

THE EXECUTION OF CORPORATE SOCIAL RESPONSIBILITY AND THE GROWTH OF NIGERIAN BANKS

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Abstract

This study examines the execution of corporate social responsibility and the growth of Nigerian banks. The study is carried out because of the negative image of some of our financial institutions based on the banks inability to execute their social responsibilities to host communities and even customers. The researcher employs the literature review approach; hence only secondary data were sourced and used. The data collected were analyzed qualitatively. The findings reveal that the Nigerian banks have not been effective in the execution of corporate social responsibilities. This is because of constant management problems and economic/financial crisis in the bank. But the bank only performs few corporate social responsibilities for some organizations where they are sited. It was also discovered that when banks employ host community members, provide infrastructure – road, electrification, pipe borne water and construction of town hall etc - for the people and educate them on financial management, the people will be happy with the bank. That will make the bank to have positive image, attract customers to the bank and make the bank to achieve high level of growth and stability. It is recommended that the Nigerian bank should execute their social responsibility by employing host community members and improving the infrastructural facility for the people.

Key Words: Corporate Social Responsibility, Banks, Economic Growth and Host Communities.

Introduction

All business organisations operate within an environment or community. It survives only when it can adapt to the demands of the environment. In that case, their activities have some impact on the host community and others within the environment. It is therefore the responsibility of the organisation to render some developmental help to the environment out of the profit they make from the community in which they operate. Therefore, corporate social responsibility is all about the role and function a business organisation performs for its environment out of its business scope, the objective which is to maintain a positive relationship with all the stakeholders within the environment (Ubah, 2015).

According to Egwu [2014], business organisations own certain responsibility to their host communities. In that direction, Akanwa [2006], stated that today, more than ever before, it is

becoming more and more fashionable for businesses to think about their social conscience. This is as a result of the new awakening of their responsibility of promoting a common goal to make a better world. It could also be as a result of increasing pressure from a socially oriented government.

As a result of the above statement, governments, media, and activists have got the habit of getting companies to account for the social consequences of their activities. Porter and Kramer [2006], outlined that myriad organisations rank companies on the performance of their corporate social responsibility [CSR] and these rankings attract considerable publicity. As a result, Corporate Social Responsibility has emerged as an inescapable priority for business leaders in every country.

Indeed, businesses exist to satisfy certain needs of the society with the view of providing goods or services that satisfy certain perceived needs. In this way, a business is said to be people-oriented, and for such a people-oriented business to make profit, it must satisfy its function of being useful to the society (Akanwa, 2006).

Theoretically, every business -like bank - is of services to the society; in carrying out this function, business may be guilty of human weakness of either cheating in employing workers; some may be guilty of injustice by paying sub-human wages. Also, in his relationship with stockholders or creditors, some businesses may commit crimes, community rights may as well be violated e.g. the right to clean environment. Some organisations may evade legitimate taxes, which is rampant in Nigeria of today, thereby depriving the state of revenues needed to provide certain basic social services (Ubah, 2015).

From the forgoing therefore, exercising corporate social responsibility simply means avoiding such human vices as deceit or injustice in the conduct of one's business operations. These are what should be done if businesses are to exercise their corporate social responsibility in a rational way. Social responsibility can now be said to mean the concern businesses have for the welfare of the society. Nickels and MC Hugh (2009) added that corporate social responsibility includes everything from hiring minority workers to making a safe product, minimizing pollution, using energy wisely, providing a safe work environment and more.

The principle of corporate social responsibility provide an opportunity for business – particularly banks - to demonstrate a handsome commitment to the task of building better communities not just to profit a few, but for the common good on which we all ultimately depend (Akanwa, 2006). Social responsibility is again defined as a framework of measurable corporate policies and procedures and resulting behaviour designed to benefit the workplace and, by extension, the individual, the organisation, and community in numerous ways.

Justification of the Study

Many business organisations in Nigeria sometimes have low customer patronage, negative image, ineffective public relations and conflict with the host communities. One of the factors responsible for the above may be the inability of the organisation to execute its corporate social responsibilities to the people concerned.

Some of these organisations – especially the bank - do not provide support or add value to their communities and those of their supply chain; they do not encourage members of their supply chain, they do not encourage the environmental responsibility of their host communities, they do not encourage their own organisation and others to be pro-active and be environmentally

responsible within their environment of operation, they do not treat people with respect and dignity, they do not support and respect the protection of international human rights within the organisational sphere of influence, they do not encourage their organisation and its supply chains to avoid complicity in human rights or employment rules, they do not support the continuous development and diffusions of safety practices throughout their organisation and supply chain, they do not promote a safe environment for each employee in their organisation. Their interest lies only on the declaration of huge profit at the end of the year. They should know that Banks can, in most cases, achieve peace and harmony within and outside the organisation, high patronage, continuous business development and therefore more profit, if the company executes its corporate social responsibilities. Based on the foregoing, this study focuses on execution of corporate social responsibilities and the growth of Nigerian banks.

