

Corporate Social Responsibility: An Aid to Going Concern Concept in Corporate Organizations in Nigeria

Oluwagbuyi Olusola Luke
Department of Accountancy, School of Business Studies
The Federal Polytechnic, Ado - Ekiti, Ekiti State, Nigeria
Email: tonigtonifem@yahoo.com

Abstract

Corporate Organizations as legal entities are expected to impact their environment in a move to alleviate the various social evils that can threaten the communities where they exist. Corporate social responsibility is a concept that contributes to the enhancement of social amenities, reduction of unemployment, empowerment of citizenry, caring for economically and socially disadvantaged members of the society. The purpose of this study is to investigate the impact of corporate social responsibility in the continual existence of corporate organisations in Nigeria. In the analysis of data 600 questionnaire were administered on various communities and organizations in the south-western Nigeria, South-South Nigeria, Lagos and Abuja in Nigeria. Data were analyzed using chi-square statistical technique, also annual reports of some sampled organizations spanning 2010-2012 were examined. The findings show that the attentions to corporate social responsibility are not adequate. The study recommends that the government should make social responsibility a legal obligation in order to complement government efforts in the development of the communities.

Keywords: Corporate Social Responsibility, Going Concern Concept, Corporate Organizations, Empowerment of Citizenry.

1. Introduction

Adeniyi (2010) says the preparation of accounts must follow the accounting principles laid down in international Auditing Standard, one of which is the going Concern Concept, which is defined as assumption that the enterprise will continue in operational existence for the foreseeable future. This means, in particular, that the income statement and balance sheet assume no intention or necessity to liquidate or curtail significantly the scale of operations. It is the management responsibility to assess the validity of the going concern status of the entity. Evidence of going concern problems include: An excess of liabilities over assets, Net current liabilities, Necessary borrowing facilities have not been agreed, Default on terms of loan agreements, and potential breaches of covenant, significant liquidity or cash problems, major losses of cash flow problems which have arisen since the balance sheet date and which threaten the entity's continued existence, substantial sales of fixed assets not intended to be replaced, major restructuring of debts, Denial of (or reduction in) normal terms of trade credit by suppliers, major debt repayment falling due where refinancing is necessary to the entity's continued existence, inability to pay debts as they fall due. Fundamental changes to the market or technology to which the entity is unable to adapt adequately. Externally forced reduction in operations (for example, as a result of legislation or regulatory action); Loss of key management staff, labour difficulties or excessive dependence on a few product lines where the market is depressed, loss of key suppliers or customers or technical developments. All these can be reduced by adopting the concept of social responsibility in the corporate organisations in Nigeria, corporate social responsibility tries to educate the corporate organizations that as an entity, they have obligation of ensuring that the employees and the larger community must be included in the scheme of operation. Some responsibilities that will make the environment conducive for socio-economic and political survival of the citizen including the entity itself should be implemented. According to the World Business Council for sustainable development (2007) Corporate Social responsibility is the continuing commitment by business to behave ethically and contributes to economic development while improving the quality of life of the work force and their families as well as the local community and society at large. Also Corporate Social responsibility takes a plethora of forms, including sponsoring awards, adopting voluntary codes of conduct, reporting on social and environmental impacts, engaging in dialogue with stake holders (not shareholders alone) among others. From the above assertions, corporate social responsibility concept is about all programmes and procedures that will ensure that corporate organisations will be seen as part of those who are responsible for the sustainability and survival of their immediate stakeholders. Stake holders will in turn ensure the long run existence of the corporate organisations in Nigeria. Following the aforementioned discussion, this paper seek to identify the importance of Corporate Social responsibility as a concept, that if adopted by organisations will facilitate the continued existence of the corporate organisations.

2. Literature Review

Christopher and Linda (2012) identify four distinct paths through which Corporate Social Responsibility may

affect employees' relationship with their company that correspond to four psychological needs. Security, self esteemed, belongingness and a meaningful existence.

World Bank defined social responsibilities 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 quality of life, in ways that are both good for business and good for development.

World Business Council for sustainable development (2007) defines Corporate Social Responsibility as the continuing commitment by business to behave ethically and contributes 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. It further asserts the fact that corporate social responsibility takes a plethora of forms, including sponsoring awards, adopting voluntary codes of conduct, reporting on social and environmental impacts, engaging in dialogue with "stakeholders" among others.

Agarwal (2008) says Corporate Social Responsibility is being marketed in very sophisticated ways. Recently the Corporate World introduced a new term, Corporate Social Investment. It is often used to describe a company's investment in a variety of community activities aimed to (1) improve financial performance and reduce its operating costs (2) enhance its brand image and reputation (3) Increase customer loyalty and sales (4) Increase the ability to attract and retain workers, (5) a reduced regulatory/activists' over sight, and (6) reduce risk, thereby facilitating easier finance or access to capital.

