

# Corporate Social Responsibility (CSR) and Economic Well-Being (A Study of the Impact of Oil and Gas Companies in Bonny on the People of Bonny Local Government Area of Rivers State)

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***Abstract:** This study was carried out to investigate the impact of the activities and operations of the oil and gas companies in Bonny, in the form of corporate social responsibility on the economic well-being of the people. This study has become crucial so as to ascertain this impact to aid decision making and build orientations based on empirical studies. The independent variable (CSR) was viewed through two of its dimensions- concern for community and concern for environment, while the independent variable- economic wellbeing was viewed through- employment, inflation and economic sustainability. Ten (10) respondents were drawn from the thirty-four houses thereby making the study sample size to be three hundred and forty. However, only three hundred and thirty-two questionnaires were valid. Pearson correlation was used to test the study hypotheses with the help of Statistical Package for Social Sciences (SPSS) version 21. The study revealed a positive and significant relationship between concern for community and employment; concern for environment and employment, and concern for environment and economic sustainability. Furthermore, the result revealed that, while the relationship between concern for community and inflation is positive, the relationship is not significant. Finally, conclusion was made and the study recommended among others, that, there should be a periodic town hall meeting, comprising the representatives of the companies, the local government, the traditional council, the central youth body and that of the youths of each of the thirty-four houses. This platform will provide the opportunity for questions to be asked and answered, from the party (ies) directly concerned.*

***Keywords:** corporate social responsibility, economic wellbeing, environmental concern and economic sustainability*

## Background of the study

The increasing sophistication and importance of firm stakeholders (customers, communities, suppliers, employees etc.) activities have caused firms to incorporate these stakeholders in their policies and to be responsive to them as their activities could have bearing on the performance of the firm. The aforementioned scenario gave birth to the concept of corporate social responsibility (CSR). CSR as a discipline in management emerged in the 1950s, in US (Banerjee, 2007). In terms of definition, there has been no homogeneity in defining CSR (Dahlsrud, 2008) and as such, it becomes difficult to correctly provide generally accepted definition of CSR (Comincioli et al 2012), thereby making the definition of CSR ambiguous (Masaka 2008), The absence of a

generally accepted definition makes CRS vulnerable to conflict of definition by stakeholders (Windsor, 2001). It is a concept that depicts companies not only focused on the sole purpose of generating profit; instead, they also have an ethical duty to give back to the society that helps them flourish (Sharma, 2011; Garriga & Meie, 2004). In terms of definition however, different authorities have attempted to provide the meaning of the concept of CSR

### **Statement of the problem**

Following increased awareness generally and people becoming more knowledgeable, over things that were previously taken for granted, there has been in recent time, a paradigm shift of approach in people's economic-corporate relationship. Furthermore, while many organisations try as much as possible to avoid carrying out corporate social responsibilities, the few that even do, have actually not done so for the economic benefit of their stakeholders and not carrying out feasibility study to ascertain what is pertinent to the economic benefit of where they are located. This is largely attributed to the fact that, CSR policies are made at the corporate headquarters and implemented across board, even when environments varies. as noted by Huczynski and Buchanan (2013) the human senses- sight, hearing, touch, taste, smell and the sensing of internal bodily signals or 'kinasthesia', each consist of specialist nerves that respond to specific form of energy, such as light, sound, pressure and temperature change. The same is applicable to the implementation of CSR. What was implemented in a particular region and appreciated by that region, will definitely to a large extent, constitute a problem in another region. This is because, region varies from region and dealing with all regions in similar manner, has constituted a lot of problems to corporate organisations. Furthermore, Blowfield and Murray (2011) asserted that corporate social responsibility began with focus on the role of business leaders: particularly, on how they managed their companies with a view to society and how they gave back to their local communities. Many corporate leaders have failed to understand and accept the fact that people and society at large have become more knowledgeable and attempting to always cut corners, and not giving back to the society what they are supposed, have always constituted a lot of issues.

### **Objectives of the study**

- i. To determine the extent to which, community concern has provided employment opportunity
- ii. To ascertain the influence of the concern for community on inflation
- iii. To examine how concern for environment has generated employment
- iv. To evaluate the relationship between environmental concern and economic sustainability

### **Hypotheses**

Ho<sub>1</sub>: There is no significant relationship between community concern and employment opportunity

Ho<sub>2</sub>: The relationship between concern for community and inflation is not significant

Ho<sub>3</sub>: There is no significant relationship between concern for environment and employment generation

Ho<sub>4</sub>: There is no significant relationship between environmental concern and economic sustainability

