

THE CENTRAL BANK OF NIGERIA (CBN) AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

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ABSTRACT

The Central Bank of Nigeria (CBN) is the apex bank of Nigeria. Its core mandate is to serve as banker of last resort, monetary policy maker and chief financial adviser of the Federal Government of Nigeria. CBN should ensure that Nigeria is flowing in a stable economy environment. It is not the duty of the CBN to be engaging in reckless Corporate Social Responsibility (CSR) activities. While it is not out of place to do that once-in-a while, but it should be done with discretion. This article advised that CBN Governors should get within the limitations of Public Procurement Act, 2007 and as advised by the committee of Governors (COG).

1.0 INTRODUCTION

The Central Bank of Nigeria being the apex bank in Nigeria plays a lot of roles in the economy, Apart from being the bankers bank, it is also the regulator of banking operations in Nigeria and advisor to the Federal Government of Nigeria on fiscal issues. The Governor of Central Bank of Nigeria is the driver of the CBN seat. The question is “does the CBN governor have the power to engage in expenditures outside the core purposes of setting up the apex bank”? “Can the CBN Governor spend money under the cover of Corporate Social Responsibility (CSR) like other corporate institutions in the country”? All these questions will be examined in the light of the recent allegations of financial recklessness leveled against the ex-CBN governor Mallam Lamido Sanusi.¹

1.1.1 The Central Bank of Nigeria Act

The Central Bank of Nigeria Act was enacted in 1958 and amended in Banking Decree 1969. This constituted the legal framework for the operation of Central Bank of Nigeria and subsequent regulation of other banks. Also, the banks and other financial institution (BOFI) Decree (now Act) 24 and 25 of 1991² extended the power of CBN, to cover new institutions in order to enhance the effectiveness of monetary policy, regulations and supervision of banks and non-banking financial institution. The CBN Act was further amended in 1997, by CBN (Amendment Decree No 3 and BOFI (Amendment) Decree No 4 of 1997 to remove the partial autonomy of the bank. This decree brought CBN under the control of Ministry of Finance. Another amendment was made in 1997 that is the CBN (Amendment) Decree No. 37 of 1998 which repealed the CBN (Amendment) Decree No. 3 of 1997, this decree made provision for operational autonomy to exercise its traditional functions and enhance its effectiveness.

In 2007, a new CBN Act was enacted which made CBN a truly autonomous body. The Act was aimed at promoting stability and conformity in economic management. The Act widened the objects of the CBN to include ensuring monetary and price stability as well as rendering economic advice to the Federal Government.

Furthermore, the various policies of some Central Bank of Nigeria Governors³ brought about stronger capital base of most Nigerian banks⁴ thereby making the banks to be more secured stable and the most advanced finance/sector in Africa.

2.1 THE DUTIES OF CBN

The main duty of CBN is to maintain the external reserves of the country (Nigeria), promote monetary stability and a sound financial environment and to act as a banker of last resort and financial adviser of the Federal Government⁵.

The above prime roles/duties of CBN, is very germane in asking the question "How do we reconcile the above

¹Formerly the Emir of Kano Nigeria.

² BOFIA, 2020

³Charles Chukwuma Soludo (29 May 2004-21 May 2009 and Sanusi Lamido Sanusi (3 June 2009-20 Feb 2014)

⁴Currently, The Capital base is N25000, 000.000 (Twenty five Billion Naira only)

⁵See CBN Act, 2007 (en.m.wikipedia.org/Central Bank of Nigeria, visited on 24/12/2023

primary duties of CBN with the cash spree engagements of the former CBN Governor (Lamido Sanusi Lamido)⁶ in the name of corporate social/responsibility (CSR)"?

2.2 POWERS OF THE CBN GOVERNORS

*Sections 6(1) and (2) of the CBN Act*⁷ confers the responsibility of policy formulation and general administration of the affairs and business of CBN on the Board of Directors and the Governor.

