



Hungarian University of Agriculture and Life Sciences

**Relationship between Corporate Social Responsibility and the Sustainable
Performance of Small and Medium Enterprises in Ethiopia**

Doctoral (PhD) Dissertation

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Table of Contents

List of Tables.....	III
List of Figures	IV
Abbreviations	V
1. Introduction.....	1
1.1 Study Background	1
1.2 Justification of the Problem.....	2
1.3 Objectives of the Study.....	5
1.4 Significance of the Study.....	6
1.5 Organization of the study	6
2. Literature review	8
2.1 Theoretical Framework.....	8
2.1.1 Resource Based View Theory	8
2.1.2 Stockholder Theory	9
2.1.3 Stakeholder Theory	9
2.1.4 Agency Theory	11
2.2 Definition of Corporate Social Responsibility	11
2.3 Sustainability: The Triple Bottom Line (TBL) Approach.....	18
2.4 Perspectives of Developing Countries in Practicing Corporate Social Responsibility ..	20
2.5 Corporate Social Responsibility and SMEs.....	21
2.6 The Role of Small and Medium-size Enterprises in Economic Development	24
2.7 SMEs and Sustainable Development Goals (SDGs)	25
2.8 Small and Medium Enterprises (SMEs) in Ethiopia	30
2.9 Dimensions/Activities of Corporate Social Responsibility	35
2.9.1 Economic Dimension of CSR	35
2.9.2 Environmental Dimension of CSR.....	37
2.9.3 Social/Philanthropic Dimension of CSR.....	38

2.9.4	Ethical Dimension of CSR	39
2.9.5	Legal Dimension of CSR	40
2.10	Performance of Small and Medium-size Enterprises	41
3.	Material and Method.....	44
3.1	Description of the Study Area.....	44
3.2	Research Design and Approach	47
3.3	Target Population.....	48
3.4	Sampling Techniques and Sample Size Determination	48
3.4.1	Sampling Techniques	48
3.4.2	Sample Size Determination	48
3.5	Type and Source of Data.....	50
3.6	Validity and Reliability of the Instruments Used to Collect Data	50
3.7	Method of Data Analysis and Model Specification	51
3.8	Ethical Considerations	51
4.	Results and Discussion	53
4.1	Presentation of Results	53
4.1.1	Reliability of the data	53
4.1.2	Demographic Characteristics and Business Profile.....	54
4.2	Descriptive statistics Analysis	66
4.2.1	Economic responsibility	66
4.2.2	Environmental Responsibility	67
4.2.3	Social Responsibility	68
4.2.4	Legal Responsibility	69
4.2.5	Ethical Responsibility.....	70
4.2.6	Organizational Performance	71
4.3	Correlation Statistics.....	72
4.4	Effects of CSR on SMEs' Performance	75

4.5	Results of inferential statistics	80
4.6	Discussion of Results.....	84
5.	Conclusions and Recommendations	89
5.1	Conclusion.....	89
5.2	Recommendations	92
5.3	Suggestion for further study	94
6	New Scientific Results	96
7	Summary.....	98
	Appendices	105
	Appendix 1: References.....	105
	Appendix 2: Questionnaire	126
	Acknowledgements	132

List of Tables

Table	Title of the Table	Page
Table 1	Primary and secondary firm's stakeholders	9
Table 2	SMEs' Role in achieving SDGs	25
Table 3	Core SDG indicators relevant to SME for reporting environmental challenges.	33
Table 4	Proportional sampling for each sector	48
Table 5	Reliability test (Cronbach's Alpha results)	53
Table 6	Sex of respondent	53
Table 7	Practices of corporate social responsibility	63
Table 8	Motivating factors for CSR	64
Table 9	Challenges of CSR	64
Table 10	Descriptive Statistics for economic activities	66
Table 11	Descriptive Statistics for Environmental Activities	67
Table 12	Descriptive Statistics of Social Activities	68
Table 13	Descriptive Statistics of Legal Activities	69
Table 14	Descriptive Statistics of Ethical activities	70
Table 15	Descriptive Statistics of organizational performance	71
Table 16	Correlation coefficients guideline	71
Table 17	Correlation Coefficients	73
Table 18	Test for multicollinearity (Collinearity Statistics)	76
Table 19	Kolmogorov-Smirnov and Shapiro-Wilk tests	79
Table 20	Model Summary	81
Table 21	ANOVA table	81
Table 22	Regression Coefficient	82
Table 23	Justification of Hypothesis	87

List of Figures

Figures	Title of the Figures	Page
Figure 1	Three-dimensional Carroll's (1979) Model of CSR	13
Figure 2	Carroll's Illustration of the Four Elements of Social Responsibility	14
Figure 3	Carroll's 1991 Pyramid of CSR	15
Figure 4	Africa's Corporate Social Responsibility Pyramid	16
Figure 5	People – Planet – Profit: the triple bottom line	19
Figure 6	Elements of Sustainable Development	24
Figure 7	Returns from Investments on Environmental Activities	32
Figure 8	Conceptual Framework of the Study	42
Figure 9	Administrative Map of Oromia Regional State	45
Figure 10	Age of Respondents	54
Figure 11	Educational Status of Respondents	55
Figure 12	Experience of employees in Years	56
Figure 13	Life span of the enterprise	57
Figure 14	Business form of the enterprise	58
Figure 15	Number of employees	59
Figure 16	Capital of the enterprises	60
Figure 17	Economic sector of the enterprise	61
Figure 18	Creation of awareness about CSR	62
Figure 19	Scatter Plot Figure	75
Figure 20	P-P Plot Figure	77
Figure 21	Normality Plot	78

Abbreviations

ANOVA	Analysis of Variance
CLRM	Classic Linear Regression Model
CSR	Corporate Social Responsibility
GDP	Gross Domestic Products
GTP	Growth and Transformation Plan
ITC	International Trade Centre
MSMEs	Micro, Small and Medium Enterprises
NGOs	Non-Governmental Organizations
OECD	Organization for Economic Cooperation and Development
RBV	Resource Based View
SDGs	Sustainable Development Goals
SME	Small And Medium-Sized Enterprises
TBL	The Triple Bottom Line
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs

1. Introduction

In today's turbulent business world, society expects more from business firms to be ethical and socially responsible than the legal requirements. Corporate social responsibility is thus becoming an increasingly significant aspect of the business sector. Hence, this section describes the study's background, the explanation for the problems being studied, general and specific objectives, the importance of the research, and lastly explains organization of the paper.

1.1 Study Background

Globalization, trade and economic liberalization in early 1990s, government intervention to minimize the impact of business operation on society environment increases community awareness on sustainability issues of business activity (DAS et al., 2019). Consequently, the terms "corporate citizenship", "corporate accountability", "corporate social responsibility (CSR)", "responsible business behaviour", and "corporate sustainability (CS)" are fame and used interchangeably (CARROLL, 2016). While CSR and CS are commonly used phrases in literatures, recent studies conducted on this area mostly used the term CS (MONTIEL and DELGADO-CEBALLOS, 2014) which is more broader than CSR and includes recent concepts of socio-economic, ethics and governance in an aggregate business strategy.

In today's competitive world, society expects more from business firms to be ethical and socially responsible more than the legal requirements. The most crucial force in all organization at the moment is the economic, environmental and socio-political shifts taking place in the world (MARTÍNEZ et al., 2018). Business stakeholders are more concerned about company engagement in numerous economic, environmental, and social aspects than solely profit making to stay in operation. In this regard corporate social responsibility is an ever-increasing important component of business world.

Even though the concept of corporate social responsibility was started to be studied in the mid-twentieth century, it has been significantly developed in the past two decades (CARROLL and SHABANA, 2010). Corporate social responsibility includes different aspects like stakeholder's involvement, economic growth, environmental conservation, ethical approach, responsible practice, moral obligation, accountability, and corporate responsiveness (RAHMAN and POST, 2012). Sustainability theory is one of the major streams of literatures targeting not only investors, but also the well-being of society and customers in the form of practices focusing at conserving natural environment (VALDEZ JUÁREZ, 2017). The rise of international quality and

environmental certifications are focused on corporate social responsibility indicates the importance of such certificate in increasing competitiveness among companies (LEE, 2008).

Corporate social responsibility conducted by business enterprises involves not only legal and economic commitments, but also other responsibilities towards society and including its contribution (CARROLL, 2009). Carroll also indicates researchers agree that corporate social responsibility have a multiple advantage for organizations, community well-being, sustainability, labour rights, and human development for business profitability. Firms which have socially responsible strategies in their corporate social responsibility program have a competitive advantage and highly reputable in society (YIU CHAN, 2014). Study conducted by (SKOWRON-GRABOWSKA et al., 2016) indicates, more than the financial dimension of a company, the social and environmental activities are much important for the operation of business enterprise.

Corporate social responsibility helps small and medium enterprises (SME) to gain several advantages like reputation, trust, motivation, attracting better employees, cost reduction and increased revenues (ZAFAR & FAROOQ, 2014). Nowadays, small and medium enterprises (SMEs) are increasing their relationship with all business stakeholders in response to legal requirements and public demands concerning sustainability activities of companies (SAVA et al., 2011). Since there are ample literatures that have various models to integrate and determine corporate social responsibility in big organizations, the best option for small and medium enterprise (SME) is to adapt this models and attempt to gain similar results as in large organization. The models are centered on activities, social, environmental (ethical-legal) and economic (GEVA, 2008; MA, 2012). CILIBERTI et al., (2008) indicates that contribution of corporate social responsibility in small and medium enterprises (SME) both in developed and developing nations has been seen as extra activity and are not forced to generate a report for environmental and social sustainability as required in large firms. Therefore, the current study is an attempt to fill the knowledge gap of the subject under study in developing region particular to activities of corporate social responsibility practice of SMEs in Ethiopia.

1.2 Justification of the Problem

Small and medium business sectors are recognized as an integral component of economic development and play a significant role in the efforts of a country to eradicate poverty. The sector has enormous contributions for the societal welfare and economic growth of all countries specifically for countries in developing, emerging, and underdeveloped economies (DAS et al., 2020). ASTRACHAN, (2010) indicates that small businesses play an important role in the

development of a country and serve as a means to sustain and grow economies. KOZAN et al., (2006) also indicates that small and medium enterprise sector helps in promoting entrepreneurial abilities that enhances economic sustainability for the growth of a country and contribute to lowering unemployment as well as generate new sources of employment. However, HALLBERG, (2000) showed that though SMEs have a long history of economic development effort for a country's growth, the sector was perceived as a synthetic construction mainly of "social and political" importance, especially over the years 1980s up to late 1990s.

SMEs contribute over 60% of GDP and about 70% of total employment to low-income countries like Ethiopia, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries (AYYAGARI et al., 2007) as cited in (ABDISSA and FITWI, 2016). Even though domestic SMEs constitutes most of the private sector activities in most developing countries, private sector policies in developing region favour for large scale organizations including their foreign business strategies (MEYER-STAMER and FRANK, 2000); policy advice which was partly motivated by the rather disappointing results achieved through extensive SMEs support systems operated in developing countries since 1970s. On the other hand, studies of HONJO, (2000), SINGH and BELWAL, (2008), and WIBOONCHUTIKULA, (2002) showed, while contributions of SMEs were recognize, many programs and policies were developed to support them, their journey in many instances is short-lived with high rate of failure mostly in Africa.

Obviously, business firms can impose risks on the well-being of the society and the environment in which they operate. However, PAPASOLOMOU-DOUKAKIS et al., (2005) indicates companies can compensate the negative impact of their operation in various ways; construction of health facilities, schools, roads, and ethical business practice as well as attesting commitment to the environments are some of how business firms can manifest corporate social responsibility practice. On the other hand, job creation for large community, becoming loyal tax payer for government, producing quality product and service are the basic existence of business organization (HSU and CHENG, 2012). Business organizations are expected to integrate social demands (integrative approach) along with ethical considerations (ethical approach) in order to generate a positive impact on society. In this regard, corporate social responsibility becomes a significant feature of managing businesses which implies all the appropriate social, environmental and economic actions that a firm must incorporate to satisfy the concerns of stakeholders and the financial requirements of shareholders (HAILU and NIGATU, 2015; WORKEAFERAHU, 2017; EYASU and ENDALE, 2020).

Research scholars argue that business firms are expected to share benefit with all stakeholders rather than solely focusing on profit (DARCY et al., 2014). Sustainable competitive profit, long-term value for stakeholders, increased market share and sales volume, getting attention of governments body, competitors, suppliers and environmental experts are some of the benefits of participation of SMEs in social affairs (SAVA et al., 2011). Drives of business firms to implement sustainability activities are dependent on the firm characteristics. Basically, the motivations of business firms to practice sustainability activities comes from the influence and pressures of globalization, activists, media, consumer, universal expansion of economies, legal requirements, and civil society (KHANNA and GUPTA, 2011; MZEMBE and MEATON, 2014).

Corporate social Responsibility is well-practiced and becomes a valuable business strategy in large organizations (SAVA et al., 2011); and implementation of social responsibility reporting in multinational companies are increasing (SMITH, 2011). CHABOWSKI et al., (2011) indicates, business organizations are implementing sustainability activities as a means of attaining their long-term corporate strategy. However, literatures regarding corporate social responsibility were centred on giant business organization and multinational companies in which small and medium enterprises (SME) received little attention from researchers and practitioners (ATTIG et al., 2013).

The impact of corporate social responsibility on a firm's performance has caught the attention of several scholars in the past (JIN and DROZDENKO, 2010; PETRENKO et al., 2016; LÓPEZ-ARCEIZ, et al., 2018; MIRAS-RODRÍGUEZ et al., 2020). However, the outcomes of these studies were very inconsistent (BARNETT, 2007; BOEHE and CRUZ, 2010; ZHANG, 2014). The findings of most of the researchers who conducted their study to see the association between CSR and organizational performance are also indecisive and vague (MARGOLIS and WALSH, 2003; VOGEL, 2005; MISHRA and SUAR, 2010; OEYONO et al., 2011). In their studies, some authors found a positive relationship between corporate social responsibility and organizational performance (ORLITZKY et al., 2003; VAN BEURDEN and GÖSSLING, 2008; ABU BAKAR and AMEER, 2011). However, other studies show a negative relationship CRISÓSTOMO et al., 2011; SINGH and MISRA, 2021). A positive relationship between corporate social responsibility and a firm's performance is also supported by recent studies (GALLARDO-VÁZQUEZ and SANCHEZ-HERNANDEZ, 2014; LARRÁN JORGE et al., 2015). These inconclusive results can lead scholars to undertake more investigation of corporate social responsibility to construct and test more hypotheses regarding the issue.

According to CILIBERTI et al., (2008), there is very scant research done on Corporate Social Responsibility of small and medium enterprises in developing countries. The study of PRAVEEN et al., (2015) showed that, corporate social responsibility activities are not practiced in case of SMEs and completely ignored in developing countries like Ethiopia. DUCA and GHERGHINA, (2019) also confirmed that literatures which deal with corporate responsibility in developing countries specifically in Africa region is very little and unorganized and lacks formal documentation. Hence, one can say the concept of Corporate social Responsibility is untapped research area in Ethiopia and very little studies have been made so far in which none of the researchers address the cases of SMEs. Therefore, the following research questions were framed to guide the research analysis.

1. What effect do CSR-related economic activities have on SMEs' performance?
2. What impact do environmental activities have on the performance of SMEs within the context of CSR?
3. How do CSR-related social activities impact the effectiveness of SMEs?
4. What impact do legal initiatives within the CSR dimension have on SMEs' performance?
5. What impact do moral actions within the CSR dimension have on the performance of SMEs?

The following hypotheses must therefore be tested in this dissertation.

Hypothesis 1 (H1): There is a statistically significant positive relationship between the economic dimension of CSR and SME performance.

Hypothesis 2 (H2): There is a statistically significant positive relationship between the environmental dimension of CSR and SME performance.

Hypothesis 3 (H3): There is a statistically significant positive relationship between the social dimension of CSR and SME performance.

Hypothesis 4 (H4): There is a statistically significant positive relationship between the legal dimension of CSR and SME performance.

Hypothesis 5 (H5): There is a statistically significant positive relationship between the ethical dimension of CSR and SME performance.

1.3 Objectives of the Study

The main purpose of this study is to investigate the effect of corporate social responsibility activities on the performance of SMEs in Ethiopia, Oromia regional states.

To achieve the general objective of the study, the following specific objectives were formulated in line with research questions mentioned above.

- To investigate the impact of CSR-related economic activities on the performance of SMEs.
- To determine how environmental initiatives within the CSR dimension affect the performance of SMEs.
- To assess how social activities affect the performance of SMEs in the CSR dimension.
- To explore how the performance of SMEs is affected by legal activities in the CSR dimension.
- To determine the effect of ethical activities in the CSR dimension on SME's performance.

1.4 Significance of the Study

This study has an immense contribution for different stakeholders, specifically for policy makers, researchers and academicians, general publics, and SME owners at large. The finding of this study can help as an input for policy makers to revisit their programs toward CSR implementation promotion strategy for SMEs to sustain the sector for the betterment of country's economy. In addition to this, the findings fill the knowledge gaps of CSR concept in developing countries particularly in Ethiopia and serve as a reference for those scholars who need to undertake further investigation on the subject area. On the other hand, this specific study also serves as a catalyst (create awareness) for general publics to demand for their well-being and enforce business entities to practice CSR activity. The study helps as evidence for SMEs owners on how to keep their business in the market by accommodating the interests of society and future generation without affecting the general objective of their business.

1.5 Organization of the study

The research's organizational structure was designed to include nine chapters in which each of which has a different sub-section. The first chapter covers the study's introduction, the explanation for the problems being studied, general and specific objectives, and lastly the importance of the research. The second chapter dealt with the literature review, which includes the theoretical underpinnings of the study, empirical analyses of prior studies in the area, and conceptual frameworks that present the study's overarching perspective. The third chapter discusses the research methodology that was used for the study, which includes the following: research design and approach; target population; sampling strategies and the calculation of sample sizes; model specification; and finally, the research ethics that were taken into consideration in this study. The

results are presented and discussed in chapter four, together with supporting evidence for the hypothesis, and chapter five discusses the conclusion, its policy implications, and recommendations for all relevant parties in the field being studied. The chapters six, seven, eight, and nine, which discuss the study's limitations and recommendations for further research, the paper's novel scientific findings, and the study's summary which includes an introduction, background information, methodology, findings, conclusions, and suggestions followed by references and an appendix respectively.

2. Literature review

Recognizing the main concept of corporate social responsibility and its effect on organizational performance is essential and it is important to support the practical results by theoretical and empirical view. Hence, this section serves as a base for this study by describing theories related to CSR, arguments of scholars on the concepts of CSR and review empirical studies to show research gap of the subject in case of developing countries more specifically in Ethiopia, Oromia regional state.

2.1 Theoretical Framework

The theoretical underpinnings of corporate social responsibility for business organizations are presented in the section that follows. Some of the fundamental theories discussed here include the resource-based view theory that focuses on the company's strategic resources, which are the building blocks of business growth; the stockholder theory, which deals with how to maximize shareholder returns; the stakeholder theory, which suggests business firms have to understand and account for all of their company's stakeholders – the constituencies that affect or are affected by its operations; and the agency theory, which attempts to explain relationships and self-interests in business organizations.

2.1.1 Resource Based View Theory

The Resource Based View (RBV) theory revolves around a company's strategic resources, which are the building blocks of business growth. These types of resources create value for an organization and may become a sustainable competitive advantage. The RBV theory is a managerial framework used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage. According to KAUPPAKORKEAKOULU, (2010), RBV theory describes company's ability to invest in internal capability to sustain competitive advantage. RBV theory states that, more than an administrative units, business organizations are a collection of productive resources innate to the firm (CONNER and PRAHALAD, 1996).

Individual firms can co-operate in order to create knowledge for competitive advantage (CONNER and PRAHALAD, 1996; HUGHES, 2008) in which company managers add initiate employees to utilize the knowledge within the firm (CONNER and PRAHALAD, 1996). Moreover, RBV theory

also states that some resources cannot be brought or sold while others can only be developed over time (BARNEY et al., 2001), and other resources cannot be copied by competitors (DYLLICK and HOCKERTS, 2017). According to LOZANO et al., (2015), the main principle of RBV theory is that companies are an interrelated entity that share their internal resources for competitive advantage i.e. companies are not a black-box as viewed by other theories. Hence, RBV theory puts a light on the shade by providing good understanding for company managers and employees to focus on their internal resources to get a competitive advantage while they concern the environmental issue.

2.1.2 Stockholder Theory

Stockholder theory, also known as shareholder theory, says that a corporation's manager has a duty to maximize shareholder returns. FRIEDMAN, (1970) and ARGANDOÑA, (1998) states that, the main objective of a business company is to increase shareholders return by maximising the value of the firm's share in the market. Stockholders have significant influence on the firm's strategic decisions as they provide capital with the expectation of a return on their investment (LEISINGER, 2014).

According to stockholders theory, without the consensus of the shareholders, company cannot invest in societal activities for public interest (FREEMAN et al., 2004; HASNAS, 2016), hence managers make decisions in favour of shareholders which disregards the interests of other stakeholders (CHARREAUX and DESBRIÈRES, 2001). Stockholders theory ignores firms responsibility with regard to social, cultural and economic needs of the large society BROOK, (2001), and the impact of a firm on the environment is mistreated under this theory (HASNAS, 2016). WHITE, (2004) in his study entitled "lost in transition? The failure of CSR" indicates negligence of firm's impact on the environment have a negative consequence in the long-run and leads to removal of the firm from its operation either by society or government.

2.1.3 Stakeholder Theory

Stakeholder theory holds that company leaders must understand and account for all of their company's stakeholders – the constituencies that affect or are affected by its operations. In contrast to stockholders theory, the stakeholder theory underlines that, balancing the interests of all stakeholders to ensure the long-term survival of a firm is the sole obligation of a business

organization (LOZANO, 2010; HASNAS, 2016). According to ARGANDOÑA, (1998) and FREEMAN et al., (2004), stakeholders can be divided into internal and external: employees and management of the company are taken as internal stakeholders whereas governments, customers, suppliers, environmentalists, banks and other groups are considered as external stakeholders. Moreover, LINDFELT (2002), CASTKA and PRAJOGO (2013), and LEISINGER (2014) indicate that stakeholders can be further divided into primary and secondary, where the primary stakeholders have a more direct impact than the secondary stakeholders. Examples of firm's primary and secondary stakeholders within the context of stakeholder's theory is indicated here in table 1.

Table 1: Primary and secondary firm's stakeholders

	<i>Primary Stakeholders</i>	<i>Secondary Stakeholders</i>
Social	<ul style="list-style-type: none"> ▪ Shareholders and investors ▪ Employees and managers ▪ Customers ▪ Unions ▪ Suppliers and other business partners ▪ Local communities 	<ul style="list-style-type: none"> ▪ Government and regulators ▪ Civic institutions ▪ Social pressure groups ▪ The media and academia ▪ Trade bodies ▪ Competitors ▪ General public
Non-social	<ul style="list-style-type: none"> ▪ The natural environment ▪ Future generations ▪ Non-human species 	<ul style="list-style-type: none"> ▪ Environmental pressure groups ▪ Animal welfare organization

Source: LINDFELT, (2002); CASTKA and PRAJOGO, (2013); LEISINGER, (2014) as cited in LOZANO et al., (2015)

Despite the fact that the main focus of stakeholders theory is on social factors, environment issues such as environmental management, environmental regulation, protection of natural resources, and

others are some of the non-social elements addressed in the theory (CÉSPEDES-LORENTE et al., 2003; ONKILA, 2009). Hence, in addition to providing a general understanding for company managers on how to cooperate with various stakeholders to sustain the business operation, the theory has a significant contribution to the economic, environmental, and social dimensions of CSR.

2.1.4 Agency Theory

Agency theory is a management and economic theory that attempts to explain relationships and self-interests in business organization. According to EISENHARDT and EISENHARDT, (2018), agency theory emphasises on the principal-agent business relationship in which the former delegates the later to perform the business activities on behalf of the owner (the principal) with an assumptions of: a) self-interest of each party; b) goal conflict between principal-agent; c) the bounded rationality of decision makers; d) information asymmetry; e) the pre-eminence of efficiency; f) risk aversion; and g) information as a commodity. Agency theory is an important tool to analyse the integrated reporting of CSR performance of investors (GARCÍA-SÁNCHEZ and NOGUERA-GÁMEZ, 2017) and impact of owners independency and board size on the practice of CSR activities (KAYMAK and BEKTAS, 2017). Because, agency theory assumes that independent and active board can safeguard and mitigate the information asymmetry within the organization in which managers have more information than other stakeholders (CALVO and CALVO, 2018).

However, since principal and agents have a divergent goals and risk preferences, most contracting issues encountered agency problem. For instance, FAMA and JENSEN, (2005) posits, agency problem arises from monitoring and structuring contracts between agents that have conflicting interests. From the perspectives of CSR, agency theory perceives both parts (principal and agent) as self-centred working toward merely profit maximization with no room for firm's social and environmental responsibility as a business function (QUEEN, 2015).

2.2 Definition of Corporate Social Responsibility

Even though corporate social responsibility (CSR) is enormously popular phrase in a modern society nowadays, there is no agreement between scholars and practitioners on precise meaning of corporate social responsibility. For instance, MCWILLIAMS and SIEGEL, (2001), defines

corporate social responsibility as “actions that appears to further some social goods, beyond the interest of the firm and that which is required by law”, whereas HUSTED and ALLEN, (2006) considers corporate social responsibility to be wider as “ the obligation to respond to the externalities created by market action”.

Many scholars recognize that the definition of corporate social responsibility varieties depending on context or the environment. According to SCHLIERER et al., (2012) and FASSIN et al., (2015), there is a big discrepancies in the judgment of social responsibilities in various nations which have culturally particular versions of social responsibilities understanding. The difference of the definition also depends on unique political ritual, government policies, or legal requirements regarding social responsibility of business organizations (DOH and GUAY, 2006; KNUDSEN et al., 2015). The difference is also depend on the societal awareness of social responsibility and corporate social responsibility, between small and big industries, between individual corporate leaders (COLOMBO et al., 2019; GLAVAS, 2016).

There are various models exist that aids to describe corporate social responsibility and add a lot of theories to the topic. The next few sentences highlight, among other things, ecological and political models, which are followed by the well-known Carroll's corporate social responsibility model, which is then discussed in detail in the subsequent paragraphs. Both biological diversity and ecological integrity should be preserved, according to ecological models. To put it another way, they prioritize environmental health over opportunity or income as the fundamental measure of sustainability (ROLSTON, 1994).

Political model which supports the creation of enduring social structures that protect human dignity is another model. One method of this paradigm is environmental justice and civic environmentalism; by emphasizing hazards to human life that are caused by the environment, they draw attention to necessary ecological goods or sustainable environmental management programs (AGEYMAN, 2005). Agrarianism and deep ecology are two other tactics in this model that entail more substantial conceptions of the greater benefit of humanity. In the end, these models advocate preserving the social and cultural frameworks necessary to actualize ecological personhood, civic identity, or even personal faith through ecological membership.

The Corporate Social Responsibility Models by CARROLL (1979, 1991): Although CSR has its detractors, both researchers and practitioners have given the subject a lot of attention. The most well-known and commonly used model of CSR is Carroll's (1979) three-dimensional model, which is regarded as the foundation of the discipline. The foundation of Carroll's model is the idea that firms should not only be "focused on producing profits," but also "have a concern for society, communities, the environment, employees, and ethics" (GOI and YONG, 2009).

