Minding the Gap and Symbiotism in Development: Drivers of Corporate Social Responsibility in Developing Economies

Abstract: There is no gainsaying the obvious fact that the role of government in development has withered. Perhaps, this is explained by the growing development of liberal capitalist democracy, but especially because the tasks of development are too enormous for government to handle within the context of limited resources. This essentially lends credence to the idea of Corporate Social Responsibility (CSR). The review argues that given the gap created by the inability of government to get everywhere in development perspective, and other differentiated circumstantial factors, accentuated by local situations and international environment, CSR has not only become desirable but a critical component contemporary international development. Even though, the primary concern of business organisations is to make profit for shareholders, nevertheless, being socially responsible represents a huge ingredient in making that profit. Thus by partaking in social development, the corporate world also hugely benefit in this development endeavour. CSR should, therefore, be seen within the framework of a symbiotic relation, in which both the communities, the stakeholders and the corporate world accordingly benefit.

Keywords: Corporate Social Responsibility, Community, Stakeholders, Corporate world.

INTRODUCTION

Evidently, high poverty, unemployment, diseases, poor infrastructural development and higher rate of maternal and child mortality rates affect many African countries. For example, only about 43% of Africa’s labour force participates in the continental economy (African Development Bank, 2003). The proportion of the population living on less than $1 a day is as high as 70% in some countries; and external debt is crippling the economy in some countries by exceeding Gross National Income (African Development Bank, 2004).

It is no surprise, therefore, that the economic contribution of companies in Africa is highly appreciated by governments and local communities. Moon, Crane and Matten (2005) claim that economic responsibility in the USA is strongly focused on profitability and returns to shareholders, while companies in continental Europe tend to define this contribution much more widely. Like in Europe, African companies and corporations that are concerned with Corporate Social Responsibilities (CSR) are generally multinationals and thus their contributions to development are wide spread. However, it has been discovered that, small and medium-sized companies do not appear to give much importance to CSR, perhaps because these companies typically do not have adequate economic or human means to implement a CSR policies and programmes. In Africa, legislation and enforcement are recorded to be poor, civil society scrutiny is largely absent, and consumer activism for responsibly produced products is relatively weak. Little wonder, therefore, multinationals are more active in CSR activities in countries with weak environmental legislation (Dam, 200) because they can easily manoeuvre and do whatever they so like in CSR spending.
Much of the CSR discourse in Africa focused on ethics and anti-corruption measures. While major projects in Africa must meet international standards and codes such as the Equator Principles, nevertheless these standards have trickle-down effects on local or regional suppliers to multinational companies. In the North for example, a ‘do no harm’ philosophy has often typified good citizenship. In Africa, there are more fundamental development challenges, including poverty, deepening inequality, lack of healthcare and education opportunities, and widespread HIV/AIDS (Visser, 2005b) as areas in which CSR could make significant impact. Thus, it is against this background that Africa CSR becomes not only important but necessary for bridging the development gap in order to ensure sustainability in growth and stability. Already, these social problems seem to arguably be beyond the capacity of governments to easily address. Cooperative organisations must therefore be mindful of these gaps. It is important to note that, although these problems are not all unique to developing countries, together they build up a distinctive picture of how CSR is conceived, incentivized, and practiced in emerging economies. Ten major drivers for CSR (though with amendments) have been identified in developing countries especially in Africa by Visser (2008a), which he classified as national (internal) and International (external) drivers. He refers to national drivers as pressures from within the country, while the international drivers tend to have a global origin. Given the enormous developmental challenges affecting Africa, this paper critically provides a broader overview of the general drivers of CSR, in which the intervention of the corporate and business world are radically justified. The paper argues that CSR is a good thing, especially in economically undeveloped states of Africa. The general predicament in CSR activities, despite some commitments and demonstration of good will to engage is lack of robust planning and laws regulating such activities. This is perhaps partly the reason why the development gap that CSR seeks to bridge increasingly becomes too difficult. Within this theoretical discourse, it is also appreciated that as much as developing economies require the intervention of the corporate world in social development, the corporate world is also a big beneficiary in the endeavour. Though, empirical results were mixed and sometime conflicting and ambiguous, however, the relationship between CSR and cooperate world (in terms of profit and performance) is symbiotic.

