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**CORPORATE SOCIAL RESPONSIBILITY SPOTLIGHT ON SMALL AND MEDIUM ENTERPRISES IN ETHEKWINI MUNICIPALITY (SOUTH AFRICA)**

**Ntise Hendrick Manchidi <sup>1</sup>, Thuthukani Mkhize <sup>2</sup>**

<sup>1</sup> *Department of Applied Management, College of Economic and Management Sciences, University of South Africa, Preller Street, Muckleneuk Pretoria, 0002, South Africa*

<sup>2</sup> *Department of Marketing and Retail Management, College of Economic and Management Sciences, University of South Africa, Preller Street, Muckleneuk Pretoria, 0002, South Africa*

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**Abstract.** There is a need for corporations located in various municipalities of South Africa (SA) to play an active, socially responsible role in ensuring that human beings can realize their potential with dignity and equality within a healthy environment. Corporate social responsibility (CSR) is increasingly intrinsic towards conventional business functions from research and development to marketing as part of creating jobs for the local communities. Small and medium enterprises (SMEs) are likewise urged to ensure that the lives of vulnerable communities are improved and transformed for the better and that economic, social, and technological progress occurs in these communities. SMEs are essential contributors to economic development in SA, the continent, and the world at large and are responsible for making a meaningful contribution to society. This study sought to investigate the perceptions regarding the CSR of SME owners in the eThekweni Municipality. Data collection from 210 SME owners or managers in the eThekweni Municipality revealed a significant relationship between community involvement, environmental awareness, and community upliftment in the quest to build long-term relationships within communities.

**Keywords:** Corporate social responsibility (CSR); Small and medium enterprises (SMEs); social and environmental aspects; social responsibility activities; community involvement; and environmental awareness; eThekweni municipality; South Africa

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## 1. Introduction

The triple challenges of poverty, unemployment, and inequality remain the most significant requirements for the sustainable development of the South African economy. This calls for all stakeholders, including government and private businesses, to collaborate and ensure that the standard of living is set up amongst citizens. As several organizations hold on to international standards and corporate social responsibility (CSR) developments, there is still ample space for growth. Predominantly in South Africa (SA), where significant economic and social inequality challenges still exist and efforts are needed to ensure equal access to essential goods and services, CSR could still grow and improve. CSR originated in the early 1930s after the Wall Street crash of 1929 exposed corporate irresponsibility in larger organizations. It is a business management concept that continues to be the focus of business operations and a common topic of research for experts and scholars from various fields (Selvamuthu, Logeswari, & Karthika, 2021). The concept of CSR also sought to address the social effect of business entities and has become gradually critical to participants in recent years (Schröder, 2020).

Additionally, CSR can indicate sustainability to ensure the firm connects with a broad scope of stakeholders (Epure, 2021). Sadly, so far, CSR ideas have been inclined to concentrate predominantly on big and global enterprises (Selvamuthu, Logeswari & Karthika, 2021; Chen, Xu & Zhang, 2021). However, even though their business scale is lesser than big enterprises, SMEs can also contribute to social and ecological change via the steps they can take because of their global presence, as they make up over 90 per cent of international businesses and account for between 50 and 60 per cent of employment (Andriyani & Rochayatun, 2023).

The Companies Act in SA, number 61 of 1973, does not obligate organizations to participate in CSR projects. Therefore, social responsibility rests with the government at different levels, such as local, provincial, and national, in providing social welfare for its citizens. Amongst others, the government spends on various social grants and helps to advance society in health care, housing, education, safety, and the environment. The 1994 dispensation of democracy in SA showed a picture of unequal society in various areas, including infrastructure, education, economic power, and access to essential services. In addition, owing to the previous regime of apartheid in the country and the inevitable need for social development and a prosperous society, the role of charity in SA became necessary (Kabir, Mukuddem-Petrsen & Petersen, 2015). Therefore, various conversations and debates around CSR are deemed ongoing amongst SA organizations. In addition, among the leading proponents of CSR in SA are the country's Johannesburg Stock Exchange (JSE), the legislative framework for the promotion of Broad-Based Black Economic Empowerment (BBBEE), the trade union federation Congress of South African Trade Union (Cosatu) and various organizations representing civil societies as well as institutes (Kabir, Mukuddem-Petrsen & Petersen, 2015).

Gradually, organizations have become more prominent in active participation in CSR activities, including social and community projects. In other words, the government's sole role has steadily changed since the 20<sup>th</sup> century since societies are putting pressure on partnerships between governments and businesses to identify and act on their social responsibilities (Dias et al., 2018). As such, the inclined association between customers and companies will likely create an advantage beneficial to the business in question (Pour, Nazari & Emami, 2014). This is because organizations are deemed not only to make money but also to be part of the communities where there is a valued interaction between the employees, customers, and the communities (Cooper, 2022). Thus, consumers often feel that when they use a product of a socially responsible company, they are doing their part. In the same way, the more socially responsible the company becomes, the more supportive its community and consumers become.

