

RESEARCH ARTICLE

CSR and societal change in international financial markets of Africa

Duffour Kwame Asare¹ Ibrahim Hussein Ahmed^{2*}

Abstract: Corporate social responsibility is the foremost business strategy focus for managers who aim to have long-term success in competitive environment. Different scholars have found it difficult with its definition, explanation, application, and measurement in organizations on who and how it should be done reciprocally. The present study seeks to review societal change with contribution from corporate social responsibility in international financial markets of Africa. The study is qualitative in nature and seeks to analyze the maximum practice of CSR activities and where there is room for improvement in CSR initiatives among African firms. There are three important forms of corporate social responsibility which are aligned to the emerging social needs of community for true fulfillment and addressing the social responsibility at corporate level.

Keywords: corporate social responsibility, creating shared value, sustainability development, international financial markets

1 Introduction

Since the inception of business ethics, corporate social responsibility of businesses is also explored in context of different countries. In recent years, there have been numerous researches works on CSR in European countries but less in African countries^[1]. There are different views and understanding of CSR to domestic and international financial firms of Africa particularly operating in Ghana and Somali, and this makes CSR practice a hindrance to development in Africa^[2]. In the era of global competition, the priority of most organizations is sustainable growth. This has signaled Corporate Social Responsibility (CSR) becoming an integral part of activities in corporations as CSR has an edge on competition among organizations^[3].

The sole objective of corporations is to make a profit from the products and services they render to society. In the period of hyper-competition, businesses engage in various activities and strategies to outwit their competitors and have a competitive advantage in the industry. Creating shared value is a strategic way corporation uses

their assets and expertise in integrating the needs of the society and their operations to create business opportunities and ventures^[4]. Since 1990, the works of many social actors and debates on CSR had gained much attention in the business world^[5]. According to, the provision of social amenities and caring for the environment as well the people in the community/society in which organizations operate is termed as corporate social responsibility^[6].

On the other hand, CSR is when an organization adheres to the needs and social responsibilities of its employees, managers, owners (internal stakeholders) and the community or society, shareholders, creditors, customers, and the government (external stakeholders)^[7]. The initiation of CSR in the operation of the business has a significant relationship between the business and community in which organizations operate. Corporations disclosure of CSR activities in their annual reports to its stakeholders on magazines, websites, news, etc. has garnered huge recognition and of importance to the society and country at large^[8]. Corporations inform the community on its economic, environmental and social contributions by using a tool referred to as Sustainability Report (SR). Stakeholders are a key part of the sustainable growth and development of organizations. Stakeholders perception of how organizations behave is a key aspect of its current and future growth^[8]. The practice of CSR creates the room for a cordial relationship between the organization and its stakeholders.

The implementation of CSR in the running of an organization operations helps in enhancing the effective relationship management of stakeholders and reaching

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*Correspondence to: Ibrahim Hussein Ahmed, School of Finance, Zhejiang Gongshang University, Hangzhou 310018, Zhejiang Province, China; Email: ibrahimhusainah@outlook.com

¹ School of Administration, Zhejiang Gongshang University, Hangzhou 310018, Zhejiang Province, China

² School of Business Finance, Zhejiang Gongshang University, Hangzhou 310018, Zhejiang Province, China

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out desired objectives of CSR initiatives. Small and medium scale enterprises have been apprehended in various issues by stakeholders to be more concerned about CSR activities^[9]. Nevertheless, large corporations have reaped the benefits associated with sowing socially responsible practices in the community and the country at large. These benefits include but not limited to the following; better brand recognition, positive business reputation, increased sales and customer loyalty, better financial performance, and organizational growth^[10,11].

The notion that CSR remains a societal responsibility by organizations, but its inherent features, character, or qualities and pattern of responsibilities remain in limbo^[12]. CSR remains debatable as researchers have approved that organizations need to be socially responsible to its community in which corporations operates^[13] whilst other scholars argue that organizations only need to be responsible to its stakeholders^[14]. Customer loyalty is a key resultant from CSR practices by organizations either directly or indirectly or the combination of other construct^[15]. Furthermore, CSR is trusted to have several elements^[16] whilst existing research used a philanthropic element of CSR, an aspect of cause-related marketing^[17]. In view of the above, top management are making efforts to engaging their organizations in CSR activities and making their contribution well known to its stakeholders most especially internal stakeholders^[10]. For example, banks in recent awareness of the benefits associated with CSR activities provides financial support for art and culture, health support programs, flexible loan requirements and approval which is even beyond government regulations^[11]. Moreover, cross cultural settings understanding also promotes CSR^[18].