Christopher, Michael and Royston (2011) Opine that there is no doubt that by undertaking corporate social responsibility activities the corporate organisation gains more profit, benefit, and legitimacy all at once. In particular, the licence to operate' from the company's host environment and community, is as important as the company's financial resources. They conclude that investment finds its reforms in the form of helping the company avoid the cost of compensating the community affected by its operation.

Ruben (2013) posits that Corporate Social Responsibility focuses on creating social and environmental value in addition to economic performance, commonly denominated as the people, planet and profit (or Triple P) dimensions. Business themselves decide to what extent they are willing to assume responsibility for developmental processes taking place within and beyond the company walls. Public authorities are increasingly supporting companies that choose to do so.

Van and Verre (2003) in Alessia Sybil and Sue (2009) opine that corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organisations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. Sustainability refers to an organisations activities, typically considered voluntary, that demonstrate the inclusion of social and environmental concerns in business operations and inter actions with stakeholders.

Blowfield and Googins (2006) say Corporate Social Responsibility is strictly embedded with multitude of business actors with the call for sustainability and new role of business society.

Alessia, Sybil and Sue (2009) refer to the emergent literature that there is a growing awareness that business needs to manage its relationship with the wider society, corporate leaders are responsible for their corporations' impact on society and the natural environment beyond legal compliance and the liability of individuals.

Fitzgerald, former Chief Executive Officer and Chairman Unilever, in Paul and Author (2007) posits that "we believe that the leading global companies of 2020 will be those that provides goods and services and reach new customers in ways that address the world's major challenges – including poverty, climate change, resource depletion, globalization, and demographic shift"

Paul and Author (2007) submit that Businesses are an integral part of the communities in which they operate. Good executives know that their long-term success is based on continued good relation with wide range of individuals, groups and instructions. Smart firms know that business cannot succeed in societies that are failing whether it is due to social or environmental challenges or governance problems. Moreover, the general public has high expectations of the private sector in terms of responsible behaviour. Consumers expect goods and services to reflect socially and environmentally responsible business behaviour at competitive prices. Shareholders also searching for enhanced financial performance that integrates social and environmental considerations, both in terms of risk and opportunities.

The World Business Council for sustainable development has described Corporate Social Responsibility as the business contribution to sustainable economic development. Building a base of compliance with legislation and regulations. Corporate Social Responsibility typically includes "beyond law' commitments and activities pertaining to

- Corporate governance and ethics
- Wealth and safety
- Environmental stewardship
- Human rights (including core labour rights)

- Sustainable development
- Condition of work (including safety and health hours of work, wages)
- Industrial relations

ISO 26000 working group on Social Responsibility (2007) says “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 is consistent with sustainable development and the welfare of society”. The working group also takes into account the expectations of stakeholders which are in compliance with applicable law and consistent with international norms of behaviours; which are integrated throughout the organisation”.

Antonio and Heidi (2009) opine that the corporate social responsibility of a firm includes all those moral (and legal) responsibilities towards other people, its internal (shareholders, managers and employees) and external (clients, customers, suppliers, the local community, other interest groups and society as a whole) That is stakeholders. It was further explained that corporate social responsibility is more than this: it includes strategies, policies, tools, standards etc; and the contents of the firm’s social responsibility must be outcome of the reflection of its owners and managers on its relationship with stakeholders (Painter 2006 , Carrol 1979).

Antonio and Heidi (Op. cit) explain that corporate social responsibility from the firms view point means that set of moral duties towards other social actors and towards society that the firm assumes as a result of its economic, social, political and of course, ethical reflection on its role in society and on its relationship with those other actors. And from other external observers’ viewpoint it is the set of moral duties that the other agents and society attribute to the firm as a consequence of the role it assumes and its relationships with those actors. In practice then corporate social responsibility will be the result of dialogue between the firm and its stakeholders about the obligations of the former and the expectations of the latter.

Davis (1960) argues that social responsibility is a nebulous idea but should be seen in a managerial context. Furthermore, he asserted that some socially responsible business decision can be justified by a long, complicated process of reasoning as having good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook.

Wood (1991) states; for corporate social responsibility, to be accepted by conscientious business person, it should be framed in such a way that the entire range of business responsibilities is embraced. It is suggested here that four kinds of social responsibilities constitute total corporate social responsibility: economic, legal, ethical and philanthropic. Furthermore, these four categories or component of CSR might be depicted as a pyramid. To be sure, all of these kinds of responsibilities have always existed to some extent, but it has only been in the recent years that ethical and philanthropic functions have taken a significant place.

