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EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON THE PRICE TO SALES RATIO OF FIRMS IN NIGERIA

MBAERI, CHIBUEZE CHARLES ***(MNIM)***
(Doctoral Student)
Department of Banking & Finance
Madonna University Nigeria,
Okija Campus
chukwubuezem@gmail.com

&

UGWU KEVIN OKOH ***(PhD, ANIM)***
Department of accountancy
Enugu State University of Science and Technology,
Enugu, Nigeria.
kevinugwu@ymail.com

&

ABADA UCHECHUKWU DANIEL ***(PhD, ACIB)***
Department of Banking and Finance
Madonna University, Okija Campus
Nigeia
ucheabada3@gmail.com

ABSTRACT
This study aimed to assess the responsiveness of firms' market value to corporate social responsibility of consumer goods firms in Nigeria. Specifically it sought to evaluate the effect of corporate social responsibility on the price to sales ratio of consumer goods firms. The theoretical frameworks adopted for the study was stakeholders theory and employed simple linear regression using panel data analysis to assess the responsiveness of firms' market value to CSR of consumer good firms for the period 2008-2017. The findings showed that corporate social responsibility has significant and positive effect on price to sales ratio of the sampled consumer goods firms in Nigeria. Based on the findings among others, it was recommended that Government should establish standard CSR policies and also enforce laws on firms that fail to adhere to its implementation.

Keywords: Corporate Social Responsibility, price to sales ratio, consumer goods firms.

INTRODUCTION
Corporate social responsibility has evolved from philanthropic activities such as donations, charity and relief work done by individuals and organisations to strategic programmes that

interlink with corporate sustainability and business responsibility (Mule, Mukras & Nzioka, 2016). Today, business strategies focus on identifying specific areas to select corporate social responsibility projects that address social problems and benefit a community to alleviate poverty, generate employment, and improve peoples' quality of life (Murya, 2016).

Business leaders are aware of the fact that in order to continue their business activities, they are dependent on the goodwill of the communities around which they operate (Musah 2018). They, therefore, strive to have a corporate social responsibility program in place and also have a clear strategy and action plan that will reflect its business values while addressing social and environmental aspects.

Corporate social responsibility (CSR) was thrown up as a response to the threat anti-corporate campaigns pose to companies' license to operate. Corporate social responsibility is, therefore, regarded as a contradiction in terms as companies are legally bound to maximise profits to shareholders. Challenge of profit maximisation above all other considerations suggests that companies are being insincere as any doubtful social benefits from corporate social responsibility outweigh by the losses to society in other areas. Firms are evidently, usually corporate social responsibility compliant only when they make a profit which ensures good returns to their investors, thereby enhancing their confidence in the firm.

The aim of the study is to evaluate the effect of corporate social responsibility on the price to sales ratio of consumer goods firms in Nigeria.

Review of Related Literature

Overview of Corporate Social Responsibility Practices in Developing Economies

Corporate social responsibility has turned into an inexorably huge factor in business activities. Globalization, developing worry for ecological corruption and clear social imbalance has put corporate social responsibility on the worldwide motivation. Practically speaking, a great part of the business exercises that have been named 'CSR' are driven by the worries of financial specialists, organizations, battle gatherings and shoppers situated on the planet's most extravagant nations. National CSR plans in creating nations have been less unmistakable globally, and have frequently not been marked 'CSR'. The outcome has been corporate social responsibility rehearses that are to a great extent surrounded in rich nations, at that point internationalized and moved to different organizations in less created nations and social settings through speculation and advancement help. The test for creating economies at that point is the manner by which best to shape a plan that has been to a great extent advertise driven and receptive to worries of rich nation partners (Ward, 2004).

In created economies as well, there is expanding acknowledgment among organizations that 'one-size fits all' way to deal with corporate social responsibility in activities around the globe is insufficient in reacting to the business drivers of socially dependable conduct. This has prompted a revived spotlight on topics of more noteworthy significance in creating economies-including the estimation of practical neighborhood venture and the job of business in neediness decrease (Fox, Ward and Howard 2002).

Price to Sales Ratio (P/S)

Cost to deals proportion is most valuable for contrasting organizations inside a part or industry. This is on the grounds that; 'typical' values for this proportion differ from industry to industry. The cost to deals proportion is determined by isolating stock cost by the income per share. It decides a stock's relative valuation.
Cost to deals proportion is viewed as a relative valuation measure since it is just helpful when contrasted with value deals proportion of different firms (Popa and Salanta, 2014, Park, Lee and Kim, 2014). Cost to deals proportion is valuable since marketing projections are viewed as moderately dependable. In the assessment of Tsoutsoura(2004), Hillman and Keim, (2001), cost to deals proportion is fitting to utilize when esteeming most sorts of stock however ought not be the sole measure for esteeming an organization.

