sector, but its impact is not robust.

5.3 RECOMMENDATIONS

In an attempt to improve conservative practices in the Nigerian banking sector through corporate social responsibility, the following recommendations are proposed:

1. Efforts should be made to promote understanding of managers, suppliers of corporate capital (shareholders) and stakeholders in the application of desirable conservative practices in the Nigerian banking sector.
2. Given that the effectiveness of the application of various types of conservatism in the financial statements of banks' stock value, bank managers are encouraged to make reasonable assumptions about the preparation of financial statements and to refrain from providing many conservative reports.
3. Users of financial statements are advised not to totally rely on the financial statements of banks in their decisions, but to consider the banks' owners and other social responsibility features.
4. As corporate social responsibility has cost implications linked up with it, there is need for the employees to become more effective and efficient in discharging their functions. By being effective, banks can provide services at least cost which by extension implies that part of the money saved could be used in meeting responsibility issues.
5. The financial reporting council and other allied bodies should ensure clarity and provide rules with probably less discretionary tendencies for management to manipulate. Also, government should come up with clearly defined regulations on how to go about social responsibility issues and should ensure its full implementation.

5.4 Contribution to Knowledge

To this end, the study covers gap in literature by examining the effect of corporate social responsibility on accounting conservatism in banking industry in Nigeria by using the ratio of book value of shares to market value of shares as a proxy toaccounting conservatism

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