Indigenous Businesses and Practice of Corporate Social Responsibility in Nigeria: The First Bank Experience in Upholding Entrepreneurial and Economic Development

Hashim Sabo Bello

Department of Business Administration and Management, School of Management Sciences, Abubakar Tatari Ali Polytechnic Bauchi, Bauchi state, Nigeria

Abstract

This review article aimed to present profile of a well known First Bank (Nigeria) Public Limited Company (PLC) as a socially responsible corporate citizen. However, corporate Nigeria would do well to take its cue from the international corporate world, as it’s clear by comparison to world standards, there has been a near total collapse of governance in Nigeria. As a result, corporate social responsibility initiatives in Nigeria are targeted at ameliorating the socio-economic development challenges of the country the like of infrastructure development, which is informed by socio-cultural influences like communalism and charity. Research shows that Nigerian organizations perceived and practice corporate social responsibility (CSR) as corporate philanthropy aimed at addressing socio-economic development challenges in Nigeria. This finding confirms the CSR is a localized and socially embedded construct, as the ‘waves’, ‘issues’ and ‘modes’ of CSR practices identified amongst indigenous firms in Nigeria reflect the responses of the firms to their socio-economic context. As a result of this philanthropic focus, corporate contributions in Nigeria have remained largely unregulated, unsupervised and unguided, depending entirely on the whims, caprices and generosity or otherwise of particular corporate executives in office. As such ad-hoc and unstructured corporate going patterns do little in the light of the tremendous challenges facing the country, this review article therefore believes that there is the need for indigenous businesses to be mindful of how their operations impact on the society, the environment and the lives of the people as being very imperative to socio-economic development. The article recommended that, even though, CSR is an expensive function and duty of businesses to society and to the community they operate in, hence indigenous business entities should also have social and ethical responsibilities besides their traditional economic roles to dispense to society and their host communities. Also, corporate firms should intensify efforts to educate the public on their primary responsibilities, various commitments to other stakeholders and operational financial limitations.

Keywords: corporate social responsibility, economic development, entrepreneurship, indigenous business, Nigeria.

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Introduction

In Nigeria, there have been a number of studies in corporate social responsibility (CSR) but most of these focused mainly on multinational firms and less on indigenous firms. This is not surprising as the history of organized CSR in Nigeria is rooted in the practices of multinational organizations, particularly those in the oil and gas sector. The CSR activities in this sector are mainly efforts at remedying the effects of extinction activities on the local communities (Ezenwa, 2012).

The organizations operating in this sector have often provided pipe-borne water, hospitals, schools, etc for their host communities. They determined what they believed the communities needed and acted to meet the perceived needs. This approach did not solve the problems of unrest and agitation in the host communities within which the oil and gas Companies operated; and so, in 2005 the Companies started to involve the communities in determining their needs in a participatory manner. The CSR activities of these organizations are visible because of their global reach. As a result, there is a higher motivation to protect their brands and investments through CSR initiatives (Ezenwa, 2012). In recent years, corporate organizations have shown growing interest in corporate social responsibility (CSR). Unlike in recent time when their goals were to make sales, maximize profit, now they are concern about making impact on the environment through various interventions. As a result, some companies have made CSR an important part of their brand promise and contribute to national growth in the areas of education, health, agriculture, among others. In the light of this,
several companies from telecommunications, fast moving consumer goods industry, set aside some budgets called ‘corporate social investment’ to support societal needs (Finintell, 2012).

Corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model. Ideally, CSR or corporate citizenship policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, communities, stakeholders and all other members of the public sphere. It is generally agreed in CSR literature that ethical considerations are consistent with business pursuits, in particular with the pursuit of profit. That ethics is consistent with the pursuit of profit can be shown by simply finding examples of companies where the history of good ethics has existed side by side with the history of profitable operation. In view of this, Olotu (2013) posits that the social responsibility performance justifies business’ license to operate in the society or community, hence the development of triple bottom-line of people, planet and profit as the guiding objectives for business.

