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# Small and Medium Scale Enterprises and Corporate Social Responsibility Practice in Nigeria: A Theoretical Review

Ogbonnaya Ozo Okwuru[1] and Stephen Nwanchor Elem[2]

[1]Local Government Commission, Abakalki, Nigeria.
[2]Department of Mass Communication Ebonyi State University, Abakaliki Nigeria

ABSTRACT

*Small and medium scale enterprises (SMEs) have been acknowledged globally to be contributors to the economic and social advancement of a country. In the context of Nigeria, SMEs also play important role in the development of the economy. Corporate social responsibility (CSR) is a company's prompts response to a community's interest. It connotes the commitment of companies toward encouraging community growth and development and voluntarily eliminating practices that are not in accordance with public interest. In most cases, small and medium scale enterprises pay attention to the local communities that play host to them more than large organizations. The focus of this study is to evaluate the practice of CSR by the SMEs in Nigeria. The paper is anchored on Freeman Stakeholders' Theory and Integrated Social Contract theory. Qualitative method underpinned the approach to the review.*

*Keywords: SMEs, CSR, Practice, Enterprises, Organisations, Development*

## INTRODUCTION

CSR is an important differentiator in the current global business arena as companies are adamant about communicating their CSR contributions to gain legitimacy, enhanced brand image in the pursuit of higher financial performance and long-term profits [1]. The global trend is therefore calling for firms to go beyond 'business as usual' and assimilate local and global societal and environmental challenges. In Nigeria, organisations are required to implement corporate social responsibility initiatives considered to be beneficial to both the organisations and local community stakeholders. The local communities in which Small and Medium Scale Enterprises (SMEs) carry out its business activities constitute the external stakeholders of the organisation [2]. SMEs are expected to provide some social amenities and render to the communities such other services needed to enhance better relationships between the organisations and the communities. This development which became a business philosophy in recent years contradicts the economic reason for establishing business organisations which is to make profit.

The implementation of Corporate Social Responsibility (CSR) initiatives by organisations is vital for the survival of any business within the communities that host the organisations. Business enterprises benefit commonly from the communities in terms of patronage, usage of enabling facilities, security and profit making [3]. Therefore, they must contribute to the society by being ethical and behaving in responsible manner [4]. Profit making and the quest for personal achievement should not be the only concern of the entrepreneur but also the general good of the society in areas such as community development, safe environment, job creation, safe products, employees' welfare and decent behaviour towards competitors, suppliers, customers and government [5]. It is through providing some benefits to the host community that an enterprise can ensure sustained relationship with the people.

Small and Medium Scale Enterprises (SMEs) in Nigeria are beginning to get

involved in promoting social responsibilities and community development activities [6]. This is based on the realisation that they are part of the society and that their success depends to a large extent on the existence and survival of the society [7]. In comparison to large firms, SMEs confront a unique set of issues. For example, SMEs often face stress just to survive, serve local rather than global markets, and deal with less stakeholder pressure [8]. However, there are increasing demands on SMEs in Nigeria for greater CSR. Although CSR activity by organisation is an obligation that companies are not compelled by law to implement [9], organisations these days are challenged by pressure from the stakeholders to engage in activities of Corporate Social Responsibility (CSR) [10], and has accepted the argument that a company has "responsibilities to society that go beyond the production of goods and services at profits" [11]. This is owing to the high level of school enrolments, dilapidated/obsolete condition of our school infrastructures, high rate of unemployment, crime and poverty, high rate of fake products, and the heaps of refuse that have dotted our streets and major roads [12].

This development has led to increased investigations into the Corporate Social Responsibility of businesses [13], and "SMEs as business ventures have been fully recognised by governments and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership" [14]. Thus, corporate Social responsibility has gradually become one of the important obligations that SMEs need to fulfill in order to enhance their corporate reputations and win the support of the stakeholders. A company fulfils various positive obligations and duties for its stakeholders via its regulations and behaviour [15]. The authors maintain that a company is expected to take responsibility to maintain and foster public interests, when maximizing profits for its shareholders [16].

The United Nations Industrial Development Organisation (UNIDO, 2002) noted that Corporate Social Responsibility (CSR) has become increasingly an important part of the business environment. (UNIDO, 2002) stated that as a result of globalisation of trade, the increased size and influence of companies, the repositioning of government and the rise in strategic importance of stakeholders relationships, knowledge and brand reputation, there has been a radical change in the relationship between business and society in the past twenty years. UNIDO (2002) pointed out that the relationship between companies and civil society organisations has moved on from paternalistic philanthropy to a re-examination of the roles, rights and responsibilities of enterprises in society.

[17] stated that the development of the SME sector represents an important element in the growth strategy of most economies and holds particular significance in the case of Nigeria. The authors argued that SMEs contribute significantly to improved living standards, employment generation and poverty reduction as well as bring about substantial domestic or local capital formation and achieve high levels of productivity and capability. They are also acknowledged as the principal means for achieving equitable and sustainable industrial diversification, growth and dispersal, and in most countries, including the developed countries like Japan, USA, UK, etc, SMEs account for well over half of the total share of employment, sales, value added and hence contribution to Gross Domestic Product (GDP) [18].

However, in spite of the much recognised contributions of SMEs to the growth of the economies of many countries in the world, research on corporate social responsibilities of businesses has been focused on large companies [19], while research on the corporate social responsibilities practice by SMEs are few [20]; [21]. The consequence of this trend as noted by [22] is that expecting social involvement only from Multinational Companies (MNCs) overlooks an important role that can be played by small and medium scale

enterprises(SMEs), which account for about 60% of employment worldwide [23]; Luetkenhorst as cited [24]. The recognition of the role SMEs could play in development of a country has translated into recent interest on the part of governments and international organisations to engage SMEs in CSR, and there has also been an increase in the number of literature focusing on exploration of the ''added value'' that CSR brings to SMEs in particular [25] and the business case for CSR in SMEs [26], [27]. European Commission (EC, 2009 as cited [28] stated that in recent years, because of the increasing importance of SMEs and the role they play in reducing the unemployment rate in both developing and developed countries, research on SMEs has been increasing. The Commission stated that research on CSR has been shifting toward SMEs in recent years because they account for 99% of all the businesses and make up a large part of the economy and the industry in the European Union (EU).

In Nigeria, Ogechukwu currently, SMEs help in promoting the growth of the country's economy, hence all the levels of government at different times has policies which promote the growth and sustenance of SMEs [29]. The authors noted that running a small scale business is an orientation that is part of Nigerian history. [30] pointed out that "Evidence abound in the communities of what successes our great grandparents made of their respective trading concerns, yam barns, cottage industries, and the likes". On the other hand, the medium scale businesses in Nigeria developed from the small scale enterprises [31], and have continued to increase in number and engaging in diverse businesses with many authors and scholars shifting attention to the discussion of SMEs [32].

In the context of this renewed interest in SMEs, various scholars have pointed to language and semantics and alleged that focusing on large corporation in the discussion of corporate social responsibility is serving to alienate SMEs in the CSR debate [33] as cited in [34]; [35], and therefore constitutes one of the problems that have led to limited studies on CSR of SMEs [36]. As a panacea to the language, semantics and the alleged problematic use of the word "corporate", [37] suggested that the word ''corporate'' should be understood on a larger scale allowing it to incorporate all businesses in all industries, with different structures, sizes, and ownership. This view could be said to be more comprehensive, hence it provides the rationale for using the term "corporate" in this study to investigate CSR practices in SMEs. [38] [39] stated that CSR is important for both large companies and SMEs.

Corporate social responsibility requires that while an organisation takes from the society, they also need to give back to the society. However, [40] stated that most corporate organisations care for what they can get from the society and do not lay emphasis on the need to give back to the society or their host communities.

