FACTORS NECESSITATING COMMERCIAL BANKS AND MANUFACTURING FIRMS’ INVOLVEMENT IN CORPORATE SOCIAL RESPONSIBILITY IN NIGERIA

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Received: 01st September 2016 / Revised: 13th November 2016 / Accepted: 23rd December 2016


ABSTRACT

This research investigates the factors necessitating commercial banks and manufacturing firms’ involvement in Corporate Social Responsibility (CSR) in Nigeria comparatively. The purposive sampling was used in selecting five commercial banks and five manufacturing firms. Primary data were gathered with the aid of questionnaires from 216 respondents of 250 selected respondents from bank, and 205 respondents out of 250 selected respondents from manufacturing firms. 50 copies of the questionnaires were distributed to each company. All respondents selected were involved in CSR activities of their companies. Factors necessitating companies’ involvement in CSR were examined with analysis of variance. The research reveals that t-test value is -0.39 and p-value is 0.8, which shows that there is no significant difference between factors necessitating of the commercial banks and manufacturing firms’ involvement in CSR. The research recommends the corporate organizations to give attention to CSR initiatives as these lead to improvement of customers loyalty, improvement of the positive image of the organization, improved relationship with local communities, and enhances shareholders values as well as improved relations with public authorities amongst others.

Keywords: corporate social responsibility, commercial banks, manufacturing firms, Nigeria

INTRODUCTION

All organization engaging in business activities operate in environments characterized by dynamism, complexity, and competitiveness. Generally speaking, organizations do not exist in a vacuum as their existence is derived from the society. In fact, in some situations, business organizations cannot operate unless they are given what is popularly referred to as the License To Operate (LTO) by the immediate society where it operates. The expectations of the society from business have increased in recent years (D’Amato, Henderson, & Florence, 2009). This is further aggravated by high levels of insecurity and poverty, ozone depletion, and mistrust of big businesses. There is growing pressure on business managers and their organizations to contribute to wider societal value (Jenkins, 2004).

The need for organizations to survive in today’s fierce and competitive market causes many managers to rethink the way they do business to remain relevant to their stakeholders in a new dimension (Idowu, 2012). The desire to reposition their companies for better performance has prompted many Nigerian corporations to adopt Corporate Social Responsibility (CSR) as corporate strategy for boosting their Financial Performance (FP) (Eweje, 2006).
The amount of attention given to CSR by stakeholders as well as business managers in recent years has increased. In addition, there may be the further increase in future (Luper, 2012). In Nigeria, business organizations operating in the country are witnessing the increased influence and pressures from different interest groups such as stronger labor unions, more active consumer groups, changes in social expectation of consumers, increase in consumers influence and affluence, supportive external stakeholders, militant youths as well as the increased government regulations. These have added greater impetus to the demand by various parties that corporations should be more socially responsible than ever before.

Over the past several years, a growing number of business organizations has discovered the importance of CSR initiatives and practices to business. Their experiences are encouraged by a growing body of research studies that are concluded with the positive relationship between CSR and financial performance and are not in any way harmful to the maximization of value for the shareholders.

CSR has grown dramatically in recent years (Blowfield & Murray, 2008; Ojo, 2008; Idowu, 2014) with many companies, irrespective of their size and ownership structures, develop innovative CSR strategies. The existing literature revealed few empirical studies on CSR in Nigeria and the majority of them concentrated on multinational oil companies in the Niger Delta (Amaeshi, Adi, Ogbechie, & Amao, 2006). Due to the paucity of research on CSR initiatives of commercial banks and manufacturing firms in Nigeria, this research examines the factors necessitating commercial banks and manufacturing firms’ involvement in CSR in Nigeria.

A major problem with the conceptualization of CSR is that there is no single definition that has been agreed upon. Although there is growing academic research on CSR, this has rather contributed to the extension of the array of definitions (Blowfield & Murray, 2008) and an even greater variety of approaches to CSR (Melé, 2008; Idowu, 2014). This is a puzzling phenomenon as Crane, McWilliams, Matten, Moon and Siegel (2008) acknowledge that for a subject that has been studied for so long, it is unusual to discover that researchers still do not share a common definition or a set of core principles. Nevertheless, despite the degree of ambiguity, CSR has become a major area of research and agreed upon certain aspects of what CSR means (Crane et al., 2008).