The purpose of this review paper is to explore the contribution of CSR practices in society. This paper sets to bridge the gap in identifying the contributions of CSR practices and CSV practices in various organizations along with Carroll's pyramid theory of CSR in accomplishing the objective of the study.

2 Literature review

2.1 The concept of corporate social responsibility

Carroll (1979) showed that economic, legal, ethical, and discretionary are the fundamental aspect of social responsibility of business to the community in which the organization operates^[19]. Thus, for CSR to have grounds in its implementation, the community, the environment, and all stakeholders should be under one umbrella for its success^[20]. In addition to the above, the Respon-

ble Business Forum (2008) reported despite corporations putting much effort in CSR activities, CSR still has a room for improvement in every aspect of legal, financial, ethical, and discretionary expectation by the society. Indeed, it's not far from realizing that corporations need the people (society) to patronize their goods and services and on the other hand the society needs corporations to realize their duty to be socially responsible, that's there is a mutual benefit^[21].

One concrete example is W.K. Kellogg the founder of Kellogg Company trading in foods like cookies, crackers, toaster pastries, cereal bars just to mention a few. Kellogg was a leading producer of cereal foods with a reported total sale of \$11 billion in the 2006 annual report. The company has CSR at the heart of the people by providing healthy and high-quality foods for customers. In 1906 of the commencement of business, Kellogg claims that the success and growth of the company was as a result of engaging in CSR activities by strategizing and linking its business operations with socially and ethical responsibilities like "investing in and enriching our communities", "encouraging employee volunteerism,"^[22] as well as a "commitment to being a good corporate citizen"^[23].

2.2 Corporate social responsibility in Africa

Africa has rules and regulations governing the initiative and framework of CSR but it lacks policies and documentation to implement^[24]. Nevertheless, there have been studies and research on CSR in Africa results from this research recommended that firms and management are the hindrances to CSR practices as they are indulging in unscrupulous and social business behavior^[25]. In addition to the above, a quantitative study was done by^[25], on CSR practices among one multinational mining organization, and one large multinational bank, and two cocoa bean exporters. In the survey, 74.07% of the participants realized the existence of their organization corporate social responsibility policy, whilst 55% of participants found out the effectiveness of the CSR policies. Approximately, 69.16% of the participants noted that management has the power for the implementation of CSR in the organization whilst 50.11% of participants realized CSR reserve and policies were instantiable. With regards to immoral behavior and botchy administration of CSR reserves, 24.47% of participants noted these practices^[25].

Furthermore, it's worth revealing that CSR in Africa is mostly practiced by continental and multinational organizations compared to small and medium-sized enterprises^[26] significant multinational firms in more than a few industries are massively engaged in CSR. Example of these companies is, Barclays, Ecobank Africa Lim-

ited, Standard Chartered; Vodafone, MTN, Airtel; Tullow, and Cosmos being in the banking, telecommunication, and oil sectors respectively. In view of MTN (2013), the telecommunication company has a dedication of CSR by raising the standard of living of the people in the society through conducive sustainable social interventions in the societies in which it operates (Figure 1).



Figure 1. MTN Africa Foundation as it builds a 6-unit classroom block for the people of Srafa and Immuna communities in Africa. MTN Africa Foundation honors and support the efforts of unsung heroes in the communities, whose works are not recognized.

Figure 2 shows corporations which are driven by the additional benefits and firms' image in practicing CSR activities with the society in which they operate, and how it preempts the failures. The zeal to attract more investors into their business, satisfying customer need and complaint's, caring for the environment in reducing waste, energy, pollution are additional benefits in doing CSR. On the other hand, to enhance the firm's image, corporations create a good image in the minds of the people by being good corporate citizens (philanthropic responsibilities), being in a good relationship with its stakeholders and abiding by rules and regulations set by the government and other authorities in the country.

2.3 Components of corporate social responsibility

The concept of CSR extends to all facets of the business. This includes in detail the basic characteristics of

CSR namely, environmental sustainability initiatives, direct philanthropic giving, ethical business practices, and economic responsibility (Figure 3).

2.4 Creating shared value (CSV)

In recent years, there has been enormous development on corporations in corporate social responsibility which has led to a new dimension of corporate executives and managers being concerned with the quality of life for society in supporting education, equal opportunity for the people in the community, sustaining the environment and ecosystem, as well as contributing to the economy in wealth creation and consumption. Specifically, organizations in less developed countries are entreated to comply with rules and regulations by the government to be socially responsible for the development of the society and the country at large. Some organizations partner with the government in combining resources to carry out CSR activities and projects.