The choice of this topic for investigation was based on the view that while researchers have continued to focus attention on corporate social responsibility in large enterprises, few studies have been carried out in on CSR by small and medium scale enterprises [41]. The term corporate social responsibility (CSR) is usually associated with large corporations. This is because the word 'corporate' when associated with 'social responsibility' suggests that the delivery of social responsibility by organisations to the stakeholders is a role expected from large corporations in the social domain [42]. According to [43], there is evidence of rising expectations of social involvement of multinational companies (MNCs), especially in developing countries. [44] stated that scholars and many others are of the view that the mainstream discourse in CSR is focused on large firms.

However, the concentration of CSR discourse on MNCs overlooks the vital role that can be played by small and medium scale enterprises which account for about 60% of employment globally [45]; [46]. This study will provide an insight into the CSR activities of SMEs in Ebonyi State.

Also, SMEs have made significant contributions worldwide. It is arguably

true that SMEs in Nigeria contribute significantly to the growth of the economy in the way of building systematic productive capacities, helping in the growth of the economy by encouraging and promoting entrepreneurship and innovation, and providing attractive ventures for foreign investment [47]. Furthermore, SMEs in Nigeria provide avenues for dispersal and diversification of economic activities [48]. By engaging in different economic activities, SMEs could help a country to withstand the period of recession.

## THEORETICAL FRAMEWORK

The study was based on Freeman Stakeholders' Theory and integrative social contract theory. The Freeman Stakeholders Theory was propounded by Edward Freeman in 1948 [49]. The theory stated that business firms owe responsibility to broad range of stakeholders, other than just shareholders [50]. Freeman Stakeholders theory proposes that businesses and the executives that manage the business actually do and should create values for customers, suppliers, employees, communities, and financiers (or shareholders). The major assumption of the theory is that business firms owe corporate accountability towards broad range of stakeholders' interest [12]. It considers a firm as an interconnected web of different interest. The propounder recognised this theory as one of the strategies in improving the management of firms' social responsible behaviour [8]. The basis for adopting this theory in this study was that the theory reveals that SMEs have responsibilities to a wider group of stakeholders. Firms' social responsibility programmes are anticipated to create development within its host community overtime. In addition, the stakeholders' theory takes into consideration the interests of all the stakeholders and not only the interests of the shareholders and the owners of the business [3]. In support of the relevance of the stakeholders' theory to the study, [15] stated that "the stakeholder driven stream of CSR research focuses on how businesses meet the expectations of their stakeholders".

[23] [24] stated that the literature on SMEs indicates that stakeholder theory is a viable explanatory theory for SME CSR activity. In similar ways large companies care for the interests of the stakeholders, "SMEs must consider the needs of important stakeholders. Internal stakeholders and the local community usually receive more attention from SMEs" [34]. It is important that any study that the result is expected to impact positively on the wellbeing of people should be based on a theory that is fundamental to promoting human welfare. These selected theories are central to addressing the problem statement. Thus, Freeman stakeholders' theory and integrative social contract theory are critical to this study.

The stakeholder theory takes the traditional view of stakeholders beyond the owners and shareholders (stockholders) of a business only as important who the company should put their interest first. Stakeholder theory instead argues that other parties involved, such as employees, customers, suppliers, financiers, communities, government bodies, political groups, trade association, and trade unions and even competitors whose activities can affect the firm are equally important [18].

According to [23] a stakeholder is "... any group or individual who can affect or is affected by the achievement of the organisation's objectives." This definition has, of course, been altered repeatedly as it has shortcomings. Freeman's definition leaves out the dependency between the organisation and its stakeholders [14]. Furthermore, it fails to show the stakeholder's active engagement in the relationship with the organisation. For these reasons [44] that "Stakeholders are those who have a stake or an interest in a particular organisation...]" along with [23] that "Stakeholders are those individuals or groups who depend on an organisation to fulfil their own goals and on whom, in turn, the organisation depends", appear appropriate. Therefore, "Stakeholders" refers to all parties who effect or are affected by corporate actions. It includes

employees, suppliers, customers, government, investors, community and environment [21].

A stakeholder is a member of the environment or system the organisation operates in and stakeholder theory manifest itself as an underlying assumption of both organisational legitimacy and public and their corporate social responsibility [12]. Organisational legitimacy is controlled by those outside the organisation and thus relies on the organisation maintaining a coalition of supportive stakeholders who have legitimacy-determining power. [41]. Therefore, stakeholders are both within and outside an organisation. The desired intention of stakeholder management and organisational legitimacy is conferred when stakeholders - that is, internal and external audiences affected by organisational outcomes - endorse and support an organisation's goals and activities [3]. This presupposes that organisations have the stakeholders' interest in mind and act in accordance with it. Though [firms do not simply respond to each stakeholder individually; they respond, rather to the interaction of multiple influences from the entire stakeholder set. Through a social constructivist assumption, this implies that organisations respond to central social beliefs created in social settings.

The stakeholder theory, according to [7] stated that a socially responsible firm requires simultaneous attention to the legitimate interests of all appropriate stakeholders and has to balance such a multiplicity of interests and not only the interests of the firm's stockholders. This theory is related to this study and considered relevant for the investigation of the subject matter of this study because the theory explains the relationship between the interest of an organisation and all the stakeholders. In the sense of SMEs, shareholders refer to the financiers of the organisation while every other person that can be affected directly or indirectly by the activities of the organisation is stakeholder.

Another theory considered relevant for this study is Integrative Social Contract theory. The idea of this theory was first conceived by [21]. [25] considered business and society relationship from social contract perspective [12]. [13] assumed that a sort of implicit social contract between business and society exists. This social contract implies some indirect obligations of business towards society [33]. Later, [35] extended this approach and proposed an 'Integrative Social Contract Theory'' (ISCT) in which business are expected to provide the host communities and other stakeholders with some benefits. [23] explained that there is a kind of micro-social contracts which show explicit or implicit agreements that are binding within an identified community, whatever this may be: industry, companies or economic systems. These agreements, implicit or explicit, demand that organisations operating in any locality should not only be interested in profit making but should also provide the citizenry of the host community and other stakeholders with some social and economic benefits [21].

The group of theories under integrative social contract theories looks at how business integrates social demands, arguing that business depends on society for its existence, continuity and growth [11]. The authors stated that social demands are generally considered to be the way in which society interacts with business and gives it a certain legitimacy and prestige. As a consequence, corporate management should take into account social demands, and integrate them in such a way that the business operates in accordance with social values [19] So, what a business organization can do for society depends on what the society needs at the time. So, situation and the values of the society at a particular time determines the kind of CSR an organisation can provide for the stakeholders, and this comes through the company's functional roles [13]. In other words, there is no specification that management is responsible for performing throughout time and in each industry [9]. Basically, the theories of this group are focused on the detection and scanning of, and response to, the social demands that achieve social legitimacy, greater social acceptance and prestige

[16]. Integrative Social Contract theory is related to this research because the theory looks at how organisations can provide social benefits such as good roads, environmental sustainability, water, schools, scholarships, health services and so on.

**Concept of Corporate Social Responsibility**

The concept of corporate social responsibility is a controversial term with varied meanings. It is a concept which the meaning remains contested by scholars, organizations and even by managers. As [19], a scholar in this field has noted, "The map of the overall CSR field is quite poor". [20] corroborated this view when they stated that corporate social responsibility is a fuzzy and contested concept which varies in terms of its underlying meanings and the issues addressed [21]. Thus, the variations in the definition of CSR stems from the different perspectives of managers and scholars about what CSR means to their organisations and the context scholars engaged in CSR research are understudying at a particular time. According to [22], the precise definition of CSR follows according to what enterprise concerned feels it is. That is, the enterprises are rooted in a specific social and cultural context [23] which influences the meaning they attach to the concept.

