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CORPORATE SOCIAL RESPONSIBILITY PRACTICES AMONGST MANUFACTURING SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN ILORIN, KWARA STATE

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Abstract

The study examines the Corporate Social Responsibility Practices of Small and Medium Scale Enterprises engaged in manufacturing activities in Ilorin, Kwara State. In achieving this, questionnaires were distributed to Twenty Small and Medium Scale Enterprises and one hundred respondents from the host community. Percentages and Independent Sampled t-test were used to analyze the data gathered for the study. Although the analyses of responses gathered shows that Small and Medium Scale Enterprises that engaged in manufacturing activities in Ilorin metropolis, carry out Corporate Social Responsibility Practices for the benefit of their host communities however, they do not contribute to the sustenance of the amenities provided. The study also revealed that these Small and Medium Scale Enterprises concentrate their Corporate Social Responsibility interventions on education and employment while paying little or no attention to other areas. The study further revealed that both the Small and Medium Scale Enterprises and host community agree to the fact that the former carry out CSR practices while they disagree on the fact that such activities are sustained further. Based on this, the study recommends amongst others that Small and Medium Scale Enterprises should try as much as possible to provide further support to activities earlier sponsored as that is what can make the amenities provided to serve the needs of host communities.

Introduction

Corporate Social Responsibility (CSR) as business practice dates back to centuries. Kenneth, Bongo, Chris and Olufemi (2006) cited an example of CSR as that of Quakers in the 17th and 18th centuries whose business philosophy was not primarily driven by profit maximization but by the need to add value to the society at large. As businesses expand, the nature and scope of CSR has also changed. This implies that the society have greater expectations from the businesses that operate within their environs. Barnett (2007) stated that big businesses were criticized around the beginning of the twentieth century as been too powerful and for practicing antisocial and anticompetitive practices.

Therefore, a labour movement known as the "Social Gospel" called for those businesses to accept additional responsibilities other than just making profit.

Today, the shift from the shareholders concept to the stakeholder concept has generated demands and calls from society for socially responsible actions from corporate organizations. From Europe to Latin America to Asia and Africa calls for corporate organizations to be responsible social citizens are on the increase. For instance in 2007, Indonesia promulgated a law that required companies to compulsorily participate in corporate social responsibility programmes or face sanctions. Nigeria is not left out of the call for socially responsible actions from organizations as the National Assembly of the Federal Republic of Nigeria in the early part of 2009 called for the enactment of a CSR bill targeted at corporations operating in the private sector of the nation's economy.

Most studies carried out on CSR in developing countries, particularly Nigeria have been focused either on multinational corporations (MNC) or large indigenous firms. Little attention has been paid to small and medium scale enterprises in this regard. This creates a gap that needs to be filled. There is indeed the need to study CSR practices by indigenous firms because what drives MNC'S to engage in CSR cannot be used to assess SME'S social engagement with their host communities. Kenneth et.al (2007) opined that the compelling pressures that make MNC's to engage in CSR activities are not applicable to indigenous firms. Therefore, the main problem that prompted the study is derived from the involvement of SME'S in CSR practices. Although Small and Medium Scale businesses form a very large proportion of the businesses in Nigeria, but only a few of them participate in CSR Practices (Helg, 2007). Furthermore, even those business organizations that engage in CSR practices do not sustain their activities. Social amenities provided are usually abandoned and therefore they cannot meet the needs of communities which they are meant to support. (Kenneth et.al 2006, Ite, 2004)

It is against this background that the study seeks to examine the practice of CSR and the sustainability of CSR services provided by SME's in Kwara State, Nigeria. In achieving this objective, the study will attempt to answer the following research questions:

- Do the selected companies carry out CSR activities?
- Do the selected companies have formal CSR strategies?
- In what area(s) do the selected companies concentrate their CSR interventions?
- Do the selected companies sustain the amenities provided to the host communities?
- Can the amenities provided serve the need of the host community?

- How do these companies view CSR: As corporate philanthropy or as a legal obligation which they must fulfill?