Theoretical Framework
Stakeholder Theory was used to explain the motivation of firms that embark on Corporate Social Responsibility so as to enhance their market value. Freeman (2010) defined stakeholder as “any group or individual who can affect or is affected by the achievement of an organizations purpose”. Stakeholder theory has been articulated in a number of ways, but in each of these ways, stakeholders represent a broader constituency for corporate responsibility than stockholders.
Stakeholder theory looks at the relationships between an organization and others in its internal and external environments. It also looks at how these connections influence how the business conducts its activities. The original proposer of this theory is Edward Freeman and he recognized it as an important element of corporate social responsibility in his book, “Strategic Management: A Stakeholder’s Approach”. Freeman, (1984) opined that the core idea of stakeholder theory is that organizations that manage their stakeholder relationships effectively will survive longer and perform better than organizations that don’t.

The term ‘Stakeholder’ includes a wide range of interest groups who are involved in organization. As part of management theory, and practice, stakeholder theory takes a number of forms. Descriptively, some research on stakeholder theory assumes that the managers who wish to maximize their firms potential will take broader stakeholder interest into account. Normatively other management studies and theories discusses how corporations out to interact with various stakeholders. From an analytical perspective, a stakeholder approach can assist managers by promoting analysis of how the company fits into the lager environment, how its standard operating procedures affect stakeholders within and beyond the company. As opined by Deegan, Rankin and Voght (2000), stakeholder theory can be divided into two branches; the ethical (moral) branch and a positive (managerial) branch. The ethical branch is based on the premise that “all stakeholders have the right to be treated fairly by an organization, and that managers should manage the organization for the benefit of all stakeholders”. This implies that all stakeholders have the rights to be provided with information about how a company’s activities influence them. The positive branch is based on the argument that organizations will respond to society through stakeholder power in order to influence Corporate Management. Based on this perspective, organization will produce information targeted to the concerns and expectations of specifics groups or powerful stakeholders related to organization.

Accordingly, organizations aim to balance the expectation of all stakeholder groups through their operation. Firms need to secure their relationship with all stakeholders evenly.
Stakeholder theory was used in this study to explain the relationship between Corporate Social Responsibility and the responsiveness of firms' market value in consumer goods sector of Nigeria Stock Exchange.

Empirical Review
According to Acar Erdur and Kara (2014) in the study "Analysing the Effects of Corporate Social Responsibility level on the financial performance of Companies: An Application of Best Corporate Governance Index including Companies", they findings revealed that there is a meaningful and positive relationship between Corporate Social Responsibility and market value/book value ratio, return on equity ratio, return on assets ratio, leverage ratio and net profit. But on the other hand, there is no meaningful relationship between Corporate Social Responsibility and companies total sales and return on sales ratio.

Bidhari, Salim and Aisjah (2013) reviewed the Effect of Corporate Social Responsibility information Disclosure on financial performance and firm value in Banking Industry listed at Income-sia Stock Exchange. The result show that corporate Social Responsibility has impact on all financial performance measurements namely: Return on Assets, Return on Equity and Return on sales. However, while the impact on Return on Assets and Return on Equity are positive, that of the Return on sales is negative.
Simionescu and Gherghina (2014) examined Corporate Social Responsibility and Corporate Performance: empirical evidence from a panel of the Bucharest Stock Exchange listed Companies. The empirically investigated the relationship between Corporate Social Responsibility and Corporate Performance by using both accounting-based and market based performance accounting-based and market based performance measures. By employing panel data regression models without cross section effects, the researchers formed a negative relationship between Corporate Social Responsibility and Return on sales.

Poddi and Vergalli (2009) in the study, 'Does Corporate Social Responsibility Affect the Performance of Firms? analysed whether firms' performance is affected more by certification or by increasing sales. Their result seen to support the idea that Corporate Social Responsibility firms which are more virtous have better long run performance as they have some initial costs but obtain higher sales and profits due to several causes reputation effect, a reduction of long run costs and increased social responsible demand.
Palmer (2012) in his study "Corporate Social Responsibility and Financial Performance: Does it pay to be Good?" reviewed the impact Corporate Social Performance has on sales and gross margin in hopes of providing insight on sales strategies that can be implemented to maximize the impact of the relationship. The results however revealed that increase in Corporate Social Performance leads to a decrease in sales, which implies a decrease in customer base because less people are willing to buy the products at a premium.
Mwangi and Oyenje (2013) analysed "The relationship between Corporate Social Responsibility practices and financial performance of firms in the manufacturing, Construction and Allied Sector of the Nairobi Securities Exchange". The study used

regression analysis to establish the relationship between financial performance and Corporate Social Responsibility practice of firms. the correlation coefficient of 0.870 indicates a strong positive correlation between the dependent and independent variables taken together. However, on the analysis of the relationship between the individual independent variables and financial performance, the result showed that only efficiency (cost of sales/sales) had a significant inverse relationship.

