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Exploration of factors that motivate small and medium enterprises to practice corporate social responsibility in Uganda: A case study of Arua City

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Abstract

Background: Small and Medium-sized Enterprises (SMEs) are silent drivers of economic development that are vital to most economies worldwide, particularly in developing and emerging economies. The SMEs have gained prominence as a potential solution in stimulating economic growth and social responsibility practices. However, there has been inadequate attention on assessing the factors that motivate these SMEs to practice Corporate Social Responsibility thus forming a basis for this study.

Objectives: The study focuses on exploring the internal and external factors that motivate SMEs to practice CSR in Arua City.

Methodology: Cross-sectional research design was employed hinging on a quantitative approach. A sample of 400 participants was picked from the various SMEs using a stratified random sampling method and data was collected using self-administered questionnaires.

Findings: The findings showed that both internal and external factors influence SMEs to engage in CSR practices. The respondents acknowledged that competitor efforts, stakeholder expectations and societal demands motivate SMEs to practice CSR.

It is recommended that: SMEs should develop a well-defined CSR strategy that outlines their goals, target areas, and key performance indicators. This strategy should be aligned with the company's core values and business objectives to ensure sustainability in their business operations.

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Keywords: small and medium enterprises; corporate social responsibility; motivation

1. Introduction

Corporate Social Responsibility is a business model that helps a company be accountable to itself, its stakeholders, and the public (Kilimvi & Tripathi, 2021) ^[32]. Motivation is the driving force that initiates, guides, and maintains goal-oriented behaviours. Motivation is the internal or external factors that stimulate individuals to act in a particular way to achieve specific goals or objectives.

Although there is no globally acceptable definition of SMEs, many scholars and practitioners have defined SMEs based on the number of people employed and their annual turnover. SMEs are unanimously defined as the business units with a maximum of 250 employees, paid capital of 25 million, and annual sales not exceeding 250 million (Peters, B.G, 2019) ^[59]. SMEs have been vigorously involved in CSR practices globally and in Uganda. However, in the Ugandan context, there are no legal obligations on SMEs to practice CSR (Kilimvi & Tripathi, 2021) ^[32]. This study therefore aims to find out the Factors That Motivate Small and Medium Enterprises to Practice Corporate Social Responsibility in Uganda to enrich the existing body of knowledge and

inform policy of CSR for any future intervention to support these SMEs in their businesses.

1.1. Background of the study

Small and Medium-sized Enterprises (SMEs) are remarkable drivers of economic development (Obi, J.; Ibidunni, A.S.; Tolulope, A. et al, 2018), being vital to most economies across the world, particularly in developing and emerging nations (Ndiaye, N.; Razak, L.A.; Nagayev, R.; Ng, A, 2018)^[46]. The number of SMEs was estimated to be approximately 332.99 million worldwide in 2021, slightly more than in 2019 when there were 328.5 million (Einar H. Dyvik, 2023). The promotion of SMEs has been a key area of intervention for the International Labor Organization (ILO) and they are seen as a driving force for the promotion of economic development of any country (Abor, J., & Quartey, P, 2010)^[10] (Abor *et al.*, 2010)^[11].

Many scholars and practitioners have defined SMEs based on the number of people employed and their annual turnover. SMEs are defined as non-subsidary, independent firms which employ fewer than a given number of employees. SMEs are also defined as the business unit with maximum 250 employees, paid capital of 25 million, and annual sales not exceeding 250 million (Peters, B.G, 2019)^[59]. This number varies across national statistical systems. The most frequent upper limit is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees (OECD, 2000)^[49]. Small firms have fewer than 50 employees, while micro-enterprises have at most ten, or in some cases five, workers. It is incredibly important that companies including SMEs must operate in a way that demonstrates social responsibility. Although it's not a legal requirement in Uganda, it is seen as a good practice to take into account social and environmental issues. Social responsibility and ethical practices are vital to success. This implies that in addition to generating profits, companies are expected to have some responsibility to stakeholders such as employees, customers, communities, and the environment. This denotes that businesses or organizations practicing Corporate Social Responsibility (CSR) should commit to economic responsibility, improvement of fair labour practices, embracing fair trading practices, mitigation of damages to the environment, giving back to the community, and increasing employee satisfaction (Weinstein, L, 2019)^[67].

Corporate Social Responsibility is seen as a company's endeavor to go above and beyond what is needed by law to examine the company's impact on the environment and social well-being (Chian, Aziati & Yusof, 2017)^[13]. CSR activities are divided into four, which are community, environmental, workplace, and marketplace (Stoian, C., & Gilman, M, 2017)^[61]. There has been a substantial increase in interest in CSR in recent years (Park S. and Lee S, 2009)^[51] and it is now regarded to be at its most prevalent. Companies in the world abide by the United Nations Global Compact launched by Secretary-General Kofi Annan in 1999 and today nearly 6,000 groups of companies are engaged in CSR.

The contemporary concept of social responsibility practices in corporate sectors has its roots in the twentieth century (Hussainey, K., Elsayed, M., & Razik, M. A., 2011)^[29]. Initially, the idea evolved from the 1917 declaration by Henry Ford, where he explicitly stated that the prime purpose of the Ford Motor Company was to do as much as possible for

everybody concerned, to make money and use it, give employment, send out the cars where the people can use it, and incidentally to make money (Lee, M. D. P, 2008)^[36]. Later, in the 1990s, William Clay Ford Jr. further confirmed that "we want to find ingenious, new ways to delight consumers, provide superior returns to shareholders, and make the world a better place for us" (Meredith, R, 1999)^[42]. After his declaration, Henry Ford, in essence, started carrying out social responsibility activities, which significantly motivated the entire corporate sector to follow suit (Hussainey, K., Elsayed, M., & Razik, M. A., 2011)^[29].

