



IMPLICATIONS OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES: CASE STUDY OF KADUNA MUNICIPAL

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Abstract

Corporate Social Responsibility (CSR) has explored from the standpoint of large corporations and developed economies, smaller businesses and developing economies have received attention. Small and Medium Enterprises (SMEs) continue to be the backbone of economy, significantly accounting for a major share in economic value creation. This implies that, the contribution of SMEs in achieving sustainable development is therefore critical. However, because it is voluntary and there are no binding laws, it is easy for companies, particularly SMEs, to ignore CSR. The study seeks to add to the limited literature by investigating the implication of socially responsible behavior on the performance of SMEs in Nigeria. A well-structured questionnaire was administered to 63 Nigerian SMEs in Kaduna. The study adopted a structural equation model using PLS-SEM to analyze data. Findings show a significant relationship between corporate social responsibility and the three determinants of firm performance (management efficiency, profit maximization and corporate reputation).

Keywords: Small and medium-sized enterprises (SMEs); Sustainable development; Performance; Corporate social responsibility (CSR); Stakeholders; Developing countries.

1.1 Introduction

The SME sector offers linkage development of large industries and essential for a competitive and efficient market apart from the stated contributions. Their high performance of the sector has remained a harbinger of change and a pivot of economic catalysts in industrialized states as they are in the developing world. However, SME sector in Nigeria consists mostly of business owners who employ between 10 to 199 people most times with little or no skill to improve and adapt to changing business environment (Eniola, 2014; Igweet *al.*, 2018).



Despite all these, Nigerian SMEs have consistently underperformed, undermining their ability to contribute to economic growth and development (Arogie&Inyama, 2021). It was also argued that all the sub-sector adds to the GDP is a miserly 3% which is inconsequential compared to other developing countries (Eniola, 2014). Therefore, the government, commercial banks and investors have had difficulties in fully committing to the development of the subsector (CBN, 2017). This is due to suboptimal performance, which is derived from the SMEs vulnerability in the aspect of timely adaptation to, innovation and absorption of market dynamism (Adesanya, 2019).

According to Imran, *et al.*, (2019), SMEs are at a disadvantage because they lack the capabilities, market strength, and other resources that large corporations have. Some of the SMEs in Abuja when it comes to their business, lack the opportunity to revisit their processes, discover new ways to practice versatility, improve their potential for creativity, and display more competitiveness (FATE, 2018). These features are associated with the ways in which their performance can be improved (Agwu, 2018). Most SMEs in Nigeria also find themselves wanting when interpreting experiences, analyzing data and responding quickly and without making assumptions to any emerging uncertain situations (Ekanemet *et al.*, 2019).

There is an increasing need for businesses to engage in activities referred to as corporate social responsibility (CSR). While some of the responsibilities have legal backing such as environmental regulations, others remain voluntary. However, businesses are urged to go beyond legal requirements and take on social obligations (Curran et al., 2000). The poverty concerns and underdevelopment in many countries have also necessitated the need of involving the private sector in aiding the government to overcome these challenges. These have contributed to an increase in interest in the issue of CSR (Vives 2005). The majority of CSR concepts and methodologies are developed in the context of larger corporations and developed nations. However, SMEs differ significantly from the larger firms in terms of size, assets, financial turnover, ownership and market share. To avoid generalization, there is a need for more research that is specifically tailored to smaller firms.

1.2 Problem Statement

Advocate of social responsibility observed that expectations of various groups in the society are not being met by organizations. These groups are creditors, current and retired employees, customers, suppliers, competitors, all levels of government community environment, the human right organization etc. Their expectation ranges from safe and meaningful jobs, clean air and water, good pay packages, charitable donations, safe products sponsoring of academic research, scholarship awards, sports development etc. The research study is therefore designed to identify: The responsibility a business organization owes the society and its effect on its productivity, the areas in which business organization can help the society and vice-versa as well as the implications vis-avis benefit to the two parties. Problems encountered by the business organization in Nigeria in the course of discharging their social responsibility: profitability market shares, sales volume. (Adegbite and Nakajima 2011; Amaeshi et al. 2016).

