Volume : 2 | Issue : 9 | Sept 2013 • ISSN No 2277 - 8160

Research Paper Management

Corporate Social Responsibility in Nigerian Banking Industry: When Will the Lip-Service Games End?

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ABSTRACT

The study examined the practice of corporate social responsibility (CSR) in Nigeria banking industry with emphasis on their CSR initiatives, endeavours and expenditures. Six commercial banks were randomly selected using their 2011 annual report of account. Ratio analysis was used to analyze the data collected. The results revealed that averagely banks sampled spend less than 3% of their profit after tax on CSR initiatives. The results revealed that most of the banks CRS is based on financial/ economic, social, community health and environment. It was therefore recommended that the government should develop a legal framework for CSR in Nigeria; so that the bank's will stop their lip-service to CSR and to ensure that organizations gives back to the communities where they are operating.

KEYWORDS : Corporate Social Responsibility, Banking, Nigeria

Introduction

The discourse of Corporate Social Responsibility (CSR) has assumed great importance globally and Nigeria with no exception. Advocacy has increased in the mass media for corporate organization to take a greater responsibility for the development of society by adopting best practices in the CSR initiative. CSR basically implies the supportive duties of an organization to the community or society it operates from. The importance of business organization in the private sector to social and economic development cannot be over emphasized even in well developed societies. There is no business organization that can exist in a vacuum; it must have a community it associates with in terms of settlement for the successful operation of that business.

Organizations are now being called upon to take responsibility for the ways their operation impact societies and the natural environment. They are also being asked to demonstrate, the social and environmental concerns in business operation and in interacting with stakeholders. Globally, organization have developed a variety of strategies for dealing with the interaction of societal needs, the natural environment and corresponding business imperatives with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operation

Banks effort in social responsibility have produced multiplier effect on the economy. In fact whether in the quantum of taxes and levies paid, employment, health services, sports, arts and culture community development etc. Nigeria banks have continued to make enormous contribution to the development of the economy and society. But all these have remained largely unsung or unnoticed except for individual banks publicity efforts in prosecuting their cutthroat competitive marketing strategies.

In the past ten years, the nations organized private sector has been witnessing some positive growth and expansion. This growth has been more pronounced in the banking industry. Furthermore little research exists on CSR in Nigeria and most of them concentrate on multinational oil companies in Nigeria Delta Region (Ameachi, el at, 2006).The current state of CSR practice in the banking sector is yet to be examined.

Tremendous contributions voluntarily towards the development of the society have been made by some banks in Nigeria without necessarily blowing their trumpet. Thus, it will not be out of place to ask: what are the major areas where CSR endeavours are been carried out by the banks? Then, what proportion of profitability is invested in CSR? This study was designed to highlight these areas in year 2011. The objective of the study is to identify the CSR initiatives and endeavours of the Nigerian banks, and to compare the CSR expenditure and profitability of the banks and determine the percentage spent on CSR for the year under study.

Conceptualizing Corporate Social Responsibility

CSR has been conceptualized in various ways by different writers, thus, there are a myriad of definition of CSR. Majority of these definitions have attempted to integrate three dimensions to the concept, that is economic, environmental and social dimensions. The European Union (2001) Green Paper, defines corporate social responsibility as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". This is perhaps the most diffused (although not always shared) definition of an issue which is living a renewed popularity, and represents one of the top priorities of topmost managers' agendas. The relevance of this issue is also due to its pervasive effect: indeed, CSR affects all the activities and functional areas of a company, from operations to marketing and sales, from communication and external relations to human resources management, from strategy to audit. European Union proposes a classification of CSR initiatives, which are grouped into two different categories:

The internal dimension, including human resources management, health and safety at work, adaptation to change, management of environmental impacts and natural resources; and

The external dimension, including local communities, business partners, suppliers and customers, human rights and global environmental concerns.

World Business Council for Sustainable Development (WBSCD) (1999) defines corporate social responsibility as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large.