Around the World, CSR management has become a business management issue (Stamm, A., 2004)^[60]. This has necessitated international bodies such as the United Nations Global Compact (UNGC) Organization of Economic Cooperation and Development (OECD) and the International Organization for Standards (ISO), among others to develop guidelines on the management of CSR. For example, the UN Global Compact has issued the 10 principles (United Nations Global Compact, 2002), the OECD has issued its guidelines for multinationals that engage in CSR, and ISO recently finalized the ISO 26000 standard. CSR has been predominantly considered a Western phenomenon due to the strong standards and institutional systems and is generally weaker in developing countries, including Asia (Chaudary, Zahid, Shahid, et al, 2016)^[11]. The weak standards found in most developing countries of Asia pose a considerable challenge to firms practicing CSR; hence Asian firms often lag behind their Western counterparts in many aspects of CSR. While CSR disclosures in Malaysia have increased significantly, the level is considered low (Arena, Liong & Vourvachis., 2018)^[7].

CSR in developing countries, especially in Africa, is plagued by limited research on SMEs (Lund-Thomsen, P., & Lindgreen, A., 2014)^[38]. The emphasis has rather been on the CSR practices of multinational corporations (MNCs) in Africa, based on three restrictive assumptions (Ladzani M. W., & Seeletse, S. M, 2012)^[33]. First, it is assumed that the societal role of businesses should be primarily, if not exclusively, undertaken by companies that are seen as more powerful and visible (i.e., MNCs). Second, it is assumed SMEs lack sufficient influence or resources to address social issues. Third, SMEs should be encouraged to avoid irresponsible behaviours and not focus on social activism. Effective CSR can have a huge positive impact on the lives of Africans, who, for the most part, no longer have confidence in the government to provide them with the necessities of life, but instead, "look up to businesses as beacons of hope (Adegbite, E. & Nakajima, C, 2011)^[2].

In the case of Zambia, several studies on CSR have been carried out in the mining industry and also found that community-related CSR activities get the most emphasis (Mayondi, W, 2014)^[41]. For example, a study of a large mining company pointed out that CSR in Zambia is characterized by community development projects such as constructing roads, schools, job opportunities, and micro-credit lending. It was also noted that many companies in Zambia engage in CSR out of a moral obligation to be 'good' corporate citizens since CSR as a non-core activity of mining companies is not directly related to mining (Fraser, A, 2010)^[23]. Another study reported that CSR in the mining industry is associated with charity, donations, and social services such as building sports facilities and sinking boreholes to provide water to villages around the mining area (Negi, R, 2011)^[47].

In Kenya, CSR is gaining momentum as organizations recognize the importance of business performance. This is why large corporations use it as a corporate positioning tool and have continued to enjoy high profits from positive market perception due to CSR (Wafula, J, 2012) ^[65]. In pursuing CSR, companies have also benefitted from operational efficiency through the reduction of waste with policies requiring organizations to protect their environment by using eco-friendly systems, for example, 'going green' that ensures paper usage is drastically reduced as the use of electronic mail is the modern trend of communication. Corporate disclosures of performance in social and environmental areas have helped businesses build a good reputation based on recognition of their efforts by stakeholders.

In Uganda, various approaches to CSR have been adopted by SMEs to contribute to the well-being of society and the environment. The case of MTN Uganda demonstrates the positive impact CSR can have on a company's competitiveness. The company's CSR initiatives, such as its commitment to expanding access to telecommunications services in rural areas, have created value for its customers and enhanced its brand reputation (Amir, E, 2013) ^[6]. They engage in community-related activities such as sports, health and education, and other philanthropy giving. Thus, meeting such obligations endures the business to the community (Inyang BJ., 2013) ^[30].

Arua City has experienced significant economic growth in recent years, attracting both local and international businesses. With this growth comes the potential for negative social and environmental impacts if corporations do not adopt responsible practices. CSR can play a crucial role in mitigating these negative impacts by promoting sustainable development, community engagement, and ethical business practices. Companies can use CSR orientation to build positive relationships with potential and current employees. The engagement of SMEs in CSR is very critical since they help create employment opportunities, drive economic growth and provide opportunity for equitable distribution of income in society (Inyang BJ , 2013) ^[30] and yet the factors that motivate the SMEs in Arua City are not known, this explains why this study will be focusing on the factors that motivate SMEs to practice CSR in Arua city.

1.2. Statement of the problem

Corporate social responsibility has become important to the competitiveness of Small and Medium Enterprises (Salciuviene, L., Hopeniene, R., & Dovaliene, A, 2016) ^[56]. Uganda's private sector is dominated by SMEs accounting for over 90% of total non-farming private sector workers (Uganda Investment Authority, 2017) ^[63]. SMEs contribute 20% to the gross domestic product and employ over 80% of the total workforce in the country. SMEs have also been recognized to significantly contribute to job creation and poverty alleviation in developing countries (de Kok J, DeijlC, Veldhuis-Van Essen C, 2013) ^[17].

For the effective implementation of corporate social responsibility by SMEs, a large amount of resources are required (Lins, K. V., Servaes, H., & Tamayo, A, 2017) ^[37] and the budgets for implementing it are often inadequate and outcompeted by other projects which guarantee higher return on investments (Gomes, G., & Wojahn, R. M, 2017) ^[24].

Although SMEs are gaining prominence as a potential solution in stimulating economic growth in Arua City through CSR, there has been inadequate attention on

assessing the factors that motivate these SMEs to practice CSR in the city and this has not been well documented yet most of the previous studies and academic discussion within Arua City on CSR focused on areas like Supply Chain Management Practices and SMEs Performance in Arua Municipality.

This explains why this research has been carried out to explore on the factors that motivate SMEs to practice CSR in Arua City to enrich the existing body of knowledge and inform policy in areas of CSR for any future intervention to support these SMEs in their businesses.

1.3. Aims and Objectives

The main aim of the study is to explore factors that motivate Small and Medium-sized Enterprises to practice corporate social responsibility in Arua City.

The specific objectives include

1. To explore internal factors that motivate SMEs to practice corporate social responsibility in Arua City.
2. To examine external factors that motivate SMEs to practice corporate social responsibility in Arua City.
3. To determine the influence of sustainable opportunities that motivate SMEs to practice corporate social responsibility in Arua City.

1.4. Research Questions

1. What internal factors motivate SMEs to practice corporate social responsibility in Arua City?
2. What external factors motivate SMEs to practice corporate social responsibility in Arua City?
3. How do sustainable opportunities motivate SMEs to practice corporate social responsibility in Arua City?

