

Original Research Article

Assessment of the impact of a firm's Corporate Social Responsibility (CSR) on its profitability in Nigeria: A case study of Akure firms in Ondo State

ABSTRACT

This study critically examined the impact of a firm's Corporate Social Responsibility (CSR) on its profitability in Nigeria. The specific objective of the study was to assess the effect of customer orientation on the performance of SMEs in South West, Nigeria; examine the effect of competitor orientation on the performance of SMEs in South West, Nigeria and investigate the effect of inter-functional coordination the on the performance of SMEs in Ondo state, Nigeria. A descriptive survey research design was adopted and the population of the study covered all the 23,289 SMEs across all the states in the South West region of Nigeria; out of which, 393 small and medium scale enterprises' owners were selected using the Yamane model (1967). An adapted questionnaire was used and it was subjected to a validity and reliability test. Data gathered via the questionnaire was analyzed using frequency and percentage for background information of the respondents and items on the questions, Pearson correlation to show the relationship between the predictor and outcome variable and simple linear regression to reveal the effect of all the predictors on the outcome variable. The result of the analysis revealed that customer orientation has a positive and significant effect on the performance of Small and Medium Scale Enterprises (SMEs) in South West, Nigeria to the tune of 0.302($p=0.000<0.05$). Thus, it was concluded that all the predictors (customer orientation, competitor orientation and inter-functional orientation) have a positive and significant effect on the performance of SMEs in South West, Nigeria.

Keywords: Firms, Corporate Social Responsibility, Profitability, SMEs

1.1 Background to the Study

Corporate Social Responsibility (CSR) is not a new concept in the field of Management. In the highly competitive, turbulent, and volatile marketplace that exists today, having an exemplary reputation helps realized values (Fombrin, 1996), such as the ability to charge premium prices, enjoy enhanced customer loyalty (Klem & Leffier, 1981; Milgram & Roberts, 1986b), increased customer identification with the company, (Keh & Xie, 2009), and attract better human resources and more capital resources (Milgram & Robert, 1986; Stigles, 1962), "Corporate Social Responsibility (CSR) initiatives are one-way firms can gain positive

reputations” (Fombrum & Shanely, 1990). “Today, more than 80% of the Fortune 500 companies address Corporate Social Responsibility issues on their website”, reflecting the pervasive belief that performing Corporate Social Responsibility initiatives can lead to a better reputation” (Bhattacharya & Sen, 2004).

According to Carroll (1979), Corporate Social Responsibility has evolved as early as the 1930s. “Corporate Social Responsibility can be defined as treating the firm’s stakeholders ethically or responsibly. Corporate Social Responsibility is a concept where organisations interest society by taking responsibility for the impact of their activities on stakeholders and the environment.” Carroll (1991) suggested that “Corporate Social Responsibility should be divided into economic, legal, ethical, and philanthropic responsibilities. Financial responsibility refers to the organisation’s profitability, while legal responsibility complies with laws and regulations”. “From a moral perspective, the organisation’s operation should go beyond the rules to do the right thing in fair and just ways. Philanthropic responsibility refers to voluntary giving and service to society. The role of business in society is no longer focused on creating wealth alone but is also focused on acting responsibly toward all stakeholders” (Harrison & Freeman, 1991). “Corporations that do not equip themselves with Corporate Social Responsibility activities will most likely be left behind with the increasing global competition and borderless markets. International corporations with sound Corporate Social Responsibility activities will grow stronger. As the education levels increase, consumers are more aware of the need for pro-social corporate behaviour” (Altman, 2007).

1.2 The problem statement stated that Corporate Social Responsibility had become the mumble word in recent years. Studies are being conducted to explore the potential benefit of Corporate Social Responsibility to both the firm and the communities. Across the globe and in various disciplines, many corporations engage ample financial resources to develop an image of doing good to strengthen their relationships with all stakeholders, particularly customers, employees, investors, government, and the community. The corporate idea of doing well also builds an excellent corporate reputation.

