

# Corporate Social Responsibility and Nigerian Telecomm Industry: Evidence from MTN Nigeria Ltd on the Educational Sector

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**Abstract:** *Firms are not only accountable to shareholders' interest, but also to that of stakeholders, and that the communities should be compensated. The aim of this research is to examine the roles played by MTN Nigeria Limited towards the development of educational sector of Nigeria. The study discovered that MTN Foundation was established by the organization where it allocates up to 1% of its profits after tax to Corporate Social Responsibility which contributed a lot to educational development of Nigeria. It was concluded that the organization is responsible one because it analyzed the needs of Nigerians and then invested in CSR.*

**Keywords:** corporate social responsibility, MTN Foundation, shareholders, educational sector

## 1. Introduction

According to Cochran (2007), corporate social responsibility (CSR) was introduced in 1930s by Adolf A. Berle and Merrick Dodd. In the word of Berle, managers were responsible only for the firms' shareholders. But, Dodd argues that managers should have a wider range of responsibilities apart from shareholders. Similarly, Font *et al.* (2012) state that CSR includes all the responsibilities businesses have to the society that goes beyond shareholder's wealth maximization. Gossling and Vocht (2007) state that CSR is an organisation's attempts to balance between economic, environmental and social necessities without neglecting the expectations of shareholders and the general public. Presently, Companies have become more interested in CSR as research has shown that it has a positive impact on consumers' emotion and behavioural responses (Du, Bhattacharya and Sen, 2011).

Bolton and Mattila (2015) state that since consumers have unlimited choices from merchants and service providers, building a sustainable relationship with them is very important in this competitive marketplace. Sen *et al.* (2009) argue that CSR programmes might be a key way for businesses to attract and retain customers, as marketers search for ways to build a sustainable relationship, and retailers want to enhance brand image. CSR programs can take many forms, such as diversity initiatives, recycling programs, the use of green materials, support for community events, and charitable donations (Sen and Bhattacharya, 2001). Therefore, companies in the telecommunication industry need to adopt CSR in order to sustain relationship with their consumers.

Tella, Amaghionyeodiwe and Adesoye (2007) state that Nigerian telecommunication companies engage in CSR because of the intense competition in the industry. The sector has donated immensely to the growth and development of Nigerian economy particularly in the areas

of employment generation, foreign Direct Investment and private investment. It has likewise generated uncountable opportunities for small and medium businesses in franchises, dealerships, retailerships and value added services within the industry. Osemene (2012) identifies that, whenever a telecommunication company involved in CSR activities in Nigeria, the citizen will praise them for being caring and philanthropic as most of the citizens are unaware of CSR by an organisation. In this regard, MTN Nigeria as a telecommunication company established MTN Foundation limited to develop CSR initiatives so as to reduce poverty among the citizens and sustain the economic development of the country. This foundation consulted stakeholder across the country to ascertain the needs of Nigerians. The findings of this consultative process enabled the development of a more focused strategy under three portfolio areas: Education, Health and Economic Empowerment (foundation, mtonline, 2016). Therefore, this report will concentrates on the CSR activities of MTN Nigeria Limitedas related to the educational development of the country.

Hence, the report will examine the CSR in the Nigerian Telecommunication Industry; a study of MTN Nigeria Limited on the Educational Sector of the country. The report is divided into four parts. Part I provides a background introduction to the concept of CSR. Part II reviews the literature relating to the conceptual and theoretical issues. Part III provides a discussion of the drivers of CSR in the MTN Foundation as it relates to the Nigerian educational sector. Part IV provides the conclusion of the topic under review.

## 2. Literature Review

### 2.1 Conceptualisation of CSR

According to Popa and Salanta (2014), corporate social responsibility (CSR) has no generally accepted definition. It

is a managerial tool used to build company's image and increase its competitive advantage. Originally, only large corporations used it, but today, it is part of the business strategy used by many small and medium size companies. Alvarado-Herrera (2015) argues that there are two fundamental assumptions relating to CSR shared by scholars. Firstly, firm has responsibilities beyond maximizing profits and secondly, a firm is not only accountable to its shareholders, but also to other stakeholders.