McWilliams and Siegels (2001) describes CSR as actions that appear to further some social good beyond the interest of the firm. CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Since stakeholders exist both within a firm and outside a firm, hence, behaving socially and responsibly will increase the human development of stakeholders both within and outside the corporation (Clarkson, 1995).

In emphasizing the ecological conceptualization of social responsibility, Buchhloz (1991) noted that any good definition of CSR must contain if not all, most of the following responsibility that;

Goes beyond the production of goods and services at a profit.

Helps in solving important social problems those that the organization are especially responsible.

Makes corporation have great impacts that goes beyond market place transactions; and,

Makes corporations serve a wider range of human values that can be capture by a sole focus on value.

In Nigeria, the Federal Executive Council (FEC) on Wednesday, May 14th 2008 approved the development of a CSR policy for the country, to instils ethical behaviour in Nigeria businesses. The Minister of National Planning Commission, Dr, Sanusi Daggash, who gave details of the memorandum said it referred to the adoption of responsible business practice by organizations, to improve the society at large: He said the policy would include "beyond law commitment" and activities that would necessitate an expectation to 'give back' to the society.

European Foundation for Quality Management EFQM (2004) defines CSR as "a whole range of fundamentals that organizations are expected to acknowledge and to reflect in their actions. It includes among other things respecting human rights, fair treatment of the workforce, customers and suppliers, being good corporate citizens of the communities which they operate and above all the conservation of the natural environment."

These fundamentals are seen as not only morally and ethically desirable ends in themselves and as part of the organization's philosophy; but also as key drivers in ensuring that society will allow the organization to survive in the long term as society benefits from the organization's activities and behaviour. EFQM presents some common characteristics of CSR which are:

Meeting the need of current stakeholders without compromising the ability of future generations to meet their own demand.

Adopting CSR voluntarily, rather than as legal requirement, because it is seen to be in the long-term interests of the organization.

Integrating social, environmental and economic policies in day-to-day business.

Theories Underpining CSR

1. Classical View of CSR

The most prominent defender of the classical creed regarding role of business in society is Famous Nobel Laureate in economics; Friedman (1970) reasoning is in line with the market driven approach coined by Adam Smith. The invisible hand of free market would produce best result if all agents would strive to maximize their profit. He argues that socially responsible activities are only for generating profit not for voluntarily activities thus he posits that unless the activities which are regarded as 'socially responsible', such as donations to the poor, contributions to schools, local charities and the like are compatible with the neoclassical view because corporations receive indirect benefits from these activities and such activities are deemed unacceptable, in other words, the corporations recognize 'socially responsible' activities, if and only if, such activities can be used as an effective means for generating profit and not simply voluntarily philanthropic activities (Friedman 1970). Having mentioned this, other proponents of the CSR doctrine depart from the classical theory by essentially broadening the restrictive classical framework of a firm's social responsibility, which will be discussed in the following sections in the light of various theories, namely the social contract, the strategic/instrumental, legitimacy, and stakeholder theories.

2. Social Contract Theory

The central idea of the social contract theory is how to relate a corporation to society. This is the point that brings up the ethical or moral duties of corporations. The recognition of a set of moral and ethical rights, unregulated by law, lies at the heart of the current trend in the conceptualization of CSR. According to this theory, business must act in a responsible manner not only because it is in its commercial interest to do so, but because it is part of how society implicitly expects business to operate (Moir, 2001). In other words, the corporate social contract theory holds that business and society are equal partners, each enjoying a set of rights and having reciprocal responsibilities. There is direct and indirect mutual need between business corporations and society. While the former requires continuous support from the latter in terms of resources and sales, the latter might expect the former to operate in a socially responsible manner since the corporations control huge amounts of economic and productive resources such as technology, finances and labour, which directly or indirectly may affect the society in which they operate (Lantos, 2001).