Corporations in the eThekweni Municipality produce various products ranging from food and beverages to chemicals, clothing, and metal products. Small and medium enterprises (SMEs) in this region (eThekweni Municipality) comprise a wide-ranging firm, from established conventional family businesses hiring over a hundred employees (medium-sized companies) to the survivalist self-employed from the poorest layers of the population (formal and informal businesses). Therefore, this sector (SMEs) remains the highest contributor to the industry and the municipality's economic activities. SMEs, thus, play a significant role in helping economic growth and equitable development of various national economies globally (Smith, Discetti, Bellucci & Acuti, 2022).

SA has an estimated 2.6 million SMEs that comprise 37 per cent of formal businesses, 54 per cent of micro-enterprises and 15 per cent of companies in rural areas. The profile of business owners includes those who spotted the opportunity and those who felt it was necessary to start businesses because there was no alternative source of income. In addition, two-thirds of SME owners do not have employees, while 32 per cent employ between one and ten employees (OECD, 2022). In developing economies such as SA, many SMEs are owned by family members, private individuals, or a small group. These businesses need help with long-term survival and sustainability (Mitter & Aichmayr, 2019).

Despite the survival and sustainability challenges, SMEs continue to contribute increasingly towards gross domestic product (GDP), poverty alleviation and job creation. For example, an increase in contribution towards GDP from 18 per cent in 2010 to 40 per cent in 2020 was realized in SA through SMEs (OECD, 2022). However, the survival of businesses, including SMEs, depends on making profits and wealth addition to the country's

economy (Haddoud, Jones & Newbery, 2017). In addition, the survival of businesses also relies on the interaction between the company and its internal and external social environment and outside social aspects (Turyakira, 2018). Attention to the function of businesses relative to CSR has, therefore, become imperative to the survival of modern businesses. In turn, social responsibility has also become one of the dominant themes in business (Zaid, Wang, & Abuhijleh, 2019). Kim, Woo, Uysal, and Kwon (2018) posit that most companies have been practising CSR and environmental responsibilities to contribute to the well-being of the communities and societies they interact with. CSR highlights that businesses are part of the larger society in which they exist and account to society for their performance. In general, organizations will find it only possible to operate with the community's involvement; hence, consideration for social participation is significant.

Social responsibility has become one of the dominant themes in business (Zaid, Wang, & Abuhijleh, 2019), and the turn of the millennium has seen an increased interest in CSR from emerging economies, joined by several written materials on CSR (Jamali, Karama & Blowfield, 2017). As such, the emergence of different CSR standards is palpable in organizations such as multinational companies and those operating in global value chains (Fransen, Kolk & Rivera-Santos, 2019). The majority of these multinational organizations strive to build corporate characters and derive benefits from endless connections involving suppliers and producers in developing countries (Hayat, Khan & Alim, 2021). Furthermore, companies in a globalized world have recognized CSR as a driver of innovation and part of business initiatives to deliver the required business results. Therefore, companies from various sectors and sizes are inclined to be interested in socially responsible policies, global growing trends, external pressures, and efficiency gains. Boateng, Amoako, Acheampong, and Abraham (2022) point out that embarking on CSR is not only an obligation for the business but also an essential means for gaining an edge over competitors and creating a positive image of the business. CSR in businesses has therefore become imperative to the survival of modern enterprises and one of the dominant themes in business (Zaid, Wang, & Abuhijleh, 2019). In addition, companies' survival generally depends on particular attention to aspects of CSR activities, their excellent reputation, and the benefits they receive from the public (Turyakira, 2018).

## 2. Literature Review

### 2.1. CSR activities and components of SME

Various components of SMEs in CSR activities involve four categories: workforce-oriented CSR activities, market-oriented CSR activities, environmentally-oriented CSR activities, and society-oriented CSR activities.

#### *Workforce-oriented CSR activities*

The focus of this category is on the implementation of policies that promote practices of fairness, health, and safety, as well as the development of employees within the SME (Bulawit et al., 2023). It can also be described as concerns associated with the health of the workers (Ahmad et al., 2022). Furthermore, health and safety in the workplace must, amongst others, be complemented by better working conditions, fair treatment to employees as well as fair remunerations (Selvamuthu, Logeswari & Karthika, 2021). Therefore, Workforce-oriented activities reflect various issues that employees and employers face, such as labour relations, health and safety, discrimination, and harassment (Smit, 2021; Yusoff & Adamu, 2016). Sadly, the problem of violence, harassment and bullying is something prevalent in SA which needs to be understood fully and be addressed due to its severity in the workplace (Smit, 2021). Likewise, these activities also involve how communication occurs between employers and their employees, as well as the process of making decisions and allowing employees to participate.