CARROLL (1979) first put forth a three-dimensional model of CSR to assess: 1) four different types of societal accountability (discretionary, ethical, legal, and economic); 2) six social issues (consumerism, the environment, discrimination, product safety, occupational safety, and shareholder interests); and 3) four community responsiveness ideas (reaction, defence, accommodation, and pro-action). Along with its economic responsibilities, the model also looks at an organization's discretionary, ethical, and legal obligations. The model's depth can be traced to an effort to solve the following theoretical issues:

1. What exactly falls under corporate social responsibility?
2. What societal challenges does an organization have to address?
3. What is the concept or approach to social responsiveness of the organization?

The three dimensions of the model are represented by these three questions and their respective answers. Figures 1 and 2 show a graphic illustration of Carroll's three-dimensional model and Carroll's assessment of the relative importance of each of the four social responsibility components, respectively.

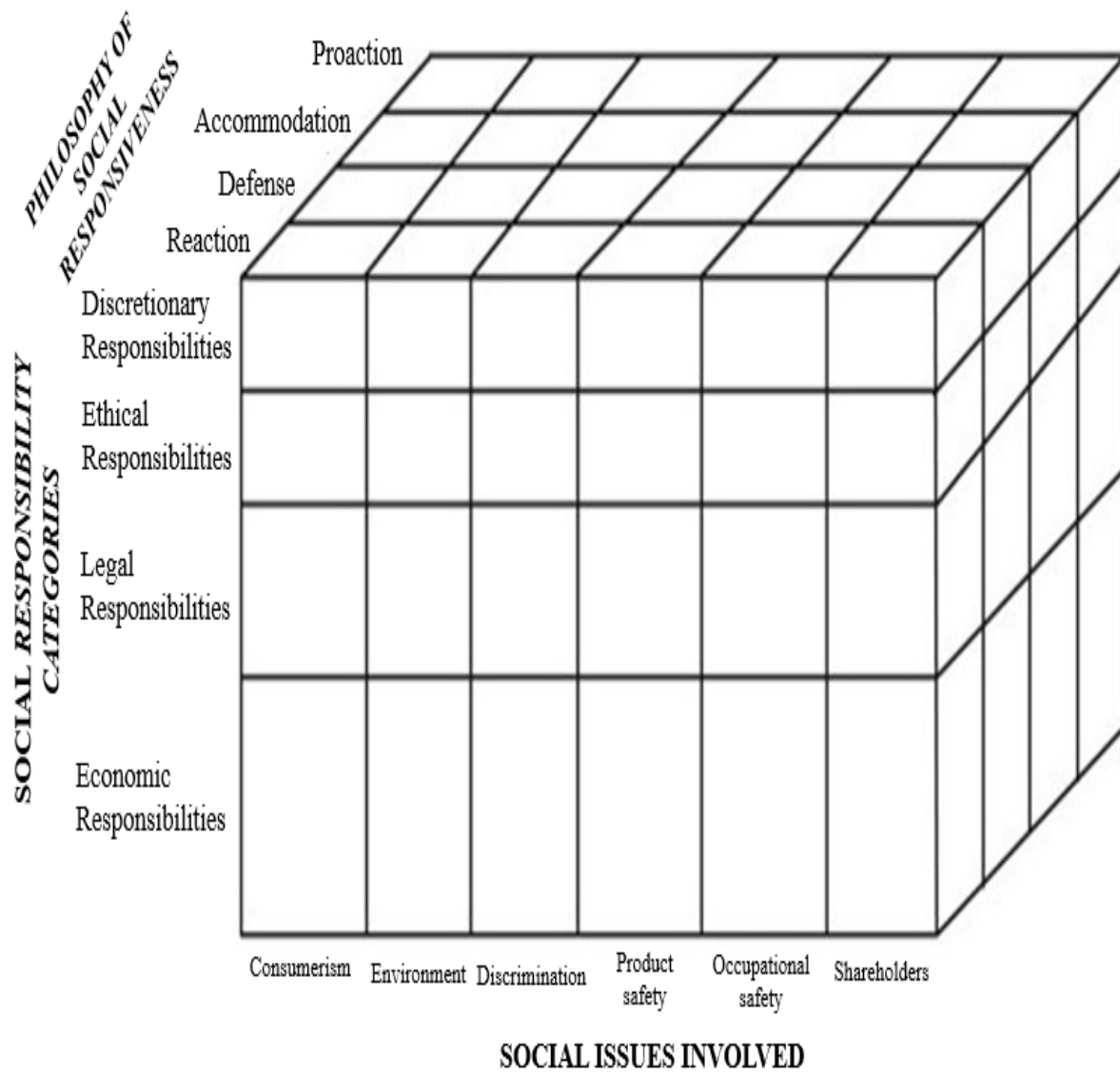


Figure 1: Three-dimensional CARROLL'S (1979) Model of CSR

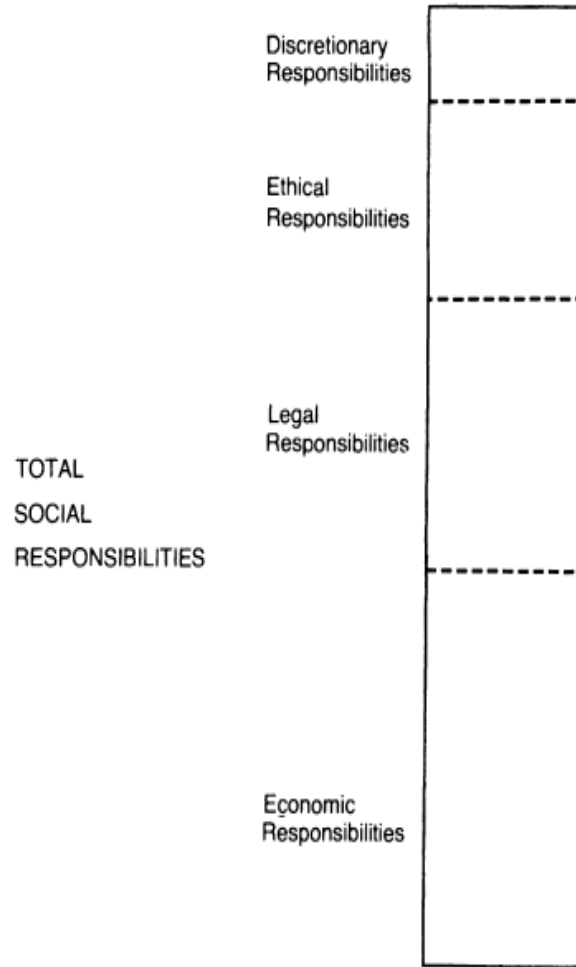


Figure 2: Carroll's Illustration of the Four Elements of Social Responsibility

According to CARROLL, (1991), “corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm’s ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent” (AUPPERLE et al., 1983). Carroll presented his CSR model as a pyramid in 1991 which is depicted as follows.

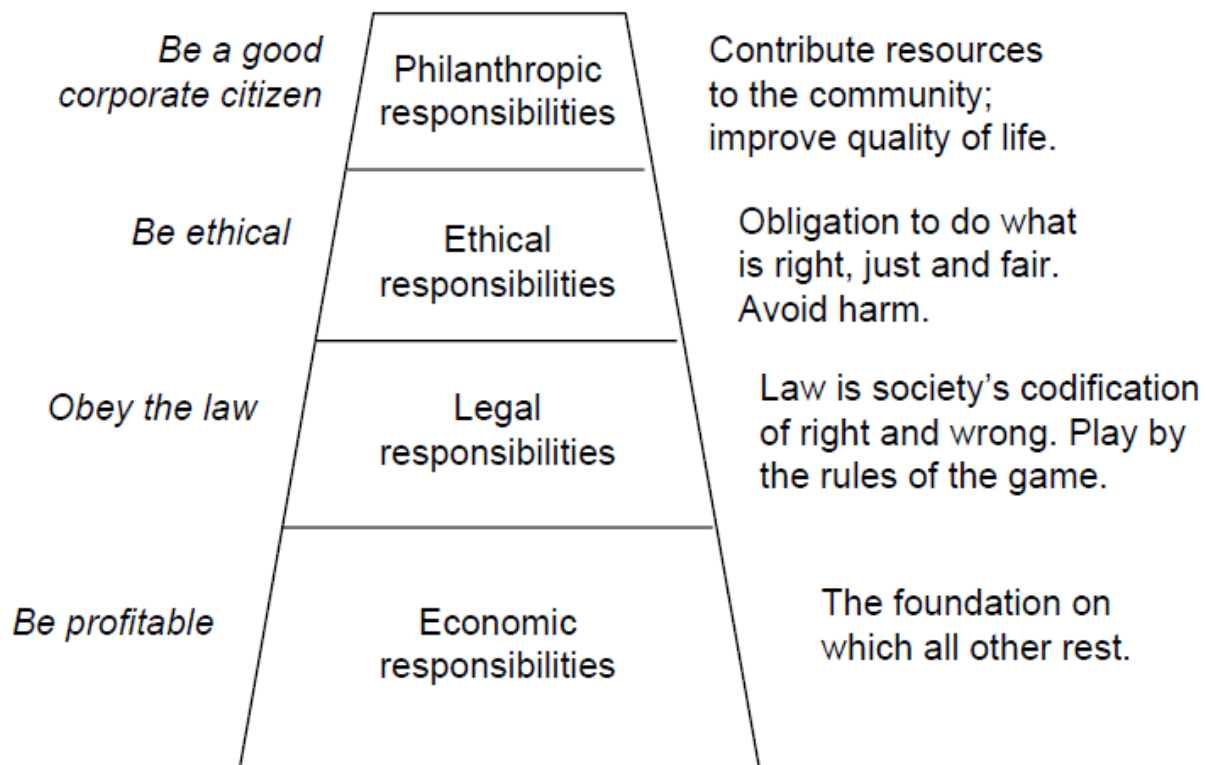


Figure 3: The Pyramid of CSR CARROLL, (1991) as cited in NALBAND and KELABI, (2014)

However, Carroll's pyramid of CSR model was criticised by VISSER, (2005) as it needs slight modification to see how CSR manifests itself in African context. Visser insisted that "although no comparative empirical studies have been conducted, it is speculatively argued that the order of the layer in Africa – if they are taken as an indicator of relative emphasis assigned to various responsibilities – differs from Carroll's classic pyramid". Though economic responsibility has given the most emphasis in Africa, philanthropy is given second highest priority followed by legal and then ethical responsibilities. Wayne Visser's revised CSR pyramid in African context as follows:

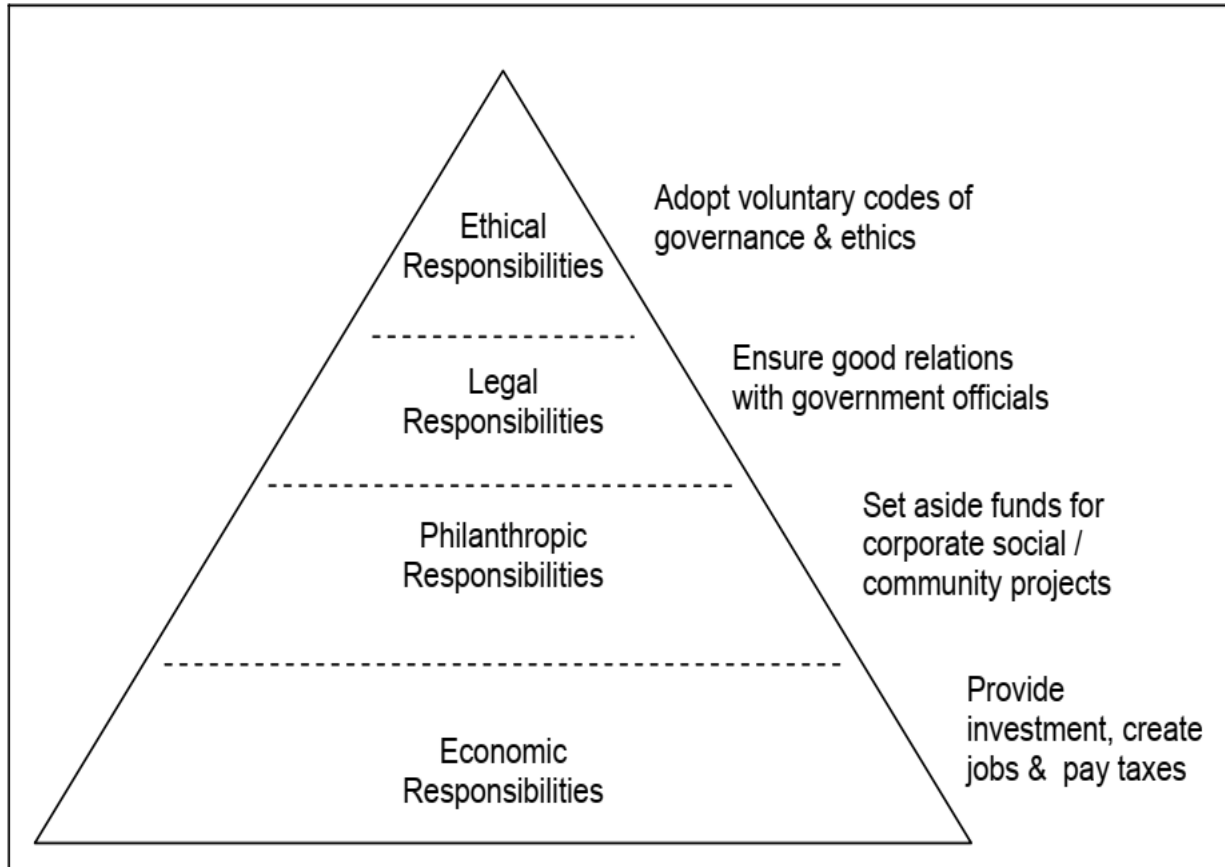


Figure 4: Africa’s Corporate Social Responsibility Pyramid, VISSER, (2005)

In support of FOX, (2004) arguments on the governance reforms in Africa that provides no room to create an enabling environment for responsible business, VISSER, (2005) provides a concluding argument that, improved ethical responsibility, incorporating good governance in African business context are the key to improvements in all the other dimensions, including economic development, rule of law and voluntary action.

In line with CARROLL and VISSER, (2005) definition of CSR, the international labour organization portrayed the definition of the European commission as the most accepted definition for corporate social responsibility. It defines as “a management concept where by companies integrate social and environmental concerns in their business operation and interactions with their stakeholders on a voluntary basis” (EUROPEAN COMMISSION, 2003). The commission also underlines “socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and the relations with stakeholders”.

2.3 Sustainability: The Triple Bottom Line (TBL) Approach

Sustainability encompasses renewable energy, accepted and adored in the community member, conserving resource, eco-friendly service, and fair environment system (JEPSEN and GROB, 2015). Likewise, environmental sustainability entails reprocessing and waste management actions, recycling, and renewable programs. Business firms that adhere to sustainability can adopt responsive approach to a call from sustainability. This means that, the business enterprise made a proactive decision to social and environmental effects and minimise the risk by keeping the wellbeing of the society without affecting its strategy both in the short and long run terms which in turn benefit the society and strengthen its business strategy.

Long term growth, innovation, creativity, profitability, and competitive advantage over competitors are pillars of corporate sustainability. Thus, the balance among social, economy, and business environment is mandatory for sustainable corporate strategy (KRAUSS, 2017). The steadiness between economic, environmental, and social goals of an organization is taken as corporate sustainability (HANSEN and SCHALTEGGER, 2016). Sustainable development from the viewpoint of business can be defined as an overall strategy embarked on by an organization to attain the current objective of the firm without compromising the need of the future generation (VERMEULEN and WITJES, 2016). It means that, attaining all the three goals by incorporating the dimensions of the triple bottom lines of environmental, economic, and social in their strategy.

The environment is the first dimension that linked to sustainable development and is the first definition on sustainability of firms with an environmental approach which was adopted by the United Nations General Assembly in 1987 which deals with how to reverse the problems associated with environment (KEEBLE, 1988). The definition adopted for sustainable development at that time is: “It is a development that meets current needs without compromising the future generation to meet their own needs”. Sustainability is, however, have varied explanations with several complexity and multidimensional concepts (HART et al., 2003).

Sustainability concept in the business context gets much attention after the sustainability reporting of the TBL. The TBL – “people-profit-planet” which was first coined by John Elkington from Great Britain. JOHN ELKINGTON, (1997) became among the main guiding models for sustainable organizational performance measurement (HUBBARD, 2006). From the business

organization context, TBL is an approach and movements to attain the three interrelated goals of social, economic, and environmental dimensions.

AJIAKE, (2015) defines TBL as “a holistic socially responsible way of defining the criteria and metrics that are used to measure an organizational success from both an internal and external perspectives”. Moreover, TBL is the mechanism used to measure the performance of an organization in terms of economic, social, and environmental values (SLAPER, 2011; ALHADDI, 2015), also comprises community participation, employment generation, and support of business development (HAMMER and PIVO, 2017).

The TBL performance indicators of social dimension includes measures of education, equity, and access to social resources, health and well-being, quality of life and social capital (MUÑOZ-PASCUAL et al., 2019). Thus, the social aspect of TBL concentrates on the development of impartial and valuable business practices that can support the society, community, employees and human capital that involves the development of policies and programs to sustain such benefits. On the other hand, HUBBARD, (2006) indicates the TBL requires an organization to measure its environmental performance by considering the impact on use of resources: optimal and efficient use of materials in its operation; and by-product emitted from its process: waste, air emission, chemical residues, etc. Regarding the economic aspect of the TBL, as indicated by SLAPER, (2011), an organization can measure their economic performance by using indicators such as their contribution to unemployment reduction, personal income (income per capita) increment, redevelopment and reinvestment for extra job creation.

In nutshell, from the business organization context, TBL is an approach and movements to attain the three interrelated goals of social, economic, and environmental dimensions which usually termed as the people-profit-planet (3ps): planet, people, and profit. However, to have sustainable development and growth, the 3ps must be harmonised to ensure sustainability (see Figure 5).



Figure 5: People – Planet – Profit: the triple bottom line (Korombel et al., p 14)

2.4 Perspectives of Developing Countries in Practicing Corporate Social Responsibility

Today, as a new phenomenon, the governance and corporate social responsibility are more well-established in the developed world than in the developing world. Unlike the developed countries, the concept of new governance is not practiced in most developing countries; rather, it takes the old traditional focus of the owner–manager relationship. In addition, it is not common to find a specific form of corporate social responsibility practices in the developing world; otherwise, it could be seen from business perspectives (BEDADA, et al., 2011).

In the African context, not-for-profit organizations, and public interest entities such as banks and listed companies have been noted to be greatly involved in community-based CSR activities for sustainability reasons. Most of these organizations are subsidiaries of multinational companies ascribing to and complying with the standards set by the corresponding global offices based in developed countries (JAMALI et al., 2017). In addition, unlike in developed countries, regulatory agencies in Africa do not provide adequate capacity, if any, for the implementation and monitoring of CSR activities by organizations (JAMALI et al., 2017). Therefore, further research is needed to uncover the underlying motivation for the involvement of companies in CSR in developing countries.

In describing the significance of integrating social and environmental issues in business operations, concern for social development and environmental issues is important for sustainable development to restore and protect the environment and conserve it for future generations. However, the big challenge for developing countries is that the industrial environment is not the same as in developed countries and major issues affecting CSR practices also vary widely according to the local environment (ABEBE, 2020). According to him, like many other developing countries, CSR practices in Ethiopia are guided by five recognized domains: economical, legal, ethical, philanthropic, and environmental.

Several corporations are now following an increased commitment to CSR beyond just profit making and compliance with regulation (FAMIYEH, 2017). According to ABEBE, (2020), CSR from the Ethiopian perspective can be viewed as two-fold. Firstly, there is the current development of certain formal CSR activities made by international companies and non-governmental organizations (NGOs). Secondly, there is the existence of some informal CSR activities that are closely linked to cultural Ethiopian traits found in the national companies and organizations of Ethiopia.

2.5 Corporate Social Responsibility and SMEs

Corporate social responsibility plays key role for the development of long term mutual interdependency between business enterprise and the community (POST and PRESTON, 2002). According to WOOD et al., (2018), CSR concerns about how an organization can manage the relationship between the business and its stakeholders. Moreover, CSR can be viewed through stakeholders theory in which different groups; employees, customers, environment, suppliers, society and other constituents are affected by operation of the business (HAASE, 2017). The idea of economic, environment and social impact hypothesis of a business is supported by large share of literature (CORNELL and SHAPIRO, 1987).

Though KECHICHE and SOPARNOT, (2012) magnifies the role of CSR in large business organizations, JENKINS, (2009) argues that small and medium enterprises (SMEs) can no longer survive without CSR practice as this sector have cause a significant impact on social, environmental and economic worldwide. According to the study made by VIVES, (2014), SMEs can implement CSR in three categories. The first social responsibility of SMEs is to ensure the

wellbeing of their employees which is the core and an internal social obligation of all business firms (HAMMANN et al., 2009). SMEs can reveal their social responsibilities to employees by providing them a conducive and safe working environment, equitable wage, giving them an opportunity for education and training to upgrade their skills and competencies (BRANCO and RODRIGUES, 2006). The second SME's social responsibility is the external obligation in which the enterprises have to concentrate in creating a strong bond with the local economy (HEMANT, 2009). SMEs can show their commitments toward social integration with local community in which they operate by sponsoring social activities (BERGER-DOUCE, 2008) like; charitable events, donations, health and safety programs, employment opportunities, construction of schools, roads, hospitals and other infrastructures (SAWYER and EVANS, 2010). According to CASSELLS and LEWIS, (2009), the third social obligation of SMEs is their accountabilities to the impact of the environment due to their operational activities. COLLINS et al., (2007) suggests that SMEs can minimise their impact to the environment by setting measurable targets for wise use of energy, eco-friendly activities, controlled gas emission to air and water, and waste management system like recycling, reuse, and refurbishing programs.

Though there are some companies those involved CSR activities into their business strategies, SMEs in developing countries are not fully engaged in CSR practice and the business owners are not aware of such topics. However, according to SARFRAZ et al., (2018), SMEs are more flexible than large organizations to address changes with fewer risks and their particular features enable them to incorporate CSR activities better than large organizations. Notable motivating factors that encourage SMEs to adopt CSR activities for business sustainability are an amalgamation of internal factors to an organization such as organizational culture and top management commitment and external factors such as government regulation (BAKOS et al., 2020). Financial gains, government regulation, and availability of resources are the most common driving factors in today's business that promotes SMEs to include CSR activities in their business strategy (ABOELMAGED, 2018; and KIEFER et al., 2018). The legal system of a country have a great impact on cultural traits, economic, environmental and social well-being (ABDULLAH et al., 2017), and lay foundation for level of commitments and best practice that have to be implemented by businesses to enhance performance (AGUILERA et al., 2007).

Those business companies who determined in implementing CSR activities in their business operation has gained more economic profit than others (HATEGAN et al., 2018). According to BACKHAUS et al., (2002), SMEs can gain high benefits from CSR activities like improvement in employee engagement, conducive workplace culture, improved employee motivation, commitment, trust, and development of ethical behaviour. TUR-PORCAR et al., (2018) showed that, compared to human relation and other business factors, behavioural factors such as motivation, lifestyle, and metacognition are the most divining factors of sustainability that seems to be norms within a business. According to their study, the reasons behind that businesses are green are due to behavioural factor which mostly influences entrepreneurial sustainability in SMEs. WILLIAMS and SCHAEFER, (2013) also confirms the idea of TUR-PORCAR et al. (2018) by demonstrating SMEs managers' view that says there is a need to fit personal and professional values so as to encourage employees to have sense of personal responsibility for climate change that have a long term impact for business sustainability.

The best way that firms can act in a socially responsible is correcting anything that could affect the stakeholders without the knowledge of the company at any time they are aware of it (CAMPBELL, 2007). According to MEYER and ROWAN, (1977), an interesting action that firms can do is disseminating an information to disclose their good practice to divert attentions from those that may arouse controversy. The approach of information disclosure of social and environmental CSR by large firms is completely different from SMEs. SCAGNELLI et al., (2013) indicates in their study that the approach followed by SMEs to manage CSR issues is quite different specifically in terms of the meaning and role they attribute to CSR in corporate strategy.

ENDERLE, (2004) showed some barriers to CSR practice as cash limitations, informality, and personal relationship. SMEs encounter more challenges than large firms with regards to time, knowledge, skilled manpower to disclose CSR practices (LAGUIR et al., 2016). Resource constraints and time limitation are the reason for SMEs to see for simple and cheap practice of CSR that can be easily implemented (HUDSON et al., 2001; LAGUIR et al., 2016). Moreover, SCAGNELLI et al., (2013) posits that SMEs also favour to use simple guidelines to disclose their CSR practices. On the other hand, SMEs are derived for the commitment of CSR practice due to their local network embedded and influence comes from their closest clients and employees (LAGUIR et al., 2016). Social CSR disclosure helps firms to maintain reputation and gives a

warrant for their legitimacy (HOLDER-WEBB et al., 2009; REYNOLDS and YUTHAS, 2008). Therefore, SMEs can disseminate or communicate their social and environmental practice and performance to their stakeholders using CSR disclosure instruments.

2.6 The Role of Small and Medium-size Enterprises in Economic Development

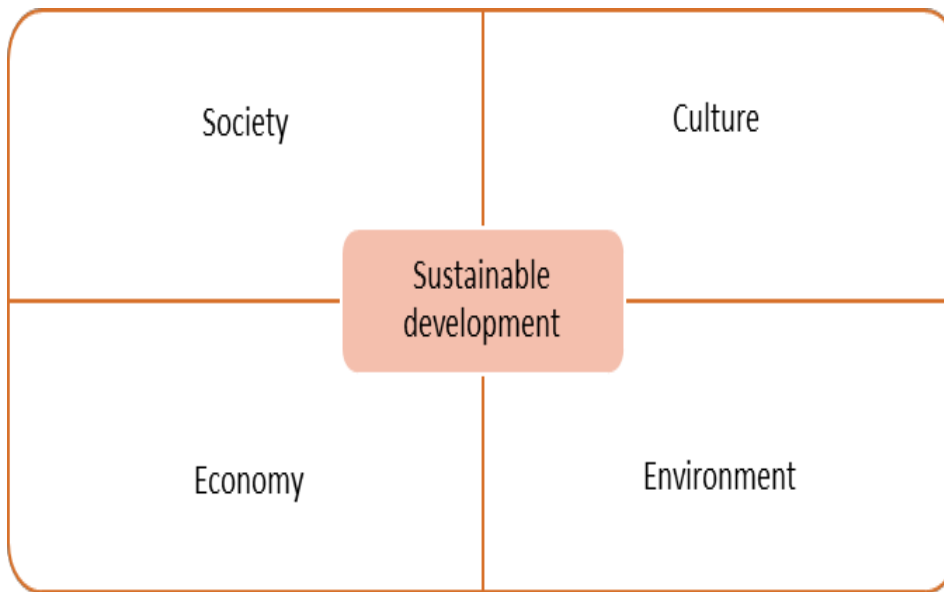
Managers of enterprises and policymakers are increasingly conscious of the importance that small and medium-sized firms (SMEs) play in the development of countries' economies in today's business world where ongoing upheavals and changes have become the norm rather than the exception. In fact, the value added, local employment generation, and diverse manufacturing capabilities of this type of businesses are frequently attract the attentions of all stakeholders. The fundamental issue SMEs face, however, is one of flexibility, which makes it challenging for other large companies to maintain and create more jobs, particularly during times of failures. However, many governmental organizations and government-affiliated bodies in responsible for economics, employment, or similar fields are making substantial efforts to boost SMEs' capacity to generate local jobs through a variety of policies and economic models. A major factor driving the rising interest in researching and examining SMEs' prospects with reference to domestic economies is the proportion of SMEs in the overall number of firms. As a in reality, in OECD nations, SMEs account for 99% of all firms (OECD, 2019). The ability of SMEs to directly contribute to the two most important economic ratios, employment, and productivity, is typically the cause of their ubiquitous presence. In low-income economies, small and medium-sized firms are expected to be the main source of employment and the provision of products and services. However, stable SME circumstances and suitable growth and development environments are associated to job generation.