THE INTERNAL DRIVERS OF CSR

Historically, while many believe that CSR is a Western invention there is ample evidence that CSR in developing countries draws strongly on deep-rooted indigenous cultural traditions of philanthropy, business ethics, and community embeddedness (Visser, 2008). Indeed, some of these traditions go back to ancient times. For example, Visser and Macintosh (1998) recall that the ethical condemnation of usurious business practices in developing countries that practice Hinduism, Buddhism, Islam, and Christianity dates back thousands of years. Similarly, Fyans (2006) notes that business practices based on moral principles were advocated by the Indian statesman and philosopher Kautilya in the 4th century BC (cited in Visser 2008b). In Latin American context, Sanborn (2002), reminds us that varied traditions of community self-help and solidarity stretch back to the region’s pre-Hispanic cultures, and include the mutual aid societies, trade unions and professional associations that emerged in the 19th and early 20th centuries (Logsdon, Thomas and Van Buren, 2006). In the Nigerian context, Amaeshi, Ogbechie and Amao (2006) find that CSR is framed by socio-cultural influences like communitarianism, ethnic-religious beliefs, and charitable traditions, while Visser (2005a) suggests that the value-based traditional philosophy of African humanism (ubuntu) is what underpins much of the modern, inclusive approaches to CSR on the continent. The point is clear that Africans too share a long history of traditions of CSR. Thus cultural history is big driver here.

Another driver of CSR is political reform. CSR in developing countries cannot be divorced from the socio-political reform process, which often drives business behaviour towards integrating social and ethical issues. For example, De Oliveira (2006) argues that the political and associated social and economic changes in Latin America since the 1980s, including democratization, liberalization, and privatization, have shifted the role of business organizations towards taking greater responsibility for social and environmental issues.

In South Africa, the political changes towards democracy and redressing the injustices of apartheid had been a significant driver for CSR, which is through the practice of improved corporate governance (Roussouw, Vander Watt and Malan, 2002), collective business action for social upliftment (Fourie and Eloff, 2005), black economic empowerment (Fig, 2005), and business ethics (Malan, 2005). Visser (2005b) maintained that political activities like environmental and labour-related legislative reform in South Africa between 1994 and 2004 have direct bearing on CSR.

There is a powerful argument that CSR in developing countries is most directly shaped by the socio-economic environment in which firms operate and the development priorities this creates. Amaeshi et al., (2006), for example, argue that CSR in Nigeria is specifically aimed at addressing the socio-economic development challenges of the country, including poverty alleviation, health-care provision, infrastructure development, and education. This, they argue, stands in stark contrast to many western CSR priorities such as consumer protection, fair trade, green marketing, climate change concerns, or socially responsible investments.

Similarly, Schmidheiny (2006) questions the appropriateness of imported CSR approaches, citing examples from Latin America, where the most pressing issues like poverty and tax avoidance are typically not included in the CSR conceptions, tools, and

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methodologies originating in developed countries. By contrast, locally developed CSR approaches are more likely to respond to the many social and environmental problems in the region, such as deforestation, unemployment, income inequality, and crime (De Oliveira, 2006).

Michael Spicer, the CEO of the South Africa Foundation and former Senior Executive for the mining conglomerate Anglo-American, argues that having CSR guided by the socio-economic priorities of a country or region is simply good business. Furthermore, he suggests that companies in developing countries need to actively shape the socio-economic and political landscape in order to create an operating environment, which is conducive for business (Middleton, 2005). The business response to the socio-economic challenge of HIV/AIDS is a case in point (Brennan and Baines, 2006).

Of particular relevance for developing countries is the fact that CSR is often seen as a way to plug the governance gaps left by weak, corrupt, or under-resourced governments that fail to adequately provide various social services (housing, health care, education, etc.). Matten and Moon (2008) see this as part of a wider trend in developing countries with weak institutions and poor governance, in which responsibility is often delegated to private actors, be they family, tribe, religion, or, increasingly, business organization. Furthermore, as many developing country governments’ initiatives to improve living conditions continue to falter, proponents of CSR strategies argue that companies can assume this role.