There is an expectation that businesses become transparent when conducting business activities to maintain a positive relationship with customers, investors, suppliers, and other business partners to fulfil a market-oriented CSR activity. In this instance, businesses' long-term success depends on creating sustainable revenue for products and services. Customers, however, are amenable to forming relationships with companies that produce eco-friendly products, such as using environmentally friendly packaging. In addition, customers increasingly tend to be loyal and satisfied with businesses that are environmental agents in the marketplace. Furthermore, society expects business organizations to undertake CSR, which goes beyond legal obligations and profit maximization to include economic and ecological sustainability and social development (Inyang, 2013). A

business organization in any form is seen as a creation of a society whose survival is dependent on this very society. Therefore, it is incumbent upon businesses to improve and add value to products and services in the market.

#### *Market-oriented CSR activities*

This category focuses on ethics and accountable practices by SMEs when interacting with consumers, suppliers, and other stakeholders in the marketplace (Bulawit et al., 2023). These activities include product quality, acceptable business operations, and general customer service (Selvamuthu, Logeswari & Karthika, 2021; Binssawad, 2020). Thus, businesses with sound market CSR activities understand customers' needs and handle this as their moral obligation (Hansen, McDonald & Hatfield, 2023). Hence, they will put more prominence on it for customer satisfaction and competitiveness (Bhuiyan, Baird, & Munir, 2022). On the other hand, business performances are generally determined by market activities (Hoang & Thanh, 2020) to improve their balance sheet (Long, Li, Wu, & Song, 2019; Oduro & Haylemariam, 2019).

#### *Environmental-oriented CSR activities*

With this category, SMEs are more inclined to prioritize concerns related to the environment (Bulawit, Pajarilaga, Padolina & Bulawat, 2023), such as saving water and energy as well as environmental use of natural resources (Selvamuthu, Logeswari & Karthika, 2021). Further activities relate to minimizing adverse environmental impact and contributing to its sustainability (Van-Thanh & Szilárd, 2021). For example, SMEs should use cheaper, ecologically friendly containers to enhance their image and grow their effectiveness. Additionally, providing a favourable work environment, skills development, and training will motivate employees to have a sense of security at work and, thus, a competitive advantage (Rashiti & Skenderi, 2022).

#### *Society-oriented CSR activities*

Companies strive to maintain a strategy that ensures positive relations with communities around where they operate their businesses (Van-Thanh & Szilárd, 2021). This can be achieved by supporting local sports, cultural events, welfare, and education and creating employment opportunities and support for low-income people (Selvamuthu, Logeswari & Karthika, 2021). In essence, societal CSR activities accommodate local communities and aid them in their basic social needs (Binssawad, 2020). Thus, this category comprises generosity, community advancement projects, cooperation with local associations, and community social welfare involvement (Bulawit et al., 2023). In other words, businesses that are keenly involved in their communities will be motivated to embrace and sustain practices that can be used to support relevant CSR initiatives (Andrivani & Rochavatum, 2023).

## **2.2. CSR Engagement Outcomes**

SMEs that engage in CSR activities are bound to enjoy various benefits, such as improved reputation and increased competitive advantage, which may positively affect the market share and sales (Schaefer, Terlutter, & Diehl, 2019; Yusoff & Adamu, 2016). This is because customers are inclined to be loyal and committed to purchasing goods and services from firms with self-respect and respect for local communities (Lu et al., 2020). As such, companies can achieve efficient performance through CSR activities by providing products and services beyond customers' expectations and in line with their needs at a reasonable price (Kim, Yin & Lee, 2020). On the other hand, an excellent social reputation requires the business to consistently uphold desirable and valued standards by external stakeholders (Turyakira, Venter & Smith, 2014). The rise in CSR engagements increases the awareness and knowledge from customers' perspective regarding the fact that with the help of CSR, it is possible to successfully develop an outward impression, which influences the reaction of their brand during a crisis (Tworzydło, Gawronski & Szuba, 2020).

## **2.3. Contrasting Arguments on CSR**

### *Proponents of CSR*

Organizations' operations and conduct affect society and the environment because these operations do not exist in isolation (Klopotan, Kordos & Ggurevic, 2020). In this instance, supporters of CSR suggest the development and application of CSR approaches as a prospect for organizations to thrive (Fatima & Elbanna, 2022). Participation in CSR activities is an essential element amongst the corporate sector, government, and other agencies in society that must be duly considered vital (Kabir, Mukuddem-Petersen & Petersen, 2015). In essence, firms that participate in CSR activities are well positioned to contribute towards improving the general

quality of life for employees and uplifting social welfare (Carroll & Shabana, 2010). CSR, therefore, ensures that companies conduct business ethically and responsibly. Effectively, this suggests that for businesses to have a healthy environment in which to function, there must be a commitment to the viability of companies.