1.5. Research Hypothesis

H₁: The internal factors of SMEs have a significant positive influence on corporate social responsibility practices in Arua City?

H₂: The external factors of SMEs have a significant positive influence on corporate social responsibility practices in Arua City?

H₃: The sustainable opportunities of SMEs have a significant positive influence on practice corporate social responsibility practices in Arua City?

1.6. Significance of the study

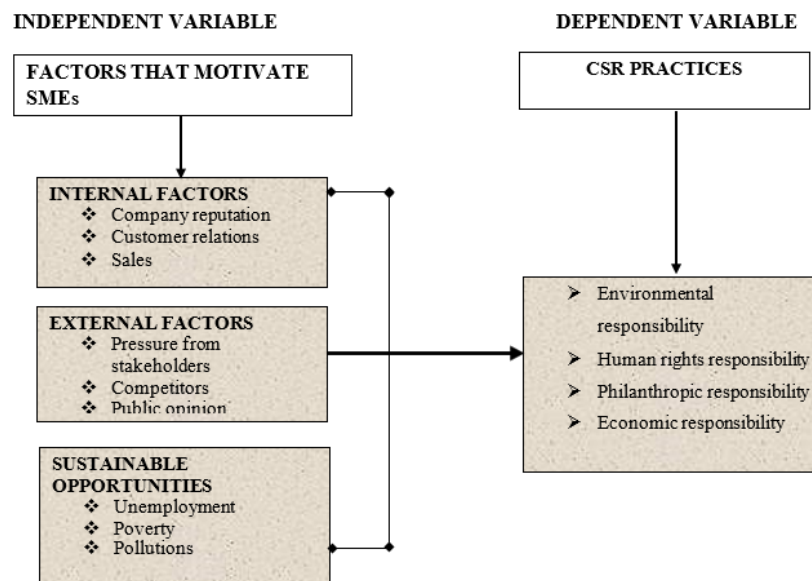
- The findings of this study will inform policymakers to develop effective policies and regulations that promote CSR practices among SMEs.
- It also helps business owners understand the benefits of engaging in CSR activities and how they can leverage these practices for competitive advantage.
- The study will contribute to the field of research to inform future professionals and academicians.

1.7. Justification of the study

Most of the previous studies on factors that motivate SMEs to practice CSR were done in foreign countries and their focus was not only on SMEs but also on MNCs. For instance, in a study done on reasons for CSR engagement among 4 SMEs and 4 Multinational Corporations using a qualitative perspective in Malaysia, the respondents perceived that the owners' or managers' leadership styles were important drivers for firms to engage in CSR activities which concurred

with the results of a study done on participative leadership and organizational identification in SMEs in the Middle East and North Africa Region that showed the contribution of the leader was one of the reasons firms engaged in CSR (Lythreatis, S., Mostafa, A. M. S., & Wang, X, 2019) ^[39]. Since most of these studies done in countries like Malaysia, the Middle East and North Africa, Ghana, and Zimbabwe and their focus was not only SMEs but also MNCs and those done in Uganda were not carried out in Arua City, this give a justification for the researcher to understand the uniqueness of factors that motivate the SMEs in Arua city to practice

2.1. Conceptual framework



Source: Adopted from L Sweeny 2009 and modified by the researcher

Fig 1: Showing the conceptual framework on factors that motivate SMEs to practice CSR

The conceptual framework in Figure 1 explains the relationship between the independent variable (Factors that motivate SMEs) and the dependent variable (CSR practices). Factors that motivate SMEs will be measured on internal factors, external factors and sustainability opportunities. CSR practices are measured on environmental, human rights, philanthropic and economic responsibility.

2.2. Empirical review

2.2.1. Organization's internal factors and practices of corporate social responsibility

Internal CSR in this case refers to the self-generated factors influencing employees to behave in a particular way or move in a direction. These factors include developing a sense of responsibility, autonomy, scope to use and develop skills and abilities and face challenges and opportunities for advancement.

According to the study carried out in Zimbabwe among 500 respondents of SME owners in whole selling, transport and service delivery sectors who acknowledged being involved in donations, providing support to social welfare programs and helping needy people, in establishing factors contributing to the adoption of CSR by SMEs, the results revealed 83% of the respondents needed to establish market (Kajongwe, C; Chinyena, E; Mahavira, N & Mambo, R, 2020) ^[31]. According to a review of 52 studies on firm characteristics, industry context, and investor reactions to environmental

CSR.

2. Literature Review

This chapter discusses thematic review using a conceptual framework on CSR practices and theoretical framework. The conceptual review was done on each objective based on the influence of internal, external and sustainable opportunities on the practices of CRS identifying the existing research gaps in the literature to enrich the empirical review on factors that motivate SMEs. The literature review was mainly from secondary sources.

CSR using a stakeholder theory approach, they found out that companies that pay attention to their stakeholders' needs through CSR practices increase their market value and profitability (Cordeiro, J.J. and Tewari, M, 2015) ^[14].

Additionally, a Study on Corporate social responsibility and CSR fit as predictors of corporate reputation, the result showed that 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, E.O., Ferguson, M.A. and Duman, S.A, 2016) ^[16]. Skudiene and Auruskeviciene also found in their study that large firms engaged in CSR to improve their company's image and reputation; as a moral obligation to society; to gain a competitive advantage; to keep employees satisfied, loyal and motivated; and to keep their customers loyal (Skudiene, V., & Auruskeviciene, V, 2012) ^[58].

In a study done on reasons for CSR engagement among 4 SMEs and 4 Multinational Corporations (MNCs) using a qualitative perspective in Malaysia, the respondents perceived that the owners' or managers' leadership styles were important drivers for firms to engage in CSR activities. Similarly, a study done by Lythreatis, Mostafa and Wang in 2019 ^[39] on participative leadership and Organizational identification in SMEs in the Middle East and North Africa (MENA) Region showed that the contribution of the leader was one of the reasons firms engaged in CSR

(Lythreatis, S., Mostafa, A. M. S., & Wang, X, 2019) ^[39]. A leader who has a better understanding of the benefits of CSR would engage more in CSR activities than in firms whose leaders were without knowledge of CSR. Therefore, MNCs should emphasise their firm's transparency and accountability regarding their activities (Jenkins, 2004). Similarly, the quest for CSR, Mapping responsible and irresponsible practices in an intra-organizational context in Ghana's gold mining industry showed that the commitment of MNCs to CSR was associated with the leadership of its owner or manager (Pereira, V., Tuffour, J., Patnaik, S., Temouri, Y., Malik, A., & Singh, S. K, 2021) ^[53].