The concept of corporate social responsibility is what every organisation - big, small and medium in size – claims to understand well. That is why we are bombarded by "green labels" today on just everything as we walk through the supermarket [24]. Several ranges of household products including those containing organic compounds and leach are labelled "green": oil companies and other multinational companies that are seen by their host communities and other stakeholders as not delivering the social responsibility and acting most unsustainably tout social responsibility programmes [25]. This makes it difficult to establish what a valid definition of corporate social responsibility should be.

As a result, different organisations define corporate social responsibility (CSR) in their own way. In support, [26] stated that different organisations have framed different definitions of CSR, although there is considerable common ground that can be found among the various definitions. In [27] owns perspective, corporate social responsibility concerns the ways companies manage the business processes to produce an overall positive impact on society. This definition implies that companies should take two major factors into consideration to effectively deliver their corporate social responsibility. These factors are the quality of their management of people and processes such as production and distribution of goods and services, and quantity of their impact on society in the different areas [28]. Corporate social responsibility therefore refers to what an organisation does for its host communities, the shareholders and others who the decisions and actions of the organisation can affect in one way or the other, using best business practices. In support of this definition, The European Commission (2011a) stated that CSR is a concept that describes the act whereby companies integrate social and environmental concerns in their interaction with their stakeholders on a voluntary basis. However, the European commission altered its 2006 definition of CSR in October 2011 adding that CSR should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders.

Those the activities of a business can affect or who can affect the activities of a business are called the stakeholders. In support, [29] stated that "Within CSR, stakeholders are the prime consideration in engaging in CSR activities and communicating CSR practices. [30] defined stakeholders as "those groups who can affect or are affected by the achievement of an organisation's purpose."

[31] stated that CSR is "the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm". [32]

suggested that social responsibility refers to businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. However, this definition did not take stakeholders' view into account. From the stakeholder's perspective, CSR is the expectations of the stakeholders from the organisations.

Corporate social responsibility according to [33] demands that social institutions should identify with the problems and achievements of the communities in which they operate, working with other members of the community to achieve set objectives which are in the overall interest of the community and all its members. [34] reinforces this view where he said "successful organisational image building and sustenance require strict commitment to the ethical imperative on social responsibility" [35] further stated that "in practical terms, it is the responsibility of a corporate organisation to carry out infrastructure development of its host community as a way of compensating the community for the damage cost to it by the organisational activities". This implies that CSR is the backbone of any corporate organisation's community relations effort.

Corporate social responsibility, by definition, is "a company's prompt response to a community's (especially the community hosting the company) interest" [36]. It is an approach used by companies to put back into society and at most times its immediate society what it has taken from it, without the expectation of a reward or social consideration while executing her other obligations in the society [37].

[38] stated that corporate social responsibility connotes the commitment of companies towards encouraging community growth and development and voluntarily eliminating practices that are not in accordance with public interest. By implication, corporations are expected to deliberately include public interest into their decision making and operate in such a manner that they will be seen to be honouring a triple bottom line: people, planet and profit [39]. The author argued that people believe that when corporations or businesses located in a host community operate with the understanding that it is their responsibility to protect the host community from the adverse effects of their activities, it will go a long way in reducing the violent and conflicting relationship that sometimes occur. The host community is a stakeholder in every organisation.

However, there are different categories of stakeholders: primary and secondary stakeholders. According to the classification of stakeholders by [40], the difference between primary stakeholder group and secondary stakeholder group according to the level of their importance to the company are as follows:

- Primary stakeholders: owners (investors), employees, customers, suppliers and public stakeholder group such as communities.
- Secondary stakeholders: media, governments, public authorities, associations and environmental groups.

Another categorisation of stakeholder group is dividing them into internal and external stakeholders, and this was applied in the survey of the European Union (EC and Observatory of Europeans SMEs, 2002 cited in Yu, 2010). In this category, stakeholders are identified as follows:

- Internal stakeholders: employees, shareholders and owners.
- External stakeholders: local communities, suppliers, and other organisations [41].

However, for SMEs to win the support of stakeholders, it could be important to close the gap between the internal and external stakeholders by behaving in ethical manners that satisfy both the internal and external stakeholders. This could be achieved by adopting best practices in business. The best practices idea is crucial in the execution of corporate social responsibility by any company. An aspect of this is doing business in ethical manner. This is why [42] defined Corporate Social Responsibility as the continuing commitment by business to behave

ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

The definition of corporate social responsibility that appears to be most comprehensive is the one offered by DAAFT ISO (2000 WD 4.2 as cited in [43] which stated that corporate social responsibility is "the responsibility of an organisation for the impacts of its decisions and activities on society and the environment through transparent, and ethical behaviour that contributes to sustainable development, health and the welfare of society, which takes into account the expectations of stakeholders, is in compliance with applicable law and consistent with the international norms of behaviour, and is integrated throughout the organisation and practiced in its relationships. This includes products, services and processes. [44] pointed out the critical concepts captured in this definition as follows: voluntary acceptance of accountability, responsibility of actions and the impacts of the outcomes of those decisions, ideal sought first through careful decision making. interconnection of society and the environment and importance to behave ethically and transparently.

The above definition is similar to the one given by Commission of the European Communities (200, p.5) which stated that Corporate Social Responsibility is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". [45] identified three key components in the Commission of the European Communities definition: the voluntary nature of the phenomenon. the capability of the firm to integrate environmental, social and economic objects inside its strategy, the view of the phenomenon as an instrument to create value for different stakeholders of the companies.

To the World Business Council for Sustainable Development (2000 as cited in Tantola, Caroli and Vanevenhoven, 2012), Corporate Social Responsibility represents 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 the local community and society at large".

The forgoing definitions make it clear that social responsibility is not a requirement but an ideal thing which organisations should voluntarily accept. [46] perspective on social responsibility of firms largely agrees with [47] stakeholder theory of social responsibility and opposed to the view of social responsibility as expressed by [48] Agency theory of Corporate Social Responsibility. Freidman argued that managers should be concerned with maximising profits for shareholders and that any actions that is taken by managers that further some social good beyond the interest of the stakeholders, can be viewed as deriving from an agency problem. This means that managers that use the resources of their organisations to provide some social good are doing solely to advance a personal interest such as promoting their self image [49]. On the other hand, [50] was of the view that corporate social responsibility is a valid role of management. Argument according to [9] derived from the idea that Organisations have many and varied stakeholders whose interests should be considered, because no company can continue to thrive and survive without the support of the employees, customers, suppliers and community groups who are the stakeholders.

Corporate social responsibility goes by different names. It is called corporate conscience, corporate citizenship or responsible business; it functions as a self-regulatory mechanism whereby an organisation that practices CSR monitors and ensures its activities compliance with the spirit of the law, ethical standards and national or international norms [33]

It is also called corporate responsibility, corporate accountability, corporate ethics, corporate citizenship, sustainability, stewardship, and triple-E bottom line (economical, ethical, and environmental). In line with the view that corporate social responsibility has many

and varied definitions, and consistent with [23], [12] defined CSR as "situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law." Although this definition is only one out of many others, it gives researchers the opportunity to move beyond simply defining and identifying CSR activities to a critical examination of how public relations practitioners in small and medium scale enterprises help their organisations to carry out CRS activities that could make "positive impacts on the environment, stakeholders, consumers, employees, investors, communities and others" [50].