In recent times, many banks, manufacturing and ICT Companies have become very active in the practice of CSR in Nigeria. A study of the CSR initiatives of Nigerian banks sponsored by Chartered Institute of Bankers of Nigeria (CIBN) in collaboration with Mascot Communication Limited (2004) posits that CSR activities are crucial to organizations’ visibility within their communities and are avenues for banks to impact positively on their immediate environment. The study revealed that many banks, in recognition of the symbiotic relationship between them and the society, promote the welfare of their host communities through social initiatives. According to one of the banks chiefs involved in the study, banks need to “jungle, operate and handle the obligations owed stakeholders in a manner that makes all parties happy (Ezenwa, 2012).

Methodology

The methodology adopted in this review is qualitative analysis of existing literature and other relevant publication containing useful secondary data. By this approach, important issues relating to corporate social responsibility of homegrown businesses with particular reference to First Bank (Nigeria) Plc were analyzed in brief so as to provide bases for the general and specific suggestions that need to be put forward. First Bank of Nigeria Plc is used as the case study in order to generate an accurate inference for the study. The First Bank was selected as one of the 1st generation bank in Nigeria and has international presence through its subsidiary FBN Bank (UK) in London and Paris and its offices in Johannesburg and Beijing. First Bank of Nigeria Plc (First Bank or the bank) is one of the oldest financial institutions in Nigeria and was the first bank to be established in West Africa. The bank was incorporated as a limited liability company in March 1894 and commenced operations the same year as the Bank for British West Africa (BBWA). Subsequent restructuring initiatives saw the bank’s name changed to Bank of West Africa (1957), Standard Bank of Nigeria Limited (1969), First Bank of Nigeria Limited (1979) and First Bank of Nigeria Plc (1991). The bank was listed on the Nigerian Stock Exchange in March 1971 and has an unlisted Global Depository Receipt (GDR) programme.

Review of related literature and relevant concept

The stakeholder view of the firm does not focus on the maximization of shareholder wealth but rather an optimization of the sustainable economic wealth of all stakeholders. Stockholders, employees, customers, communities, and the environment are just some examples of stakeholders. Their legitimate interest in the firm arises from the perspective that these stakeholders have property rights in the firm. Corporate stakeholder relationships have different historical roots in different regions of the world and therefore are viewed with different perspectives. For example, corporate social responsibility (CSR) in the United States derived from the conflict between stockholder-focused managers and social activists. This unenthusiastic relationship between companies and some activist groups created a negative attitude towards stakeholder theory in the business community. Over the past few decades, many U.S. business groups have slowly began to embrace CSR ideas. In the United Kingdom and Europe, corporate citizenship has been viewed less negatively and is currently a more holistic concept. In India, the lack of government efficacy in the provision of social welfare has caused corporations to step into the role of helping society. Stakeholder concern is integrated within the firm and is based on family values (Ayodeji and Abimbola, 2008).

A stakeholder view of the firm is also reflected in many laws internationally. In the U.K., company directors are mandated to include the interests of employees in decision making (Companies Act). In Germany, employee representation is required on one of the two-tier boards (co-determination laws). The European Union permits corporations to take into account the interests of employees, creditors, customers, and potential investors (harmonization laws). In Japan, after the World War II, corporations were tasked with the
responsibility for rebuilding the Japanese economy. The same was true of Korea after its Korean War in the 1950s. Korean companies that focused on exporting were even given tax breaks to help them bring capital to Korea. The modern evolution of stakeholder’s view of the firm advocates that management develop specific relationships with stakeholder groups. Proponents of this view argue that companies have a social obligation to operate in ethically, socially, and environmentally responsible ways. This active approach is referred to as Corporate Social Responsibility or Corporate Citizenship (Ayodeji and Abimbola (2008)).

Corporate Social Responsibility has many perspectives, it involves both the behavior of organizations to meet societal expectations (Carrol, 1979) and those voluntary undertakings aimed at improving the environment in which corporations operate so that they can function in a better environment which may even supersede societal expectations (Vogel, 2006 cited in Gado, 2015). In fact, Kinderman (2012) and Brammer et al (2014) believe that CSR is sharpened and grounded in voluntary behaviours of corporations intended to improve the environment of doing business. Little wonder the European Commission in Brammer et al (2014) looked at an institutional perspective of CSR focusing on “the determinants of whether and in what forms corporations take on social responsibilities”. They define Social Responsibility as “a concept whereby companies integrate social and environmental issues in their business operations and in their interactions with their stakeholders on a voluntary basis”. This voluntarism appears to explain why despite many researches indicating no or even negative link between Corporate Social performance and profits, more corporations still engage in CSR.