According to Lafferty, Barbara, and Ronald (1999), “a positive corporate image correlates to purchase intention and helps consumers differentiate between companies and their product or service offerings”. “Therefore, loyalty from customers is likely to increase if companies act

responsibly and accountably in terms of their social and environmental impact” (Brown & Dacen, 1997; Pirsh, (Data & Craw, 2007). Our society has become increasingly concerned that more significant influence and progress by firms have not been accompanied by the equal effort they deserve in addressing critical social issues, including problems of poverty, drug abuse, crime, improper treatment of workers, faulty production output, and environmental damages or pollution by the industries as it has overtime been reported in the media, given the perceived information gap, it is therefore worthwhile to do a study, collecting and aggregating in a more organized manner the contributions of a Nigerian corporation (using the telecommunication industry as a focus) to the wellbeing of the society. This is necessary if only to show graphically and mathematically that the industry seriously identifies with the aspiration of the communities and the general public. If Nigerian businesses do well, they have to “do well” and can hope to tackle the significant challenges facing developing societies today.

In Nigerian society, Corporate Social Responsibility has been a highly contemporary and contextual issue for all stakeholders, including the government, the corporate organization itself, and the general public. The public contended that the payment of taxes and the fulfilment of other civic rights are enough to ground to have the liberty to take back from the society in terms of Corporate Social Responsibility undertaken by different stakeholders; this study is, therefore, intended to consider the imperative gains and benefits of Corporate Social Responsibility on the Nigerian society. The perceived gap supposedly created is harnessed and investigated for possible resolution.

2.0 Literature review

2.1 Conceptual Literature

A review of relevant literature will be addressed the concept of the effects of corporate social responsibility on consumer behaviour. This review aims to evaluate the effect of Corporate Social Responsibility on the Consumer Behaviour of MTN, Akure, and Ondo State. To this end, kinds of literature, Corporate Social Responsibility, The Aspects and Fields of Corporate Social Responsibility, Consumer Society Approaches, and Socially Responsible Consumer Behaviour were considered.

2.1.1 Corporate Social Responsibility (CSR)

“The basic idea of Corporate Social Responsibility is that businesses and society are interwoven rather than separate entities” (Wood, 2010). As discussed previously, several theories have been identified in several kinds of literature to explain the concept of Corporate Social Responsibility (CSR). It can be defined as “the firm’s recognition and integration in its operations the social and environmental concerns of their operating environment, resulting in business practices satisfying those concerns and making up the relationships with the “interlocutors” (De la Cuesta & Valor, 2003). The Spanish Association of Accounting and Business Administration, the AECA, (2004) defines Corporate Social Responsibility as the “voluntary commitment of the firm to the development of the society and the preservation of the environment from their social composition and a responsible behavior with the people and the social groups with which they interact” (Nafziger, 1969). “Therefore, it is assumed that firms fulfil their economic, legal, ethical, and social obligations not only regarding their stockholders but also regarding their employees, clients, local communities, environment, suppliers, and distributors” (Lafuente et al., 2003).

According to Ogbechie (2006), “Corporate Social Responsibility (CSR) in Nigeria is aimed at addressing the peculiarity of the socio-economic development challenges of the country (e.g. poverty alleviation, health care provision, infrastructural development, education, etc.). It would be informed by socio-cultural influences (e.g. communalism and charity). They might not necessarily reflect the popular western standard and expectations of CSR (e.g. consumer protection, fair trade, green marketing, climate change concerns, socially responsible investments, etc.)”. The EU’s Green paper on Corporate Social Responsibility defined it as “a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders voluntarily”. And more recently, McWilliams and Siegel (2011) define it as “... actions that appear to further some social good, beyond the interests of the firm and that which is required by law”. “While the CSR construct is a new coinage, it is not a new practice. It could be traced back to such examples as the 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 the large business was framed as part of the society and not 13 separate from it. The resurgent interest in the practice provides a fertile ground for different discourses and actors, which lends it to multiple and contested constructions” (Moon, 2002).