Msua (2016), in her study "Relationship between Corporate Social Responsibility and the financial performance of the firm. A case study of Safaricm Ltd" analysed the relationship between Corporate Social Responsibility & financial performance using correlation and regression analysis which showed that there is a strong positive relationship between Corporate Social Responsibility and financial performance measures such as return on assets, return an equity, and return on sales of the company.
Awan & Saeed (2015) reviewed 'Impact of Corporate Social Responsibility on Firms' Financial Performance: A case study of Ghee and Fertilizer Industry in Southern Punjab-Pakistan. 'The results were robust and significant and they can be generalized for all the other industries in the region and in other developing countries. The evidence of the study proved the fact that the firms which are highly involved in Corporate Social Responsibility get better reputation, better sales, and better profitability besides satisfying the customers

Wissink (2012) examined 'A Test of the virtuous Cycle of corporate social responsibility: Testing the relation between Corporate Social Performance and Corporate Financial Performance by means of three different accounting variables: return on Assets is used to measure how well a company can turn its assets into revenue, return on equity measures the return on ownership equity, and return on sales is used to determine the operating performance. Better corporate social performance result in better corporate financial performance and vice versa. Both return on assets and return on sales take part in this cycle; however, return on equity is not associated with subsequent corporate social performance and subsequent social performance is not related to subsequent return on equity.

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;

Y' = a + β X ....**(i)**

Where, Y = independent variable

X = explanatory variable

β_0 = intercept of Y

β = slope of coefficient

Ɛ = error term.

Explicit representation of the model:

Corporate Social Responsibility= f(share price)

CSR = $\beta_0 + \beta$ P_SR + ε_t..................**(ii)**

Where,

CSR = Corporate Social Responsibility

P_SR = Price to Sales Ratio

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:

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

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

Descriptive Statistics of the Variables

	SV	P_SR	CSR
Mean	8.125414	0.065648	3.553771
Median	9.398309	0.107210	4.041167
Maximum	10.07918	1.019116	5.834488
Minimum	0.000000	-1.154902	0.150000
Std. Dev.	3.148012	0.428615	1.737240
Skewness	-2.130474	-0.493279	-1.171756
Kurtosis	5.732017	2.747824	3.238011
Jarque-Bera	160.1225	6.480553	34.67936
Probability	0.000000	0.039153	0.000000
Sum	1218.812	9.847141	533.0656
Sum Sq. Dev.	1476.587	27.37287	449.6825
Observations	150	150	150

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

In the above table, descriptive statistics for the variables (corporate social responsibility and Price to Sales Ratio), that operationalized the study 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 Sales Ratio stood at 1.019116 with minimum value of (1.154902). The standard deviations of 0.428615 for the variable implied that the observations did not deviate so much from their mean

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of 0.065648. 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 the variables were negatively skewe. 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 sale ratio of consumer good firms.

Ha_1: Corporate social responsibility has a significant effect on price to sale ratio 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: P_SR
Method: Panel Least Squares
Date: 05/11/19 Time: 12:06

Sample: 2008 2017
Periods included: 10
Cross-sections included: 15
Total panel (balanced) observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR	0.062258	0.019762	3.150456	0.0020
SIZE	-0.009733	0.025071	-0.388210	0.6984
C	-0.083825	0.195289	-0.429233	0.6684

R-squared	0.563348	Mean dependent var	0.065648
Adjusted R-squared	0.550604	S.D. dependent var	0.428615
S.E. of regression	0.417629	Akaike info criterion	1.111351
Sum squared resid	25.63886	Schwarz criterion	1.171564
Log likelihood	-80.35132	Hannan-Quinn criter.	1.135813
F-statistic	4.970950	Durbin-Watson stat	1.368712
Prob(F-statistic)	0.008147		

Source: ***Author's E-views Output, 2018***

In the Table, regression result indicated that price to sales ratio was influenced by corporate social responsibility and size. The extent of the influence exerted on price to sales ratio by corporate social responsibility is significant and positive. This implies that a unit increase in corporate social responsibility value will have a corresponding increase in price to sales ratio of the sampled consumer goods firms in Nigeria. Size which was used as a control variable was seen to have a negative and insignificant impact on price to sales ratio of the sampled consumer goods firms. The adjusted R^2 is 0.550604 and this reveals that about 55% of the variations in price to sales ratio could be explained by corporate social responsibility and size while 45% could be explained by other factors.

Decision

The p-value of 0.0020 for corporate social responsibility is less than a-value of 0.05; therefore, H_0 was rejected and the alternate hypothesis accepted. Though, the control variable output being size of firms do not have similar outcome with CSR test. However the study concludes that corporate social responsibility has significant and positive effect on price to sales ratio of the sampled consumer goods firms in Nigeria.

Summary of findings, conclusions and recommendations

This study examined the effects of corporate social responsibility on the price to sales ratio of consumer goods firms listed on Nigeria Stock Exchange. The regression result indicated that price to sales ratio was influenced by corporate social responsibility. The p-value of 0.0021 for CSR is less than the a-value of 0.05. By this, the study concluded that CSR has significant and positive effect on price to sales ratio of consumer good firms in Nigeria.

All the firms in this sector (consumer goods) that are active in the capital market were examined. The social responsibility of firms were arrived at using the summation of the donations and environment cost which is clearly mentioned in corporate social responsibility, core values, and other statements in the annual reports.
Based on the findings of the study, it was recommended that government should establish standard corporate social responsibility policies and encourage firms on its implementation and also enforce laws on firms that fail to adhere to its implementation. Embracing this policy will ensure a boost in the price to sales ratio of the firms.

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