In fact *Section 6 (1)*⁸ states that: "the Governor... shall be in charge of the day to day management of the bank and shall be answerable to the board for his acts and decisions". From the foregoing *section*, it is clear that the Governor has the power to exercise all the functions conferred on the Central Bank of Nigeria. The question now is "where did his power to spend the money in his custody to the tune of Billions? Did he get the approval of the board of directors as reflected in *Section 6 and 7 of the CBN Act.*⁹

3.1 WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

Corporate Social Responsibility (CSR) is a term also known by corporate conscience, Corporate Citizenship, Social Performance or Sustainable Responsibility Business.¹⁰ It is a brand of corporate self regulation integrated into a business model¹¹ CSR ensures that businesses comply with the spirit of the law, ethical standards and international norms. It is "a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered stakeholders"¹²

Investopedia¹³ defined it as follows;

Corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.

It "further defined it as follows:

"Corporate social responsibility may also be referred to as corporate citizenship and can involve incurring short term costs that do not provide an immediate financial benefit to the company but instead promote positive social and environmental changes¹⁴. In addition, corporate social responsibility was defined by Mallen Baker net¹⁵ on as follows.

"CSR is about how companies manage the business processes to produce overall positive impact in the society"¹⁶. The world business council for sustainable development defined it as follows:

"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 to the local community and society at large"¹⁷

Finally the World Bank defined the concept as the commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve the

⁶ Now the Emir of Kano

⁷ 1958

⁸ *Ibid.*

⁹ *Supra*

¹⁰ D. Wood Corporate Social Performance Revisited (1991) 15(4) the Academy of Management Cited in Wikipedia.org/wiki/Corporate-social-responsibility, Visited on 24/1/24

¹¹ Wikipedia.org/wiki/corporate-social-responsibility.

¹² *Ibid.*

¹³ Investopedia, www.investopedia.com/terms/c/corp-socialresponsibility.at. visited on 24/1/2024

¹⁴ *Ibid.*

¹⁵ Mallen Baker, www.Mallenbaker.net/csr/defination/.phy. 24/1/24

¹⁶ *Ibid.*

¹⁷ *Ibid.*

quality of life. In ways that are both good for business and good for development¹⁸

From the above definitions, one can safely state that corporate social responsibility (CSR) involves the balancing of profit motive of a corporate organization, with their duty of the society at large, without sacrificing any.

3.2 CONTROVERSIES SURROUNDING CORPORATE SOCIAL RESPONSIBILITY

The concept of corporate social responsibility has been enmeshed in various controversies which has created two schools of thought. The pro-CSR believes that corporations should give back to the society/communities where they are operating. The societies that make it possible for the company to generate the Billions of cash they make as profits. Most organizations cause destructions and hardship to the environment. It is part of their duty to reduce the hardship by engaging in more environmental friendly practices or deploy equipments to cleanse the environment.¹⁹ It may also be in the form of provision of gainful employment, building of hospitals, schools, awarding of contracts to the host communities and generally engaging in acts that are less hostile to the society and which will reduce governmental regulations on the activities of those companies. In fact CSR has a lot positive impact on the company which includes stronger brand positioning, positive corporate image, increased share acquisition and sales. It increases the attraction of quality staff and reduces industrial disharmony.²⁰

However, the opponents of CSR view the practice as managerial irresponsibility and wasting of investors funds. For the school, the whole essence of corporation is profit generation and maximization/any other activity in the form of CSR is a distraction and distortion of business principle. For them CSR conflicts/the main goal of establishing business/ which is to make profit. They further opined that CSR is more of a marketing tool to attract a good image from the public and not based on the genuine concern to improve the society. Again, engaging in CSR amounts to playing the role of government, which only government is equipped to deliver such duties. Finally, the fact that corporation pay taxes to government/ who in, turn provide social amenities to the society, it is tantamount to double taxation to engage in corporate social responsibility activities.²¹

4.0 CBN AND CORPORATE SOCIAL RESPONSIBILITY

A look at the definition of CSR, shows that it is focused on profit making corporate entities. The question to ask is this, "Is CBN a profit making corporate entity and what is the business of CBN with CSR, considering it as the banker of last resort and the manager of fiscal policies of the Federal Government of Nigeria".?

