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INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMER GOODS FIRMS IN NIGERIA

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ABSTRACT

This study assessed the responsiveness of firms' market value to corporate social responsibility of consumer good firms in Nigeria. Specifically, the study aimed to determine the effect of corporate social responsibility on price to book value of consumer goods firms in Nigeria. The relevant literature to the study was reviewed to identify and fill the existing gap. The theoretical frameworks adopted for the study was legitimacy theory. The study employed simple linear regression using panel data analysis to assess the influence of price to book value to CSR of consumer good firms for the period 2008-2017. The findings showed that price to book value of the sampled firms were positively influenced by corporate social responsibility. Based on the findings among others, it was recommended that firms that are corporate social responsibility compliant should internalize costs rather than externalizing the actual costs of their operations onto the wider society

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Keywords: CSR, Price to Book Value, Consumer Goods Firms.

INTRODUCTION

In recent time, corporate social responsibility has become a regular business activity. Companies have increasingly incorporated environmental, social and governance aspects into their market and non-market strategies. The nature of corporate social responsibility focuses on the interests and connections of the external relations between the stakeholders and how they see and expect the realisation of the sustainable development of the company (Skare & Golja 2014).

To an extent, it is beneficial for companies to embark on corporate social responsibility before it can help them gain the support from investors, stakeholders and thus improve the internal and external environment for their sustainable development (Edmans, 2011). As noted by Porter & Kramer (2006), in the shared value framework "that creating social value by addressing society's needs and challenges can also create economic value for the business and shareholders".

Corporate social responsibility is an effective strategy for strengthening a company's public image; avoiding regulation: gaining legitimacy and access to the markets and decision-makers; and shifting the ground towards privatisation of public functions. Companies are essentially applying arm twisting tactics on the government about an issue relating to control with the argument that it will threaten the positive work they are doing. Many businesses support corporate lobbying against regulation, arguing that "regulation can only defend against the bad practice – it can never promote best practice (Baker, 2001). Corporate social responsibility enables companies to propose 'ineffective', voluntary, market-based solutions to social and environmental crises under the guise of being responsible.

The aim of the study is to: Assess the effect of corporate social responsibility on the price to book value (PB) of consumer goods firms in Nigeria.

Review of Related Literature

Measures of Corporate Social Responsibility

Corporate social responsibility isn't equivalent to moral conduct; however it is a significant segment of such activity. For the most part, companies are treated by the general public as though they were people, with huge numbers of the rights and obligations of the human individual. Social orders have stretched out these rights to enterprises with the understanding that the obligations are likewise satisfied and the exercises of the organization are of advantage to that society (Sweeney, 2006).

The premise of moral guideline is "Do great… stay away from malevolence/hurt" to self as well as other people. Shockingly, the degree to which organizations have respect for non-investor partners isn't known in light of the fact that there is no deliberate estimation of what those organizations do. While a few organizations report on their commitments to social and network ventures, others give records of the social and natural effects. These will in general pressure the positives just, while a few organizations don't report by any means. (Crisostomo, Freire and De Vascincellos, 2011).

This absence of clearness is along these lines a solid contention for moving towards a typical and practically identical detailing plan, for example, that offered by the Global Reporting Initiative (GRI). This empowers shoppers, investors and even governments to take choices with exact data that are similar.

Under Nigeria's Corporation laws, business administrators have a lawful commitment to expand returns. This necessity is free of some other objectives stipulated in an organization's reminder and article of affiliation. Organizations settling on socially and ecologically based choices are required to legitimize them dependent on investor premiums as it is better over the long haul. A firm can win a decent notoriety by being socially dependable. The organization can build productivity if the network perceives that it is acting capably, however will at present choose what to do if there are some lawful yet unscrupulous practices that is in the investors premium and is probably not going to be found by people in general or hazard the organization's notoriety. The organization may by so doing almost certainly submit the untrustworthy demonstration, hurting the network simultaneously.

In any case, the avocation of keeping up the organizations' notoriety stays restrictive on boosting benefit. Indeed, even the network realizes that benefit remains the main genuine primary concern (Lin, Yang and Liou, 2009).

