THE INTERPLAY OF CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY IN THE ADVANCEMENT OF NIGERIAN ECONOMY*

Abstract

Economic institutions, particularly incorporated companies remain the hobnob in the wheel of economic development. There can be no meaningful progress in the economic industry without a developed chain of companies with adequate regulation. Thus, the management of companies in Nigeria is committed to the board of directors, and regulated by an institutionalized body referred to as the Corporate Affairs Commission (CAC) within the corporate legal framework. The internal management of a company, the regulatory institution and the legal framework constitute the regime of corporate governance in Nigeria. The demand of corporate governance is basically to reward not only the shareholders but the entire stakeholders within and around the corporate industry, thereby imposing responsibility on companies. This paper is aimed at appraising the impact of corporate governance and corporate social responsibility in Nigeria as an emerging economy. The paper relies on data garnered through doctrinal research. The paper found that despite ethical and legal frameworks designed to enhance corporate governance, companies still fail and the economic industry stagger in the face of daunting challenges. It is recommended that the legal framework on corporate governance should be strengthened especially as there is poor ethical compliance culture in Nigerian corporate institutions. It calls for positioning companies to live up to their social responsibilities. Agreeably, there are innovative provisions in the Companies and Allied Matters Act, 2019 (as amended). There is need for the Corporate Affairs Commission as the regulatory body to ensure full administration of the Act and the enforcement of its provisions in the event of any infraction.

Keywords: Corporate Governance, Corporate Social Responsibility, Nigerian Economy, Advancement

1. Introduction

Corporate governance is the process of decision making and implementation in large businesses. There is no organization that thrives without a system of legal and institutional frameworks to regulate the activities of stakeholders including the managerial team. Corporate institutions are no exception, and in fact, require stiffer regulation than any other organisation. Thus, the adequacy of its legal framework and the implementation as well as the enforcement mechanisms is imperative for effective governance that engenders sustainable economic development. Corporate governance and corporate social responsibility are intricately related notions defining the interaction between an organization and its internal and external sociopolitical environment, with both increasingly considered as complementary fundamental prerequisites for sustainable growth within a globalizing business environment.[1] It is suggested that good corporate governance and corporate social responsibility initiatives are gradually advancing from a philanthropic variant of corporate capitalism to authentic strategies intended to regain the trust of clients and society at large.[2] In other words, while corporate governance implies 'being held accountable for', corporate social responsibility means 'taking account of' and both mechanisms are

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[1] S. Windor and L. Perston, 'Corporate Governance, Social Policy, and Social Performance in the Multinational Corporation', Research in Corporate Social Performance and Policy (1988), Vol.10, pp.45-58.

[2] E. Marsiglia and I. Falantano, Corporate Social Responsibility and Sustainability Challenges for a Banc assurance Company', *The Geneva Papers,* (2005) Vol. 30, pp. 485-497.

increasingly used by firms to regulate operations.[3] There is also some evidence suggesting that corporate governance is significantly correlated with both stock returns and firm value.[4]

Generally, good corporate governance generally enhances firm competitiveness and results in superior financial performance in the same way that corporate social responsibility increases the trustworthiness of a firm and strengthens relationships with core stakeholders, which may lead to deceased transaction costs and increased attractiveness in the eyes of investors.[5] This work begins with an appreciation of some relevant theories of corporate governance in resolving the dynamics of the relationship of company and society. It proceeds to situate the relationship between corporate governance and corporate social responsibility as well as the role of latter in the advancement of the former for sustainable economic growth in Nigeria.

2. Theories of Corporate Social Responsibility

There is plethora of corporate governance theories that address the challenges of governance of companies. It is claimed that bridging the divide between corporate governance and corporate social responsibilities has posed a great challenge to managers for generations.[6] This presupposes that they are different approaches to corporate social responsibility.