According to MANZOOR et al., (2021), small and medium-size enterprise growth is thought to be the primarily instrument for economic development. Thus, SME's have unflinchingly been thrust into the spotlight and the centre of attention because of globalization. Moreover, SMEs support economic growth in a variety of ways, like fostering innovation throughout the economy and promoting sustainability by hiring absorbing labour forces from the market (KONGOLO, 2010). According to official data, small and medium-sized businesses (SME) account for more than 91% of all businesses and have a substantial impact on job creation in many of the nations and regions

(SAVLOVSCHI and ROBU, 2011). Moreover, according to (International Labour Organization, 2015), most empirical data supports the idea that SMEs are a true source of new jobs.

2.7 SMEs and Sustainable Development Goals (SDGs)

The United Nations organization is planning to prioritize sustainable development as one of its core initiatives. In actuality, there are four dimensions to sustainable development, which are depicted in Figure 6.



Source: Adapted from “Sustainable development”. UNESCO, 2021, as cited in *Economic and Social Development (Book of Proceedings)*, 2022

Figure 6: Elements of Sustainable Development

These elements have been put into practice through the creation of seventeen (17) "Sustainable Development Goals (SDGs)" in accordance with the 2030 Agenda for Sustainable Development, which was endorsed by all United Nations Member States in 2015. These objectives are intended to promote the adoption of several actions in response to social and environmental problems. However, reviewing how much SMEs may contribute to the fulfilment of these SDGs in this situation was a problem (UNDESA, 2020).

The United Nations Department of Economic and Social Affairs (UNDESA) has released a paper titled "Micro, Small, and Medium-sized Enterprises and Their Role in Achieving the Sustainable Development Goals" to show the significance, contribution, and value of SMEs to the SDGs. To

support the connections between these aims and SMEs, a variety of justifications, suggestions, and even benefits of SMEs were emphasized for each goal. Each argument concluded with a description of the new SMEs' business plans or solutions that were intended to help achieve the SDGs. Table 2 below offers an overview of the analysis and arguments put forth in that document.

Table 2: SMEs' Role in Achieving SDGs

Sustainable Development Goals (SDGs) Agenda	Contributions of SMEs to the SDGs agenda
Goal 1. End poverty in all its forms everywhere.	Small and medium-sized businesses (SMEs) engage disadvantaged and marginalized communities, produce employment that helps people escape poverty, and could make changes to their operations that will help them to contribute to the goal (UNDESA, 2020, p. 5).
Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.	Smallholder farmers and SMEs with an agricultural concentration have directly contributed to the goal, and SMEs also could take steps in their operational procedures to support the goal (UNDESA, 2020, p. 7).
Goal 3. Ensure healthy lives and promote well-being for all at all ages	SMEs are filling the healthcare gap with their services as healthcare providers. Making health investments a top priority in company planning is one way that individual SMEs can take steps in their operations to support the goal (UNDESA, 2020, p. 9).
Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Individual SMEs could take steps in their business practices to support the goal by developing initiatives that give students earlier access to the community (e.g., apprenticeship, career education, internships, work-based learning programs, etc.); providing employees with ongoing learning opportunities to improve their

	skills for their current and future employment (UNDESA, 2020, p. 11).
Goal 5. Achieve gender equality and empower all women and girls	Individual SMEs could take steps in their business processes to support the goal by hiring women and adopting inclusive funding to close the gender gap as a major number of SMEs are owned or run by women entrepreneurs (UNDESA, 2020, p. 13).
Goal 6. Ensure availability and sustainable management of water and sanitation for all	Individual SMEs could take steps in their business practices to support the goal by making sure the workplace has the necessary WASH facilities, putting water efficiency first by implementing best practices for water conservation, and informing staff members about the significance of water efficiency (UNDESA, 2020, p. 15).
Goal 7. Ensure access to affordable, reliable, sustainable, and modern energy for all	Individual SMEs have the power to contribute to the goal by pursuing energy-efficient certifications and giving energy efficiency the top priority in all activities, including preserving light, heating, and cooling (UNDESA, 2020, p. 18).
Goal 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	SMEs can accomplish this by boosting the GDP and overall economic growth, generating jobs, and having the capacity to encourage ethical employment practices and entrepreneurship (UNDESA, 2020, p. 20).
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	SMEs can take steps to support the objective by changing how they do business. They can provide guidelines and encourage rules to make sure projects and initiatives are run sustainably. By offering all participants the chance to submit innovative responses to sustainability-related

	problems, they could also encourage innovation (UNDESA, 2020, p. 22).
Goal 10. Reduce inequality within and among countries	SMEs can help achieving goal 10 by fostering economic participation, having the capacity to revitalize underdeveloped regions, giving income to low-income and marginalized populations, and boosting SMEs' productivity, aiding in bridging pay disparity (UNDESA, 2020, p. 23).
Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable	Individual SMEs have the potential to change their business practices in a way that contributes to the goals. They can work together to create and/or take part in a sustainable community that gathers necessary parties on a single, impartial stage to examine, debate, and act on urban functionality, resilience, and sustainable development (UNDESA, 2020, p. 25).
Goal 12. Ensure sustainable consumption and production patterns	Individual SMEs have the ability to take steps in their business practices to support the goal by minimizing the effects of manufacturing by replacing raw materials in products with post-consumer materials through recycling and upcycling, drastically reducing waste, ensuring that any unavoidable waste is utilized to the fullest extent (for example, using organic waste as fuel or fertilizer), conducting a straightforward audit to determine where money is being spent, what waste it relates to, and more (UNDESA, 2020, p. 28).
Goal 13. Take urgent action to combat climate change and its impacts	Individual SMEs have the ability to take steps in their business practices to help achieve the goal by performing a straightforward energy audit and making changes like implementing energy-efficient LED lighting,

	<p>understanding climate risk and incorporating resilience into the company's assets and supply chain, expanding sustainable forest management through responsible sourcing practices, creating a green travel policy to encourage staff to use more sustainable forms of travel, and imitating other companies' sustainable business practices (UNDESA, 2020, p. 30).</p>
<p>Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>	<p>Individual SMEs have the potential to take steps in their business practices to support the goal by tracking the product life cycle to understand how they are disposed of and which products are likely to end up in marine environments, recording and disclosing information on the chemical makeup and material usage of products, packaging, and processing systems to facilitate closing the loop, and preventing waste mismanagement or littering that could pollute the environment (UNDESA, 2020, p. 31).</p>
<p>Goal 15. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss</p>	<p>Measurement, management, and mitigation of impacts on ecosystems and natural resources; scaling up of best practices for land-use planning and management; commitment to and implementation of responsible sourcing practices beyond compliance; and application of environmental and social safeguards for all raw materials and commodities are all actions that individual SMEs can take to support the goal (UNDESA, 2020, p. 33).</p>
<p>Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to</p>	<p>Individual SMEs could take steps in their business practices to support the goal by adhering to laws and attempting to meet international standards; mandating</p>

<p>justice for all and build effective, accountable and inclusive institutions at all levels</p>	<p>and encouraging business partners to do the same; conducting risk assessments to examine and monitor external patterns that could affect business operations; supporting organizations or the participation of employees in training programs on violence prevention; and incorporating violence prevention (UNDESA, 2020, p. 35).</p>
<p>Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>	<p>Individual SMEs have the potential to implement measures in their business practices to contribute to the goal through collaborative initiative, seek out a local charity that the organization is close to, and have a conversation about how the business can support their work. They could also participate in SDG-related partnerships like the UN's Make the Global Goals Local campaign, the SDG reporting initiative, and locally based sustainability initiatives (UNDESA, 2020, p. 37).</p>

Source: UNDESA – Report on MSMEs and the Sustainable Development Goals, 2020

2.8 Small and Medium Enterprises (SMEs) in Ethiopia

The Small and Medium Enterprise (SME) sector has emerged as a highly vibrant and dynamic sector of the Ethiopian economy over the last decade. Ethiopia has become one of the fastest growing countries and registered strong economic growth in agriculture, industry and services, social services especially education and health sector in the past fifteen years. To achieve the Growth and Transformation Plan (GTP) and maintain the economic growth momentum, the government of Ethiopia has given special attention to the promotion of SMEs. Notable to this, the government of Ethiopia has formulated various strategies and policies that can assist the development and growth of SMEs operating in the country. The 1997’s and 2011’s Micro, Small and Medium Enterprises Development Strategies, the 2013 – 2025 Industrial Development Strategic Plan, and Transformation Plans (Plan I and II) are some of the remarkable actions. To

some extent, all these strategies have contributed to the sustainability and emergent of new small and medium enterprises in Ethiopia.

The 1997's Small and Medium Enterprises Development Strategy was very comprehensive, detail and had broad SMEs intervention areas. It includes support initiatives for the SMEs financial constraints, market linkage problems, lack of training, inaccessibility of appropriate technologies and lack of required infrastructures. Moreover, the government was pledged to relax the formal lending procedures of the commercial banks, establishing platforms that encourage NGOs to supply funds to the SMEs and provisions of incentives from the government side that can improve the competitiveness of SMEs in the market (ESUBALEW and RAGHURAMA, 2020). Relatively, the 1997 SMEs development strategy appears to be a policy that gives a privileged treatment for SMEs as it is the first in its kind for the sector. But in reality, as ESUBALEW and RAGHURAMA, (2020) analysis showed, the small and medium enterprises are still remained under the finance constraints as they are forced to deposit 20% of their start-up capital to get a loan from financial institutions (micro financial institutions - especially financial institutions established to finance SMEs).

According to the analysis of AREAYA, (2020), the SMEs Development Strategy of 2011 – 2015 was gave an attention to the growth and development of Small and Medium Enterprises in terms of size and their market performance like price, quality, and supply. Furthermore, he mentioned some of the primary focus of SMEs Development Strategies of the 2011-2015 as follows:

- The second SMEs development strategy dictates the state governments to guarantee the credits beyond the 20% compulsory saving amount to alleviate the financial constraints.
- Arrangements of saving program for lease machine and investment materials to solve problems related to capital/asset and enable them to get a loan without collateral.
- The revision of the institutional arrangement of the Federal Micro, Small and Medium Enterprises (FeMSMEs) which places under the Ministry of Urban Development and Construction. However, the agency is more fruitful had it been under the Ministry of Trade where it discharges its responsibility of job creation and development of enterprises through doing business.

The third strategic document which focused on SMEs was Industrial Development Strategic Plan for the period 2013-2025. According to ESUBALEW and RAGHURAMA, (2020), the 2013-2025

industrial development strategy gave more emphasis for employment generation than SMEs' economic contribution to the country's GDP. However, more of the SMEs development strategies are viewed in the first growth and transformation plan (GTP I) from the period 2010/11 – 2014/15 and extends to the second growth and transformation plan (GTP II) from 2015/16 to 2019/20.

Ethiopian government strategic plans are inconsistent with United Nations Conference on Trade and Development (UNCTAD) report, 2018. and International Trade Centre 2021 Report: the SMEs Competitiveness Outlook 2021. The SME Competitiveness Outlook 2021 examines how small businesses might recover from the COVID-19 pandemic, so they are ready to meet the impending climate disaster. It offers a 20-point Green Recovery Plan to support competitive, resilient, and ecologically sound small and medium-sized businesses (SMEs).

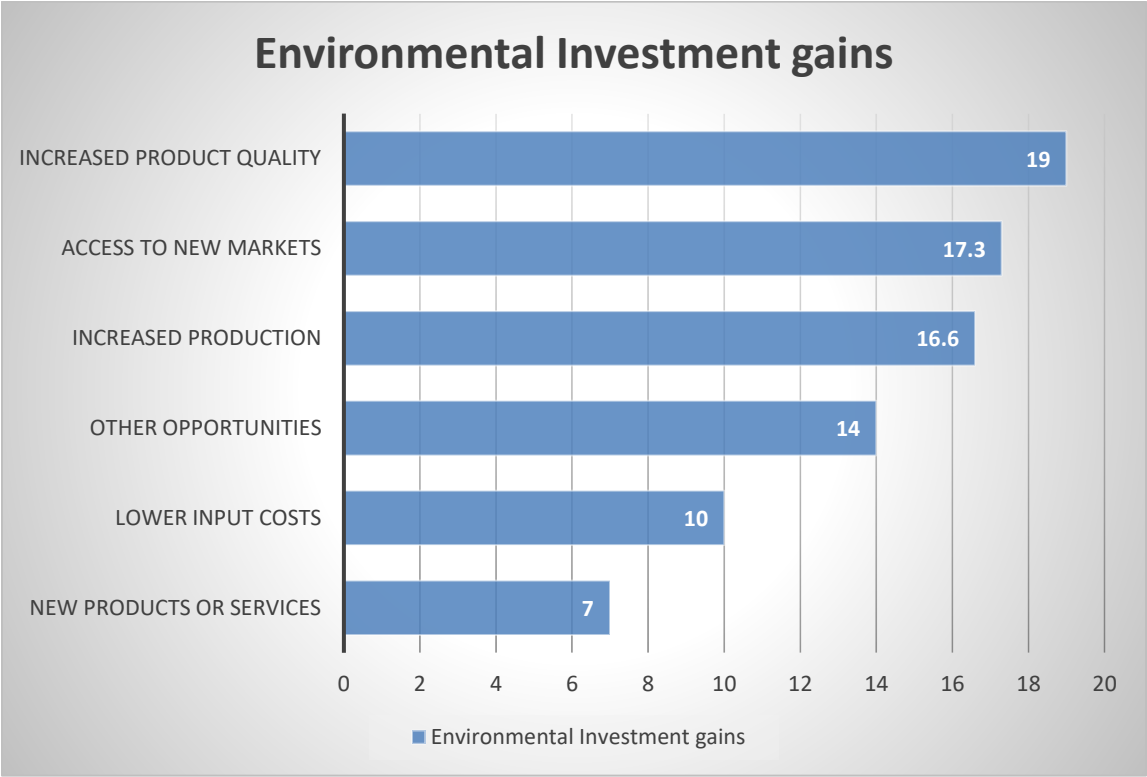
According to ITC report, (2021), because small and medium-size businesses lack important operational foundations, they are less susceptible to shocks, including pandemics and climate change. Adopting sustainable practices is not only about businesses being good – it is also about good business. There are five factors driving the SME business case for going green:

- increased resilience;
- cost reduction and higher productivity;
- compliance with climate regulations;
- access to markets;
- eligibility for green financing.

Changes in water, electricity, and chemical management are examples of actions that may be taken to reduce a company's environmental impact that are either free or relatively inexpensive but have a big impact. Although these "fast wins" might serve as a starting point for greening SME business practices, larger expenditures yield far greater returns for both the environment and the bottom line.

For instance, the installation of solar panels and electrical equipment, which required sizeable initial investments, was one of the most expensive solutions adopted by SMEs taking part in ITC's resource efficiency and circular production interventions. However, these activities are anticipated to have the greatest overall financial advantages after ten years as well as the greatest environmental reward in the form of lower greenhouse gas emissions.

In Africa, 59% of businesses who had made investments to green their business claimed that doing so had given them access to new prospects. In the three years prior, companies that made green investments saw a 19% rise in product quality, a 17.3% increase in new market access, a 16.6% increase in production, a 10% decrease in input prices, and a 7% increase in the creation of new goods or services (ITC report, 2021) and presented in the following Figure 7.



Source: International Trade Centre 2021 Report: SME Competitiveness Outlook 2021

Figure 7: Returns from Investments on Environmental Activities

The General Assembly's resolution 71/221 on entrepreneurship for sustainable development has been in effect since its adoption in December 2016, and the United Nations Conference on Trade and Development (UNCTAD) prepared a report in 2018 in collaboration with the Department of Economic and Social Affairs to examine its implementation. The report, according to UNCTAD (2018), addresses initiatives and best practices for fostering entrepreneurship at the local, regional, and global levels. These programs and best practices include the identification, development, implementation, and evaluation of sound policy programs for promoting entrepreneurship as well

as the promotion of micro, small, and medium-sized businesses to address social, economic, and environmental issues, particularly in the context of the 2030 Agenda for Sustainable Development.

Moreover, the report focusses on using indicators to assess how entrepreneurship policies impact economic growth and the achievement of the Sustainable Development Goals. In addition, it addresses methods for evaluating the effectiveness of entrepreneurship policies and carries out routine evaluations to determine the contribution of entrepreneurship to the accomplishment of the Sustainable Development Goals.

Regular evaluations can assist government officials and policymakers stay on top of trends and create and put into action tailored entrepreneurial policies that are in line with the goals. It is crucial to establish quantifiable goals that can be turned into key performance indicators that can be monitored over time to identify any advancements or declines in the entrepreneurial ecosystem for the periodic evaluation of policies. In this regard, concentrated international efforts are required to create a statistical indicator framework and institutional procedures to produce and collect data on the influence of micro, small, and medium-sized businesses, and entrepreneurship on the realization of the goals. Such metrics might be incorporated into the framework for monitoring the goals, allowing nations to voluntarily report on a regular basis. The following table 3 presented the core SDG indicators for enterprise reporting on environmental challenges that could be relevant to small and medium-sized enterprises.

Table 3: Core SDG indicators relevant to SME for reporting environmental challenges.

<i>Indicators</i>	<i>Definitions</i>	<i>Sustainable Development Goals/Indicators</i>
Green investment	Investment that can be considered directly or indirectly positive for the environment.	7.B.1
Water recycling	Total volume of water that a reporting entity recycles or reuses during the reporting period	6.3.1
Water-use efficiency	Change in water consumption per net value added in the reporting period	6.4.1
Reduction of waste generation	Change in the enterprise's waste generation per net value added	12.5
Waste recycling	Percentage of recycled input materials used to manufacture the enterprise's primary products and services	12.5.1

Greenhouse gas emissions	Direct greenhouse gas emissions per unit of net value added	9.4.1
Renewable energy	Consumption of renewable energy as a percentage of its total energy consumption during the reporting period	7.2.1
Energy efficiency	Energy consumption divided by net value added	7.3.1
Community investment	Community investment refers to charitable donations and investment of funds in the broader community, where the target beneficiaries are external to the enterprise	17.17.1
Proportion of women in managerial positions	Number of women in managerial positions divided by the total number of employees	5.5.2
Average hours of training per year per employee, broken down by employee category	Activity that includes all types of vocational training and instruction, paid educational leave provided by the reporting entity for its employees, training or education pursued externally and paid for in whole or in part by the reporting entity and training on specific topics such as health and safety	4.3.1
Expenditure on employee health and safety	Total cost of employee health and safety, in monetary units, by adding up the figures obtained from costs of occupational safety and health-related insurance programs, the cost to the enterprise of health-care activities financed directly by the enterprise, and costs incurred by the enterprise on working environment issues related to occupational safety and health	3.8

Source: United Nations Conference on Trade and Development (UNCTAD) report, 2018

2.9 Dimensions/Activities of Corporate Social Responsibility

Even though businesses must turn a profit, social responsibility is crucial for all organizations in the business world. Business organizations cannot be justified by economic factors alone. When determining a company's performance, social, moral, and ethical considerations in business decisions are just as significant as economic considerations. In addition to satisfying societal demands, a socially conscious business builds a long-term, sustainable market for its goods. Therefore, the following subsection discusses the economic, environmental, social, legal, and ethical dimensions/activities of corporate social responsibility in detail.

2.9.1 Economic Dimension of CSR

According to the European Commission, (2003), the economic dimension of CSR is the system by which business organizations can secure problems related to product quality and safety issues,

customer satisfaction and supply chain management that firms may encounter in marketing their products and services to support economic growth and sustainability. The system followed by a firm to undertake its business in the market determines how a firm has devoted to integrating economic dimension with other key business functions. The objectives of such integration are to back the general economy to advance the living standards of the community in such a way that business organizations are practicing active exploitation of market opportunities and concentrate on long term economic performance than short term profit maximization (BANSAL, 2005; RUSSEL et al., 2007; WILLARD, 2012).

Enhanced productivities lowered cost of productions, innovative and diversified products are some of economic allied activities of CSR. Despite its value creation, economic dimensions of CSR need active management and decisive decision making which have a long-term impact on the sustainability of the business and requires to secure enough cashflow insistently to ensure adequate returns for shareholders (DYLLICK, and HOCKERTS, 2002). Decision making and controlling of every and each activity of the business in SMEs are the most common features of the owners of the firm (JENKINS, 2009). Findings of research indicates that, the economic dimension of CSR in SMEs is more viable as the business owners are conscious about the mutual relationship between the firm, customers and suppliers are vital for the existence of their business (HORNSBY et al., 1994; VITELL et al., 2000; LAHDESMAKI, 2005).

Small and medium enterprises are more flexible than big organizations and could adjust themselves to the ever-changing market environments (GOFFEE and SCASE, 1995), so that they take the opportunities to reach the community with new products and service that increase values for their business and for society as well. However, some studies done by SPENCE, (1999); BEAVER and JENNINGS, (2000) argued that financial capacity of SMEs are limited that hinders the long-term financial perspectives of economic dimension of CSR and the owners are more inclined to satisfy short-term profit maximization for the instant existence of their business. Therefore, the researcher proposed the following hypothesis:

Hypothesis 1 (H1): *There is a statistically significant and a positive relationship between the economic dimension of CSR and SME performance.*

2.9.2 Environmental Dimension of CSR

The environmental dimension of CSR encompasses activities like innovation, eco-friendly, pollution prevention and environmental leadership (BUYSSE and VERBEKE, 2003). Business firms can experience the environmental activities of CSR dimension by abiding to the rules of global environment management system which is among the 2030 agendas of sustainable development to reduce the impact of business operation on the ecosystem. According to WALLEY and WHITEHEAD, (1994), the integration of a business firm with its environment is controlled scientifically to ensure that there is no environmental impact due to the operation of the business and hence increases the trustworthiness of the organization in the view of their stakeholders.

Like the social dimension, experiencing environmental activities of CSR is a challenge for SMEs when compared to large organizations. In his study titled “environmental management and the small firm”, RUTHERFOORD, et al., (2000) shows environmental activities of CSR requires substantial amount of finance and complex to integrate and manage activities of all stakeholders in the value chain system which is by far beyond the capacity of SMEs. Some of the factors that hinders SMEs to fully engaged in environmental activities of CSR are lack of ability to influence environmental actions and conflict of organizational interest with environmental matters (PETTS, 2000). Unconsciousness of most of SMEs about the environmental activities of CSR are an indication to support the opinions of researchers in this regard (WILLIAMSON and LYNCHWOOD, 2001; SCHAPER, 2002).

However, there are contrary views of some scholars (ARAGÓN-CORREA et al., 2008; NEJATI et al., 2014) that argues SMEs are actively engaged and effectively employing environmental activities of CSR. Moreover, application of environmental related activities of CSR in SMEs can be realized and show significant impact if the external stakeholders like higher institutions, non-government and government agencies can show their collaboration to provide training, resources, and know-how to implement environmental initiatives. Therefore, the researcher proposed the following hypothesis:

Hypothesis 2 (H2): *There is a statistically significant and a positive relationship between the environmental dimension of CSR and SME performance.*

2.9.3 Social/Philanthropic Dimension of CSR

The European Commission, (2003) suggested that work environment and the public as two points of emphasis in forming community interconnection and thus, the social dimension of CSR substantiates “the health, safety, and general well-being of employees; motivate the workforce by offering training and development opportunities; and enable firms to act as good citizens in the local community”. BANSAL, (2005) indicates that, business organizations are also practicing social activities by participating the community in decision making process to accommodate societal queries in their business strategy which resulted in the mutual benefits of the firm and community in general.

There are contradicting opinions among scholars about societal related activities of CSR in SMEs. According to PETTS, (2000) argument, SMEs are easily influenced by local community, competing firms and supply chain networks that drives the firm to adhere the social norms which in-turn pressures SMEs to actively participate in social activity of CSR to retain its image in the community. Similarly, LAHDESMAKI, (2005); WORTHINGTON et al., (2006); HAMMANN et al., (2009) indicates that the social practices of CSR in SMEs are resulted from the informal bond that existed between the firm and the community unlike written code of conduct in the case of big organization. Contrary to this, other researchers like GERRANS and HUTCHINSON, (2000); BRAMMER and MILLINGTON, (2006) argue that SMEs are facing significant problem in practicing social related activities of CSR due to financial constraints to participate in social activities like charitable gifts and providing scholarship for their employees as well as local community. However, some SMEs are practicing the social activities of CSR by identifying priority areas depending on their financial limits and available human resources to engage in community-based activities without missing short-term profit maximization to satisfy their immediate objectives.

An important aspect of the business–community relationship is corporate philanthropy or corporate giving (MOHARANA, 2013). Every year, businesses around the world give generously to their communities through various kinds of philanthropic contributions to non-profit organizations. Typically, gifts by corporations and their foundations take one of three forms: charitable donations (gifts of money), in-kind contributions (gifts of products or services), and volunteer employee service (gifts of time).

The distinguishing feature between philanthropy and ethical responsibilities is that the former is not expected in an ethical or moral sense. Communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purposes, but they do not regard the firms as unethical if they do not provide the desired level (MEKONNEN, 2018; MIGWA and WANJALA, 2019). It covers the activities of the company that show the company is like a good citizen. Among cases where companies can have a share include participation in supporting the arts, education, and other sectors that can enhance the quality of life in society (TALBOT, 2010; KESTO, 2017). The philanthropic responsibility is the highest level of CSR, and it is measured in terms of various practices that include charitable donations to the society, assistance provided to employees, voluntary participation in charitable activities provided by the community, and assistance provided by the firm to projects that enhance quality of life (AJAO et al., 2020). Therefore, the researcher proposed the following hypothesis:

Hypothesis 3 (H3): *There is a statistically significant and a positive relationship between the social dimension of CSR and SME performance.*

2.9.4 Ethical Dimension of CSR

CARROLL and SHABANA, (2010) defined ethical responsibility as the voluntary actions taken by firms to promote and achieve the goals for the society that go beyond economic and legal responsibility. The expectations of the public of companies' social contributions are rising, while the perceived performance of companies on social goals is progressively declining (CHEMWILE, 2017; SIDDIQ and JAVED, 2019). Despite this, society and business share tacit knowledge that is a part of humanity, and this leads to the creation of a moral fabric. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights (MEKONNEN, 2018).

In one sense, changing ethics or values precede the establishment of law, because they become the driving force behind the very creation of laws or regulations. For example, the environmental, civil rights, and consumer movements reflected basic alterations in societal values and thus may be seen as ethical bellwethers foreshadowing and resulting in the later legislation. In another sense, ethical responsibilities may be seen as embracing newly emerging values and norms society expects

business to meet, even though such values and norms may reflect a higher standard of performance than that currently required by law (MEKONNEN, 2018).

Ethical responsibilities in this sense are often ill-defined or continually under public debate as to their legitimacy, and thus are frequently difficult for business to deal with. Superimposed on these ethical expectations emanating from societal groups are the implied levels of ethical performance suggested by a consideration of the great ethical principles of moral philosophy. This would include such principles as justice, rights, and utilitarianism. The business ethics movement of the past decade has firmly established an ethical responsibility as a legitimate CSR component (NASIEKU and OLUBUNMI, 2014; MEKONNEN, 2018). Ethical responsibility takes one step further in which it goes beyond economic and legal responsibilities. Ethical responsibility includes meeting the social expectations that are not documented by law (e.g., doing what is right, just, and fair, respecting the rights of individuals in society) (TUAN, 2012). Therefore, the researcher proposed the following hypothesis:

Hypothesis 4 (H4): *There is a statistically significant and a positive relationship between the legal dimension of CSR and SME performance.*

2.9.5 Legal Dimension of CSR

Legal activity includes performing in a manner consistent with expectations of government and law; complying with various federal, state, and local regulations; being a law-abiding corporate citizen; successfully meeting all legal obligations; and offering goods and services that at least meet minimal legal requirements (CHEROBON, 2014). The challenge of the legal aspect, on the other hand, requires that businesses should comply and legally agree with the frameworks of the host country. Legal responsibilities reflect a view of the philanthropic responsibility of “codified ethics” in the sense that they embody basic notions of fair operations as established by our lawmakers (MEKONNEN, 2018).