Some studies showed that the factors influencing the commitment of MNCs to CSR included the Organizational context that is capital, technology, and knowledge (Pereira, V., Tuffour, J., Patnaik, S., Temouri, Y., Malik, A., & Singh, S. K, 2021) ^[53]. This study also found resource availability as a main reason that would encourage CSR engagement among SMEs and MNCs. The study identified resource availability examples as financial resources, good networks, technology, supportive management, and time availability. All the MNCs agreed that the most important resource was financial resources. All the firms had an annual budget for CSR activities that they carried out in stages and on a case-by-case basis. For large firms, one of the main reasons to engage in CSR was the human and financial resources they had available to implement their CSR activities (Mousiolis, D. T., Zaridis, A. D., Karamanis, K., & Rontogianni, A., 2015) ^[15]. Although results of previous studies have shown a positive influence of Internal Organization factors of SMEs towards the practices of CSR. In the studies done, there are no reasons for CSR engagement among 4 SMEs and 4 Multinational Corporations (MNCs) using a qualitative perspective in Malaysia, the respondents perceived that the owners' or managers' leadership styles were important drivers for firms to engage in CSR activities which concurred with the results of a study done by Lythreatis, Mostafa and Wang in 2019 ^[39] on participative leadership and Organizational identification in SMEs in the Middle East and North Africa (MENA) Region showed that the contribution of the leader was one of the reasons firms engaged in CSR (Lythreatis, S., Mostafa, A. M. S., & Wang, X, 2019) ^[39].

However, most of these studies were not done in a Ugandan setting they were done in other foreign countries like Malaysia, the Middle East and North Africa, Ghana, and Zimbabwe and their focus was not only SMEs but also MNCs yet this study intends to focus only on SMEs in a Ugandan setting that explains why it's necessary to conduct this study.

2.2.2. Organization's external factors and practices of corporate social responsibility

The external factors that compel SMEs to engage in CSR include community pressure on SMEs to handle the issues of social performance, the need to obey laws and regulations and avoid sanction and negative publicity; and the problems of customer loyalty to maintain reputation and integrity to attract and retain customers continuously (Inyang B.J., 2013) ^[30].

A study that investigated the motives behind CSR engagement by owners/managers of SMEs among 384 respondents from Malaysian using profit maximization, philanthropy responsibility, external pressure, and moral responsibility as independent variables indicated that all the variables have a significant correlation with the CSR of

SMEs (Chelliah, T.D., Chelliah, M.K. and Jaganathan, M, 2017) ^[12].

According to stakeholder theory, a company may adopt CSR due to pressure from stakeholders such as employees, clients, the media, public opinion, regulators, suppliers, banks, and competitors. For example, it was reported that even though the main motivation factors behind the adoption of CSR practices in SMEs are internal, pressure from clients, competitors and the government plays an important role, as well as 40-49% of SMEs, reported implementing CSR because of pressure (Santos, M, 2011) ^[57]. In developing countries, in Africa, SMEs are influenced by regulatory and supply chain pressures in their motivation to pursue CSR initiatives (Amaeshi, K., Adegbite, et. al, 2016) ^[5].

In a Zimbabwean study that involved 500 study participants of SME owners, the results revealed that 96.6% of the respondents highlighted the need to succumb to public pressure (Kajongwe, C; Chinyena, E; Mahavira, N & Mambo, R, 2020) ^[31]. Similarly, the pressure from stakeholders such as the community and media is also one of the reasons large firms engage in CSR activities (Dias, A., Rodrigues, L. L., Craig, R., & Neves, M. E, 2018) ^[19]. Previous studies investigating CSR in Indonesian companies on corporate social disclosures among stakeholders found that community concerns are the most influential drivers of Indonesian companies' disclosures relating to CSR (Gunawan, J, 2015) ^[27].

According to the study done on motivating factors beyond Legal Obligation; the Practice of Corporate Social Responsibility in the Transport Sector in Uganda among 300 participants recruited from five Bus operating companies from the sample size that consisted of the management, employees, and clients of the selected companies., the result showed that 79.3% respondents cumulatively agreed and highly agreed that it was for competitive advantage.

The external Organization factors of SMEs have motivated the practices of CSR and shown by previous studies particularly studies investigating CSR in Indonesian companies on corporate social disclosures among stakeholders found that community concerns are the most influential drivers of Indonesian companies' disclosures relating to CSR (Gunawan, J, 2015) ^[27]. Even a study done in Uganda on bus companies on the Practice of CSR showed that 79.3% of respondents cumulatively agreed and highly agreed that it was for competitive advantage.

However, most of the studies were done in other countries like Indonesia, Malaysia and the ones done in Uganda focused only on the transport sectors and did not consider factors that motivate SMEs and all these left unanswered questions especially the practices of CSR by SMEs in Arua city and also other sectors of the economy which my study will research on.

2.2.3. Organization's sustainable opportunities and practices of corporate social responsibility

Sustainable opportunities are related to social goods and public benefit (Tyler III, J.E, 2014) ^[62] and aim at sustaining the ecological and social environment (Patzelt, H., and Shepherd, D.A, 2011) ^[52]. The social dimension of sustainable opportunities includes concern for people or care for the community and employees, and the ecological dimension of sustainable opportunities includes eco-design, environmental care, sustainable technology, clean products, and eco-efficiency (Crals, E., and Vereeck, L., 2005) ^[15].

Besides general motivations to engage in CSR, sustainable opportunities can influence engagement in CSR activities (Patzelt, H., and Shepherd, D.A., 2011) ^[52]. When entrepreneurs identify (sustainable) opportunities, they imagine ways to get economic, social, and environmental gains, which differs from the general motivations for CSR.

