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## **SMALL BUSINESS AND CORPORATE SOCIAL RESPONSIBILITY (CSR) IN NIGERIA: A PERSPECTIVE**

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### **ABSTRACT**

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The Small Business sector is now in most economies of the world regarded as the engine of growth. This belief is hinged on the fact that in all economies, a large segment of the population is self-employed. In the US, it is said that some 65% of business are small scale. In Nigeria a greater percent belongs to this sector. For this reason since the exit of Military rule, subsequent civilian governments want to give up active participation in business. The policy is now to allow the private sector, small business sectors to drive the economy. The Government wants to limit its role to provision of infrastructure and enabling environment for the private sector to thrive. The concept of Corporate Social Responsibility (CSR) surfaced in the past few decades following the development of Business Ethics. It is the belief that businesses most contribute to the welfare of the society where they operate. CRS has attracted the attention of Large Organizations. Few studies carried out in the performance of small businesses in the area of CSR have shown that they have not sufficient capital to engage in CSR. This paper has been based mainly on collection and commentary on secondary information Literature search points to the fact that studies in this area have remained subjective and non-parametric. This study points to the fact that CSR is not limited to philanthropy. Small businesses have a lot to contribute apart from philanthropy which they lack financial resources to engage in. but they can take a wider view of stakeholders. They can provide employment to people around them. They can also avoid negative behaviour and do not produce or import substandard goods. They can also try to avoid tax evasion and pay appropriate taxes as part of their CSR.

**Keywords:** *Small business, Corporate Social Responsibility (CSR), economic growth/development, philanthropy, stakeholders.*

### **INTRODUCTION/BACKGROUND OF THE STUDY**

The late 1980s and early 1990s saw the return of renewed interest and opportunity in matters of small scale enterprise and economic growth/development. This revival of interest marked the realization that there is need to encourage the growth of small business. Economists and politicians started the slogan that small business is the engine of growth for our economy and wealth creation. In effect there is consensus among development economists and political economists that developing countries need to grow the small scale business sector. This consensus is partly hinged on the fact that a large segment of the active population engages in micro and small scale enterprises. Following from these perceptions, it became obvious that Nigeria's participation in industrial involvement over the decades has not been successful. The World Bank estimated that Nigeria over the past decades since Independence lost over \$13.4 trillion to establish public enterprises, most of them large scale industries (Business Times Oct. 1 1999). These industries under the Import Substitution Policy included Power stallions, fertilizer

Plants, motor Vehicles Assembly Plants, Iron and Steel Complex, Steel rolling Mills etc. Adejokun (2004) observed that "these giant industries set up failed to yield the desired results of producing sustainable development and up lifting the country's technology base and serving as economic boost". Under the firm conviction that small-scale enterprise is the most productive sector, the government now shifts to policies that will remove them from direct participation to that of creating enabling environment and provision of infrastructure. To ensure the growth of small scale sector, the Babangida Administration (1985-1993) established Peoples Bank (1989) and encouraged towns and villages to establish Community Banks (1990). Both were to make it relatively easy for small businesses to have access to operating funds. It is note worthy the Obasanjo Administration (1999-2007) merged People Bank into Bank of Industry (BOI) while Community Banks metamorphosed into Micro Finance Banks. With the same zeal the Small and Medium Enterprises (SME) was set up. An organization called small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was set up to coordinate the sector. Corporate Social Responsibility (CSR) also known by such others names as Corporate Social Investing, Corporate conscience and Corporate Citizenship, became a dominant discourse in societies. It is a form of self-regulating mechanism whereby a business organization monitors and ensures its active compliance with the spirit of the law of society, ethical standards and international norms and best practices. The goals of CSR embrace responsibility for a firm's actions and encourage a positive impact through its activities on the environment and stakeholder. Stakeholders include consumers of the firm's products, its employees, shareholders, community where it operates, various levels of government and the general society. CSR developed as part of capitalist economic system to achieve economic growth and development through voluntary activities of firms, CSR is now part of developments of Modern Business Ethics.