3. Instrumental Stakeholder Theory

In an attempt to further legitimize the role of corporations in society, an instrumental theory has developed which emphasizes on CSR as a strategic tool to achieve economic objectives. The proponents of this theory assert that the business may choose to support some social programmes for reasons of good image (public relations), competitive advantage or other strategic reasons without jeopardizing the interests of its primary stakeholders, namely the shareholders. This branch of study called Strategic CSR by Lantos (2001), modern view by Quazi and O'Brien (2000) and instrumental stakeholder theory (Donaldson and Preston, 1995) considers CSR as a form of investment (McWilliams and Siegel, 2001). This conceptualization implies the recognition of an "optimum" level of CSR. This would be the level at which CSR investment maximizes profit, while also satisfying stakeholder demand for CSR.

4. Legitimacy Theory

It states that CSR is a response to the environmental pressures involving social, political and economic forces. According to the theory, organizations look for a balance between their actions and how they are perceived by outsiders and what is thought by society to be appropriate (Deegan, 2002). Society's perceptions of the organizations are crucial and may affect their survival if they have breached 'social contract'. In the event that society is not satisfied that a firm is operating in an acceptable or legitimate manner, then society will effectively revoke its 'contract' to continue operations (Davies, 1997).

5. Stakeholder Theory

A different approach in defining and developing CSR is provided by stakeholder theory, which has indeed become one of the most important and frequently cited theories in the literature. According to this approach, paying attention to the needs and rights of all the stakeholders in a business is a useful way of developing socially responsible behaviour by managers (Maignan and Ferrell, 2004). A socially responsible organization is seen as one in which obligations to stakeholders figure prominently in the decision-making of managers (Clarkson, 1995; Donaldson and Preston, 1995; Gibson, 2000; Weiss, 2003). Stakeholder theory is also an attempt to broaden the perception that there is only one dominant interest namely, the shareholders in public companies.

Mode of CSR Delivery in Nigeria

Generally, there are two modes for delivering CSR in Nigeria; Organizations delivering CSR by themselves (internally) and/or paying third parties to do it on their behalf (externally). Internal Delivery Mode: The internal delivery mode requires the corporate entity to take charge of its CSR implementation. There are three internal delivery modes commonly used in Nigeria. These are corporate philanthropy, direct implementation and use of community-based organizations or foundations.

1. Corporate Philanthropy: The word philanthropy is derived from the Greek language, meaning "love for mankind". Corporate philanthropy refers to the giving by a business entity directly to charitable organizations or to individuals in need with the intention of improving the quality of life.

2. Direct Implementation of CSR Activities: In this instance, the business entity establishes a full-fledged in-house unit for delivering the CSR without third parties' involvement. This mode of delivery requires adequate staffing of the in-house unit for CSR delivery.

3. Community-Based Organizations (CBOs): The use of CBOs provides opportunity for business entities to provide some CSR with minimal direct exposure of company employees or representatives to often hostile community members. CBOs are civil society non-profit entities that operate within a single local community or communities in a designated geographical area.

External Mode of Delivery: An external delivery mode implies outsourcing of CSR implementation to third parties. In both cases, the corporate entities normally have in-house units or divisions whose responsibilities include strategizing, plan programs, monitor implementation and report results. Four main external delivery modes can be identified in Nigeria. These are intermediary organizations, strategic partnerships, foundations and multi-stakeholder schemes,

1. Intermediary Organizations: An intermediary organization is a third party that offers intermediation services between two parties.

For CSR delivery, an intermediary organization deploys its expertise to deliver services for and on behalf of a business entity to beneficiaries. The Agricultural Credit Guarantee Scheme Fund (ACGSF) is a typical example. Micro-credit is also being delivered through this mode by some oil and gas companies.

2. Partnering/Strategic Partnerships: A strategic partnership is a formal alliance between two or more entities, usually formalized by one or more MOUs but falls short of forming a legal partnership, agency or corporate affiliate relationship. Typically organizations form a strategic partnership when each possesses one or more assets that contribute to the achievement of their common objectives.

3. Foundations: Some business entities in Nigeria form foundations for delivering their CSR. Typical examples of such foundations are Leventis Foundation, MTN Foundation, Shell Foundation and British-American Tobacco Nigeria (BATN) Foundation. A foundation is a legal categorization of non-profit organizations. Foundations often have charitable purposes. This type of non-profit organizations may either donate funds and support to other organizations, or provide the sole source of funding for their own charitable activities. Private foundations are legal entities set up by an individual, a family or a group of individuals, for a purpose such as philanthropy.

