

## CORPORATE SOCIAL RESPONSIBILITY OF MULTINATIONAL CORPORATIONS AND THE DEVELOPMENT OF THE NIGER DELTA REGION OF NIGERIA



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### ABSTRACT

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One of the key objectives of Corporate Social Responsibility (CSR) is to forge a harmonious relationship between corporations and society. But with the spate of youth restiveness and militancy in the Niger Delta region of Nigeria it is not clear that the CSR activities of multinational corporations (MNCs) in the region have yielded the desired effect. This study, therefore, set out to explore the effect of the corporate social responsibility activities of MNCs on the development of the Niger Delta region of Nigeria. Primary data were collected from a total of three hundred and seventy six (376) respondents judgmentally drawn from four states in the region. Data generated were analyzed using the multiple regression model. Interview method was also used. Findings showed that the multinational corporations operating in the Niger Delta region actually carried out some CSR activities and that those activities contributed to the development of the region. However, residents interviewed felt that the massive environmental pollution caused by the operations of the MNCs in the region had practically eclipsed the CSR activities of the multinational corporations. It is recommended that the MNCs should show greater sensitivity to environmental issues and, in particular, adopt international best practices in their oil exploration and production activities in the region.

**Contribution/ Originality:** This study contributes to existing literature by assessing the corporate social responsibility of multinational corporations in the Niger Delta region of Nigeria from the perspective of host communities.

### 1. INTRODUCTION

Multinational corporations (MNC), especially those involved with the oil and gas sector, have carried out business in the Niger Delta region of Nigeria for decades. Their many years of interaction with the local communities have impacted on the latter in various ways including the depletion of their flora and fauna, and the general environmental degradation with gas flaring and oil spills. Many of the locals are aggrieved and claim to be worse off with the presence of the MNCs. The tension generated by the grievances has led to cases of youth restiveness and periodic disruption of economic activities in the region. Meanwhile, most of the corporations engage in some sort of corporate social responsibility (CSR) activities in order to ameliorate the negative effects of oil

extraction in the region, or to be seen to do so. The CSR activities take the form of intervention programmes in health care provision, infrastructure development, education, poverty alleviation and to a lesser extent, environmental remediation. These levels of intervention have become the major “components” of CSR in the oil and gas sector of Nigeria, and they are ad hoc and seldom sustained.

Although there are some globally acknowledged issues concerning CSR, such as Human rights, Employee rights, Environmental protection, Community involvement, and Supplier relations, there are also regional differences with regard to priorities and understanding. In Nigeria, the motivation for CSR comes from the institutional failure of government, unlike in USA and Europe, where government pressure on MNCs shapes CSR initiatives (Phillips, 2006). In the same vein, Amaeshi *et al.* (2006) argued that the Nigerian conception of CSR was remarkably different from the western version. They defined CSR in the Nigerian context as "one that is aimed towards addressing the peculiarity of the socio – economic development challenges of the country (e.g. poverty alleviation, health care provision, infrastructural development, education, etc)"

In recent times, however, a lot of attention has been focused on CSR activities as practiced by international corporations and the recurring demand has been that multinationals operating outside their home base should maintain standards used by their parent companies (Yusuf, 2010; Adeyanju 2012). This issue goes beyond extending humanitarian assistance or establishing resource centres in communities, and includes such other activities as consumer protection, fair trade, green marketing, climate change concerns, and socially responsible investments. Given the difference between the components of CSR as practised in Europe and America and the Nigerian version, and the continued volatility of the Niger Delta region, it is not clear that the CSR activities of the MNCs in the region have impacted the development of the local communities positively. The purpose of this study is, therefore to ascertain the extent to which the CSR activities of MNCs have contributed to the development of the Niger Delta region.

### 1.1. Research Question

What is the joint effect of MNCs' CSR intervention in education, infrastructure, environmental issues, health care and community involvement on the development of the Niger Delta region?

### 1.2. Hypothesis

There is no significant positive joint effect of MNCs' CSR intervention in education, infrastructure, environmental issues, health care and community involvement on the development of the Niger Delta region.

### 1.3. Theoretical Framework

Corporate Social Responsibility (CSR) is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It presumes that the corporation does not only have economic and legal obligations, but also other responsibilities towards Society (Carroll, 1979). The contribution of Bowen (1953) marks the beginning of modern literature on this subject. Bowen (1953) opinion proceeded from the belief that several large businesses were vital center of power and decision-making and that the actions of those firms touched the lives of citizens at many points (Carroll, 1991).