Scholars have conducted extensive research on the impact of CSR on firms' outcomes and the majority of these studies indicate that CSR engagement make positive contributions to the firm's success by improving the firm's reputation and image, facilitating access to valuable resources, motivating employees and allowing for better market positioning (Cheng et al. 2014; Greening & Turban 2000, Heledd, 2006). Studies on CSR and organizational performance show



mixed results and it is mostly centered on large firms and in developed countries. While some scholars propose a positive relationship between CSR and corporate performance, others argue that CSR is a complete waste or misallocation of resources that affect earnings and shareholder value (e.g., Barnea & Rubin, 2010; Friedman, 1962). Scholars with opposing views argue that a company should focus on its primary objective, which is to maximize profit because involvement in the operations of the society through CSR engagement will conflict with profit maximization (Blowfield and Murray 2011).

The findings of this study will assist SMEs and policymakers in embracing and implementing appropriate sustainable practices that will contribute greatly to economic growth and development, particularly in developing countries. In terms of academic research, it is intended that this study would serve as a basis for subsequent investigation of CSR practices by SMEs. The findings of this study contribute to the CSR literature and offer new insight in the context of SMEs in developing countries.

1.3 Research Questions

- a. Does consistent social responsibility have an effect in organizational profitability?
- b. To what extent does social responsibility affect organizational market share?
- c. Does intensive social responsibility have an impact on organization sales volume?
- d. To what extent does social responsibility reduce social crisis.

1.4 Research Objectives

- a. To examine the impact of social responsibility on organizational profitability.
- b. To determine the extent to which social responsibility affect organizational market share.
- c. To ascertain the extent to which social responsibility affect organizational market share.
- d. To examine the effect of social responsibility on social crisis.

1.5 Research Hypothesis

- H0:** There is no significant relationship between social responsibility and organizational profitability.
- H1:** There is significant relationship between social responsibility and organizational profitability.
- H0:** There is no significant relationship between social responsibility and organizational market share.
- H1:** There is significant relationship between social responsibility and organizational market share.
- H0:** There is no significant relationship between social responsibility and organizational sales volume.
- H1:** There is significant relationship between social responsibility and organizational sales volume.



2.0 Literature Review

2.1. Corporate social responsibility in SMEs

The definition of SMEs varies by country just as a nations' strength and microeconomic policies vary. hence, no universally accepted definition of SMEs exists. However, the classification of SMEs depends on the number of employees, annual turnover and assets. The European Commission categorizes SMEs as companies with fewer than 500 employees. In Nigeria, The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) defined SMEs as businesses with fewer than 200 employees with an asset below 500 million naira. Spence (1999) described SMEs as businesses with little or no distinction between management role and ownership, and where multitasking positions exist within the organization. As stated by United Nations DESA Report (2012), SMEs play three major economic roles: economic activity through the provision of goods and services, job creation, and income generation. SMEs are the “backbone” of the economy and the “seedbed of entrepreneurial skills and innovation” AFI Survey Report (2017).