Corporate social responsibility requires that social institutions should identify with the problems and achievements of the communities in which they operate, working with other members of the community to achieve set objectives which are in the overall interest of the community and all its members (Nwosu, 2001 as cited in Nwodu, 2007). In support of this view, [3] stated that "successful organisational image building and sustenance requires strict commitment to ethical imperative and social responsibility" [16] further buttressed this view when he stated that it is the responsibility of a corporate organisation to carry out infrastructure development of its host community as a way of compensating the community for the damage resulting from organisational activities. The researcher shares the views expressed by [7] [8] [9] on the ground that corporate social responsibility activities provides for the community the infrastructure that enable the community to develop faster. However, it is not only the host communities and other stakeholders that benefit from corporate social responsibility of organisations. Organisations as well benefit from the social amenities and other infrastructure they provide such as good road, water, and improved community relations. In support of this view, [17] stated that community relations offer conducive climate for empirical identification and proper delivery of such development project. This does not mean that organisations deliver their social responsibility activities with expectations of rewards from the host communities but such reward do follow in intangible forms as better mutual understanding and relationships between the organisation and its publics. Supporting the view that corporate institutions do not usually expect rewards for delivering on their social responsibilities, [25] stated that Corporate Social Responsibility stems from an organisation feeling obliged and with a conscience, put back into society and at most times its immediate society what it has taken from it, without the expectation of a reward or social consideration while executing her other obligations in the society."

CSR covers a wide range of issues that are relevant to the stakeholders of an organisation. According to [11] CSR can be understood in terms of different stakeholders and the issues that they are concerned with. These issues relate to the overlapping spheres of social, environmental and economic impact as shown in Figure 1.

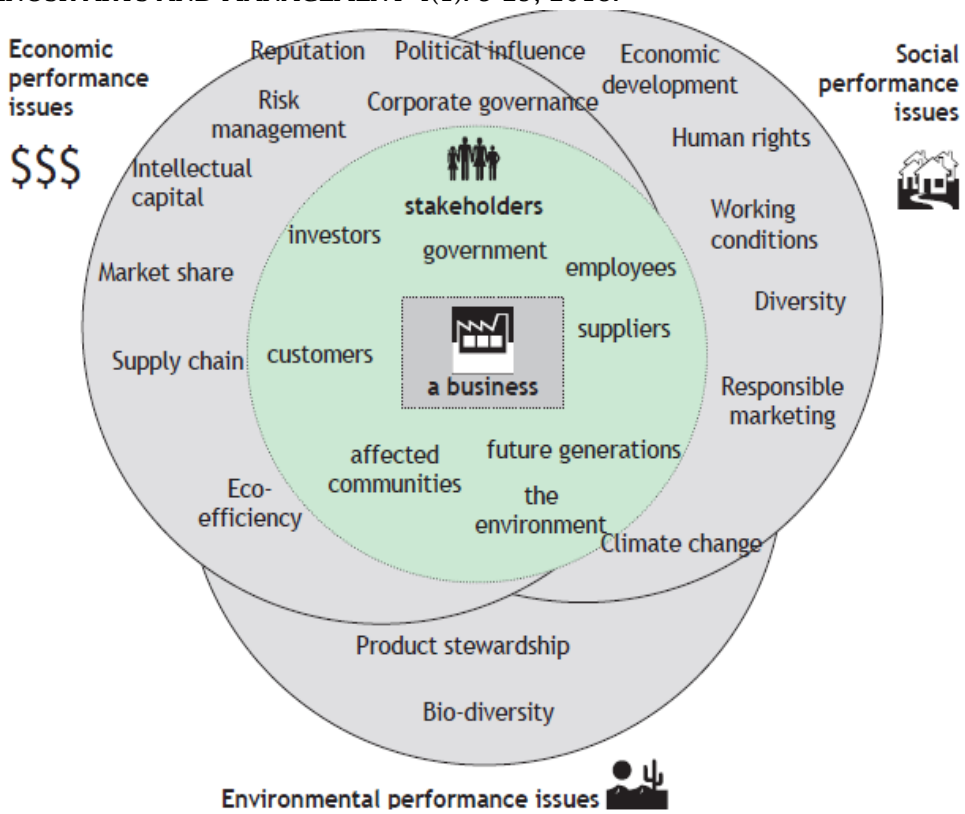


**Figure 1:** Stakeholders in Organisations
**Source:** UNIDO, 2002, P.6)

"The economic sphere concerns not simply the basics of financial returns but elements, which contribute to long-term financial success such as reputation and relationships and the broad economic impact of a company in terms of the multiplier effects of wages, investment and sourcing" [14]. However, it has been observed that "Most CSR at present is concerned with in-market change that is what a single company is able to do within the bounds of profitability" [15].

It has been identified that CSR has four-stage pattern which stakeholders desire or expect to see companies practicing CSR to fulfil. [8] came up with the four-stage pattern of CSR which later become known as a pyramid structure and developed into a framework called the pyramid of Corporate Social Responsibility in 1991 as presented below:


**Figure 1** presents a graphical depiction of Carroll's Pyramid of CSR.

The four-stage pattern of CSR as presented by [37] as summarised by [39] is "Economic (jobs, wages and salaries), legal (legal compliance and playing by the rules of the game), ethical (being moral and doing what is just, right and fair), and discretionary responsibility (optional philanthropic contributions)". Though the ethical responsibility is depicted in the pyramid as a separate category of CSR, it should also be seen as a factor which cuts through and saturates the entire pyramid [4].

Ethical considerations are present in each of the other responsibility categories as well. In the Economic Responsibility category, for example, the pyramid implicitly assumes a capitalistic society wherein the quest for profits is viewed as a legitimate, just expectation.

In the Legal Responsibility category, it should be acknowledged that most laws and regulations were created based upon some ethical reasoning that they were appropriate [15]. Most laws grew out of ethical issues, e.g., a concern for consumer safety, employee safety, the natural environment, etc., and thus once formalised they represented "codified ethics" for that society. And, of course, the Ethical Responsibility stands on its own in the four part model as a category that embraces policies and practices that many see as residing at a higher level of expectation than the minimums required by law. Minimally speaking, law might be seen as passive compliance. Ethics, by contrast, suggests a level of conduct that might anticipate future laws and in any event strive to do that which is considered above most laws, that which is driven by rectitude [34].

Finally, Philanthropic Responsibilities are sometimes ethically motivated by companies striving to do the right thing [47]. Though some companies pursue philanthropic activities as a utilitarian decision (e.g., strategic philanthropy) just to be seen as "good corporate citizens," some do pursue philanthropy because they consider it to be the virtuous thing to do [41]. In this latter interpretation, philanthropy is seen to be ethically motivated or altruistic in nature [22]. In summary, ethical motivations and issues cut through and permeate all four of the CSR categories and thus assume a vital role in the totality of CSR.

**The Nature of SMEs in Nigeria**

There are many SMEs that operate in Nigeria and spread all through the six geopolitical zones of the country. Buttressing this view, [7] stated that "SMEs in Nigeria are distributed by clusters within regions". They include among others the Aba leather and the fashion SMEs clusters, Nnewi has the automobile SMEs cluster, Lagos has the Otigba ICT SMEs cluster, Abeokuta and Oshogbo the tie and dye SMEs clusters and Kano has the leather SMEs clusters (Oyelarin-Oyeyinka, 2010 as cited in

Gbandi and Amissah, 2014). [14] posited that there are about 8.4million SMES operating in Nigeria with - enterprises comprising 80 per cent of the total number (about 1.3 million), small business constituting 15 percent (around 420,000). However, [25] pointed out that there is no reliable database on SMEs in Nigeria and so it is not easy to determine the number of SMEs in any part of Nigeria. However, a recent survey conducted by the national bureau of statistics indicated that Anambra State has the highest number of SMEs in Nigeria (vanguard Newspaper, 2012) and they also led in four industrial sectors including the automobile sector [28].

