Corporate Social Responsibility and Performance of Dangote Industries Limited

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Abstract

This study investigated the impact of corporate social responsibility on the performance of manufacturing company in Nigeria; the case of Dangote Industries limited. The main objective is to examine the impact of CSR on the performance of manufacturing company in Nigeria. This study analyses the meaning and concepts of CSR based on three theories namely; Utilitarian, managerial and relational theories of CSR drawn from the scholarly works of others. The study used survey research design and collected data from the annual reports of Dangote industries limited. The data used include corporate social responsibility expenditure, selling and distribution expenditure, Turnover and Return on Assets for the period of 2007-2014. Data relating to cost/investment/expenditure as the case may be was used to construct ordinary least square (OLS) Model of regression to which was analyzed using E-views 8.0. The result shows that corporate social responsibility significantly influenced the performance of company. The paper recommended that the management of Dangote industries limited should prioritise corporate social responsibility activities in their company and ensure enough resources and personnel are set aside to execute CSR programme while government should put policy framework in place that will design a regulating Institution that will ensure best practices of corporate social responsibility in Nigeria.

Keywords: *Corporate Social Responsibility, Company Performance, Turnover, Return on Assets.*

Background to the Study

The need for business organizations to be socially responsible to their immediate society in order to achieve commensurate patronage has largely been debated by many scholars. At an earlier point in history, societal expectations from business organizations did not go beyond efficient resource allocation and, its maximization. But today it has changed and modern business must think beyond profit maximization toward being at least socially

responsible to its society. (Adeyanju, 2012). Now that the issue of sustainable development becomes more important, CSR becomes an element that addresses these issues and therefore it become more vital in the daily operations of manufacturing companies in Nigeria. Pranjali (2011) at the world business council for sustainable development (WBCSD) describes CSR as a contribution to sustainable economic development, it is said that, there is no way to avoid paying serious attention to corporate social responsibility since the cost of failing are simply too high. Yet company executives are paying little or no attention to CSR activities merely because of its cost implication.

The job of today's leader is to stop being defensive and start thinking systematically about corporate responsibility according to Michael (2005) who says successful executive knows that CSR is inevitable and their long term success is based on continued good relationship with the society.

Statement of the Problem

There has been a strong debate among business managers as regards to the use of corporate social responsibility in enhancing organisational performance. The notion of CSR is one of the ethical and moral issues surrounding corporate decision making behavour (Manuel and Lucia 2007). The problem is that some organisations engages on CSR activities based on the benefits they get from doing so, while some organization refrain from CSR activities since they see it as a wasteful investment and harmful to the organisation. This justified why some business managers give little or no attention to CSR activities since they do not attach any serious importance to it. This study therefore seeks to clearly show the position of corporate social responsibility as an inevitably tool for enhancing organisational performance.

Objectives of the Study

i.   To determine if there is any relationship between CSR and organizational performance
ii.   To identify some of the CSR activities embarked by Dangote industries.
iii.   To investigate how significant CRS has impacted on company performance.

Literature Review
Definitions of Corporate Social Responsibility

There is no one acceptable definition of CSR, however, many researchers have defined CSR based on their understanding of the concept of CSR. According to Wood, (2011) corporate social responsibility is "a business organisation's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's social relationships."

McWilliams and Siegel (2000) defined CSR as an emerging social action beyond company interests. CSR was a company's strategy and actions with cost consequences. Carroll and Bocholt, (2003) viewed CSR as economic, legal, ethical, and discretionary expectations that society has on organisations at a given point in time. While, Ruggie (2002) looked at CSR as a strategy for demonstrating good faith, social legitimacy, and a commitment that

goes beyond the financial bottom.

Concepts and Theories of CSR
Since there is a great heterogeneity of theories and approaches of CSR, discussion in this research study is based on a comprehensive analysis of the research work of Secchi (2007). He came up with a group of theories based on a criterion on what role the theories confer to the corporation and society. The theories are as follows: 1
1.   The utilitarian theory,
2.   The managerial theory, and
3.   The relational theory.