Price to Book Ratio (P/B)

The cost to book proportion is a budgetary proportion used to contrast an organization's present market cost with its book esteem. It is likewise once in a while alluded to as market-to-book proportion or cost to-value proportion. The cost to book worth mirrors the financial specialists' future desires towards and trust in a firm as it uncovers whether the speculator is paying above what might be left should the organization fail. The cost to-book proportion is an essential proportion of the relative worth that the commercial centers on a portion of the stock. For every one of its deficiencies, stocks book esteem for each offer remains the best effectively open proportion of the advantages which lie behind each offer (Barnett, 2007). As opined by Branch and Gale (1983), the proportion of this per offer book an incentive to the securities exchange's cost gives an exceptionally helpful record of how much esteem the commercial centers on the firm as a going concern (market cost of stock) instead of the heap of benefits (book esteem per share) that the administrators need to work with. The higher the cost to book esteem, the more positively the market sees the organization and its prospects (Banz, 1981).

Organizations utilize the cost to-book an incentive to think about a company's market-book-esteem by isolating value per share by book esteem per share. The cost to-book proportion mirrors the worth the market members join to an organization's value in respect to its book estimation of value (Hoepner, Yu and Ferguson, 2010). At the point when speculators expect that an organization can make more (showcase) esteem with its advantages in contrast with comparative organizations, the value book-proportion diminishes and all things considered, financial specialists see venture opportunity in the organization (Juscius and Jonikas, 2013). Organizations with high speculation openings will in general have higher market esteem, which additionally lead to lower book-showcase proportion as venture open doors are relied upon to create higher long haul development in income and money streams.

A financial exchange's worth is a forward-looking metric that mirrors an organization's future money streams, while the book estimation of value is a bookkeeping measure dependent on the recorded cost rule, and reflects past issuances of value expanded by any benefits or misfortunes, and diminished by profits and offer buybacks (Fama and French, 1995).

Theoretical Framework

Legitimacy Theory was used in this study to explain the motivation of firms that embark on CSR in order to enhance their market value. Authenticity might be a summed up observation or supposition that the activities of an element are captivating, appropriate and worthy at interims inside some socially made arrangement of standards, qualities, convictions, and definitions (Deegan, 2002). Authenticity hypothesis originates from structure that has been delineated by Dowling and Pfeffer (1975) as "a condition or status which exists once an element's worth framework is consistent with the value arrangement of the bigger social association of which the substance might be a section". When a disparity, real or potential exists between the two value frameworks, there is a risk to the element's authenticity.

Typically, authenticity hypothesis is utilized to clarify social and ecological reports exposure, yet it can likewise be utilized in corporate report as one conceivable authenticity/responsibility announcing structure to speak with the investors and explain the significance of this relationship. Along these lines, organizations attempt to legitimize their corporate activities by participating in Corporate-Social-Responsibility answering to get the endorsement from society and accordingly, ensuring their proceeded with presence. Authenticity hypothesis depends on the observation that the rights and responsibility of organizations originate from society. Business needs to work inside the limits of society, which incorporate arrangement of better merchandise and enterprises to the general public. As association is a piece of a huge society framework and business needs to work inside a social framework, with no negative effect to society (Deegan, 2002).

The three types of authenticity as distinguished by Suchman (1995) are: down to earth (in light of crowd personal circumstance) which is utilized regarding control and earning cultural help. These three structures have been utilized to clarify the connection of Corporate-Social-Responsibility with authenticity hypothesis.

Authoritative authenticity is definitely not a stable yet a variable state and this changeability isn't on fleeting yet in addition spatial or crosswise over partner and social gatherings. In this way, contingent upon an association's view of its state or level of authenticity, an association may utilize 'legitimation' techniques (Lindblom, 1983).

Authenticity hypothesis has an or more over various speculations in that it gives uncovering ways that associations may adjust to real their reality which might be exactly tried.

Empirical Review

Alsaid (2016) observed in his work, “Do Consistent CSR Activities Matter for Firm Value”? that investing in CSR activities consistently and strategically may increase firm’s profitability and firm’s value. The result for the control variables show that leverage and profitability have positive correlation in both regressions while market-book-value has a significant negative relation.

Haryono and Iskander (2015) in the study “Corporate Social Performance and Firm Value” used the Tobins Q and price-to-book value as the indicators of the firm value. The result suggests that the application of corporate social responsibility and the information disclosure about it increase the corporate financial performance which in turn increases the firm’s value for the investors and shareholders.