Studies demonstrate a growing concern among stakeholders to invest in firms that comply with CSR. Thus, most managers will engage in CSR to attract stakeholders that can help them improve their financial performance. Consequently, it can be argued that CSR benefits serve as an incentive towards embracing CSR practices (Jenkins 2004). To thrive in a competitive market, SMEs must constantly try to strengthen their social networks (Enderle 2004). The adoption of CSR is an effective approach to offset negative publicity in order to improve the company's reputation which will lead to financial gains (Vanhamme and Grobbsen 2009). SMEs are thought to retain tight links with a wide range of stakeholders while they operate locally (Geert and Hubert 2012). Hence, the relevance of CSR practices for the operations of SMEs cannot be overemphasized. Geert and Hubert (2012) investigated which of the responsibilities SMEs consider to be most relevant, and those imposed on them by their stakeholders. Findings show that SMEs have a stronger sense of responsibility towards their employees who have the closest ties to the company. However, SMEs feel little to no sense of duty towards the environment. Most CSR practices in SMEs are often centered on the immediate stakeholders-employees- while environmental concerns are generally overlooked among SMEs (Spence et.al. 2011). According to Wu (2006), the size of the firm does not affect corporate performance; however, other authors believe that firm size greatly influences the correlation between CSR and firm performance (McWilliams and Siegel 2000). Findings from Campopiano et al. (2012) indicate that SMEs do not adopt formal tools in carrying out CSR activities and neither do they report their CSR engagement. This is because the majority of the already existing tools are specifically developed for big corporations. SMEs' social responsibility is typically on an ad hoc basis as they often do not have established CSR policies, departments, or staff specifically in charge of handling the company's CSR programs (Sweeney 2007 and Spence 2007).

To some extent, the CSR practices of SMEs differ from those of larger corporations in terms of decision-making and the focus of CSR practices. Owners/managers of small and medium-sized enterprises (SMEs) are exclusively responsible for making decisions and implementing CSR initiatives (Heledd 2006), unlike large corporations with a well-established governing team that is separate from those of the owners. Francesco Gangi (2020) proposed that effective corporate governance plays a significant role in influencing CSR. A company's commitment to CSR can be influenced positively by good corporate governance. Murillo and Lozano (2006) noted that the ethical values of the owner/manager of SMEs constitute a critical factor in the company's CSR



practices since the owner/manager is the sole decision-maker. Vives A. (2006) found that ethics and religious values are the key motivators for adopting CSR practices in SMEs. SMEs' commitment to CSR is based on values and morals rather than financial performance Jamali et al. (2008).

According to Dex and Scheibl (2001), SMEs are more hesitant to embrace voluntary regulation and are less vulnerable to institutional pressure, enabling CSR to be ignored. However, CSR practices serve as an excellent means of competitive advantage (Tilley et al., 2003). To gain recognition and stay relevant in a competitive market that is dominated by multinational corporations, SMEs should grasp the reputation obtained from socially responsible behavior Motilewa et al. (2017). For SMEs, issues closer to home such as employee motivation and community involvement, are significantly more likely to capture their attention. According to Hillary (2000), stakeholders of SMEs are unconcerned about environmental performance and do not exert pressure on SMEs. This is because the operations of SMEs have little to no environmental impact and so can be it can be overlooked. A greater number of SMEs are simply contented with just surviving (Baker, 2003), as long as they are making a decent living there is little need to incur more cost investing in CSR initiatives. Tay (2006) argued that SMEs are more concerned with revenues and profitability because their continued operations depend very much on their ability to generate revenue. Thus, SMEs' obligations towards the stakeholders may be given minimal consideration. The engagement of a wide range of stakeholders by SMEs is important in determining which areas of CSR are pivotal to the company. These will assist the organization in identifying where its focus and emphasis should be, as well as in the development of strategic relationships with key stakeholders (Heledd 2006).

2.2. Corporate social Responsibility and Corporate Performance

There are few empirical studies on CSR and SMEs, and the literature is primarily centered on developed economies. Most of the existing research on CSR and SMEs are contextual and theoretical in nature. This section, therefore, gives an overview of the related literature.