Various kinds of crises associated with developing countries, which often have the effect of catalysing CSR responses. These crises can be economic, social, environmental, health-related, or industrial. CSR is seen to be driven by and response to crises. For example, Newell (2005) notes that the economic crisis in Argentina in 2001–2002 marked a significant turning point in CSR, prompting debates about the role of business organizations in poverty alleviation. Moreover, Hoffman (2005) and Dunfee, (2006) saw crises, such as HIV/AIDS that are galvanizing CSR in developing countries. Catastrophic events with immediate impact are often more likely to elicit CSR responses, especially of the philanthropic kind. The corporate response to the Asian tsunami is a classic case in point (Fernando, 2007). However, industrial accidents may also create pressure for CSR. Examples include Union Carbide’s response to the 1984 Bhopal disaster in India (Shrivastava, 1995) and Shell’s response to the hanging of human rights activist Ken Saro-Wiwa and 9 others in Nigeria in 1995 (Wheeler, Fabig and Boele, 2002).

CSR may also be seen as an enabler for companies in developing countries trying to access markets in the developed world. For example, Baskin (2006) identifies competitive advantage in international markets as one of the key drivers for CSR in Central and Eastern Europe and Asia. Similarly, Araya’s (2006) survey of CSR reporting among the top 250 companies in Latin America found that businesses with an international sales orientation were almost five times more likely to report than companies that sell products regionally or locally. This is especially relevant as more and more companies from developing countries are globalizing to meet the need to comply with international stock market listing requirements, including various forms of sustainability performance reporting and CSR code compliance (Visser, 2005a). This is echoed in Chapple and Moon’s (2005) study of seven countries in Asia, which found that there is a strong relationship between international exposure, either in terms of international sales or foreign ownership, and CSR reporting. CSR is also sometimes used as a partnership approach to creating or developing new markets. For example, the AED/Mark Partnership with Exxon Mobil was created on the basis of developing a viable market for insecticide-treated mosquito nets in Africa, while improving pregnant women’s access to these nets, through the delivery of targeted subsidies (Diara, Alilo and McGuire, 2004).

From the above discussion, it is clear that CSR is triggered by a combination of several factors, cultural tradition, which traced the history of ethical business dealings and the dislike for the usurious corporate practices, political reform, which explored the need for legislative involvement into countries’ business activities, governance gap emphasized on failure or inability of government to adequately shoulder some of its responsibilities thus, look up for business organizations for assistance, crises response where business organizations act as problem solvers, as well as the need for accessing market. Other factors are international, which combined to drive and generate interests in CSR in developing countries.

**EXTERNAL DRIVERS OF CSR**

Despite the debate about the Western imposition of CSR approaches on the global South, there is ample evidence that CSR codes and standards are a key driver for CSR in developing countries. These are called international standardisation. Codes are also frequently used as a CSR response in sectors that are prevalent in developing countries, cocoa (Schlage and Ewing, 2005), and textiles (Kaufman et al., 2004), as well as to deal with pressing social issues such as child labor (Kolk and van Tulder, 2002) or the role of women in the workplace (Prieto-Carron, 2004).

Often, CSR is driven by standardization imposed by multinationals striving to achieve global
consistency among its subsidiaries and operations in developing countries. For example, the Asia study by Chapple and Moon (2005) found that ‘multinational companies are more likely to adopt CSR than those operating solely in their home country, but that the profile of their CSR tend to reflect the profile of the country of operation rather than the country of origin. Examples are bound, such as oil companies operating in Nigeria.

Investment incentives: In some developing countries, like South Africa, the Social Responsibility Investment (SRI) trend is well documented (AICC, 2002). In addition to featuring prominently in the SRI movement in the 1980s through the anti-apartheid divestment phenomenon, South Africa has introduced more than 20 SRI funds nationally, which track companies’ social, ethical, and environmental performance (Visser, 2005a). According to African Institute of Corporate Citizenship (AICC) (2002), the size of the South African SRI market in 2001 was already 1.55% of the total investment market. In a significant development, in May 2004, the Johannesburg Securities Exchange also launched its own tradable SRI Index, the first of its kind in an emerging market (Sonnenberget al., 2004). A similar index has also subsequently been introduced in Brazil. Closely linked to the literature on SRI in developing countries is the debate about the business case for CSR. Although very few instrumental studies have been done, a Thailand survey by Connelly and Limpaphayom (2004) shows that environmental reporting does not negatively impact short-term profitability and has a positive relationship with firm valuation. Furthermore, Goyal (2006) contends that CSR may serve as an indicating device for developing countries seeking to assess foreign direct investment proposals by unknown foreign firms.