Entrepreneurs identify sustainable opportunities when they perceive that their welfare (internal motivation) and the welfare of others (external motivation) are threatened (Patzelt, H., and Shepherd, D.A., 2011) ^[52]. In this sense, internal motivation arises when an entrepreneur feels threatened by economic, social and ecological issues. External motivation is related to altruism. Altruism is the individual's motivation to improve the welfare of another person or the community. For instance, entrepreneurs living in a society where poverty levels are high, education levels are low and health care is threatened may identify opportunities to solve these social problems (Tyler III, J.E., 2014) ^[62].

Similarly, entrepreneurs living in a community confronted with pollution, natural resource degradation, and biodiversity may identify opportunities to improve the ecological environment (Patzelt, H., and Shepherd, D.A., 2011) ^[52]. For instance, SMEs participate in specific and inexpensive environmental-oriented CSR activities such as producing environmentally friendly products, running environmental awareness initiatives for employees on efficient energy and resource use, and waste reduction and pollution management (Inyang B.J., 2013) ^[30].

Unemployment and poverty can cause an entrepreneur to improve his/her socioeconomic status and the status of people in that community. Thus, sustainable opportunities trigger entrepreneurs to sustain social and ecological environments (Patzelt, H., and Shepherd, D.A., 2011) ^[52]. Since entrepreneurs control how SMEs operate, sustainable opportunities can influence their engagement in CSR practices.

Many studies showed the positive influence of sustainable opportunities of SMEs on CSR, one of them was done in Arua City provided a platform for the principal investigator to conduct this study.

2.3. Theoretical Framework

This study was guided by John Elkington's Triple Bottom Line Theory and Theory of Planned Behaviour.

2.3.1. The Triple Bottom Line Theory

This theory was found by John Elkington in his book *Cannibals with Forks* entitled *The Triple Bottom Line (TBL) of 21st Century Business* (Elkington, J., 1998) ^[21]. TBL can be considered a CSR framework that incorporates three dimensions of performance that is; economic, social and environmental. As elaborated by John Elkington, the three dimensions of TBL must obtain sustainable results. Sustainability is the main aim of the TBL concept. This theory emphasises that companies must apply TBL to achieve continuous profits and long-term social and environmental projects. Many corporations and nonprofit organizations have adopted the TBL sustainability framework to perform CSR projects.

Economic dimension. According to TBL theory, the most important for a company is not to make high profits but to achieve continuous profit for the long term. So, Business corporations start to enrol in the TBL CSR framework

calculating expenditures and taxes, forecasting business climate factors, evaluating market benchmarks and avoiding maximum risk threats. A real study for all these components will lead to achieving sustainable profits.

Social Dimension. Business must pay attention to its social affairs as well as paying attention to its financial affairs. Achieving social sustainability, by a corporation is a must in the TBL CSR framework. However, since societies differ from one region to another, every corporation has to collect data from national authorities concerning social affairs, such as unemployment rates, human rights, female labour force participation, health services, and educational services provided by the government. After determining the community priorities, shareholders must make decisions to meet as much as possible the social needs. So, for a business to be stable over the long-term social activities of a business corporation must satisfy surrounding society's needs as much as possible.

Environmental Dimension. This emphasises that if business companies do not respect the dimension, our children will not be able to enjoy the same quality of life we are enjoying now. Corporations pay attention to environmental changes and obey the new environmental laws by consuming natural resources. Corporations have to use alternative energy sources to minimise the consumption of traditional energy, and it has to safe air and water sources, disposing of toxic and solid waste environmentally. All these factors maintain environmental sustainability.

The flexibility of the TBL concept allows companies to implement social and environmental strategies sustainably. However, Timothy F. Slaper mentioned challenges in implementing the TBL theory into practice (Slaper, T. F., Hall, T. J., 2011). These challenges include measuring each of the three categories, finding applicable data and calculating the policy's contribution to sustainability (Slaper, T. F., Hall, T. J., 2011) ^[59]. Overcoming these challenges allows companies to make the correct long-term decisions.

2.3.2. Theory of Planned Behaviour

The Theory of Planned Behaviour initially started as Theory of Reasoned Action (TRA) in 1980s to predict a person's behaviour. Its intention was to explain behaviours that individuals have self-control over. That, behaviour intentions are influenced by the "attitude about the likelihood that the behaviour will have the expected outcome and the subjective evaluation of the risks and benefits of that outcome" (LaMorte, 2018) ^[34]. The theory overtime has been used to predict and explain a wide range of behaviours and intentions. The theory is hinged on the following core facets: attitudes, behaviour intention, subjective norm, social norms and perceived power or influence.

According to Kilimvi and Tripathi (2021) ^[32]

Curiosity in human nature implores that you cannot engage in a business venture unless there is a reason to start such a venture. This explains why the theory of Planned behavior could be suitably used to investigate a business phenomenon regarding implementation of CSR. The behavioral aspects of ethical conviction, organization culture, beliefs, reputation, and image have a considerate influence on the management attitude. Addressed under the motivating factors are the concerns for profitability, management commitment, ethical responsibility, and legal and regulatory conditions on the

organization. Considerations of the above lead to a responsible behaviour.

2.3.3. Carrol Pyramid of CSR

Carroll developed his original four-part construct of CSR in 1979 and then his pyramidal depiction of CSR in 1991 which was done with American-type capitalistic societies in mind. But in 2007 Crane and Matten observed that all the levels of CSR depicted in Carroll’s pyramid play a role in Europe and interlink in some manner (Crane, A., Matten, D, 2016) [16]. Visser revisited Carroll’s pyramid in developing countries/continents, particularly in Africa, and argued that the order of the CSR layers differs from the classic pyramid and mentioned that in developing countries, economic responsibility continues to get the most emphasis, philanthropy is given the second highest priority followed by legal and then ethical responsibilities (Wayne, V, 2010) [66]. Carroll’s theory of CSR focuses on how corporations interact with their surrounding community and the whole world, this theory is known nowadays as Carroll’s Pyramid of CSR. Carroll’s theory comprises four obligations that create a foundation or infrastructure for the business’s responsibilities toward society.