According to CARROLL, (2016), CSR is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Organizations need to be compelled to honor their environmental responsibilities, since their primary preoccupation of creating economic value invariably leads to social costs or external costs necessary for creating environmental value but not borne by producers. OSISIOMA, et al., 2015 indicated that most of the world’s population

lives in developing countries, and each country experiences its own unique social, political, and environmental issues. As managers expect business to make a profit as an incentive and reward for its efficiency and effectiveness, society also expects business to obey the law. The law, in its most rudimentary form, represents the basic rules of the game by which business is expected to function (KESTO, 2017).

As a result of rapid industrial development, policies are pursued that aim to attract greater foreign investment, and the investors are often keen to start benefitting from fiscal incentives and cheap labor. While these strategies make economic sense, they have adverse social and environmental effects, including the use of child labor, low or unpaid wages, unequal career opportunities, occupational health and safety concerns, and increased pollution (OSISIOMA et al., 2015). Moreover, TUAN, (2012) defined this responsibility as the positive and negative compulsions defined by the law of a country on firms. In fact, legal responsibility may include obeying legal requirements such as the tax law, employees' safety, or environmental standards. Therefore, the researcher proposed the following hypothesis:

Hypothesis 5 (H5): *There is a statistically significant and a positive relationship between the ethical dimension of CSR and SME performance.*

2.10 Performance of Small and Medium-size Enterprises

The performance of small and medium-sized businesses (organizational performance) is considered as a dependent variable in this study. In the realm of business research, the idea of business performance is not a new thought (RODRGUEZ-GUTIÉRREZ et al., 2015). Although the concept of business performance is prevalent in the literature, it is contested by inconsistencies relating to measures that were chosen for the researcher's expediency (SANTOS et al., 2012). SANTOS et al. (2012) also points up another inconsistency in the underestimation of the measurement of business performance. As a result, various people have varying interpretations of what "business performance" means.

HA-BROOKSHIRE (2009) asserts that company performance is a difficult term to describe, and that the difficulty of the definition is exacerbated by small and medium-size enterprises' operating characteristics. Moreover, the fundamental reason why it is difficult to define company performance, according to RODRGUEZ-GUTIÉRREZ et al. (2015), is because of the wide

variance that exists between organizations. Therefore, since small and medium-size enterprises have a significant difference from large organizations, it is necessary to think about how business performance might be evaluated in this setting (MASOCHA, 2018).

Financial and non-financial methods are the two options available to measure firm's performance. When determining the outcomes of business policies and activities, financial measures have long been demonstrated to be accurate (MCNAIR et al., 1990). However, there has been disagreement over the widespread use of financial metrics to gauge corporate performance, with claims being made that they are inadequate to gauge intangible business factors like social sustainability (LUKVIARMAN, 2008). Therefore, to ensure measurement adequacy and accurately represent the results of the business activities that organizations engage in, financial measurements must be supplemented by non-financial metrics.

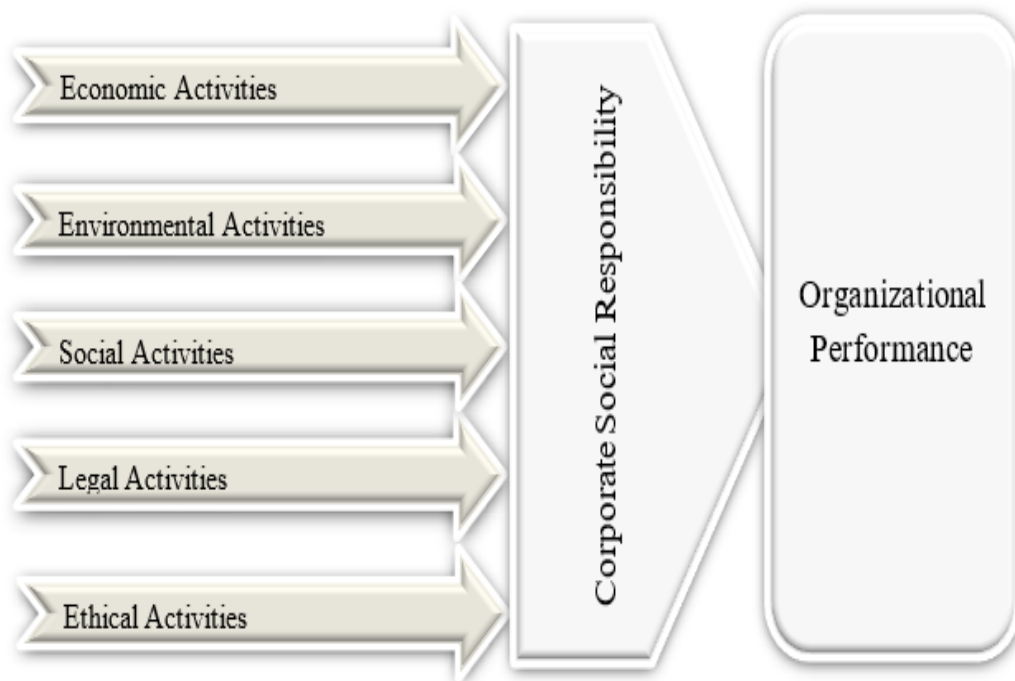
Although a company's financial success largely affects its stockholders or owners, it is important to also evaluate how well a company is performing in terms of other stakeholders, including consumers, employees, the community, and suppliers (LUKVIARMAN, 2008; ZELLWEGER et al., 2008). According to FERRO et al. (2019), firms should develop their sustainability processes to address the diverse expectations of all stakeholders. To strengthen their ties with their different stakeholder, businesses of all sizes should actively communicate their sustainability strategy and results (FERRO et al., 2019).

According to RODRIGUEZ-GUTIÉRREZ et al. (2015), researchers consistently use either financial or growth instruments, as well as economic (profitability and productivity measurements) to gauge business performance. In addition, it is asserted that the matrices used to gauge business performance must be expanded to include more dimensions of sustainability (MASOCHA, 2018; and SANTOS et al. 2012). In line to this, SANTOS et al. (2012), suggests that the multifaceted measures of business performance are made up of both financial and non-financial performance, with the financial performance dimension including profitability, growth, and market value.

According to SELVARAJAN et al. (2007), measurements of financial performance that are frequently used in business research are Return On Investment (ROI), earnings per share, and net income after taxes. Indicators of profitability and growth have a significant role in differentiating between successful and unsuccessful businesses (SALAVOU and GEORGE, 2008). However, the

primary backwards-looking nature of financial measurements of business performance, as well as the fact that they only partially anticipate future depreciation and amortization, lead to criticism of these methods (AL-MATARI et al., 2014). Therefore, considering the above arguments, profitability, market share, business growth, sales volume, customer satisfaction, and productivity are the indicators used to measure small and medium-sized enterprises in this study.

Therefore, depending on related literature reviews, the following conceptual framework of the study was formulated as showed in Figure 8.



Source: own work (2022)

Figure 8: Conceptual Framework of the Study

3. Material and Method

In previous sections, specifically section two reviewed the theoretical background of corporate social responsibility and empirical facts of CSR dimensions, CSR practice of SMEs and related issues which shed a light on the specified research questions of this study. Consequently, this section outlines description of the study area, employed research approach and design, describes target population of the study, sampling technique and sample size determination, description of data type and source, gives details of data collection method and used instruments, explains strategies of data analysis employed, validity and reliability issues were clearly explained, and finally ethical considerations were explained in this section of the study.

3.1 Description of the Study Area

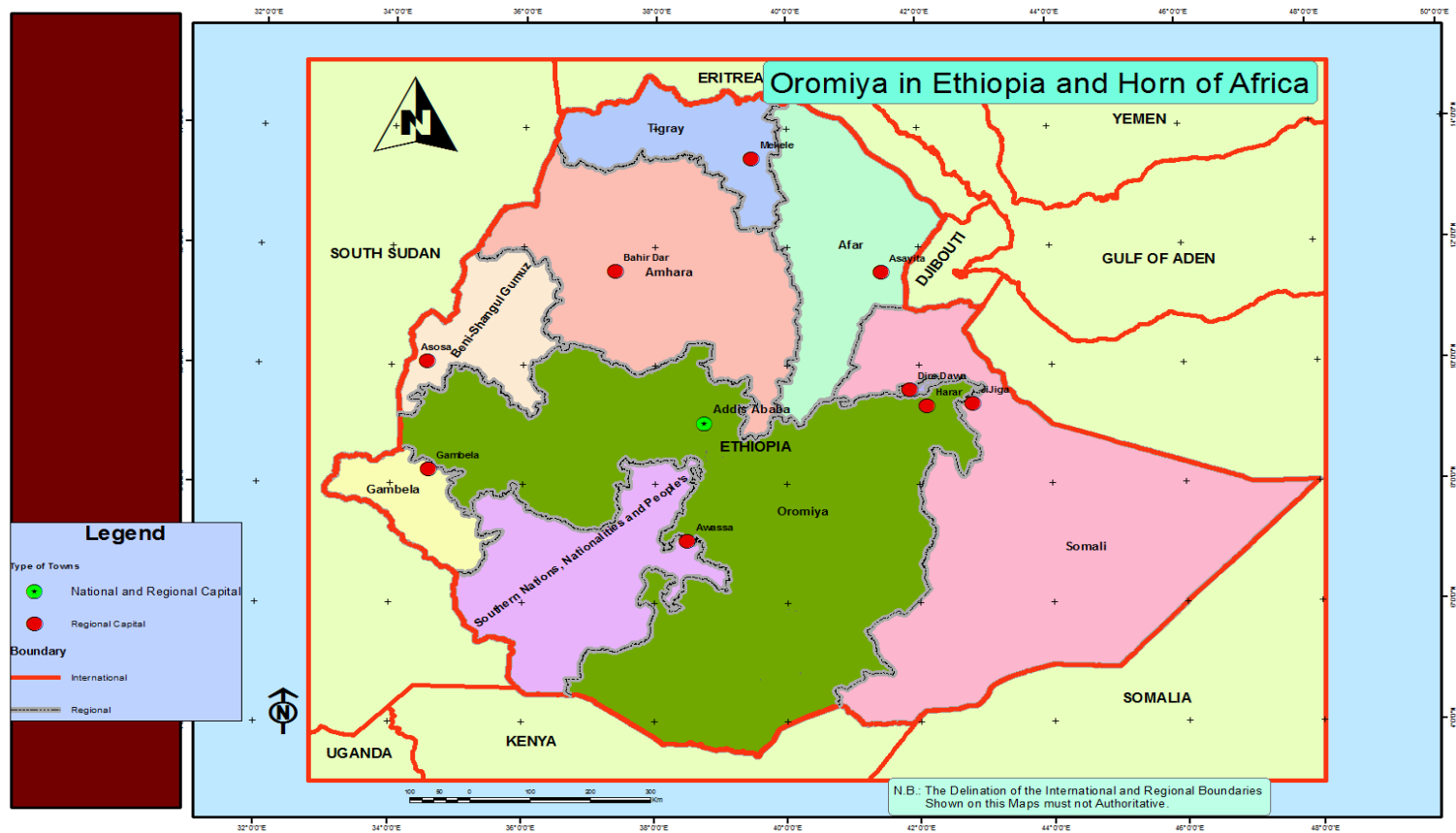
Ethiopia is a country in the eastern part of Africa, popularly known as the Horn of Africa. It shares borders with Eritrea to the north, Djibouti to the northeast, and Somalia to the east, Sudan to the northwest, South Sudan to the west, and Kenya to the south. With over millions of inhabitants, Ethiopia is the most populous landlocked country in the world and the second most populous nation on the African continent that covers a total area of 1,100,000 km²¹. Its capital and largest city is Addis Ababa. The government of Ethiopia is structured in a framework of a federal parliamentary republic, whereby the prime minister is the head of government. Thus, Ethiopia is formed with autonomous regional states namely Oromia regional states, Amhara regional states, South Nations and Nationalities People (SNNP) regional states, Somali regional states, Afar regional states, Benishangul Gumuz regional states, Gambelaa regional states, Harari regional states, Sidama regional states, Tigray regional states, and two city administration; Addis Ababa and Dire Dawa.

The current study was conducted in Oromia regional state. The Oromia region is a regional state in Ethiopia, the homeland of the Oromo people. Oromia National Regional State extends from 34^o 07' 37"E to 42^o 58' 51"E longitude and 03^o 24' 20" to 10^o 23' 26" N latitude. It is in the tropical zone, but its latitudinal extension and altitudinal variation significantly influence its tropical climatic condition. Oromia regional state has great geographic diversity with altitudinal ranges

¹ http://www.mapnall.com/en/Map-Oromia-Region_323189.html. Retrieved on 18 March 2021

extending from less than 500 m to over 4300 m above sea level. It shares international borderlines with Sudan and Kenya, and regional borderlines with Afar National Regional State, Amhara National Regional State, Benishangul-Gumuz National Regional State, Somali National Regional State, Regional State of Nations, Nationalities and People of Southern Ethiopia and Gambella People National Regional States.

Based on the map prepared by Central Statistical Agency (1994 Population and Housing Census, CSA), the area of Oromia is 363,376 km², and accounts for almost 33% of the total area of the country. Oromia is sub-divided into 20 administrative zones, 290 rural districts (Anas) and 46 towns. The 2017 census reported the population of Oromia 35, 855,159 and this makes it the largest regional state also in population. The administrative map of the Oromia regional states of Ethiopia has been depicted in Figure 9.



Source: Regional Atlas of Oromia 3rd Revision, 2020

Figure 9: Administrative Map of Oromia Regional State

Note: The deep green colour shows the study area, Oromia regional states from Ethiopia and Horn of Africa

3.2 Research Design and Approach

Research design expresses the structure of research problems, research framework, organization, or configuration of the relationship among variables of the study and the plan of investigation used to obtain empirical evidence on those relationships (KUMAR and KOTHARI, 2018). According to LEEDY and ORMROD, (2004), survey research is a common method used in business among quantitative strategies of inquiry that includes experimental design on it. Moreover, CRESWELL, (2003) stated that the purpose of survey method is to generalize description of trends, attitudes, or opinions from a sample to a general population so that inferences can be made about some characteristics, attitudes, or behaviours of the population. In addition to this, FOWLER, (1986) posit that it is reasonable to use survey designs because of its benefits such as the economy of the design and the rapid turnaround in data collection and identifying attributes of a large population from small group of individuals. Furthermore, the study utilizes cross-sectional in the sense that all relevant data were gathered at a single point in time. As a result, to generalize the findings to the whole SMEs operating in Ethiopia, the researcher adopts survey research method which is very logical to apply in this study. In addition to survey design, the study also adopts explanatory research design. According to SAUNDERS, et al. (2007), explanatory research goes beyond descriptive and attempts to explain the reason for the phenomenon by seeking to establish a causal relationship between variables. Thus, to achieve the research objectives, this research design best fits to the study and hence substantiates practical testing of the hypothesis.

Mixed research approach is a methodology for conducting research that involves collecting, analysing, and integrating quantitative like experimental, survey and qualitative like focus group, interviews research. SAUNDERS, et al., (2009) showed in their book “Research Method for Business Students: Pearson Education” that mixed research approaches give the potential to cover each methods weakness with strength from the other methods. In this study, a quantitative approach of doing research were employ which has been practiced as recommended by (CRESWELL, 2003).

3.3 Target Population

According to KUMAR and KOTHARI, (2018), target population is defined as a group of people, events, or items that the researcher wishes to investigate. Accordingly, the target population of this study is all small and medium enterprises (SMEs) operating in Oromia regional states of Ethiopia.

3.4 Sampling Techniques and Sample Size Determination

When conducting statistical analysis, researchers' "sample" a broader population by selecting a preset number of observations. The sample technique will vary depending on the sort of analysis being done. Details of sampling techniques and sample size determination for this investigation is discussed in the following sub-sections.

3.4.1 Sampling Techniques

A sampling technique is a strategy for obtaining a sample from a given population which helps the researcher to determine the sample size of the study by considering different factors like time limitation and budgetary constraints (KOTHARI, 2004). There are two types of sampling techniques: probability and non-probability sampling. In probability sampling, every item of a given population has an equal chance of representation, whereas, in non-probability sampling, samples are selected to satisfy the interest of the researcher (convenient sampling). Accordingly, the researcher employed both probability and non-probability sampling techniques for the purpose of this study. Regarding probability sampling, stratified simple random sampling technique was employed since small and medium enterprises are heterogeneous and hence the total population was divided into different sub-population: manufacturing sector, service sector and construction sectors.

3.4.2 Sample Size Determination

Depending on the type of research design and research questions, there are different ways to identify respondents/participants in mixed research approach. According to PATTON, (1990), identifying participants for qualitative research depends upon the richness of information respondents are equipped with, whereas, identifying respondents for quantitative research depends upon the nature of the business and purpose of the study. There is no direct relationship between qualitative data collection and the level of analysis, number of questions and participants, i.e., the

size of the sample depends on what the researcher wants to find out, how the findings will be used, and resources available for the study (HATCH, 2002). Therefore, the number of participants for qualitative data collection for this study was determined purposely based on the richness of the information the participants have on the issue.

According to KOTHARI (2004), sample size refers to the number of items that should be selected from population to form a sample. Sample size needs to be optimised to bring efficiency, good representation of the population. Therefore, the number of respondents (sample size) to collect quantitative data for this study was determined by using statistical formula suggested by YAMANE (1967) with confidence level of 95%; margin of error 5% (0.05) to ensure more accurate result. Yamane’s sample size determination formula would be the following.

$$n = \frac{N}{1+(N)e^2}$$

Where, n = Sample Size; N = Total Population; e = Margin of Error

$$n = \frac{16,920}{1 + 16,920(0.05^2)} = \frac{16,920}{43.3} = 391$$

According to data source from Oromia Bureau of Job Creation and Vocation 2022, the number of manufacturing, construction, service, and merchandises sectors are 2,056; 1,749; 4,655; and 8,460 respectively. Thus, sample size was determined for each sector separately as shown in the following table 4 by using proportional sample size determination method.

Table 4: Proportional sampling for each sector

Sector	Target Population	Sample Size
Manufacturing	2,056	2056/16,920 = 12%, then; 0.12×391 = 47
Construction	1,749	1749/16,920 = 10%, then; 0.10×391 = 39
Service	4,655	4655/16,920 = 28%, then; 0.28×391 = 109
Merchandises	8,460	8460/16,920 = 50%, then; 0.50×391 = 196
Total	16,920	391

Source: Own Survey (2022)

3.5 Type and Source of Data

Data can be defined as information gathered for the purpose of using as a basis for reasoning, discussion, or analysis. There are two types of data source: primary or secondary. Primary data is a factual data which is directly related to the research objectives and do not present until it is gathered through the research process, whereas the secondary data existed in some form or other, but which was not directly collected for the purpose of the research at hand (LANCASTER, 2007). According to LANCASTER (2007), primary and secondary data need to combine in resolving the research problem at hand.

This study employed primary source as best instrument to gather primary data about respondents' perception of CSR, motives to practice CSR activities, overall intervention, barriers of CSR practices and effect of CSR on SMEs performance operating in Ethiopia.

3.6 Validity and Reliability of the Instruments Used to Collect Data

The most important action to ensure quality of research output is to confirm the validity and reliability of data collection instruments. According to CRESWELL (2003), reliability measures stability and consistency of the instruments used to gather data, whereas validity is a measure of the meaningfulness of the data and soundness of the data collection instruments.

As KUMAR and KOTHARI, (2018) indicates, researchers can ensure validity by pretesting questionnaires and interview questions to identify vague questions and getting suggestions from pilot study participants to correct deficiencies of the instruments used. Pilot studies can help the researchers in the framing of questions and refinement of the research approach or tailoring of efficient research instruments (COBERN W. and BETTY A. 2020). Therefore, the results from the pilot study give a chance for the researcher to check and validate the research instruments for the actual research. Accordingly, pilot study has been done to check for the validity of questionnaire and interview questions before distributing to the actual samples to generate quality data by using the specified instruments for this study.

To ensure the reliability of the instruments, the researcher was conducted a Cronbach alpha test. According to FIELD (2009), Cronbach's alpha determines the internal consistency or average correlation of items in a survey instrument to gauge its reliability. Alpha coefficient ranges from

0 to 1 and are used to describe the reliability of factors extracted from dichotomous and/or multi formatted questionnaires or scales (COBERN W. and BETTY A. 2020). Accordingly, the reliability of instruments used in this study was duly checked using Chronbach alpha statistics.

3.7 Method of Data Analysis and Model Specification

The collected data were analysed by using descriptive statistics, correlations, multiple linear regressions, and inferential statistics were employed. Descriptive statistics such as mean, mode, and median helps the researcher to describe and compare variables numerically, whereas ranges and standard deviations were used to measures variability of the scores of each variable (KOTHARI, 2017). Multiple linear regressions help the researchers to predict the value of a variable based on the value of two or more other variables. According to SLINKER BK, and GLANTZ SA (2008), multiple linear regression as a statistical technique focuses upon the structure of linear and simultaneous relationship among three or more phenomena. Accordingly, the following general model was specified for this study.

$$Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \epsilon_i \dots$$

where; Y = Performance; α = constant or intercept; $\beta_1 - \beta_5$
= coefficients of explanatory variables; X1 = economic activity; X2
= environmental activities; X3 = Social or philanthropic activities; X4
= ethical activities; X5 = legal activities; and ϵ = error terms

3.8 Ethical Considerations

Ethics in research includes the application of moral rules and professional codes of conduct to the collection, reporting, and publication of information about research subjects, in particular active acceptance of subjects' right to privacy, confidentiality, and informed consent². Research ethics was maintained in this study by ensuring the respondents that their genuine response would be used only for successful research output and would be preserved confidentially without disclosing respondents' identity. To this end, the collected data from the participants were carefully screened,

² <https://www.encyclopedia.com/social-sciences/dictionaries-thesauruses-pictures-and-press-releases/research-ethics>. Retrieved on 05 Apr. 21

sorted, coded, categorised, and edited to avoid any biasness during discussion, analysis and report writing.

4. Results and Discussion

This section of the papers deals with the presentation, discussion, and interpretation of the results of data gathered for this investigation. A total of 391 questionnaires were distributed to targeted respondents. However, only 327 (more than 83.6% effective response rate) were used for the analysis after removing 64 questionnaires during data cleaning. To determine the general characteristics of the respondents, percentages and frequencies were computed using SPSS version 23.0. Other descriptive statistics such as mean and standard deviation were also employed to explain the practices of CSR in the study area.

The strength and direction of a linear relationship between the variables were determined by computing correlation coefficients from the data. Moreover, to see how the explanatory variables affected the explained variable, further inferential statistics were also computed. In addition, the collected data were used to calculate the coefficient of determination, which quantifies the variation in the dependent variable (organizational performance) that is explained by the regression line and the independent variables, or variables, such as economic activities, environmental activities, social activities, legal activities, and ethical activities.

4.1 Presentation of Results

As previously mentioned, this section deals with the presentation of demographic information about respondents, descriptive statistics, and correlation analysis results for the study variables (economic, environmental, social, legal, ethical, and organizational performance), test results for the assumptions of the traditional linear regression model, and the subsequent regression analysis results.

4.1.1 Reliability of the data

Reliability is the measure of internal consistency of the constructs/items used in the questionnaire. A construct/items of the research tools/in this case the questionnaire is reliable if the Cronbach's alpha value of the scores of responses is greater than 0.7 (HAIR et al., 2013). The study used data from all respondents to calculate Cronbach's alpha, a measure of the internal consistency of the questionnaire items, to assess the consistency of the scores obtained. Accordingly, the outcome of the Cronbach's alpha results confirmed that economic activity scale with seven items ($\alpha = 0.791$),

environmental activity scale with eight items ($\alpha = 0.797$), social activity scale with five items ($\alpha = 0.859$), legal activity scale with five items ($\alpha = 0.761$), ethical activity scale with four items ($\alpha = 0.754$), and organizational performance ($\alpha = 0.851$) were found reliable. Similarly, the overall result of Cronbach's alpha value is 0.778, which discloses the reliability of all items together. A summary of the reliability results is presented in Table 5 below.

Table 5: Reliability Test (Cronbach's Alpha results)

Reliability Statistics		
Constructs/Items	Cronbach's Alpha (α)	Cronbach's Alpha Based on Standardized Items
Overall (Econ, Env't, Social, Legal, Ethics, OP)	0.778	0.769
Economic Activities (Econ)	0.791	0.792
Environmental Activities (Env't)	0.797	0.798
Social Activities (Social)	0.859	0.857
Legal Activities (Legal)	0.761	0.762
Ethical Activities (Ethics)	0.754	0.755
Organizational Performance (OP)	0.851	0.853

Source: Survey result of 2022

4.1.2 Demographic Characteristics and Business Profile

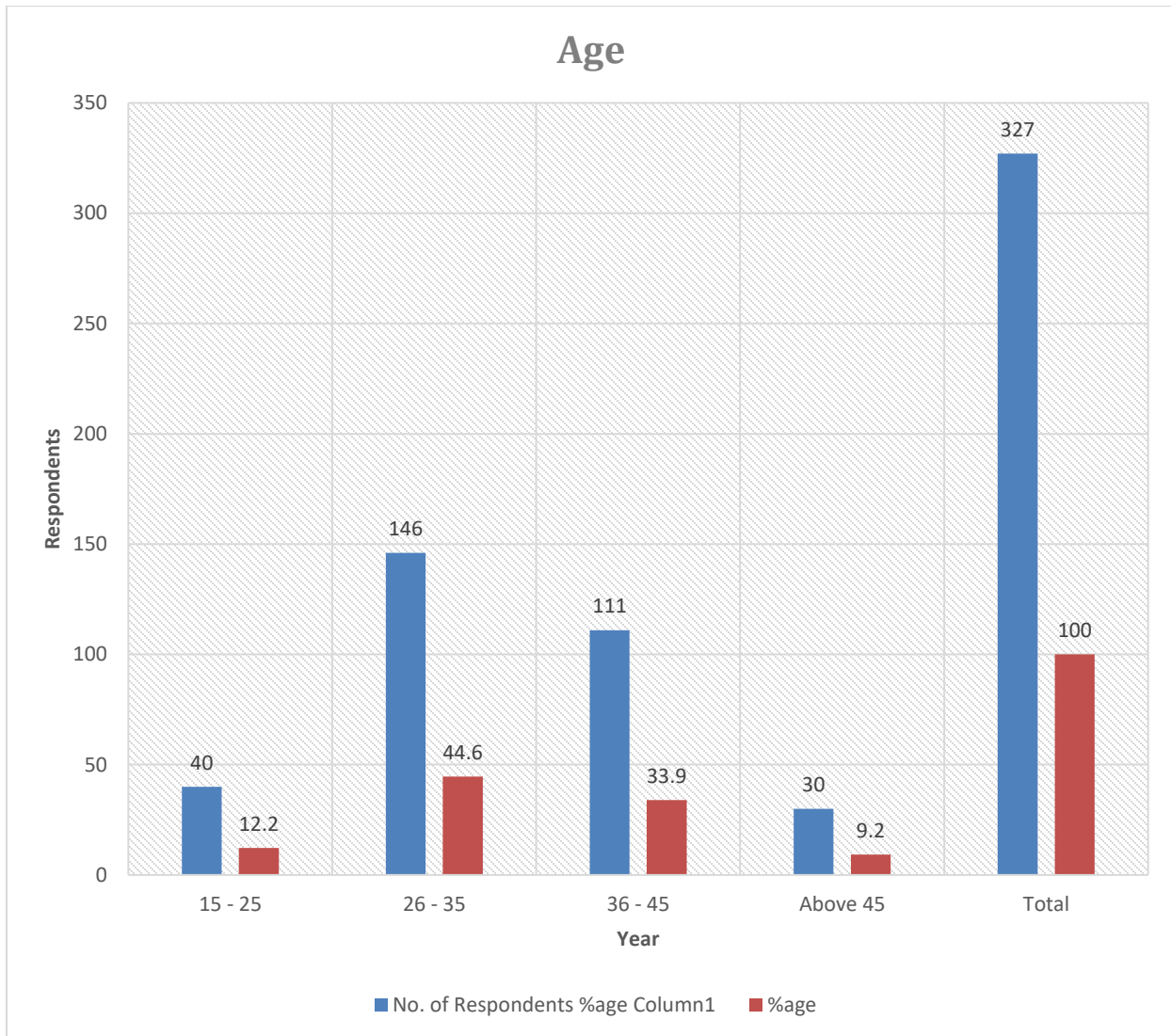
This part summarizes the demographic details of the respondents (327 participants) of the study and their business profile distinctly. Age, gender, educational background, firm age, ownership, enterprise sector, number of employees, experience, and others were the general characteristics of the respondents that were considered in the study. The following paragraphs will go over each respondent's demographic data.