4. Multi-stakeholder Schemes: Two types of multi-stakeholder schemes could be identified in Nigeria. There are legislated multi-stakeholder schemes and the industry designed multi-stakeholder schemes. The legislated multi-stakeholder schemes came out of government legislations which stipulate that selected companies contribute specified amounts into a pool of funds that is administered by an established entity. In Nigeria these schemes include the mandatory contribution of business entities to the Education Tax Fund (ETF) and the Niger Delta Development Commission (NDDC). The industry designed multi-stakeholder schemes are partnership initiatives among companies in the same industry. The use of these schemes is being promoted by NGOs and multilateral agencies with a view to setting social and environmental standards, monitoring compliance, promoting social and environmental reporting and auditing, certifying good practice and encouraging stakeholder dialogue and "social learning."

Methodology

The population of the study is the entire bank operating in Nigeria out of which a sample of 6 banks (First Bank, Access Bank, Guaranty Trust Bank, First City Monumental Bank, Diamond Bank and Unity Bank) were selected. The selection of the banks was based on purposive sampling method because they prepare sustainability report in their annual financial reports. Data for the study was collected from the secondary source which involves the examination of the 2011 annual published financial statement report and CSR report. The analysis of the empirical data was done through the use of ratio analysis to determine the proportion of profit invested in CSR.

Table I: Ratio Analysis from the published financial statements

BANKS	PROFIT AFTER TAX ₦	CSR EXPENDITURE ₦	CSR %
FIRST BANK	47,462,000,000	969,000,000	2.0%
GTBANK	47,970,899,000	297,493,137	0.6%
ACCESS BANKI	16,700,000,000	209,962,503	1.3%
FCMB	11,567,744,000	82,285,221	0.7%
UNITY BANK	2,439,979,000	22,426,191	0.9%
IAMOND BANK	22,187,848,000	549,633,000	2.5%

Source: Extracts from Published Financial Statement (2011)

Discussion of Findings

This study revealed that generally in Nigeria, banks commit less than 3% of their profit after tax on CSR .The analysis above shows that First Bank committed 2% of their profit on CSR initiatives, Guaranty Trust Bank 0.6%, Access Bank 1.3%, First City Monument Bank 0.7%, Unity Bank 0.9% and Diamond Bank 2.5%. This percentage of commitment even while commendable is still relatively low with huge profits made especially when compared to CSR commitments of banks in developed nations. The study further revealed that most of the banks CSR philosophy is based on three bottom lines or principles Economic/Financial, Social, Community/ Health and Environment. This results corroborated the findings of Uadiale & Fagbemi (2011).

Finally, this study discovered that banks employ the use of both internal and external mode of CSR delivery as foundations and partnership with in-house CSR department was used to deliver and champion CSR endeavours.

Conclusion

From the review of literature; the sampled banks sustainability report, revealed that CSR endeavours are vital tools that can make an organization visible within its community. Apart from this, they truly serves as avenues for institution like bank to impact positively on their environment and by so doing, create goodwill among their stakeholders.

The efforts of some banks that have signed up to a joint commitment statement on sustainable finance in Nigeria (Nigerian sustainable banking principles) in September 2011 is highly commendable through their concerted response to managing environmental and social concerns specific to Nigeria. This epoch making initiative will see firms commitment to corporate sustainability in the Nigeria financial sector. It is recommended that banks yet to join should follow suit. Thus, the current tempo of CSR expenditure should be maintained, sustained and improved upon from time to time.

Recommendations

The current tempo of CSR initiatives by banks should be maintained, sustained and improved.

The government and stakeholders should ensure the speedy fast-track of the proposed CSR bill on the floor of the senate. The bill is to provide for the establishment of CSR commission to provide standard and develop policies for effective implementation of CSR in the country.

The immediate review of legal and institutional framework for CSR in Nigeria should be developed.

CSR should be widely promoted and be people oriented.

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