Matten and Moon (2008) showed that companies that engage in CSR both in Japan and Western Europe indicated high levels of success. Campbell (2007:1) revealed some of the conditions under which companies are likely to embark on CSR to include “public and private regulations, the presence of non-governmental and other independent organizations that monitor corporate behavior, institutionalized norms regarding appropriate behavior, associated behavior among corporations themselves, and organized dialogues among Corporations and their stakeholders”. Researches on the relationship between CSR and the financial performance of companies have shown divergent results. While some showed CSR leading to enhanced financial performance (Rowley &Berman, 2000; McWilliams & Siegel, 2000; Walsh et al, 2003, Matten & Moon, 2008 and Gunu, 2008 cited in Gado, 2015), others showed that it was the financial conditions of organizations that determine their Corporate Social Performance (Friedman, 1970 cited in, Gado, 2015).

Corporate business ethics and the needs for corporate social responsibility

Business ethics and social responsibility are closely related. While ethics deals with what right or wrong, with moral duty and obligation, social responsibility deals with the obligations of the organization to protect and/or enhance the society in which it functions. Practically, managers are often challenged to choose ethical courses of action in situations where the pressures may be contradictory and crucial. Whether they act ethically or unethically are the result of a complex interplay of several forces, which could be in form of: stage of moral development, individual characteristics, and structural variables (Echu, 2002). Corporate ethics are standards of behaviour in business. Each company has its own ethical and unethical standards (Anonymous, 2011). Ethics theory refers to the various kinds of approaches to moral evaluation that constitute some of the most important types of ethical standards studied by moral philosophers. Thus, business firms may go bankrupt without ever looking at the approach to moral decision making that is based on the notion that ethics should deliver the greatest number of people. This approach is sometimes referred to as a consequentiality approach and sometimes as a utilitarian approach (Ayodeji and Abimbola, 2008). The worst disservice a community would do is to undo itself (El-Harun, 2013).

Holmes and Watts (n.d.) cited in Ayodeji and Abimbola (2008) define CSR 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 those of the local community and society at large. From the foregoing, we can see that CSR is all about how companies manage the business processes to generate profits to itself and produce an overall positive impact on the society from where it obtains all the resources-human, financial, material and other-that aid the mentioned processes. CSR is concerned with the public interest or societal wellbeing.

Whereas ethical behaviour is a phenomenon primarily at the individual manager’s level, social responsibility applies more to the management level. In this context, the members of the public expect management to act in ways that serve both its own interests and the interests of its many external public (consumers, shareholders, government, the general public and so forth) who are affected in one way or other by the behaviour of such organization (Echu, 2002). When we examine a particular corporate practice, like profit versus environmental protection, corporate social responsibility can help distinguish between a stakeholder expectation and a
corporate obligation i.e., is the company obligated to provide absolute environmental protection at all costs or is it obligated to maximize profits for its investors at the cost of damaging the environment (Ayodeji and Abimbola (2008))? Today, there is little doubt that the public-at-large expects every organization to act with genuine social responsibility.

Corporate social responsibility (CSR) can be understood in the term of corporate responsibility, but greater stress upon the obligation a company has to the community, particularly with respect to charitable activities and environmental stewardship. Corporate and social responsibilities are sometimes described as being a tacit contract between business and community (Ayodeji and Abimbola (2008). In dissecting the business firms’ activities posing the environmental challenges, Lawal, et al. (2014) posited that most environmental degradations and emissions are anthropogenic, an advent traceable to the industrial revolution of late 18th century where economic activities in many communities moved from agriculture to manufacturing. Production shifted from its traditional locations in the home and the small workshop to factories. The overall amount of goods and services produced expanded dramatically. New groups of investors, business people, and managers took financial risks and reaped great rewards.