Small and medium scale enterprises are recognised in many developed and developing countries as the drivers of economic growth and development [35]. The author stated that in Nigeria where the private sector is not yet fully developed, SMEs are assumed to play the role of employment generation, facilitator of economic recovery and national development. However, the extent to which SMEs play the aforementioned role in any economy could be said to depend on the nature of such organisation. This is so because what constitutes SMEs in any country differ from country to country. In support of this view, [40] stated that while no one is in doubt about the importance of SMEs, the classification of businesses into large and medium scale is subjective and based on different value judgment. Such criteria follow employment size, sales or investment for defining small and medium scale enterprises.

Although the classification of SMEs differs from economy to economy, the underlying concept remains the same [1]. [30] contended that the "definition of small and medium scale enterprises varies according to context, author and countries." For instance, based on the definition of SME by the Central Bank of Nigeria (2000), [46] considered any enterprise with capital base of between N1 million and N10 million (excluding the cost of land) and employing 10 to 50 employees as small scale enterprise while the medium scale enterprises is any business with capital base of between N40 million and NI50 million (excluding the cost of land) and employing 50 to 100 employees excluding commerce. On this basis any enterprise short of requirement for the small scale is a micro enterprise while above the medium enterprise is a large enterprise [49].

In Britain, America and Canada, small scale business is defined "based on the annual turnover and the number of people they employ and pay" [11]. The author noted that in Britain, enterprises that generate annual turnover of 2million pounds or less and has less than 200 employees are classified as small scale enterprise. In Japan, it is conceived as type of industry, paid up capital and number of employee [36]. Based on this, small and medium scale enterprises in Japan include those manufacturing with hundred million yen paid up capital and 300 employees; those in wholesale trade with 300million paid up capital and 100 employees; those in retail trade with 100 million paid up capital with 50 employees [46].

In the case of Nigeria, there seem to be no distinction in the definition of small and medium scale enterprises [25]. That notwithstanding, the Central Bank of Nigeria in its monetary policy circular No. 22 of 1988 classified small scale industry as those industries with an annual turnover not more than 500, 000 Naira (CBN, 1988 as cited in Fatai, 2013). In the same way, in 1999 the Federal Government of Nigeria defined small scale enterprises for the purpose of obtaining loans from commercial banks as enterprises with annual income that does not exceed 500, 000 Naira and for merchant bank loan, SMEs include the enterprises with capital investment not more than 2million naira without the cost of land included [2]. However, [6] argued that when the Second-tier Foreign Exchange Market (SFEM) and during the period of structural adjustment programme (SAP) in Nigeria, this values were reviewed and increased to five million naira. These changes suggest that there is no rigid capital outlay based for classification of enterprises into small scale business in Nigeria, thus [12] argued

that as a result of this variation, it could be necessary to classify the small scale industry into micro and super-micro business, with a view to providing adequate incentives and protection for the former. Based on this situation, [8] stated that in the light of this complexity, the best way to explain small scale enterprise is that any business or enterprise with upper limit of fund below N250, 000 and whose annual turnover exceeds that of a cottage industry currently put at N5, 000 per annum is a small scale industry.

Furthermore, the National Directorate of Employment (NDE) idea of a small scale industry is that it is an enterprise that has a minimum N35, 000 [14]. This means that a business unit of not less than $240 dollar is classified as a small scale business in Nigeria. That is different from the classification of small scale business in some other countries, but that could be useful in developing countries because in countries such as Nigeria, small scale enterprises have low capacity [4]. That is why [8] argued that we cannot explain SME other than to say they are companies with metric (usually number of employees or annual turnover) that fall bellow certain threshold.

In a more comprehensive sense, [17] outlined the various criteria upon which the classifications of small and medium scale enterprises in different countries are based. These include the number of employees, annual turnover, local operations, sales volumes, financial strength, managers and owner's autonomy, relative small markets compared to their industries and capital usually supplied by individual or shareholders. This definition is however similar to the view expressed by [9]. In addition, [15] argued that how micro, small and medium scale enterprises (MSMEs) are defined could depend on several factors such as business culture; the size of the country's population; industry; and the level of international economic integration or even the result of businesses lobbying for a particular definition, which would qualify their enterprise for governmental MSME support programme. Based on these criteria, they exist in Nigeria so many businesses that are qualified as small and medium sale enterprises. These businesses are most located in the commercial sector. [29] mentioned some small and medium scale enterprises common in Nigeria as manufacturers of clothing and textile materials, plastic products (buckets, cans, cups), leather bags and shoes, fruit drinks, soap, palm oil and garri processing firms to mention a few. These small and medium scale industries form the bedrock of industrialisation in Nigeria and other developing countries.

However, [7] noted that "the common trend in Nigeria today is the gradual classification of service provider, hotels, fast food and restaurants as small and medium scale enterprises. It is because of this differences in definition of SMEs that makes it difficult to have what could be taken as the universal definition of SMEs that made the European Union in 2003 to adopt a universally accepted definition of small and medium scale enterprises and micro business as "companies with less than 250 employees, with respect to financial criteria, revenues must not exceed 50 million Euro(measure as turn over) or 43million euro(measure as balance sheet) [11] In addition, the European Commission specifies term of ownership stating SMEs must be independent with less than 25% of the business being owned by outside interest.(European Commission; 2007). However, the definition offered by the European Union may not be logically argued to be universal since according to [27] [28], it is difficult to arrive at a universally accepted definition of SMEs because economies have diverse structural, cultural and political reasons to adopt different definitions of SMEs that might not agree with what is adopted as a universal definition.

Table 1: Summarising the differences in the definition of small and medium scale enterprises based on the number of employees, [17] made the following distinctions by drawing on international definitions of SMEs:

| Small Scale | Medium Scale |
|---|---|
| UK: business with up to 49 employees employees | business with up to 249 |
| European Union: business with 50 employees | business with 200 employees |
| Australia: business with 5 or more employees | business with up to 200 |
| USA: business with up to 100 employees employees | business with up to 500 |

The problem with the above definitions however, is that in all of the definitions; the author based what SMEs are on only the number of employees leaving out even the more important criteria which are investment capital and annual turnover. This makes it difficult to apply in countries such as Nigeria that emphasises more on capital and annual turnover as classification criteria.

Nigeria is a country that depends on the activities of multinational oil companies to bring in foreign exchange, contribute to economic growth and development as well as create employment. However, the contributions of this sector have not significantly solved the problem of unemployment in Nigeria nor has it made and significant impact on the living standard of millions of Nigerians who still live below poverty line. This suggests that there is need for alternative processes of industrialisation that could turn many Nigerians into entrepreneurs. In support of this view, [44] stated that the entrepreneurship that is part of SMEs is very crucial to the empowerment of the citizens for sustainable development. This, as the author stated, is because SMEs provides excellent opportunities for making use of local raw materials for vertical and horizontal integrations. This is the area where SMEs become important avenues and alternative to the dependence on macro economy. Supporting this view, [7] stated that for Nigeria to reach its full potential in terms of economic and social development, SMEs should not be neglected or ignore because it contributes simultaneously to the economy of the country actually. Thus, the author suggested that government trade liberalization policy and encouragement of foreign direct investment (FDI) should be pursued taking into consideration the need to boost the development and growth of small and medium scale enterprises in Nigeria.

Furthermore, the growth and development of SMEs in Nigeria would help to improve the economy and invariably the living standard of Nigerians. This could come by way of creating employment opportunities. Buttressing this view, [12] stated that study conducted by Nigeria Corporate Affair Commission showed that about ninety percent of companies in Nigeria in 2001 employed less than fifty people while in another study conducted by Nigeria Federal Office of Statistic opined that ninety-seven percent of Nigeria businesses also absorb less than or below one hundred employees or staffs. Overall, ninety-seven percent of the entire business in Nigeria is all small businesses [5]. This is the case when both formal and informal SMEs are taken into consideration.