Various organizations in Nigeria have different meanings or definitions for Corporate Social Responsibility. As anticipated, the importance of CSR was framed mainly to reflect the local realities. In an environment where basic human needs and infrastructure (by western standards) are a luxury, CSR was seen from a philanthropic perspective as 'giving back to the society' (Silverstein, 1984). According to (Amaechi, Adi, & Ogbechie, 2006), almost all interviewed described CSR as philanthropy and altruism. Some of these descriptions include: "Corporate Social Responsibility is the corporate act of giving back to the immediate and wider community in which organizations carry out their business in a manner that is meaningful and valuable and relevant to that community" (CEO of a consulting firm) "Corporate Social Responsibility is a way for the companies to reach out to their host communities by positively impacting on their environ" (Senior Executive of an Oil/Gas firm) "Corporate Social Responsibility is a way of saying 'thank you to the environment in which the firm operates and a way of also showing a sense of belonging to the society at large'" (Senior Executive of a Bank) Content analysis of web reports also confirms this inclination to interpret Corporate Social Responsibility in terms of philanthropy.

As all these stakeholders have different interests, wishes, and expectations towards the company and its business behaviour, the company has to find the solution of making decisions to satisfy and equilibrate all the mentioned stakeholder groups. A Conceptual Framework for CSR Community Involvement Sources: (1) Stakeholders, (2) Motives: Freeman, 1984; Campbell, 2007; Swanson, 1995

2.3 Review of Empirical Literature

31 Several studies have suggested that there is a positive relationship between a corporation's CSR activities and consumers' attitudes towards that corporation and its products (Brown & Dacin, 1997; Creyer Ross, 1997; Ellen, Webb, & Mohr, 2000). Mohr, Webb and Harris (2001) examined the impact of Corporate Social Responsibility knowledge on consumers' attitudes and purchase decisions, whether Corporate Social Responsibility will affect consumers' decisions, and why it does or does not. Their survey attempts to measure the size and composition of the consumer segment affected by Corporate Social Responsibility. In contrast, their experiment attempts to determine whether corporate social responsibility significantly impacts consumer responses. Their finding indicated a substantial relationship between Corporate Social Responsibility and consumer responses. Sen and Bhattacharya's (2001) research on consumers' reaction to CSR shows that Corporate Social Responsibility will directly affect consumers' intentions to purchase a corporation's products.

Research Design

The objective of the survey is to obtain essential information and insight into MTN Corporate Social Responsibility on consumer behaviour. In research design, you identify the variables and their relationships. Therefore, the research design serves as a guide for data generation, especially primary data. The research design adopted in this study is the survey method using a questionnaire to elicit information to examine the effect of Corporate Social Responsibility on consumer behaviour. A well-articulated design is desirable for the objective of data collection that will assist in addressing the research questions and testing the stated hypotheses. Therefore, the research design serves as a veritable guide for data generation, especially primary data. The population of this study consists of customers of MTN in Akure metropolis, using the distributors to reach out to them (customers). The population was drawn from this area for more accessible and better representation; however, the study population is non-deterministic because users of MTN are large in number. The source of data collection used in the research is mainly primary data using a closed structured questionnaire as the research instrument,

Method of Data Analysis The procedure or process that will be used for the processing, analysing and interpreting of this data will be through the use of mathematical analysis. For the data, the simple percentage was adopted by the researcher to study the response of the respondent, and it was also used to show various analyses of the relevant question and the answer of the respondent; for the effective use of the simple percentage, the researcher runs the regression on the raw score data which show the summary of the response of the respondent. 38 To test the hypothesis of the research work by the researcher, the researcher runs a regression through the raw score by using the statistic processing for social science (SPSS) to know the hypotheses to be accepted and rejected.