Brief Origin of Corporate Social Responsibility

The term corporate social responsibility “came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization’s activities have an impact. It was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman, “Strategic management: A stakeholder approach” in 1984. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that corporate social responsibility distracts attempt to pre-empt the role of governments as a watch dog over powerful multinational corporations (Egwu, 2014).

Corporate social responsibility is titled to aid an organization’s mission as well as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examine ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organisations (United Nations for example) adhere to the triple bottom line legislation. The UN has developed the principles for Responsible Investment as guidelines for investing entities (Obasi, 2007).

Producing goods and providing service are not the only responsibilities of business, (Uchegbu, 2004). The rise of the first huge corporations like John D Rockefeller and Andrew Carnegie, business dynasties gave industry tremendous new power that called public attention to the need for some corporate social responsibility. Observers of businesses at the beginning of the twentieth century recognized the need for some form of corporate social responsibility.

In 1991, business scholars first warned that society would try to take over business, if business neglects social responsibility. The public perception of the social responsibility of business has gone through three phases in this century. Although some observers in early 20th century served a need for social responsibility, the public generally believe that business was responsible only to its own direct interests. This view prevailed from the turn of the century until 1930’s (Njoku, 2006).

In the 1930’s, great depressions, occupied with the rise of labour unions, required the business organisations to confront the issue of providing safe working conditions as a basic social responsibility. The labour unions preserved companies to consider factors other than profitability, such as workers benefits, pension plans and working conditions. In this second phase, manager was required to strike a balance among claims/wants of others and their

obvious interest of profit maximization. Also to be considered were the social complaints and concerns of a wide variety of disparate groups' employees, customers, creditors and community, (Iwu, 2008).

Since the 1960's, managers and organizations have been operating under a third phase in the public perception of corporate social responsibility. This phase stems from the philosophy that manager and companies should be involved directly in attempting to cure major social ills. It is characterized by increased social concern with the regulation of business activities and by the impact of the consumer movement, (Ibe, 2009).

Similarly, as a result of these early public perceptions or strings of thought about business expanded roles in the society, two broad principles emerged;

1. The charity principle and
2. the stewardship principle.

These principles have shaped business thinking about corporate social responsibility during the twentieth century. They can be regarded as the historical foundation stone for the modern idea of corporate social responsibility, (Kalu 2001).

Meaning of Corporate Social Responsibility

As regards the definition of corporate social responsibility, there is no complete agreement on the definition. Corporate social responsibility can be seen as considering of the impact of the companies' actions on society. The term, corporate social responsibility generally applies to efforts that go beyond what may be required by the regulators or environmental protection groups. It is a business approach that contributes to sustainable development by delivering economic, social, and environmental benefit. According to ESO (2003), social responsiveness is the ability of a company to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and society. It is conceptualized as the business decision and actions taken for reasons at least practically beyond the direct economics or technical interest.

By manner of expansion, this definition can be seen as obligation undertaken by business organizations to pursue these policies, to make decisions or to follow these lines of action which are desirable in terms of objective values of the society (obasi, 2007).

ESO maintains that, similarly, corporate social responsibility has been define as what an organization does to influence the society in which it exists through volunteer assistance programme. It is describe as an intelligent and objective concern for the welfare of the society that restrains individual and corporate behaviours from ultimate destructive activities, no matter how profitable. This researcher feels we should make due with these few definitions of the concept of corporate social responsibility although due to its subjective nature, it has been given different meanings and definitions and has been considered from many perspectives by authors writing in this filed. Few of these perspectives differing from the above definitions are theoretical perspective (Pinnington, 2002). Based on the above explanation, it provides a clear evidence that corporate responsibility means something different depending on how one looks at it and the corporate organizations' role in the society.

This is why it was further expressed that the concept of social responsibility is broad and general and do not explain very precisely what social responsibilities are for all businesses, country or what those of a single business are at a particular point in time.

Major Arguments for Social Responsibility to Enhance the Growth of Nigerian Banks

It is in the best interest of any business to promote and improve the communities/environment where it operates business; hence Nwachukwu (2007) maintains that:

- Social actions can be profitable.
- It is the ethical thing to do.
- It improves the public image of the firm
- It increases the viability of the business system.

According to him, business exists because it gives society benefits. Society can amend or take away its charter. Thus, it is the “law of responsibility”.