Table 6: Sex of Respondent

		Frequency	Percent	Cumulative Percent
Valid	Female	124	37.9	37.9
	Male	203	62.1	100.0
Total		327	100.0	

Source: Own Survey (2022)

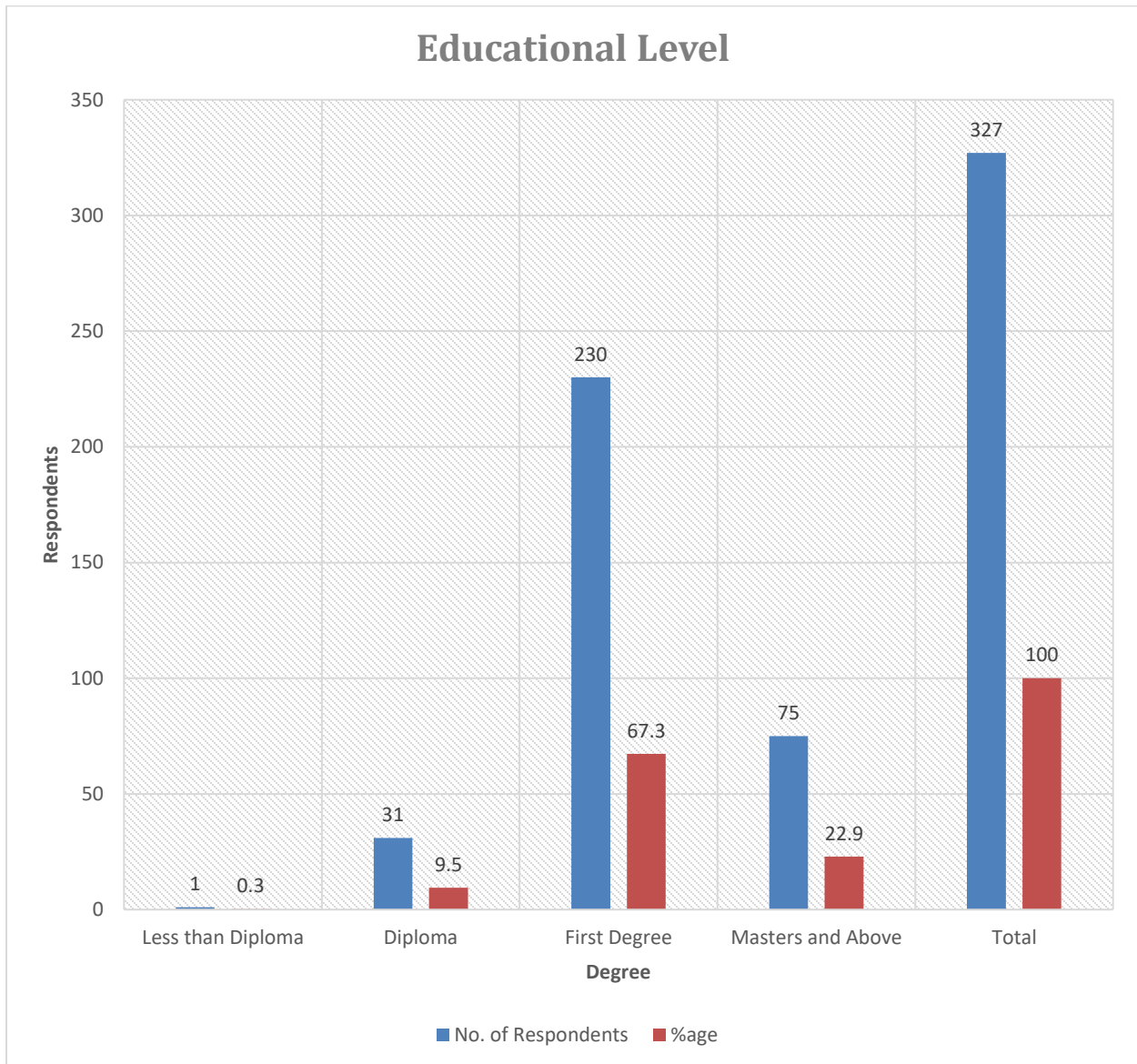
According to the result presented in the above Table 6, men (62.7%) make up most survey respondents, while women (37.9%) make up the remaining respondents. As a result, it may be concluded that men own and run most businesses in the research area. This may be the result of the societal pattern that prevents women from owning businesses like men do, as women are more likely to be housewives. However, as technology brought everything under one village and the nature of small and medium-sized enterprises in empowering women and handicapped people, such regressive cultures were minimized.



Source: Own Survey (2022)

Figure 10: Age of Respondents

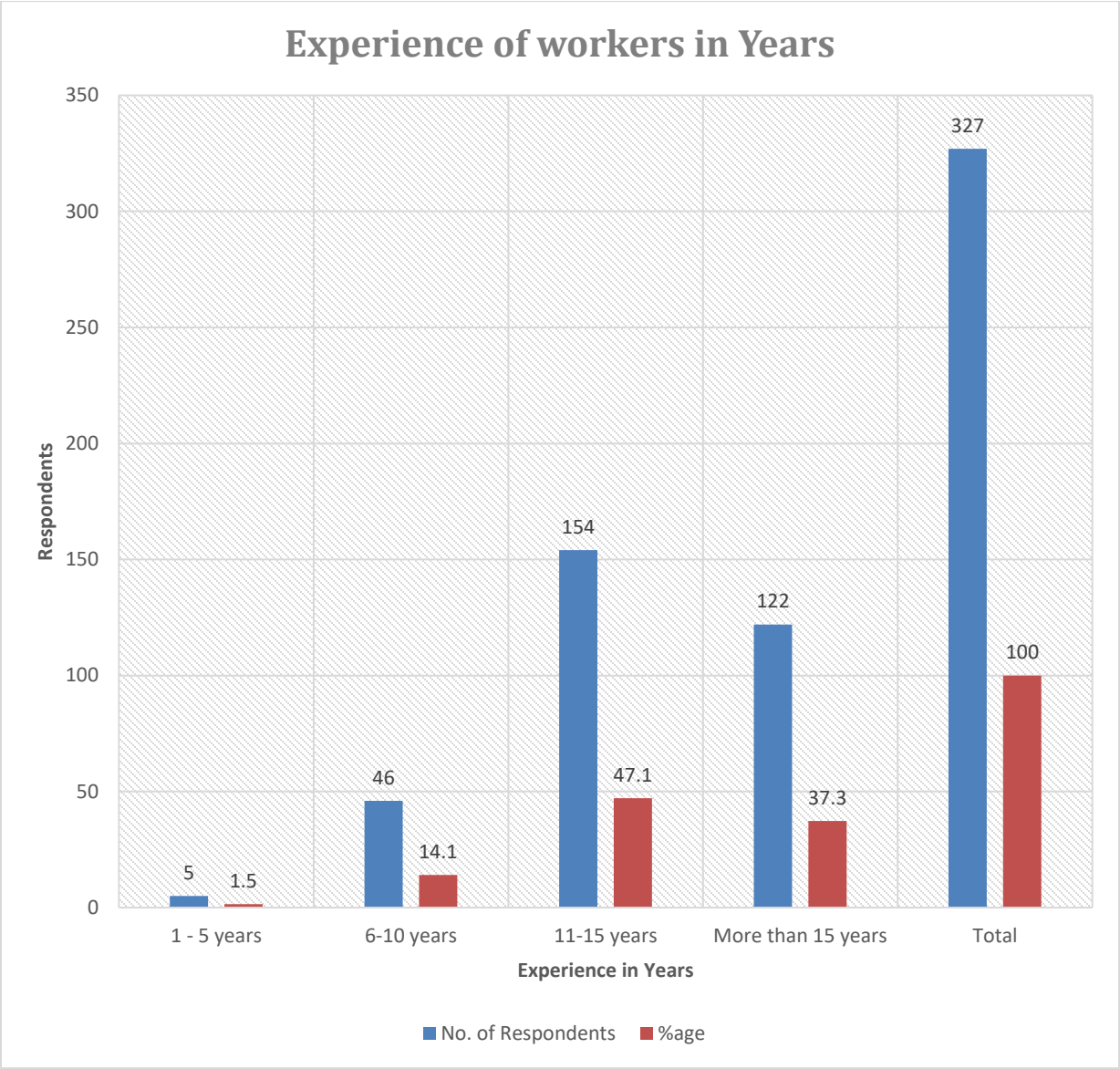
The age group of the respondents is also one of the demographic characteristics of the participants. Accordingly, the result indicated in the Figure 10 showed that 12.2% of the population is under the age of 15, 44.6% is between the ages of 26 and 35, 33.9% is between the ages of 36 and 45, and only 9.2% is over the age of 45. The result indicates that most of the study participants are between the ages of 26 and 35 (44.6%), followed by the age groups between 36 and 45 (33.9%). From the result, it is possible to infer that small and medium-size enterprises in the study area are owned and operated by mostly productive and matured members of the community.



Source: Own Survey (2022)

Figure 11: Educational Status of Respondents

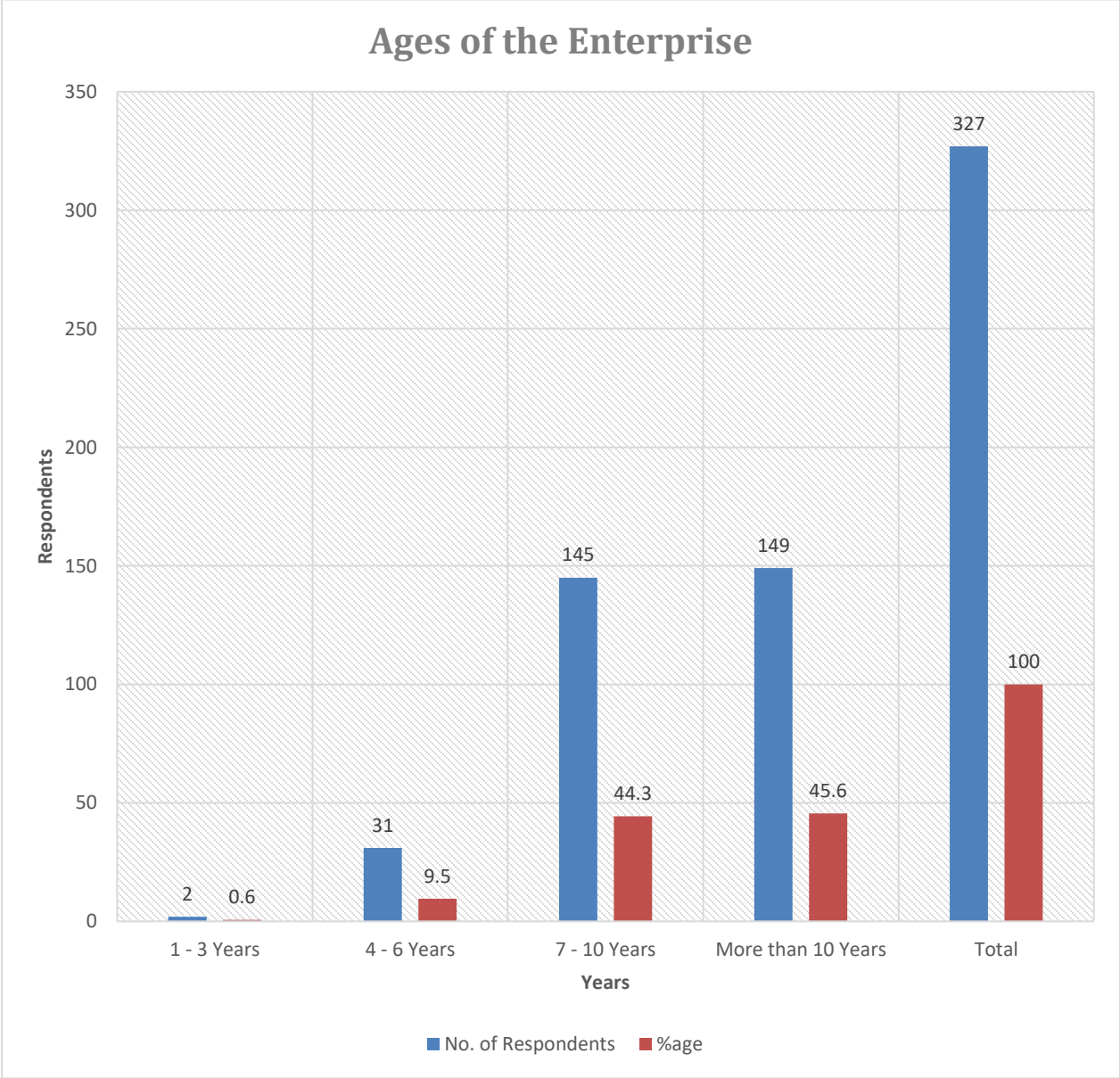
Regarding their educational background, the information in the Figure 11 showed that only 0.3% have less than a diploma, while 67.7% have a first degree, 9.5% have a diploma, and 22.9% have a master's degree or higher. As revealed in the results of the above figure, most of the respondents have an educational background of first degree (67.7%). This presents a chance to get an intelligent response about the subject under the study, with the expectation of a trustworthy outcome.



Source: Own Survey (2022)

Figure 12: Experience of employees in Years

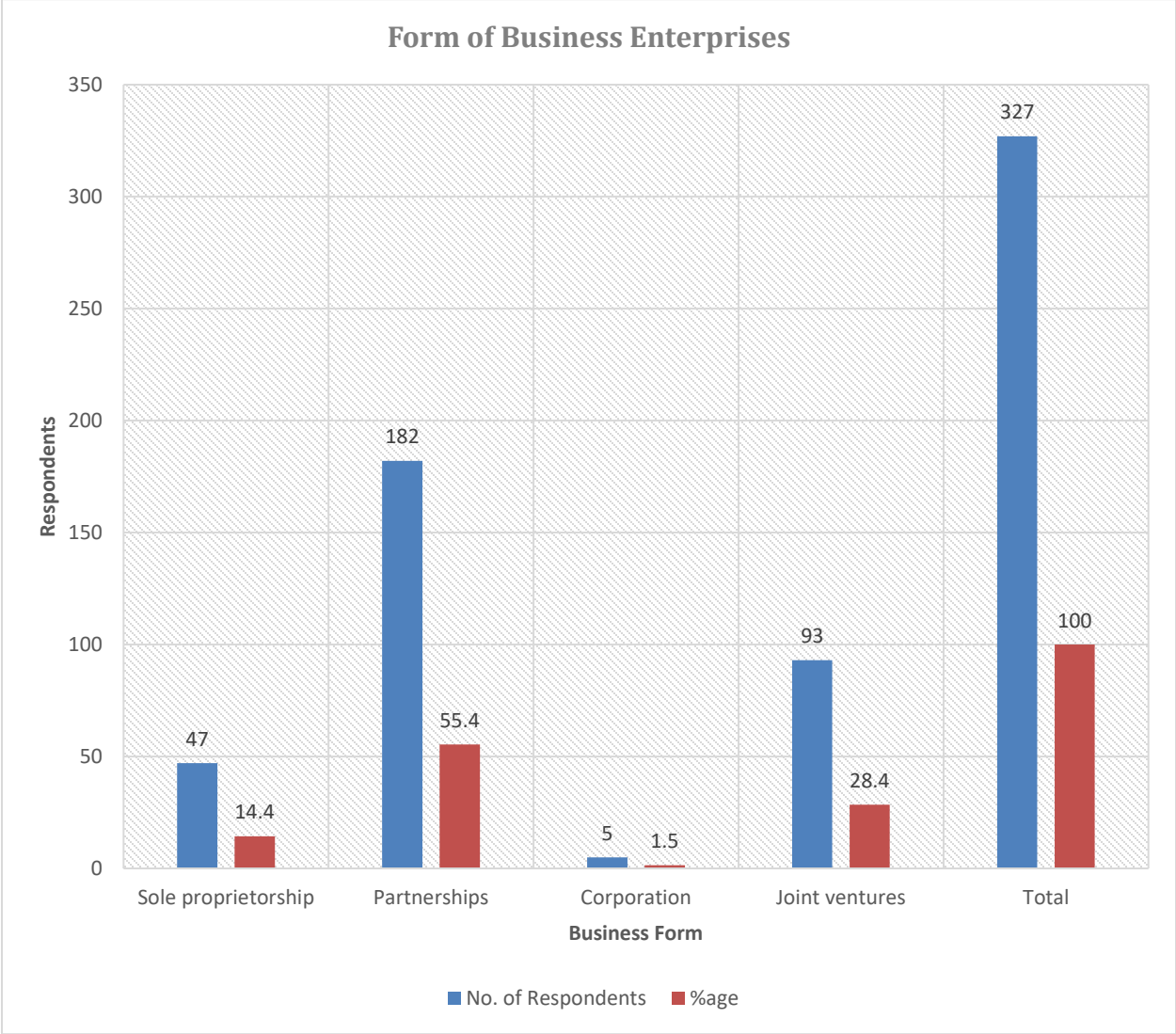
Respondents are also asked about their employment experience, as shown in the Figure 12. According to the results, 37.3% of respondents have more than 15 years of experience, 47.1% have 11 to 15 years of experience, 14.1% have 6 to 10 years of experience, and only 1.5% have 1 to 5 years of experience. According to the results of this analysis, most of the study participants (47.1%) have 11 to 15 years of experience, which is followed by workers with more than 15 years of work experience (37.3%).



Source: Own Survey (2022)

Figure 13: Life span of the enterprise

In terms of the life span of the business, the Figure 13 showed that 0.6% of the surveyed companies are between one and three years old, 9.5% are between four and six years old, 44.3% are between seven and ten years old, and 45.6% are more than ten years old. According to the analysis's findings in the figure and table above, the majority of the study's participants (45.6%) are businesses older than ten years, followed by businesses that are between seven and ten years old (44.3%).

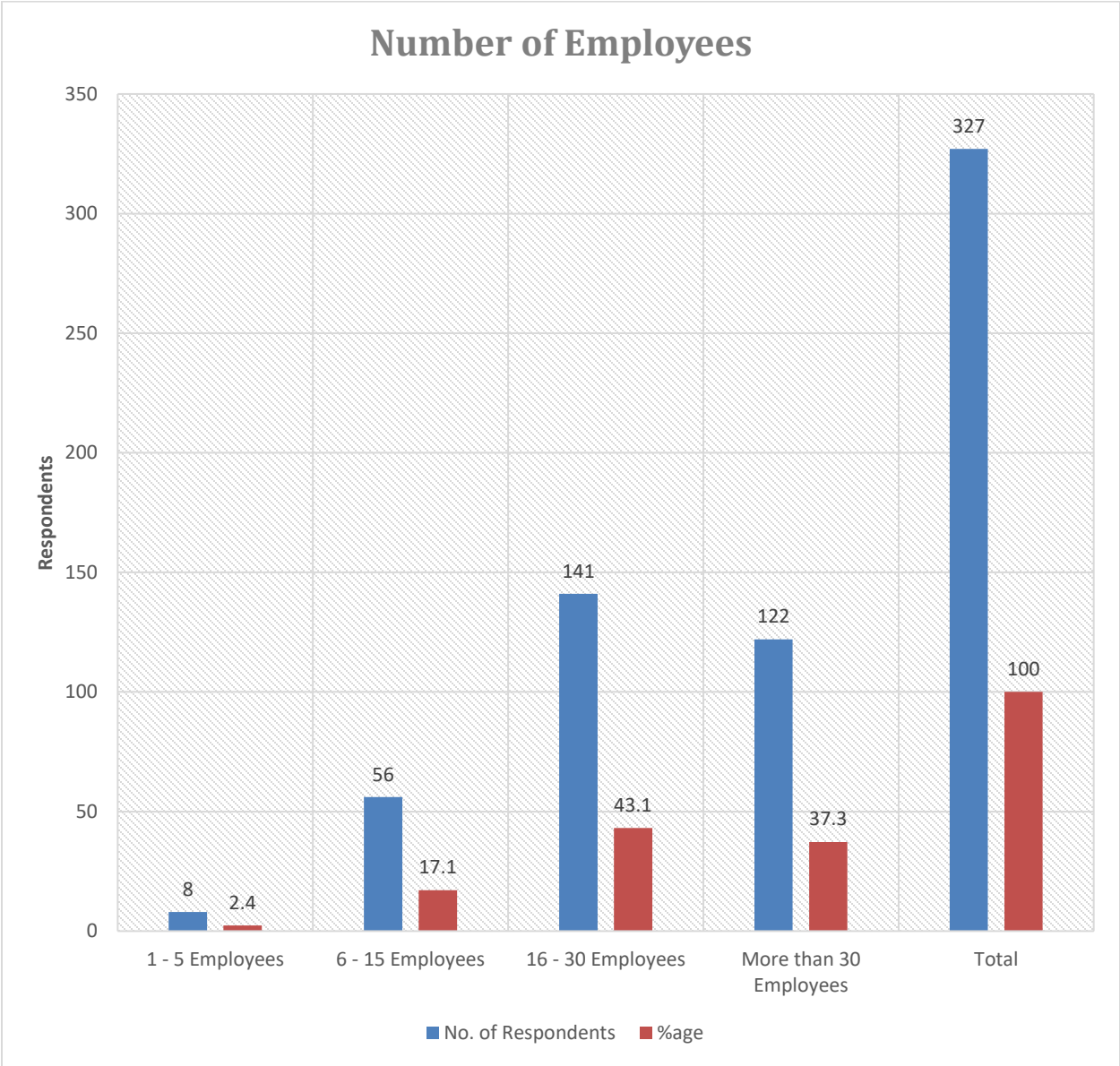


Source: Own Survey (2022)

Figure 14: Business form of the enterprise

Regarding the business structure of the small and medium-sized enterprises surveyed, 14.4% are sole proprietorships, 55.7% are partnerships, 28.4% are joint ventures, and only 1.5% are

corporations. As indicated in the Figure 14, the majority of the enterprises are partnerships (55.4%) - business enterprises formed by two or more individuals, followed by joint ventures (28.1%) - a business arrangement in which two or more companies combine resources on a project or service.

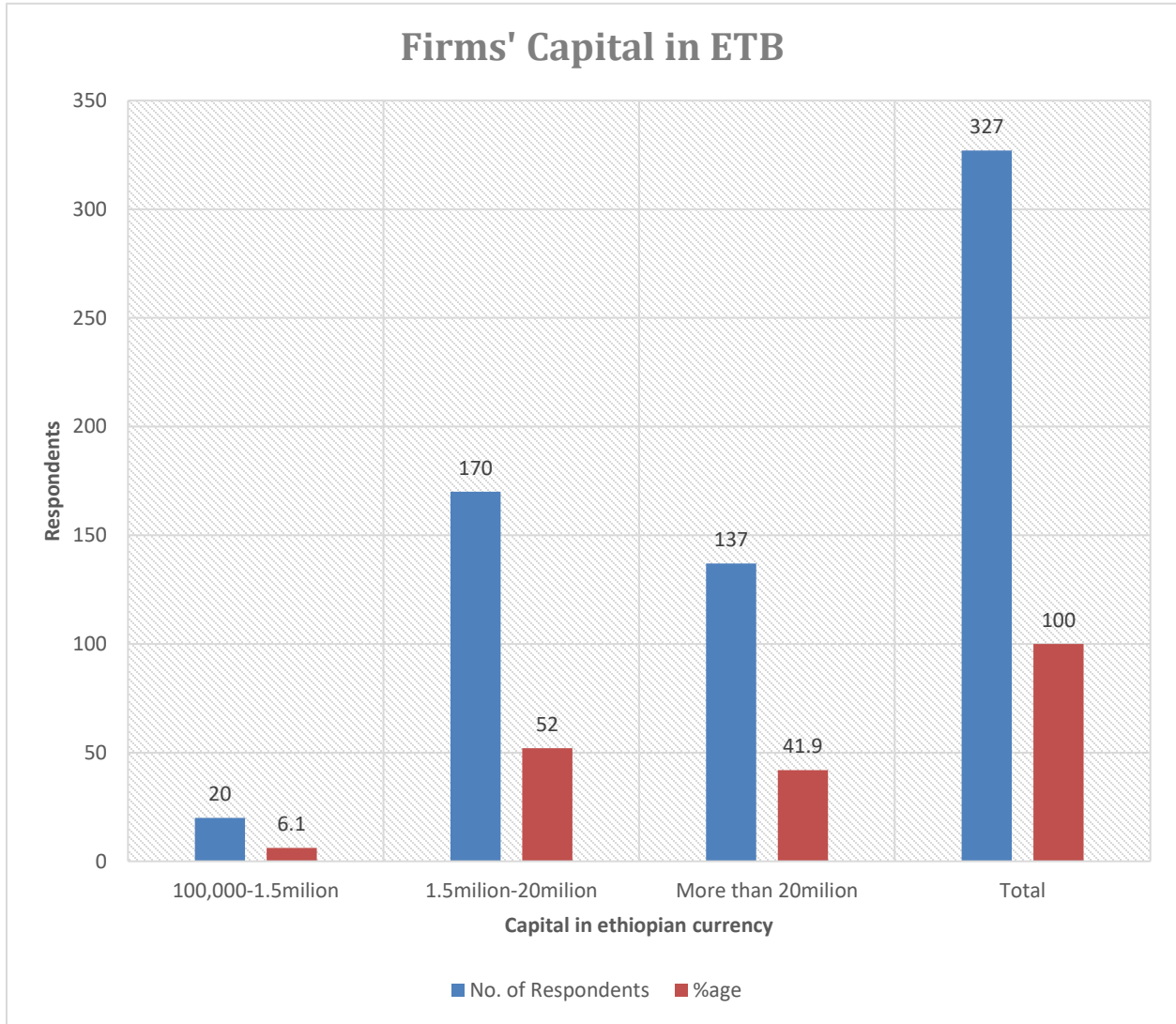


Source: Own Survey (2022)

Figure 15: Number of employees

When it comes to the manpower (number of people) employed by the small and medium-size enterprises (SMEs) polled, 37.3% of the SMEs have more than 30 employees, 43.1% have 16–30 employees, 17.1% have 6–15 employees, and just 2.4% have 1–5 employees. According to the analysis indicated in the Figure 15, most small and medium-sized enterprises (SMEs) in the study

employed 16–30 personnel, which is followed by the enterprises that recruited more than 30 employees (37.3%).