4.0 Results and Discussion of findings

4.1 This chapter deals essentially with the presentation, analysis and interpretation of data gathered in the study. The analysis of data is both descriptive and statistics which involves the use of tabulation, percentage and regression with the aid of SPSS (Statistical Package for Social Sciences), which was used to test the hypothesis of the research work. These data are obtained from the field of investigation, which is users of MTN line in Akure, Ondo State is presented, analysed and interpreted.

4.2 Data Analysis

A total number of Sixty (60) copies of the questionnaire were administered to the respondents, divided into sections: A and B. Section A consists of the analysis of the biodata of the respondent,s. In contrast, section B consists of the study of questions on Corporate Social Responsibility and their effect on Consumer Behaviour in this research topic. The entire questionnaires that were administered were returned.

Results

Table 1 Data Analysis of Respondent's Demographic Information

Sex	Frequency	Percentage %
Male	33	55
Female	27	45
Total	60	100

Source: Field Survey, 2022

Here, it can be analysed that the males in Akure Metropolis, where this study was carried out, using MTN Line the most. 55% were male, while 45% were female. Consequently, the highest variable for gender is male; this means that male respondents were the majority in this study

Table 2: Age Distribution

Age	Frequency	Percentage
20-29 Years	17	28.3
30-39 Years	40	66.7
40-49 Years	3	5.0
50-59 Years	0	0
Above 60 Years	0	0
Total	100	100

Source: Field Survey, 2022

From table 3 above, survey respondents who fall under the age of 20 to 29 years are 28.3%. While those who fall under age 30 to 39 years are 66.7%, and those under age 40 to 49 years are 5%. None of the respondents was between the ages of 50 years and above. It would be stated that

respondents under the ages of 30 to 39 have the highest variable of age. This means that majority of the respondents are mature people.

Table 3: Highest Academic Qualification

Academic Qualification	Frequency	Percentage %
O'Level	2	3.3
Diploma	10	16.7
Degree	40	66.7
Postgraduate	8	13.3
Total	60	100

Source: Field Survey, 2022

The table above reveals that 2 (3.3%) out of the total surveyed respondents have ordinary level (WASC/WAEC) certificates, 10 (16.7%) of the respondents hold National Diploma or NCE Certificates, 40 (66.7%) are B.Sc/HND certificates holders, while 8 (13.3%) surveyed respondents are holders of various postgraduate certificates such MBA; M.Sc.; PGD and PhD.Holder. This implies that the majority of the respondents have the necessary qualifications that can prompt an objective opinion on the subject matter, as the majority of them are first degree certificates and postgraduates holders.

4.3 Presentation of Result: Extract From Regression Result

Table 4: Model Summary

Model	R	R Square	Adjusted Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.808 ^a	.258	.219	1.068	.258	6.500	3	56	.001

Source: SPSS Output (2022)

- a). Predictors: (constant), Legal Responsibility, Social Responsibility, Philanthropic Activities, Community Service, Academic Responsibilities and Cultural Responsibility.
- b). Dependent variable: Consumer Behaviour According to the model summary in Table above, the R (correlation Coefficient) gives a positive value of 0.808; this indicates that there is a moderate positive correlation between Corporate Social Responsibility and Consumer Behaviour. The R square is a portion of the total variation in the dependent variable that is explained by the variation in the independent variables. From the results obtained, R square is equal to 0.258, this implies that there is a linear relationship between Corporate Social Responsibility and Consumer Behaviour that is, it can account for 25.8% behaviour of consumers, this is further proven by the adjusted R square which gives a value of 0.219, implying that when all errors are corrected and adjustments are made the model can only account for 21.9% behaviour of consumers.