Du *et al.* (2011) argue that CSR is a company's commitment to maximizing long-term economic, societal and environmental well-being through business practices, policies and resources. Moreover, CSR also refers to the managerial obligation to take action in order to protect and improve societal welfare and interests of the organizations (Davis and Blomstrom 1975). Furthermore, CSR can be defined as company's obligation to eliminate any harmful effects and maximize its long-term beneficial impact on the society (Mohr, Webb and Harris, 2001).

On the other hand, Wagner *et al.*, (2009) argue that CSR could backfire if a company's behaviour is inconsistent with its responsibilities, which could lead to consumer perceptions of corporate hypocrisy. Moreover, Henderson (2009) criticised CSR programmes that it could be harmful at the level of the individual shareholder and the economy in general as it incurs costs for businesses by investing in different social programs that may reduce profits. Herzig and Moon (2013) argue that there is a lack of skilled human resources to best handle CSR and a lack of consistent legal regulation concerning social actions. However, Windsor (2013) argues that controlling irresponsibility in practice is more important than promoting CSR.

## 2.2 The Telecommunication industry in Nigeria: MTN Nigeria Limited

The Nigerian communication commission (2005, in Tella, Amaghionyeodiwe, and Adesoye 2007) states that the telecommunication sector is the largest generator of Foreign Direct Investment (FDI) after the Oil and Gas Industry in Nigeria. Osemene (2012) argues that are few studies that exists on CSR programmes conducted in the telecommunication industry of Nigeria. Hence, most of the studies focus on oil and gas industry and other multinationals companies. This is because the oil and gas companies' activities have a major impact on the economy and they are believed to be making high profits. Nigeria, with a population of over 160 million people as of 2006 population census, is the largest telecommunications market in Africa (Mathew-Daniel 2012, in Osemene 2012) because of the deregulation of the sector as a result of failure of the Nigerian Telecommunication Limited (NITEL) to serve the general populace efficiently and effectively. This led to establishment of many private indigenous and foreign telecommunication companies in Nigeria such as the MTN, Globacom, Airtel, Etisalat, Multilinks, Starcomms, Vodafone and Zoom mobile which use CSR as marketing tool (Osemene, 2012). Therefore, this will report examined CSR of MTN Nigeria Limited on educational sector.

MTN Nigeria limited is a subsidiary of the MTN Group. It was launched in Nigeria on May 16, 2001 and started commercial operation in Lagos, Abuja and Port Harcourt, subsequently it covers all part of the country. The company establishes the MTN Nigeria Foundation Limited with the aim of building image reputation through its CSR initiatives to help the citizen in reducing poverty and foster sustainable development in Nigeria. The company allocates up to 1% of its profit after tax for CSR. (foundation.mtnonline, 2016). Thus, these CSR projects made the citizen of Nigeria to praise MTN as being caring and philanthropic company than the other telecommunication companies in the country. MTN Nigeria contributes to educational development of the country, by increasing investment on projects in various institutions of learning. The educational empowerment of MTN comprises; Universities Connect project, foundation Schools connect, UNICEF Friendly School Initiative (CFSI), music scholars programme, Junior Achievement Nigeria Company programme, Learning Support Materials Initiative, Schools Connect Lab Call Centre, Learning Facility project, Youth skill development project, Science and Technology Laboratory project (foundation.mtnonline.com/education, 2016).

## 2.3 Theories of CSR

### 2.3.1 Shareholder Theory

The Shareholders theory was introduced by Milton Friedman, in 1970. The theory is based on an idea that managers' duty is to maximize shareholders' interests in the way it is permitted by law or social values (livingmba.wordpress.com, 2016). Furthermore, the aim of the business is to maximize profits and return a portion of those profits to shareholders as their reward (Greenwood, 2001). The theory goes with the view of Berle (1930, in Cochran, 2007) that managers were responsible only for the firms' shareholders. According to Ruf, Muralidhar and Paul (1998) the theory states that corporate expenditure on social causes signifies a violation of organization responsibility to shareholders to the extent that the expenditure does not lead to higher shareholder wealth. Therefore, this theory is against CSR as it is giving back to the community in which a company operates.