Branch, Sharma, Gale, Chichirau and Proy (2008) in the study , “A Price-to-Book Model of Stock Process” focused on four basic forces to explain the cross section and time series variability in price-to-book ratio, such as, the time series variability in the yearly average, profitability levels, growth variables, and risk variables. The result shows that profitability is particularly powerful in explaining variability of price-to-book ratio.

Razafindrambinina and Sabran (2014), examined "The Impact of Strategic Corporate Social Responsibility on Operating Performance: An Investigation Using Data Envelopment Analysis in Indonesia". The aim of the study was to investigate the relationship between strategic corporate relationship including its individual elements and operating performance. Price-to-book ratio here demonstrates a positive relationship with return on assets, which implies that an increase in it will result to a higher operating performance which invariably impacts the corporate social responsibility of the firm.
Smprini and Ouzouni (2010) examined "Financial Performance and Corporate Social Responsibility: An Empirical Investigation in Banking Industry". The study explored the relationship between corporate social responsibility and financial performance in the banking industry. They attempted to solve the problem using some financial performance indicators – Return on Assets, Return on Equity, Price-to-Book Ratio, Annual Returns and a number of control variables. The result of the investigation seems to support that there is no strong evidence of positive relationship between corporate social responsibility and financial performance.

Myskova and Hajek (2017) reviewed, "the comprehensive assessment of firm financial performance using financial ratios and linguistic analysis of annual reports". The study deals with the analysis of the annual reports of U.S firms from both points of view: a financial one based on a set of financial ratios and a linguistic one based on the analysis of other information presented by firms in their annual reports. The Price-to-Book Ratio showed advantage in its focus on multiple components of equity, not only on net income. The result shows that the proposed topic dictionaries can be beneficial, especially for the assessment of cash flow and leverage ratios.
Pijourlet (2013) reviewed "Corporate Social Responsibility and Financing Decisions" with the aim of ascertaining whether corporate social responsibility performance affects capital structure; debt- equity choice; and size of equity issuances. Among the control variables used, the result showed that size and price-to-book ratio are positively and significantly associated with a higher probability of issuing debt. Corporate Social Responsibility performance appears to be a significant determinant of firm's financing choices because it modifies costs and advantages of different sources of financing.

METHODOLOGY
The study employed the Ex-Post facto design and detailed content analysis of annual financial reports **and** was carried out on the quoted companies listed on Nigerian Stock Exchange. However the researcher concentrated on Consumer Goods Sector of The Nigerian Stock Exchange. Secondary data was utilized in this study for the purpose of the content analysis**.** The period of study covered is ten (10) years (2008 – 2017).
The sample of this study was drawn from the twenty one (21) companies listed on consumer goods sector of Nigerian Stock Exchange. However, six (6) firms were dropped for reason of inactivity in the capital market. This selection of fifteen (15) companies out of the twenty one (21) listed companies was accomplished by picking the companies that were active in the capital market during the period of study.

Model Specification

The model specification for this study is related to previous research efforts in the area of study. The Simple Regression Model was used in this study to determine the influence between the variables and make predictions as they relate to the variables. The Regression Model is represented as;

$$\mathbf{Y' = a + \beta X} \text{ ....}\mathbf{(i)}$$

Where, Y = independent variable
X = explanatory variable
β_0 = intercept of Y
β = slope of coefficient
ε = error term.

Explicit representation of the model:

Corporate Social Responsibility= f(share price)

$$CSR = \beta_0 + \beta \ P\_BV + \varepsilon_t \text{..................}(ii)$$

Where,

CSR = Corporate Social Responsibility
P_BV = Price to Book Value
ε_t= error term

Ordinary least squares (OLS) of the form of general regression model was used to assess the effect of the explanatory variables on the independent variable in the linear equation that was expressed as:

$$Y_{it} = \beta_0 + \beta x_{it} + \varepsilon_t \text{...}(iii)$$

In line with the objective of this analysis, the research variables are ordered into dependent and independent variable.