Table 5: Regression Residual statistics

Model		Sum of square	Df	Mean square	F	99% Level of confidence
1	Regression	22.259	3	7.420	6.500	0.01
	Residual	63.925	56	1.142		
	Total	86.183	59			

Source: SPSS Output (2022)

An analysis of variance (ANOVA) is used to test whether there is a significant linear relationship between the effect of Corporate Social Responsibility and Consumer Behaviour. The F test is used to test the overall significance of a model by comparing the F calculated with the F tabulated

Table 6: the F calculated with the F tabulated ratio

F calculated	F tabulated	H _o	H _A	Remark
6.500	5.450	Reject	Accept	significance

Source: SPSS Output (2022)

Analysis of the Estimated Coefficients The regression result in table 6 revealed a constant value of 7.420 which shows the value of Corporate Social Responsibility if all the explanatory variables in the model are held constant. The result further revealed that Legal Responsibility, Social Responsibility, Philanthropic Activities, Community Service, Academic Responsibilities and Cultural Responsibility have a positive relationship with Consumer Behaviour in Akure, Ondo State. This result further implies that a 1% increase in Legal Responsibility, Social Responsibility, Philanthropic Activities, Community Service, Academic Responsibilities and Cultural Responsibility will increase the rate of Consumer Behaviour in Akure, Ondo State, by 37.7%, 27.0%, 50%, 51%, 35%, and 23% respectively. This result conforms to the earlier stated expectation of this research work.

5.0 Discussion

This chapter helps us to together all that has been said about the relationship between Corporate Social Responsibility and its effect on Consumer Behaviour. The summary of findings results found that there is a direct positive and significant relationship between Corporate Social Responsibility and Consumer Behaviour of Telecommunication Users in Nigeria, especially MTN subscribers in Akure Metropolis, Ondo State, thereby supporting the hypotheses. Corporate Social Responsibility also has a positive relationship with the corporate reputation of MTN Telecommunication. Multiple regression was used to test the relationship between Corporate Social Responsibility and Consumer Behaviour. The results showed that Corporate Social Responsibility was positively related to Consumer Behaviour. From the discussions, it is evident that there will be more influence on consumer behaviour if there is an improvement in Corporate Social Responsibility of organisations.

The findings highlight the influential role of Corporate Social Responsibility or ethical criteria in buying behaviour. Even though these findings are based only on the telecommunication industry, and some studies tend to say the contrary (Brown & Dacin, 1997, Mohr et al., 2001, Berens et al., 2005), “the results are not 52 entirely unexpected given the theoretical and empirical literature in developed countries suggesting that Corporate Social Responsibility is critical in actual consumer behaviour”. (Auger, Burke, Devinney & Louviere, 2003; Bhattacharya & Sen, 2004; Ellen, Webb, & Mohr, 2006; Uusitalo & Oksanen, 2004; Marin & Ruiz, 2007) This indicates that the MTN Telecommunication Company will discover in the growth of its internal and external CSR initiatives not only the moral satisfaction of adhering to an ethical requirement

but also the potential to add value to their organizations by creating a competitive advantage through the influence of customers on their products. The results evidenced that the business case of Corporate Social Responsibility business case in Akure may include enhanced brand value and reputation through a higher willingness to pay. The results also show that the profit maximization approach does not necessarily conflict with a better social return investment. A positive relationship between Corporate Social Responsibility and firm performance indicates that the management of MTN Company would achieve superior performance. Also, a positive and significant relationship between Corporate Social Responsibility and consumer behaviour that positively affect the company's firm performance is an indication that Corporate Social Responsibility contributes positively to how well MTN as a company performs. Thus an improvement in the Corporate Social Responsibility practices will lead to equally high performance, thus ensuring the long term survival of the company.

Conclusion

This research indicates that consumers were sensitive to the definition of the attributes of Corporate Social Responsibility and consumer behaviour in their purchase decision of MTN usage. These constructs and variables have captured the significant primaries of significant ability in choice behaviour by the set of attributes in the observed component of the utility expression. The signs of all Corporate Social Responsibility and consumer behaviour attributes are positive, which means that the probability of selecting MTN's product and services increases if it offers the company's environmental commitment, good labour practices, corporate giving to worthy causes, quality of products, technological innovation, philanthropies activities and leadership in the industry.

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