Economic responsibility. A business Organization must make money. Carroll placed the economic obligation at the base of the CSR Pyramid because it’s vital for business survival. Any corporation or Organization, whether a non-profit Organization or a charity association, need assets to succeed and sustain. According to Carroll, the first step in implementing CSR is to enrol in business operations and to make profits. Carroll added that profits are necessary to reward investors and owners. Moreover, profits must be reinvested back to maintain business growth. Corporations show Economic responsibility through investments, marketing strategies, business operations, and long-term financial strategies with variant stakeholders. For example, when a corporation enrolls into business operations, it must hire several employees and deal with stakeholders like vendors, sellers, marketing consultants, stockholders,

investors, insurance companies, banks, and financial institutes. Variant stakeholders will be affected positively if a corporation achieves profits, and it is what economic scholars named a Win-Win theory. As a result, stakeholders will make profits, the money circulation process will improve and the corporation will successfully achieve its CSR economic responsibility.

Legal responsibility. Corporations must respect laws and regulations. According to Car-roll’s Pyramid theory, Legal Responsibility is placed in the second level of the CSR Pyramid. A responsible corporation is a corporation that accepts the rules of a fair business game. A corporation adheres to the law because it believes that fair business reflects positively on the economy and society. If a corporation makes a tax evasion process that deals with money laundering activities or produces a toxic product, it is illogical to consider it is sharing in CSR values.

Ethical responsibility. Corporations must behave as good citizens in their society. Such responsibility allows corporations to do what is good for society even if the law does not need it. Carroll said corporations must be responsive to the spirit of law not the letter of law. In other words, ethical responsibility embraces fair activities done by a corporation and expected by society. Civil societies and associations play an important role in determining the ethical controls of companies until these controls become official laws.

Philanthropic responsibility. It is a voluntary activity guided by the business’s desire to participate in social activities that are not mandated, not required by law, and not generally accepted in business. So philanthropic responsibility is pure giving for society, it’s an activity or project created by a corporation and dedicated to community expectations. At the philanthropic level, business corporations could meet what their society desires. To fulfil philanthropic responsibility, corporations participate in sponsoring sports, annual marathons, and volunteering employees in donation campaigns. The value behind philanthropic responsibility activities is to reveal a good citizenship image of the company and increase its reputation.

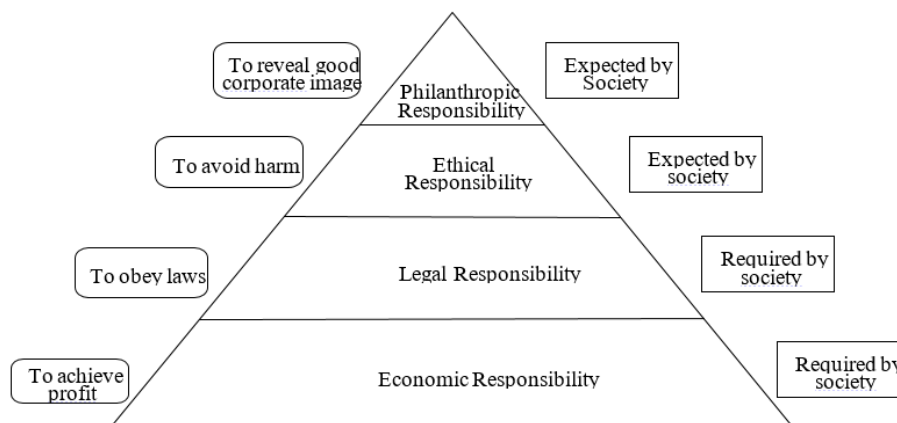


Fig 2: Showing Carrol Pyramid for CSR

The main idea of Carroll Pyramid is to apply CSR projects in the order form. Companies should implement social responsibility by achieving economic objectives at the first level by maintaining sustainability and profitability. Only then does it move to the next stage of commitment to

recognize regional and international laws and obligations. After that third level comes, the commitment to ethical standards. Finally achieve the last level, where companies contribute to the philanthropic responsibilities required by society and the environment.

3. Methodology

This Chapter presents the approaches and techniques the researcher used to collect data and investigate the research problem. They include research design, study population, sample size and selection, sampling techniques and procedure, data collection methods, data collection instruments, data quality control (validity and reliability), data analysis and measurement of variables.

3.1. Research Design

A research design is a detailed plan that outlines the methodological approach used in a research study. A cross-sectional survey design will be adopted for the proposed study and refers to a type of research design in which you collect data from many different individuals at a single point in time (Lauren, 2020)^[35]. The reasons for using this research design include; it helps to observe variables without influencing them, the researcher collects data from a cross-section of respondents at a single moment, and it is cheap and less time-consuming than other research designs. It also allows to collect data from a large pool of subjects and compare differences between groups.

The study only used a quantitative approach and the reasons for using this approach are; that it helped to explain a phenomenon or relationship across a larger number of participants under this study. It provided the possibility of summarizing characteristics across groups or relationships that can be subjected to statistical analysis. Finally, since this study dealt with many participants, this approach assisted researchers in recognizing overall patterns in the relationships.

3.2. Research Methodology

Research methodology is the systematic process of collecting, analyzing, and interpreting data to answer a research question or test a hypothesis. It is a crucial component of any research project as it provides a framework for conducting the study in a structured and organized manner. A well-defined research methodology helps ensure the reliability and validity of the research findings. For this study, a quantitative research methodology was adopted.

3.3. Scope of the study

This study focused examining aspects related to CSR practices among SMEs. This involved exploring the types of CSR activities undertaken by SMEs, their motivations for engaging in CSR, the perceived benefits and challenges associated with CSR implementation, and the overall impact of CSR on business operations and stakeholders.

The research was conducted at selected SMEs in Arua City, Uganda. The geographical scope of the study refers to the specific location where the research is carried out, and in this case, it focuses on Arua City. This location was chosen due to its significance as a hub for SMEs and its relevance in understanding CSR practices within a developing urban area. The study aims to examine the size and composition of the SME sector in Arua City and understand the local market dynamics, regulatory framework, and cultural aspects that influence businesses and CSR practices.

The time scope of the study encompassed a specific period during which data was collected and analyzed. This included a defined timeframe for collecting data on CSR practices among SMEs in Arua City. The study considered data from 2022 to 2024.