By focusing on CSR, a firm would proactively promote public interest by encouraging community growth and development. It would voluntarily eliminate practices that harm the society regardless of the legality. Kan (2009) said that "CSR starts where laws and regulations end". People have also said that CSR is a deliberate inclusion of public interest into corporate decision making as well as honouring a triple bottom line of people, profits and environment. The concept of CSR involves the tenets that under profit maximization of market economy, firms should, as a part of business plans, start to give part of their profit back to society.

### **STATEMENT OF PROBLEM**

In the last four decades or a little more, researchers have shown renewed interest in understanding the concept of Corporate social Responsibility (CSR). Carroll (1979) constructed four responsibilities of CSR, namely economic, legal, ethical and philanthropic. These factors are important in understanding CSR by firms. Stone (1975) talked about responsibilities that are market and legally driven and those that go beyond the law. Literature reveals that much has been said about CSR and large organizations, indeed it is the Multi-national Corporations (MNCs) that have spearheaded the application of CSR. Chrisman and Archer (1984) observed paucity of research in CSR and small business in the US. The situation is even worse in Nigeria. This paper, therefore, sets out fill in part of this gap by looking at the activities of small business in area of CSR in Nigeria.

### **OBJECTIVE OF STUDY**

As stated above, there exists some dearth of information and research in the participation of small Business in CSR in Nigeria. The objective of this paper therefore is to try to fill some gap in this area. The research shall discuss how are small businesses committed to participating in CSR. It will be brought to the fore for small businesses not to leave the implementation to large organizations. They have some role to play and even if they lack financial might, they can avoid doing things that harm society.

### **SIGNIFICANCE OF STUDY**

The study will add to the scarce information existing in the filed. Small firms will then be encouraged to engage in forms of CSR even with limited resources. The paper will inform small firms that they can at least be advised that they can avoid irresponsible behaviour.

### **SCOPE OF STUDY**

The study covers Small Business and CSR in Nigeria. But it is limited to small business located in Nnewi North and South Local government area. Since small businesses face similar attributes the discussion and comments can conveniently be applied to other areas of Nigeria. However, the generalization has to be applied with caution given that most studies in small scale business and CSR performance have been largely perceptual and subjective (Buehler and Shetty 1976).

### **METHODOLOGY OF STUDY**

The study is essentially discursive and extensive review of existing studies on small business and CSR.

Discussions and analysis have been made on the situation. In other words the analysis is non parametric. This method is not out of place as Thompson and Smith (Internet accessed 20/12/2011) observed that "virtually methodological areas in small business and CSR studies appear to have serious problems". They further added that "the overall profile that emerges on research methodological for small business/CSR studies is one of limited sophistications and constraints..... the studies are in their infancy and are exploratory".

### **PLAN OF STUDY**

The study is arranged in four sections

SECTION I: deals with the discussion so far.

SECTION II: deals with review of literature theoretical foundations, and Empirical studies.

SECTION III: deals with discussion and analysis on the various concepts about small Business and CSR.

SECTION IV: deals with conclusion and recommendation.

### **SECTION II: REVIEW OF LITERATURE, THEORETICAL FOUNDATION AND EMPIRICAL STUDIES**

Small scale business as a concept has no specific definition. According to Ile (2001) small business varies from one country to another and from one industry to another. He observed that the various definitions are based on such parameters as installed capacity utilization, capital outlay, output, number of staff employed and the policies of the countries in question. Some people consider a small business as one that employs 5-10