Agency Theory: This theory defines the relationship between the principals of the company (shareholders) and the agents (directors). In this relationship, the former hires the latter to perform work. The principals delegate the work of running the business to the directors as their agents. The shareholders expect the directors to make decisions and implement them in the interest of the shareholders. The core feature of this theory is the separation of ownership from control. Incidentally, directors often are given to satisfying their self-interest, and exhibit opportunistic behaviours contrary to their commitment to the shareholders. Thus, the agency theory maintains that directors as well as their employees must be held accountable in their assigned responsibilities and rewards and punishments can be used as weapons assert compliance.[7]

Stewardship Theory: This theory postulates that the stewards, i.e. the management of the company protect and maximizes the shareholders' wealth through firm performance. As company executives and managers, the stewards, the stewards protect and make profit for the shareholders. This calls for a governance structure that enables the executives or the employees to act autonomously in order to maximize the shareholders return. In this way, the company attains success and the stewards are thereby rewarded to engender motivation for more diligence in the discharge of their organizational duties.[8]

Resource Dependency Theory: This theory states that directors play a crucial role in securing essential resources to a company through their linkages to the external environment. It focuses on the role of the board of directors in providing access to the resource needs of the company such as information, skills, suppliers, policy makers, buyers and social groups. The availability of resources enhances operational values and productivity for the sustainable growth of a company.[9]

[3] A. Beltratti, 'The Complementarity between Corporate Governance and Corporate Social Responsibility', Geneva Papers on Risk and Insurance (2005) 30, pp. 373-386.
[4] P. Gompers, *et al*, 'Corporate Governance and Equity Prices', *Quarterly Journal of Economics*, (2003) 118, pp. 107-155.
[5] R. Aguilera, *et al*., 'Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations', *Academy of Management Review*, (2007) Vol. 32, pp. 836-863.
[6] S. Benn and D. Dunphy, *Corporate Governance and Sustainability*, (London and New York: Routledge, 2007), p. 21.
[7] 'Theories of Corporate Governance: Agency, Stewardship, etc.', available at www.papertyari.com.
[8] *Ibid.*
[9] *Ibid.*

Political Theory: Political theory is concerned with the power of corporations in society and responsible use of this power in the political arena. This theory advocates the approach of developing voting support from shareholders, rather by purchasing voting power. It emphasizes that the allocation of corporate power, profit and privileges is determined by government's interests expressed in its policies.[10]

Stakeholders Theory

Stakeholders theory advocates an expanded network of relationship between the company management and not only the shareholders but also other stakeholders. The theory is concerned with effective managerial decision making imbued with intrinsic values capable of protecting the interests of all stakeholders, and no stakeholder's interest is treated preferentially. This is an integrative theory concerned with the corporation's responsibility to meet social demands. Companies are seen as simply an instrument for wealth creation, and its social activities are only a means to achieve economic result. This presupposes that the management is accountable to and should serve a broad range of stakeholder including the customers, suppliers, business partners, employees and the community of its operation.[11]

These theories represent the dimensions of corporate activity related to profits, political performance, social demands and ethical values. How to integrate these dimensions remains a core task in resolving and appreciating to a large extent the dynamics of the relationship of business and society.

3. Relationship between Corporate Governance and Corporate Social Responsibility

Corporate governance and corporate social responsibility have more convergences than divergences. Their convergent relationship has, in recent years, gained more prominence, both in business and in the press to a great extent. A potential convergence is alluded to in a recent paper where it was stated that 'it is timely to review the increasingly complex cross-connects between the rapidly mutating governance agenda and the burgeoning world of CSR, social entrepreneurship and sustainable development'.[12] The rationale behind relating corporate social responsibility with corporate governance has been unraveled. The activities of a company impact on not only the shareholders but also the external environment. Accordingly, the company should be accountable to a wider audience than simply its shareholders. This is a central tenet of both the concept of corporate governance and the concept of corporate social responsibility. Implicit in this is a concern with the effects of the actions of an organization on its external environment, and there is recognition that it is not just the owners of the organization who have a concern with the activities of that organization. Additionally, there are a wide variety of other stakeholders who justifiably have a concern with those activities, and are affected by those activities. Those other stakeholders have not just an interest in the activities of the firm but also a degree of influence over shaping of these activities. This influence is so significant that it can be argued that the power and influence of these stakeholders is such that it amounts to quasi-ownership of the organization.[13]

The relationship between corporate governance and corporate social responsibility cannot be understood without taking geographical, cultural and historical factors into account in order to understand the similarities, difference and concerns to people of different parts of the world. However, enlightened companies recognize that there is a clear link between governance and corporate social

[10] *Ibid.*

[11] E. Garriga and D. Mele, 'Corporate Social Responsibility Theories: Mapping the Territory' in T. Clarke and M. dela Rama, (eds), *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, (London: SAGE Publications, 2008) pp. 269-293.