Choongo (2017) surveyed 153 Zambian entrepreneurs to investigate the effect of CSR on the performance of SMEs. Using SmartPLS structural equation modeling, the author found a significant relationship between the two variables. Similarly, ABDULLAHI (2014) employed the Partial Least Squares (PLS) algorithm and bootstrap techniques on 800 SMEs to test the hypotheses on the impact of social responsibility on SME performance. The author discovered a strong link between social responsibility and performance, which is critical for long-term sustainable growth and competitive advantage. Furthermore, Stoian and Gilman (2017) found that local community-based CSR activities contribute to the growth of SMEs in the United Kingdom using multinomial logistic analysis and data from a questionnaire-based survey of 211 SMEs. However, environmental-related CSR activities harm the growth of SMEs. They propose that SMEs should concentrate on specific CSR initiatives that are most beneficial to the company's growth and long-term sustainability. Using Pearson Correlation Analysis and Multiple Linear Regressions, Chelliah et al. (2017) investigated the motives behind CSR engagement by owners/managers of SMEs using profit maximization, philanthropy responsibility, external pressure, and moral responsibility as independent variables. A survey of 384 respondents indicates that all the variables have a significant correlation with the CSR of SMEs.

Furthermore, Imene Bnoui 2010 assessed the impact of different components of CSR on the financial performance of French SMEs. The author discovered a positive but marginal effect.



However, high profitability is a condition for responsible social behavior. According to a review of 52 studies by Cordeiro and Tewari (2015), companies that pay attention to their stakeholders' needs through CSR practices increase their market value and profitability. Using ordinary least square simple regression models, Emezi (2014) found a positive relationship between CSR activities and profitability. Hammann et al. (2009) investigated the relationship between the social responsibility of the German SMEs and their value creation. Findings revealed that socially responsible management practices geared towards employees and customers have a positive impact on the firm and its performance. Socially responsible behavior is thought to elicit a positive reaction from respective stakeholders and, as a result, have a positive influence on performance. Longo et al. (2005) studied Italian SMEs to identify the most important managerial tools for creating social value. Most SMEs embraced the concept of social responsibility, not only for moral or ethical reasons but also because they believed that it contributes to the growth and creation of value for their businesses. Human intervention through management control systems is critical in communicating the positive impact of CSR initiatives on business performance (WalidCheffi 2021).

Additionally, Hanh and Hien (2020) investigated the mediating role of corporate reputation on the relationship between CSR and firm performance. The findings show that CSR disclosure improves a company's reputation, which has a significant effect on financial performance. Corporate reputation remains a key intangible asset that can be enhanced or ruined by the company's decisions or actions regarding CSR activities and disclosure (Shim and Yang, 2016). CSR has a significant impact on stakeholder perceptions, which improves corporate reputation (Unerman, 2008). Companies that can leverage the reputation advantage through CSR initiatives may boost sales and profits by expanding their consumer base through strong relationships, which is the primary goal of public relations (Aksak et al. 2016). Further studies also show a positive relationship between CSR and corporate reputation (Husted & Allen (2007; Bayoud & Kavanagh (2012; Melo & Galan (2011; Park, Lee, & Kim (2014). CSR engagement and disclosure increase consumer awareness, which leads to a positive attitude towards purchasing the company's products/services. As a result, the company's reputation improves as well as its financial performance (Feldman & Vasquez-Parraga 2013). Firms that have social values and conduct business in a manner that causes little or no environmental harm are less likely to suffer reputational damage (Minor 2011).

In contrast, Liu and Fong (2010) found no significant positive relationship between a firm's CSR activities and its performance in their study of Chinese SMEs' environmental and social responsibility. From the perspective of various stakeholder groups, most literature in developed economies and large corporations demonstrates that CSR activities can result in positive corporate outcomes. Meeting stakeholders' expectations enables businesses to maximize both short and long-term value. Value maximization can be measured in a variety of ways, not just from a financial standpoint. This study, therefore, uses profitability, corporate reputation and management efficiency to assess if CSR has any significant effect on the performance of SMEs. The analysis on the impact of CSR on corporate performance still lacks attention from a developing economy and a small business perspective. Similarly, only a few studies on SMEs have provided empirical evidence on CSR and corporate performance (Turyakira et al., 2014; Torugsa et al., 2012).