## **Literature review**

Corporate social responsibility has been a topic of concern to researchers, practitioners and the society at large for decades now. However, in contemporary time, following technological advancement, orientations and collaborations among communities and entities, there has been a paradigm shift in the approaches to the implementation and acceptance of corporate social responsibility among the various actors. In terms of definition, Sarpong (2017), defined CSR as the businessmen obligation to develop policies to make effective decisions or to take effective and necessary actions of values and goals for society aiming at propaganda and calling upon the manager of a property not to damage the rights and interests of others, and calling upon philanthropic to compensate for damages to society caused by enterprise. CSR is a business obligation to conduct the affairs of the enterprise to maintain an equitable and workable balance among the claims of the directly interested groups, a homogenous balance among stockholders, employees' customers' and public at large (Abram, 1951). Grover et al. (2019), the definition of CSR implies raising enterprise behaviors to a level that is consistent with the prevailing norms, values, and expectations of the society. From the aforementioned, it becomes obvious that there is no single way to define CSR. Hence, Windsor (2001) concluded that the absence of a specific and widely agreed definition makes CSR vulnerable to confliction interpretation by stakeholders. Furthermore, while some school of thoughts see CSR as a legal requirement, others see it as relationship extended, beyond legal requirements. For instance, McWilliams and Siegel (2001), CSR means actions on the part of a firm that appear to advance the promotion of some social good beyond the immediate interests of the firm/shareholders and beyond legal requirements. In the current study, CSR is defined as the activities carried out by organizations to enhance conducive working environment and mutual relationship with its stakeholders.

Furthermore, economic wellbeing is of great importance to every society. The living standard of the people, what it cost them to live the possible expected life is usually paramount. The extent to which employment is rated and how those employed trust the employer, are key in measuring economic well-being. For instance, Tai (2022) noted that the social and economic sustainability of the organization has a positive impact on the organizational trust of the employees to provide jobs suitability and benefits. Similarly, Yu et al. (2018) on organizational trust and sustainability, revealed that the employees' organizational trust can be enhanced if the organization is sustainable in performing the social and economic activities. Trust is often associated with human relationships and has a one-sided meaning, and could be captured using sustainable activities related to social and economic matters (Syakur et al., 2020; Zhuang et al., 2021). With respect to inflation, how it is rated and the reality of the impact of this inflation on the society generally, has a major influence on the economic well-being of the people and above all, how this economic well-being is sustained over time, will indicate the extent to which the well-being can be rated. Organizational trust plays a significant role in improving the performance and operation of the organization that can be attained using sustainable social and economic activities (Malik et al., 2019).

As noted by Eriandani (2020) corporate social responsibility (CSR) has social and economic consequences. While the social benefit is largely to the society in which the corporation is located, the economic benefit in turn, is largely to the corporation. According to Hadi (2014) CSR activities are not only seen as costs to be incurred by the company, but also an investment for the company. Furthermore, CSR can enhance reputation, brand, trust, and attract customers, which in turn will increase profitability and firm value. (Jones, 1995; Porter & Kramer, 2006).

Furthermore, tawiski and Deal (2010), noted that the more the employees are affected by CSR actions, the higher their commitment to their organizations will be, and consequently will increase their productivity. King & Lenox (2001) investigated the effect of environmental performance on period t on economic performance in period t+1. One of the CSR activities is the environment. Pollution reduction provides cost savings in the future by increasing efficiency, reducing compliance costs, and minimizing future obligations

(Reinhardt, 1999). It therefore becomes obvious from the above reviewed literatures that the results of the previous studies that have been mixed, could be as a result of time lag, between when the CSR was carried out and when the impact is reflected, both tied to the duration such organization has existed in such place. In the current study, the organizations under consideration has existed for not less than ten (10) years, hence, the impact of their CSR on the well-being of the people, is a project worth considering.

## **Methodology**

### **Study Area**

The current study was carried out in Bonny Island, in Bonny local government area of Rivers State, Nigeria. Bonny is an island and an ancient kingdom headed traditionally by a Monarch. A throne that is hereditary in nature. As an island, it is bounded by water and located within Latitude 4.4670° N and longitude 7.1626° E. Bonny currently host three major oil and gas companies (Shell, ExxonMobil and the Nigeria Liquefied Natural Gas). These companies have operated in Bonny for over decades now, and there is the need to ascertain how on the average, these companies corporate social responsibility has impacted on the economic well-being of the people.