#### *Opponents of CSR*

With all the positive things that come with CSR, there are equally dissenting arguments on the concept and its practices. For example, those opposed to CSR continuously challenge the notion of it making a positive contribution to the business and some point to what they call a secret agenda to CSR (Saeed & Sroufe, 2021). Accordingly, some scepticisms question CSR as considered a simple behaviour of charitable business on two fronts: first, a billion-dollar business that donates money while contaminating the ecology can claim to practice CSR, and second, regardless of the business's economic resources, its gift will qualify as CSR (Sheehy, 2015). In other words, the discussions around business behaviour need to get to the heart of identifying the phenomenon leading to a definition of CSR (Sheehy, 2015). Additionally, amongst various definitions of CSR, the one broadly acknowledged is that of businesses that contribute voluntarily to sustainable development. However, over time, CSR policies have experienced substantial modifications, with a change from the manager's obligation to the business's overall accountability within society (Lamarche & Bodet, 2018). CSR is further criticized for being used as a meaningless instrument to project the appearance of being responsible while not making any realistic changes (Cao, 2017). Thus, CSR has been labelled as an instrument that makes slight variations in the fundamental structures of the global capitalist arrangement and instead serves as a camouflage for businesses to continue as usual (Wettstein, 2020).

#### **2.4. Importance of CSR for SMEs**

A popular view of CSR is that such programs fundamentally benefit businesses because enterprises that execute CSR should obtain returns (Taylor, Vithayathil & Yim, 2018). Thus, CSR activities play a considerably positive role in market competition, and therefore, it is essential for long-term sustainability and competitive advantage (Kim, Yin, & Lee, 2020). CSR might also build trust and recognition with the government to develop a greater propensity to receive future and available government subsidies as an encouragement to continue undertaking activities and initiatives to benefit local communities (Xu & Liu, 2019). Furthermore, forming collaborations with private and public sectors through the CSR programme can improve SMEs' innovation, learning orientation, performance, and general competitiveness (Ratna Wati, Murwani & Wahyono, 2018). Also, customers prefer to do business with firms that embrace good business ethics and therefore, responsible firms can attract more customers than others (Sharma, Poulouse, Mohanta & 2018). Logically and justifiably, a firm that provides CSR activities aims to collaborate and establish corporations with other organizations that are also respectful to the needs of society and are amenable to creating a network of socially responsible companies for sharing common ideas and achieving desired results (Lu et al., 2020). Ultimately, suppose society believes a firm violates social norms. In that case, it will provide less support to the firm's operation, resulting in operational and financial struggles for the business (Banker et al., 2022).

#### **2.5. General Social Responsibility and SMEs in South Africa**

SMEs are responsible for maintaining relationships with their primary stakeholders, such as customers, employees, and suppliers. Rhee, Park, and Petersen (2021) argue that SMEs risk losing their customers, having non-participating employees and experiencing a poor supply chain network should they upset their primary stakeholders. CSR actions that appease customers include respect for their rights, fair trading practices and compliance with quality standards. On the other hand, employees expect training, skill development and creating an environment of good work-life balance. Finally, suppliers hope to do business under fair conditions, terms and negotiations (Pfajfar et al., 2022). Equally, relationships with secondary stakeholders such as governments, civil organizations, and local communities must be maintained. The actual values of CSR are converted into the market of goods and services that can be sold. Thus, SMEs are mere supply networks through which these goods and services are distributed without necessarily assuming the cost of CSR activities. They do so along the value chain, concealing their responsibility and perceived impact (Roth et al., 2020).

The role of government leadership in CSR and economic management is diminishing, leaving the market incapable of regulating the social system (Tien et al., 2019). On the other hand, CSR is a new concept for SMEs, especially in developing economies (Van-Thanh & Szilárd, 2021). Therefore, the study of CSR in SMEs can

provide a greater comprehension of successful CSR methods from the perspective of SMEs. SMEs committed to social responsibility ought to realize whether their attempts supply the anticipated values for society, the environment, and their business. Thus, studies related to CSR in SMEs can provide insight into the challenges and strengthening circumstances in executing CSR at the SME level. This helps identify SMEs' challenges and develop proper approaches to address these barriers. Studies connected to CSR practices in SMEs can also expose the reasons that influence the incentive for SMEs to engage in CSR practices so that they can assist in designing strategies and plans that encourage the active participation of SMEs in social and environmental efforts (Andriyani & Rochayatun, 2023).

### **3. Research Design and Methodology**

The study followed a quantitative and positivist paradigm, assuming that actual, objective, observable, natural, and verifiable facts on CSR and SMEs are considered. Primary data collection was executed through a five-point Likert scale questionnaire, with additional space provided at the end of each question for additional comments where applicable. To minimize potential errors during the interviews, pre-testing of the questionnaire was performed amongst 20 SME owners or managers to fix questions that were identified as challenging, complex for respondents to understand, or which could be misleading and biased. In addition, the pilot study was also assisted in fine-tuning the wording, time estimate, length, and number of questions.

#### **3.1. Population and Sample**

SMEs must be aware of the responsible business and moral reasons for practising CSR and the associated benefits in the eThekweni Municipality. Also, there is a perception that CSR practices involve large corporations and exclude SMEs. With the eThekweni Municipality supplier database comprising 5000 (N=5000) registered SMEs in 2019, a systematic sampling method was used to take a smaller sample according to a set scheme. Thus, only the SME owners or managers whose businesses have a social responsibility program and are registered on the eThekweni Municipality supplier database were considered for participation in the study. The 250-sample size (n=250) was considered for the purpose, precision, size, and availability of time and resources.