Utilitarian Theories
In the utilitarian theories the corporation serves as a part of the economic system in which the function is mechanical i.e. traditionally known as profit maximization. CSR ideas emerged after a realization that there is a need for an economics of responsibility, embedded in the business ethics of a corporation. The utilitarian theories are related to strategies for competitive advantages. The proponents of these theories are, Porter and Cramer (2002) and Litz (1996) who viewed the theories as bases for formulating strategies in the dynamic usage of natural resources of the corporation for competitive advantages. The strategies also include altruistic activities that are socially recognized as instruments for marketing.

Secchi (2007) further divides the utilitarian group of theories into two, namely, the social costs of the corporation and the idea of functionalism. The social cost theory has a basis for CSR in which the socio-economic system in the community is said to be influenced by the corporate non-economic forces. It is also called instrumental theory (Garriga and Mele, 2004). While the functionalist theory, specifically advocates that the corporation is seen as a part of the economic system, which one of the goals is profit making. The firm is viewed as an investment, and investment should be profitable to the investors and stakeholders. Putting it from the internal point of view of the firm, CSR was coined as a defense tactic of the industrial system against external attacks because there needs to be a balance between profit making and social objectives for the economic system's equilibrium.

Managerial Theory
Secchi's (2007) analysis further stresses the logic of managerial theory that emphasizes corporate management in which CSR is approached by the corporation internally. This makes the difference between utilitarian and managerial perspective of CSR. This suggests that everything external to the corporation is taken into account for organisational decision making. Managerial theories have been divided into three sub-groups: 1) Corporate social performance (CSP); 2) Social accountability, auditing and reporting (SAAR), and 3) Social responsibility for multinationals.

CSP aims to measure the contribution the social variable makes to economic performance. Thus, the problem is that of managing the firm considering social and

economic factors together. It is based on the assumption that business depends on society for its growth and sustainability. Secchi (2005) further elaborates that SAAR are strictly related to social performance contributions through accounting, auditing and reporting procedures. SAAR means a firm accounts for its action. By doing so, firms are controlled and regulated in their actions towards performing their core business while responsible to the relevant community. The three activities are separate managerial activities but they are interrelated to each other. All these contribute to the socially responsible behavior of a firm, which finally measures the corporations' activities that have social impact. Firms are involved in SAAR activities for communication needs, to have better stakeholder involvement and for discloser concerns.

CSR for multinationals (MNCs) grows as a result of global competitions and challenges they faced. This aspect of managerial theory comes into being as a result of the responsibility the managers have to shoulder by defining useful tools about the CSR for the MNCs to survive in foreign countries. Donaldson (1989, cited in Secchi, 2007: 359) refers to the MNCs as 'moral agents', analyzed on the basis of the moral values when managers make decision in the firms, going beyond profit maximization. The logic of CSR for MNCs is also derived from the fact that when cultural clashes become relevant due to events such as protests, demonstrations, boycotts, strikes and other negative actions against the employers, the answer to these actions is the formulation of 'code of conduct' that should be adopted by MNCs. The success of this initiative, however, depends on client expectation and corporate reputation; the level of trust, acceptance, and cooperation shown by the stakeholders and community of workers.

Relational Theory
Relational theory has a root from the complex firm-environment relationships. As the term implies, interrelations between the two are the focus of the analysis of CSR. As indicated in Table 1, relational theory is further divided into four sub-groups of theories: 1) business and society; 2) stakeholder approach; 3) corporate citizenship; and 4) social contract. Business and society is proposed to mean 'business in society' in which CSR emerges as a matter of interaction between the two entities. One of the measures of CSR is the development of economic values in a society. Another is a person's obligation to consider the effects of his decision and action on the whole social system. Stated in the form of a general relationship, social responsibilities of businessmen need to reflect the amount of social power they have.

Stakeholder approach has been developed as one of the strategies in improving the management of the firm. It is also said as a way to understand reality in order to manage the socially responsible behaviour of a firm. The stakeholder approach further considers a firm as an interconnected web of different interests where self creation and community creation happen interdependently; and individuals behave altruistically. These are supported by the work of Mitchel, Agle and Wood (1997) where balances among the interests of the stakeholders are the emphases; and the work of Freeman and Phillips (2002) that considers fiduciary duties towards stakeholders of the firms, respectively.