3.4. Population of the study

The target population for this study comprised small and medium-sized enterprises (SMEs) operating within Arua City and participants were drawn from 100 SMEs in Arua City. The research focused on understanding the perspectives and experiences of business owners, managers, and employees in CSR practices within these organizations.

3.5. Sample size and sampling techniques

A total of 400 participants were identified for the investigation from 100 SMEs across all the city divisions that form Arua, stratified random sampling methods was used to ensure representation across different sectors or sizes (strata) of SMEs within Arua City.

The study used a stratified random sampling method, the population was divided into subgroups (or strata) that all share a similar characteristic with Business owners, managers, employees and other stakeholders from the SMEs in Arua City. This method was chosen because it is reasonably expected for the measurement of interest to vary between the different subgroups, and this study ensured representation from all the subgroups.

3.6. Data collection methods

In this study, data collection was done using a questionnaire self-administered to primary respondents. A questionnaire is a highly structured data collection technique whereby respondents are asked the same questions. Surveys are popular as they allow the collection of a large amount of data in a highly economical way.

A self-administered questionnaire was used to draw information relating to the study. For this study, structured questions containing closed-ended questions were presented on a Likert scale. A Likert scale is a rating scale used to measure opinions, attitudes, or behaviours that consist of a statement or a question, followed by a series of five or seven answer statements (Bhandari and Nikolopoulou., 2023)^[19]. Respondents had to choose the option that best corresponds with their feelings about the statement or question. The researcher used the questionnaire as an instrument because the study is virtually descriptive and the tool is an easy method for data collection.

3.7. Measurements (validity and reliability)

3.7.1. Validity

Validity is the extent to which a concept, is measured in a quantitative study (Heale & Twycross, 2015)^[28]. This means the extent to which research instruments measure what they are intended to measure. The validity measurement was to ensure the stability and quality of the data obtained. This was ensured by Pre-testing the data collection tool, ensuring confidentiality by using codes instead of confidential employee identifiers, and cross-checking the questionnaires for completeness and accuracy.

3.7.2. Reliability

Reliability refers to how a method measure something. If the same result can be achieved, by using the same technique, under the same circumstances, the measurement is considered reliable (Middleton, 2019). An instrument is reliable if it produces the same results whenever used to measure a trait or concept from the same respondents even by other researchers. The reliability of the instruments was established through a pilot test of the questionnaire

particularly from Heritage Courts Hotel to ensure consistency and dependability.

3.8. Data analysis

Study variables that is, factors that motivate SMEs and CSR practices were defined before data collection. The researcher verified all data tools for completeness and accuracy. A double entry was used for the data collected and validation purposes with a unique identifier for comparison in a discrepancy way. The quantitative data was fed into Epi data software and uploaded to the computer. The final data was backed up and exported to STATA/IC version 16.0 (STATA CORP, TEXAS USA) for analysis. Bivariate analysis was done using SPSS software version 25 to show the relationship between variables. Analysis was presented in the form of charts and tables.

3.9. Ethical considerations

The research was approved by Muni University and the researcher got an introductory letter from the institution. The researcher obtained administrative clearance for data collection from the Arua City authority. The participants in the study also consented before participating in the study, and information collected from them was kept confidential except only for the study.

3.10. Limitations and Delimitations

3.10.1. Limitations

Limitations are potential weaknesses outside the researcher's control that could affect the study (Yin, R. K, 2018) ^[68]. Limitations are uncontrollable influences that may be shortcomings that affect the results. The first limitation is the choice of the topic and the methodology employed. Another limitation of this study could be the sample size. Due to resource constraints, it may not be feasible to survey SMEs in the area, which could limit the generalizability of the findings. This limitation could impact the ability to draw broader conclusions about the motivations for CSR practices among SMEs in Arua City.

3.10.2. Delimitations

A delimitation in researching this could be geographical scope. Focusing specifically on Arua City may provide a detailed and nuanced understanding of the local context and dynamics influencing CSR practices among SMEs in that area. However, this delimitation may restrict the applicability of the findings to other regions or contexts beyond Arua City.

4. Findings

Data presentation and analysis refer to organizing, summarizing, and interpreting data to extract meaningful insights. The presentations have been arranged in a structured manner to ease understanding and decision-making. The data has been presented in form of tables, charts, graphs, and diagrams. These visual aids help convey information and identify patterns or trends within the data and provide clarity of interpretation.

A total of 400 questionnaires were self-administered to the respondents with 100% response rate. 52.0% of the respondents were males and 48.0% females indicating that in Arua City, both males and females in involved in the SME businesses.

Table 1: Showing the Designation of the Respondents

		Frequency	Per cent
Valid	business owner	92	23
	Manager	48	12
	Employee	186	46.5
	other stakeholders	73	18.3
	Total	400	100

Majority of the respondents were in the age group below 30 years (43.8%) followed by those in the age group of 31-40 years (32.3%). This suggests a substantial representation of individuals in their productive age. Those 41-50 years made up 15.5% of the respondents and above 50 years old constituted 8.5% of the total sample.

Table 2: Showing the Sectors to which Respondents belong

		Frequency	Per cent
Valid	Trading	277	69.3
	Services	51	12.8
	Construction	22	5.5
	manufacturing	39	9.8
	Processing	7	1.8
	others specify	4	1
	Total	400	100

From the analysis, traders accounted for 27.76% of all valid responses. Those in service industry constituted 12.81% of all valid responses. Construction followed with 5.55%, manufacturing with 8.99%, processing with 1.81%, and others specify with 41.00%.

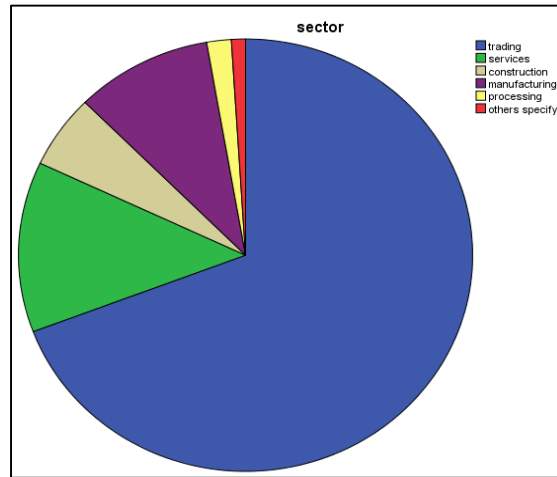


Fig 3: Pie Chart Showing the Percentage of Various Sectors

Analysis of duration of operations of small and medium enterprises

Considering the lifespan of the businesses, data is divided

into three categories based on the duration of operations: less than 1 year (15.5%), 1-5 years (40.0%), and more than 5 years (44.5%).