- It is necessary to avoid government regulation.
- Social-cultural norms require its law to be obeyed and cannot be passed for all circumstances. Thus, business must assume responsibility to maintain an orderly society.
- It is the stockholders best interest. It will improve the price of stock in the long-run, because the stock market will view the company as less risky and open to public attack and will therefore award it a higher price earnings ratio.
- Society should give business a chance to solve social problems that government has failed to solve.
- Prevention of problems is better than curing. Business therefore requires solving problems before they become so great.
- Some groups, as the institution with the financial and human resource to solve social problems, consider business, (Pinnington, 2002).

The Scope of Social Responsibility for Nigerian Banks

Social responsibility has a wide scope:

1. Some consider social responsibility in terms of claimants or stakeholders i.e. the insiders and outsiders. Insiders include the employees and shareholders, while the outsiders include customers, suppliers, creditors, government, unions, competitors, etc.
2. The second way of looking at the scope of social responsibility is from the point of view of social concern. Based on the nature, size and breath of activity, businesses can extend their social responsiveness to the problems of the world, nation or local community. Examples abound and include the acts of some of the oil companies in which they sponsor research geared at problem solving.
3. Social responsibility can also be classified in terms of relatedness to its own activities. The discharge or effort at securing advantages for itself e.g. a tractor manufacturer educating farmers on agricultural mechanization. This is termed business related social responsibility.
4. Some businesses take up philanthropic activities in area of community welfare/rural development, which are in no way related to their own activities. Example is MTN engaging itself in sporting activities.

Perhaps, it may be easier to understand social responsibility by looking at the concept through the eyes of the stakeholders, to whom businesses are responsible: customers, investors, employees, society, suppliers/distributors and government, (Akanwa, 2006).

Responsibility to Customer

One of the responsibilities of business is to satisfy human wants in forms of goods and services of value. Reading and understanding customer needs and satisfying them is the aim. In Nigeria, eight out of ten new businesses fail because their owner's fail to please or satisfy customers' needs. Example, in 2005, there was a rumour of mysterious calls on mobile phone that was capable of killing call receivers. The effect was reduction on mobile call patronage. It took MTN executives time and money to debunk the rumour as false before sales could plummet. In contrast to this, Indomie suffered a similar fate in 2003. But because they were milimouthed and indeed silence, (silence they say is admittance of guilt'), customers withdrew their patronage to the extent that the product was withdrawn from the market. However, in recent time, the company has reintroduced the product into the market with aggressive promotions. It is now costing the company lots of money to convince its customers to buy, while proving that there is no health hazard associated with the product.

Responsibility to Investors

Million Friedman made a classic statement when he said "that corporate social responsibility means making money for stockholders". Such social concern, they say, is good for investor's wealth. Nickel, McHugh and McHugh (1999) assert that many people believe that it makes financial as well as moral sense to invest in companies that are planning ahead to create a better environment. By choosing to put their money into companies and the environment; investors can improve their own financial health while improving society health. This is why some of the companies in Nigeria who are aware of this are engaging in such social responsibility ventures e.g. shell petroleum development company, MTN, GLO, ETISALLAT, AIRTEL, etc (Akanwa, 2006).

Responsibility to Suppliers And Distributors

In addition to avoiding favouritism and discrimination in dealing with suppliers and agents in the channel of distribution, it should be borne in mind that those parties have a right to make profit. In other words, transactions with them should be fair and equitable. It should be noted that mutually honest relationship with those parties might yield new ideas for product development and distribution,(Akanwa,2006).

Responsibility to Employees

Businesses have a number of responsibilities to their employees. They are:

- Responsibility to create jobs.
- That hard work and skills are fairly rewarded.
- -Provide employees with the feeling to realize that hardwork, goodwill, ingenuity and talent pay off.
- Provide employees realistic hope of a better future.
- Companies ensure that employees have job security. These are responsibilities the companies should have to their employees. As these responsibilities are satisfied, employees will in return respond by contributing or putting in their best for the growth and survival of the business. Such effort has the capacity of creating a better organisation, (Akanwa, 2006).

Responsibility to Society

Businesses have the social reasonability to society, to create new wealth. This wealth so created will both be of benefit to the organisation, the workers and the society. Businesses are also responsible to society by promoting social justice.

Business is seen as crucial institutions of the civil society by developing active employees who play active roles in politics, churches, charities, etc. In so doing, these employees contribute to the society, and such contributions have a multiplier effect on the entire society,

Those same employees in a team building nature can help to rebuild the community (Akanwa, 2006).

Responsibility to Government

The government enacts laws that enable business to operate and own property. Government protects and assists business. In return for these privileges, business has an obligations to government. One of such obligations to government is to provide the financial supports needed to maintain the government system. This can be achieved if business organizations pay their taxes and other financial obligations. Business must also obey laws of the land and must help develop a system of law, which provides the best possible climate for business enterprises.

