Nexus between Corporate Social Responsibility Practices and Sustainable Livelihood in Nigerian Oil and Gas Production Region

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Oil and Gas remains the backbone of the Nigerian economy as it constitutes a major revenue source for the government. However, host communities have not felt the effect of carrying the financial burden of the nation. The heavy reliance on the oil sector has crippled instead of enhanced the environmental and social conditions of the host communities. This study examines the nexus between CSR practices and sustainable livelihood in the Nigerian oil and gas production region using secondary data. The study concludes that oil firms have underperformed within the scope of the usage of CSR to mitigate environmental and social concerns. Attention should be drawn to the peaceful coexistence of the oil firms and the community members in the affected region. CSR initiatives, together with government interventions, will greatly improve the livelihoods of the people. It is recommended that oil firms recognize their obligations to all stakeholders, the environment and the expectations of the host communities and establish a relationship that will foster a working partnership for community development and peaceful coexistence.

Keywords: CSR, Oil and Gas, Sustainable Livelihood
JEL Code: M14, Q35, Q56

1. Introduction

The role of the ecosystem is often overlooked amid the uncertainties of modern-day life. The heavy reliance on the oil sector by the Nigerian Government has resulted in environmental and socio-economic challenges that remain detrimental to the host communities. The Nigerian oil sector accounts for approximately...
65% of the national income and 90% of foreign exchange earnings. The importance of the oil sector cannot be overstated. However, oil extraction has resulted in several ecological issues, including oil spills, contaminated land, accidental sand fires, and water-polluting incidents (KPMG, 2019).

According to the National Oil Spill Detection and Response Agency, nearly 2,400 cases of spills have occurred between 2006-2010 and 350 oil spills cases were recorded in 2020, posing environmental and health risks (National Oil Spill Detection and Response Corporation 2020; This Day, 2020). For several years, communities in the oil region have been grappling with the harmful effects resulting from industrial activities which have culminated in environmental degradation, declining economic stability, and loss of livelihoods (Watts and Zalik, 2020).

Nigeria is one of the world’s most polluted countries, ranking seventh in terms of gasoline burning and the tenth with the highest environmental pollution in the world (Airvisual, 2018; World Bank, 2019; Hassan, 2012). Many of these environmental issues are a result of corporate and industrial actions aimed at achieving financial objectives at the expense of the host communities.

Furthermore, ineffective law enforcement, accountability and corruption remain an enabling ground for the low social and environmental commitment in these communities (Adewuyi and Owolabi, 2008); Adelopo, 2011; Adewuyi and Olowoookere, 2010; Ifeanyi et al., 2011). The difficulties caused by the activities of the oil sector have created tension/crisis between members of the host communities and the oil firms, resulting in illicit acts such as pipeline vandalism, or oil theft.

The Nigerian oil sector has lost at least $40.9 billion to sabotage and theft in the last decade (Bassey, 2019, Premium Times, 2019). If adequate measures are employed to tackle the economic, social, and environmental concerns affecting the host communities, the adverse consequences could be alleviated or avoided.

Despite the negative effects of the oil sector on the people and environment, the oil firms pay less attention to the plight of the host community. As a result, stakeholders urge and pressure corporations to be more accountable for their actions, and to take socio-environmental and sustainable growth into account while making decisions and actively engage in corporate social responsibility (Braam et al., 2016).

Theoretically, this study draws on the Sustainable Livelihood Framework (SLF) through the implementation of Corporate Social Responsibility initiatives of oil and gas corporations operating in Nigeria. According to Bhandary (2010), companies should evaluate their actions (and/or inaction) that harm the triple bottom line of Corporate Social Responsibility while upholding ethical standards that encompass the social, financial, and environmental outcomes of business operations (Bhandary, 2010). Therefore, ethics and duty play a fundamental role within the CSR paradigm towards building a sustainable livelihood in the community.
A sustainable community is one that constantly adapts to the socio-economic and environmental needs of the people to promote healthy living. Similarly, Boele et al. (2001) argue that a sustainable society aims to reduce waste, prevent pollution, improve performance and establish a sound financial structure.