### **Population and Sample**

In the current study, stratified random sampling technique was adopted. According to Wali (2002), stratified random sampling technique is dividing the population into sub-population or strata, then random sampling carried out in each stratum to select the sample size needed for the study. Bonny as an entity is made up of thirty-four houses (strata) and ten (10) persons were randomly selected from each house to constitute the study respondents and consequently, the study sample size

### **Data collection**

Bonny as a kingdom is made up of different families (ordinarily referred to as Houses) and usually headed by a chief, who equally represent such house at the Kingdom Central Palace (traditionally), while each of the houses is further made up of different villages/units and in that order. Consequently, a closed structured questionnaire was administered to solicit responses, from a collection of sampled respondents, on the subject matter for analysis

### **Data analysis**

Under this section, both descriptive and inferential statistics was used. The descriptive statistics will be used to ascertain the percentage of the opinions of the respondents, over a given question, the ratio of men to women and other yardsticks as will be applicable in the current study. Furthermore, with respect to the specific objectives of the study, following the nature of the collected data, inferential statistics was used to ascertain the extent to which a dimension of the independent variable, influenced the dependent variable.

### **Results (expected outcome)**

This study was to investigate CSR and Economic well-being. Specifically, the study aimed to ascertain how the oil and gas companies operating in Bonny Island through their concern for the community and the environment, has impacted on employment generation and trust of the people on these companies and furthermore, the impact on the sustainability of the peoples economic well-being. The researchers are hopeful that following the perceived unpleasant state of the people,

that the outcome of the study will uphold negative relationship for hypotheses i & ii, while a positive relationship for hypotheses iii and iv.

**Result Presentation and Discussion**

A total of 332 questionnaires were retrieved from the total of 340 questionnaires administered. Five of the respondents were not reachable and all efforts to get to them as at the time of retrieving the questionnaire and data computation proved abortive, while the remaining 3 questionnaires were not completed correctly and as a result, they were eliminated from the analysis. Therefore, a total of 332 retrieved questionnaires were valid, out of which, men constitute 57% and women 43% respectively. The retrieved questionnaire represents 97.6% of the total administered questionnaire and consequently, considered valid for the current study analysis.

**Hypotheses testing**

**H<sub>01</sub>:** There is no significant relationship between community concern and employment opportunity

**Table 1:** Result of the relationship between concern for community and employment opportunity

		<b>Correlations</b>	
		Concern for community	Employment Opportunity
Concern for community	Pearson Correlation	1	.115*
	Sig. (2-tailed)		.036
	N	332	332
Employment Opportunity	Pearson Correlation	.115*	1
	Sig. (2-tailed)	.036	
	N	332	332

\*. Correlation is significant at the 0.05 level (2-tailed).

The correlation coefficient of the relationship between concern for community and employment opportunity is 0.115 as depicted in ‘table 1’ above. While this relationship is positive, a value of 0.115 suggest a weak relationship. Furthermore, the result shows a P-value of 0.036, which is lower than 0.05 significant level, and therefore, indicate that the relationship is both positive and significant. Consequently, the null hypothesis is rejected. Hence, from the test of the current study hypothesis, there is a significant relationship between concern for community and employment opportunity. This result however, contradict the expectations of the researchers, as the researchers were optimistic that the result will reveal a negative relationship between these two variables. Further investigations into the reality of the current study result, revealed that many of the concerns- in the form of utility facilities among others, these companies have shown to the community provided employment opportunities to people in the form of security for these facilities and other forms of services required to keep these facilities functional.

Ho<sub>2</sub>: The relationship between concern for community and inflation is not significant

Table 2: Result of the relationship between concern for community and inflation

		Correlations	
		Concern for community	Inflation
Concern for community	Pearson Correlation	1	.007
	Sig. (2-tailed)		.900
	N	332	332
Inflation	Pearson Correlation	.007	1
	Sig. (2-tailed)	.900	
	N	332	332

Table 2, above shows the result of the test of hypothesis between concern for community and inflation. With a P-value of 0.900, which is greater than a significant level of 0.05, imply that the relationship between concern for community and inflation is not significant in this context. Furthermore, the correlation coefficient is 0.007, and is a positive relation. However, this relationship of 0.7% is very weak. This means that the concern these companies' shows to the community can only bring about less than 1% increase in inflation. This further imply that increase in the prices of goods and services are more associated with other factors. Further investigations (field studies and interviews) revealed that, the entrance of more new companies triggers expectations of more job and financial opportunities and consequently causes increase in the prices of things (this was exactly, the case of the train 7 project). This result however, negates the expectations of the researchers as the researchers were hopeful that the result will reveal a negative relationship between concern for community and inflation.

Ho<sub>3</sub>: There is no significant relationship between concern for environment and employment generation

Table 3: Result of the relationship between concern for environment and employment opportunity

		Correlations	
		Concern for Environment	Employment Opportunity
Concern for Environment	Pearson Correlation	1	-.114*
	Sig. (2-tailed)		.037
	N	332	332
Employment Opportunity	Pearson Correlation	-.114*	1
	Sig. (2-tailed)	.037	
	N	332	332

\*. Correlation is significant at the 0.05 level (2-tailed).

