



Corporate Social Responsibility in Nigeria: Addressing Socioeconomic Challenges and Prospects



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Abstract: *This paper examines the role of corporate social responsibility (CSR) in addressing Nigeria's ongoing social and economic challenges, as well as the difficulties in implementing CSR policies. As one of Africa's largest economies, Nigeria is endowed with vast natural and human resources but continues to grapple with high levels of poverty, unemployment, inadequate healthcare and education, and environmental degradation. In this context, CSR has emerged as a strategic tool for private companies to contribute to societal development beyond mere profit motives. Drawing from existing CSR literature and relevant case studies, this study explores the extent to which CSR initiatives have influenced socioeconomic development in Nigeria. It also highlights significant issues that undermine the effectiveness of CSR, such as inadequate regulatory enforcement, corporate insincerity, poor community engagement, and corruption. These implementation gaps and systemic challenges diminish the potential of CSR as a catalyst for development. The research adopts both descriptive and analytical methods and relies on secondary data from textbooks, journals, and online sources. The paper concludes with policy recommendations aimed at promoting more sustainable and inclusive CSR practices that align corporate objectives with national development priorities.*

Keywords: Corporate Social Responsibility, Socioeconomic development, Socioeconomic challenges, Policy implementation.

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Introduction

In recent times, the discussion surrounding the concept of CSR and its implementation has been contentious, attracting examinations from scholars and professionals alike globally. It is increasingly regarded as a viable remedy for addressing serious social, economic, and environmental challenges through collaborative efforts in both developed and developing economies (Carroll, 1999 & Matten et al., 2008). In this regard, scholarly attention has focused on CSR and the challenges of addressing socioeconomic challenges. Despite many studies on the topic, significant gaps remain in understanding how these CSR implementation challenges are manifested and how to remedy them in developing contexts, where institutional

frameworks, resource constraints, and sociopolitical dynamics shape both opportunities and limitations. Historically, Nigerians have embodied a philanthropic attribute, contributing to social welfare both at the individual level and through various institutions such as societies, trusts, and foundations (Amaeshi et al. 2006).

Similarly, CSR in Nigeria has significant potential to accelerate socioeconomic development in community development, environmental sustainability, youth empowerment, job creation, and disaster relief. However, CSR in Nigeria contends with a complex array of economic and social challenges, such as high unemployment, pervasive poverty, poor and inadequate infrastructure, and environmental crises, which curtail its full realization (Adewuyi, 2012). In Nigeria, however, CSR is frequently anticipated to bridge the inadequacy left by the state, particularly in areas such as healthcare, education, employment opportunities, and infrastructure development (Amaeshi et al. 2006). CSR has thus emerged as an indispensable instrument for fostering private sector participation in national development.

Developing countries face significant social and economic challenges that pose obstacles to sustained growth and development, such as pervasive poverty, unemployment, inequality, trade marginalization, soaring debt, corruption, civil unrest, and inadequate infrastructure. Addressing these interconnected social and economic challenges requires a multi-faceted approach that involves national governments, international organizations, private sectors, and local communities. In light of these complexities, it is essential for businesses operating in these environments to carefully assess and mitigate risks associated with their operations and the opportunities for gracious assistance to society (Fynas, 2005). Hence, infrastructure provision has been identified as one of the critical initiatives shaping CSR practices in developing countries, besides poverty alleviation, healthcare provision, and education (Amaeshi et al., 2006).

Therefore, in light of these challenges, companies in developing nations are increasingly compelled to embrace CSR practices. Despite the underdeveloped legal systems prevalent in many of these countries, such as Nigeria, which create less pressure for CSR compliance, there remains a societal expectation for businesses to conduct themselves responsibly and ethically, (Amaeshi et al., 2006).