[12] J. Elkington, 'Governance for Sustainability, Corporate Governance', *An International Review,* (2006) Vol.14, pp. 522-529.

[13] A. Guler and D. Crowther, 'Global Perspective on Corporate Governance and CSR', *op cit,* pp. 34-35.

responsibility; and often, this is no more than making a claim that good governance is a part of their CSR policy as well as a part of their relationship with shareholders.[14]In fact, there is a clear overlap between this conception of corporate governance and stakeholder conception of corporate social responsibility that considers business as responsible vis-à-vis a complex web of interrelated stakeholders that sustain and add value to the firm.[15]

Corporate governance and corporate social responsibility call on companies to assume their fiduciary and moral responsibilities toward stakeholders. This act of accountability and responsiveness of companies is very core for a business to gain and by necessary extension, retain the trust of its financial investors and other stakeholders.[16] Both concepts thus, draw vigor from the sources, namely transparency, accountability, fairness, responsiveness and integrity.[17] They are also perceived to confer important long-lasting benefits to ensure the endurance of the business. In particular reference to corporate governance, it is observed that good governance mechanisms reconcile the interest of owners, managers, and all those dependent on the corporation, allowing corporations to secure long-term capital, retain the confidence of financiers, and to use the obtained capital proficiently.[18]

Admittedly, short-term cost may be incurred when designing good corporate governance and CSR initiatives, but there are also several indicators pointing to positive win-win outcomes for business that are seriously committed to both.[19] Although we have in recent times witnessed significant advances in research and theory regarding to each of corporate governance and CSR in their respective paradigms, and few recent formulations hinting to their cross-connection, some lingering questions still persist, pertaining to their interrelationships, namely

i. Are corporate governance and CSR independent or interdependent functions?
ii. Are they mutually exclusive or mutually co-existent and increasingly convergent?

In heeding the foregoing, Jamali presented a review of several models which have posited a relationship between corporate governance and CSR, namely

i. Corporate governance as a pillar for CSR
ii. CSR as an attribute of corporate governance; and
iii. Corporate governance and CSR as coexisting components of the same continuum.[20]

Accordingly, the U.N. Global Compact Report, 2004 noted that in a more globalized, interconnected and competitive world, the way that environmental, social and corporate governance issues are managed is part of companies' overall management quality needed to compete successfully. Companies that perform better with regard to these issues can increase shareholder value by, for example, properly managing risks, anticipating regulatory action or accessing new markets while at the same time contributing to the sustainable development of the societies in which they operate. Moreover, these

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[14] G. Aras and D. Crowther, 'Is the Global Economy Sustainable? in S. Barber (ed), *The Geopolitics of the City*, (London: Forum Press, 2007), pp. 165-194;G. Aras and D. Crowther, 'Sustainable Corporate Social Responsibility and the Value Chain, in M.M. Zain and D. Crowther (eds), *New Perspectives on Corporate Social Responsibility*, (Kulala Lumpur: MARA University Press, 2007) pp. 119-140.

[15] E. Freeman, 'Strategic Management: A Stakeholder Approach', (Boston: 1984); E. Post, *et al*, 'Managing the Extended Enterprise: The New Stakeholder View', *California Management Review,* Vol. 45, pp. 33-47.

[16] J.P. Page, *California Governance and Value Creation*, (University of Sherbrook: Research Foundation of CFA Institute, 2005), p.11.

[17] D.B. Van and C. Louche, 'The Link between Corporate Governance and Corporate Social Responsibility in Insurance', *The Geneva Papers,* vol. 30 pp. 425-4423.

[18] D. Jamali *et al*, *Corporate Governance and Corporate Social Responsibility Synergies and Interrelationships* (University of Southampton: Blackwell Publishing Limited, 2008) p. 446.

[19] E. Marsiglia and I. Falantano, 'Corporate Social Responsibility and Sustainability Challenges in a Banc assurance Company', *The Geneva Papers*, (2005) Vol. 30, pp. 485-497.