Conceptual Clarification and Literature Review

Concept of Corporate Social Responsibility

Corporate Social Responsibility (CSR) has been defined by various authors in different ways. McWilliams and Siegel (2001) defined CSR as actions that appear to further some social goods, beyond the interest of the firm and that which is required by law. CSR is a public relation tool that can be used for establishing a relationship between a company and its host (Eni, 2009). It was further described by the author as what makes a firm visible to its host community as being caring, which becomes a powerful tool to build social capital and grow, the bottom line which is the primary reason why the company is in operation. Prasad (2009) described CSR as a concept whereby organizations consider the interest of the society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as the environment.

From the different definitions given above, it can be seen that CSR has no standard definition but it is generally viewed as steps taken by the organization to look beyond the interest of just the organization but to also improve the quality of life for employees, the host communities and the society at large. CSR demands that organizations must consider the interest of all stakeholders in their decision making. CSR according to Carrol (1979) has four layers viz; economic, legal, ethical and discretionary/philanthropic responsibility. Carrol (1979) further explained that economic responsibility is to do what is required by global capitalism, the legal responsibility is to do what is required by global stakeholders, the ethical responsibility is to do what is expected by global stakeholders, and the philanthropic responsibility means to do what is desired by global stakeholders.

Development of CSR Practices in Nigeria

Informal CSR activities by individuals and organizations in Nigeria dates back to many years ago. Individuals exchange gifts during birthdays and other festivities. Also organizations and government officials give gifts to motherless babies' home, the handicapped, payments of hospital bills, sponsorship of education, etc. At that period, these activities were simply philanthropic.

According to Business World Intelligence (2009), semi-organized CSR activities started in Nigeria with the establishment of the Fawehinmi foundation, Akintola Williams foundation, etc. The promoters of these foundations invest a part of their income or wealth and the proceeds of such investment were used in carrying out community projects in the areas identified by the promoters of the

foundation. Also, up till this level of having semi-organized CSR activities, such activities were predominantly philanthropic.

Kenneth et.al (2006) stated that organized CSR in Nigeria can be traced to practices of the oil and gas sector driven by western multinational corporations (MNC's) whose CSR activities are mainly focused on remedying the effects of their extraction activities on the local communities. Therefore, many of these MNC's have assisted in providing the infrastructures lack by their host communities such as motorable roads, hospitals, schools, water projects, etc.

Presently CSR practices in Nigeria are not limited to those undertaken by MNC's. Indigenous firms as well as government agencies also have increased interest in CSR activities for the socio-economic development of the country. Although most SME's in Nigeria are not involved in CSR practices and many of those involved carry it out on an informal basis (Helg, 2007).

Empirical Evidences of CSR in Different Countries

CSR in the west is driven by factors such as increased brand value, greater access to finance, a healthier and safer workforce, stronger risk management and corporate governance, motivated people, customer loyalty, enhanced confidence and trust of stakeholders as well as enhanced public image (Helg, 2007). In many developing countries, CSR is viewed in different ways. Gilbert and Raj (2006) conducted a survey with the aim of assessing the perceptions and extent of CSR practices in Singapore. Questionnaires were distributed to 208 respondents to seek their opinions on how they perceive CSR activities. The findings of the study revealed that the respondents subscribe more to the charity principle of CSR as opposed to the stewardship, i.e., the expectation is for companies to have greater obligation to the less fortunate in the society than the role of 'stewards' or trustees. Many of the respondents also place greater importance on legal responsibility as part of their understanding of CSR.

Similarly, Boon and Ababio (2009) surveyed mining companies in Ghana and came up with the fact that CSR programmes of mining companies tend to focus on community initiatives because the economic, social and environmental impacts of their operations are basically felt greatest at that local level. Kenneth et.al. (2006) studied the private sector in Nigeria with the aim of exploring the current meaning and practice of CSR with emphasis on indigenous firms. In doing this, the study employed the use of structured interviews to seek the opinion of 41 private sector leaders that cuts across four sectors of the nation's economy; oil and gas, telecom, finance and manufacturing. Also, the study made use of content analysis of the web-based CSR-reporting by eleven banks. The study revealed that indigenous firms in Nigeria view CSR activities as a way of giving back to the society and that the practice of CSR in Nigeria is still largely philanthropic and altruistic.