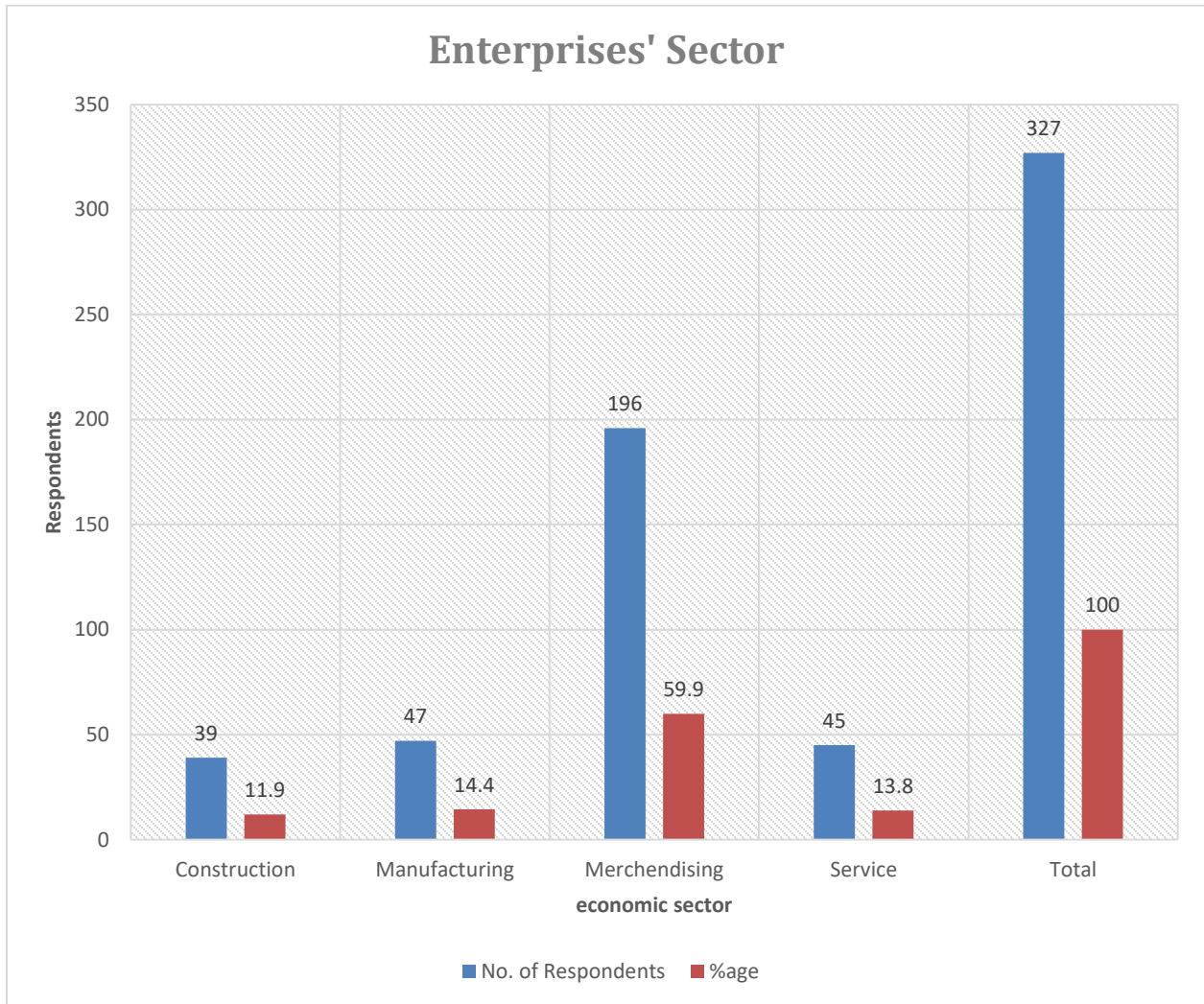


Source: Own Survey (2022)

Figure 16: Capital of the enterprises

Regarding the capital (in Ethiopian currency) raised by the small and medium-size enterprises (SMEs) included in the survey, 41.9% have accumulations of more than 20 million, 52.2% have accumulations of 1.5 million to 20 million, and only 6.1% have accumulations of 100,000 to 1.5 million. According to the analysis indicated in the Figure 16, most small and medium-sized enterprises (SMEs) in the study have a registered capital of 1.5 million to 20 million Ethiopian

Birr (52%), which is followed by the enterprises that have a registered capital of more than 20 million Ethiopian Birr (41.9%).

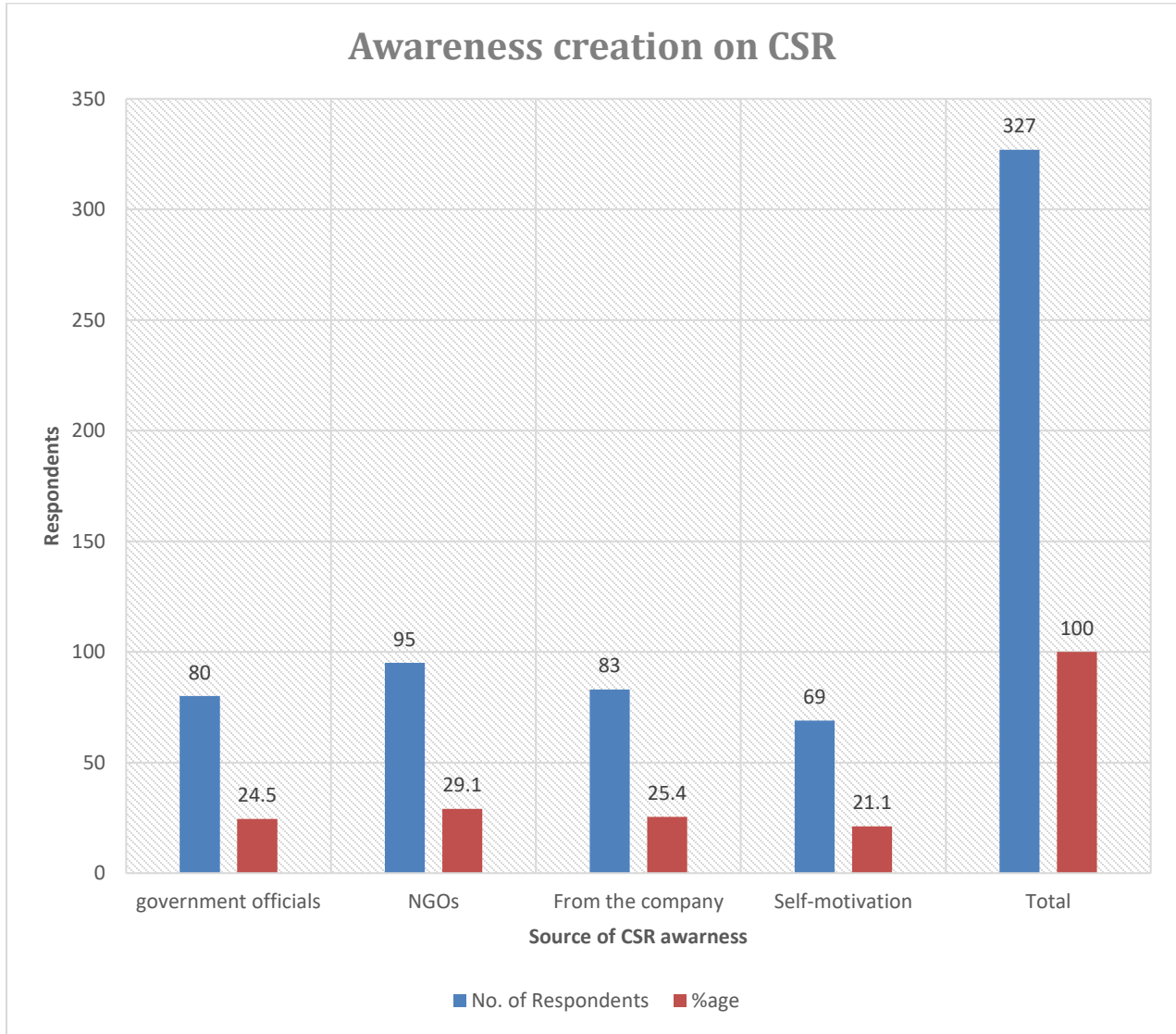


Source: Own Survey (2022)

Figure 17: Economic sector of the enterprise

Regarding the industries in which the small and medium-sized enterprises (SMEs) in the survey are active, the service sector accounts for 13.8% of their business, followed by the retail industry (59.9%, the manufacturing industry (14.4%, and the construction industry (just 11.9%). According to the analysis indicated in the Figure 17, most small and medium-sized enterprises (SMEs) in the study are engaged in the merchandising business (59.9%). From the in the analysis table and figure,

it is also possible to infer that construction, manufacturing, and services are less preferred economic sectors by the small and medium-sized enterprises in the study.



Source: Own Survey (2022)

Figure 18: Creation of awareness about CSR

As shown in Figure 18 above, all respondents (327 participants) were aware of CSR principles (100%) because the study's target groups were chosen with the intention of posing more questions on the topic. In terms of increasing knowledge of CSR for SMEs, the study found that 24.5% of respondents acquired the concept through a government agency, 29.9% from a non-government organization, 25.4% from their own company (in the form of training), and 21.1% from self-reading about the concept. Apart from the non-governmental organization, which outperforms the

others—the government organization, the enterprise, and self-motivation—to improve understanding on the issue, all the stakeholders of the small and medium-sized enterprises in the study who are concerned about corporate social responsibility are working to educate the community of the enterprises on an equal footing.

Table 7: Practices of corporate social responsibility

		Frequency	Percent	Cumulative Percent
Valid	Creating safe working environment for employees, equitable wage, giving them an opportunity for education and training	108	33.0	33.0
	Sponsoring social activities	80	24.5	57.5
	Operating the business with low impact to the environment	133	40.7	98.2
	my company cannot practice CSR at all	6	1.8	100.0
	Total	327	100.0	

Source: Own Survey (2022)

According to the data gathered from the respondents about small and medium-size enterprises implementing CSR activities, 33% of them said that one of their CSR activities is giving employees a safe place to work, paying an equitable wage, and giving them access to opportunities for education and training; 24.5% are sponsoring social activities; 40.7% are operating the business with a low environmental impact; and only 1.8% are engaging in all the CSR activities mentioned. Among other things from the initiatives listed in the Table 7, most enterprises are operating their business with low impact on the environment (40.7%), followed by the activity of creating a safe working environment for employees, paying an equitable wage, and giving them an opportunity for education and training (33%).

Table 8: Motivating factors for CSR

		Frequency	Percent	Cumulative Percent
Valid	To solve social, economic, and environmental problems	214	65.5	65.5
	To get a competitive advantage	71	21.7	87.2
	Due to stakeholder activism	34	10.4	97.6
	To meet national and international business standards	8	2.4	100.0
Total		327	100.0	

Source: Own Survey (2022)

Regarding the factors that motivate small and medium-sized enterprises to implement CSR activities, the analysis in the Table 8 indicates that 65.4% of them said that the reason for implementation of CSR activities is to solve social, economic, and environmental problems; 21.7% are to get a competitive advantage; 10.4% are due to stakeholder activism; and only 2.4% are engaged in the CSR activities to meet national and international business standards. Therefore, as shown in the analysis result of the above table, solving social, economic, and environmental problems are the most motivating factors for small and medium-sized enterprises to implement corporate social responsibility activities.

Table 9: Challenges of CSR

		Frequency	Percent	Cumulative Percent
Valid	Financial shortage	109	33.3	33.3
	Unwillingness of the owners /low commitment of management	86	26.3	59.6
	Lack of full understanding about the advantages of practicing CSR	99	30.3	89.9
	Lack of good governance	33	10.1	100.0
Total		327	100.0	

Source: Own Survey (2022)

Regarding potential obstacles that prevent small and medium-size enterprises (SMEs) from implementing CSR activities, 33.3% of respondents indicated that they have financial issues; 26.3% stated that they have low commitment to CSR initiatives; 30.3% stated that they do not fully understand the benefits of doing so; and only 10.1% indicated that they lack good governance by governmental entities. According to the analysis results in the Table 9, financial constraints, low management commitment, and a lack of full understanding of the benefits of practicing CSR are all threatening small and medium-sized enterprises' decisions to implement CSR activities on an equal footing.

4.2 Descriptive statistics Analysis

The descriptive statistics of the items used to measure the constructs for each variable, which were assessed based on participants' replies on a five-point scale where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree, are shown in the following section.

4.2.1 Economic responsibility

The description of the items used to measure the economic dimension of CSR is illustrated in the following Table 10. The highest mean values (mean = 4.17) were indicated that the firm provides a product or service that satisfies their customers, followed by the item that stated the firm has an integration with community leaders and government bodies to protect the interests of businesses (mean = 3.97), and then the item that states the presence of high productivity in their company (mean = 3.91). In general, all the items of the measurements of the economic dimension of the CSR have mean values above 3.5, which indicates that all the participants in the study agreed that the small and medium-sized enterprises are practicing the economic activities of the CSR in the study area.

Table 10: Descriptive Statistics for economic activities

Descriptive Statistics (Economic Dimension of CSR)			
	N	Mean	Std. Deviation
Your organization produces an innovative and diversified products and or services.	327	3.64	.805
Producing at a reduced cost is the key to your organization's success.	327	3.68	.885
A higher level of productivity is present in your organization.	327	3.91	.718
Your organization provides quality product or services for its customers.	327	3.86	.796
Costumers are satisfied with your company product or service.	327	4.17	.653
Your company informs its customers the risks associated with its products and services i.e., follows product or service safety rules and regulations.	327	3.50	.920
Your organization have an integration with community leaders and government bodies to protect the interests of business.	327	3.97	.742
Valid N (listwise)	327		

Source: Own Survey (2022)

4.2.2 Environmental Responsibility

A question about small- and medium-sized businesses' environmental responsibility was also posed to the study's participants. Based on the study's findings, the company discovered that its waste and environmental emissions had decreased (mean = 4.03), as well as its potential environmental pollution in terms of energy consumption (mean = 3.85). Additionally, the businesses lessened the effect of their operations on wildlife (mean = 3.75) and restored the environment on a voluntary basis rather than because of legal requirements (mean = 3.64). As a result, respondents agreed with the practice of the environmental activities of CSR by small and medium-sized firms because all the measurement items have values with means above the neutral value (mean = 3). The description of the items used to measure the environmental dimension of CSR is illustrated in Table 11.

Table 11: Descriptive Statistics for Environmental Activities

Descriptive Statistics (Environmental Dimension of CSR)			
	N	Mean	Std. Deviation
Environmentally friendly products/services are provided by this company.	327	3.56	.837
This company reduces energy consumption.	327	3.85	.763
This company reduces wastes and emissions from operations.	327	4.03	.702
This company reduces impact on animal species and natural habitats.	327	3.75	.749
This company reduces the environmental impacts of its products/service.	327	3.57	.771
In our company, we do environmental audits, public disclosures, and employee training on environmental concerns.	327	3.30	.919
Environmental restorations are done by this business on a voluntary basis (without being required by regulations).	327	3.64	.797
Valid N (listwise)	327		

Source: Own Survey (2022)

4.2.3 Social Responsibility

The results of the measurement items for social responsibility in the following Table 12 indicate that the firm prioritizes employee or community health and safety (mean = 3.75), protects the claims and rights of original people or the local community (mean = 3.68), and recognizes and acts on the need to fund local community initiatives (mean = 3.57). Thus, the result of the descriptive statistics suggests that small and medium-sized enterprises in the study area are concerned about the social initiations of the CSR dimension, as none of the respondents are neutral or disagree with items of the measurements of social responsibility.

Table 12: Descriptive Statistics of Social Activities

Descriptive Statistics (Social Dimension of CSR)			
	N	Mean	Std. Deviation
This company prioritizes employee or community health and safety.	327	3.75	.749
This company recognizes and acts on the need to fund local community initiatives.	327	3.57	.771
This company protects claims and rights of original people or local community	327	3.68	.885
Valid N (listwise)	327		

Source: Own Survey (2022)

4.2.4 Legal Responsibility

The statistical result in the Table 13 indicates that firms fulfilled any contractual obligations (mean = 4.04), pursued compliance with all laws regulating hiring and employee benefits (mean = 4.06), managers were informed about relevant business laws (mean = 3.96), and the firm's products met legal standards (mean = 3.89). Therefore, since no respondents are neutral or disagree with any of the items of the social responsibility measurements, the outcome of the descriptive statistics suggests that small and medium-sized businesses in the research area are aware and implement the legal activities of the CSR dimension.

Table 13: Descriptive Statistics of Legal Activities

Descriptive Statistics (Legal Dimension of CSR)			
	N	Mean	Std. Deviation
Managers are informed about relevant environmental laws	327	3.96	.754
All our products meet legal standards	327	3.89	.718
Our contractual obligations are always honoured	327	4.04	.820
The managers of this organization try to comply with the law	327	3.85	.763
Our company seeks to comply with all laws regulating hiring and employee benefits	327	4.06	.664
Valid N (listwise)	327		

Source: Own Survey (2022)

4.2.5 Ethical Responsibility

Furthermore, the Table 14 provides the descriptive statistics of the items used to gauge the CSR's ethical dimensions. As a result, the company has a thorough code of conduct (mean = 4.57), adheres to professional standards (mean = 4.16), has a confidential reporting procedure in place for employees to report any workplace misconduct, like theft or sexual harassment (mean = 4.04), and incorporates fairness toward co-workers and business partners into our employee evaluation process (mean = 3.89). Additionally, top managers keep an eye on any potential negative effects of our activities on the community (mean = 3.89). Therefore, the results of the descriptive statistics show that small and medium-sized enterprises in the research are ethically responsible because no respondents are neutral or disagree with any of the ethical responsibility measuring items.

Table 14: Descriptive Statistics of Ethical activities

Descriptive Statistics (Ethical Dimension of CSR)			
	N	Mean	Std. Deviation
Our business has a comprehensive code of conduct	327	4.57	.495
Members of our organization follow professional standards	327	4.16	.694
Top managers monitor the potential negative impacts of our activities on our community	327	3.58	.879
We are recognized as a trustworthy company	327	3.96	.754
Fairness toward co-workers and business partners is an integral part of our employee evaluation process	327	3.89	.718
A confidential procedure is in place for employees to report any misconduct at work (such as stealing or sexual harassment)	327	4.04	.820
Valid N (listwise)	327		

Source: Own Survey (2022)

4.2.6 Organizational Performance

In this study, organizational performance is used as an explained variable, and the descriptive statistics for the items used to measure the variable are presented in the Table 15: As evident in the statistical results, the firms are satisfying and retain the best employees (mean = 4.17), the enterprises' marketing position, image, and reputations are good (mean = 4.25), the company's customers are satisfied and loyal (mean = 4.12), when compared with rival firms, the company's market share excels the others (mean = 4.04), employees of the organizations are productive (mean = 4.24), and the enterprises' sales volume is high (mean = 4.24). Thus, the results of the descriptive statistics show that the performance of small and medium-sized enterprises in the research is very interesting, as the mean values of the responses to the statements specified to measure organizational performance are above the neutral value (mean = 3).

Table 15: Descriptive Statistics of organizational performance

Descriptive Statistics			
	N	Mean	Std. Deviation
Your organization satisfies and retain best employees	327	4.17	.661
Your company marketing position, image, and reputations are good.	327	4.25	.605
Your company customers are satisfied and loyal.	327	4.12	.708
When compared with rival firms, the market share of the company excels the others.	327	4.04	.775
Your company successfully meets organizational objectives.	327	4.20	.754
Employees of the organizations are productive.	327	4.24	.641
Your company have high sales volume.	327	4.24	.692
Your company is profitable.	327	4.26	.624
Valid N (listwise)	327		

Source: Own Survey (2022)

4.3 Correlation Statistics

The correlation coefficients measure the strength of the relationship between the variables. According to Galkina, T., & Chetty, S. (2015), the Pearson correlation coefficients are used to determine the linearity of the link between variables, or, more specifically, how much the change in one variable will affect the change in the other variables. Correlation coefficients can range from +1 to -1, with 1 denoting the ideal positive correlation and -1 the ideal negative correlation. The correlation coefficient guidelines and coefficient value ranges for predicting the strength of associations are detailed in Table 16.

Table 16: Correlation coefficients guideline

Correlation coefficient	Strength of the correlation
-0.50 to 1.0 or -0.50 to -1.0	Strong relationship
0.30 to 0.49 or -0.30 to -0.49	Moderate relationship
0.10 to 0.29 or -0.10 to -0.29	Weak relationship

Source: COHEN, (1988)

The social activities of the CSR dimension are the first variable which have a strong correlation have the highest and most significant relationship with the performance of small and medium-size enterprises ($r = 0.842$, $P < 0.05$), as shown in the following Table 17. This suggests that the success of small and medium-sized businesses has an 84.2% link to the social component of CSR. The second most highly significant and positively associated variable to the success of small and medium-sized businesses was the economic initiative of the CSR dimension ($r = 0.739$, $P < 0.05$). This suggests that there is a 73.9% correlation between the performance of small and medium-sized businesses and the economic aspect of CSR. Next to the social and economic activities of the CSR dimension, environmental activities of the CSR dimension have a strong correlation and significant relationship with the performance of small and medium-sized enterprises ($r = 0.659$, $P < 0.05$). This indicates that there is a 65.9% association between the performance of small and medium-sized businesses and the economic aspect of CSR. Legal and ethical activities of the CSR dimensions have a moderately and significantly positive relationship with the performance of small and medium-sized enterprises, with $r = 0.258$, $P < 0.05$, and $r = 0.126$, $P < 0.05$, respectively. This showed that there is a 25.8% and 12.6% association between the performance of small and medium-sized businesses and the legal and ethical aspects of the CSR dimension, respectively.

Table 17: Correlation Coefficients

		Correlations					
		Econo- mic	Env'tal	Social	Legal	Ethical	SMEs' Perfor- mance
Econo- mic	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	327					
Env'tal	Pearson Correlation	.371**	1				
	Sig. (2-tailed)	.000					
	N	327	327				
Social	Pearson Correlation	.632**	.530**	1			
	Sig. (2-tailed)	.000	.000				
	N	327	327	327			
Legal	Pearson Correlation	.116*	.359**	.141*	1		
	Sig. (2-tailed)	.036	.000	.011			
	N	327	327	327	327		
Ethical	Pearson Correlation	.090	.113*	.075	.569**	1	
	Sig. (2-tailed)	.105	.040	.176	.000		
	N	327	327	327	327	327	
SMEs' Perfor- mance	Pearson Correlation	.739**	.659**	.842**	.258**	.126*	1
	Sig. (2-tailed)	.000	.000	.000	.000	.251	
	N	327	327	327	327	327	327

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Own Survey (2022)

The results of the correlation analysis offered adequate proof to imply that there was a linear relationship between economic, environmental, social, legal, and ethical activities as well as corporate performance. Moreover, it offers adequate foundational support for the application of a multiple regression model.

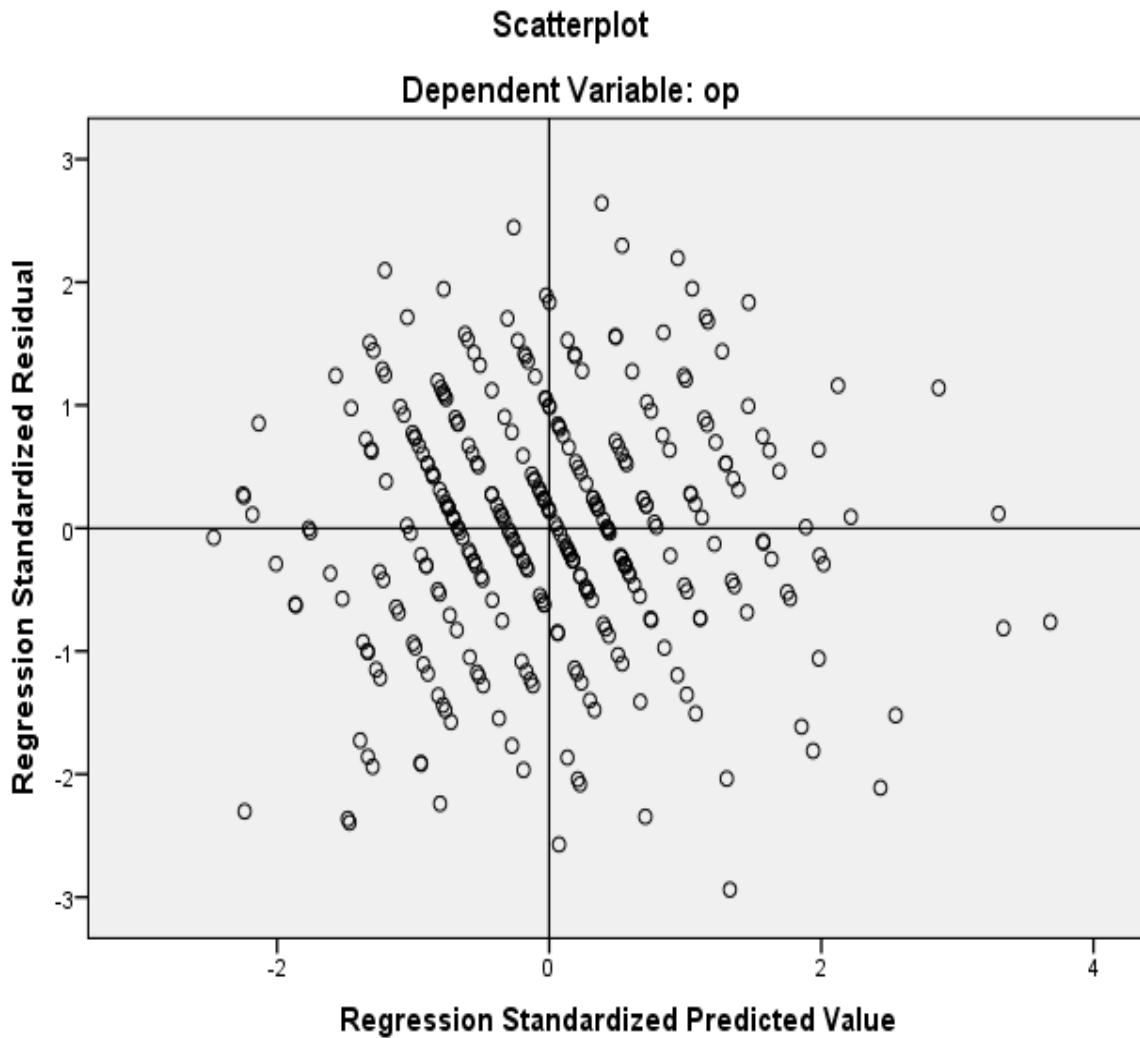
4.4 Effects of CSR on SMEs' Performance

The main purpose of this study is to investigate the impact of corporate social responsibility on the sustainable performance of small and medium enterprises. For the study's purpose, five dimensions of CSR (economic, environmental, social, legal, and ethical activities) were identified from the reviewed literature that have the potential to influence SMEs' sustainable performance. As a result, multiple linear regression model was used, and the below findings of the test of the model's suitability for the intended purpose were carried out using SPSS version 23.0.

Assumptions and test results for the classic linear regression model (CLRM): For multiple linear regression to produce reliable results, several underlying assumptions must be true. Diagnostic tests are therefore carried out for the goal of this study to determine whether the model violates the CLRM's presumptions.

Assumption #1: The residuals should have a constant variance (homoscedasticity).