There are different views surrounding the classification of SMES. [26] classified SMEs as formal and informal SMEs, rural and high technology and knowledge driven small scale enterprises. Explaining these classifications, [15] pointed out that those registered under the statutory company laws fall under formal SMEs and are said

to be in the formal sector. The author noted that it is not easy to define rural SMEs. However, in the view of the researcher, rural SMEs could be said to be those SMEs that are thriving without registration under statutory company laws. They may not necessarily be in located in the rural areas but exist in both rural and urban centres. From the perspective of size, the United Nations Development Programme in its study. [2] defined micro enterprise as business engaging one to four employees while small enterprises refers to those with 5 to 25 employees [28]. The central Bank of Nigeria noted that others have classified those business concerns engaging 1 to 9 employees as micro enterprises and those employing 10 to 49 as small enterprises while those engaging 50 to 300 employees as medium enterprises (CBN 2005 cited in Kayode and Akinlo, 2012). For the purpose of this study, these classifications of SMEs will be adopted.

Small and medium scale enterprises in Nigeria are not without government support. The federal government and different state governments have one scheme or their other they put in place to support and enhance the growth and development of small and medium scale enterprises. In support, [37] stated that in Nigeria, the respective government policies accorded and gave priority to the country's small scale enterprises. This has been in recognition that they constitute the fountain head of vitality for the national economy, and consequently their problems have been viewed as those of the nation, by virtue of their number, diversity, penetration in all sectors of production and marketing contribution to employment and to the prosperity of the particular areas in which they operate. The authors stated that small scale enterprises make up a greater percentage of all the registered companies in Nigeria, and they have been in existence for a quite long time. According to [38], a greater number of the small scale enterprises in Nigeria developed from cottage industries to small enterprises and from this status to medium and large scale enterprises. Similarly, medium scale enterprise in Nigeria gain support from both Federal and State Governments industrial and agricultural lean scheme. Of recent, both small and medium scale enterprises started to gain support and encouragement from the government. For instance, the National Directorate of Employment in form of loans and supply of equipment. However, despite these support, SMEs in Nigeria are still faced with some nagging problem. These problems constitute obstacles to the growth and development of SMEs in Nigeria.

The obstacles to the growth and development of SMEs in Nigeria are many and varied. [43] stated that such obstacles include insufficient capital outlay to purchase the stocks and equipment, the difficulty of securing loans from the banks and financial institutions, the use of outdated methods and equipment which are out of tune with modern methods of production. [45] also noted that there exist some socio-cultural problems which include lack of entrepreneurship culture and education. The author argued that the social system of Nigeria limits opportunities for creative activities, and the limiting role of most relying beliefs which discourages people from taking initiatives and engaging in entrepreneurship. The author noted that Nigerians preach perseverance, instead of risk taking and aggressiveness which are what it takes to venture into business. Others are the technological backwardness of Nigeria, political instability, local and youth restiveness, thuggery and armed robbery all of which create insecurity in the mind of entrepreneurs. Others include lack of strategic management skills and attitude, lack of well-defined objectives, faulty business design, implementation and evaluation by small scale business enterprises and their entrepreneurs [47]. These challenges can be mitigated by using either outsourcing their PR or doing it in-house.

The working definition by International Labour Organisation (ILO) and United Nations Development Programme [50] for SMEs and large enterprises indicates that: employing less than 5 employees including the owner is a micro enterprise;

employing 5 to 20 employees is a small enterprise; employing 21 to 99 employees is a medium enterprise; and employing above 99 employees is a large enterprise [9].

**CSR Practice in Small and Medium Scale Enterprises**

According to [34] managers are often under pressure from different stakeholder groups to devote resources to corporate social responsibility (CSR). These pressures come from customers, employees, suppliers, community groups, government and some stockholders, especially institutional shareholders [8]. Some CSR actions include going beyond the requirements of the law in helping to provides human resources management programmes, recycling abating pollution, supporting local businesses, and providing adequate information about the social qualities and characteristics of a product [9].

Larger companies, especially Transnational Companies (TNCs) have been the major drivers of CSR in both developed and developing countries. This trend has been so for a number of reasons such as availability of more resources in the hands of TNCs [46]. But this does not imply that CSR is not considered or not practiced by SMEs. As noted by [12], many of the pioneering practices that are now part of mainstream CSR were started by SMEs and community enterprises driven by strong personal ethical commitments. For example [3] explained that the early pioneers of social accounting included Ben and Jerry's (now part of Unilever), The Body Shop (no longer an SME) and the UK fair-trade company Traidcraft all transformed from SMEs to multinational companies.

SMEs have also been active on the environmental issue, demonstrating the financial viability of organic farming, recycling and wind power to name but a few innovations [12]. However, [35] stated that the nature of CSR implemented by small and medium scale enterprises is mostly tacit. As a result, small businesses are sometimes assumed to perform low in social responsible activities [47]. This tacit nature of CSR implemented in SMEs distinguishes SMEs from large corporations, which adopt formalised and more structured CSR systems [49].

However, [32] noted that in studies that compare the CSR of larger and smaller enterprises, SMEs generally 'score' less highly. But this may reflect a lack of formal policies and CSR language on the part of SMEs (Grajew1999 as cited in UNIDO, 2002 as well as actual differences in performance. [7] [8] stated that "One study, which centred on environmental performance indicators as opposed to policies and processes, did not find the expected differences between small and large enterprises. In agreement with the findings of the aforementioned study, UNIDO (2002) stated that there are some aspects of SME behaviour that can be seen as instances of 'silent Corporate Social Responsibility:

- SMEs give greater attention to investment in individual locality than Transnational Companies (TNCs) which are global actors.
- Some family-owned companies show attachment to religion and render social services that fall under CSR to the locality on the basis of religion.
- "SMEs have more links to the local, civil and cultural environment and may be more aware of local risks and emerging issues than internationally managed companies [5].

It could therefore be argued that SMEs do engage in Corporate Social Responsibility. This is exemplified by the Corporate Social Responsibility activities of Traidcraft Plc which is a small organisation based in the North-East of England; Dezign Inc, Zimbabwe (textiles), a small company that sells T-shirts that are made on a sound environmental basis and Agrocel, India (food) that was set up in order to respond to the plight of the farmers of Kutch. However, what seems to be obvious is that it is easier for large companies with their developed systems and economies of scale to deal with the demands for formal monitoring and standards. SMEs do not have the financial and human resources to invest heavily in CSR activities unless they bring immediate tangible benefits [3].

[9] opined that SMEs will have to join the CSR fold, if the small business sector is not to become the loophole in which polluting, exploitative industries flourish. However, many of the concerns underlying calls for more CSR by TNCs do not apply to SMEs, which lack the power to influence governments, dictate standards or move between countries in search of lighter regulation. On the other hand, SMEs generally have a greater understanding of local cultural and political contexts, more links with local civil society and a greater commitment to operating in a specific area.

Small and medium scale enterprises adopt different approaches to the issue of CSR. The level of commitment SMEs show in the use of any of the approaches has been to formulate the framework or indicators for assessing the performance of SMEs in carrying out CSR. The indicators are however, different for MNCs and SMEs. For SMEs, [23] stated that the indicators are conceptually based on the normative philosophical idea of social connection, that is, the structural connection of actors to some form of systemic injustice or harm. This implies that there is need to develop "task responsibilities" that starts with SMEs' awareness of CSR issues on global level; that these tasks should be addressed in collaboration with other involved actors, and that organisational processes need to be internally adapted.