In developing countries, four stakeholder activist groups emerge as the most powerful activists for CSR, namely (i) development agencies (Jenkins, 2005), (ii) trade unions (Kaufman et al., 2004), (iii) international NGOs (Christian Aid, 2005), and (iv) Business associations (WBSCD, 2000). These four groups provide a platform of support for local NGOs, which are not always well developed or adequately resourced to provide strong advocacy for CSR.

Stakeholder activism in developing countries takes various forms, which Newell (2001) classifies as civil regulation, litigation against companies, and international legal instruments. Of these, civil regulation is perhaps the most common and effective. Bendell (2000) describes this as the theory that ‘businesses are being regulated by civil society, through the dual effect of negative impacts from conflict and benefits from collaboration which provides new means for people to hold companies accountable, thereby democratizing the economy directly. Stakeholder activism can also be a source of criticism of CSR, arguing that it is an inadequate response to the social and environmental challenges of developing countries. The Christian Aid (2005) reports behind the mask the real face of corporate social responsibility epitomizes this critical approach, and may be a driver for an enlarged conception and practice of CSR in developing countries.

Another significant driver for CSR in developing countries, especially among small and medium-sized companies, is the requirements that are being imposed by multinationals on their supply chains. Allegations of poor labour conditions and human rights abuses in several high profile multinational supply chains in the sporting and clothing sectors were also a significant catalyst for greater attention to CSR requirements (See Hussain-Khalilq, 2004; Kaufman et al., 2004; Nielsen, 2005).

The Symbiotic of CSR and Corporate World Performance: Empirical Evidence

The idea here is to provide clear experience of different countries on the issues relating to CSR in relation to its effects on different types of financial performance indices. According to Margolis and Walsh (2002), one hundred and twenty-two published studies between 1971 and 2001 empirically examined the relationship between corporate social responsibility and financial performance. The first study was conducted by Narver in 1971. Empirical studies of the relationship between CSR and financial performance comprises essentially two types. The first uses the event study methodology to assess the short-run financial impact when firms engage in either socially responsible or irresponsible acts. The results of these studies have been mixed. Similar studies by McWilliams and Siegel (1997), revealed the same results. Wright and Ferris (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while Teoh, Welch and Wazzan (1999) found no relationship between CSR and financial performance in the short run.

The second type of study examines the relationship between some measure of corporate social performance (CSP) and measures of long-term financial performance, by using accounting or financial measures of profitability. The studies that explore the relationship between social responsibility and accounting-based performance measures have also produced mixed results. For instance, Cochran and Wood (1984) established a positive correlation between social responsibility and accounting performance after controlling for the age of assets. Aupeperle, Carroll, and Hatfield (1985) identify no significant relation between CSP and a firm’s risk adjusted return on assets, while Waddock and Samuel (1997) found significant positive
relationship between an index of CSP and performance measures, such as ROA in the following year (Tsoutsoura 2004).

Uadiale and Fagbemi (2012) reported that, the relationship between corporate social responsibility and corporate financial performance has been studied with mixed results. In a survey of 95 empirical studies conducted between 1972-2001, Margolis and Walsh (2001) report that, when treated as an independent variable, corporate social performance is found to have a positive relationship of financial performance in 42 studies (53%), no relationship in 19 studies (24%), a negative relationship in 4 studies (5%), and a mixed relationship in 15 studies (19%). This indicates, therefore, that empirical literature assessing the link between social responsibility and financial performance provides mixed results and conclusions.

Griffin and Mahon (1997) as pioneering empiricists explored the corporate social and financial performance link and summarized the findings of the numerous articles they reviewed and concluded that no definitive consensus exists on the empirical corporate social and financial performance link, and that while a substantial number of studies found a negative relationship some of the studies have been inconclusive because they found both positive and negative relationships.

In a similar vein, McWilliams and Siegel (2001) tested the relationship between CSR and Corporate Financial Performance (CFP) with a regression model that used a dummy variable indicating the inclusion of a firm in the Domini 400 Social Index (DSI 400) as the measure of social performance. The DSI 400 is a portfolio of socially responsible companies developed by Kinder, Lydenberg, and Domini, Inc. Co. McWilliams and Siegel used an average of annual values for the period 1991-1996 for 524 large U.S corporations in a regression model that included a measure of financial performance as the dependent variable. Social performance, industry, and expenditure for research and development were independent variables. Their findings suggested that inclusion of the research and development variables in the model caused the CSR variable to be insignificant, leading them to the conclusion that there may not be a CSR-CFP link if the regression model is properly specified.