Different authors have defined CSR concept differently. Besides, some of these descriptions are inescapably guided by many factors such as exposure, interest, educational background and values embodied in the writer’s frame of reference (Ojo, 2008). CSR is defined in numerous ways and what is particularly paradoxical is that large numbers of business people have enthusiastically embraced the concept of CSR during the past thirty years. However, much consensus is yet to emerge about what CSR stands for (Carroll & Buchholtz, 2000). There is a general lack of a clear paradigm for CSR research, which means CSR is broad, diverse and has views from many disciplines, perspectives, and ideologies.

Corporate social responsibility concept is based on the premise that the responsibility of business organizations to society is more than maximization of profit. Many definitions of CSR have been given by different authors making the concept to be fuzzier (Henderson, 2001; Gobbel, 2002; Van Marrewijk, 2003) and opening to some different and conflicting interpretations (Winders, 2001). According to Jones and George (2003), social responsibility referred to a manager’s duty to make decisions and take actions that enhanced and promoted the welfare of all types of stakeholders and community at large.

Opponents of CSR argue that the business is business. They also added that a company that lawfully competes and prospers has done good enough to better off the society of its operation. Similarly, Friedman (1970), a neoclassical economist, is the most well-known critic for rejecting the concept of CSR. In his widely cited essay, Friedman (1970) criticized the claim that corporations should have a social conscience. He stressed the fact that the one and only one legitimate social responsibility of business was to use its vast resources and involved in those activities that could help to expand and increase its profits for the shareholders. However, the organization had to conduct its business activities within the confines of stipulated rules and regulations in its milieu. In other words, the organization had to carry out its activities in open and free competition without involvement in anything that was called deception or fraud. Critics of CRS present salient arguments against social responsibility. There are several points in the arguments.

First, the most prevalent criticism against CSR is the classical economic doctrine of profit maximization. According to this view, the function of business is an economic one, and economic values are the sole criteria used to measure business performance. The manager is the agent of the owners of the business, and all of his decisions are controlled by his desire to maximize profit for them (Melé, 2008). According to the opponents of CSR, diverting resources from the firm to programs that are meant for the society, in general, precludes the principles of the competitive marketplace, and denies shareholders of their rightful economic gain.

Secondly, the costs of social responsibility are usually high. Many social goods do not pay their way in an economic sense. Therefore, someone must pay for them. Although it may be argued that some businesses usually have very substantial economic resources, these resources are not infinite, which means that they must be spent wisely. The cost of social obligations can be very expensive and may cause firms to forgo attractive business investments, or even to go out of business. As Doane (2005) pointed out, corporate investments in things like helping the society became a luxury. It also was often stopped when the going got rough.
Third, most businessmen do not have the skills and training to tackle social problems effectively. Some critics of CSR argue that corporate executives are not qualified to make decisions about the community and the environment. Therefore these decisions should be left to those who are qualified, namely elected government officials (Buchholz & Rosenthal, 2004). The outlook and skills of businessmen are primarily economic. They are not trained to pursue social goals. Therefore they may suffer from lack of the necessary skills and perceptions do deal with social matters. If they are forced to do so, it may lead to serious consequences (Moon & Vogel, 2008).

On the contrary, proponents of CSR include members of international development agencies like World Bank, the United Nations and other world wide organizations like World Business Council for Sustainable Development, the African Institute for Corporate Citizenship and Ethos Institute. Those who believe that CSR programs can contribute to the development by pointing out the benefits of such programs to develop countries and corporations. While the primary objective of CSR is ostensible to benefit society, one of the ways CSR advocates often convinces corporations to engage in more socially responsible practices is by making a business case for CSR, and arguing that CSR can be mutually beneficial to society and a company financial bottom line (Ojo, 2015). In other words, a business must be socially responsible in addition to making profits.

Over the last few decades, the expectations of society from business organizations have increased in no little way. There is the need for business to identify the expectations of the society of its operation to grow and survive in the long run. Businesses are socially responsible for reaping long-term interest (Carroll & Buchholtz, 2000). Many critics are convinced that the organizations have caused many social problems and are obligated to solve them. The general view of managers is that the business organizations should pursue both social responsibility and economic goals. Moreover, social responsibility behavior will create a positive public image for business since good public opinion is a precondition to the success of the business, and the ears of business managers are turned to the public opinion. Therefore, the business manager must seek and maintain a proper image of their business in the public mind by performing their social obligations. This will result in increased sales, attraction of good employees, access to financing, and other benefits. CSR can help companies to manage risk, and improve their reputation and public image by strengthening the ties between companies and the communities in which they operate (Hopkins, 2004; Sayer, 2005). According to Goddard (2005), business activities in which the society benefits was from the increase of the level of social participation could generate positive attitudes towards both the public and private sectors.