#### **3.2. Data Collection and Analysis**

A self-administered questionnaire was hand-delivered to all 250 SME managers and owners visiting their respective sites during February and March 2020. A sequence of questions was posed using a five-point Likert-scale to ask participants to state the degree to which they agree or disagree with statements and to select their level of agreement with the statement, ranging from "strongly agree" to "strongly disagree" or "not at all" to a large extent". The response rate was 84 per cent, and 210 completed the questionnaires. Data was analyzed using the Statistical Package for Social Services (SPSS) version 22 to calculate statistics on descriptive reliability and correlation of the data. Factor analysis ensured to establish the most relevant constructs of the study.

#### **3.3. Ethical Consideration**

At all times, all participants' identities were kept secret without compromise and data was kept strictly confidential. Strict compliance with the University of South Africa's policy on research ethics and the standard operating procedure on research ethics risk assessment was adhered to as stipulated by the college research review committee (CERC) in the College of Economic and Management Sciences.

### **4. Results**

#### **4.1. Descriptive statistics**

Tables 1 and 2 provide a comprehensive analysis of SMEs and the perceptions of CSR participation based on five critical statements: the size of the business, return on investment, improved quality of life, reduction of societal problems and the business's success.

**Table 1.** Summary of respondents' responses: SME owners' perceptions about CSR.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
B1a Businesses have a responsibility to make social contributions.	11 5.3%	24 11.5%	21 10.0%	88 42.1%	65 31.1%	209 100.0%
B1b Being socially responsible has a return on investments.	7 3.3%	23 11.0%	42 20.1%	67 32.1%	70 33.5%	209 100.0%
B1c Businesses that are socially responsible improve the quality of life.	8 3.8%	26 12.4%	32 15.3%	74 35.4%	69 33.0%	209 100.0%
B1d Corporate social responsibility reduces societal problems.	25 12.0%	28 13.5%	25 12.0%	71 34.1%	59 28.4%	208 100.0%
B1e Corporate social responsibility is a critical success factor of a business.	15 7.2%	26 12.4%	45 21.5%	87 41.6%	36 17.2%	209 100.0%

**Table 2.** Summary of respondents' responses: SME owners' perceptions about CSR – the variables treated as scale in measurement level

	Mean	N	Std. Deviation
B1a Businesses have a responsibility to make a social contribution	3.82	209	1.149
B1b Being socially responsible has a return on investments.	3.81	209	1.117
B1c Businesses that are socially responsible improve the quality of life.	3.81	209	1.139
B1d Corporate social responsibility reduces societal problems.	3.53	208	1.347
B1e Corporate social responsibility is a critical success factor of a business.	3.49	209	1.131

The data (73%) significantly reflect that business size does not drive the desire or capability to engage in social responsibility. A business, therefore, has an inherent obligation to participate in CSR activities irrespective of the proportions. In other words, CSR should only partially be left to large enterprises, but SMEs must also play social responsibility roles. Being socially responsible, therefore, provides an opportunity for improved return on investments (65.6%) and the society's value of life (68.4%). Furthermore, CSR reduces societal problems (62.5%) and is a critical success factor in business operations.

Notwithstanding CSR's positive impact, SMEs are considered incapable of engaging in social activities, and in this regard, the size factor must therefore be considered (16.8%). Moreover, investment return on SMEs is often minimal (14.3%) to allow participation in social activities, and their involvement will not necessarily improve their quality of life. In addition, engaging in CSR from an SME's perspective does not necessarily reduce societal problems (25.5%) and is not entirely a critical success factor of a business (19.6%).

## 4.2. Factor Analysis

**Table 3.** Component analysis of five constructs

	Component				
	1	2	3	4	5
C1i The business contributes to sports activities	.793				
C1h The business makes efforts to improve the health of the community.	.710				
C1j The business contributes towards cultural activities in the community.	.670				
C1q The business provides financial support to one or more environmentally friendly initiatives.	.543				
C1c The business offers bursaries to employees' dependents.		.778			
C1b The business contributes towards employee's education.		.775			
C1f The business participates in crime-fighting initiatives in the community.		.728			
C1a HIV/AIDS counselling, alcoholism, and substance abuse.			.732		
C1e The business obeys all relevant Laws of the municipality.			.709		
C1g The business donates money and other goods to local charitable associations.			.580		
C1p The business disposes of recycled materials in production and packaging.				.786	
C1o The business disposes of waste in an environmentally friendly manner.				.728	
C1n The business transparently contracts its business.				.672	
C1l The business is customer-driven.					.863
C1k The business enjoys treating its customers fairly.					.859

Table 3 shows five constructs namely, (i) community involvement (substantiated by four statements, i.e., C1i, C1h, C1j and C1q); (ii) employee development (substantiated by three statements, i.e., C1c, C1b and C1f); (iii) community upliftment (substantiated three statements, i.e., C1a, C1e and C1g); (iv) environmental awareness (substantiated by three statements, i.e., C1p, C1o and C1n); and (iv) customer orientation (substantiated by two statements i.e., C1l and C1k).