The fundamental concept of this presumption is that the data are homoscedastic, which necessitates that each point be roughly equal distances from the line (the assumption of equal variance). As a result, it is simpler to model and analyse the data using regression; yet the lack of homoskedasticity may indicate that more predictor variables are required for the regression model to adequately explain the performance of the dependent variable. The scatter plots from this investigation's analysis show that the variables have a nearly constant variance, as shown in the Figure 19. Thus, the first assumption was met because there is no evidence to suggest that a heteroscedasticity problem exists.



Source: Own Survey (2022)

Figure 19: Scatter Plot Figure

Assumption #2: There shouldn't have been perfect correlation or multi-collinearity between the explanatory variables.

Multicollinearity is a problem that typically occurs when certain explanatory variables have a high correlation. In other words, multicollinearity describes how explanatory variables are related to one another. Calculating the correlation coefficient between the independent variables is the simplest method of evaluating multicollinearity problems. Another means of detecting multicollinearity issues is by looking at the tolerance value and VIF (Variance Inflation Factors). According to GRAHAM, (2003), there is no multicollinearity problem if the tolerance value and

VIF are less than 0.1 and 10, respectively. The assessment for the study’s model demonstrates that no variable's tolerance level is less than 0.10 and that its VIF is larger than ten. As a result, the second premise was proven to be true. Thus, as indicated in the accompanying Table 18, the variable does not exhibit multi-collinearity problems.

Table 18: Test for multicollinearity (Collinearity Statistics)

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Economic (ecn)	.598	1.674
Environment (env)	.623	1.604
Social (scl)	.497	2.011
Legal (leg)	.584	1.712
Ethics (etc)	.663	1.509

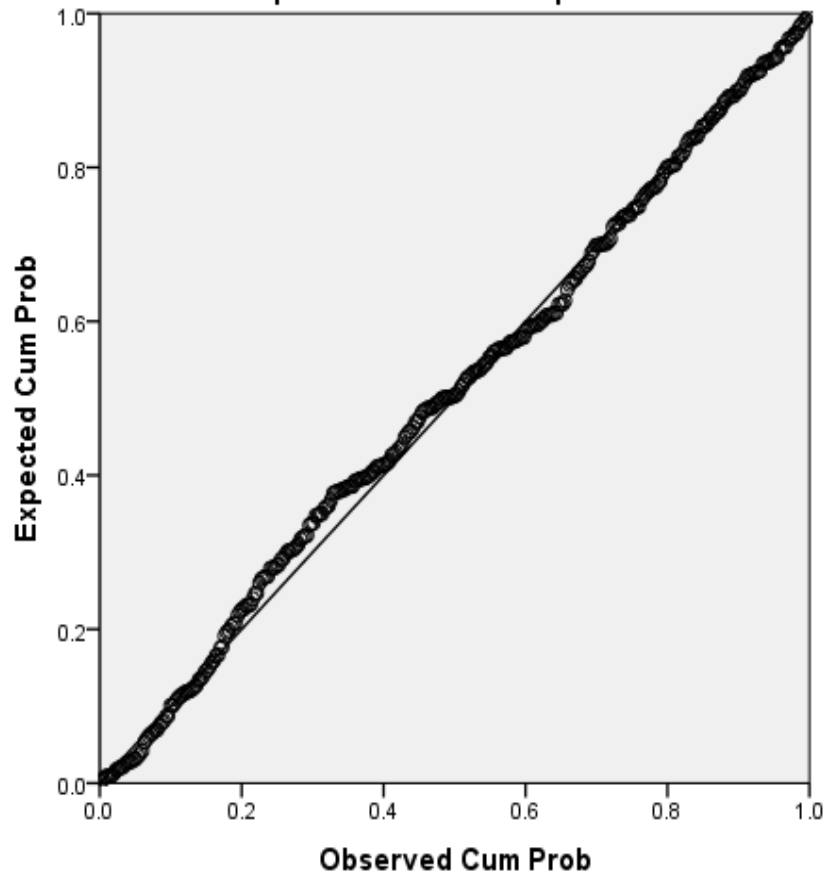
a. Dependent variable: Organizational performance (OP)

Source: Own Survey (2022)

Assumption #3: There should be a linear relationship between the predictors and the explained variable. By examining the model's P-P plot, this assumption can be verified or refuted. The residuals are more closely aligned with normal values the nearer the dots are to the diagonal line. Considering this, the P-P plot test result for this model is significantly nearer the diagonal line, which implies that the data are consistent with the linearity assumption as seen in the following Figure 20.

Normal P-P Plot of Regression Standardized Residual

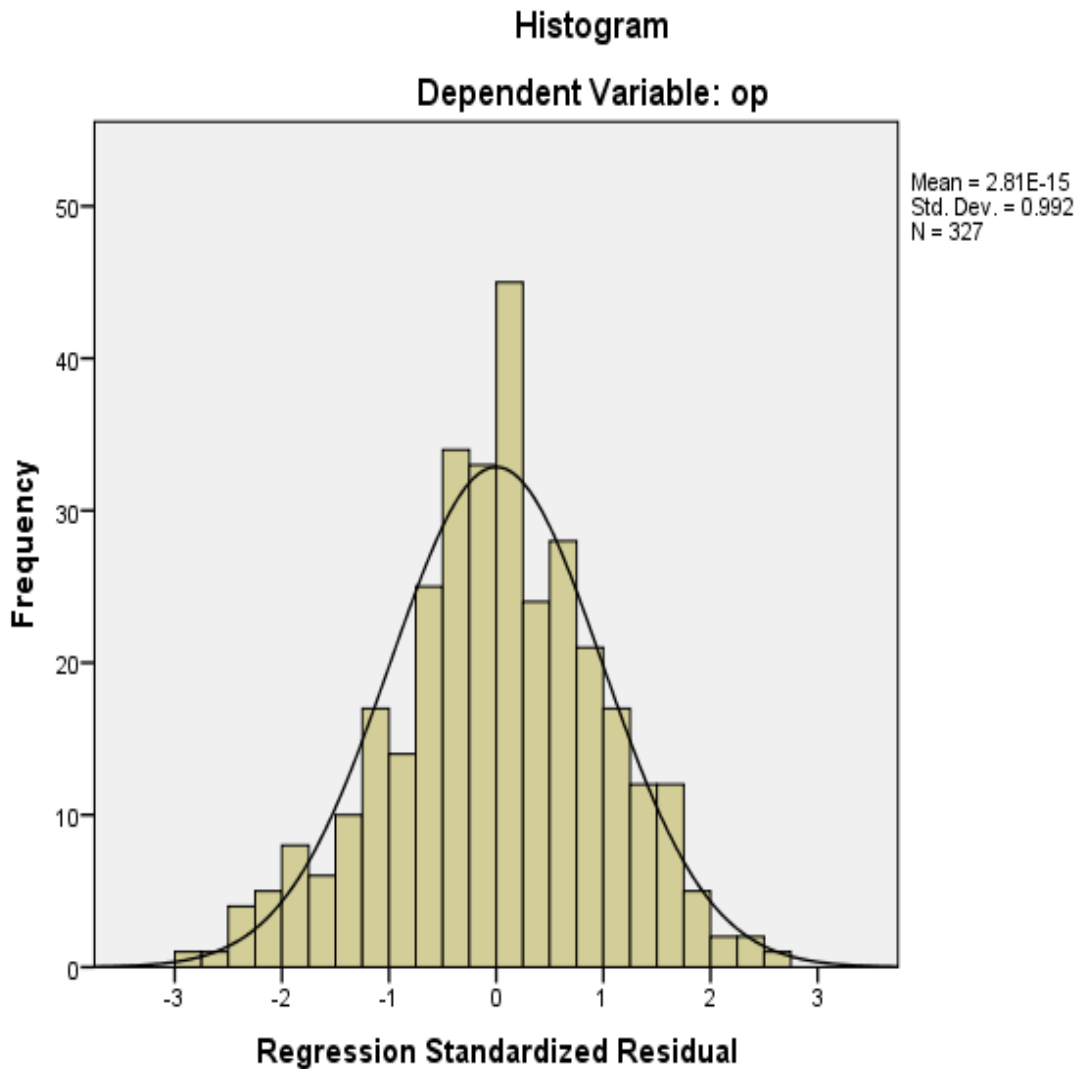
Dependent Variable: op



Source: Own Survey (2022)

Figure 20: P-P Plot Figure

Assumption #4: The residual values should follow a normal distribution. As shown in the following Figure 21, the data are normally distributed within the curve which indicates no evidence for the violation of assumption #4.



Source: Own Survey (2022)

Figure 21: Normality Plot

The Kolmogorov-Smirnov and Shapiro-Wilk tests, in addition to the Table 19, were used to determine whether the data distribution deviated from normality. When the P value is less than 0.05, both test findings indicate that the normality hypothesis is false. According to these premises, none of the p-values for the Kolmogorov-Smirnov test nor the Shapiro-Wilk test was less than 0.05, indicating that there is no proof that the data distribution is not normally distributed. Thus, assumption #4 is satisfied to run the model for further analysis.

Table 19: Kolmogorov-Smirnov and Shapiro-Wilk tests

	Normality Test					
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
RES_1 Unstandardized Residual	.046	373	.054	.995	373	.245
ZRE_1 Standardized Residual	.046	373	.054	.995	373	.245

a. Lilliefors Significance Correction

Source: Own Survey (2022)

Assumption #5: No autocorrelation. When the residuals from a regression model are dependent on one another, autocorrelation happens. Alternatively put, if the residual e_i value depends on the residual e_{i-1} value. The well-known Durbin-Watson test was used to determine if autocorrelation existed or not. The Durbin-Watson statistic should be around 2, and a reasonable range is 1.50-2.50, for the residuals to be independent (not correlated) (ALI et al. 1993). The assumption of independent error in this study has almost likely been met because the Durbin-Watson value was 1.778, which is extremely near to 2.

4.5 Results of inferential statistics

Table 20 provides a summary of how well the explanatory factors predicted the variation in the explained variable using a linear regression model. Adjusted R-square is recommended over R-square when assessing a linear regression model's efficacy (BLUMAN, 2009). As a result, the adjusted R-square value was 0.843, indicating that the explanatory variables (economic, environmental, social, legal, and ethical activities) explained more than 84% of the variation in the dependent variable (the performance of SMEs), with variables not included in this study accounting for the remaining 15.7%. Another very important finding is a section of the summary table that displays the significance of the variables, such as $p = 0.000$. The p-value was sufficiently low at 1% confidence level to allow for the rejection of the null hypothesis of the F-statistic (the overall test of significance) that the adjusted R square is equal to zero. The specified model's reliability and validity were improved by the P-value of 0.000, which denotes great statistical significance.

Table 20: Model Summary

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.919 ^a	.845	.843	.147	.845	351.255	5	321	.000	1.778

a. Predictors: (Constant), etc, ecn, env, leg, scl

b. Dependent Variable: op

Source: Own Survey (2022)

Statistics regarding the overall significance or fitness of the used model were obtained using the analysis of variance (ANOVA). The model's overall fitness for predicting the values of the variables is perfect, as indicated by the significance value of $p = 0.000$ in the Table 21. As can be seen from the ANOVA (analysis of variance) in Table 30, the regression model accounts for most of the observation's value (38.069) out of the total observation (45.027). As a result, it is reasonable to infer that the Regression explains most of the observations while extraneous variables account for the remainder (6.958).

Table 21: ANOVA table

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	38.069	5	7.614	351.255	.000 ^b
	Residual	6.958	321	.022		
	Total	45.027	326			

a. Dependent Variable: op

b. Predictors: (Constant), etc, ecn, env, leg, scl

Source: Own Survey (2022)

Table 22 displays the variable coefficients from the regression result: The unstandardized coefficient describes the relationship between the independent variables and organizational performance as well as how much each independent variable changes organizational performance when its value changes by one unit. Accordingly, it is possible to say that in the absence of all the explanatory variable or when beta (β) values of all independent variables of the study becomes zero, the average value of firm performance is equal to 0.202 or changed by 20.2%. However, none of the explanatory factor's activities can be made zero in real life. To use the intercept term in the model and generate predictions, we must nevertheless retain it there. Simply put, this model's intercept has no useful interpretation in this study.

Table 22: Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	.202	.141		1.430	.154	-.076	.480
Economic	.335	.029	.331	11.655	.000	.278	.392
Environment	.256	.029	.242	8.712	.000	.198	.314
Social	.380	.024	.495	15.921	.000	.333	.427
Lega	.124	.030	.119	4.145	.000	.065	.183
Ethics	.119	.032	.098	3.652	.000	.024	.182

Source: Own Survey (2022)

According to the Table 22 regression results, each independent variable had a statistically significant effect on how well small and medium-sized businesses performed. The p-values for all the explanatory variables are all 0.000, as shown, indicating that all of them are statistically significant at the 1% level of confidence. In addition, the above table shows that there is a direct correlation between economic, environmental, social, legal, and ethical actions and the performance of small and medium-sized businesses as long as the coefficients of the independent variables are positive.

Insightful prediction information about the inferences is also provided by the beta value of the independent variables. As a result, the study's variables for economic, environmental, social, legal, and ethical activities had respective beta values of 0.335, 0.256, 0.380, 0.124, and 0.119. According to this finding, the performance of SMEs improves or decreases in the same direction as the beta values of each explanatory variable as they are changed by one unit. Based on the study variables, the researcher found the following estimated regression for forecasting company performance:

$$OP = 0.202 + 0.335ecn + 0.256env + 0.380scl + 0.124leg + 0.119etc$$

4.6 Discussion of Results

The major findings of the investigation are reported in this section of the study in accordance with its objectives. The report of the investigation depends on the theoretical basis and the primary data gathered from the 327 participants. The analysis's findings suggest that men (62.1%) predominate among respondents, who are also the majority among respondents who run small and medium-sized businesses in Ethiopia's Oromia region. The gender gap may be caused by societal attitudes and customs that provide extra pressure to businesses managed by female entrepreneurs. As a result, it is advised that, to achieve gender equality, the Oromia job creation and vocational bureau should support and promote female SME owners in the area. It's interesting to note that most survey participants (44.6%) are within the productive age range of 26 to 35, have a first-degree education (67.3%), and have 11 to 15 years of job experience (47.1%). Additionally, most of the enterprises under study (55.7%) are held by partnerships, employ 16–30 people (43.1%), and have a capital of 1.5–20 million birr (52%). This study indicates that SMEs constitute the primary economic sector in the area and employ active, educated, and skilled labour. Likewise, the study made by ENDRIS and KASSEGN, (2022) and GEBREHIWOT, (2022) suggested that SMEs employment in Ethiopia had a high level of significance for reducing poverty, empowering women socially and economically, and supporting the local economy and communities through income tax payments. Therefore, it is wise to incorporate additional supportive elements for SMEs' sustainable growth and development.

As shown in Table 3, all respondents (327 participants) were aware of CSR principles (100%) because the study's target groups were chosen with the intention of posing more questions on the topic. In this case, most respondents (29.1%) learned about CSR concepts from training and developments offered by non-governmental groups, who were then followed by small and medium-size enterprise themselves (25.4%). The results of this study indicate that non-governmental organizations are crucial in encouraging CSR initiatives in SMEs. STEKELORUM et al. (2020) discovered that SMEs have been recommended to work with international NGOs as a feasible strategy to implement CSR practices and supplier assessment. This is in accordance with the fact that SME managers typically lack time and resources.

Additionally, the study's SMEs engaged in CSR in a variety of ways, including sponsoring social activities (24.5%), creating a safe workplace for employees, paying fair wages, and providing them

with opportunities for education and training (33%), and working with due regard for the environmental impact of their business operations (40.7%). Similarly, SMEs engaged in CSR activities primarily to address social, economic, and environmental issues (65.4%) in addition to gaining a competitive edge over those SMEs who were not undertaking CSR efforts, according to the data gathered from the respondents. The findings of this study support those of NAYAK et al. (2021), who contend that both large enterprises (LEs) and small and medium-sized businesses (SMEs) should maintain their corporate social responsibility (CSR) concepts to adhere to legal requirements relating to employee pay and benefits, workplace safety, gender equality, and promotions. The CSR initiatives should also discuss societal issues with the stakeholders they are intended for, especially the local community.

Furthermore, financial limitations (33.3%) and a lack of understanding of the benefits of incorporating CSR into corporate operations (30.3%) provide the biggest obstacles for SMEs in the survey to put CSR activities into effect. The absence of effective governance (10.1%) and low management commitment (26.3%) are the additional barriers that SMEs face when attempting to undertake CSR initiatives. This study supports the obstacles to CSR that ZOU et al. (2021) noted, which also include a lack of resources, a lack of law, a lack of senior management support, a lack of CSR understanding, and passive customer behaviour.

According to the study's first specific goal, which was to evaluate the impact of the economic aspects of CSR on the performance of SMEs, the findings show that the economic dimension of CSR had a positive association with SMEs' performance and was statistically significant at the 1% level of confidence. The results of the regression analysis show that the economic dimension of CSR in this study had a beta value of 0.335 and a p-value of 0.000. This shows that the value of SME performance grows or falls by 0.335 units in the same direction as the economic variable of the CSR as it changes by one unit. This study's findings are consistent with those of RINAWIYANTI et al. (2021), who found that when SMEs run their operations economically and in accordance with the law, it benefits their key external stakeholders by increasing customer satisfaction, increasing customer loyalty, and attracting new clients. In addition to this, the study conducted by BRIONES-PEN-ALVER et al. (2018) and WICKERT, (2016) suggested that the economic activities of CSR in SMEs can boost earnings and support the financial performance of businesses through the resources utilized in the execution of their objectives, adding to the services

supplied and delivered to shareholders and employees generally. It is therefore reasonable to draw the conclusion that the economic aspect of CSR has a noticeably favourable impact on the success of the SMEs performance.

The study's second specific objective was to ascertain how the performance of SMEs was impacted by environmental activities within the CSR dimension. In light of this, the environmental component of CSR in this study has a positive effect on SME performance and is statistically significant at a 1% level of confidence, i.e., the variable's beta value is 0.256 and its p-value is 0.000. This implies that when the value of the environmental component of CSR is raised or lowered by one unit, the value of SME performance is likewise raised or lowered by 0.256 units. This result is in line with a study by ODURO et al. (2021) and MONEVA-ABADÍA, et al. (2019), which claimed that the environmental aspect of CSR has a favourable effect on the financial performance of SMEs and is statistically significant.

Regarding the third specific goal, which was created to evaluate the impact of social activities in the CSR dimension on SMEs' performance, the study's findings revealed a statistically significant positive association between social initiatives and SMEs' performance. As a result, the study's regression output revealed that the social variable's beta value is 0.380 and its p-value is 0.000. Accordingly, when the social component of CSR's value is increased or decreased by one unit, the value of SME performance is correspondingly increased or decreased by 0.380 units in the same direction. The findings of this study agree with those of BACINELLO et al. (2021), who found that the social aspect of CSR helps SMEs perform better. It is also emphasized that making this strategic investment also helps businesses build their reputations. Furthermore, HU et al. (2018) and LÓPEZ-PÉREZ et al. (2017) claim that CSR efforts can be optimized through the strategic management of social issues, improving both the image and reputation of businesses as well as opening potential for competitive advantage. Therefore, it is reasonable to infer that the social programs of corporate social responsibility have a favourable impact on the performance of SMEs.

Examining how the legal actions taken as part of the CSR dimension have an impact on the performance of SMEs is the study's fourth specific objective. As a result, this study's legal CSR initiatives have a positive impact on SME performance and are statistically significant at a 1% level of confidence, i.e., the variable's beta value is 0.124 and its p-value is 0.000, as shown from the regression output. This implies that, when the legal dimension of CSR's value is increased or

decreased by one unit, the value of SME performance is correspondingly increased or decreased by 0.124 units in the same direction. The study's findings are consistent with those made by DOSHMANLI et al. (2018), and RINAWIYANTI et al. (2021), who found a strong link between the growth of small and medium-sized firms and the legal aspect of CSR. Therefore, it is acceptable to conclude that the legal activities of CSR have a direct relationship with the performance of SMEs and have a substantial impact on the growth and development of enterprises generally.

The study's fifth and last specific objective was to examine how ethical CSR initiatives affect the performance of SMEs. As a result, this study's ethical CSR initiatives have a positive impact on SME performance and are statistically significant at a 1% level of confidence, i.e., the variable's beta value is 0.119 and its p-value is 0.000, as shown from the regression output in Table (). Accordingly, when the ethical component of CSR's value is increased or decreased by one unit, the value of SME performance is correspondingly increased or decreased by 0.119 units in the same direction. The outcome is in line with WAHEED and ZHANG, (2020) findings, which revealed a positive relationship and significant impact of ethical activities on SMEs' performance. As a result, it makes sense to draw the conclusion that ethical CSR initiatives positively and significantly affect the performance of SMEs.

Corresponding to the research findings, the following description of the study's hypothesis is summarised in Table 23.

Table 23: Justification of Hypothesis

Particulars	Beta	Sig.	Decision
<i>Hypothesis 1 (H1): There is a statistically significant positive relationship between the economic dimension of CSR and SME performance.</i>	0.335	0.000	Accepted
<i>Hypothesis 2 (H2): There is a statistically significant positive relationship between the environmental dimension of CSR and SME performance.</i>	0.256	0.000	Accepted
<i>Hypothesis 3 (H3): There is a statistically significant positive relationship between the social dimension of CSR and SME performance.</i>	0.380	0.000	Accepted
<i>Hypothesis 4 (H4): There is a statistically significant positive relationship between the legal dimension of CSR and SME performance.</i>	0.124	0.000	Accepted
<i>Hypothesis 5 (H5): There is a statistically significant positive relationship between the ethical dimension of CSR and SME performance.</i>	0.119	0.000	Accepted

Source: Own Survey (2022)

As shown in the Table 32, the investigation's findings confirmed each of the five hypotheses that were generated for the study.

5. Conclusions and Recommendations

The overall goal of this study is to examine the effects of corporate social responsibility (CSR) dimensions (economic, environmental, social, legal, and ethical initiatives) on the performance of SMEs in Ethiopia's Oromia regional states. The theoretical underpinnings, empirical research on the study, methods used to achieve the survey's general and specific aims, discussion of the raw data acquired for the study's purpose, and analysis of that data have all been covered in the previous sections of the dissertation. As a result, this section addresses conclusions for each specific objective based on research findings and offers policy recommendations for all stakeholders of the subject matter, as well as implications for practitioners and academicians for additional research in the area to add more insights and knowledge.

5.1 Conclusion

As stated in chapter 5 above, the overall goal of this study was to investigate the effects of corporate social responsibility (CSR) on the performance of SMEs in Ethiopia's Oromia regional states, with specific goals for each variable of the study. Accordingly, the following conclusions were made from the research's findings:

According to the analysis's results, men predominate among individuals who own small and medium-sized enterprises in Ethiopia's Oromia region. Society's views, culture and practices that put additional pressure on enterprises run by female entrepreneurs may be the root of the gender gap in Ethiopia. To achieve gender equality, it is recommended that the Oromia job creation and vocational bureau support and promote female SME owners, particularly in the Oromia region, and raise public awareness about the need to avoid antiquated customs that deter female entrepreneurs from opening businesses. The result of the study also indicates that SMEs constitute the primary economic sector in the area and employ active, educated, and skilled labour. In low-income nations, SMEs account for more than 60% of GDP and more than 70% of all employment, but in middle-income countries, they account for more than 95% of all employment and roughly 70% of GDP (ABDISSA and FITWI, 2016). In line to this finding, the Ethiopian government has created unique programs to support new firms and gives special attention to SMEs to absorb recent university graduates. Thus, it makes sense for small and medium-sized enterprises (SMEs) and start-up companies to include CSR initiatives in their strategic plans to achieve sustainable growth.

From the study's findings, it is also reasonable to draw the conclusion that small- and medium-sized business owners, government agencies, and non-governmental organizations (NGOs) are helping to raise awareness about the importance of CSR initiatives for SMEs in the study area. Accordingly, it can be said that SMEs operating in Oromia regional states of Ethiopia are moving toward putting CSR activities into practice. Because the study's findings suggest that there are indicators for actions like establishing a safe workplace for workers, paying a fair wage, offering opportunities for education and training, supporting social activities, and running the company with little environmental impact, among others. From the study's result, the biggest challenges for small and medium-sized businesses to effectively undertake CSR activities are financial limitations, owner unwillingness, poor management commitment, the need of strong governance, and a lack of a complete awareness of the advantages of doing so.

The primary value of this study is that it illustrates the efficient impact of corporate social responsibility (CSR) dimensions (economic, environmental, social, legal, and ethical) on the performance of SMEs in the market. Surprisingly, CSR activities explained approximately 84% of the variance in SME performance. Thus, the study supports the notion that CSR could be a successful business strategy for small and medium-sized enterprises as a means of allocating resources with certainty of achieving favourable outcomes. The findings also strengthen the hypothesis, proving that small and medium-sized enterprises can become more competitive by integrating CSR initiatives into their operations. It is also possible to draw the conclusion that these findings can assist managers in small and medium-sized businesses in understanding the importance of CSR issues and what can be anticipated from any efforts they make to enhance their organization's social, legal, ethical, and environmental performance in addition to its economic initiatives.

Depending on its nature and purpose, several studies propose different CSR dimensions to see its influence on the performance of small and medium-sized enterprises. The current study investigates the impact of the economic, environmental, social, legal, and ethical dimensions of CSR on the performance of small and medium-sized enterprises. It does so based on a review of prior empirical studies and CSR theories, and it also draws the following conclusion based on the analysis's findings:

Regarding the economic activities of the CSR dimension, this study confirms that a positive association between the variable and SMEs performance. Moreover, next to social initiatives, the economic aspect of CSR has a big impact on how well small and medium-sized businesses function. This is in line with that an enterprise with sound economic initiatives have greater performance than the rival firms. The economic aspect of CSR is a strategy that corporate organizations can use to address issues that businesses may encounter when marketing their products and services to support economic growth and sustainability. These issues include customer satisfaction, supply chain management, product quality, and safety. How much effort a firm has put into integrating the economic dimension with other important business tasks is determined by the system it uses to conduct its business in the market. When business organizations actively utilize market opportunities and focus on long-term economic success rather than short-term profit maximization, the broader economy will be supported and community living standards will rise.

When it comes to the environmental component of the CSR dimension, it has a positive and considerable influence on the performance of small and medium-sized businesses. This is consistent with the idea that business organizations can participate in environmental activities that fall under the CSR component by adhering to the principles of the global environmental management system, which is one of the 2030 Sustainable Development Goals. This will decrease the impact of business activities on the environment. However, if the external stakeholders, such as higher institutions and non-government and government agencies, can demonstrate their cooperation to provide training, resources, and the know-how to implement environmental initiatives, the application of environmental-related CSR activities in SMEs can be realized and show a significant impact.

The empirical results demonstrated that, when compared to other CSR factors, the social component of CSR had a positive and strongly significant impact on the performance of small and medium-sized businesses. Participating in community-based activities while upholding short-term profit maximization to achieve their immediate goals is fantastic advice for small and medium-sized businesses. The social initiatives of CSR are, however, being implemented by small and medium-sized businesses (SMEs), who have established priority areas depending on their financial constraints and available human resources.

The result of the study showed that the legal component of the CSR dimension has a positive and significant impact on the performance of small and medium-sized businesses enterprises, even though its influence is less than that of the other variables included in the investigation. According to CHEROBON, (2014), engaging in "legal activity" entails acting in a way that is consistent with legal expectations and societal norms, abiding by several federal, state, and local regulations, acting as a law-abiding corporate citizen, successfully completing all legal obligations, and providing goods and services that at the very least comply with the bare minimum legal requirements. Managers anticipate that a company will turn a profit to reward itself for being productive and efficient, and society anticipates that a company will uphold the law. Therefore, it is important to maintain a balance between what society expects from businesses in terms of upholding the law and the benefits of an organization's effectiveness.