[20] J. Dima, *et al*, 'Corporate Governance and Corporate Social Responsibility Synergies and Interrelationships', Corporate Governance: An International Review (2008), Vol.16, Issue 5, p. 44.

issues can have a strong impact on reputation and brands, an increasingly important part of company value.[21]

4. Role of Corporate Social Responsibility (CSR) in the Advancement of Corporate Governance for Sustainable Economy

Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generation to meet their own needs. Today organizations are being called upon to take responsibility for the ways their operation impact societies and environmental concerns in business operations and interaction with stakeholder. Corporate social responsibility asserts that corporation has an obligation to consider the interest of customers, employees, shareholders etc. Hence, a firm cannot ignore the problems of the environment in which it operates[22]

Accordingly, corporate social responsibility initiatives can lead to innovations through the use of social, environmental or sustainability drivers to create new products and services. Corporate social responsibility is thus, interpreted as the concept of triple bottom line, (people, planet, profit) which captures an expanded spectrum of values and criteria for measuring organizational success at economic, environmental and social, whereas business ethics and corporate governance combine to generate the means to achieve organizational excellence.[23] Issues of socially responsible behaviour are not of course new and examples can be found from throughout the world and at least from the early days of the industrial revolution and the concomitant founding of large business entities[24] and the divorce between ownership and management or the divorcing of risks from reward.[25] Thus, in the past transcending the present, big business was and is recognizing the need to adapt to a new social climate of community accountability but that the orientation of business to financial results was inhibiting social responsiveness. The functionality of corporate social responsibility is an attempt to explain and define the relationship between a corporation and its stakeholders, including its relationship with society as a whole. Because of the uncertainty surrounding the nature of corporate social responsibility activity, it is difficult to evaluate any such activity in terms of sustainable development. Some authors have offered an escape route when they derived three basic principles which together comprise all corporate social responsibility activities, to *wit*: sustainability, accountability and transparency.[26]

This article pays greater attention to the wider principle of sustainability over and above the narrower principles of accountability and transparency. It safely posited that modern business language has mutated again and the concept of corporate social responsibility is being replaced by the language of sustainability. Sustainability primarily refers to the effective use of our environmental resources in such a way that its development meets the needs of the present without compromising the chances of the future generation from meeting their own needs. In corporate practice, sustainability embodies organizational behaviour which translates into the much broader concept of corporate culture. There are therefore, four aspects of sustainability which need be mentioned, namely:

i. Societal influence, which we define as a measure of the impact that society makes on the corporation in terms of the social contract and stakeholder influence;
ii. Environmental Impact, which we define as the effect of the actions of corporation upon its geophysical environment;

[21] See UN. Global Compact Report, 2004, Who Cares Wins: Connecting Financial Markets to a Changing World, p. 1; See generally ‘The Convergence of Corporate Governance and Corporate Social Responsibility’, being a Thought-Leaders Study by Caro Strandberg – (Steandberg Consulting: Sperling Avenue, Burnaby, March, 2005) pp. 1-17.

[22] Lopez, M, Garcia A. and Rodriguez, L. ***'Sustainable Development and Corporate Performance:*** A study based on the Dow Jones sustainability index. Journal of Business ethics 285-300.

[23] Babalola, Yisau Abiodun ***'The Impact of Corporate Social Responsibility on Firm's Profitability in Nigeria'.*** European Journal of Economics Finance and Administrative Sciences 2012. http://www.euroiournal.com.

[24] D. Crowther, *A Social Critique of Corporate Reporting*, (Aldershot: Ashgate, 2002), p. 10.

[25] D. Crowther, ‘Limited Liability or Limited Responsibility’ in D. Crowther and L. Rayman-Bacchus (eds), Perspectives on Corporate Social Responsibility, (Aldershot: Ashgate, 2004) pp. 42-58.

[26] G. Aras and D. Crowther, ‘Sustainable Corporate Social Responsibility and Value Chain’, in M.M. Zain and D. Crowther (eds), *New Perspectives on Corporate Social Responsibility*, (kulala Lumpur: MARA University Press, 2007) pp. 119-140.

iii. Organizational Culture, which we define as the relationship between the corporation and its internal stakeholders, particularly employees, and all aspects of that relationship; and
iv. Finance, which we define in terms of an adequate return for the level of risk undertaken.[27]