Another study was conducted by Helg (2007) to understand the reason why firms practice CSR in Nigeria and how they perceive it. The study employed the use of personal interviews and dialogues to survey three national firms with formal CSR and one company that has CSR embedded in its business idea. It was revealed from the responses that the philanthropic motive is the highest priority for engaging in CSR by firms in Nigeria. The study further revealed that many formal CSR practices appear to be on an adhoc-basis.

As mentioned earlier, most studies carried out on CSR in developing countries, particularly Nigeria have studied either the multinational corporations(MNC) or the large indigenous firms, this study seeks to fill the gap by studying CSR practices of Indigenous firms with particular attention to small and medium scale enterprises.

Methodology

The study centred on small and medium scale enterprises engaged in manufacturing activities in Ilorin, Kwara State and members of the communities in which these enterprises operate. SME'S in the manufacturing sector have been chosen because literatures reveals that this sector impact mostly on the environment in which they operate.(Helg, 2007).

The research work employed the survey research method to ascertain whether SME'S in Ilorin carry out CSR practices and if they do, whether they support further those activities which they have earlier provided. Therefore, the data for the study was sourced primarily through the use of structured questionnaires. The simple random sampling was used in selecting the SME'S, while respondents from the host communities in which these enterprises operate were conveniently selected. The study sample comprised one hundred (100) respondents from the host communities and twenty (20) Small and Medium Scale Enterprises engaged in manufacturing activities. To further facilitate the achievement of the objective of the study, two hypotheses were raised and tested as stated:

- H₀₁: There is no significant difference between the perception of the SME's and the host community on CSR practices in Ilorin metropolis.
- H₀₂: There is no significant difference between the perception of the SME's and the host community on further financial support for CSR activities in Ilorin metropolis.

Descriptive statistics has been used through percentages to interpret some of the responses and proffer answers to the questions raised. The independent

sampled t-test was employed in testing the hypotheses at 5% level of significance with the decision rule:

➤ Reject H_0 if P value is $< \alpha=0.05$ and otherwise accept.

The statistical package for social sciences (SPSS), version 15 is utilized in running the data

Discussion and Interpretation of Results

This section presents and analyzes the study data elicited from the field survey conducted by the researchers. The data and results for each research question raised as well as results of the hypotheses tested have been discussed.

The results of the study show that SME's engaged in manufacturing activities in Ilorin, Kwara state carry out CSR activities in the communities in which they operate as 72.6% of the respondents from the host communities agree that such enterprises contribute to the well-being of the community. Also, all the SME' agreed to the fact that they carry out CSR activities within their host communities. The study also found that most of the SME'S concentrate their CSR interventions on employment and education to their host communities. This is evidenced by 49.5% (representing the highest percentage) of the members of the host communities agreeing to the fact these SME'S have assisted them more in these two areas than other areas which include health, security, water projects, e.t.c.

The study made an attempt to know whether the selected companies sustain further the activities earlier carried out for the host communities. 38.9% representing the highest percentage of respondents from the host communities disagree to the fact that the SME'S operating within the community provide further financial support on projects earlier sponsored for the community. Also, 85% of the SME's are indifferent to the fact that they provide further financial support on CSR activities earlier carried out for the host community. The study revealed that the amenities provided cannot serve the needs of the host community as 46.3% representing the highest number from the members of the host community disagree to the fact that the provisions are adequate to serve the needs of their communities.

Finally, the results of the study show that SME's in Kwara State view CSR as a way of being philanthropic towards the host community as opposed to seeing it as a legal obligation which every organization must fulfil towards its host communities. This is evidenced by 55.5% of the respondents agreeing to this fact.

Results of Hypotheses Tested

The result of the hypotheses tested to further enhance the achievement of the research objective is as depicted in tables 1 - 4 below.