Justifications Necessitating Factors for Corporate Social Responsibility (Csr) for Nigerian Banks

Authorities in corporate social reasonability have used four main arguments to buttress or support their views. These arguments are:

- Moral obligation
- Sustainability
- License to operate
- Reputation

Those supporters of moral appeal argue that organisations are corporate citizens i.e. they have a duty to serve society, to ask its members to achieve commercial success in ways that honour ethical values and respect. The supporters of sustainability emphasize environmental and community stewardship. The Norwegian prime Minister, Gro Harlem Brundtland saw it as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” Because license to operate comes from government, it is therefore necessary that businesses should comply with the needs of this regulatory body. Finally, reputation is used by many companies to justify CSR initiatives on the ground that they will improve a company’s image, strengthen its brand, enliven morale and even raise the value of its stock. These justifications, though advanced, but does not offer sufficient guide lines for solutions to the problems facing corporate leaders in their decision making process, (Akanwa, 2000).

Porter and Kramer (2006) further argued that “CSR field remains strongly imbued with a moral imperative in some areas such as honesty in filling financial statements and operating within the framework of the law, moral considerations, which are easy to understand and apply. It is the nature of moral obligations to observe absolute mandates, however, while most corporate social choices involve balancing competing values, interests, and costs. Google’s recent entry into china, for example, has created an irreconcilable conflict between its U.S customer’s abhorrence of censorship and the legal constraints imposed by the Chinese

government. The moral calculus needed to weigh one social benefit against another, or against its financial costs, is yet to be developed. Moral principles do not tell a pharmaceutical company how to allocate its revenues among subsidizing cure for the indigent today, developing cures for the future, and providing dividends to its investors.

The principle of sustainability appeals to enlightened self-interest, often invoking the so called triple bottom line of economic, social and environmental performance. In their words, companies should operate in ways that secure long term economic performance by avoiding short term behaviour that is socially detrimental or environmentally wasteful. The principle works best for issues that coincide with a company's economics or regulatory interests.

Changes to the materials McDonalds's uses to wrap its food have reduced its solid waste by 30%. These were smart business decisions entirely apart from their environmental benefits. Transparency may be said to be more "sustainable" than corruption. Firms operating in Nigeria should learn from this act. Good employment practices are more sustainable" than sweatshop". The license to operate approach offers a concrete way for businesses to identify social issues that matter to stakeholders and make decisions about them. By seeking to satisfy stakeholders, however, companies cede primary control of their CSR agenda to outsiders. The reputation agenda seeks strategic benefits but rarely finds it, (Akanwa, 2006).

Conclusion/Recommendations

This study focuses on execution of corporate social responsibility and the growth of Nigerian banks. It was discovered that social responsiveness is the ability of a company (bank) to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and society at large. It is conceptualized as the business decision and actions taken for reason at least partially beyond the direct economic or technical interest. It is the obligation undertaken by business organizations to pursue those policies, to make decisions or follow those lines of action which are describable in terms of objective values of the society.

Business organizations owe certain responsibilities to their host communities. In that direction, Akanwa [2006], stated that "today, more than ever before, it is becoming more and more fashionable for business to talk about their social conscience". This is as a result of the new awakening of their responsibility of promoting a common good to make a better world.

It is in the best interest of banks to promote and improve the communities where they do business; hence Nwachukwu [2007] maintains that: social actions can be profitable, it is the ethical thing to do, it improves the public image of the bank, it increases the viability of the banking system.

To say that banks and society need each other might seem an understatement. Indeed, it is the basic truth that pulls companies out of the muddle that their correct corporate responsibility thinking has created. For a bank to be successful, it needs a healthy society because if the society withdraws from the bank service, it will cease to exist.

Based on our findings, the following recommendations are made.

- i. Banks in Nigeria should have policies on corporate social responsibilities. Here, they should put some percentage of their profit in the execution of social responsibility.
- ii. Such social responsibility, as provision of infrastructure [Road and Electrification], employment of people from the host community, and giving scholarship to people should be promoted by business organisations, especially banks in Nigeria.

- iii. The government should make and implement policies and programmes that will enable and motivate business organizations to execute their social responsibilities.
- iv. Banks should always look at the needs, interests, and the aspirations of the people within the host community and carry out projects that will impact positively on the wellbeing of the people. This could be in form of re-orientation, economic issues, education and social awareness.
- v. Host communities of business organizations, like (banks) should always contribute to the wellbeing of the company too and have a peaceful relationship with them. They should avoid aggressive behaviour, and seek their rights/privileges through constitutional means.

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