Authors such as Frynas (2005) and Vogel (2005) argued that CSR gave companies a competitive advantage particularly when vying for contracts. For example, Frynas (2005) observed that in some oil-producing countries, socially responsible oil companies had been favored by governments when awarding concessions to oil and gas. In addition, international buyers of the supply chain had favored small and medium-sized enterprises that had made a greater commitment to being socially and environmentally responsible.

**METHODS**

The survey research design method was applied. The research population was the total of all staff that was involved in CSR activities of selected commercial banks and manufacturing firms. The sample size for this research was determined by the following formula as suggested by Krejche and Morgan (1970).

\[
 s = \frac{X^2NP(1 - P) + d^2(N - 1) + X^2P(1 - P)} {0.05^2(480 - 1) + 3.841x0.50(1 - 0.50)} = 213.6114008 \approx 214
\]

Thus, the sample size for commercial banks was 214 staffs. However, 216 staffs were used for the analysis. In the same vein, the total number of staff involved in the determination of CSR activities of manufacturing firms is 440. Referring to the formula, the sample size was:

\[
 s = \frac{X^2NP(1 - P) + d^2(N - 1) + X^2P(1 - P)} {0.05^2(440 - 1) + 3.841x0.50(1 - 0.50)} = 205.326 \approx 205
\]
Therefore, the sample size for manufacturing firms was 205 staffs. In selecting the samples, the purposive sampling method is used. The sample selection was the result of the researchers’ opinions whose elements provided the best desired basis and probability of good outcome (Ojo, 2003). The response structure for the questionnaire follows Rensis Likert’s summated rating scale of 1 to 5 points where 1 = Strongly Disagree; 2 = Disagree; 3 = Undecided; 4 = Agree; and 5 = Strongly Agree. Data collected from the questionnaires were analyzed, summarized, and interpreted according to the aid of descriptive statistical techniques such as total score and simple percentage. While analysis of variance was used to prove the level of significance in testing stated hypothesis.

RESULTS AND DISCUSSIONS

The respondents’ decisions towards the factors necessitating commercial banks and manufacturing firms’ involvement in CSR are presented in Table 1. Each variable will be discussed.

First, CSR is one of organization ethical obligations. Respondents are asked whether CSR is one of the organizations ethical obligations or not. 8.8% and 25.6% of the respondents from commercial banks strongly disagree and disagree respectively with the statement. 35.8% of the respondents are undecided about the statement. 25.6% and 4.2% of the respondents disagreed and strongly disagreed respectively with the statement. Moreover, in manufacturing firms, 7.3% and 26.8% of the respondents strongly agree and agree respectively with the statement. Then, 37.3% are undecided about the statement. 24.4% of the respondents disagree with the statement, and another 3.9% of the respondents strongly disagree with the statement. It implies that majority of the respondents from commercial banks and manufacturing firms do not believe that CSR is one of the ethical obligations of their companies.

Second, regarding the improvement of customers loyalty, a large proportion of the respondents from commercial banks that are 53.0% and 34.0% strongly agree and agree respectively with the statement that CSR activities lead to improvement of customers loyalty. 11.2% of the respondents are undecided with the statement. Moreover, 0.9% and 0.9% disagree and strongly disagree respectively with the statement. In the case of manufacturing firms, 52.7% and 36.1% of the respondents strongly agree and agree respectively with the statement. 10.2% of the respondents are undecided about the statement. Next, 1.0% disagree and nobody strongly disagrees with the statement. It can be concluded here that majority of the respondents believe that CSR activities improve customers loyalty.

Third, with the statement to improve the relations between business partners and investors, 16.3% and 40.9% of the respondents from commercial banks strongly agree and agree respectively, and 23.3% are undecided. While 17.7% and 1.9% disagree and strongly disagree respectively with the statement. For the respondents from manufacturing firms, 16.6% and 41.5% of them strongly agree and agree respectively that CSR improves the relations between business partners and investors. 22.4% are undecided, while 17.6% and 2.0% disagree and strongly disagree respectively with the statement. The analysis from both commercial banks and manufacturing firms reveals that majority of the respondents think that CSR activities improve the relations between business partners and investors.