The growing interest in CSR and the continued crisis in the region have fueled the need to improve the livelihood of the oil regions in Nigeria. This study is a review article that focuses on the operations of oil firms in Nigeria, the challenges faced by the host communities and the oil firms, and the connection between CSR practices and the sustainable livelihood of the people.

2. Operations of the Nigerian Oil Industry

Since the discovery of oil in Nigeria in 1956, more than 1,481 oil wells have been drilled, yielding approximately 159 oil fields. Over 7,000 kilometers of oil pipelines exist, which are operated by more than 13 oil firms and a total of 4 refineries (UNDP, 2006; Department of Petroleum Resources, 2020). Nigeria is one of the biggest crude oil producers globally, and Africa’s largest, with a capacity of over 2 million barrels per day (NNPC, 2020). In January 1986, the National Nigerian Petroleum Corporation (NNPC) assumed management and control of the refineries in this region. The daily production includes liquefied petroleum gas, high-quality spirit engine, dual-purpose kerosene, aviation turbine kerosene and automatic diesel (NNPC, 2020).

Table 1 depicts the top 20 global oil producers. Nigeria is the 11th largest oil producer in the world. However, the country is unable to fully utilize its production capacity, making it one of the top 20 countries with the lowest production per capital. (Stears Business, 2020).

2.1. Oil Spills in Nigeria

Oil spills occur when there is a release of oil into the environment or into the water from the ground (Udoudoh, 2011). Oil spills have been a growing concern since the discovery of crude oil prompted by the Industrial Revolution. According to Hamilton (2011), the relationship between oil firms and the communities in which they operate grew significantly between 1956 and 1996. The members of the oil-producing state were optimistic about the newly discovered wealth, believing it would help their communities become a safe haven (Udoudoh, 2011). However, in the 1970s, the Nigerian host communities recognized the harmful impact of the oil companies’ activities, and the monetary compensation offered to them had proven to be insufficient. In the last 10 years, over 9,000 oil spill cases
have been recorded in Nigeria, posing a threat to the health and livelihood of the people living in these areas (Kalejaye, 2015). This is caused mainly by the operations of the oil firms, sabotage and bunkering by members of the host community.

Table 1: Top 20 oil-producing countries

<table>
<thead>
<tr>
<th>S/N</th>
<th>Country</th>
<th>Daily average production (barrels)</th>
<th>Population</th>
<th>Production per capita (barrels)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>11,848,710</td>
<td>329,093,110</td>
<td>0.036</td>
</tr>
<tr>
<td>2</td>
<td>Russia</td>
<td>10,726,410</td>
<td>143,895,551</td>
<td>0.075</td>
</tr>
<tr>
<td>3</td>
<td>Saudi</td>
<td>10,643,000</td>
<td>34,140,662</td>
<td>0.312</td>
</tr>
<tr>
<td>4</td>
<td>Iraq</td>
<td>4,465,000</td>
<td>40,412,299</td>
<td>0.110</td>
</tr>
<tr>
<td>5</td>
<td>China</td>
<td>3,856,000</td>
<td>1,420,062,022</td>
<td>0.003</td>
</tr>
<tr>
<td>6</td>
<td>Iran</td>
<td>3,553,000</td>
<td>82,820,766</td>
<td>0.043</td>
</tr>
<tr>
<td>7</td>
<td>Canada</td>
<td>3,526,070</td>
<td>37,279,811</td>
<td>0.095</td>
</tr>
<tr>
<td>8</td>
<td>UAE</td>
<td>2,986,000</td>
<td>9,682,088</td>
<td>0.308</td>
</tr>
<tr>
<td>9</td>
<td>Kuwait</td>
<td>2,802,000</td>
<td>4,248,974</td>
<td>0.659</td>
</tr>
<tr>
<td>10</td>
<td>Brazil</td>
<td>2,694,000</td>
<td>212,392,717</td>
<td>0.013</td>
</tr>
<tr>
<td>11</td>
<td>Nigeria</td>
<td>1,873,000</td>
<td>200,962,417</td>
<td>0.009</td>
</tr>
<tr>
<td>12</td>
<td>Mexico</td>
<td>1,743,510</td>
<td>132,328,036</td>
<td>0.013</td>
</tr>
<tr>
<td>13</td>
<td>Kazakhstan</td>
<td>1,631,390</td>
<td>18,592,970</td>
<td>0.088</td>
</tr>
<tr>
<td>14</td>
<td>Norway</td>
<td>1,525,060</td>
<td>5,400,916</td>
<td>0.282</td>
</tr>
<tr>
<td>15</td>
<td>Venezuela</td>
<td>1,511,000</td>
<td>32,779,868</td>
<td>0.046</td>
</tr>
<tr>
<td>16</td>
<td>Angola</td>
<td>1,445,000</td>
<td>31,787,566</td>
<td>0.045</td>
</tr>
<tr>
<td>17</td>
<td>United Kingdom</td>
<td>1,068,890</td>
<td>66,959,016</td>
<td>0.016</td>
</tr>
<tr>
<td>18</td>
<td>Algeria</td>
<td>1,063,000</td>
<td>42,679,016</td>
<td>0.025</td>
</tr>
<tr>
<td>19</td>
<td>Oman</td>
<td>978,600</td>
<td>5,001,875</td>
<td>0.196</td>
</tr>
<tr>
<td>20</td>
<td>Azerbaijan</td>
<td>712,040</td>
<td>10,014,575</td>
<td>0.071</td>
</tr>
</tbody>
</table>