In the long run the industrial revolution has brought economic improvement for most people in industrialized societies. Many enjoy greater prosperity and improved health. There have been costs, however. Industrialization has brought factory pollutants and greater land use, which have harmed the natural environment (Mastrandrea and Schneider, 2008). Hence, in the face of dwindling environmental conditions, Ayodeji and Abimbola (2008) opined that environmentalists are concerned with issues that affect the global environment upon which we all depend. Probably the issue that has caused the widest concern is the so-called hole in the ozone layer and the greenhouse effect which is forecast to make major changes to our climate. Of concern are such issues as strip mining, forest depletion, the effluent from factories, some nuclear waste and the destruction of wildlife habitat to build new houses, motorways, institutions, etc. Quality of life issues such as loss of recreational areas, excessive outdoor advertising and litter also fall within the limit. Bedung (1997) shared concern over such scenario which is deeply informed by the precarious future of man and his environment and it cannot be dismissed as one of those rhetoric that have beclouded man’s reasoning in the recent past.

Business enterprises exert a major influence on the lives of millions of individuals and the well-being of the society in general. The social responsibilities of business are therefore more than just the provision of goods and services for people satisfaction. As part of the social responsibilities, business firms must provide the members of society with required information, maintain a clear and healthy environment, and above all offer better and acceptable service.

The benefits of corporate social responsibility to the indigenous businesses

The Nigerian society, which has now become very conscious of the urgency of social problems such as environmental pollution, urban waste disposals, defective products, and the falling standard of education, and so forth, is asking business managers of all kinds or organizations, what they are doing to discharge their social responsibilities and why they are not doing more. Most entrepreneurs in Nigeria have come to realize that a social responsibility neglected by businesses at any particular time in the course of seeking immediate profits can results in a loss in corporate image, and in the present day highly competitive market of branded goods, such a bad corporative image can be very damaging. In the light of these, CSR provides these advantages to businesses. They include that it:

1) Reverse declining public confidence: As far many people are concerned, organizational/business image and reputation are sometimes highly questionable. This is as a result of negative business practices such as poor product quality, misleading package labels, and false advert claims, etc. to reverse this trend, businesses must demonstrate convincingly that they are aware of their ethical responsibility by setting and enforcing high ethical standards (Ayodeji and Abimbola, 2008). Obviously, this enhances the reputation of a corporation; and improves productivity and the innovative capacity of a corporation due to an increase in sales and market acceptance of products and services (Olotu, 2013).

The image of some businesses has been tarnished at least in the eyes of many people as a result of deceptive practices such as faulty products, artificial shortages, high prices and the like. The question now is how to reverse this decline in public confidence. Business executives most demonstrate in a convincing manner that they are aware of and will possibly fulfill their social responsibility. Management needs to learn from
mistake other firms. Companies must see high ethical standards and then enforce them; failure to act in this way will inevitably lead to loss of public confidence (Echu, 2002).

2) *Avoidance of increase in government regulation:* This applicable where businesses operate in relatively free economic systems, devoid of government regulations. To justify this, businesses must act ethically in such a way that their customers and other stakeholders have no reasons to complain about their activities and attract government attention (Ayodeji and Abimbola, 2008). Thus, this enhances trust-building and helps in no small measure to discourage the creation and imposition of government regulations because business is alive to its social responsibilities (Olotu, 2013).

3) *Retaining the power granted by the society:* CSR helps corporations/business/SMEs to correct the negative impact of the business operations in society like the issue of oil spillage, deforestation, pollution of the environment and so on (Olotu, 2013). Businesses wield enormous power as they influence markets, economic issues and consumers’ behaviour. Unethical behaviour will result in an erosion of this. To avoid this, businesses should act in a socially acceptable manner (Ayodeji and Abimbola, 2008).

4) *Protecting the company’s image:* Through CSR, companies exercise their sense of moral obligation to help society deal with its problems and to contribute to its welfare (Olotu, 2013). Public relation is an element of promotion in marketing. Big organizations make use of public relation to promote the patronage of their goods and services. An organization that is ethically conscious on its operations is likely to spend less on public conscious on its operations is likely to spend less on public relations. For example, former BATA now FAMAD does not sell its products to middlemen, discovering that distributors are fond of charging exorbitant prices in breach of the retail price maintained by the company. Other examples are the *Indomie noodles* crisis, and *Always sanitary towels* which were rumoured to have health implications to the consumers. The above mentioned examples were handled by the public relations unit of the affected companies to help retain their customers and to equally create a good image for their companies (Ayodeji and Abimbola, 2008).