Corporate citizenship of the relational theory strongly depends on the type of community to which it is referred. It is a path that a corporation may take to behave responsibly. Fundamentally, it is about the relationship that a corporation develops with its stakeholders, and therefore, the former has to continuously search for engagement and commitment with the latter. Corporate citizenship based on Garriga and Mele's (2004) analysis is an approach used under the integrative and political theories and this is supported by Swanson (1995) and Wood and Lodgson (2002), respectively.

The social contract (SC) theory of the relational group refers to the fundamental issue of justifying the morality of economic activities in order to have a theoretical basis for analyzing social relations between corporation and society. Hence, CSR is derived from the moral legitimacy the corporation achieves in the society and understanding about CSR is contained in the justification of social actions that legitimize the behaviour of the corporation. Garriga and Mele's (2004) analysis puts the social contract theory under the group of ethical theories, the approaches of which include universal rights (UN Global Compact, 1999) and sustainable development (WCED, 1987; Korhonen, 2003). Both approaches of CSR are based on human rights, labour rights and respect for the environment. In conclusion, utilitarian is simplified in its views by the individuals and mechanical from the corporation perspective, managerial is organizational oriented and measurable; and relational is values-based as well as interdependent between the corporation and society. The allocation of responsibility according to the order of the theories is economic system, the corporation and the type of the relationship.

Empirical Review
Previous studies on the relationship between CSR and organizational responsibility as reported in the study of (Folajin, Ibitoye and Dunsin, 2014) did not provide conclusive evidence; other revealed that there is significant relationship between CSR and organizational performance while others have contrary view. For instance, McGuire (1988) argued that companies who do not take into account CSR, may not survive since they may fail to innovate. In the same way, Lee, (2008) maintained that corporate social responsibility initiatives can lead to innovations. Corporate Social Responsibility in any nation would proactively promote the public interest by encouraging community growth and development and voluntarily eliminating practices that harm the public sphere, regardless of legality(Abefe-Balogun, 2011).

Shehu (2013) examined the influence of CSR on profit after tax of some selected deposit money banks in Nigeria. He found that CSR has significant effect on profitability. Richard and Okoye, (2013) also investigated the impact of corporate social responsibility deposit money of bank in Nigeria. They discovered that social responsibility has a great impact on the society by adding to the infrastructures and development of the society. The result of Babalola, (2013) who investigated the impact of social audits on corporate performance among Nigerian manufacturing firms agreed with other researchers (Shehu, 2013; Richard and Okoye, 2013; Lee, 2008 and Abefe-Balogun, 2011) who affirmed that CSR has a positive and significant relationship with the organizational performance. Akindele (2011) also examined the extent and role of the retail banking industries in corporate

social responsibilities practices to help achieve sustainable growth and development in the local communities. It was found that there is a significant relationship between bank profitability and CSR practices. In the same way, Olayinka and Temitope (2011) used qualitative research method to examine the relationship between corporate social responsibility and financial performance in Developing Economies. The result showed that CSR has a positive and significant relationship with the financial performance measures. Amole *et al.* (2012) also used ordinary least square (OLS) model of regression in testing the relationship between CSR and firms financial performance. The results of the regression analysis revealed that there is positive relationship between banks CSR activities and profitability.

However, on the contrary Moore, (2001) and Amaeshi et al.(2006) found that CSR has negative relationship with profitability, while Barnett and Salomon, (2006) discovered that there was no relationship between CSR and profitability because its relationship is complex to understand. Chapple and Moon, (2005) asserted that corporate social responsibility referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. Amaeshi et al. (2006) used a two pronged and two stage approach to carry out a research on Corporate Social Responsibility (CSR) in Nigeria: Western mimicry or indigenous practices? The results/analysis showed that the understanding and practice of CSR in Nigeria is still largely philanthropic and altruistic. There finding differs from the understanding and practice of CSR in Western economies where CSR has advanced beyond philanthropy. Moore, (2001) also investigated the relationship between CSR and corporate financial performance and the study reported that negative relationship exists between CSR and CFP. The result of Wright and Ferris (1997) is in line with Moore, (2001) who found negative relationships.

Dangote Group CSR Profile
Dangote Group is fully involved in Corporate Social Responsibility activities, thereby necessitating the setting up of the Dangote Foundation, which oversees implementation of this objective.