### 4.3. Reliability Statistics

The reliability scores in Table 4 relate to the perception of CSR dimensions, namely, community involvement, employee development, and customer orientation, illustrated as 0.686, 0.693 and 0.682, respectively.

**Table 4.** Reliability stats for the five extracted components

Subscale	Description	Number of Items	Cronbach's Alpha
C1	Community involvement	4	0.686
C2	Employee development	3	0.693
C3	Community upliftment	3	0.565
C4	Environmental awareness	3	0.599
C5	Customer orientation	2	0.682
<b>Overall</b>	<b>All dimensions</b>	<b>15</b>	<b>0.732</b>

These results mean that the reliability CSR dimension did not meet the Cronbach’s alpha value of 0.70 reliability threshold as recommended by Purwanto and Sudargini (2021). This does not mean it is poor, as Cronbach’s alpha value is considered poor only when it is less than 0.60 (Taber, 2018). Other reliable CSR dimensions, including community upliftment and environmental awareness, are illustrated as 0.565 and 0.599, respectively, as shown in Table 4. This result demonstrates that the two CSR dimensions are poor. Therefore, overall reliability scores for all five dimensions of CSR are above 0.70, which is deemed to be within acceptable limits.

### 4.4. Correlation Statistics

Table 5 below shows the correlations among the latent constructs (Pearson’s).

**Table 5.** Correlations among the latent constructs (Pearson’s)

	Community involvement	Employee development	Community upliftment	Environmental awareness	Customer orientation
Community involvement	1				
Employee development	.462**	1			
Community upliftment	.204**	.270**	1		
Environmental awareness	.188**	.115	.277**	1	
Customer orientation	.060	-.030	.157*	.139*	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).\* . Correlation is significant at the 0.05 level (2-tailed).

There are positive relationships between community involvement and employee development ( $r=0.462$ ; medium effect size;  $p \leq 0.01$ ), community upliftment and community involvement ( $r=0.204$ ; small effect size;  $p \leq 0.01$ ), and between environmental awareness and community involvement ( $r=0.188$ ; small effect size;  $p \leq 0.01$ ). Table 5 further indicates positive relationships between community upliftment and employee development ( $r=0.270$ ; small effect size;  $p \leq 0.01$ ), environmental awareness and community upliftment ( $r=0.277$ , small effect size;  $p \leq 0.01$ ). Additional positive relationships exist between customer orientation and community upliftment ( $r=0.157$ ; small effect size;  $p \leq 0.05$ ) as well as between customer orientation and community upliftment ( $r=0.139$ , small effect size;  $p \leq 0.05$ ). Thus, all the correlations were significant at the 0.05 level (2-tailed).

## 5. Discussion

The results generated two discussion points, namely, the perception of SMEs concerning CSR and the CSR activities of SMEs in e-eThekweni within the municipality. These two points are discussed below.

### **5.1. Perception of SMEs concerning CSR**

The literature reveals that big businesses have plenty of disposable resources and therefore can, as opposed to SMEs, which naturally have limited resources (Beitzen-Heineke, Balta-Ozkan & Reefke, 2017). However, small businesses still need to practice CSR as it can be used as a competitive advantage and position a business more favourably than other businesses in the same industry. This study reveals that 73 per cent of all businesses support CSR practices, irrespective of how big or small. The study further argues that CSR practice in the business environment can potentially lure potential investment from investors and support from general society, local community, and governments (Wisdom et al., 2018). This is attested by 65.6 per cent of the respondents who agreed that CSR increases return on investment and provides reciprocal benefit as both business and society tend to gain, hence the improved quality of life. In other words, SMEs can use CSR programmes to gain a competitive advantage and long-term survival in the market.

### **5.2. CSR Activities of SMEs in eThekweni Municipality**

This study reveals that SMEs only contribute towards employee education, which has the highest mean score of 2.02 and is more prominent and appreciated among eThekweni Municipality residents. It argued that through CSR, SMEs can attract employees with the resilience and competence necessary to achieve business goals and objectives (Dias et al., 2019). Responsibility and support of SMEs for CSR should not only be based on environmental building. Still, they must also cut across developing employees as capacity building to show that more attention is paid to the workforce's development (Beitzen-Heineke et al., 2017). It further emerged that SMEs in eThekweni Municipality provide various social activities, including sponsorships on education, safety, security, and maintenance of public facilities. Some charitable obligations include activities that respond to community expectations of businesses as good corporate citizens (Carroll & Shabana, 2010).