The Nigerian government has established regulations to promote CSR. Nevertheless, the escalating environmental and social impacts of businesses suggest a disparity between policy and implementation. Existing research on CSR in Nigeria predominantly focuses on theoretical frameworks and the adverse effects of corporate practices (Amashi, et al. 2006). However, there exists a noticeable research gap concerning the perspectives of local inhabitants regarding CSR initiatives.

This paper contributes to the critical issue of challenges in the implementation of CSR policies in Nigeria, offering empirical insights beyond descriptive accounts to include broader theoretical insights. It also provides recommendations relevant to policymakers, practitioners, and stakeholders.

Objectives of the Study

This study endeavors to address these deficiencies in empirical evidence and methodological approaches, with the following objectives.

1. To examine the CSR initiatives undertaken by companies, view their perception, practice, impacts, and challenges.
2. To identify and examine the strategies to apply CSR initiatives.

3. To analyze challenges affecting CSR initiatives and implementation.

Literature Review

Definition of CSR

CSR is a subjective term with many definitions and terminology variations. But it is generally agreed that it involves going beyond the basic business responsibility of maximizing profits and meeting the needs of other interest groups in addition to those of shareholders (Buldybayeva, 2014; Anderson et al., 2005). Contreras (2004) asserted that the concept of CSR is used as a tool for social and economic development in most developed nations, while developing countries are still evolving in their understanding of it. Forms of CSR differ according to the country or region. However, despite variations, all interpretations of CSR emphasize businesses' impact on society, focusing on reducing poverty, promoting social welfare, and addressing environmental issues like climate change and sustainable development, maximizing the benefits and minimizing the obstacles (Vives, 2008).

Whether discussing modernization or human development, the parties involved in the CSR development argument sometimes fail to clarify what development means. Thus, the term 'development' may be used by both sides to refer to various ideas or elements. For instance, the United Kingdom (UK) Department for International Development (DFID 2003) frames the CSR-development relationship in terms of CSR's contribution to economic growth and poverty reduction, while Frynas (2005) assesses it based on CSR's impact on human development, particularly community development. This divergence in interpretation leads to analyses based on varying assumptions and expectations regarding CSR, yielding different, often conflicting conclusions (Watt et al. 1999). According to the World Business Council for Sustainable Development (WBCSD, 2000), "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large." It simply mentions ethics and contribution to economic development as two key components of CSR. Thus most of its members tend to see CSR as promoting economic development, particularly in emerging economies. This is one of the reasons why, CSR tends to be sometimes misunderstood by many, who work in the field as essentially focusing upon development. On the other hand, the European Union (2001) defines CSR as a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders voluntarily." In October 2011, the EU introduced some new reasoning and stated that CSR is "the responsibility of enterprises for their impacts on society."

Similarly, Ite (2004) explained that CSR has a powerful potential to make positive contributions to addressing the needs of disadvantaged communities in developing countries. Ismail (2009) declared that the emergence of CSR leads to networking between businesses, nongovernmental organizations (NGOs), and society for the overall benefit of the society. Somewhat more elaborate definitions of CSR were rendered by McWilliams and Siegel (2001), who define it as furthering the social good beyond firm interests and legal compliance. CSR therefore builds on the basic economic and legal contracts between corporations and society and tries to go beyond these to further the common good. On the other hand, Clarkson (1995) described CSR as an undertaking reflected in partnerships with employees, employee families, and the local community.

The United Nations Industrial Development Organization (UNIDO) states that "corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders

voluntarily." (Wirba, 2024). A number of other definitions of CSR included more description of the nature of the practice. For example, Carroll (1979) placed CSR within a framework of corporate social performance (CSP), including four types of CSR: economic, legal, ethical, and discretionary. Jamali and Mirshak (2007) corroborated these facts by saying that CSR is a collection of management practices that go above and beyond the typical legal, moral, commercial, and public requirements. They argued that since the private sector has the ability to generate economic growth, it is morally obligated to engage in activities that boost opportunity and economic growth in a just and sustainable way.