2.3. Theoretical background

The theoretical background of this study is drawn from the stakeholder theory and the legitimate theory. Stakeholders, according to Freeman (1984), tend to shape corporate decisions



both positively and negatively. Freeman defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. These stakeholders include both internal and external stakeholders who are influenced by the firm's operations, and in turn, have an impact on the company. Consumers, for example, base their purchasing decisions not only on economic factors but also on social considerations. a higher level of CSR engagement improves business performance. The ability of a firm to manage the relationships with its stakeholders is critical to the company's overall success. Therefore, attention to stakeholder concerns and expectations can help a firm to avoid making decisions that might trigger stakeholders to impede corporate objectives (Wang et al., 2016). Suchman (1995) conceptualized the legitimate theory stating that a firm is a member of a social community and thus should operate in a manner that meets societal expectations. If such expectations are not met, the company risks losing its legitimacy. Firms with good CSR practices will appear legitimate to the public, and thus their judgments of the firm will be positively influenced, which reflects on the firm's economic outcome. In contrast, firms that fail to embrace CSR practices risk being perceived as illegitimate. Companies must strive for legitimacy to survive (Meyer & Rowan, 1977). CSR as a public relations tool can be utilized in communicating industry values, thus gaining legitimacy.

3.0 Methodology

This study employed a survey design to examine the relationship between the predictor variable (corporate social responsibility) and endogenous variables (management efficiency, profit maximization and SMEs reputation). According to Mugenda and Mugenda (2012), a survey research design entails the process of gathering data from a sample of people chosen to represent a defined target population. It entails gathering data that describes and quantifies social phenomena. The data obtained in all the variables will be analysed by panel regression technique. The analysis will be conducted with the use of STATA statistical package simply because, STATA is more effective in handling panel data in addition to the speed and compatibility (Newton et al., 2010).

3.1 Reliability of Instrument

Cronbach's alpha coefficient which assesses the internal consistency or tool reliability was used to test the reliability of all the variables under study. Acceptable reliability is defined as a reliability coefficient (alpha) greater than or equal to 0.7 Hair et al. (2017). That is, the targeted questions in the questionnaire can answer the objective of the study. The reliability test proves that all items in the pilot questionnaire are highly reliable, as indicated by the test scores of over 0.7, as shown in the table below. As a result, the answers provided for all variables used in this study were highly reliable for data analysis

Table 1. Reliability Statistics

Variables	Cronbach's Alpha	N of Items
corporate social responsibility	0.910	5
profit maximization	0.831	2
firm reputation	0.927	2
management efficiency	0.853	3
Overall on Average	0.880	3

Source: SPSS OUTPUT, 2021

4. Data analysis

The data were analyzed with aid of SmartPLS 3 professional version. PLS works with small samples as proposed by Hair et al., (2013). The use of PLS-SEM was determined to be appropriate for structural equation modeling after receiving valid responses from 63 entrepreneurs. The reliability and validity of the instruments are tested using the measurement model, while the structural models were used to examine the relationships between the study's variables.

4.2 Results

To assess the reliability and validity of the model, path modeling using the PLS-SEM measurement model was utilized. A reliability study was completed for all reflective constructs, as shown by the composite reliability (CR), which is above the 0.70 thresholds for all variables in Table 1. The convergent validity of the reflective structures is also represented by the average variance extracted (AVE). Table 2 assesses the convergent validity of the reflective structures which shows that the mean major score for each construct (the mean square factor loading of the elements within each construct) is more than 0.50, indicating that each of these constructs explains more than 50% of the variance in the relevant indicators (Hair et al., 2013). On the other hand, the square root of each AVE variable must be greater than the correlations of that variable with any other construct to assess the discriminative validity of reflective constructs (Fornell&Larcker, 1981). It is proven that the square root of AVE is greater than the correlation of any reflective variable for each construct, as shown in Table 3. This confirms how distinct each of these structures are.