The cumulative effect of all the four aspects of sustainability outlined above produces sustainable development, both for operational companies, and the entire strata of the society. For instance, Stern considered the challenges of building and sustaining frameworks for international collective action on climate change with important initiatives coming from both national government and corporations. He considered the various dimensions of action required to reduce the risks of climate change, both for mitigation (including through carbon prices and markets, intervention to support low-carbon investment and technology diffusion, cooperation on technology development and deployment, and action to reverse deforestation), and for adaptation. These dimensions of remedial action are interdependent: a carbon price is essential to provide incentives for investment in low-carbon technology around the world, and can be strongly complemented by international co-operation to bring down the cost of new carbon technologies. Thus, an overview of existing international cooperation on climate change indicates the immense scale of the problem and negative effects of climate change on the environment. Responsible corporate governance and corporate social responsibility will be essential to securing a sustainable balance between business, society and the environment.[28]

In our contemporary society, corporate social responsibility in terms of sustainable development should be measured in terms of board oversight, management execution, public disclosure, emission accounting and strategic planning for emission reduction. The Nigerian Banking System, as the key driver of the economy, has definitely evolved over the years since 1894 when first Bank[29] of Nigeria Plc, then Bank of British West Africa, was established to originally serve the British shipping and trading agencies in Nigeria. It has thrived from a government regulated environment to the era of structural adjustment program (SAP) embarked upon by government in 1986 which was arrived at deregulating the economy in the direction of market determined pricing. The market deregulation which involved liberalization of bank licensing process and the need to properly oversee the activities of the increased banks became more apparent especially from organizations such as the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC).[30] The banks[31] as one of the major drivers of Nigerian economy need to be sustainable to efficiently discharge this onerous task to the nation. Prior to the introduction of good corporate governance code, most female bankers were meant for the highest bidder, corporate prostitution all in the name of marketing, as performance and promotion was driven by how much one can attract to the banks[32], use of voodoo to attract men and beat the market target made the entire process and future of the banks look bleak, as banking turned to a war front with lots of charlatans parading themselves as bankers. The spate of corporate failures in the past decades necessitated the consolidation exercise and the CBN codes are all efforts geared towards making stronger the banking sector, the effect of globalization is that it's spreading like a whirlwind, corruption and high level scandals that heralded corporations made corporate. Thus, the institutionalization[33] of corporate governance in Nigerian industry became imperative given the rapid growth expected of them after the consolidation exercise. It is trite that good corporate governance

[27] A. Guler and D. Crowther 'Global Perspective on Corporate Governance and CSR, *op. cit,* p. 25.
[28] N. Stern, 'Framework for Understanding International Collective Action for Climate Change' in T. Clarke and M. dele Rama, (eds), *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability,* (London: SAGE Publications, 2008) pp. 340-358.
[29] The establishment of First Bank Nigeria Pic in 1894 marked the beginning of banks operation in Nigeria.
[30] The CBN and Nigeria deposit insurance corporation NDIC brought in bank licensing and deregulation.
[31] The 25 banks emerged from a motley crowd of 89 banks existing as at December 31, 2005, www.cenbank.org for list of the 25 banks. The code of corporate governance became effective April 3, 2006, for banks in Nigeria Post consolidation.
[32] Performance and promotion was driven by how much capital one can attract to the bank.
[33] Institutionalization of corporate governance code became more imperative.

enhances confidence, trust and goodwill towards companies, and promotes competitiveness which in turn improves growth of the economy. Essentially, the common law held the view that company's officers owed their services to the company only, and not individual shareholders. However, this position has been rejected by the modern company practice and knowledge. Hence, the roles of the contemporary company officers have been enlarged to embrace serving the company which employees them, the individuals shareholders under relevant circumstances, as well as the generality of the public that benefits or is affected by the activities of the company. Fundamentally, company practices in Nigeria are bedeviled by the apathy of the stakeholders in corporate governances.[34]

5. Prospect of Corporate Social Responsibility

Social and environmental reporting is usually captured in the chairman's statement. People generally feel that business and other organizations have social obligations and responsibilities. Social responsibility includes obligations that an organization including company owes the general public and to specific interest groups and they arise from organizational activities that affect society to a greater degree. In respect to companies, a social responsibility is embodied under the concept of corporate social responsibility.[35] In Nigeria, society has been placing increased demands on big business organizations for greater social responsibilities in the next decade. There has been pressure on business to be involved in solving social and economic problems. The concern includes employee welfare, working conditions, pollution, product safety, marketing practices, employment and community development among others.[36] Companies embark on these provisions purely on moral and ethical grounds and never as a legal obligation. Since the investors' money is involved in such developmental expenditures, the directors, as part of the annual accountability, are required to report on the company's social outreach for the year. A new plan may be presented through the reporting for consideration by the shareholders at the general meeting.