The ethical dimension of CSR has a positive and significant effect on the performance of small and medium-sized enterprises. The rules, norms, or expectations associated with upholding or protecting the moral rights of stakeholders, including customers, employees, shareholders, and the community, are what are referred to as ethical obligations (MEKONNEN, 2018). The construction of a moral fabric results from society and business sharing tacit knowledge that is a component of mankind. In light of this, it is plausible to draw the conclusion that the ethical aspect of CSR has a positive effect on the performance of small and medium-sized businesses.

5.2 Recommendations

As can be seen from the results of the data, all the study's variables have a positive and significant influence on the performance of small and medium-sized businesses. The execution of the CSR initiative should therefore be encouraged and supported by the management of SMEs, their owners, government officials, and other stakeholders for the sustainable growth of small and medium-sized firms. More specifically, the following potential recommendations were put forth considering the study's findings.

To start with the economic initiatives, small and medium-sized businesses ought to create a range of inventive, cost-effective goods and/or services. Because the high-quality products and services help small and medium-sized businesses keep their existing customers and draw in new ones. Additionally, SMEs should go above and beyond what customers anticipate by informing them of

the risks associated with the company's products and services, i.e., by abiding by safety rules and regulations. Additionally, SMEs' management should work with local authorities and governmental organizations to protect the commercial interests of their businesses and sustain their long-term success in the market.

When it comes to the environmental initiatives of the CSR dimension, small and medium-sized firms should reduce the waste and emissions from the company to the environment, provide environmentally friendly products and services, and establish partnerships and integrate with other stakeholders to reduce the environmental impacts of their business operations. Moreover, environmental audits, public disclosures, employee training on environmental concerns, and environmental restorations on a voluntary basis (without being required by regulations) are other interesting initiatives small and medium-sized firms should undertake to sustain their business in the market.

In relation to the social initiatives of the CSR dimensions, small and medium-sized firms should invest in projects (such as building schools, health canters, roads, etc.) that improve the quality of life in the community. Moreover, SMEs should place a priority on the health, safety, and general well-being of employees by providing money and facilities (e.g., gifts of products or services), providing volunteer employee service to the local community, and prioritizing employee health, safety, and well-being.

In addition to economic, social, and environmental activities, small and medium-sized enterprises should also be concerned about the legal aspects of their business that impact its performance. Among other things, the enterprises should undertake voluntary activities (e.g., for a better society and cleaner environment) beyond rules protecting customer rights, providing an equal career opportunity regardless of employees' gender, race, religion, and ethnicity, and providing training for employees to make them aware of business rules and regulations. Moreover, SMEs should adhere to legal requirements such as the tax law, employee safety standards, or environmental standards.

Last but not least is the ethical dimension of corporate social responsibility. To boost the performance of small and medium-sized enterprises, the enterprise should provide financial investors, employees, and consumers with access to business information and policies; treat all

individuals within the organization equally and with respect; and ensure that no one is ever arbitrarily exploited for organizational benefit. SMEs should also respect the human rights, dignity, autonomy, and privacy of all their employees, which are some of the ethical activities they undertake. Moreover, the organizations should meet all ethical obligations, i.e., those social expectations not covered by law (such as doing what is right, just, and fair and respecting the rights of individuals in society).

5.3 Suggestion for further study

Future research opportunities for academics, practitioners, and researchers are suggested in accordance with the current examination, which focuses on the impact of corporate social responsibility on the long-term performance of small and medium-sized firms using data from Ethiopia.

1. The current study included information from SME owners, managers, and government officials among its respondents. However, it's also crucial to consider the views of other stakeholders, such as customer perception, to triangulate their responses. Therefore, it is wise to consider the consumer's and other stakeholders' perspectives in subsequent study on the subject.
2. This study demonstrates the effective influence of corporate social responsibility (CSR) dimensions like economic, environmental, social, legal, and ethical components on the performance of small and medium-sized businesses. The author is certain that the current study offers a chance for governmental bodies, for-profit organizations, non-profit organizations, and the business community at large to increase their familiarity and comprehension of CSR in a broader context. The author does, however, acknowledge the need to expand the study to be more thorough. Thus, future research should consider more geographic locations and, more importantly, cross-cultural studies to advance replications in this field of study.
3. As the current research used cross-sectional survey data gathered from small and medium-sized enterprises that started to practice CSR policies at a specific time, future research may use a longitudinal methodology and monitor variations in the respondent's reaction over time based on real variations in CSR activities. The scale could be used at various intervals, such as before CSR implementation, right away after CSR implementation, and

following several CSR activities. Researchers may then be able to identify more significant variations between groups.

6 New Scientific Results

The major goal of the study was to investigate how CSR practices affect small and medium businesses operating in Ethiopia in terms of sustainable business performance. In accordance with the investigation's goals, the main findings were summarized in the section above discussing the outcomes. As a result, a synopsis of the new scientific results is provided below.

1. My research result explore that the economic dimension of corporate social responsibility activities has a significant impact on sustainable performance of small and medium size enterprises. Analytically, the beta value (= 0.335) and the p-value ($P = 000$) show a positive association between the performance of SMEs and the economic activities of CSR, which is also statistically significant at a 1% level of confidence. This proves that when the economic variable of the CSR changes by one unit, the value of SME performance increases or decreases by 0.335 units in the same direction.
2. I confirm that the social activities of corporate social responsibility dimension have a big impact on sustainable performance of small and medium enterprises. Empirically, the beta value (= 0.380) and the p-value ($p = 0.000$) show a positive association between the performance of SMEs and social activities of CSR, which is also statistically significant at 1% level of confidence. This demonstrates that for every unit change in the social variable of the CSR, the value of SME performance increases or decreases by 0.380 units in the same direction.
3. This study reveals that the environmental component of CSR in this study has a positive effect on SME performance and is statistically significant at a 1% level of confidence, i.e., the variable's beta value is 0.256 and its p-value is 0.000. The result claimed that the environmental aspect of CSR has a favorable effect on the performance of SMEs and is statistically significant.
4. This study further confirmed that the legal and ethical activities of corporate social responsibility dimension have a positive effect on SMEs performance and is statistically significant at 1% level of confidence i.e., the variables beta value is 0.124 and 0.119 respectively and their p values are 0.000. According to the findings, there is statistically

strong evidence that the legal and ethical components of CSR have a positive impact on SMEs' sustainable performance.

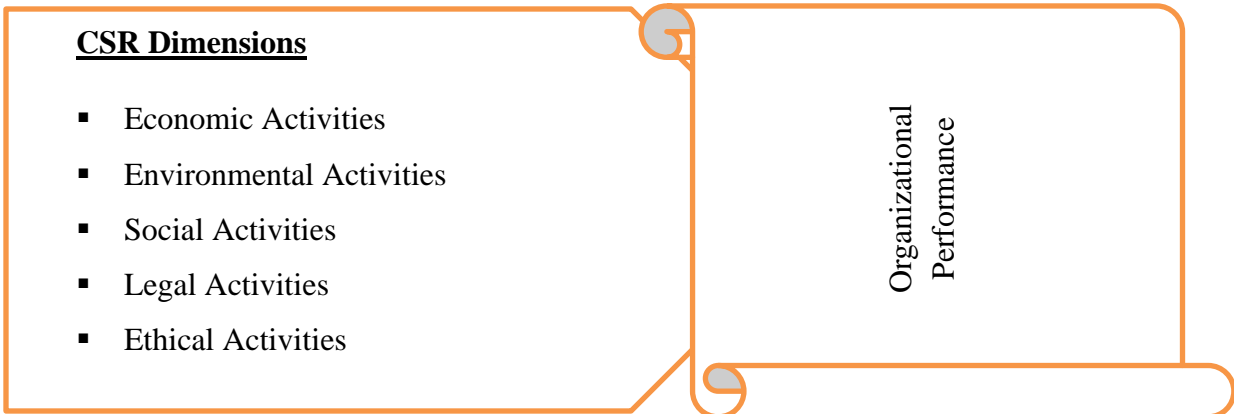
7 Summary

After reviewing several empirical studies, the author draws the conclusion that Ethiopian academics and practitioners have not yet fully explored the notion of corporate social responsibility, as there have been relatively few studies to date in which any of the researchers have addressed the situations of SMEs. As a result, the researcher suggests a study with the main goal of finding out how CSR initiatives in Ethiopia's Oromia regional states affect the performance of small and medium-sized enterprises. Accordingly, the following objectives were developed to accomplish the study's overall goal:

- investigating the impact of CSR-related economic activities on the performance of SMEs;
- determining how environmental initiatives within the CSR dimension affect the performance of SMEs;
- assessing how social activities affect the performance of SMEs in the CSR dimension;
- exploring how the performance of SMEs is affected by legal activities in the CSR dimension;
- determining the effect of ethical activities in the CSR dimension on SME's performance.

Theories related to CSR, arguments of scholars on the concepts of CSR, and reviews of empirical studies to show the research gap on the subject in the case of developing countries, more specifically in Ethiopia, were done thoroughly. Among other things, the Resource-Based View (RBV) theory revolves around a company's strategic resources, which are the building blocks of business growth; the stockholder theory, also known as shareholder theory, suggests a corporation's manager has a duty to maximize shareholder returns; the stakeholder theory holds that company leaders must understand and account for all of their company's stakeholders - the constituencies that affect or are affected by its operations; and the agency theory is a management and economic theory that attempts to explain relationships and self-interests in business organizations were used for the purpose of this study.

After an extensive review of related literature on the concept of Corporate Social Responsibility (CSR) in the case of small and medium-sized enterprises, the following hypothetical conceptual framework for the study was developed:



Source: Own work (2022)

To realize the study objectives, the author employed an explanatory research design. According to SAUNDERS et al. (2007), explanatory research goes beyond descriptive research and attempts to explain the reason for the phenomenon by seeking to establish a causal relationship between variables. A mixed research approach was also adopted, which is a methodology for conducting research that involves collecting, analysing, and integrating quantitative (e.g., experimental, survey) and qualitative (e.g., focus group, interview) research.

According to KUMAR and KOTHARI (2018), "target population" is defined as a group of people, events, or items that the researcher wishes to investigate. Accordingly, the target population of this study is all small and medium enterprises (SMEs) operating in the Oromia regional state of Ethiopia. The researcher employed both probability and non-probability sampling techniques for the purpose of this study. Regarding probability sampling, a stratified simple random sampling technique was employed since small and medium enterprises are heterogeneous, and hence the total population was divided into different sub-populations: the manufacturing sector, the service sector, and the construction sector. In addition to this, purposive sampling, which is a non-probability sampling technique, was also used to select key informative interviews to get rich information from relevant government officials.

According to KOTHARI (2004), "sample size" refers to the number of items that should be selected from the population to form a sample. Sample size needs to be optimized for efficiency and good representation of the population. Therefore, the number of respondents (sample size) needed to collect quantitative data for this study was determined by using the statistical formula

suggested by YAMANE (1967) with a confidence level of 95% and a margin of error of 5% (0.05) to ensure a more accurate result. Yamane’s sample size determination formula would be the following:

$$n = \frac{N}{1+(N)e^2}$$

Where, n = Sample Size; N = Total Population; e = Margin of Error

$$n = \frac{16,920}{1 + 16,920(0.05^2)} = \frac{16,920}{43.3} = 391$$

According to data source from Oromia Bureau of Job Creation and Vocation 2022, the number of manufacturing, construction, service, and merchandises sectors are 2,056; 1,749; 4,655; and 8,460 respectively. Thus, sample size was determined for each sector separately as shown in the following table by using proportional sample size determination method.

Proportional sampling for each sector

Sector	Target Population	Sample Size
Manufacturing	2,056	2056/16,920 = 12%, then; 0.12×391 = 47
Construction	1,749	1749/16,920 = 10%, then; 0.10×391 = 39
Service	4,655	4655/16,920 = 28%, then; 0.28×391 = 109
Merchandises	8,460	8460/16,920 = 50%, then; 0.50×391 = 196
Total	16,920	391

Source: Own Survey (2022)

This study employed both primary sources of data. To achieve the research objectives, the study used a well-designed questionnaire and semi-structured interview questions as the best instrument to gather primary data about respondents’ perceptions of CSR, motives to practice CSR activities, overall intervention, barriers to CSR practices, and the effect of CSR on the performance of SMEs operating in Ethiopia. As KUMAR and KOTHARI, (2018) indicate, researchers can ensure validity by pretesting questionnaires and interview questions to identify vague questions and getting suggestions from pilot study participants to correct deficiencies of the instruments used. Pilot studies can help the researchers in the framing of questions, refinement of the research approach, and tailoring of efficient research instruments (COBERN W. and BETTY A. 2020).

Therefore, the results from the pilot study give the researcher a chance to check and validate the research instruments for the actual research. Accordingly, a pilot study has been done to check for the validity of the questionnaire and interview questions before distributing them to the actual samples to generate quality data using the specified instruments for this study. In addition to this, the reliability of the instruments used in this study was duly checked using Cronbach's alpha statistics.

The collected data were analysed using descriptive statistics, correlations, multiple linear regressions, and inferential statistics. Descriptive statistics such as mean, mode, and median help the researcher describe and compare variables numerically, whereas ranges and standard deviations are used to measure the variability of the scores of each variable (KOTHARI, 2017). Multiple linear regressions help the researchers predict the value of a variable based on the values of two or more other variables. According to SLINKER BK, and GLANTZ SA (2008), multiple linear regression as a statistical technique focuses upon the structure of a linear and simultaneous relationship among three or more phenomena. Accordingly, the following general model was specified for this study:

$$Y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \epsilon_i \dots$$

where; Y = Performance; α = constant or intercept; $\beta_1 - \beta_5$
= coefficients of explanatory variables; X1 = economic activity; X2
= environmental activities; X3 = Social or philanthropic activities; X4
= ethical activities; X5 = legal activities; and ϵ = error terms

A total of 391 questionnaires were distributed to targeted respondents. However, only 327 (more than 83.6 % effective response rate) were used for the analysis after removing 64 questionnaires during data cleaning. To determine the general characteristics of the respondents, percentages and frequencies were computed using SPSS version 23.0. Other descriptive statistics, such as mean and standard deviation, were also employed to explain the practices of CSR in the study area.

The strength and direction of a linear relationship between the variables were determined by computing correlation coefficients from the data. Moreover, to see how the explanatory variables affected the explained variable, further inferential statistics were also computed. In addition, the collected data were used to calculate the coefficient of determination, which quantifies the

variation in the dependent variable (organizational performance) that is explained by the regression line and the independent variables, such as economic activities, environmental activities, social activities, legal activities, and ethical activities.

The internal consistency of the constructs and items used in the questionnaire is measured by reliability. A construct or item of the research tool (in this case, the questionnaire) is reliable if the Cronbach's alpha value of the scores of responses is greater than 0.7 (HAIR et al., 2013). The study used data from all respondents to calculate Cronbach's alpha, a measure of the internal consistency of the questionnaire items, to assess the consistency of the scores obtained. Accordingly, the outcome of the Cronbach's alpha results confirmed that the economic activity scale with four items (= 0.791), the environmental activity scale with four items (= 0.797), the social activity scale with five items (= 0.859), the legal activity scale with five items (= 0.761), the ethical activity scale with four items (= 0.754), and the organizational performance scale with four items (= 0.851) were found reliable. Similarly, the overall result of Cronbach's alpha value is 0.778, which discloses the reliability of all items together.

For multiple linear regression to produce reliable results, several underlying assumptions must be true. Diagnostic tests are therefore carried out for the goal of this study, which is to determine whether the model violates the CLRM's presumptions. Accordingly, the assumptions of normality, homoscedasticity, multi-collinearity, and no autocorrelation have been tested, and no evidence has been found for their violation.

Adjusted R-square is recommended over R-square when assessing a linear regression model's efficacy (BLUMAN, 2009). As a result, the adjusted R-square value was 0.842, indicating that the explanatory variables (economic, environmental, social, legal, and ethical activities) explained more than 84% of the variation in the dependent variable (the performance of SMEs), with variables not included in this study accounting for the remaining 15.8%. Another very important finding is a section of the summary table that displays the significance of the variables, such as $p = 0.000$. The p-value was sufficiently low at the 1% confidence level to allow for the rejection of the null hypothesis of the F-statistic (the overall test of significance) that the adjusted R square is equal to zero. The specified model's reliability and validity were improved by the P-value of 0.000, which denotes great statistical significance.

According to the regression results, each independent variable had a statistically significant effect on how well small and medium-sized businesses performed. The p-values for all the explanatory variables are all 0.000, as shown, indicating that all of them are statistically significant at the 1% level of confidence. In addition, the above table shows that there is a direct correlation between economic, environmental, social, legal, and ethical actions and the performance of small and medium-sized businesses as long as the coefficients of the independent variables are positive.

Insightful prediction information about the inferences is also provided by the beta values of the independent variables. As a result, the study's variables for economic, environmental, social, legal, and ethical activities had respective beta values of 0.226, 0.342, 0.239, 0.388, 0.128, and 0.129. According to this finding, the performance of SMEs improves or decreases in the same direction as the beta values of each explanatory variable as they are changed by one unit. Based on the study variables, the researcher found the following estimated regression for forecasting company performance:

$$OP = 0.226 + 0.342ecn + 0.239env + 0.388scl + 0.128leg + 0.129etc$$

The report of the investigation depends on the theoretical basis and the primary data gathered from the 327 participants in the study. The analysis's findings suggest that men (61.9%) predominate among respondents, who are also the majority among respondents who run small and medium-sized businesses in Ethiopia's Oromia region. The gender gap may be caused by societal attitudes and customs that provide extra pressure to businesses managed by female entrepreneurs. As a result, it is suggested that the Oromia job creation and vocational bureau encourage and promote female SME owners in the region in order to attain gender equality.

It's interesting to note that most survey participants (45.6%) are within the productive age range of 26 to 35, have a first-degree education (65.7%), and have 11 to 15 years of job experience (47.7%). Additionally, most of the enterprises under study (57.4%) are held by partnerships, employ 16–30 people (44.2%), and have a capital of 1.5–20 million birr (53.4%). This study indicates that SMEs constitute the primary economic sector in the area and employ active, educated, and skilled labour.

Additionally, the study's SMEs engaged in CSR in a variety of ways, including sponsoring social activities (26.5%), creating a safe workplace for employees, paying fair wages, and providing them with opportunities for education and training (31.1%), and working with due regard for the environmental impact of their business operations (40.8%). Similarly, SMEs engaged in CSR activities primarily to address social, economic, and environmental issues (63.5%) in addition to gaining a competitive edge over those SMEs who were not undertaking CSR efforts, according to the data gathered from the respondents. However, financial limitations (33.2%) and a lack of understanding of the benefits of incorporating CSR into corporate operations (31.1%) provide the biggest obstacles for SMEs in the survey to put CSR activities into effect. Moreover, the absence of effective governance (10.7%) and low management commitment (24.9%) are the additional barriers that SMEs face when attempting to undertake CSR initiatives. This study supports the obstacles to CSR that ZOU, et al. (2021) noted, which also include a lack of resources, a lack of law, a lack of senior management support, a lack of CSR understanding, and passive customer behaviour.

The primary contribution of this study is that it illustrates the efficient impact of corporate social responsibility (CSR) dimensions (economic, environmental, social, legal, and ethical) on the performance of SMEs in the market. Surprisingly, CSR activities explained approximately 84% of the variance in SME performance. Thus, the study supports the notion that CSR could be a successful business strategy for small and medium-sized enterprises as a means of allocating resources with certainty of achieving favourable outcomes. The findings also strengthen the hypothesis, proving that small and medium-sized enterprises can become more competitive by integrating CSR initiatives into their operations. It is also possible to draw the conclusion that these findings can assist managers in small and medium-sized businesses in understanding the importance of CSR issues and what can be anticipated from any efforts they make to enhance their organization's social, legal, ethical, and environmental performance in addition to its economic initiatives. As can be seen from the results of the data, all the study's variables have a positive and significant influence on the performance of small and medium-sized businesses. The execution of the CSR initiative should therefore be encouraged and supported by the management of SMEs, their owners, government officials, and other stakeholders for the sustainable growth of small and medium-sized firms.

Appendices

Appendix 1: References

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Appendix 2: Questionnaire



Doctoral School of Economic and Regional Sciences Research Questionnaire

Dear Respondents,

This questionnaire is part of an academic research project carried out to complete Ph.D. degree in Management and Business Studies at Doctoral School of Economic and Regional Sciences, Hungarian University of Agriculture and Life Sciences (MATE), Hungary. The main purpose of the survey is to determine what effect corporate social responsibility (CSR) has on small and medium businesses' sustainable performance. In addition to this, the researcher intends to know the level of awareness of CSR, CSR practice, motivating factors to practice CSR, and potential problems that hinders CSR practice if any. Hence, your honest response will aid the researcher to obtain an effective research outcome and draw valuable implications for all relevant bodies. Respondents' confidentiality is ensured for this research project, and your responses are exclusively used for academic purposes.

General Information: - The questionnaire was divided into three sections: section one deals with respondents' personal profile, whereas section two is about company profile, and the final part: section three is the main body of the questionnaire. It takes no more than *15 minutes* to fill out and the researcher thanks you for your voluntary participation in this research project.

Instruction-I: Please put a tick (√) mark on an appropriate answer.

<u>Section One: Personal Profile of Participants</u>					
1.	Sex	Male <input type="checkbox"/>	Female <input type="checkbox"/>		
2.	Age	18-30 <input type="checkbox"/>	31-40 <input type="checkbox"/>	41-60 <input type="checkbox"/>	Above 61 <input type="checkbox"/>
3.	Education level	Less than Diploma <input type="checkbox"/>	Diploma <input type="checkbox"/>	First degree <input type="checkbox"/>	Master and above <input type="checkbox"/>
4.	Work Experiences	1-5 years <input type="checkbox"/>	5-10 years <input type="checkbox"/>	10 – 15 years <input type="checkbox"/>	More than 15 years <input type="checkbox"/>
<u>Section Two: Company Profile</u>					
5.	Company age	1-3 years <input type="checkbox"/>	4-6 years <input type="checkbox"/>	7 – 10 years <input type="checkbox"/>	More than 10 years <input type="checkbox"/>
6.	Ownership status	Sole proprietorship <input type="checkbox"/>	Partnership <input type="checkbox"/>	Joint venture <input type="checkbox"/>	Corporation <input type="checkbox"/>
7.	Number of employees	1 - 5 <input type="checkbox"/>	6 - 10 <input type="checkbox"/>	11 -15 <input type="checkbox"/>	more than 15 <input type="checkbox"/>
8.	Capital in ETB	> 100,000 <input type="checkbox"/>	100,000-1.5mil. <input type="checkbox"/>	1.5mil. - 20mil. <input type="checkbox"/>	More than 20mil. <input type="checkbox"/>
9.	Sector category	construction <input type="checkbox"/>	manufacturing <input type="checkbox"/>	merchandising <input type="checkbox"/>	service <input type="checkbox"/>

Section Three: Main part of the Questionnaire

Instruction-II: Please indicate your answer by circling all possible alternatives for the following questions (Q10-Q15)

10. Do you have any awareness about the concept of corporate social responsibility (CSR)?
 - a. Yes
 - b. No

11. If your answer for question number 10 (Q10) is “yes”, who gave you such consciousness about CSR? (More than one answer is possible)
 - a. Government officials
 - b. Non-government organizations
 - c. Your company (training, seminars and others provided by your organization to update your knowledge on CSR)
 - d. Self-motivation (like reading from books, social media.....)
 - e. If any_____

12. Does your company practice corporate social responsibility activities?
- Yes
 - No
13. If your answer for question number 12 (Q12) is “yes”, in what way your company practices corporate social responsibility? (More than one answer is possible)
- Creating conducive and safe working environment for employees, equitable wage, giving them an opportunity for education and training
 - Sponsoring social activities like charitable events, donations, health and safety programs, employment opportunities, construction of schools, roads, hospitals, and other infrastructures.
 - Operating the business with low impact to the environment (like wise use of energy, eco-friendly activities, controlled gas emission to air and water, and waste management system like recycling, reuse, and refurbishing programs).
 - If any_____
14. Based on your answers on question number 13 (Q13), what are the motivating factor for such action in your opinion? (More than one answer is possible)
- To solve social, economic, and environmental problems
 - To get a competitive advantage
 - Due to stakeholder activism (pressure comes from community, government, media, and other concerned bodies)
 - To meet national and international business standards
 - If any_____
15. If your answer for question number 12 (Q12) above is “No”, what are the possible challenges that hinders your company to practice CSR?
- Financial shortage
 - Unwillingness of the owners /low commitment of management
 - Lack of full understanding about the advantages of practicing CSR (knowledge gap).
 - Lack of good governance (corruption, less law enforcement by government officials)
 - If any_____

Instruction-III: Please use the tick “√” mark to indicate to what extents you agree with the statements in the table below where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree.

CODE	Constructs/Items	1	2	3	4	5
	Economic Activities					
ecn1	Your organization produces an innovative and diversified products and or services.					
ecn2	Producing at a reduced cost is the key to your organization's success.					
ecn3	A higher level of productivity is present in your organization.					
ecn4	Your organization provides quality product or services for its customers.					
ecn5	Costumers are satisfied with your company product or service.					
ecn6	Your company informs its customers the risks associated with its products and services i.e., follows product or service safety rules and regulations.					
ecn7	Your organization have an integration with community leaders and government bodies to protect the interests of business.					
	Environmental Activities					
env1	Waste and emissions from the company to the environment are reduced.					
env2	Environmentally friendly products/services are provided by this company.					
env3	The company establishes partnerships/integration with other stakeholders to reduce environmental impacts of its operation.					
env4	The company reduces the likelihood of accident, spill, and release to the environment.					
env5	In this company, non-renewable materials, chemicals, and components are used less often.					
env6	Instead of normal fuels, this company use less polluting sources of energy.					
env7	In our company, we do environmental audits, public disclosures, and employee training on environmental concerns.					
env8	Environmental restorations are done by this business on a voluntary basis (without being required by regulations).					

	Social Activities					
sc11	Your company prioritizes the health, safety, and general well-being of employees.					
sc12	Your company contribute money, facilities (e.g., gifts of products or services), and volunteer employee service to the local community.					
sc13	Your company invests on projects (e.g., constructing school, health center, roads...) that enhance quality of life of community.					
sc14	This company participates the community in decision making process to accommodate societal queries in business strategy.					
	Legal Activities					
leg1	Your organization undertake voluntary activities (e.g., better society and cleaner environment) beyond rules.					
leg2	Customer rights are protected in your organization.					
leg3	There is an equal career opportunity in your company regardless of employees' gender, race, religion, and ethnic.					
leg4	Employees in your organization are aware of business rules and regulations.					
leg5	Your organization obey legal requirements such as the tax law, employees' safety, or environmental standards.					
	Ethical Activities					
etc1	Financial investors, employees, and consumers are provided access to business information and policies by your organization.					
etc2	Because of unethical business practices, your organization has been held accountable to fellow employees, consumers, the community, and the public.					
etc3	All individuals within your organization are treated equally and with respect, and no one is ever arbitrarily exploited for organizational benefit.					
etc4	Efficiencies, employee satisfaction, and customer satisfaction are key drivers of leadership in your company.					
etc5	Your organization fully respects the human rights, dignity, autonomy, and privacy of all its employees.					

etc6	The organization meets all ethical obligations, i.e., those social expectations not covered by law (such as doing what is right, just, and fair, and respecting the rights of individuals in society).					
	Organizational Performance Indicators					
op1	Your organization satisfies and retain best employees					
op2	Your company marketing position, image, and reputations are good.					
op3	Your company customers are satisfied and loyal.					
op4	When compared with rival firms, the market share of the company excels the others.					
op5	Your company successfully meets organizational objectives.					
op6	Employees of the organizations are productive.					
op7	Your company have high sales volume.					
op8	Your company is profitable.					

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