However, in this section we shall highlight some CSR activities of CBN in the recent past. They are:

- The Nigerian University capacity building programme²². As a result of decaying infrastructure in the first generation universities, and the second generation universities, the CBN has donated towards the construction of administrative blocks, lecture halls, laboratories, health centers and provision of IT and V-Sat equipment.
- Capacity building for governmental and professional institution²³

The CBN has extended its CSR activities to governmental institution bodies/agencies. The beneficiary institution includes about ₦53.5 Million naira donated to the National Assembly House committees on Banking, capital market and housing. EFCC has received about ₦60.5 Million to assist in combating financial crimes in the country. The Investment and Security Tribunal (IST) received about ₦10 Million to assist it in the duties. The Financial Institution Training Center (FITC) receives annual subvention of about ₦20.5 from CBN. CBN has also summoned finance correspondents and business edition seminars. Furthermore, professional bodies such as Chartered Institute of Bankers of Nigeria (CIBN), Nigeria Economic Society (NES), Institute of Chartered Accountants of Nigeria (ICAIM), Nigerian Bar Association (NBA) amongst other professional bodies have received financial assistance from CBN over the years to enable their function properly.

¹⁸Barrick, Corporate Social Responsibility Charter, Cited in Richards Ekeh in *UniUyo Journal of Commercial and property law*, vol. 2, Dec. 2011

¹⁹ Chron.com:- <https://smallbusiness.chron.com>, accessed on 24/1/24

²⁰ Finance Strategist: <http://www.financestrategists.com>. Accessed on 24/1/24.

²¹Levit T. *The Dangers of Social Responsibility* in Beauchamp, TC, and Bowie NJ (eds), *Ethical theory and Business*, Prentice Hall, Inc Eaglewood Cliffs, pp. 83-86 Cited by Richards Ekeh (*supra*).

²²www.proshareng.com/news/16286 visited on 24/1/2024

²³*Ibid.*

The CBN has also contributed actively to the overall sports development in Nigeria like Lawn Tennis, CBN Governors Golf Cup and All Financial Institution Football Competition, other financial assistance of CBN includes provision of library services to the general public, dissemination of economic and financial data management services to the public. Other financial aids of CBN²⁴are:

- a. Construction of Yangoji Lepers Village FCT at the cost of ₦3.132 Million.
- b. Donation of police post to Ngere police at Satellite town, Lagos worth ₦18 Million.
- c. ₦6 Million donated to FCT in 2006 for advocacy and publicity of FCT reforms
- d. ₦4 Million was donated to Anti-Fraud Foundation of Nigeria in 2004
- e. ₦2 Million to child care trust in 2004.
- f. Borehole project of Church of Christ in Nigeria (CCIN) Jos at ₦400,000 CBN also donated a family house to SOS children village in Abuja²⁵

A look at the above donations in such institutions such as EFCC and NBA; these institutions ought to have rejected such donation as it runs contrary to the primary purpose of setting up the CBN. In the event of mis-appropriation of public funds, as done in the CBN through the abuse of CSR; the EFCC and NBA ought to have played the role of watch dogs. But having collected cash from CBN; they now lack the moral grounds to play such vital roles,

The former CBN Governor Lamido Sanusi Lamido created a record of donating huge amounts of money running into Billion of naira to various projects/issue/events in Nigeria, during his tenure. It drew wide criticisms and denunciations from both private and public person/institutions. These CSR activities culminated in his being suspended as the CBN Governor. Those donations include:

- a. Donation of ₦100 million naira to Kano Boko Haram victims
- b. Spending about ₦ 163 Billion on 63 projects across the country without complying with the public procurement Act (PPA)²⁶
- c. Bogus payments as air charter fees to Emirates Airways worth ₦511 million. Associated Airlines worth ₦1,025 billion and Wong Airline worth ₦425 million for the distribution of currency. The source stated that they were informed that Emirates Airways does not operate local charter flight within Nigeria; while wrong Air is unregistered in Nigeria with the Nigeria Civil Aviation Authority (NCAA).²⁷
- d. Spending ₦1.257 billion naira on lunch for policemen and private guards in 2012.
- e. ₦36.589 billion was spent on currency issue expenses in 2012, and ₦47.337 billion in 2011.
- f. Spending ₦38.233 billion on the Nigerian security printing and Mining Company Plc in 2011 for the "printing of banknotes" whereas the turnover of the entire printing and minting company group is ₦29.370 billion"²⁸
- g. The CBN continued to invest in AMCON's bonds in 2012, where it intends to recover the funds invested in AMCON that are over due by 2012²⁹
- h. ₦25 million to victims of Christmas day bomb blast at St. Theresa's Catholic Church Mandalla, Niger State³⁰
- i. ₦15 billion naira to 4 educational institution³¹
- j. ₦10 billion donated to Usman Danfodio University (UDU) Sokoto.³² The question is: "if one institution could get N10 billion in one year (2013), what was the budget of CBN' in that year"?
- k. ₦4 billion naira was donated to Bayero University for the construction of international institute of Islamic Banking and Finance³³ ₦500 million was donated to University of Benin to build a bridge connecting two campuses of UNIBEN after Lamido Sanusi Lamido was awarded honorary Doctorate Degree by

²⁴ *Ibid.*

²⁵ Punch, www.punching.com/business/money/cbntaxesCSI initiative accessed on 25/1/2024

²⁶Section 15 Public Procurement Act (2007)

²⁷ Source Magazine volume 34 No 2, March 2014 at page 28

²⁸*Ibid.*

²⁹*Ibid.*

³⁰*Ibid* (p.33)

³¹www.jangola.info/news/Opinion/1522 (A need to curtail Sanusi's charitable donations) visited 25/6/2014.

³²Tellng.com/news/when santa-claus-comes-cbn (tell magazine) visited 25/6/2014.

³³*Ibid.*

UNIBEN³⁴.

A cursory view of the foregoing donations made by Central Bank of Nigeria over the years especially the ones made by the former CBN Governor (Lamido Sanusi, Lamido); one begin to wonder whether CBN has turned to a donor/philanthropic organization.

The above donations drew public outcry to some people, Lamido Sanusi, went beyond his mandate as the Chief Executive Governor of the nation's apex bank.

The fact that Sanusi Lamido used his discretion, instead of the approval of committee of Governors (COG) in determining the beneficiaries of the CSR donations is very germane. The ex-Governor was engaging in Unilateral donations to his friends wellwishers, and had a slant to the core Northern states³⁵. It took a political colouration with his donation of N100 million to Kano Boko Haram victims, when such attacks had been the order of the day at Yobe and Gombe States, and nothing was ever given to those states.

Infact donating to disaster and crime victims were described as going beyond the core mandate of CBN Act³⁶

Also Femi Gbajabiemila and Femi Falana described it as turning CBN to a charity organization and act of illegality respectively³⁷

It could simply be concluded that CBN was competing with government in spending than controlling the government from such, activates/ which is its core purpose.

Furthermore, by directly intervening in emergencies and various national issues, the CBN under Lamido Sanusi Lamido, was usurping the duties of government ministries and agencies (like National Emergency Management Agency (NEMA) thereby abandoning the core mandate of managing fiscal policies of Nigeria.

4.2 CBN AND PROVISION FOR CSR IN CBN ACT

Generally there is no specific *section* of CBN Act³⁸ that stipulates CSR as part of the statutory responsibilities of CBN.