In addition, environmental reporting is a national policy as required by Environmental Impact Assessment Act (EIAA).[37] One of the objectives of environmental impact assessment[38] is to establish, before a decision is taken by any person, authority, corporate body or unincorporated body, including the Government of the Federation, State or Local Government intending to undertake or authorize the undertaking of any activities, those matters that may likely or to a significant extent affect the environment or have an environmental effect on those activities, and same shall be taken into account.[39] Secondly, the Act[40] has also the goal of encouraging the development of procedures for information exchange, notification and consultation between organs and persons when proposed activities are likely to have a significant effect on boundary or trans-state or on the environment of bordering towns and communities.[41] Environmental responsibility of companies, especially those that their activities affect environment, forms part of the concept of corporate social responsibility. Under the Nigerian law, a registered company can only engage in and apply its funds for businesses which are authorized by its object clause in the memorandum of association.[42] It will therefore be *ultra vires* for a company acting through the directors to expend its resources for social, political, environmental or charitable purpose

[34] Available at< https://www.grin.com/document/341603>, accessed on 21 December, 2019.
[35] The Concept of Corporate Social Responsibility may be seen as the moral and ethical content of managerial and corporate decisions over and above the programmatic requirement imposed by legal principle and market economy
[36] See generally O.J. Seberu and O.S. Aremu, *Department of Banking and Finance: The Polytechnic*, (Ibadan Nigeria, 2010) p.96.
[37] Cap. E12, Laws of the Federation of Nigeria, 2010.
[38] Article 1 (VI) of Expoo Convention defined Environmental Impact Assessment as 'a national procedure for evaluating the likely impact of a proposed activity on the environment.
[39] Environmental Impact Assessment Act (EIAA), section 1(a).
[40] Environmental Impact Assessment Act, op. cit., section.62.
[41] *Ibid*, section1c.
[42] Companies and Allied Matters Act, 2020 (as amended), section 27(1)(c).

except such is justified as being in the interest of the company and to promote its prosperity. The possible exceptions to this rule are where the company's object expressly permits the use of the company's money for a specified purpose without any reference to the relevance or utility of the expenditure to the company's prosperity and where the company, being a charitable organization, applies its funds for a charitable purpose. Experiences all over the world have revealed that failure to incorporate and institutionalise environmental impact assessment into a project and the production process at the outset generally results in higher costs later for curative health and environmental programmes to control pollution and manage industrial wastes.[43]

However, under the Nigerian company law, there is no obligation on a company to act as a good corporate citizen or with altruistic sense of responsibility towards the environment. This has however, been made possible because the objects clause of companies these days is framed so widely as to permit necessary discretion or to engage in any business or activity which will promote the interest of the company. Also, the National Policy on Environment imposes an obligation on corporate bodies to take responsibility toward the environment. Accordingly, plans to improve on the environment must be presented before the shareholders for approval or rejection or even amendment. This duty of environmental reporting becomes very necessary considering the fact that the object/business clause may not have specifically authorized environmental expenditure. Thus, if a company expands its funds voluntarily for the purpose of improving the environment, such expenditure need to be reported to the shareholders at the general meeting.[44]

Acting under the above exceptions, Nigerian companies indeed have been engaged in one charitable giving or other activities for the improvement of the environmental. Some of the examples of these social and environmental responsibilities include the building by Guinness Nigeria Limited of an Eye Hospital in Onitsha, bursaries and scholarships have been provided for secondary and universities education by companies like UAC Nigeria Limited, P.Z Nigeria Limited and Gulf Oil Company (Nigeria) Limited. Equally, research grants and professional chairs in universities have been endowed by First City Merchant Bank Limited, Unity Bank of Africa Limited and International Merchant Bank Limited.[45] With particular reference to environmental improvement, Mobil Producing Nigeria Limited as well as other major oil producing companies have constructed several kilometers of roads in rural areas; provided water, electricity and built schools for rural communities where they operate.[46] All these constructions, buildings, grants and charitable donations are presented in the annual general meeting of a company as 'Social and Environmental Reporting'.