**CSR and First Bank of Nigeria Plc efforts on entrepreneurial and economic development**

The modern evolution of the stakeholder view of the firm, called corporate social responsibility or corporate citizenship, advocates that companies have a social obligation to operate ethically, socially, and environmentally responsible ways. By embracing citizenship goals, corporations may insulate themselves from activist actions, enhance the firm’s reputation, and find that their goodwill opens doors to new communities and additional sales. Therefore, a sense of corporate citizenship potentially represents another way to affect business people’s behaviours and actions. In this sense, it can be considered a monitor. But is the corporate social responsibility concept good for society? It is difficult to do well while doing good. A company can fail in its social goals and still succeed as a business but it cannot fail as a business and still succeed in its social goals. In addition, how do we create a governance system based on this sense of citizenship (Ayodeji and Abimbola, 2008)? First Bank Plc is well known as a socially responsible corporate citizen in Nigeria. However, for the purpose of this paper, we shall focus only on its entrepreneurial and economic development activities. The bank’s culture demand critical engagement with all stakeholders, including host societies, shareholders, employees, regulators and government. Consistent with the respective forms of this government, they define their responsibilities to include voluntary actions executed outside of statutory requirements and intended to positively impact various stakeholders.

In view of the above, with about 1.3 million shareholders across several countries, the First Bank of Nigeria Plc provides a comprehensive range of retail and corporate solutions and through its subsidiaries contributes to national economic development - in capital, market operations, insurance brokerage, bureau de change, private equity /venture capital, pension funds management, registrarship, trusteeship, mortgages and microfinance. Drawing from experience that spans 115 years of dependable service, the Bank has continued to strengthen its relationships with customers, consolidating alliances with key sectors that have been strategic to the well-being and growth of Nigeria; with a clear and defined strategy to ensure strong growth in profitability and has 2nd largest distribution network, unarguably the country's most diversified financial services group, serves more than 4.2 million customers through 396 branch offices in Nigeria.

While a market leader, First Bank Plc was appointed by the Debt Management Office (DMO) as one of the primary dealers in Federal Government Bonds. The primary dealers include 10 banks and 5 discount houses. First Bank is also one of the 10 banks approved as settlement banks by CBN. In addition, the bank is a leading member of the ATM Consortium, an off-site independent Automated Teller Machine service provider as well as a member of Interswitch Limited, an electronic transaction switching and payment processing company. First Bank is also a major player in Western Union Money Transfer Services. The bank has 350 online retail
outlets (the largest in the country) and its operations are supported by a robust banking software application, called Finance.

As Nigeria’s earliest and foremost bank with over 8,000 employees and through day-to-day operations in about 650 branches and business locations across Nigeria, First Bank of Nigeria is positioned to contribute to the development of the country. Through partnerships with leading organizations, the Bank has focused on support for educational advancement, enterprise development, entrepreneurship, health and welfare. Other support programs include financial aids to the physically challenged, security and safety, environmental and medical interventions. It was therefore no surprise that First Bank’s socio-economic efforts were acknowledged during the 2011 Nigerian Corporate Social Responsibility (CSR) Awards in which it was nominated in three categories: Best Company in Consumer Issues, Best Company in Infrastructure, and Best New Entry for 2011. The Bank however won the award for Best Company in Consumer Issues amongst many other awards from different agencies (Ademigbuji, 2016).

Nowadays therefore, the emphasis of the Bank’s corporate social responsibility profile has significantly shifted from the traditional contribution to the various locales in which they operate to a multi-themed, multi-directional interaction with its stakeholders, managed to the mutual benefit of the parties involved. Over the years, the bank has excelled in the discharge of its obligations within the traditional understanding of corporate social responsibility. However, rapid and ongoing changes in the bank’s socio-cultural context justified renewed focus on the integrity of their product development process, the robustness of their service delivery channels, and appropriateness of their conduct across the different facets of their operations and the nature of philanthropic activity that they support. Meeting the above social responsibility objectives involves wider constructive engagement with society (Ezenwa, 2012).