Carroll (1994) also suggested the following three distinct aspects of corporate social performance that must somehow be articulated and interrelated: 1. A basic definition of social responsibility (i.e., Does our responsibility go beyond economic and legal concerns?) 2. An enumeration of the issues for which a social responsibility exists (i.e., what are the social areas - environment, product safety, discrimination, and so on- in which we have a responsibility?) 3. A specification of the philosophy of response (i.e., Do we react to the issues or pro-act?)

Freeman (1984) broadened the scope of CSR to cover any group or individual who can affect or be affected by the achievement of an organization's objectives. He considered a new managerial model which went beyond the

traditional shareholders' point of view by incorporating other internal and external stakeholders. The original Freeman's model of the stakeholder theory included Shareholders, Competitors, Government, Suppliers, Customers, Civil society and employees (Freeman, 1984). This approach has been followed by many authors among whom are Waddock and Graves (2006) who classified stakeholders as primary and secondary. Primary stakeholders include owners, employees, customers, and suppliers; those without whom, the organization could not survive. Secondary stakeholders include non-governmental organizations (NGOs), activists, communities, and governments - those who can affect the firm or be affected by it.

Beyond developing a macro-view of corporate responsibility there is the need to pay attention to the quality and import of the interactions. Waddock (2004) paid attention to that aspect of CSR by coming up with the concept of Corporate Citizenship which he defined as "the strategies and operating practices a company develops in operating its relationships and impacts with stakeholders and the natural environment". This entails the development of mutually beneficial, interactive and trusting relationships between a corporation and its many stakeholders - employees, customers, communities, suppliers, governments, investors and even nongovernmental organisations (NGOs) and activists - through the implementation of the company's strategies and operating practices. In this sense, being a good corporate citizen means treating all of a company's Stakeholders (and the natural environment) with dignity and respect. It calls for being aware of the company's impacts on stakeholders and working collaboratively with them when appropriate to achieve mutually desired results (Waddock, 2003).

#### 1.4. The Role of CSR in Community Development

Community is generally defined as a group of people sharing a common purpose, who are interdependent for the fulfillment of certain needs, who live in close proximity and interact on a regular basis (Ismail, 2009). There are shared expectations for all members of the group. The group is respectful and considerate of the individuality of other persons within the community. In a community there is a feeling of cooperation, commitment to the group welfare, willingness to communicate openly, and responsibility to and for others as well as to one's self (Ismail, 2009).

Community development (CD) refers to initiatives undertaken by a community at times in partnership with external organizations or corporation to empower individuals and groups with the skills they need to effect change in their own communities. External organizations include government and non-government organizations, and corporations of various types and sizes such as small and medium enterprises (SMEs) and multinational corporations (Ismail, 2009). It is about influencing power structures to remove the barriers that prevent people from participating in the issues that affect their lives (Hanachor, 2009).

Corporate social responsibility, by its very nature, is development done by the private sector and it complements the development efforts of government and development agencies (Jenkins, 2004). It fosters closer ties and interdependencies between corporations and the community.. Yet, for many corporation leaders, it is difficult to know where their responsibilities begin and end in relation to building infrastructure, creating economic opportunities, and access to core services such as health, education and poverty alleviation. That notwithstanding, sustainable CSR solutions at community, region, state and national levels are based on partnerships between government, civil society and business (Ismail, 2009).

## 2. METHODOLOGY

This study employed the exploratory research design and used a focus group to extract the needed data on Corporate Social Responsibility interventions by MNCs in the Niger Delta region of Nigeria. The population of the study, based on the National Population Census, comprised residents of four Local Government Areas (LGAs) in four states of the region as follows: Esit Eket in Akwa Ibom State (63,358); Warri South West in Delta State (311,970); Ilaje Eseodo in Ondo State (289,838) and Port Harcourt LGA in Rivers State (538,558), totalling

1,203,724 residents. The Yamane (1967) formula was used to determine a sample size of 400 respondents. The instruments used in the study were the questionnaire and interview. The questionnaire were administered using the judgemental sampling procedure and 376 copies were retrieved in useable form. The data collected for this study were analyzed using descriptive and inferential statistics. The hypothesis was tested at  $p > 0.05$  level.

**2.1. Results**

Out of the 400 copies of questionnaire administered, a total of 376 respondents representing 94.1% completed and returned the questionnaire in a useable form. Male and female respondents constituted 64.4% and 35.6% respectively. Only 2.1% of respondents were less than 20 years of age, 20.4% were aged between 21 and 30 years, 31.1% were aged between 31 and 40 years, 22.3% were aged between 41 and 50, 21.0% were aged between 51 and 60 while 2.9% were above 60 years of age. Also, 2.9% were holders of FSLC, 12.2% were holders of SSCE, 33.8% were holders of ND/NCE, while holders of HND/B.Sc were 42.3%. Holders of M.Sc./ MA/ MBA and Ph.D were 8.2% and 0.5% respectively. This indicates that the respondents were mature and knowledgeable enough to respond appropriately to the questionnaire and interview questions..