6 The Social Implications of Corporate Governance

The implementation of corporate governance standards improves financial performance of a company. It also orchestrates positive impacts on the internal efficiency of a company. While shareholder value maximization is still a major goal for corporations worldwide, the rise in social activism and the emergence of new expectations have indeed caused other aspect of corporate performance to be examined alongside social impacts of corporate governance on society. As firms grow in size and influence, they are no longer expected to be mere contributors to the global economy, but rather to reconcile and effectively balance multiple stakeholders.[47] Nowadays, organizations are generally more inclined to broaden the basis of their performance evaluation from a short-term financial focus to

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[43] C.A. Omaka, 'The Concept of Environmental Impact Assessment in Nigeria', Ebonyi, State University Law Journal, Vol. 2 No 1 (2007) p. 67

[44] *Re Horsley and Wright Limited* (1982) ch. 442 cited in J.A. Omotola, *Environmental Laws Including Compensation* (Lagos: UNILAG, 1990) p. 82.

[45] J. A. Omotola, Cases on the Land Use Act, 5th Edition (London: Worldcat, 1983) p. 84. Also available at www.https://worldcat.org, accessed on 25th December, 2020.

[46] *Ibid.*

[47] D. Jamali, 'Insights into Triple Bottom Line Integration from a Learning Organization Perspective', *Business Process Management Journal*, Vol. 12, (2006), pp. 809-821.

include long-term social, environmental, and economic impacts and value added.[48] Thus, in the contemporary economic milieu, corporate governance identifies the role of directors and auditors towards shareholders and other stakeholders alike.[49] Corporate social responsibility which is a core aspect of corporate governance is now conceptualized into four types with each having serious implications/impacts on the entire social strata of the society. These are:

(i) Economic (jobs, wages, services);
(ii) Legal (legal compliance and playing by the rules of the game);
(iii) Ethical (being moral and doing what is just, right and fair); and
(iv) Discretionary (optional philanthropic contribution)[50]

Corporate social responsibility should be altruistic, humanitarian and philanthropic which means that a company should respond to the needs of the community of its operation irrespective of whether or not the firm will reap financial benefits from such gesture. Examples include efforts to alleviate public concerns (e.g., poverty, illiteracy) in an attempt to enhance society's welfare and improve the quality of life.[51] At internal level, the social implications of corporate governance mean that companies revise their in-house priorities and accord due diligence to their responsibility to internal stakeholders, adequately addressing issues relating to skills and education, workplace safety, working conditions, human rights, equity considerations, equal opportunity, health and safety, and labour rights.[52] Thus, the environmental issues of corporate governance examines primarily the impacts of processes, products, and service on the environment, biodiversity, and human health, while the social bottom line incorporates such things as community issues, social justice, public problems and public controversies.

In fact, markets sometimes fail and require public policy interventions to prevent failure and/or to recuperate. These interventions might include corporate governance with the synergic principle of corporate social responsibility (CSR) in the form of self-regulation. For example, the scale of the 2010 BP oil spillage disaster in the Gulf of Mexico, coming on the heels of the near collapse of the global financial system in 2007/8, highlight the profound and far reaching impact of corporate activities on society. In some circumstances, the social implications may be so negative; in that the spill-over effects is mainly borne by people who did not cause the problem in the instance. Considering the diverse impacts of corporate governance on society, priority now shift to need for corporations to assume their duties as citizens, and accord due diligence to their external economic and social-stakeholders and the natural environment.[53]

There is of course no gainsaying the fact that the capitalist political economy model has leveraged globalization to become the dominant, as well as the idealized, global mode of the economic coordination especially with the decline of the competing socialist political economy model since the late 1980s, as a viable alternative. As such, the capitalist political economy has, to a large extent, become the global yardstick for assessing responsible and irresponsible business behaviours in the management literature, despite the

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[48] T.W. Hardjono and M. Van Marrewijk, 'The Social Dimensions of Business Excellence', *Corporate Environmental Strategy*, Vol. 8, (2001), pp. 223-233.
[49] 'Implications of Corporate Governance on Financial Performance: an Analytical Review of Governance and Social Reporting Reforms in India, available at www.https://ajssr.springeropen.com, accessed on 25th December, 2020.
[50] A. Carrol, 'A Three-Dimensional Conceptual Model of Corporate Performance', *Academy of Management Review,* Vol. 4 (1979) pp. 497-505; G. Lantos, 'The Boundaries of Strategic Corporate Social Responsibility', *Journal of Consumer Marketing*, Vol. 18 (2001) pp. 595-630.
[51] G. Lantos, *Ibid*.
[52] P. Jones, *et al*., 'Corporate Social Responsibility and the UK's Top Ten Retailers', *International Journal of Retail and Distribution Management*, Vol. 33 (2005) pp. 882-892.
[53] L.S. Munilla, and M.P. Miles, 'The Corporate Social Responsibility Continuum as a Component of Stakeholder Theory', Business and Society Review, Vol. 110 (2005), pp. 371-387.