Beginning from a different line of reasoning, but drawing from the suggested framework by [34], [5] concluded that awareness of CSR in both MNCs and SMEs should manifest in concrete commitments to relevant issue areas, hence they labelled the indicators that could be used to measure the performance of SMEs and MNCs with respect to CSR as follows: *Commitment to CSR; Internal Structures and Procedures*; and *External Collaboration* [45], [46]. The indicators show the dimensions of CSR in SMEs and MNCs. These dimensions are the same for both SMEs and MNCs. However, the particular subset of assessment indicators that determine at what development stage of CSR a company can be located has to be defined differently [7].

In terms of commitment to CSR, the extent of commitment to CSR in Multinational Companies (MNCs) includes indicators that ensure that strategic integration of CSR commitments into policy documents like codes of conduct or human rights policies as well as explicit leadership support by the CEO and the board [7]. In this respect, the author suggested that the ten principles of the UN Global Compact provide a useful frame of reference namely human rights, labour norms, environmental responsibility, and anti-corruption. In addition, it shares CSR coordination by specialized job functions and departments that are responsible for dealing with CSR [12]. But in SMEs, the commitment dimension includes indicators that take care to include the item that most of the owner managers should be aware of the set of issues that the CSR agenda brings about. This means that CSR activities do not usually follow a planned programme of action. Rather, the extent to which CSR activities are implemented in SMEs depends on the owner volition to CSR. In support of this view, a study of two SMEs, Dem Collective and Salta Kvarn by [31] revealed that both companies did not formulate CSR at the time of the study nor integrated it into strategic processes showing that both companies did not have dedicated unit and budget for CSR. In particular, CEO in Dem collective stated existence of own commitment to CSR, that can be interpreted to be based on the founder's volition to CSR reflected in their foundation background [2].

The second dimension, referred to as *internal structures and procedures* includes indicators that refer to the organisational integration of CSR in concrete practices and procedures. In the case of MNCs, it means the use of formalised incentive systems and training measures to promote CSR awareness among employees, complaints channels and performance evaluation, as well as reporting schemes [9]. For SMEs, this dimension is reflected in the typically implicit organizational culture of SMEs and daily practices and processes that tend to be informally organized.

Employee involvement is also normally encouraged through informal measures, while transparency of activities towards third parties is more likely to be disclosed by SMEs only on demand [17].

The third dimension, *external collaboration*, captures the external engagement and interaction with actors of civil society that are critical for CSR agenda setting. In MNCs, this refers to the proactive participation and "activity level" by which they contribute to collaborative CSR initiatives such as the UN Global Compact, as well as the quality of relationships with external stakeholders such as NGOs [27]. For SMEs, this dimension captures the scope of collective involvement with other SMEs or suppliers to jointly address issues related to CSR, as well as involvement of SMEs in CSR-related networks, such as industry associations [34].

However, companies do not start implementing CSR at every stage of it life cycle. The various stages companies pass through have influence on its ability to implement CSR. [31] [32] identified five stages companies pass through as they implement CSR as follows: denial, compliance, managerial, strategic and civil. In the *denial stage*, companies refuse to accept responsibility for the social and environmental impact of their business operations. In the *compliance stage*, companies focus on complying with legal rules. The *managerial stage* marks the beginning of an understanding for corporate social or environmental responsibility beyond legal requirements in a number of management processes.

In the *strategic stage*, companies start realising that engagement in CSR could give them a competitive edge and begin looking at a broader range of issues related to CSR in a strategic manner, for instance considering human rights in their supply chain, workplace safety, labour norms, environmental standards, as well as measures against corruption. In the *civil stage*, companies are genuinely concerned about the issues and they are looking for support to achieve CSR objectives. They initiate industry collaborations or collaborations with civil society organisations. In short, they become proactive drivers of the CSR agenda.

However, the practice of CSR in small and medium scale enterprises are said to be limited. [47] stated that CSR practices among the Latin America's small and medium scale firms are mostly limited to ethical and religions factors, concern for employees, the desire to improve profits and the need to maintain good relations with clients, suppliers, and the community. [47] found that pressure from civil society and public sector incentives did not seem to push SMEs in the region to engage in CSR practices. The author attributed the cause of this situation to low capital potential of SMEs, presence of owners/shareholders/family members as labour, minimum bureaucratic structure, centralized power, difficulties to access foreign finance, and dependence on large firms [18]. In addition, in a situation where the business is a family business with owner-father president and one or more relatives play significant role, decision making can become centralized [25]. Such concentration of power in the hands of family members could further limit the practice of CSR in small organizations to only what the family owners of the business considers important. In support of this view, [9] found that pressure from civil society and public sector incentives did not seem to promote CSR practices in small organisations. However, [12] stated that some researchers argued that SMEs are influenced by the general value systems which dominate social networks in the value chain in which they operate; as a result, norms and pressures from employees and the community influence SME competitiveness and can drive social equity-related CSR.

In a comparative study of MNCs and SMEs conducted by [5], results obtained from the SME sampled suggested a high awareness of global CSR issues and respondents from the interviewed companies demonstrated a high level of perceived connectedness to raised problems in their supply chains. [33] concluded from the results that "initial awareness and commitment to engage in

CSR does not depend on size or resource configuration, but rather on the industry, personal motivation of SME owner-managers, and the integration in global supply chains." One company that was located at the *strategic* stage, Remei, emphasised that: "we want to be environmentally and socially responsible from the growing of the plant to the final product we sell." Due to this SME's small size (fewer than 25 employees) and limited hierarchy, Remei did not face much difficulty integrating new issues into day-to-day business. The representative stressed that the overall vision of the company was to a large extent driven by its owner-managers and then trickled down to the mindsets of the employees. A representative of another company, Mammut, demonstrated an integrated, i.e. *strategic* commitment to CSR, rather than being selective about specific issues.

The SME sample, in contrast, indicated consistently stronger internal implementation of CSR-related practices [39]. The researchers found that SMEs have little routine in reporting CSR and "talking-the-CSR-talk" but, provided an SME is committed to CSR, the evidence obtained by the researchers suggested that SMEs are "walking-the- CSR-walk" by aligning managerial functions comprehensively with CSR, often through informal or implicit principles [40]. This means that SMEs do not apply any organized or structured public relations communications strategies in "talking-the-CSR-talk". It was also found in the study that "SME engagement and interaction with external stakeholders was also strongly developed" [50]. The method that SMEs often use to work out how to go about implementing their CSR as stated [3] [4] is SMEs drawing on the expertise of external stakeholders and systematically integrated them in corporate decision-making processes. However, this does not happen without certain factors that serve as the drivers of corporate social responsibility.

Principally, there are three basic drivers of social responsibility of companies. The basic drivers of CSR as stated by [20] consist of:

1. *Values*: a shift in value has taken place within businesses such that they do not only feel responsibility for wealth creation but also for social and environmental goods.
2. *Strategy*: being more socially and environmentally responsible is vital for the strategic development of a company.
3. *Public Pressure*: pressure groups, consumers, media, the state and other public bodies put pressure on companies to become more socially responsible. However, companies move into other areas beyond one of the above over time.

**Contributions of SMEs to Economic Growth in Nigeria**

The place of Small and Medium Enterprises (SMEs) in the achievement of economic growth especially in a developing country like Nigeria can never be over stated. [30] stated that "SMEs have been an important tool of economic development for Nigeria." According to the authors, the future of any growing economy such as Nigeria depends on the entrepreneurial energy of vibrant SMEs because a lot of large businesses start out as SMEs. Many authors believe that they are the starting point of development in the economy towards industrialization. [8] for example sees the SME sector as one that will enhance the contributions of the private sector and provide the critical building blocks for industrialization and sustainable economic growth. SMEs broaden the base of participation in society, decentralize economic power and give people a stake in the society's future [40]. SMEs have also been recognized as a channel for improving the efficiency of domestic markets and making productive use of scarce resources, and thus facilitating long-term economic growth in poor countries [30]. Given that a large proportion of Nigeria's population relies either directly or indirectly on small and medium enterprises for survival, their importance cannot be overemphasized.