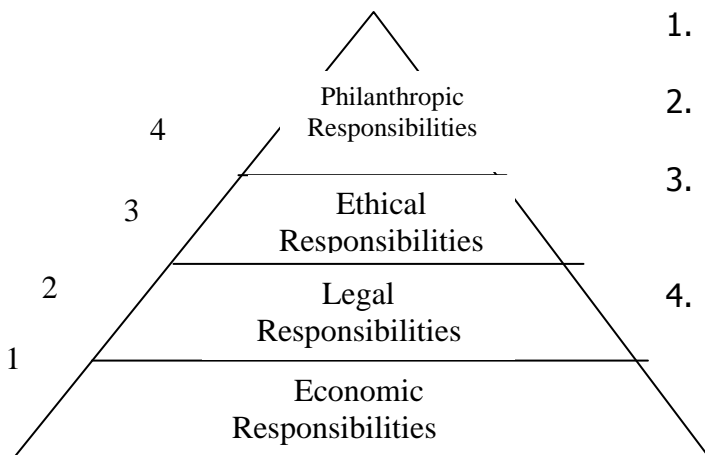
people. Anambra State Edict 1, 1976 defined small business in line with that adopted by the Federal Ministry Of Industries . According to it capital investment should be up to ₦15,000 in machinery and equipment alone. Of course the drastic changes in the economy have made the figure unrealistic. The 10<sup>th</sup> National Council of Industry in Kaduna (1999) defined small scale business as one whose total cost inclusive of working capital is over ₦1 million but not exceeding ₦40 million and a labour force of between 11-35 staff. Companies and Allied Matters Act (CAMA 1990) s. 351 (1) stated that a company qualifies as a small company if for a particular year it satisfies these conditions: (a) It is private company having a share capital (b) The amount of its turnover is not more than ₦2 million. (c) None of the members is an alien. (d) None of its members is a member of government corporation or agency or its nominee. While we cannot indefinitely continue to define small business, we note that small business has been extended to include micro enterprises. These are small businesses owned and managed by one or two persons. We now briefly review literature on CSR. As stated earlier, CSR developed as part of the emergency of business Ethics. CSR came into public glare in the late 1960s and early 1970s with the prominence of Multi National Corporations (MNCs). Jamalil and Keshishian (2009) define CSR as "the obligation of corporations to contribute to social betterment through their mainstream and peripheral operations whether that obligation is recognized and fulfilled voluntarily or coercively". Freeman (1984) opined that "Corporations make more long term profit by operating with a perspective for CSR". CSR advocates that companies divert some attention from making excessive profit to the society where the profit is made.

Dwivedi (2008) quoting Friedman and Baumol (1962) sees CSR as "Obligations of business man to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of objective and value of society". Controversies trail the practice of CSR. Friedman and Baumol (1962) (Ibid) in the US claimed that to pressure firms to adopt CSR "shows a fundamental misconception of the character and nature of free economy". They argued that in a free economy "There is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the games". Baumol added that CSR is a "distraction from business and at best a window dressing". Other critics such as Newell (2005) accepted that CSR may be okay but "are decidedly mixed and categorically disjointed with few if any results". Frynas (2008) criticizes CSR as lacking in empirical data on effectiveness which has contributed to the confusion over its role. Most people tend to understand CSR as philanthropy. However, apart from critics, many people see CSR as indispensable. Warhurst (2005) sees CSR as "new corporate paradigm and role in society in which international companies are embracing the concept of citizenship and are developing principles, policies strategies and different ways of working".

## **THEORETICAL FOUNDATIONS OF SMALL BUSINESS AND CSR**

Small business the world over is regarded as the main source of economic growth. It is estimated that some 65% of businesses in US are small and medium scale and form the US. Small Business Association (SBA). In Nigeria it is believed that more than 75% of businesses are small and micro enterprises. Since the Structural Adjustment Programme (SAP) the government policy has shifted to development of small and micro business. The government now wants the optimum growth of small business as the engine of growth.