## **6. Contribution of the Study**

Few studies were undertaken in the eThekweni Municipality around CSR and the undertakings by SMEs in the different sectors of the economy. Not much testimony is linked to CSR support, indicators, and guidelines for emerging economies such as South Africa (Gajadhur, 2022). However, there is a recognition that CSR remains a platform for companies to contribute to sustainable growth for an agenda on sustainable advancement (Riano & Yakovleva, 2019). The five SME dimensions shown in Figure 3 are therefore initiated to guide SMEs on appropriate measures to take in engaging CSR activities in South Africa. Firstly, community involvement entails the business's contribution to the community's well-being. Secondly, employee development requires a dedicated approach to the professional development of the employees while at the same time ensuring their security within their communities. Thirdly, community upliftment entails businesses abiding by the laws while engaging in charitable activities. Fourthly, environmental awareness calls for companies to dispose of and recycle materials in an environmentally friendly and transparent manner. Fifthly, community involvement entails the fair treatment of customers. The SMEs CSR dimensions underscore the vital link between society and business in creating value and sustainability in communities (Gajadhur, 2022). The authors suggested their framework for SME components on CSR (Figure 1).

<b>SMEs CSR DIMENSIONS</b>	<b>Community involvement</b>	<b>The business contributes to sports activities</b>
		The business makes efforts to improve the community's wellbeing.
		The business contributes towards activities in the community
	<b>Employee development</b>	The business provides support to environmentally friendly initiatives
		The business offers bursaries to the dependents of the employees
		The business contributes towards employee's education
	<b>Community upliftment</b>	The business initiatives crime-fighting mechanisms within the community
		The business sponsors HIV/AIDS counselling, alcoholism, and drug abuse
		The business obeys all relevant laws of the municipality
	<b>Environmental awareness</b>	The business contributes financial and other resources to local organization
		The business disposes of used recycled materials in production and packaging
		The business disposes of its waste in an environmentally friendly manner
	<b>Customer orientation</b>	The business contacts its business in a transparent manner
		The business is customer-driven.
		The business enjoys treating its customers fairly

**Figure 1.** Framework for SME Components on CSR

**7. Recommendation for future studies**

Regardless of the business size, SMEs should take responsibility for contributing to social issues because being socially responsible has a return on investments. However, the potential for return on investments should encourage responsible social contribution to society. Also, authorities in SA at national, provincial, and municipal levels of government need to develop programs that upskill SMEs so that the owners and managers of these businesses are familiar with government policies that can be used as guidance for engaging in CSR. This study makes the following three recommendations for future studies to further assist policymakers with specific reference to the promotion of SME social responsibility:

1. A similar study can be conducted on a larger sample, which includes other municipalities from other provinces in SA.
2. A study should be conducted on action-oriented areas such as the success of different policies and techniques to increase the uptake of CSR amongst SMEs at the sector level and the typology of SMEs about the engagement in CSR.
3. Future studies should integrate quantitative and qualitative techniques (methodological triangulation) to enhance the credibility and validity of research findings.

**8. Conclusion**

Out of 250 questionnaires distributed to the selected SMEs that appear in the database of eThekweni Municipality in KwaZulu-Natal province, 210 were returned, which resulted in an 84 per cent response rate. Accordingly, an above 80 per cent response rate is regarded as excellent and large enough to conduct exploratory factor analysis. Whether the business is small, medium, or large, there is a need to contribute towards social issues of employees, customers, and the entire society. CSR engagement provides a competitive advantage and reduces societal problems. Five SME CSR dimensions are established: community involvement, employee development, community upliftment, environmental awareness, and customer orientation—the framework for SME components on CSR (Figure 1) guides examining SMEs' perceptions towards CSR. Little CSR activities were implemented by SMEs in the eThekweni Municipality due to a lack of resources. These businesses are content to exist for as long as they make a profit that sustains the business.

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**APPENDIX 1: Questionnaire**

**PERCEPTIONS REGARDING THE CORPORATE SOCIAL RESPONSIBILITY OF SMALL AND MEDIUM ENTERPRISE OWNERS IN THE ETHEKWINI MUNICIPALITY**

**Dear respondent**

Thank you for your time and willingness to complete the following survey. The purpose of the study is to explore perceptions regarding the corporate social responsibility (CSR) of Small and Medium Enterprise (SME) owners in the eThekweni Municipality.

There are no correct or incorrect answers.

**Please answer questions by placing a cross (X) in the appropriate block.**

**SECTION A**

**SCREENING QUESTIONS: BACKGROUND ABOUT YOUR BUSINESS**

**(If the respondent does not meet the inclusion criterion outlined in questions 1 and 2, then he/she should not complete the questionnaire.**

**Question 1**

How long has your organization been in existence?

5 - 10 years	
11 - 15 years	
16 - 20 years	

More than 20 years	
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**Question 2**

How many people are employed in your business?

1-5	1
6-10	2
11-15	3
16-20	4
Other	5

**Question 3**

Indicate your business sector or to which one of the following categories does your business belong?