Fourth, for the economic performance improvement, 9.8% and 34.4% of the respondents from commercial banks strongly agree and agree respectively with the statement. Moreover, 30.2% are undecided while 16.3% and 9.3% disagree and strongly disagree respectively with the statement. Then, from the 205 respondents of manufacturing firms, 9.3% and 35.1% strongly agree and agree respectively with the statement. 30.5% are undecided while 15.6% and 9.3% disagree and strongly disagree respectively with the statement. Thus, it can be said that these organizations involve themselves in CSR activities because it improves the economic performance of the organizations in the form of cost reduction and sales increase.

Fifth, it concerns about the issue of employees’ job satisfaction. 7.0% and 26.5% of the respondents from commercial banks strongly agree and agree respectively with the statement that CSR activities improve employees’ job satisfaction. Then, 58.1% are undecided, while 6.0% and 2.3% disagree and strongly disagree respectively with the statement. As for respondents from manufacturing firms, 7.3% and 24.4% of them strongly agree and agree respectively that CSR leads to improvement of employees’ job satisfaction. 61.0% are undecided while 4.9% and 2.4% disagree and strongly disagree respectively. From this analysis, the majority of the respondents from commercial banks and manufacturing firms are undecided. This means that organizations involvement in CSR may not lead to the improvement in employees’ job satisfaction.

Sixth, it is the improvement of the positive image of organizations. 68.4% and 24.7% of the respondents from commercial banks strongly agree and agree respectively with the statement. Only 1.9% of the respondents are undecided while 5.1% disagree with the statement. None of the respondents strongly disagrees with the statement. Among the selected respondents from manufacturing firms, 69.8% and 13.9% strongly agree and agree respectively. 1.5% of them are undecided, and 4.9% disagree. While none of the respondents strongly disagrees with the statement. The inference that can be drawn is that majority of the respondents from commercial banks and manufacturing firms agree that CSR activities do improve positive image of the organizations.

Seventh, when the respondents are asked whether enhancement of shareholders value is a motivating
Factors Necessitating Commercial Banks and Manufacturing Firms

Eighth, the respondents from commercial banks and manufacturing firms, are asked if pressure from third parties like competitors and NGOs motivate factor necessitating of their involvement in CSR. 1.4% and 16.7% of the respondents from commercial banks strongly agree and agree respectively with the statement. 23.3% of them are undecided while 26.0% and 32.6% respectively disagree and strongly disagree with the statement. Among the respondents from manufacturing firms, 1.5% and 17.6% strongly agree and agree respectively with the statement. Next, 23.4% of them are undecided while 24.9% of the respondents disagree with the statement. Thus, it can be concluded based on the analyzed data that pressure from third parties like competitors and NGOs is not a factor necessitating commercial banks and manufacturing firms to engage in CSR.