IBM Global Business Services (2008) asserts that today, a surprising number of companies already regard corporate social responsibility as a platform for growth and differentiation. Over two – thirds (68%) of the business leader surveyed by IBM are focussing on corporate social responsibility activities to create new revenue streams, over half (54 percent) believe that their companies corporate social responsibility activities are already giving them a competitive advantage over their top competitors when aligned with business objectives, companies are beginning to see that corporate social responsibility can bring competitive differentiation, permission to enter new markets, and favourable positioning in the talent wars.

IBM Global Business Services (Op.cit) says companies that report they are substantially out performing their peers already grasp the benefits that result from corporate social responsibility strategy integrated into the core of their business.

(a) **Collaborate**

- Understand their customers CSR – expectation well
- Engage their full base of employees in their CSR objective (i.e not top down)
- Have increased the amount of information they provide about the sourcing, composition and impact of their products, services and operations
- Collaborate with customers and business partners on their CSR initiatives
- Engage their full base of employees in their CSR objective (i.e not top down)

(b) **Integrate**

- Place critical importance on, and consider themselves very effective at, CSR supply chain process.
- Consider themselves very effective at developing products and services with positive societal or environmental impact.
- Place critical importance on, and consider themselves very effective at aligning, philanthropy with business priorities

Australian Government, Auditing and Assurance standard Board (2009) says a company is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation, without any intention or necessity to liquidate or otherwise wind up its operations for at least the next 12 months.

Australian Auditing and Assurance Standard Board (2009) 101 presentation of Financial Statement requires directors when preparing the financial report to:

- Make an assessment of a company's ability to continue as a going concern.
- Disclose the uncertainties about which the directors were aware in making their assessment of going concern where those uncertainties may cast significant doubt on the company's ability to continue as a going concern.

A detailed analysis supporting a company's going concern status may not be required if the company has a history of profitable operations; there is little concern about it continuing to be profitable; and it has ready access to required financial resources. However in a difficult or uncertain economic environment it may become harder to support the going concern assumption without performing such a detailed analysis. Directors should always consider the appropriateness of the company's going concern assessment at financial reporting end. Directors should always satisfy themselves that management have adequate supporting documentation that is able to support the going concern assessment and assumption.

The following events may cast significant doubt on the appropriateness of the going concern assumption:

- Net liability or net current liability position
- Negative operating cash flow
- Fixed-term borrowing approaching maturity without realistic prospects of renewal or payment, or excessive reliance on short term borrowing to finance long term assets.
- Indicators of withdrawals of financial support by lenders.
- Withdrawals or variation of credit terms by creditors
- Major debt repayment falling due where refinancing is necessary to the company's continued existence.
- Inability to comply with the terms of loan agreement or to pay creditors on due date.
- Loss of major market, franchise, licence or principal supplier and/or key customer.
- Indicators of the company's liability to handle increased competition in a shrinking market.
- Loss of key management without replacement.
- Failure of other companies with similar structures and comparable operations in the same industry.

Owojori and Oluwagbuyi (2011) posit that unless the opposite is ascertained, accounting always assumes that the business will continue in operation for an indefinite long period of time.

3. Methods and Materials

Both primary and secondary methods of data collection were adopted. For the primary data collection the research design used was the survey type using the research assistants. The population is made up of all the community members and corporate organisations in Nigeria. While the sample used for this work is drawn from various community members and corporate organisations in South-Western cities and towns such as Ibadan, Osogbo, Ado-Ekiti, Abeokuta and Akure. The same goes for South-South such as Warri, Port Harcourt, Uyo, Calabar and Sapele in Nigeria. Lagos State and Abuja the Federal Capital territory in Nigeria were visited for the distributions of the questionnaire. 600 questionnaires were administered on various people and corporate organisations at random. Data were analysed using chi-square statistical technique, also annual report of some sampled corporate organisations in the South-West, Lagos and Abuja in Nigeria spanning from 2010–2012 were examined.

3.1 Research Hypotheses

- i. Supporting the immediate society in the provision of social amenities like, street light, pipe born water and good roads has no significant relationship with the Going Concern Concept of the organisations.
- ii. Employment of qualified indigenes into the vacancies that exist in the organisations has no significant relationship with the long run survival of the organisations.
- iii. Empowerment Scheme, such as credit facilities to the members of the immediate community has no effect on long run survival of the organisations.
- iv. Provision of essential needs for economically and socially disadvantaged members of the society are not significant to the long run survival of the corporate organisations.
- v. Provision of literacy schemes for the aged and others less privileged have no significant relationship with the long run survival of the organisations.
- vi. Responsibilities such as scholarship awards for brilliant individuals, sponsorship of talents in games and sports have no significant effect on the corporate organisations.
- vii. Construction of roundabouts and motor parks have no significant relationship with the going concern concept of the organization.