Descriptive Statistics of the Variables

	SV	PBV	CSR
Mean	8.125414	0.531196	3.553771
Median	9.398309	0.483516	4.041167
Maximum	10.07918	2.691081	5.834488
Minimum	0.000000	-1.154902	0.150000
Std. Dev.	3.148012	0.479669	1.737240
Skewness	-2.130474	0.334123	-1.171756
Kurtosis	5.732017	5.262444	3.238011
Jarque-Bera	160.1225	34.78253	34.67936
Probability	0.000000	0.000000	0.000000
Sum	1218.812	79.67946	533.0656
Sum Sq. Dev.	1476.587	34.28232	449.6825
Observations	150	150	150

Source: *Authors' E-views Output, 2018.*

In the table, the descriptive statistics for the variables (corporate social responsibility and Price to Book Value), that operationalized the study in a common sample was presented. The maximum value for corporate social responsibility in our sample was ₦5.8m with a minimum value of ₦0.15m approximately. Also, the maximum value for Price to Book Value stood at 2.691081 with minimum values of (1.154902). The standard deviation of 0.479669 for the variable implied that those observations did not deviate so much from their mean of 0.531196. The skewness estimate was used to capture how the variables for the sampled firms lean to one side of the distribution. Hence, it was observed that PBV was positively skewed. This indicated that probability distribution of the variables means has fatter tails to the left of the distribution. It can also be observed that the relative skewness of the variables lied closer to zero which implied that the probability distribution was evenly distributed around their respective mean which guaranteed an approximate normal distribution.

Test of Hypothesis

Restatement of the Hypothesis in Null and Alternate forms:

Ho_1: Corporate social responsibility does not have a significant effect on price to book value (PV) of consumer good firms.

Ha_1: Corporate social responsibility has a significant effect on price to book value (PV) of consumer good firms.

Decision Rule

Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Presentation and Analysis of Result

Result of the Regression for Hypothesis

Dependent Variable: PBV

Method: Panel Least Squares

Date: 05/11/19 Time: 13:07

Sample: 2008 2017

Periods included: 10

Cross-sections included: 15

Total panel (balanced) observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR	0.042449	0.022577	1.880211	0.0421
SIZE	0.002470	0.028642	0.086231	0.9314
C	0.362126	0.223110	1.623086	0.1067

R-squared	0.723865	Mean dependent var	0.531196
Adjusted R-squared	0.610584	S.D. dependent var	0.479669
S.E. of regression	0.477124	Akaike info criterion	1.377718
Sum squared resid	33.46418	Schwarz criterion	1.437930
Log likelihood	-100.3288	Hannan-Quinn criter.	1.402180
F-statistic	1.796946	Durbin-Watson stat	1.550125
Prob(F-statistic)	0.169427		

Source: ***Author's E-views Output, 2018.***
In the table ,regression result indicated that price to book value was influenced by corporate social responsibility and size. The extent of the influence exerted on price to book value by corporate social responsibility is significant and positive. This implies that a unit increase in corporate social responsibility will have a corresponding increase in price to book value of the sampled consumer goods firms in Nigeria. Size proxied by turnover which was used as a control variable was seen to have a positive and insignificant impact on price to book value of the sampled consumer goods firms. The adjusted R^2 is 0.610584 and this reveals that about 61% of the variations in price to book value and size could be explained by corporate social responsibility while 39% could be explained by other factors.

Decision
The p-value of 0.0421 for corporate social responsibility is less than a-value of 0.05; therefore, H_0 was rejected and the alternate hypothesis accepted. However the study concludes that corporate social responsibility has significant and positive effect on price to book value while size which is the control variable have no significant effect on price to book value of the sampled consumer goods firms in Nigeria.

Summary of findings, conclusions and recommendations
This study examined the influence of corporate social responsibility on price to book value of consumer goods firms listed on Nigeria Stock Exchange. The result showed that price to book value was influenced by corporate social responsibility, and the extent of the influence exerted is significant and positive. The p-value of 0.0494 for CSR is less than the a-value of 0.05 and this implies that a unit increase in CSR will have a corresponding increase in price to book value of the sampled consumer good firms in Nigeria.
During the course of study, it was observed that most consumer firms in Nigeria pursuing corporate social responsibility were reactionary i.e. in response to rising communities' demand for such investments by companies
Based on the findings of the study, it was recommended that companies that are engaged in corporate social responsibility should internalize costs rather than externalizing the true cost of their operations onto wider society. A company working in the social interest should cover the cost of its CSR rather than seeking possible ways of externalizing them.

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