Source: Stears Business, 2020
Table 2: Oil spills in Nigeria (2011–2020)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of recorded oil spills</th>
<th>Barrels of oil spilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>350</td>
<td>17,262.083</td>
</tr>
<tr>
<td>2019</td>
<td>728</td>
<td>42,100.039</td>
</tr>
<tr>
<td>2018</td>
<td>684</td>
<td>27,559.991</td>
</tr>
<tr>
<td>2017</td>
<td>581</td>
<td>34,195.387</td>
</tr>
<tr>
<td>2016</td>
<td>685</td>
<td>42,744.929</td>
</tr>
<tr>
<td>2015</td>
<td>920</td>
<td>47,614.258</td>
</tr>
<tr>
<td>2014</td>
<td>1514</td>
<td>78,838.561</td>
</tr>
<tr>
<td>2013</td>
<td>1665</td>
<td>32,140.157</td>
</tr>
<tr>
<td>2012</td>
<td>1121</td>
<td>40,683.212</td>
</tr>
<tr>
<td>2011</td>
<td>1059</td>
<td>73,132.011</td>
</tr>
<tr>
<td>Total</td>
<td>9307</td>
<td>436,270.63</td>
</tr>
</tbody>
</table>

Source: Author’s edition bases on (National Oil Spill Detection & Response Agency, 2020)

Table 2 shows the cases of oil spills in Nigeria over the last decade. A total of 9,307 oil spills have been recorded in the last 10 years, with about 436, 270.63 barrels of oil released into the environment, causing physical, health and environmental havoc to the community. The host communities are still far from recovering from the damage caused by the numerous oil spills, owing to the negligence of the oil firms in conducting a proper clean-up and the government’s inability to enforce environmental laws (Olujobi, 2017).

Figure 1 below illustrates the oil spills resulting from vandalization and operational issues in Nigeria.
2.2. The Oil Company and Host Community Conflict

For years, there have been continuous disputes between the oil companies and host communities, which has affected the oil companies, the environment, members of the host communities and the economy. In a social and physical environment, conflict is bound to happen as individuals, groups or institutions have different expectations (Dowokpor, 2015). According to Uwakonye et al. (2006), there is a direct disagreement between the oil producing firms and the members of the host communities as new issues are always emerging to trigger unrest among various stakeholders.

For a country that is heavily reliant on oil and gas for survival, the oil firms have played a vital role in boosting the Nigerian economy without having a corresponding effect on the living standards of members of the host communities. The lack of law enforcement by regulators has also aggravated the violence in the oil region. Elenwo and Akankali (2014) described the oil regions as a breeding ground for environmental degradation, pollution and environmental exploitation. Contamination of lands and water bodies has made life unbearable for the people, who are mostly farmers and fish harvesters. Losing their sources of livelihood has resulted in increased unrest in the oil region.