According to, CSV is the implementation of corporate blueprint in increasing a hyper-competition in the industry whilst providing social amenities to enhance the standard of living of the people in the society^[27]. Thus, organizations CSV is driven by the needs and challenges of the community in which it operates. CSV is not philanthropic responsibility in Carrols Theory of CSR rather it's an organizational strategy aims at accomplishing economic growth. Corporation's fundamental strategy on shared value (SV) is profit oriented from solving societal needs or problems which beneficial to them^[28].

Corporate social responsibility cannot be analyzed without the exploration of sustainability. Sustainability is much focused on the eco-system and widely known definition by the United Nations Brundtland Commission is "meeting the needs of the present generation without compromising the ability of future generations own needs". Thus, this definition explains that with available resources at hand to people currently, they must consume it in a way that will not leave waste to the future generation. In financial accounting, the calculation of the impact of economic, environmental and community is done by using the Triple Bottom Line Accounting (TBLA). According to John Elkington, 1998, he analyzed the people, planet, and profit as the Triple Bottom Line (TBL) in addressing sustainability agenda. His emphasis on TBLA was that corporations need to focus not only constructively on TBLA but much attention should be given to TBL in sustainable development^[29].

In view of the environmental dimension, organizations should have a positive impact on the local and national environmental issues, effectively and efficiently use limited resources. Lastly, corporations should be profit-

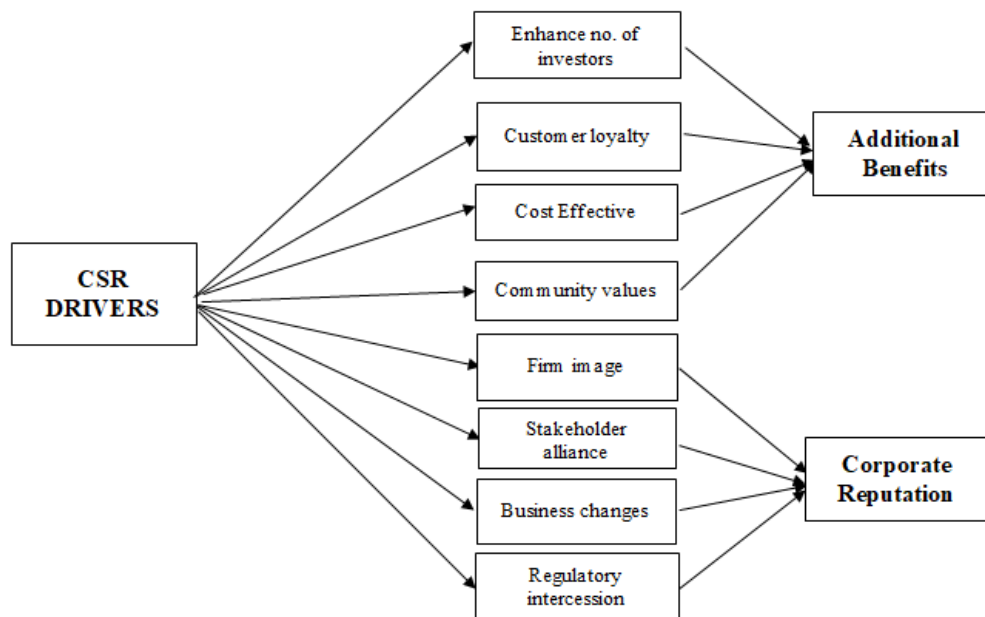


Figure 2. Key drivers to CSR practices by firms in Africa

oriented, and embrace economic development in society. Sustainability Leadership is correlated to the TBL concept of John Elkington. Sustainability leadership is the involvement of allied roles and responsibilities in sustaining the three dimensions of TBL in society and the world at large. A sustainable leader should exhibit the following principles carrying out CSR and sustainability practices: the leader should have an in-depth knowledge of the relationship between people, objects and processes and their impact on each other; focus into the future with clearer vision on positive change in the society, waste and natural resources.

3 Contribution of corporate social responsibility in Africa

3.1 Extractive industry

Africa is endowed with natural resources like gold, bauxite, oil just to mention a few in the extraction industry. These industries are a privilege to resources which yields higher revenue for the shareholders and the government. Therefore, stakeholder's like society expects much to be done in the development of the community. According to^[30], mining company named AngloGold Ashanti supports the Obuasi community by sponsoring the Obuasi Malaria Control Programme whilst Goldfields Africa, another mining company contributes US\$ 1 million annually in supporting CSR activities. Furthermore, KOSMOS Energy an offshore oil company has in its annual report expenditures on health, workers career

development, environment protection, and waste management totaling a sum of \$373,418.00 as part of its corporate social responsibility (KOSMOS Energy, 2012).