The Dangote Group has resolved to touch the lives of Nigerians and is committed to complementing the Government's initiatives in making the economy private sector-driven. Dangote Group has shown serious social and environmental concerns to Nigerian communities in the following ways;

Community Involvement
i.   Donation of N200million to Katsina State University (2011).
ii.   Donation of Haemodialysis machine valued at N21 million to General Hospital, Lagos in conjunction with Rotary Club of Victoria Island (2010)
iii.   Donation of N117, 500,000 for construction of squash complex at the University of Nigeria Nsukka (UNN) main campus (2009)

iv. Construction of Lawn Tennis Gate, Golf Section Gate, Main Gate/70th Anniversary Monument and the renovation of the Gate House of the Ikoyi Club 1938 at a cost of N10, 743, 129. 60 (2009)

v. Donation of N30 million to Kwara Football Academy (2009).

vi. Donation of N25 million to Crescent University Mosque (2007)

Support for Humanitarian Crises

i. Humanitarian support for victims of Jos and Bauchi crisis with donation of items and products valued at N33, 248,910 (2010).

ii. Donation of N100 million to victims of flood disaster in Sokoto State (2010).

iii. Donation of N50 million to flood victims in Jigawa State (2010).

iv. Donation of products worth N120 million to victims of famine in Niger Republic (2010).

v. Donation of $2 million (N300 million) to victims of flood disaster in Pakistan(2010).

Annual Product Gifts for Sallah in 2009/2010

The following organisations benefitted from the yearly products donation courtesy of Dangote Industries Limited (DIL).

I. Feed a soul this Ramadan ▶Babysalam Motherless Babies Home

ii. Kirikiri Maximum Security Prison ▶Female section prison ▶Ikoyi Prisons

iii. The Muslim Congress ▶Nigeria-Arab Association ▶Iba Housing Estate

iv. Centre for Islamic Development ▶Gabasawa Women & Children Initiative

v. Forum for Islamic Education and Welfare ▶Student's Society of Nigeria, LASUTH/LA

vi. The Congress ▶Muslim Student's Society of Nigeria, UNILAG

vii. Da'awa Committee, Prisons Assistance Sub-Committee

viii. Donation of N250,000 to Muslim Students' Society of Nigeria, UNILAG chapter, to support 2008 graduation ceremony (one-off)

xiv. Support of children in Quranic Schools in Kano for their general upkeep (school fees, feeding and other necessities)

In 2010, Dangote Industries Limited also made a donation of N250,000 cheque each to the following organisations in Lagos:

i. Modupe Cole Memorial School, Akoka ▶Heritage Homes, Anthony Village

ii. Little Saints Orphanage, Palm Groove ▶Holy Family Home for the Elderly, Mushin

iii. Pacelli School for the Blind and Partially Sighted Children, Surulere

iv. SOS Children's Village, Isolo

Kaduna Borehole

In 2009, the Dangote Group donated boreholes at an estimated total cost of N24, 951, 750, to 39 communities in Kaduna State: www.dangote.com/aboutus/responsibility.aspx

Methodology

The study used annual corporate social responsibility expenditure, selling and distribution expenditure, return on assets and turnover, from the period of 2007- 2014. The data obtained were used to construct ordinary least square (OLS) model of regression to test the level of the relationship between CSR, turnover, selling and distribution expenditure (independent variables) return on assets (dependent variables). The economic model used in the study;

Company performance = f(CSR, SDEXP, TUOV)

Company performance is measured by

1. Return on assets (ROA)

ROA = f(CSR,SDEXP,TUOV)

$$ROA = \beta_0 + \beta_i CSR + \beta_{ii} + \beta_{iii} + SD + I_i$$

Where:

ROA = Return on Asset,   TUOV = Turnover, β = intercept

β_i = coefficient of the independent variable (CSR)

β_{ii} = coefficient of the independent variable (SDEXP)

β_{iii} = coefficient of the independent variable (TUOV)

β_i = Disturbance term.