Visser (2008) included economic, legal, ethical, social, and voluntary aspects in his discussion of CSR. The voluntary nature of CSR was also suggested by the International Labour Organization (ILO), which defined it as an integration of internal business processes with social principles on a voluntary basis. Hancock (2005) summarized his understanding of CSR as a process that included environment, community development, and other philanthropic undertakings under the assumption that corporations accepted and adopted principles of morality, accountability, and integrity.

Theoretical Framework

Theoretically, the early notion of CSR comes from Stakeholder Theory, which this paper used. Stakeholder Theory is propounded by Freeman (1984). The word "Stakeholder" refers to all parties involved in the contract or are affected by corporate actions. Stakeholder Theory asserts corporate accountability towards broad range of stakeholders' interests. Stakeholder Theory is a denial of shareholder Theory with the reasons that there are a lot of parties other than shareholders who are legally engaged in the contract with the company, they are employees, suppliers, customers, community and environment. The company's policies also have multiplying effects to the surroundings (Freeman, 1984).

Stakeholder views of responsible behaviour reflect the significance of CSR in socioeconomic development. March and Simon (1985) figure out that the relationship pattern between a company and its stakeholders. This review emphasizes the many functions of CSR and its beneficial effects on society, including fostering relationships between businesses and communities, sharing environmental costs, assisting in the transfer of technology from multinational corporations to developing nations, and putting joint environmental

Empirical Review

The traditional reason for CSR is seen in moral and ethical considerations. Bowen (1953) was considered among the first to emphasize and evaluate the social responsibility of corporations towards the general welfare of society.

Steiner (1971) declared that the expectation from business organizations to facilitate the achievement of social welfare and its relationship with the size of business is genuine. This view culminated in the stakeholder perspective, with Freeman (1984) observing that profit maximization for shareholders should not be the only corporate objective. It is now widely realized that adoption of principles of socially responsible behavior by the organization elevates the position of the organization in the society (Prabhakar and Mishra, 2013) besides protecting, preserving, and nurturing human values and promoting socioeconomic welfare (Nitish Desai Associates, 2017).

There are divergent, though few and feeble views too based on economic considerations. Friedman (1970) believed that CSR leads to inefficiencies and social losses and that the diversion of funds for social goals compromising economic returns would be tantamount to theft of shareholders' property. In Nigeria, CSR has been considered an important and

informal philanthropy for ages. Various religions and philosophies abhor unethical business (Amaeshi, 2006).

The principle of CSR in the context of developing countries has to be evaluated by the role it can play in addressing challenges of social development and inclusive growth. In countries like Nigeria, CSR has the potential of supplementing governmental resources for social justice (Visser, 2008; Matten and Moon, 2008).

Basu and Palazzo (2008) recognized that a firm may have two distinct motives for CSR, i.e., performance-driven or oriented towards the interests of stakeholders. The former visualizes CSR expenses by the profit motives with an understanding that CSR will translate into reduced profits. It looks at CSR as mainstream business practice (Davies, 2002). The stakeholder-centrist view, on the other hand, is guided by the corporate vision to serve stakeholders as an effort to reconcile the social and economic goals of an organization (Van der Wees, 2009) and entails sacrificing a part of corporate profits in the public interest (Elhauge, 2005).

Mandated CSR finds both favour and opposition among researchers. While proponents hold that the objectives of the corporation cannot be limited to commercial concerns, opponents argue that the business policy of a company should be guided only by profit maximization and CSR should be left to the shareholders as their voluntary, market-driven effort. Many economists view mandated CSR as an implicit tax, holding that since CSR spending is only out of profits earned, it does not affect the economic objectives of the company. Mandatory CSR under the Companies Act also has to be seen in the light of a meager diversion of funds, i.e., only 2 % of its profits. Further, CSR rules under the act adopt a 'comply or explain' principle and not a 'comply or else' principle, thereby providing ample opportunity for the companies to make a fair assessment of the opportunity cost of CSR spending. This flexibility allows businesses to align their social responsibility initiatives with their strategic goals, ensuring that the funds are utilized in ways that not only benefit society but also enhance corporate reputation and stakeholder engagement. As a result, companies can foster a culture of responsibility while still prioritizing their financial performance.