3. Stakeholder/Stakeholder Engagement

The corporate environment consists of diverse groups who are interested in how the company operates. These individuals and groups are known as stakeholders, since they have the power to influence the company’s goals (Wheelen et al., 2018).
Stakeholder Theory evolves from an organization's reliance on internal and external factors that influence their ability to meet their objectives. The term ‘stakeholder’ refers to a party with the power to influence an organization either positively or negatively (Avci et al., 2015; Manasakis et al., 2017; Mitchell et al., 2009). These stakeholder groups consist of e.g., shareholders, employees, customers, government, suppliers, creditors, and host communities (Avci et al., 2015; Berlan, 2016). Stakeholder participation is broadly described as a structured practice of engaging stakeholders constructively in operational activities (Cannon, 2012). Stakeholder engagement is a strategy involving key stakeholders who can influence a company in decision making aimed at achieving a common goal.

Stakeholder engagement involves a series of systematic actions specifically designed and carried out to influence the stakeholders. Participation may aid to form valuable associations and dialogue aimed at achieving a peaceful co-existence (Walker et al., 2013).

Table 3 below depicts the stakeholders and their various expectations. The primary expectation is centered on the company’s wealth. A financial Return on Investment (ROI) is generally anticipated by the owners usually in the form of profit. Employees invest their time, effort, know-how and expertise in exchange for wages, work experience and work satisfaction. Companies rely on the employee’s ability to meet and adapt to the changing needs of customers. Society expects companies to help preserve the environment, as well as the health and safety of every individual exposed to these operational hazards (Cannon, 2012).

**Table 3: Stakeholders and some of their expectations**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Expectations</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Primary</strong></td>
<td><strong>Secondary</strong></td>
<td></td>
</tr>
<tr>
<td>Owners</td>
<td>Financial return</td>
<td>Added value</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>Pay</td>
<td>Work satisfaction. Training</td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>Supply of goods and services</td>
<td>Quality</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>Creditworthiness</td>
<td>Security</td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>Payment</td>
<td>Long-term relationships</td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>Safety and security</td>
<td>Contribution to community</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>Compliance</td>
<td>Improved competitiveness</td>
<td></td>
</tr>
</tbody>
</table>

Source: Cannon, 2012 (pp. 246)
Since various stakeholders have different interests that may contrast with one another, conflict is bound to occur. For instance, choosing to contribute significantly to CSR can positively impact the environment, but it may also reduce shareholders’ wealth. Which stakeholder group should companies prioritize? Companies need to undertake a stakeholder evaluation to recognize each stakeholder’s interest and capabilities. The first step is to recognize the primary stakeholders that have a direct relationship with the company, who have significant control to directly influence the activities of the company. Customers, employees, suppliers, shareholders, and creditors are the primary stakeholders of a company. Second, recognize the secondary stakeholders that have an indirect interest in the company but are affected by its operations. These include NGOs, activists, local communities, trade associations, competitors and the government. The third step is to estimate the impact of any strategic decisions on each stakeholder group (Wheel- en et al., 2018).

Power dynamics exist between a company and its various stakeholders (Avci et al., 2015). When stakeholders have a stronghold in this relationship, the organization is bound to rely on them. When the organization is dominant in this relationship, then stakeholders depend more on the organization for survival (Avci et al., 2015; Manasakis et al., 2017). Mutually beneficial situations emerge when all stakeholders are mutually dependent on each other, which can lead to beneficial relationships and as a result, positive social change.