3.2 Banking Sector

The financial system of Africa has experienced a prodigious transformation over the past years. In the 1970 and 1980s, the country has undergone an increase in prices of goods and services as a major character in financial management. This had a negative impact on the banking and financial system of the country. The financial sector like any other country is a key industry and a backbone for sustainability and growth. In 1988, the Financial Sector Adjustment Programme (FINSAP) which was passed into ruling and regulating the banking operation by the economic recovery programme helped to solve the challenges faced by in the banking industry^[31]. This reform helped the country to increase the number of banks operating. The Africa Banking Survey in 2014, annual report stated that a maximum of 28 banks including domestic and foreign were in operation, non-banking institutions were reported to be 58, and 137 consists of rural and community banks^[32].

Organizations in recent awareness of the benefits associated with CSR activities provides financial support for art and culture, health support programs, flexible loan requirements and approval which is even beyond government regulations^[11,33]. In Africa, the sector mainly supports education, sports, and health. Recent awareness of the environment protection has made them organize clean-up exercises within the area of op-

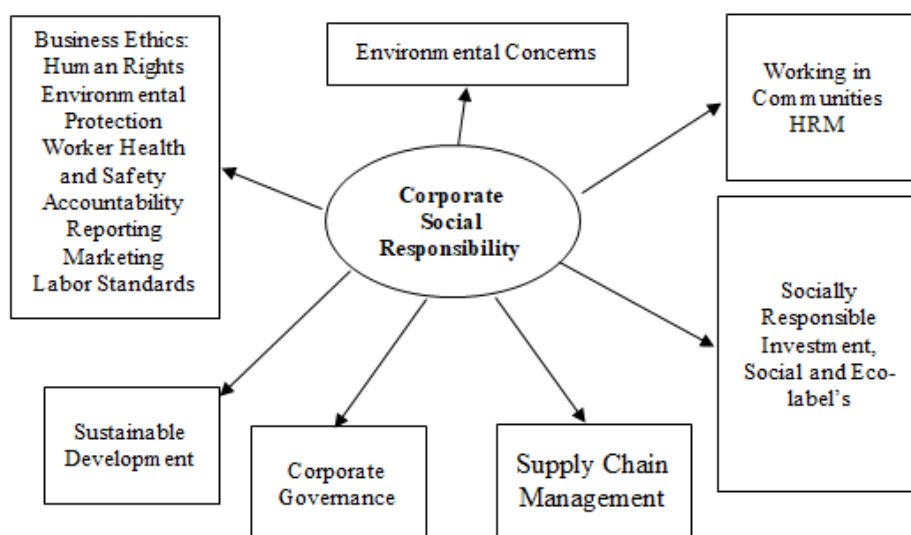


Figure 3. Components of Corporate Social Responsibility (adapted from Curran (2005) to present the components of CSR)

eration. First Capital Plus has invested in the Africa Premier League on a five year contract at the sum of \$10,000,000.00 in partnership with the Africa Football Association (GFA)^[34]. Fidelity Bank is solely concerned with the well-being of the society and has invested in cervical cancer screening and vaccination exercise for awareness and eradication of cancer among women in the country^[35].

4 Conclusion

TBL has three dimensions in its implementation namely; social dimension, environmental dimension, and economic dimension. With reference to the social dimension of TBL, it explains that corporations should be socially responsible to the society and the workers in the organization. There is no doubt in numbers, small and medium-scale enterprises, government organizations, private industries, and individuals have engaged in enormous CSR practices in changing the society. The question still remains, is there a change in the livelihood of persons and the environment. It's worth mentioning that, lives of citizens are still at stake with regards to waste, air and water pollution by the oil and gas industry specifically. With reference to literature review above, it can be seen that the contribution of CSR by firms are subjected to the health and sports given no room for environment sustainability especially in the southern part of Africa where flooding is consistent. I recommend various organizations to inculcate the environmental aspect of CSR initiatives in their strategic business plans. Theoretically, the ethical responsibility by Carroll's pyramid of CSR states that corporations are expected to be fair

and just in their business operation. By so doing the society expects businesses to go beyond the legal responsibilities and exhibit extra care for the environment in reducing waste, carbon, and pollution in their business operation.

Conflict of interest

Authors declare no conflict of interest.

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