Fig 1. Structure model

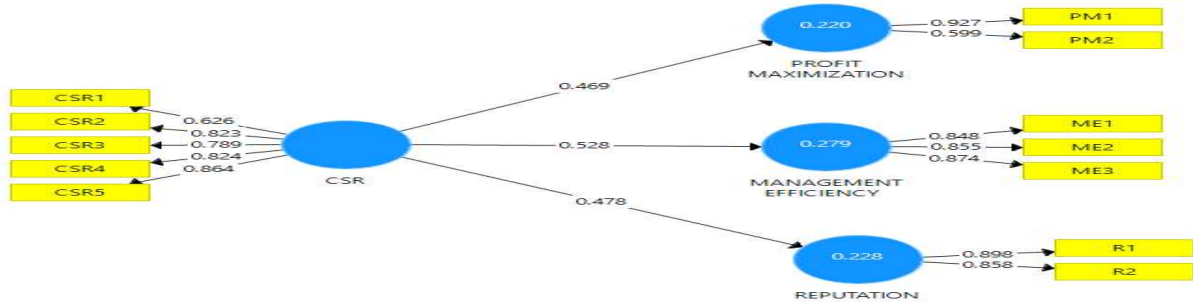


Table 2: Measurement information: convergent validity (n = 63)

CONSTRUCT	ITEMS	LOADING	AVE	CR	CA
CSR	CSR1	0.626	0.624	0.891	0.848
	CSR2	0.823			
	CSR3	0.789			
	CSR4	0.824			
	CSR5	0.864			
Management Efficiency	ME1	0.848	0.738	0.894	0.823
	ME2	0.855			

	ME3	0.874			
Profit Maximization	PM1	0.927	0.609	0.749	0.506
	PM2	0.599			
Reputation	R1	0.898	0.771	0.870	0.704
	R2	0.858			

CA; Cronbach Alpha CR: Composite reliability, AVE: Average variance extracted

Table 3. Measurement information: discriminant validity (n = 63)

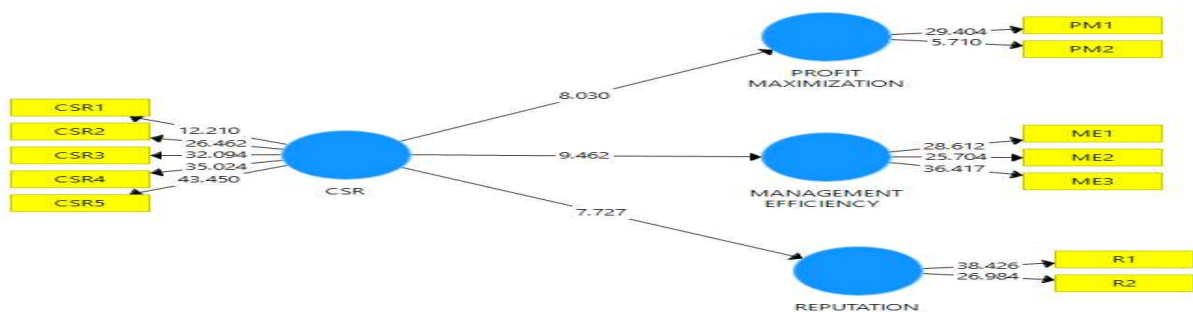
	CSR	Management Efficiency	Profit Maximization	Reputation
CSR	0.790			
Management Efficiency	0.528	0.859		
Profit Maximization	0.469	0.488	0.780	
Reputation	0.478	0.799	0.461	0.878

Diagonal values correspond to the square root of the AVE of the reflective constructs.

4.2 Structure model (internal model)

The next component, after deciding to fit the model from the measurement model, is the structural or interior model. Hair et al. (2013) established four main evaluation requirements of the PLS-SEM structural model. These involve evaluations of the importance of the trajectory coefficients, the coefficient of determination (R²), the effect size (f²) and finally the predictive relevance (Q²). However, a start-up study is necessary to determine the direct influence of CSR engagement on SMEs in Nigeria. Bootstrapping was done using 5000 subsamples. The structural model of direct effects is shown in Figure 2.