differences in national socio-economic cultures and institutions.[54] Meanwhile, the governance of corporate negative externalities such as child labour, environmental pollution, employee welfare, consumer protection and labour conditions are already hardwired in the institutional governance of most advanced capitalist economies, while these are still issues in most developing (or weak) capitalist economies.[55]

However, the fact remains that corporate governance practices should involve corporate social responsibility as a palliative measure to cushion the hazards orchestrated by the activities of companies. For instance, the activities of multinational enterprises in Nigeria are suffering debilitating impediments owing to the heavy suspicion between host communities (particularly in Niger Delta) and multinational enterprises. The people of the region believe that these multinational enterprises are not socially responsible to them but only interested in protecting its foreign interest to the detriment of the people. Being socially responsible for local communities hosting most multinational companies such as the oil companies is a fundamental content of good corporate governance. Large firms appear to be directly or indirectly compelled, by some external actors such as the non-governmental organisations (NGOs), international organizations, and pressure groups, to fill in the transnational governance gap for nation-states, especially in developing economies with weak and fragile institutions that are incapable of governing the activities of multinational enterprises.[56] Companies are increasingly using social media to communicate with and learn from stakeholders. This is particularly true in emerging markets, where companies are likely to use social media than in many developed countries. The private governance of corporate externalities which needs to be further integrated into mainstream management scholarship.[57] Thus, the multinational enterprises are encouraged to be more socially responsible and transparent in their practices. This is revealed in the growing trend of corporate social responsibility as self-regulation mechanism.

7. Conclusion

Since the origins of industrial capitalism, companies have wrestled with the dilemma of whether their sole purpose is to generate wealth or profit for shareholders or whether corporations have broader obligations to the communities in which they are situated, and from which they derive not only their fundamental resources, but their license to operate.[58] A strong and stable financial institution attracts investors who can sleep with their eyes closed, that their investment will not go down the drain, for fear of poor governance structure, but with the solidification of the financial institution. Hence, the stability of the economy is guaranteed and it reflects on the country's gross domestic product since the indices of development will be ascertained. Regrettably, despite ethical and legal frameworks designed to enhance corporate governance, companies still stagger and collapse, and the industry is threatened amidst great expectations for economic revolution. Thus, it has become increasingly important that the legal framework on corporate governance should be strengthened especially as there is poor ethical compliance culture in the Nigerian corporate institutions. There is dire need for a paradigm shift towards economic culture and orientation that position companies to live up to their social responsibilities. However, with increasing awareness of the interplay of corporate social responsibility and corporate governance, it expected that economic redundancy will give way to sustainable growth in future because non-financial issues are increasingly relevant to a number of industries especially in developing countries with governance gaps such as the situation in Nigeria. Bringing corporate social responsibility to bear on corporate governance will, no doubt, play pivotal role in boosting the economy.

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[54] N. Kang, ''A Critique of the 'Varieties of Capitalism' Approach", *ICCSR Working Paper Series,* Number 46, Nottingham University Business School. Available at http://www.nottingham.ac.uk/business/ICCSR/pdf/ researchpdefs/45-2006.pdf

[55] K. Amaeshi, *et al*, 'Corporate Social Responsibility as a Market Governance Mechanism: Any Implications for Corporate Governance in Emerging Economies?', University of Edinburgh U.K. p. 27.

[56] N. Woods and D. Brown, *Making Global Self-regulation Effective in Developing Countries,* (Oxford: Oxford University Press, 2007).

[57] C. Crouch, 'Modeling the Firm in its Market and Organizational Environment: Methodologies for Studying Corporate Social Responsibility', *Organization Studies*, (2006), Vol. 27 pp. 1533-1551.

[58] T. Clarke and M. dela Rama, Fundamentals of Corporate Governance, *op cit*, (London: SAGE Publications, 2008) p. 37.