Simpson and Kohers (2002) focused on a single industry. Their investigation was an extension of earlier research on the relationship between corporate social responsibility and financial performance. The special contribution of their study was the empirical analysis of sampled companies from the banking industry. They used the Community Reinvestment Act (CRA) ratings as a social performance measure. The results solidly supported the hypothesis that the link between CSR and financial performance is positive. Furthermore, Moore and Robson (2002) also analyzed a single industry with a study of the social and financial performance of eight firms in the UK supermarket industry. These were based on the derivation of a 16-measure social performance index and a 4-measure financial performance index. There was only one statistically significant result.

The study of corporate social responsibility and financial performance was done by Mahoney and Roberts (2007). They performed empirical analyses on a large-sample of publicly held Canadian companies. Based on tests utilizing of four years of panel data they found no significant relationship between a composite measure of companies’ social responsibility and financial performance. Similarly, Subroto (2002) used an explanatory survey and multivariate correlations, using cross-sectional data and critical path analyses, to analyze a correlation study on CSR and financial performance towards ethical business practices in Indonesia. Three hypotheses were tested. Testing results of the first hypothesis, all interests of stakeholders had a significant correlation, result of the second hypothesis was positive. The third hypothesis indicated that the correlation between social responsibility and financial performance was quite low.

Cotrill (1990) used Fortune Magazine’s annual survey of corporate reputations in comparison to market share. He concluded a positive association existed between CSR and market share. Ullman (1985) also discovered a positive relationship between CSR and profitability of a firm, stating that well-to-do companies could afford positive social performance. Marcus (1993) illustrates the positive relationship between CSR and Corporate Financial Performance noting that firms that have a good effect on society are also highly profitable. According to this perspective, good social responsibility contributes to profitability i.e. it pays to be good. Similarly, social responsibility may benefit the corporation by creating good will (Cornell & Shapiro, 1984) and may raise employee morale and result in increased productivity (Marcus, 1993). Hillman and Keim (2001) and Verschoor and Murphy (2002) found that increased CSR leads to enhance financial performance. Orlitzky, Schmidt, and Rynes (2003) conducted a meta-analysis of 52 studies, the result of which revealed that most results of prior studies found that CSR had a positive impact on profitability.

However, in more recent studies many researchers revealed the same results, for example, Islam (2012) conducted a study on linking financial performance to Corporate Social Responsibility initiatives of Banks in Bangladesh. However capital adequacy ratio (CAR), size, ROE and asset quality (Ast Qt) were independent variables, while CSR as dependent variables. In the study, a total of 37 banks were sampled between 2007-2010. The findings reveal...
a positive relationship between CSR and ROE, so also with size of the bank and asset quality.

Mwangi and Jerotich (2013), in their study of the relationship between CSR practices and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Stock Exchange, a study of 10 companies from 2007-2011 (a five-year study) using accounting measure of performance, discovered that the ROA has an insignificant positive relationship. Cheniyot (2010) established a relationship between CSR and FP of firms listed at Nairobi Stock Exchange. This was a cross-sectional study of 47 listed Companies in NSE, using regression analysis, measured in terms of the ROA, ROE and ROS. His conclusion was that there was statistically significant positive relationship between CSR and CFP. Yang, Lin and Chang (2010), in their study on the linkage between CSR and CFP in Taiwan, 150 most influential enterprises on Taiwanese Stock Market were studied. The findings reveal that previous CSP has a positive impact on the ROA of the next period, and when they considered Research and Development together with the size of enterprise, the previous CSP has a positive correlation with the later ROA. Iqbal, Ahmad, Hamad, Bashir and Sattar (2014), in their study of CSR and firms’ performance in Pakistan found a positive relationship between corporate social responsibility and firms’ financial performance. However, financial performance was measured in the study using net profit margin and EPS. Net profit margin and EPS are variants of profitability ratio as return of capital employed (ROCE). Sarwa et al., (2012) conducted a research on FP linkage with the CSR in Bangladesh banks and found that the banks that focus on CSR practice have more ROA than those banks who did not focus on those practices.