However, there is a CSR policy framework of CBN which was formulated and approved by CBN board in 2006. The CSR framework requires a committee of Governors (COG) to meet and approve the various CSR activities of the CBN Governor. But, the nature of various CBN activities of the CBN, under Lamido Sanusi Lamido had a semblance of unilateral actions based on personal discretion of the ex-CBN Governor than on the approval of the Board of Directors or the committee of Governors, as the beneficiaries were mostly connected directly or indirectly to the Governor³⁹

It must be noted that CSR has become a global practice and as CBN generates income through various activities like foreign exchange transactions, acting as banker to commercial banks, servicing government agencies, imposition of fines on erring financial institutions etcetera; it may want to give back to the larger society. In other countries like UK, USA and Thailand their Central Banks engages in CSR projects for example, the Thailand Central Bank donated \$300,000 dollars to victims of ocean earthquake in India. Generally, most of the CSR activities of other Central Banks in other climes, are based on institution, that has relevance in the growth of their nation economy⁴⁰

However, the CBN must not lose focus of its core purpose of formulating and delivery of macroeconomic policy objectives. When a CBN Governor become too visible, loquacious and engage in conspicuous financial recklessness without regard to due process, as witnessed in Lamido Sanusi's era, then the nation need to wakeup. Hence the

³⁴*Ibid.*

³⁵For instance donating N10 Billion to UDU Sokoto, when other Universities in the southern got nothing.

³⁶The views of Uzo Azubuike and Goni Lawan of Federal House of Representative, at Tell Magazine

³⁷*Ibid*

³⁸ CBN Act 2007

³⁹For example N4 billion donation to Bayero University Kano and N100 million to Kano Boko Haram victims

⁴⁰www.jangola.info/news/opinoc/1522 (A need to curtail Sanusi's Charitable donations) visited 25/1/2024

indictment of the erstwhile CBN Governor by the Financial Reporting Council of Nigeria (FRCN)⁴¹, who accused Sanusi of persistent refusal and/or negligence to comply with public procurement Act (PPA)⁴²It went further to state “By deliberately refusing to be bound by the provision of the Act, this CBN has not only decided to act in an unlawful manner but has also persisted in promoting a governance regime characterized by financial recklessness waste and impunity as demonstrated by the contents its 2012 financial statements”.

The above indictment prompted the former President of Federal Republic of Nigeria (President Goodluck Ebele Jonathan, to suspend the erstwhile CBN Governor (Lamido Sanusi). Infact, the power of the President was reflected in the appropriate *sections* of CBN Act 2007⁴³

Finally, the use of CSR as a tool to extend help to the wider society may not be questioned, but its abuse and manipulation of such tool by the ex-CBN Governor (Lamido Sanusi Lamido) cannot be condoned.

5.0 CONCLUSION

Corporate Social Responsibility (CSR) is a global practice amongst corporate entities especially profit making organizations. It is a way of giving back to the immediate host communities of such corporate entities. There are divergent of opinions as to the propriety of CSR.

To the pro-CSR it is a mutually beneficial activity. As the corporate entity creates a good corporate image for itself, the community gains materially and environmentally. But to the anti CSR; it is a waste of corporate resources, as that should be the core duties of the government. A corporate entity should simply pursue profit maximization for its investors. In relation to CBN, while there is no express provision for CSR practice in the CBN Act 2007, the 2006 CSR framework is the closest tool available to CBN. However global practical supports it. The most important thing is that CBN should focus on its mandate as the apex bank and manager of fiscal policies of Federal Republic of Nigeria. The CSR programmes should be pursued with wisdom. The Governmental agencies should be allowed to play major social roles. Basically CBN should avoid financial/recklessness under the guise of CSR. It is at that point that Lamido Sanusi Lamido erred.

5.1 RECOMMENDATIONS

In line with CSR of Central Bank of Nigeria (2006), the CBN Governor should seek the approval of committee of Governors (COG), before engaging in CSR activities. Again the CSR activity should focus on issues that will drive the economy forward and greater interest of the society. It should not be an opportunity to steal out funds to friends and cornices.

⁴¹Financial Reporting Act 2018

⁴² Public Procurement Act 2007

⁴³see source magazine, vol. 34 No. 21 of March 10, 2014 at page 27