Fig 2. Structure model



4.3 Test of Hypotheses

The hypotheses of the study were tested using the t-test (t-statistics) and p-value at 5% level of significance. The null hypotheses will be accepted if the t-statistics is less than 1.96 and the p-value greater than 5% otherwise rejected. The study first tests three hypotheses for the direct relationship.

Table 3 represents the results of path coefficients for the structural model with the beta value of the relationship, t-statistics, and p-value.



Table 4. path coefficient for direct relationship

Hypotheses	Relationship	Beta	Stnd Error	T-value	P Values
H1	CSR -> MANAGEMENT EFFICIENCY	0.528	0.056	9.462	0.000
H2	CSR -> PROFIT MAXIMIZATION	0.469	0.058	8.030	0.000
H3	CSR -> REPUTATION	0.478	0.062	7.727	0.000

***P value <0.01, **P value<0.05 *P-value<0.1

H01: CSR engagement has no significant effect on management efficiency

The regression coefficient linking CSR engagement and impact on management efficiency of SMEs was significant ($\beta=0.528$, t-statistics= 9.462, p-value= 0.000). Thus, the null hypothesis was rejected that CSR engagement has no significant effect on management efficiency. By implication, it means that increase in CSR engagement will lead to increase management efficiency. This is because employees' self-esteem and appreciation for the company are enhanced when the organization is socially responsible, as evidenced by care and concern for the welfare of its stakeholders. As the identity of the organization expands, employees look for every opportunity to participate in work-related activities that enhance performance. These behaviors may include both in-role behaviors such as work performance and behaviors outside the role such as the extent to which the employee contributes to organizational success given the goals of the job and overall management efficiency. This is consistent with the study of Choongo (2017).

H02: CSR engagement has no significant effect on profit maximization

In addition, the coefficient of regression linking CSR engagement and profit maximization of SMEs was significant ($\beta=0.469$, t-statistics= 8.080, p-value= 0.000). Thus, the null hypothesis that says CSR engagement has no significant effect on profit maximization was rejected. By implication, it means that increase in CSR engagement will lead to an increase in profit maximization. This is because there are several scenarios in which a firm's management may take steps that benefit the firm's shareholders in the long term while simultaneously having an indirect good societal effect. Investing in the community to increase the quality of future workers or making tax-deductible contributions to charity organizations. Such activities are defensible from the standpoint of the firm's self-interest, but they also produce corporate goodwill as a side effect. Furthermore, goodwill may be used to set a firm apart from its rivals, perhaps resulting in increased economic gains or profit. This is consistent with the study of Choongo (2017).

H03: CSR engagement has no significant effect on corporate reputation

In addition, the coefficient of regression linking CSR engagement and reputation of SMEs was significant ($\beta=0.478$, t-statistics= 7.727, p-value= 0.000). Thus, the null hypothesis that says CSR engagement has no significant effect on reputation was rejected. By implication, it means that increase in CSR engagement will lead to an increase in SMEs' reputation. This is because social engagement activities may help in strengthening the collaborative culture, which will improve the company's knowledge and reputation. Companies may build an authentic and sustainable presence, as well as a sustainable corporate network, in this approach. However, the image of the company

can only be solidified if its identity is stable. This is consistent with the study of Muhammad et al. 2019.