Available literature suggests a correlation between CSR activities and the profitability of a company, thereby making a strong business case in favor of mandatory CSR and for companies to be socially responsible. Hence, the opponents would not be justified in their criticism. Companies now realize that in an increasingly complex and competitive global business environment, CSR contributions make great business sense, as they facilitate cooperation of communities in obtaining land and licenses and in hiring and retaining employees. Local communities in many instances are an additional resource to secure supply chains. Corporations must realize that CSR spending is not in the nature of expenditure but an investment. This investment not only enhances their brand reputation but also fosters loyalty among consumers who prioritize ethical practices. By engaging with local communities and addressing their needs, companies can create a sustainable business model that benefits both the organization and society at large.

In Nigeria, businesses are increasingly adopting CSR practices that emphasize a strong sense of responsibility, focusing on environmental sustainability, transparency, and local partnerships. Though not legally mandated, the concept is inherently becoming popular among businesses; it enhances their status and reputation and attracts stakeholders. Areas of

concern for CSR in Nigeria include environment, education, health, community development, youth empowerment, and community development (Amaeshi, 2006).

According to Ako (2012), the practices of CSR in Nigeria are also evolving in line with the UN's Sustainable Development Goals (SDGs) and a greater emphasis on collaboration and transparency. While CSR initiatives have traditionally been more philanthropic, there's a push towards strategic, long-term projects with measurable impact.

A growing number of Nigerian businesses are incorporating the SDGs into their CSR initiatives. This entails concentrating on issues like gender equality, climate action, high-quality education, and poverty reduction. This alignment promotes worldwide development and improves the company's reputation. Secondly, there is cooperation and Partnerships: In order to pool resources and expertise for tackling complicated social and environmental concerns, businesses are increasingly working with NGOs, government organizations, and other stakeholders. Thirdly, as environmental concerns gain more attention, businesses are implementing eco-friendly procedures and cutting back on their carbon emissions. And lastly, more Nigerian businesses are releasing CSR reports, frequently utilizing frameworks such as the Global Reporting Initiative (GRI) to monitor and communicate their social and environmental impacts (Watts, 2009; McLoughlin & Bouchat, 2013; Cheeseman, 2018).

Methodology

This paper used descriptive content analysis, it is therefore, strictly documentary and used secondary sources of data such as textbooks, journals, newspapers, reports and periodicals among others. It used content analysis to analyzed the data generated.

Results: Companies Act in Nigeria

CSR in Nigeria has no single, all-encompassing law. However, several frameworks influence CSR. These are: Companies and Allied Matters Act (CAMA). This Act requires companies, especially public companies listed on the Nigerian Exchange (NGX), to include CSR reports in their annual filings. Nigerian Exchange (NGX) Sustainability Disclosure Guidelines- publicly listed companies are encouraged to report on sustainability issues, particularly those related to ESG and CSR initiatives. These guidelines aim to promote transparency and responsible business conduct. National Code of Corporate Governance - The code encourages ethical business practices and corporate citizenship as key components of governance. Industry Specific Sectors like oil and gas (through the Petroleum Industry Act), telecommunications, and banking have specific CSR-related requirements. For example, the Petroleum Host Communities Development Trusts (PHCD) mandates oil companies to set aside funds for host communities.

It therefore means companies are products of their socioeconomic environment, which further directs or influences their CSR activities to promote the welfare of the society.

Issues and Challenges of CSR Implementation in Nigeria

Despite the more positive outlook on contemporary CSR, several challenges persist. Firstly, many companies struggle to integrate CSR policies throughout their entire operations. While they may excel in areas like community engagement, environmental initiatives, and workplace practices, applying these principles consistently across all facets of their organization proves to be a significant challenge. Another concern is leadership involvement; often, company leaders are not as engaged in CSR initiatives as they should be. Additionally, ethical standards and governance issues frequently do not align with the responsibilities that companies claim to uphold.