4. Result and Discussion

Hypothesis i

Supporting immediate society in the provision of social amenities like street light, pipe borne water and good roads have no significant relationship with the going concern concept of the organisations.

Chi-square (X^2) result

DF	X^2 calculated value	X^2 table value	Level of Significance
4	197.29	9.49	5%

Source: Author's Computation

The result above attested to the fact that X^2 calculated is 197.29 which is greater than the X^2 table value of 9.49. It therefore asserts that alternative hypothesis is accepted that supporting immediate society in the provision of social amenities have significant relationship with the going concern concept of the organisations.

Hypothesis ii

Employment of qualified indigenes into the vacancies that exist in the organisations has no significant relationship with the long run survival of the organisations.

Chi-square (X^2) result

DF	X^2 calculated	X^2 table value	Level of Significance
4	122.34	9.49	5%

Source: Author's Computations

Since the X^2 calculated of 122.34 is greater than X^2 table value of 9.49. It means that alternative hypothesis is accepted implying that employment of qualified indigenes into the vacancies that exist in the organisations has a significant relationship with the long run survival of the organisations.

Hypothesis iii

Empowerment Scheme such as credit facilities to the members of the immediate community has no effect on long run survival of the organisations

Chi-square (X^2) result

DF	X^2 calculated	X^2 table value	Level of Significance
4	128.52	9.49	5%

Source: Author's Computation

Since X^2 calculated value of 128.52 is greater than X^2 table value of 9.49. It means that alternative hypothesis is accepted meaning that empowerment scheme has a significant effect on long run survival of the organisations.

Hypothesis iv

Provision of essential needs for economically and socially disadvantaged members of the society has no significant impact on the long run stability of the corporate organisations.

Chi-square (X^2) result

DF	X^2 calculated	X^2 table value	Level of Significance
4	174.73	9.49	5%

Source: Author's Computation

Since X^2 calculated value of 174.73 is greater than X^2 critical value of 9.49. Then the alternative hypothesis is accepted that provision of essential needs for economically and socially disadvantaged members of the society has a significant impact on long run stability of the corporate organisations.

Hypothesis v

Provision of literacy schemes for the aged and others less privileged has no significant relationship with the long run survival of the corporate organisations.

Chi-square (X^2) result

DF	X^2 calculated	X^2 table value	Level of Significance
4	160.94	9.49	5%

Source: Author's Computation

Since X^2 calculated of 160.94 is greater than X^2 critical value of 9.49. It means the alternative hypothesis is accepted that is provision of literacy scheme for the aged and others less privileged has a significant relationship with the long run survival of the organisations.

Hypothesis vi

Responsibilities such as scholarship awards for brilliant individuals, sponsorship of talents in games and sports have no significant effects on the going concern of corporate organisations.

Chi-square (X^2) result

DF	X^2 calculated	X^2 table value	Level of Significance
4	274.12	9.49	5%

Source: Author's Computation

Since X^2 calculated value of 274.12 is greater than 9.49 table value, the alternative hypothesis is therefore accepted. This implies that responsibilities such as scholarship awards for brilliant individuals, sponsorship of talents in games and have significant effect on the going concern of corporate organisations.

Hypothesis vii

Construction of water ways, roundabouts and motor parks have no significant relationship with the going concern concept of the corporate organisations.

Chi-square (X^2) result

DF	X^2 calculated value	X^2 table value	Level of Significance
4	205.05	9.49	5%

Source: Author's Computation

Since X^2 calculated value of 205.05 is greater than X^2 table value of 9.49, the alternative hypothesis is therefore accepted. This means that construction of water ways, roundabouts and motor parks have significant relationship with the going concern concept of the organisations.

5. Summary of Findings

In the findings, a critical assessment of corporate social responsibility as a tool that can facilitate the concept of going concern in an organisation in Nigeria was made. The study revealed that supporting the immediate environment with essential social amenities will enhance the going concern concept of the organisation. It further revealed that employment of qualified indigenes into the vacancies that exist in the organisations will facilitate the sense of belonging of the stakeholders. Also, empowerment scheme such as credit facilities to the members of their immediate community will engender the long run survival of the organisation. The findings also indicate that provision of essential needs for economically and socially disadvantaged members of the society will stabilize the organisations. Also literacy scheme, scholarship awards, talent and sponsors of games and sport, beautification of cities and towns through constructions of modern roundabouts, motor parts etc will enhance the going concern concept of the corporate organisations.