The above table shows the result of the test of relationship between concern for community and employment opportunity, with a correlation coefficient of -0.114. This relationship implies a negative relation and consequently, any increase in concern for the environment by these companies, there will be 11.4% decrease in the opportunity for employment. This could partly be

because, whenever due diligence is carried out and the companies do what they are supposed to do, thereby curbing many of the things that negatively impact on the environment, the consequent expenses (employment) that would be needed to address these negative impacts are avoided.

As noted, Pollution reduction provides cost savings in the future by increasing efficiency, reducing compliance costs, and minimizing future obligations (Reinhardt, 1999)

This result however, contradicts the expectations of the researches, who were expectant, that the result will reveal a positive relationship between the two variables under consideration.

Ho4: There is no significant relationship between environmental concern and economic sustainability

Table 4: Result of the relationship between concern for environment and economic sustainability

		<b>Correlations</b>	
		Concern for Environment	Economic Sustainability
Concern for Environment	Pearson Correlation	1	.137*
	Sig. (2-tailed)		.012
	N	332	332
Economic Sustainability	Pearson Correlation	.137*	1
	Sig. (2-tailed)	.012	
	N	332	332

\*. Correlation is significant at the 0.05 level (2-tailed).

The result of the test of hypothesis between concern for environment and economic sustainability is depicted in table 4 above. The result showed a correlation coefficient value of 0.137, which is a positive relationship, however, the relationship is weak. This is because, a change in environmental concern, will bring about only 13.7% change in economic sustainability. Furthermore, with a significance level of 0.05, the result revealed a P-value of 0.012, which is lower than the significance value, hence, the relationship is significant. From the above analysis and the result as depicted in table 4, the null hypothesis is rejected. This therefore, imply that there is a positive and significant relationship between concern for environment and economic sustainability.

This result confirms the expectations of the researchers, who were hopeful that the study will uphold a positive relationship between concern for environment and economic sustainability.

**Conclusion**

As, noted by Paul and Siegel (2006), Most large multi-national companies encounter extensive pressure from consumers, employees, suppliers, community groups, government, non-governmental organizations (NGOs), and institutional shareholders to engage in CSR. This study was carried out to investigate CSR and economic wellbeing. There has been varying views with respect to CSR and its relationships with other variables, in this context, economic wellbeing. It is important to note that the lag between when CSR was expended and when its benefit manifested is worth noting. According to Eriandani (2020) the difference in the results of previous studies may be due to they did not consider the time lag between CSR expenditure and the benefits generated. Many organizations merely look at the financial implication of discharging CSR and not consider the possible problems that the act of CSR averted in the first place. As noted by Eriandani (2020) CSR investments in various dimensions will bring effectiveness and cost reduction through various ways that ultimately improve company performance. The result of the current study is mixed and most likely, the first study that has considered these measures of economic wellbeing.

## **Recommendations**

According to Dhaliwal, Li, Tsang, & Yang (2011) and McWilliams et al. (2006), CSR can change a company's reputation to a better level. When done correctly and equally applied by the people accordingly, CSR has the capacity of enhancing and transforming the economic wellbeing, especially, that of the people of Bonny. To achieve the aforementioned, the following recommendations are made.

1. There should be a yearly documentation of CSR projects or activities, jointly published by the oil and gas companies. This will address among many issues, projects or activities carried out either by the local government, the traditional council or the oil and gas companies. This has become important because, a project can be seen to be carried out by a particular party, when truly, a different party carried out the project
2. There should be transparency in the employment system. To achieve this, there should be three processes (committees). The first committee will receive the requisition from the companies, transmit it to the next committee that will shortlist and hand it over to the last committee that will submit the list back to the company. In the end, the list of persons employed will be resubmitted by the companies back to the three committees to double confirm the names and details of the candidates. This is meant to address on one hand, the issue of shortlisting a particular person, while another person uses the name to work and on the other hand, shortlisting strangers in place of indigenous quota
3. As part of the companies CSR, there should be low-cost houses and transportation systems. And the proceeds paid to a dedicated account, meant for more of such projects. This will address the suffering of renting apartment(s) and huge expenses on transportation.
4. There should be regular orientations to the people on activities of these companies that causes immediate and/or potential harm to both life and properties and the possible actions the people can take to either avert it or reduce its negative impact. Consequently, there should be professionally dedicated people engaged by the companies for this activities.
5. Finally, there should be a periodic town hall meeting, comprising the representatives of the companies, the local government, the traditional council, the central youth body and that of the youths of each of the thirty-four houses. This platform will provide the opportunity for questions to be asked and answered, from the party(ies) directly concerned.

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