Results and Discussions

Table 1 Data Estimation Results

Variables	Coefficient	Std.E	t-Statistic	Prob.
CTUOU	3.06E.06	2.80E-06	1.091626	0.3363
CSR EXP	0.000406	8.17E-05	4.973392	0.0076
SEDIP EXP	3.64E.05	4.70E-05	0.775095	0.4816
C	3.295545	0.720697	4.572721	0.0102
R-squared	0.87			
Adjusted R-square	0.764894			
SE of regression	0.953954			
Sum square	3.640116			
Log like hood	-8.201804			
f. statistic	8.591259			
Prob. (F. Statistic)	0.032286			

Source: Authors' computation from E-Views 8.0 (2015)

The error correction model in table 1 show that the coefficient determination (R^2) is 0.87, indicates that about 87 percent of the systematic variation on organizational performance is accounted for by the variables Turnover (TUOV), corporate social responsibility (CSR) and selling and distribution expenses (SEDIPEXP) when taken together. Taking alpha level at 0.05, the F-Statistics probability of 0.032286 shows that it is less than alpha this indicates that when all the variables are taken together, they are significant. The probability of Turnover (TUOV) is 0.3363, and the probability value for selling and distribution expenditure is 0.4816, the two variables have values higher than the alpha level of 0.05 which simply indicate that they are insignificant. However, corporate social responsibility Expenditure (CSREXP) has a value of 0.0076, indicates a less value than the alpha value of 0.05, this shows that the CSREXP is the only variable with a significant value. This indicates that the amount of money Dangote Industries Limited spent on CSR has a significant effect on the performance of Dangote Industries Limited since it shows a positive result. This result is contrary to the results of Moore, (2001), Amaeshi, et al (2006), Chapple and Moon, (2005), Wright and Ferris, (1997) and Folajin, Ibitoye and Dunsin, (2014) they found that CSR has a negative effect on profitability.

Conclusion
This study has been able to identify the impact of corporate social responsibilities on the performance of manufacturing companies in Nigerian. The result of the research shows that apart from CSR, this indicates that corporate social responsibility is not a new subject neither is it strange to the manufacturing industry. Profit objective is the major and primary objective of every firm, but no responsible firm will neglect the all important corporate social responsibility objective, being involved in socially responsible activities add to the goodwill of the company thereby increasing their financial worth eventually, boost the image of a company, giving them an edge over other companies through increasing patronage and adding to the infrastructures and development of the society.

Recommendations
The study hereby made the following recommendations;
1.	In view of the significant effort made by the company in respect of CSR, management of Dangote industries limited should intensify on corporate social activities in their company and ensure enough resources and personnel are set aside to effectively execute more on CSR programmes, especially now that the company is expanding its operations into other African markets where the challenges for CSR shall be high.
2.	 From the study, it is clear that CSR is part of business activities that the society expects from the company therefore government should put policy frame work in place that will design a regulating institutions that will ensure the compliance to best practice of corporate social responsibility in Nigeria.
3.	Company executive should continue searching for CSR activities that remains the most challenging tasks for the society and engage on such needful activities, with less emphasis on cost and by so doing, the company will earn the sympathy of customers and gain competitive advantage.

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Appendix 1
Table 2: Dangote Industries Limited Extracted Financial Performance (2007 to 2014)

Year	Turnover N'000	ROA N'000	CSR Expenditure N'000	SD Expenditure N'000
2007	47,927,300	9.2	49,952	3,579,936
2008	61,388,064	5.2	250,000	5,182,564
2009	82,395,712	3.0	119,181	116,426
2010	89,980,499	2.8	54,249	407,809
2011	241,405,977	4.6	250,000	14,647,084
2012	298,454,068	4.9	300,000	22,953,374
2013	386,177,220	4.4	280,000	3,434861
2014	391,639,060	5.3	220,000	1,955,669

Appendix 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TUOV	3.06E-06	2.80E-06	1.091626	0.3363
CSREXP	0.000406	8.17E-05	4.973392	0.0076
SEDIPEXP	3.64E-05	4.70E-05	0.775095	0.4816
C	3.295545	0.720697	4.572721	0.0102
R-squared	0.865654	Mean dependent var		4.925000
Adjusted R-squared	0.764894	S.D. dependent var		1.967413
S.E. of regression	0.953954	Akaike info criterion		3.050451
Sum squared resid	3.640116	Schwarz criterion		3.090172
Log likelihood	-8.201804	Hannan-Quinn criter.		2.782550
F-statistic	8.591259	Durbin-Watson stat		2.125319
Prob(F-statistic)	0.032286			

Computed from secondary data using E-view 8.0