![Figure 2: Benefits of Stakeholder Engagement](Source: Business Social Responsibility Report, 2020)

Figure 2: Benefits of Stakeholder Engagement

<table>
<thead>
<tr>
<th>Manage Risk</th>
<th>Advise Strategy</th>
<th>Build Community Connection</th>
<th>Support Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Align healthy business programs with community expectations</td>
<td>• Assess the best management approach</td>
<td>• Understand perceptions and norms</td>
<td>• Tap additional resources, networks, and expertise</td>
</tr>
<tr>
<td>• Start a dialogue to address criticism and proactively address concerns</td>
<td>• Obtain input on ideas, policies, and practices</td>
<td>• Identify gaps in performance and communication</td>
<td>• Create new business models</td>
</tr>
<tr>
<td>• Identify roadblocks to health programs</td>
<td>• Improve operations, products, and/or services</td>
<td>• Earn the “social license” to deploy health programs</td>
<td>• Support new market entry</td>
</tr>
</tbody>
</table>

Source: Business Social Responsibility Report, 2020

Figure 2 illustrates the benefits of stakeholder engagement. The interaction of different interest groups will drive the development of a healthy business envi-
environment to a sustainable benefit. Interaction provides feedback that informs attention, aids in problem solving and improves performance for the benefit of all stakeholders.

4. Corporate Social Responsibility and Sustainable Livelihood

The concept of Corporate Social Responsibility which emphasizes a company’s commitment to the society in which it operates can be traced as far back as the 1960s (Epstein & Young, 1998). Since then, this topic has piqued everyone’s interest and sparked debate among all parties involved. Organizations are expected to mitigate the harmful influence of their actions by acting in a socially responsible manner. However, the exact meaning and scope of CSR remains ambiguous, since what constitutes corporate social responsibility varies considerably depending on the perspective of different stakeholders (Ostas, 2001).

The creation of shared value for all stakeholders, also known as corporate citizenship, results in a win-win situation. Companies practicing Corporate Social Responsibility act ethically and promote a collaborative, self-regulatory business model (Cavusgil et al., 2017). The concept of CSR proposes that a company has social obligations that extend beyond making a profit (Wheelan et al., 2018). CSR transforms corporate practices such that a company’s contribution to society is maximized and risks and costs being minimized while focusing on growing the business and brand value (Epstein-Reeves, 2011 in Csapóné et al., 2016). Dahlsrud (2008) analyzed 37 definitions for the term CSR. Five main elements can be found in the various definitions of CSR:

- Businesses have commitments that go beyond the production of viable goods and services.
- These duties include helping to solve important social problems that they helped to create.
- Companies have a broader constituency than stakeholders alone.
- The impact of companies go beyond basic marketplace transactions.
- Companies serve a wider range of human values than can be captured by a single focus on economic values (Buchholz, 1991 and Schwartz and Saiia, 2012 in Csapóné et al., 2015).

In sub-Saharan Africa, the literature on CSR activities remains relatively low (Aaron and Patrick, 2013). Trade liberalization and globalization have prompted more businesses to implement CSR policies in order to gain acceptance and recognition. Aaron and Patrick (2013) investigated the relationship between the CSR activities of multinationals and conflicts within the Nigerian oil regions and found that CSR activities were coined within the context of conflict resolution. There is
a consensus that corporate enterprises have failed in carrying out CSR activities which have resulted in the alleged marginalization of key stakeholders and several clashes in the oil region. Aaron & Patrick (2013) argue that because host societies see the obstruction of the oil firm’s activities as a means of gaining recognition, the struggle for attention has become a norm for most stakeholders in the oil region. This has triggered conflicts instead of collaboration between the oil firms and the host communities (Aaron and Patrick, 2013).

Most international oil companies operating in the oil-rich regions have adopted CSR as a business strategy. (Akankali and Abowei, 2010). However, the failure of the Nigerian government to provide the necessities for sustainable well-being to most communities affected by oil production has exacerbated the situation in the region (Aaron and Patrick, 2013). Many oil companies do not view CSR as an altruistic measure, but rather as a means of obtaining a license to operate (Nwagbara and Brown, 2014). Pipelines are often sabotaged, machinery destroyed on many occasions and direct attacks on the operating sites and oil workers by members of the host community. Thus, the study on the relationship between CSR activities and sustainable livelihood is justified as the findings could aid oil companies and host communities in developing a mutually beneficial relationship.