**2.2. Test of Hypothesis**

**Ho:** There is no significant positive joint effect of MNCs' CSR intervention in education, infrastructure, environmental issues, health care and community involvement on the development of Niger Delta region.

To test the hypothesis the following variables were identified:

Dependent variable: Development of Niger Delta Region

Independent variables: Education, Infrastructure, Environmental issues, Health care, and Community involvement.

$$\text{Thus } Y = f(x_1, x_2, \dots, x_5) \dots \dots \dots (1)$$

$$\text{and } Y = a + bx_1 + bx_2 + bx_3 + bx_4 + bx_5 + U \dots \dots \dots (2)$$

where

Y = Development of Niger Delta

x<sub>1</sub> = intervention in education

x<sub>2</sub> = intervention in infrastructure

x<sub>3</sub> = intervention in environmental issues

x<sub>4</sub> = intervention in health care

x<sub>5</sub> = community involvement

U = error term

Multiple linear regression was used to test the hypothesis. The model summary is shown on Table 1.

**Table-1.** Model Summary of linear regression analysis of the joint effect of MNCs' CRS activities on the development of Niger Delta region

Model	R	R square	Adjusted R square	Std. Error of the Estimate	F	Sig.
1	.834 <sup>a</sup>	.696	.693	.10322	1084.848	.000 <sup>a</sup>

<sup>a</sup> Predictors: (Constant), edu\_int, infras\_int, envir\_int, health\_int, com\_inv

Table 1 shows that the overall regression model explained 69.6% (R square) of the variance in the dependent variable and that the F-value of 1084.848 is significant at 5% level of significance (F=1084.848, p = 0.00). The hypothesis is, therefore, rejected. This means that there is a significant positive joint effect of the multinationals' corporate social responsibility activities {intervention in education, infrastructure, environmental issues, health care and community involvement) on the development of Niger Delta communities. The effect of each of the interventions on the development of Niger Delta region is shown on Table 2.

**Table-2.** Effect of each of the interventions on the development of the Niger Delta region.

Model		Unstandardised Coefficient	Std. Error	Standardized Coefficient	t	Sig.
		Beta		Beta		
1	(Constant)	3.351	.490		6.683	.000
	edu_int	.613	.095	.476	2.119	.000
	infras_int	1.871	.083	.696	3.221	.000
	envir_int	-.431	.181	-.121	-9.876	.235
	health_int	.547	.036	.428	10.113	.000
	com_inv	.411	.126	.317	5.885	.000

Dependent Variable: dev\_com

Table 2 shows the relative contribution of each CSR intervention by MNCs to the overall development of the Niger Delta region. Intervention in infrastructure has the highest positive contribution with a coefficient of 0.696. Education is next with a coefficient of 0.476, followed by intervention in Health care with 0.428 and community involvement with 0.317. Environmental issues made a negative contribution with a coefficient of  $-0.121$  to the overall development of the region. The t-value for each of the interventions is significant at 5% level with values ranging from 10.113 to 2.119 except for environmental intervention which has a t-value of  $-9.876$ . This implies that all the CSR activities of the MNCs have a positive effect on the development of the Niger Delta region except as it concerns environmental issues.

Result of the interview method used in this study confirmed that MNCs in the region were carrying out some CSR activities but that those activities were doused by the magnitude of environmental damage caused by the operations of the MNCs.. The interviewees consistently referred to numerous oil spills, polluted water ways and the constant flaring of gas in their communities as well as the attendant damage to flora and fauna systems, the emergence of acid rain and its impact on buildings.

### 3. SUMMARY, CONCLUSION AND RECOMMENDATION

The test of the hypothesis of this study revealed that the CSR activities of MNCs jointly contributed positively ( $R^2 = 69.6\%$ ) to the development of communities in the Niger Delta region of Nigeria. In addition, face-to-face interview with some residents of the region confirmed that the MNCs' intervention in education, infrastructure and healthcare had a positive impact on development. However, the general response was that the existing interventions were not commensurate with the environmental degradation caused by the MNCs' oil explorations in the region.. Communities in the region need to be convinced that beyond the ad hoc interventions, the MNCs share in their strive for a clean and habitable environment. One way of doing so would be for the MNCs to show greater sensitivity to the state of the environment. It is also recommended that the MNCs should adopt international best practices in their oil exploration and production activities in the region.

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