In keeping with its commitment to support the objectives of the National Economic Empowerment Development Strategy (NEEDS) and the state’s Economic Empowerment Development Strategy (SSEEDS) programmes, the promotion of entrepreneurial and economic development received significant attention from the Bank. This support cut across regulatory agencies and governments, private sector, industrial and professional bodies, trade associations and NGOs. The Bank donated N10 million each to the construction of the Conference hall of the Nigerian Employers Consultative Association’s (NECA), new national secretariat and the Institute of Directors’ (OID), Nigeria House project. Sponsorships worth N10 Million were also provided for the 12th Nigerian Economic Summit (Ezenwa, 2012).

It its support for regulatory and law enforcement agencies, the Bank participated in a number of strategic initiatives. These include the International Conference on Financial Systems Strategy (FSS) 2000 (under the auspices of the Central Bank of Nigeria), N20 million Gala Dinner for the Nigerian Stock Exchange Conference of Chief Executive Officers and Directors of Quoted Companies, N10 million anti-Money Laundering Compliance Stakeholders Summit organized by the Securities and Exchange Commission; N1million Nigerian Communications Commission’s (NCC) participation at the Digital World African Conference. The Nigerian Police for hosting of the International Policy Advisory Council (IPAC) Meeting, N5.2 million, and a contribution of N7.5 million to the Professional Recruitment fund of the Federal Capital Territory Administration (Ezenwa, 2012).

Some chambers of commerce also received ample support from the bank through its sponsorship of the 30th Anniversary Annual lecture and presidential dinner respectively of the Nigerian-British Chamber of Commerce and the Franco-Nigerian Chamber of Commerce and Industry’s business Lunch. Small and Medium Enterprises (SMEs) entrepreneurs were supported by the Bank through the sponsorship of a Subsidized Business Leadership Workshop for Entrepreneurs organized with LEAP Africa, designed primarily as a “change management” campaign. It is expected that the insights gained from the series of workshops will challenge participant to make critical positive changes in the management of their organizations. The Bank also sponsored the Nigerian Association of Small and Medium Enterprises (NASME) 2007 SME Awards for Excellence; 2007 Fellowship Investiture of the Chartered Institute of Bankers of Nigeria; Lagos Business School’s 1st National Microfinance Stakeholder Conference; International Poultry Summit 2007 hosted by the Nigeria Poultry Association; 8th NASME International Conference, Exhibition & Awards Night; and Stakeholders Workshop on Consumer Credit policy (Ezenwa, 2012).

Other sponsorship of trade associations, private sector initiatives and NGOs include sponsorship of the 1st Nigerian Leadership Initiative Award Dinner; the 2th Annual Anti-Money Laundering Seminar by Travelex; Gold Sponsorship of the 2006 Annual Bankers’ Conference; Platinum Sponsorship of Lagos Bankers’ Nite; Gala Night of the Association of Women Bankers’ Women in Management and Business
Conclusion and recommendations

In conclusion we can simply put, indigenous businesses can do well to put their CSR policy into action by looking at how to better serve their numerous stakeholders, become part of the solution in their immediate communities and attend to issues that can negatively affect environmental sustainability. Thus, indigenous businesses should be guided by the triple bottom-line of people, planet and profit. To round off this piece, since there can be no company without the community or put differently, since business cannot operate in isolation, it is imperative for indigenous businesses in the country to begin to evolve practical CSR plans to improve the lives of their stakeholders and society in which they operate. That is when they can justify their license to operate.

The overall recommendations of this article invite every business managers of all kinds or organizations in Nigeria, to urgently and ethically discharge their unique social responsibilities neglected by indigenous businesses (at any particular time in the course of seeking immediate profits) can result in a loss in corporate image, and as well in the present day highly competitive world of branded goods, such a bad corporative image can be very damaging, even though, CSR is an expensive function and duty of businesses to society and to the community they operate in, hence this state that the indigenous business entities should also have social and ethical responsibilities besides their traditional economic roles to dispense to society and their host communities. It’s equally recommended that corporate firms should intensify efforts to educate the public on their primary responsibilities, various commitments to other stakeholders and operational financial limitations. By doing so, the public will begin to show understanding and appreciation of the efforts and contributions of such organizations. This would stem cases of incessant bashing with its accompanying damages.

References