6. Conclusion and Recommendations

6.1 Conclusion

Considering the findings of this study, it was concluded that it is imperative for the corporate organisations to take their position as an entity that are obliged to contribute positively to the conducive existence of the environment they find themselves. Thereby shifting their reason for existence beyond the shareholders and making it a duty to impact the other stakeholders such as, employees, environments, society at large, institutions around them, even international communities etc. in such activities like supporting their economic, social, psychological and political needs. The public sectors and banks may make available credit facilities at affordable cost for the people in the environment for financial empowerment. The manufacturing company can grant goods for sale on credit with soft mark-up. It is equally revealed that the number of unemployed youths can be reduced by appointing the qualified members of immediate environment into the vacancies that exist. Provision of textiles, food stuffs and portable water during the major public holidays for economically and socially disadvantaged people can facilitate the long run survival of the organisations.

6.2 Recommendations

The indication from the study revealed that public and private organisations in Nigeria need adequate enlightenment on corporate social responsibility. Government and other corporate organisations should mount the enlightenment campaign and awareness programmes on corporate social responsibility. Government, public and private organisations should ensure that there is sufficient vote in the budget to implement the projects slated for social responsibility.

The concept of corporate social responsibility should be legalised by incorporating it in the companies and Allied Matter Act with the proportion of the profit that should be posted into a reserve account slated for social responsibility in every accounting year. Government should appoint an Agency to monitor the implementation and the control of the fund budgeted for social responsibility and ensure the performance of the budget.

REFERENCES

- Adeniyi, A.A. (2010) Auditing and Assurance Services: WYSE Associates Limited, Maryland, Ikeja, Lagos.
 Agarwal, S.K. (2008) Corporate Social Responsibility in India; Respons Books, Delhi. P. 33–47.
 Allesia, D.A; Sybil, H. and Sue, F (2009), Corporate Social Responsibility and Sustainable Business, Available at WWW.ccl.org.
 Australian Government (2009), Going concern issues in Financial Reporting: A guide for companies and Directors: Auditing and Assurance Standard Board, Australia.
 Antonio, A. and Heidi, W.H. (2009) Corporate Social Responsibility: one size does not fit all collecting evidence from Europe; Working paper WP-834, November, 2009.

- Blowfield, M. and Googins B.K. (2006) *Set up: A call for Business leadership in society* (Monograph) Chestnut Hill M.A: The Boston College Centre for Corporate citizenship.
- Carrol A.B. (1979) “A three – dimensional Conceptual Model of Corporate Performance”, *Academy of Management Review* 4(4) p. 497–505.
- Christopher, M. Michael, L. and Royston G. (2011) *Communities and organisations* (Research in the sociology of organisations vol. 33) Emerald Group publishing Limited P. 143–173.
- Christopher, W.B. and Linda, J.S. (2012) *Corporate Social Responsibilities as a source of employee satisfaction*: Available at www.sciencedirect.com.
- Davis, K. (1960) can business afford to ignore social responsibility *California management Review* 2, 70-76.
- IBM, Global Business Service (2008) *Attaining sustainable growth through Corporate Social responsibility*: IBM Institutes for Business value Route 100, NY10589, USA.
- Ioannis, I. and George S. (2010) *The Impact of Corporate Social Responsibility on Investment Recommendations: Best Proceedings*, Academy of Management 2010, Social issues in Management Working Paper 11–017, London.
- ISO 26000 Working Group on Social Responsibility Sydney, February 2007.
- Owojori, A.A. and Oluwagbuyi, O.L. (2011) Identification and application of Accounting Models in Financial Accounting theory: *Journal of Business Administration and management* 6(3) P. 154–159.
- Painter–Morland, M. (2006) “Redefining accountability as a relational responsiveness” *journal of Business ethics* 66(1) P. 89 – 98.
- Paul H. and Author J.P. (2007) *Corporate social Responsibility, An implementation Guide for Business*: International Institute for sustainable Development, Winning Peg, Manitoba, Canada R3 Boy 4.
- Ruben, R. (2013) *corporate Social Responsibility the role of Public Policy: A systematic literature review of the effects of government intervention on the corporate Social Responsibility (CSR) behaviour of enterprises in developing countries* I.O.B. Study Ministry of foreign affairs publication, Netherlands.
- Wood, D.J. (1991) *Corporate Social Performance revisited*, *Academy of Management Review*, 16, 691 – 718
- World Business council for sustainable development (2007) ‘Companies who care’, *New Internationalist*, Worth Jess, in December P. 5.