Fig 3. Effect size

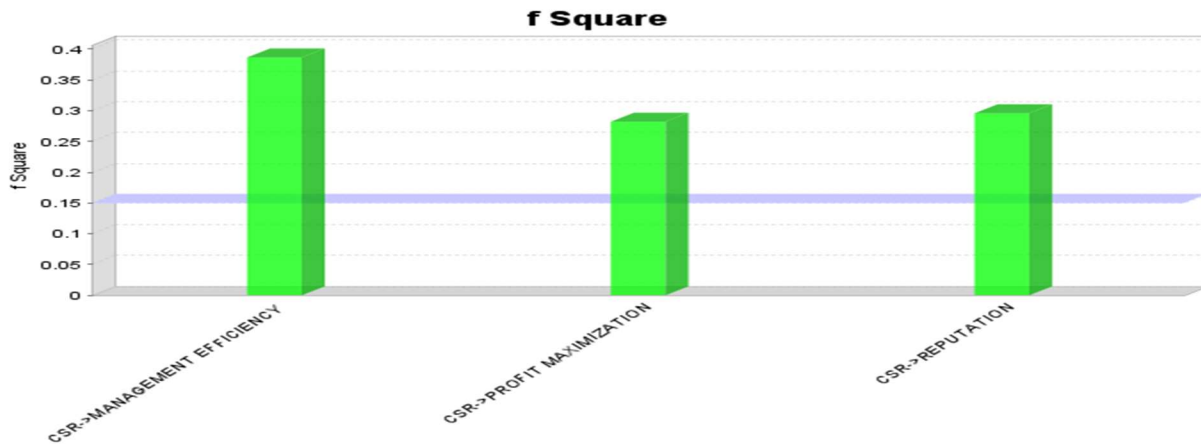


Table 5. Effect Size and Predictive Relevance

Construct	R2 included	R2excluded	F2	Effect size
MANAGEMENT EFFICIENCY	0.279	0.279	0.387	Large
PROFIT MAXIMIZATION	0.220	0.220	0.282	Large
REPUTATION	0.228	0.228	0.296	Large

Q2 0.543

According to the findings, CSR engagement explains 27.9% of management efficiency, 22% of profit maximization, and 22.8 % of SMEs reputation, with effect sizes of 0.387, 0.282, and 0.296, respectively, indicating that CSR engagement has a huge effect on endogenous variables. For predictive relevance, the value of Q2 must be greater than zero, according to the Stone (1974) and Gaiser (1974), criteria. In the table, Q2 has a value of 0.543, which is more than zero.

Conclusion and Recommendation

CSR remains a strategic tool that organizations can leverage to improve performance. For decades, CSR and organizational performance have been an interesting research area. However, limited empirical studies exist in the context of developing countries and SMEs. SMEs are different in nature from large firms, and their key role in economic value creation cannot be overemphasized. As a result, ethics in small businesses require special attention. This study adds to the limited literature by investigating the implication of CSR engagement on profit maximization, corporate reputation and management efficiency of the SMEs in Nigeria. The study adopted a survey research design by the use of questionnaires administered to the owners/managers of SMEs. A structural equation model (PLS-SEM) was utilized in carrying out the analysis. The results provide evidence that CSR have a significant effect on all three measures of performance (management efficiency, profit maximization, and corporate reputation). The study, therefore, concludes that CSR engagement is a good determinant of management efficiency, profit



maximization, and SMEs reputation. This research has implications for owners/managers who want to improve business performance through CSR initiatives.

Based on the findings, it is recommended that managers/owners of SMEs should focus their efforts on CSR initiatives that aim to increase corporate social performance for the benefit of the company and society at large. Managers/Owners of SMEs may reap immediate benefits by engaging in corporate social responsibility initiatives. SMEs should deploy ways to effectively incorporate CSR into their core business practices. Most existing CSR policies are geared toward larger corporations, so policymakers should develop policies that are tailored to SMEs. Policymakers should facilitate the development of support programs and formal tools specifically designed to aid SMEs in the adoption, implementation, and communication of CSR strategies. CSR initiatives that are not publicized are likely to be considered non-existent. CSR activities must be effectively communicated to have a notable impact on corporate performance. A company's ability to effectively communicate its CSR activities through disclosure increases public awareness. CSR initiatives and disclosure that are widely accepted shapes public perceptions of a company, resulting in a better reputation, which aids in gaining a competitive advantage and, as a result, improves organizational outcomes. SMEs may not have a significant impact individually, but collectively engaging in socially responsible behavior will have a significant impact. The research is limited to a small sample size which may not be a true representation of SMEs in Nigeria. Future research can be conducted similarly on larger sample size, and additional value factors can be included to improve the model's prediction.

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