Saleh, Zulkifli and Muhamad (2012) conducted an empirical study of the relationship between Corporate Social Responsibility Disclosure and Financial performance in an Emerging market. A sample of 200 largest companies was drawn from 499 companies on the main board of Bursa Malaysia, using ROA, stock market return (Ri) and Tobin’s q ratio. The independent variables include CSR, EMPL (employee dimension), COM (community involvement dimension), PROD (product dimension) and ENV (environmental dimension). A panel data study, when ROA and Tobin’s q were used as dependent variables for models 1 and 3 was found that product dimension was positively related to financial performance. Murtaza, Akhtar, Ijaz and Sadiqa (2014) conducted a study on the impact of corporate social responsibility on firm financial performance. The research studied CSR in the Pakistan Food Sector utilizing secondary data from annual reports of companies for the period 1990-2012 (a 25 year study). However, 53 food businesses recorded in Karachi Stock Exchange (nourishment segment) were examined. The study discovered a positive relationship between CSR and Financial performance.

Awan and Saeed (2015) also conducted similar study on Ghee and fertilizer industry in southern Punjab-Pakistan between 2009 and 2013, where a total of 20 companies were sampled, and positive association was discovered. Adeneye and Ahmed (2015) in their study of Market to Book Value (MBV) as company performance measure and used CSR index as dependent value, discovered a strong positive relationship between MBV and CSR, and between ROCE and CSR. Weshah, Dahiyat, Awwad and Hajjat (2012) in their study on the impact of adopting corporate social responsibility on corporate financial performance of Jordanian banks. They discovered a significant positive relationship, Mahbuba and Farzana (2013) in their of study corporate social responsibility and profitability of Dutch Bangla Bank Ltd. The result reveals a significant positive result.

Malik and Nadeem (2014), also conducted study on the impact of CSR on financial performance of banks in Pakistan, annual reports were the source of data, the period of the study was between 2008 and 2012. It was found that FP of the banks was increasing by spending on CSR in Pakistan. Ahamed, Almsafir & Al-Smadi (2014) conducted a study on Corporate Social Responsibility and Firm Financial Performance in Malaysia. The study used secondary data from corporate annual report for three firms listed in Bursa Malaysia for the period from 2007 to 2011. The result concludes that there was a positive relationship between CFP and CSR practices together with Firm Size and Firm Revenue as control variables. However, contrary to the above views are McGuire, Sundgren and Schneeweis (1998), Wright and Ferris (1997), as well as Bishop (2004), Baker (2008) that detected a negative relationship between CSR and profitability (cited in Tsotsourea, 2004). This view believes that firms face a trade-off between social responsibility and their financial performance. They proposed that, firms incur costs from socially responsible actions that put them at an economic disadvantage compared to other less responsible firms, and that CSR could diminish shareholders returns, distract business from its focus and often allow corporate managers to continue bad behaviour in the shadow. Thus, many organizations see involvement in socially responsible activities as a negative association.

Studies using measures of return based on the stock market al.,so indicate diverse results. Vance (1975) refutes previous research by Moskovitz (1972), by extending the time period for analysis from 6 months to 3 years. He used a social responsibility index in comparison to a percentage change in stock prices thereby producing results which indicated a negative CSR and Financial performance relationship. Yang et al., (2010) on their study of the CSP-CFP link discovered previous CSR has a negative correlation
with ROE in the financial industry of Taiwan. Islam (2012) discovered that CSR has a negative connection with CAR of banks in Bangladesh. Marfo, Chen, Xu, Antwi and Yiranbon, (2015) conducted a study on Corporate Social Responsibility and Firm’s Profitability in Ghana. About 16 profit making companies were selected from Ghanaian Stock Exchange (GSE) between 2005 and 2014. The results show there is a negative relationship between CSR and profitability, concluding that the more the profit the less the CSR spending. Langu, Caraiani and Dascalu (2011) conducted a research on CSR reporting. They conducted a content analysis on the extent of sustainability reports of the largest 44 companies in US for the year 2008. The result reveals negative association between company’s assets and CSR.

Kabajeh, Alnuaimat and Dahmash (2012) conducted a study on the relationship between the ROA, ROE and ROI ratios with Jordan Insurance public companies market share prices, between 2002 and 2007 23 companies were studied. The result reveals ROA and ROE had positive significant result, while ROI had negative effect but significant. Many researches reveal a neutral link between CSR and financial performance (McWilliams & Siegel, 2001, Kang et al., 2010). Fauzi (2009) conducted a study on firms listed on New York Securities Exchange on relationship between CSR and CFP, using a sample of 101 companies. Their result found no effect on CFP. Yang et al., (2010) on their study on the CSP-CFP link discovered CSP has no effect on CFP in the electronic industry of Taiwan. Fauzi, Mahoney & Abdul Rahman (2007) conducted a study on the link between CSR and FP Indonesian Companies listed on the Jakarta Stock Exchange for the period of 2002-2003, for both manufacturing and non-manufacturing companies, a sample of 383 companies, discovered that there is no relationship between the two variables.