Ninth, the respondents from commercial banks and manufacturing firms, are asked if CSR activities as a marketing and public relations strategy is a motivating factor necessitating companies involvement in CSR. 26.5% and 34.8% of the respondents from commercial banks strongly agree and agree respectively with the statement. 23.3% are undecided while 11.2% and 23.3% of the respondents respectively disagree and strongly disagree with the statement. Based on this analysis, it can be inferred that CSR activities enhance the shareholder’s values of commercial banks as well as manufacturing firms.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Commercial Banks (%)</th>
<th>Manufacturing Firms (%)</th>
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<tbody>
<tr>
<td>CSR is one of organization ethical obligations.</td>
<td>SA: 8,8  A: 25.6  U: 35.8  D: 25.6  SD: 4.2</td>
<td>SA: 7,3  A: 26.8  U: 37.6  D: 24.4  SD: 3.9</td>
</tr>
<tr>
<td>Improvement of customers' loyalty.</td>
<td>SA: 53.0  A: 34.0  U: 11.2  D: 0.9  SD: 0.9</td>
<td>SA: 52.7  A: 36.1  U: 10.2  D: 1.0  SD: 0.0</td>
</tr>
<tr>
<td>Improvement of relationship with business partners and investors.</td>
<td>SA: 16,3  A: 40,9  U: 23,3  D: 17,7  SD: 1,9</td>
<td>SA: 16,6  A: 41,5  U: 22,4  D: 17,6  SD: 2,0</td>
</tr>
<tr>
<td>Improvement of economic performance of the organization (cost reduction, sales increase).</td>
<td>SA: 9,8  A: 34,4  U: 30,2  D: 16,3  SD: 9,3</td>
<td>SA: 9,3  A: 35,1  U: 30,7  D: 15,6  SD: 9,3</td>
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<tr>
<td>Improvement of workers’ job satisfaction.</td>
<td>SA: 7,0  A: 26,5  U: 58,1  D: 6,0  SD: 2,3</td>
<td>SA: 7,3  A: 24,4  U: 61,0  D: 4,9  SD: 2,4</td>
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<tr>
<td>Improvement of the positive image of the organization.</td>
<td>SA: 68,4  A: 24,7  U: 1,9  D: 5,1  SD: 0,0</td>
<td>SA: 69,8  A: 13,9  U: 1,5  D: 4,9  SD: 0,0</td>
</tr>
<tr>
<td>It enhanced shareholders value.</td>
<td>SA: 9,9  A: 55,9  U: 29,1  D: 2,8  SD: 2,3</td>
<td>SA: 9,3  A: 57,1  U: 29,3  D: 2,0  SD: 2,4</td>
</tr>
<tr>
<td>Pressure from third parties like competitors and NGOs.</td>
<td>SA: 1,4  A: 16,7  U: 23,3  D: 26,0  SD: 32,6</td>
<td>SA: 1,5  A: 17,6  U: 23,4  D: 24,9  SD: 32,7</td>
</tr>
<tr>
<td>A marketing and public relation strategy.</td>
<td>SA: 26,5  A: 36,7  U: 23,3  D: 11,2  SD: 2,3</td>
<td>SA: 28,3  A: 37,1  U: 22,4  D: 10,7  SD: 1,5</td>
</tr>
<tr>
<td>Improvement of relations with local communities.</td>
<td>SA: 42,3  A: 34,9  U: 17,7  D: 5,1  SD: 0,0</td>
<td>SA: 42,2  A: 34,8  U: 18,1  D: 4,9  SD: 0,0</td>
</tr>
</tbody>
</table>

(Source: Author’s Computation, 2016)
For the hypothesis testing, Ho is used. It means there is no significant difference between the factors necessitating commercial banks and manufacturing firms’ involvement in Corporate Social Responsibility (CSR).

From Table 2, it can be seen that the mean score for commercial banks is 51.67 while the standard deviation value is 5.79. The implication of this is that there is a wide gap between the mean score value of 51.67 and standard deviation score value of 5.79. This means that there is no close relationship between the variables measured. Similarly, for manufacturing firms, the mean score is 51.89 while the standard deviation is 5.67. This shows that there is a wide gap between the mean score of 51.89 and standard deviation of 5.67. With 418 degrees of freedom, it means no close relationship exists. The overall mean value of commercial banks and manufacturing firms is far close to that of individual data. Also, the t-test values is -0.39 and p-value is 0.8. This shows that there is no significant relationship between factors necessitating commercial banks and manufacturing firms’ involvement in CSR. The null hypothesis is accepted. The reason for this assertion is that for the statistics to be significant, the p value must not be greater than 0.05.

CONCLUSIONS

The research finding has shown that there is no significant difference between the factors necessitating commercial banks and manufacturing firms’ involvement in CSR. This is seen from the available data. This shows that there is no significant difference between factors necessitating commercial banks and manufacturing firms involvement in CSR since the p-value of 0.8 is greater than 0.05. Based on this, the null hypothesis is accepted.

A review of the literature on CSR reveals that CSR activities are important tools that can make organizations visible in the environment where they operate. In addition to this, CSR initiatives also serve as channels through which corporate organizations impact positively on their environment and by doing so, it creates goodwill and public image as well as meet public expectations of their stakeholders. Corporate managers in Nigeria should realize that business organizations make the demand on the society, and vice-versa. Business needs the support of the society to grow and thrive while society needs business organizations regarding goods and services they provide. The idea of social responsibility implies that in addition to the pursuit of their organizational goals, business organizations should assist the society especially for the fact that their actions sometimes produce negative consequences on the society. If the organization fails in its social responsibility, such organization may face sanction from the government as well as stiff opposition from the society. It is recommended that corporate organizations that are yet to be socially responsible should follow suit and that the current tempo of CSR initiatives and expenditure should be maintained, sustained and improved upon a time to time.

REFERENCES