A major contribution made by SMEs is in the area of employment as they offer a high amount of employment in casual, part-time, low training, low-skilled jobs

[45]. Being more labour intensive, SME expansion is more likely to boost employment than large enterprises where expansion means higher degree of automation and machining. Findings from a study carried out by [34] suggested that Nigerians consider entrepreneurship an avenue leading to job security and improving their livelihood. This makes SMEs an important factor in the area of poverty alleviation [2].

Underscoring the contributions of SMEs to the economic growth of Nigeria, [23] stated that "Small and medium enterprises (SMEs) form the core of majority of the world's economies". Providing an empirical evidence of the contributions of SMEs to Nigerian economy, [3] noted that a study conducted by the Federal Office of Statistics showed that in Nigeria, small and medium enterprises make up 97% of the economy. Although SMEs are smaller in size, they constitute the most important enterprises in the economy because when all their individual effects are aggregated, they surpass that of the larger companies [12]. Also, [36] looked at SMEs as a source of employment, competition, economic dynamism, and innovation which encourages the entrepreneurial spirit and the diffusion of skills. Also, because SMEs enjoy a wider geographical presence than big companies, they contribute to better income distribution [5]. The authors noted that "Over the years, small and medium enterprises have been an avenue for job creation and the empowerment of Nigeria's citizens providing about 50% of all jobs in Nigeria and also for local capital formation. Being highly innovative, they lead to the utilization of our natural resources which in turn translates to increasing the country's wealth through higher productivity. Small and medium scale enterprises have undoubtedly improved the standard of living of so many people especially those in the rural areas. However, the mortality rates of these small firms are very high" [9].

The involvement of SMEs in the development agenda of countries make them important sub-sector for economic and social development. In support of this view, [15] noted that partly because of the industrial sub-sectors and product groups covered by them, they use more of labour-intensive production methods than large companies. As a result, they contribute significantly to the provision of productive employment opportunities; the generation of income which ultimately lead to the reduction of poverty [1]. In addition, empirical evidence available show that "countries with a high share of small industrial enterprises have succeeded in making the income distribution (both regionally and functionally) more equitable.

Also, SMEs play important role in the transition of agricultural economies as they provide simple opportunities for processing activities which can generate sustainable livelihoods. Examples include the processing of cassava products into flour for making bread, starch and so on. Similarly, SMEs are fundamental to the development of entrepreneurship development, innovation and risk taking behaviour and they provide the foundation for long-term growth dynamics and the transition towards larger enterprises [4]. In the area of capacity building, [9] argued that "SMEs support the building up of systemic productive capacities. They help to absorb productive resources at all levels of the economy and contribute to the creation of resilient economic systems in which small and large firms are interlinked." This type of linkages helps to attract foreign investment as investing transnational corporations seek reliable domestic suppliers for their supply chains [16].

SMEs are thought to be engine room of innovation and because they enhance competition and entrepreneurship, they have external benefits on economy-wide efficiency, and aggregate productivity growth. They lead to economic dynamism and greater social inclusion in the European Union. [10]; [11]. Small and Medium Enterprises serve as links between the large business enterprise and the consumers as such, large enterprises can hardly survive without them. According to [19], small and medium

scale enterprises accelerate rural development while decreasing urban immigration and the problems of congestion in large cities because they have lesser competition by serving dispersed local markets, are closer to their resources and are cheaper to establish in the urban areas entrepreneurs are attracted to invest thus discouraging rural-urban migration and making for an even development. SMEs also contribute to domestic capital formation, play a value-adding role, mobilize private savings and harness them for productive purposes. [22] sees SMEs as a quasi-sponge for urban employment and a provider of inexpensive consumer goods with little or no import content, serving an important pressure-releasing and welfare-augmenting function. SMEs also contribute to long-run industrial growth by producing an increasing number of firms that grow up and out of the small-scale sector.

According to [17], SMEs remain the foundation as well as the building block in the realization of any meaningful and sustainable growth in an economy. The author stated that SMEs are the driving force in the attainment of industrial growth and development. This is basically due to their great potential in ensuring diversification and expansion of industrial production as well as the attainment of the basic objectives of growth. For sustainable economy, SMEs have been stressed as capable of helping in bringing about positive economic turn around and complementing the effort of the existing medium and large scales industries [20]. In support of this view, [40] stated that small and medium enterprises act as catalysts in the economic development of the developed and developing countries. The authors argued that developing countries like Nigeria that require sustained economic growth in their economies must pay attention to the SME sector and harness the great potential to generate employment, improved local technology, output diversification, developed indigenous entrepreneurship and forward integration with large-scale industries that can be provided by the sector. Unfortunately, the SMEs in Nigeria have underperformed despite the fact that the SMEs in Nigeria constitute more than 90% of Nigerian businesses, their contribution to the nation's GDP is below 10% [8]. This very low percentage contribution of the SMEs to Nigeria's GDP could be attributed to amongst others; unfriendly business environment, poor funding, low management skills and lack of access to modern technology [42].

The "the recognition of the importance of the roles of the SMEs as catalyst and engine of growth has prompted the increased attention and specific education on the method and approach to build and sustain a truly viable private sector dominated by small and medium scale enterprise (SMEs)" [23]. Such economic contributions are obvious in the mobilisation of idle financial resources, the conservation of foreign exchange, utilisation of local raw materials, specialist suppliers to large companies, adding varieties and choice for the consumers, checking the monopolistic tendency power, providing a source of innovation, breeding ground for new industries and above all employment creation [14].

In terms of SMEs contribution to national output in Nigeria. It has been reported that the SMEs, by revenue, contribute about 75 per cent all entrepreneurial activities that make up Nigeria's gross domestic output, 21 per cent within the - enterprises while per cent belong to the large complex organizations [37]. It is also scored high in entrepreneurial dominance because of its potential in pooling skilled and semi-skilled workers [37].

[46] assessed specific financing options available to SMEs in Nigeria and contribution with economic growth via investment level. The Spearman's Rho correlation test was employed to determine the relationship between SMEs financing and investment level. The analysis reports a significant Rho value of 0.643 at 10%. This indicated that there is significant positive relationship between SMEs financing and economic growth in Nigeria via investment level. Descriptive statistics were also used to appraisal certain financing indicators [34]. The

paper later proffered that accessibility to relative low interest rate finances should be provided to small and medium enterprises in Nigeria in order enhance economic growth [38].

The forgoing argument presupposes that SMEs in Nigeria are confronted with some problems that could make it difficult to support economic development fully. This is why [21] stated that some SMEs in Nigeria "are failing to create expected effects on the economy of Nigeria even of getting government and administrative support. This is because of the existence of some basic inherent problems or complexities that SMEs come across that have not been tackled yet"

## CONCLUSION

SMEs constitute key performers in the delivery of corporate social responsibility to their host communities. This is as a result of the shift in emphasis on CSR as the domain of large companies to considering SMEs as organisations that should also engage in ethical business practices and provide the stakeholders including the host communities with CSR benefits. However, the commitment of SMEs to CSR delivery is constrained by inadequate resources, and occasional protests from the members of the communities, high rate of unemployment as well as the low level of development in the host communities. The host communities to the SMEs expect the organisations to address these problems. The absence of business strategy that could serve as the road map to the implementation of CSR by SMEs also make it difficult for SMEs to identify the vital needs of the host communities. Developing strategies for implanting CSR in host communities could make it easier for SMEs in Nigeria to identify the needs of the stakeholders and attend to them in order to build good reputation in the host communities.

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