Johansson, Karlsson and Hagberg (2015) recently conducted a research on the relationship between CSR and FP using ROA and Turbin’s q in Swedish companies over 4 years (2006-2009). They sampled 167 companies. However, the results of their findings reveal that there is no significant relationship between CSR and FP. The study of Iqbal, Ahmad, Basheer and Nadem (2014) of corporate social responsibility and firms’ performance in Pakistan, studied 156 companies from chemical, cement and Tobacco sectors listed on Karachi Stock Exchange for the period of 2010 to 2011. found that CSR has no effect on CSR. However, Alexander and Buchholz (1978) improved on Vance’s analysis by evaluating stock market performance of an identical group of stocks on a risk-adjusted basis established an inconclusive result. For example, in Nigeria Uadiale et al., (2012) conducted a study on CSR-FP using a sample of 40 audited financial statements of quoted companies in Nigeria. The results reinforce the accumulating body of empirical support for the positive impact of CSR on financial performance. Bolanle et al., (2012) also conducted a ten-year study (2001-2010) on CSR and profitability of Nigerian banks. Using correlation and regression, the regression analysis shows the impact of CSR on profitability in Nigeria banks as positive.

Another empirical study by Abdulrahman (2013), investigated the influence of CSR on PAT of some selected banks in Nigeria, for the period (2006-2010). The result shows that there was weak but positive relationship between CSR and financial performance and therefore, concludes that, CSR spending in the long run provides better returns. And, that the cost on CSR would further reduce tax paid by the corporation. The support lend to the society through corporations’ CSR would thereby make the business environment more friendly, which was regarded as part of essential factors for organization survival. In contrast, Abiodun, (2012) in a study on the impact of CSR on profitability in Nigeria where 10 firms were randomly selected as a 10-year study (1999-2008), observes that the amount committed to social responsibility vary from one company to the other and that the firms invested less than ten percent of their annual profit to social responsibility. However, findings indicate that negative relationship exists between firm’s performance measure with profit after tax and investment in social responsibility. He further explains that, Companies face challenges and limitations as they implement CSR. These usually relate either to political issues or to organizational-level concerns and are often embedded in culture. The complexity of operating in a global society places new demands on organizations and their leadership. Bello (2012) conducted similar study in Nigeria between 2002 and 2006 and the result reveals a negative relationship.

Other previous researches that were conducted revealed neutrality of the CSR-financial performance link. However, Solomon, Oyerogba &Aalayye (2014), conducted a study on the effects of CSR on stock prices; empirical study of listed manufacturing companies in Nigeria between 2008-2012, a five-year study, 30 companies were studied the data was analyzed using OLS. Their findings revealed that there is no relationship between firms’ CSR and stock prices of listed manufacturing companies in Nigeria.

Concluding Remark

This theoretical and empirical review, while providing a solid structural and systematic foundation for any study of CSR operations in developing countries also brought to the fore the inherent controversies and debate surrounding the problematiques of CSR on one hand and its germane relationship to business organizations on the other. In particular, all the theoretical approaches to CSR explicitly and generally demonstrate the critical role of CSR in social
development. From classical, to economic views through the agency, instrumental shareholder and stakeholder theories and crowned by social contract paradigm, all point to the need for CSR as rights and obligations of business organization to the society. In need, it is the CSR that holds the dynamical-chained interactions and relationships between business organizations and societies of their operations.

Various empirical studies have attested to this germane relationship. Empirical studies have highlighted various factors that drive CSR, especially in Africa and appreciated it as a facto-endowment for bridging the gap in developing countries, characterised by higher rate of poverty, unemployment and disasters of various kinds. Despite the lack of consensus among various empirical studies regarding the relationship between CSR and financial performance, this study arguably submits that CSR is a good thing from both the perspective of business organizations and society. It provides a double-track benefit to the two parties in the social contract. The divergence of findings and conclusions of various surveys and studies are only pointers to the desirability of more empirical researches, to further contribute to the debate and principally helps to further align and re-align such research findings and conclusions.

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