Odubanjo (2000) echoed that small business have assumed a heightened importance and have become a focal point of discussion at the global level. The main reasons are that small business can operate with small capital outlay and can be adopted to satisfy individual demand. Odubanjo (Ibid) argued that recent giant strides achieved by South East Asian Economies (Asian Tigers) resulted from their massive development of small business. In CSR, some theories have been put up to support the emergence of CSR. The stakeholder's theory form part of the emergence of CSR. Stakeholders include governments, consumers, suppliers, shareholders and society where a firm operates and the entire society. Matten and Moon (2004) presented a conceptual frame work for understanding CSR in what they called "Implicit and Explicit CSR". Implicit CSR is a country's formal and informal institutions that give organizations an agreed share of responsibility for society's interests and concerns. Explicit CSR is about corporate policies with the objective of being responsible for those things in which society has interest. They state that explicit CSR can be voluntary, self-interest driven while implicit can relate to values, norms and rules that address areas that stakeholders consider important. Carroll (1991 op cit) put out another theory of CSR in what we called "pyramid of CSR model". The model states that CSR constitutes four kinds of responsibilities namely economic, legal, ethical and philanthropic. The model is shown in the diagram below.



1. Economic Responsibilities refer to Profitability of a firm.
2. Legal Aspects expect the firm to comply with nation's laws and regulations.
3. Ethical responsibilities are about how the firm should embrace the society norms and values.
4. Philanthropic responsibilities are actions of the firm to contribute in welfare of the society. Most people have reduced CSR to mean philanthropy.

SOURCE, CARROLL'S (1991)  
Pyramid of CSR

### **EMPIRICAL STUDIES ON SMALL BUSINESS AND CSR IN NIGERIA**

In Nigeria, not much empirical studies have been carried out in the area of small business participation in CSR. Most of the scanty researches done in the field have been of developed countries. Most researches in the area of CSR have concentrated on multinationals in developed countries. Chrisman and Acher (1984 op.cit) in their study of Small Business in the US observed that small business "lack sufficient influence or resources to adequately address social issues". Longnecker, McKinney and Moore (1989) in their study also of the US reported that "managers and owners of small businesses have little or no conceptions about social responsibility of small business". They summed it up that they are similar to those of non-business people". In a study by Mumo and Karwanga (2005) about how CSR can deliver in Africa (the study was carried out in Kenya and Zambia), it was observed that CSR for small business was almost non-existent. They

observed that "although the concept of CSR is gaining some prominence, it is not applied widely and is usually associated with philanthropy". In Nigeria, most large firms sit on the fence and complain that CSR is one more tax being foisted on them. The small business hardly gives thoughts to CSR especially even in the philanthropy.

### **SECTION III ANALYSIS AND DISCUSSION OF SMALL BUSINESS AND CSR IN NIGERIA**

We have seen that small business do not do much in terms of CSR. The poor performance is based on the wrong perception of equating CSR to philanthropy. But when we take a wider view of CSR, we see that small business have a lot to do. For example, when we consider the stakeholders theory, we see that small firms can at least pay fair wages, produce standard and safe products and sell at reasonable prices. They can pay adequate taxes without engaging in wide scale tax evasion and avoidance. Auken and Ireland (1982 op.cit) probably had this poor perceptions in mind when they advised that small businesses could "over look social activism and concentrate on avoiding irresponsible behaviour". Part of this is keeping local environment clean and safe. Sometimes you see small firms discharge wastes into the main roads and streams. Again small business should pay its taxes as at when due. Ifueko Omoigni-Okaru ([www.google.com](http://www.google.com).accessed 12/1/2012) said that firms (big and small) should see that "voluntary tax compliance as the first step in social responsibility". Small businesses will CSR compliant by obeying government laws and regulations. They offer employment to youth in the area and thus help reduce poverty.

### **SECTION IV CONCLUSION AND RECOMMENDATION**

Conclusively, we say that CSR has come to stay even for small business organizations. Even though large firms are on it, small firms must find enough room to operate. Small firms do not need to see CSR as only doling out financial grants which they lament is scare. But they can now see that they have a lot to do as CSR activities. There are many ways they can give back to society and at least avoid irresponsible acts. It is recommended that more researches be carried out in various aspects where small business can perform in CSR. More studies will help develop more parametric statistical analysis that will produce more results that can be generalized. For now most studies (although sparse) are subjective and use non-parametric analysis.

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