The threat posed by industrial development on the natural environment has been a major concern for years (Cannon, 2012). The concept of sustainability addresses the triple bottom line which includes profit, people and planet. An organization that pursues a sustainable business approach is responsible for its employees, customers, and the society in which it operates (Wheelen et al., 2018). The term ‘sustainability’ refers to the creation and adoption of corporate policies that do not jeopardize the ability of future generations to meet their own needs by preserving the economic, social, and natural environment (Cavusgil et al., 2017).

The livelihoods approach is based on the connection between people and assets and the activities that households can partake in to achieve a sufficient and acceptable standard of living (Allison and Ellis, 2001). These assets are not limited to financial capital. They also include the social, human, natural and physical capital that all contribute to one’s standard of living (Rakodi, 2002: 10). Sustainable Livelihoods is a clean, people-centered approach. The Sustainable Livelihoods Approach has become increasingly common in recent development programs aimed at alleviating poverty among vulnerable people (Alison and Hormans, 2006).
Figure 3 illustrates the five capitals that entail/are involved in a sustainable livelihood. Natural capital encompasses the environmental aspect which includes land and water bodies capable of influencing a sustainable livelihood. The ecological damage caused by the actions/inactions of the oil firms poses a threat to both the present and future generations. The network and connections between members of the society, the access to modern infrastructure, human and financial capital all entail a sustainable livelihood asset that can either constrain or enhance life.

For decades, environmental issues have been a major concern in developed countries such as the United States. It is now a global issue, with a growing presence even in developing countries (Erdey et al., 2019, Erdey and Tőkés, 2019). Industrialization poses a major threat to the environmental and social wellbeing of members of the oil producing region. Hence, sustainable livelihood is paramount. In recent years, regulators and organizations have proposed that corporate bodies intervene and promote sustainable development goals, which would not only enhance the lives of host communities but also the economy. According to Ray S. (2013), for CSR to have a positive impact on sustainable development, the following factors must exist; absolute engagement of all stakeholders, strict governmental enforcement to ensure that CSR programs remain effective and beneficial, and management know-how to understand CSR better and sustainability. According to Moon (2007), if businesses behave in a socially responsible manner, CSR will effectively contribute to sustainable development. Many studies have established a connection between CSR engagement and sustainability (van Marrewijk, 2003; Hahn, 2013; Hilson, 2012). Hence, the importance of CSR in ensuring a sustainable livelihood of the vulnerable in Nigeria and other developing countries cannot be overstated.
5. Conclusion and Recommendation

CSR is a viable approach that can be used by oil firms to boost the environmental and social welfare of the people. The heavy dependence on the oil sector by the Nigerian government has resulted in an environmental and socio-economic challenge that remains detrimental to the host communities that have to bear the brunt of the consequences of industrial processes. The existing CSR structures have not proven effective in addressing the immense environmental and social problems that have threatened the livelihood of the people. The Nigerian oil communities are more aware of their plight and the risks they face from the oil firm’s activities and the negligence of the government. Hence violence has become the norm in these areas. CSR initiatives in conjunction with government intervention will improve the livelihood of the people and to a large extent, end the violence that has been existing for decades.

Urgent attention should be drawn to this region to foster a sustainable coexistence between the oil corporations and their host communities. Diverse efforts must be made to minimize environmental harm by incorporating emerging technology and ensuring fair resource distribution that will benefit the vulnerable. It is therefore recommended that oil companies should recognize their responsibilities, their host community’s expectations and develop a partnership towards peaceful coexistence and the overall improvement of the livelihood of the people. Early community involvement in resource production has the potential to alleviate resource concerns. To increase social productivity, oil producers and relevant institutions must strengthen societal bonds. The most common method for group participation is consultation. The government should also provide enabling policies for sustainable development through CSR principles and practices. Evaluation of CSR projects by an independent third party should be enforced by the government and appropriate actions taken against those firms that will default. This will keep the oil firms on their toes. In the case where most members of the host communities are farmers who rely on the natural environment for survival, diversification and job creation are necessary for people to earn a decent source of livelihood.
References


Accessed: 2020.09.25