1	Agriculture, forestry and fishing.	9	Clothing, footwear, and textiles.
2	Chemicals; chemical, rubber & plastic products.	10	Construction & Building materials.
3	Educational services.	11	Electronic & electrical equipment.
4	Engineering/Manufacturing.	12	Financing, insurance, real estate & business services.
5	Food producers & processors.	13	Health services.
6	Leisure, hotels & catering services.	14	Paper, printing & Publishing.
7	Personal & household services	15	Retail trade.
8	Transport, communication & storage.	16	Wholesale trade.
	Other (please specify)		

**Question 4**

What is your role in this business?

Manager	1
Business owner	2
Senior employee/ Supervisor	3

**Question 5**

Please indicate your age group.

18 – 30	1
31 – 40	2
41 – 50	3
51 – 60	4
61 - 65	5

**Question 6**

Please indicate your annual turnover (estimation only)

Less than R 50 000	1
R 50001 – R100 000	2
R 100 001 – R 150 000	3
R 150 001 – R 300 000	4
More than R 300 000	5

**SECTION B**

**CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES**

In this research study, Corporate Social Responsibility is understood to relate to a business' concern for society's welfare and relationship to the society within which the business operates. Corporate Social responsibility means to be aware of and be active in assisting society to overcome societal or environmental problems. CSR is when a business is aware of societal problems and plays an active role in benefitting society by helping to alleviate these problems.

**Question 1**

This question relates to the perceptions of Small Medium Enterprises owners about Corporate Social Responsibility.

What is your understanding of Small Medium Enterprises Corporate Social Responsibility in eThekweni Municipality?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Irrespective of size, businesses have a responsibility to contribute to social issues e.g., donation to sports teams, bursary, HIV Aids awareness campaigns.	1	2	3	4	5
Being socially responsible for the community has a return on investment (profit).	1	2	3	4	5
Businesses that are socially responsible improve the quality of life of the society.	1	2	3	4	5
Corporate social responsibility reduces societal problems e.g., crime, drug abuse, HIV and Aids, teenage pregnancies, poverty, hunger.	1	2	3	4	5
Corporate social responsibility is a critical success factor of a business.	1	2	3	4	5

**SECTION C**

**CSR ACTIVITIES CURRENTLY IMPLEMENTED BY SMES**

**Question 1**

Please indicate to what extent your business is involved in the following corporate social responsibility activities.

	Not at all	To a small extent	To some extent	To a moderate extent	To a large extent
HIV / Aids counselling, alcoholism, and substance abuse	1	2	3	4	5
Contribution towards education of employees.	1	2	3	4	5
The business contributes offers bursaries to the dependents of the employees.	1	2	3	4	5
The business offers staff developmentsuch as skills training	1	2	3	4	5
The business obeys all relevant by laws of the municipality.	1	2	3	4	5
The business is involved in crime-fighting initiatives in the community.	1	2	3	4	5
The business donates cash and other goods to local charitable organizations.	1	2	3	4	5
The business is involved in efforts to improve the health of the community.	1	2	3	4	5
The business contributes to sports activities in the community.	1	2	3	4	5
The business contributes towards cultural activities in the community	1	2	3	4	5
They enjoy treating customers fairly.	1	2	3	4	5
The business is customer driven business.	1	2	3	4	5
The business is charging fair prices to customers.	1	2	3	4	5
The business conducts its activities in a transparent manner.	1	2	3	4	5
The organization disposes of its waste in an environmentally friendly manner.	1	2	3	4	5
The organization uses recycled materials in production and/or packaging.	1	2	3	4	5
The organization provides financial support to one or more environmental friendly initiatives.	1	2	3	4	5

**SECTION D**

**CHALLENGES EXPERIENCED BY SMEs WITH REGARD TO CSR ACTIVITIES**

**Question 1**

Please indicate the challenges that your business experiences when implementing corporate social responsibility activities.

Challenges	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
There are no clear government policies to guide us regarding corporate social responsibilities	1	2	3	4	5
The business lacks employees with expertise to implement corporate social responsibilities	1	2	3	4	5
Unfavourable economic conditions, e.g., economic recession.	1	2	3	4	5
Lack of government support. e.g., advisory support for licensing and obtaining credit startup costs	1	2	3	4	5
Lack of support from the banking sector and other financial institutions. e.g., Industrial development corporation (IDC) and small enterprise development agency (SEDA)	1	2	3	4	5

**Question 2**

In your opinion, what other challenges are you faced with when considering CSR?

\_\_\_\_\_

**Data Availability Statement:** More primary data be obtained from the corresponding author on a reasonable request.

**Author Contributions:** The authors contribute equally. All authors have read and agreed to the published version of the manuscript.

**Ntise Hendrick MANCHIDI**

**ORCID ID:** <https://orcid.org/0000-0001-7061-7418>

**Thuthukani MKHIZE**

**ORCID ID:** <https://orcid.org/0000-0002-7881-1001>

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