In this sense, companies in Nigeria encounter a multitude of obstacles when it comes to implementing efficient CSR. These issues include inadequate legislative frameworks, where CSR remains largely voluntary, with limited enforcement mechanisms. The absence of binding legislation and weak oversight by agencies like the Corporate Affairs Commission (CAC) and National Environmental Standards and Regulations Enforcement Agency (NESREA) allows for superficial or inconsistent CSR efforts. Secondly, is that many companies use CSR as a branding tool rather than a developmental strategy. Projects are often one-off events that lack sustainability or alignment with community needs. Thirdly, there is community distrust and conflict. In oil-producing regions for example, CSR programs have often failed to prevent tensions between corporations and host communities, poor stakeholder engagement, perceived marginalization, and unmet expectations have led to protests and pipeline vandalism. Fourthly, there is pervasive corruption and mismanagement. CSR funds are sometimes mismanaged or diverted. Corruption, both within corporations and in local communities undermines the impact and credibility of CSR initiatives. These problems frequently lead to a discrepancy between CSR policy and implementation. The inadequate enforcement of CSR rules results in inconsistent implementation and limited corporate responsibility (Inekwe, Hashim, & Yahya, 2021; Osemeke, Adegbite, & Adegbite, 2016).

More so, political instability also hampered not just CSR but even the ease of doing business as a whole. The political stability is essential for promoting peace, prosperity, and progress within societies which is vital for business to prosper. In any clime, implementation of CSR usually becomes effective when businesses prosper as resources become more available. However, with the rampant cases of kidnapping, banditry, tribal upheavals, armed robbery, etc. in Nigeria, the business environment becomes very dangerous to operate in.

Prospects for CSR in Nigeria

Despite the challenges, CSR in Nigeria holds significant promise given the country's increasing focus on sustainable development and corporate governance. One is by introducing enforceable CSR legislation or national guidelines that align corporate goals with national development priorities. For instance, the Companies and Allied Matters Act (CAMA) 2020 requires companies to disclose their CSR activities in their annual reports. Secondly, it is by raising awareness and stakeholder pressure. Consumers, NGOs, and the media should increasingly hold companies accountable for their social and environmental footprints. This is for companies to be more transparent and responsible in their CSR practices. Thirdly, Nigeria faces significant social challenges, such as poverty, health issues, and education gaps. These provide ample opportunities for businesses to make a positive impact through CSR initiatives. Fourthly, many global businesses operate in Nigeria, and they bring with them the CSR practices that are common in their home countries. This helps to raise the bar for CSR in Nigeria. Fifthly, there is a suggestion for a shift to digital platforms. CSR is becoming more data-driven and transparent. Companies are using technology to track impact, engage communities, and promote inclusion, e.g., digital learning platforms, mobile health units, etc. And lastly, Consumers in Nigeria are increasingly demanding that businesses act responsibly. This can lead to increased brand loyalty and improved market position for companies that prioritize CSR.

Conclusion

This paper examines the challenges facing CSR implementation in Nigeria and the way out. While CSR has the potential to address pressing socioeconomic challenges, it remains

hampered by lack of transparency and accountability, poor government regulation, a lack of an effective CSR enforcement framework, institutionalized corruption, and political and social insecurity. To harness CSR as a tool for sustainable development, Nigeria must shift from perception-driven practices to impact-driven strategies. Corporations must start seeing CSR not as charity, but as shared value; hence, we advocated for CSR to be made mandatory for corporations in Nigeria. While there are significant prospects for CSR in Nigeria, it will require continued efforts from businesses, governments, and civil society to overcome the challenges and ensure that CSR contributes to sustainable and inclusive development in the country.

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