Table 1
Group Statistics

	SME's and Host Community	N	Mean	Std. Deviation	Std. Error Mean
Responses on whether CSR activities is carried out	SME's	20	1.55	.510	.114
	Host Community	95	2.09	1.140	.117

Table 2

Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference Std. Error Difference 95% Confidence Interval of the Difference Lower Upper
Responses on whether CSR activities is carried out	7.827	.006	-2.088	113	.039	-.545 .261 -.028
Equal variances assumed						
Equal variances not assumed			-3.333	65.299	.001	-.545 .163 -.218

From tables 1 & 2 above, the descriptive statistics on the perception of the SME'S and the host communities on CSR practices in Ilorin indicate that SME'S (mean response of 1.55) declared that they carry out more CSR practices than what the host communities (mean response of 2.09) declared as being the SME'S contribution.

Also, the decision rule states that reject null hypothesis if P value is $< \alpha=0.05$ and otherwise accept. The independent sampled t-test ($t = -2.088$, $P = 0.039$, $d.f = 113$) for the perception of the SME'S and the host community on CSR practices in Ilorin indicates that there is a significant difference between the responses of the SME'S and the host community to CSR practices in Ilorin. ($P < 0.05$).

SME'S engaged in manufacturing activities in Ilorin carry out CSR practices for their host communities, but from the result of the hypothesis tested above that shows a wide variance between the response of the members of the host community and the SME's, it can be inferred that the host community is not satisfied with the CSR interventions of the SME's and more should be done.

Table 3
Group Statistics

	SME's and Host Community	N	Mean	Std. Deviation	Std. Error Mean
Responses on whether there is further financial support on CSR activities	SME's	20	2.30	.733	.164
	Host Community	69	2.00	.857	.103

Table 4

Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means				
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
							95% Confidence Interval of the Difference Lower Upper
Responses on whether there is further financial support on CSR activities	.066	.798	1.420	87	.159	.300	.211
			1.549	35.517	.130	.300	.194
							.720 .693

Tables 3 & 4 above present the results of hypothesis 2. The descriptive statistics for the perception of the SME'S and the host community on further financial support on CSR practices in Ilorin indicates that host community (mean response of 2.00) declared more that there is no further financial support from the organizations than what the SME'S (mean response of 2.30) declared.

The independent sampled t-test ($t = 1.420$, $P = 0.159$, $d.f = 87$) on the perception of the SME'S and the host community on further financial support on CSR practices in Ilorin indicates that there is no significant difference between the responses of the SME'S and the host community to further financial support on CSR practices in Ilorin. ($P > 0.05$).

The implication of the result above is that although there is no significant difference between the responses of the host community and the SME's, the host community disagree more on sustenance of CSR practices than the SME's.

Conclusion and Recommendations

From the results of the field survey analyzed above, the study concludes that SME'S engaged in manufacturing activities in Ilorin although view CSR as a way of being philanthropic to the host communities but still contribute significantly to the well-being of the communities in which they operate. The study concludes further that in carrying out CSR practices on their host communities, the SME'S concentrate on assisting in the areas of education and employment while paying little or no attention to other areas. The study also concludes that though these SME'S embark on CSR activities but they do not sustain activities earlier provided for their host communities and that the amenities provided are inadequate to serve the communities in which these enterprises operate.

Finally, the study concludes that though a large proportion of the members of the host communities agree with the SME'S that they carry out CSR practices, but there is still a significant difference in the perception of the SME'S and the host communities on the extent to which CSR practices is being carried out.

Based on the above, the study puts forward the following recommendations:

- That the enterprises should cease viewing CSR as a way of being philanthropic towards the host community only but rather they should see it as a legal obligation which they must fulfill.
- The SME'S should diversify their CSR interventions to spread across the needs of the communities. They should not just concentrate on particular needs of the communities while neglecting the other needs.
- The SME'S should try as much as possible to provide further financial support on activities earlier sponsored as that is what can make those activities to serve the needs of the host communities.

- The Government should try to improve their provisions of infrastructural facilities to the community at large and should not see it as a duty of these SME'S only to provide for heir host communities. In this way, the combined efforts of the Government and the SME'S will help provide what will be adequate to meet the needs of the communities.

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