### 2.3.2 Stakeholder Theory

This theory recognizes the fact that most companies have a large and integrated set of stakeholders to which they have an obligation and responsibility (Baker, 2005). The theory suggests that modern business should no longer be preoccupied exclusively with the interests of shareholders, but must respond to the concerns of multiple stakeholders, including non-governmental organisations (NGOs), consumers, employees, environmentalists, and local communities (Freeman, 1984). The main idea behind CSR is the promotion of a business orientation that considers the interests of all stakeholders (Maigan, 2005). The theory supported Dodd (1930, in Cochran, 2007) who argues that managers should have a wider range of responsibilities apart from shareholders.

According to Akinyomi (2012), different approach from shareholders' theory in defining CSR is provided by stakeholder theory, which is frequently used in the

literature. According to this approach, paying attention to the needs and rights of all the stakeholders in a business is a useful way of developing socially responsible behaviour by managers (Maignan and Ferrell, 2004). A socially responsible organization is seen as one in which obligations to stakeholders figure prominently in the decision-making of managers (Weiss, 2014). Stakeholder theory is also an attempt to broaden the perception that there is only one dominant interest in public companies, namely the shareholders. Therefore, MTN Nigeria limited is a responsible company because it first analyses the needs of Nigerian, which are education, health and economic empowerments. This is in conformity with Baker's (2005) definition.

### 3. Discussion

Numerous organisations in Nigeria perceive that CSR is corporate philanthropy aimed at solving socio-economic development challenges (Amaeshi, 2006). However, Alabede (2011, in Osemene, 2012) argues that organizations should compensate the communities by improving the environment and the lives of people. Olaleye (2011) states that some telecommunication companies in Nigeria believe that the government should be responsible for the welfare of its citizens. That is why they prefer to embark their CSR on economic responsibilities over philanthropic, legal and ethical responsibilities (Carroll 1991, in Osemene, 2012). However, as many companies in the industry in Nigeria focus on profit making to the detriment of all the stakeholders, they should not compromise Nigerian lives or the environment (Osemene, 2012). Therefore, companies are not only trying to be more responsible, but are also yielding more visibility to their social activities (Luo and Bhattacharya, 2006). The telecommunication companies in Nigeria help with the ease of business transaction, communication, and e-banking services, among others (Osemene, 2012).

Raimi *et al.* (2014) state that MTN has built a good reputation as a result of its CSR, as it is regarded as the best company for CSR in the telecommunication industry. This made most of their subscribers' fans of the company. Similarly, Mustapha and Aun, (2015) argue that CSR improves MTN's productivity and is beneficial to the organisation and its host community. However, Olaleye (2011, in Osemene, 2012) identify that although MTN has higher tariffs than the other providers, but it tries to have a positive impact on the lives of Nigerians through its corporate social responsibility activities. Therefore, corporate social responsibility of MTN improves their reputation and profit in Nigeria, because the company is seen as the most humanitarian company in telecommunication industry of Nigeria. However, there operations bring about some negative effects to the country, such as health and safety issues related to base stations and radio frequencies, emissions, noise, air and ground pollution (MTN, Annual Report, 2005, in Osemene, 2012). Furthermore, there CSR policy in Nigeria is grossly inadequate compared to the profits it generates (Osemene, 2012).

### 4. Conclusion

Currently, the awareness by businesses to be responsible to the communities is increasing. Because the businesses benefit from the community they operate in, they should give something in return to the society for them to be responsible. This study assesses the Corporate Social Responsibility in the Nigerian Telecommunication Industry with respect to MTN Nigeria Limited on the Educational Sector of the country. But Osemene (2012) argues that MTN are not favouring the society with their CSR activities, but they are creating rooms for rapid growth, success and profitability for themselves, because reputational damage may result from failure to engage in CSR. Therefore, the CSR of MTN Nigeria limited on education has positively affected their profit making positively, as they are seen as philanthropic and caring company in the telecommunication industry.

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