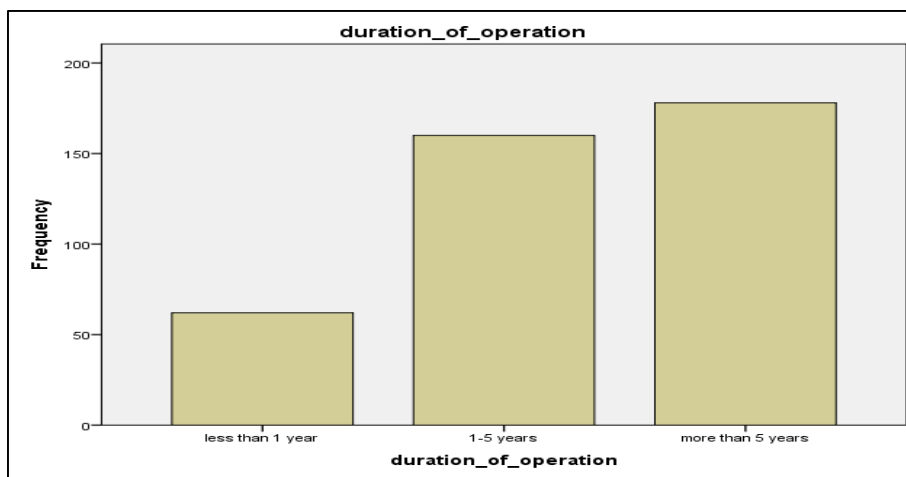


Fig 4: Showing duration of operations of the businesses

In analysis of above data, we can infer that a significant part (44.5%) of the respondents have operated for more than 5 years. The data also indicates that a considerable number (40.0%) fall within the 1-5 years category. Only a small percentage (15.5%) have been operating for less than a year.

4.1. The key CSR approach used by the company

This data illustrates that workplace practices, community issues, and environmental sustainability are key factors influencing CSR practices among SMEs in Arua City.

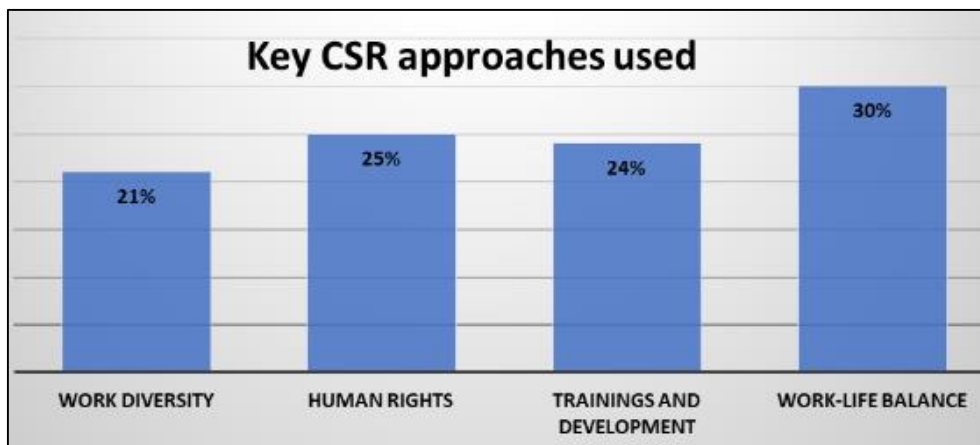


Fig 5: Showing the key CSR approach used by the company

This indicates that SMEs in Arua City prioritize Community issues at 39.8% as the core driver for practicing CSR and workplace standing at 28%. Environmental concerns accounting for 20.8% and marketplace practices comprised of 11.5% of the valid responses.

4.2. The core consideration while implementing CSR activities

The data analysis reveals that while social aspects such as “the people” and “sustainability of CSR activities” are considered important by the respondents, economic factors like “profits and business growth” also significantly influence CSR practices in small and medium enterprises in Arua City. However, environmental concerns have a relatively lower priority based on the responses.

Table 3: Showing the core consideration while implementing CSR activities

		Frequency	Per cent
Valid	The people	159	39.8
	The environment	31	7.8
	Profits and business growth	93	23.3
	Sustainability of CSR activities	100	25
	Total	400	100

4.3. Factors Influencing CSR Practices in Small and Medium Enterprises in Arua City

The SMEs were involved in CSR practices covering sectors of education, health care, housing, poverty alleviation, environmental protection and government programs. The responses showed education at 33.8%. Followed by health care at 12.5%, housing at 4.0%, poverty at 7.8%, environmental protection at 32.3%, and government programs at 35.3%.

Table 4: Showing areas supported by companies through CSRs

		Frequency	Per cent
Valid	Education	33	8.3
	health care	50	12.5
	Housing	16	4
	Poverty	31	7.8
	environmental protection	129	32.3
	government programs	141	35.3
	Total	400	100

4.3.1. Internal factors that motivate SMEs to practice corporate social responsibility

Examining the importance of CSR practices in SMEs, 27.5%, strongly agreed and 72.5% agreed that implementation of CSR practices had a Positive Impact on an Organization's Reputation.

Table 5: Showing Belief in Engagement in CSR has a Positive Impact on an Organization's Reputation

		Frequency	Per cent
Valid	Agree	110	27.5
	strongly agree	290	72.5
	Total	400	100

The main aspects of Internal CSR practices

Four main aspects of internal CSR were considered namely: work diversity, observation of human rights, staff training and development and work-life balance. From the responses, the respondents ranked work-life balance as the main internal CSR aspect rating it at 30%, followed by human rights at 25%, training and development at 24% and work diversity at 21%.



Fig 6: Showing the Internal factors driving CSR practices

4.3.2. External factors that motivate SMEs to practice corporate social responsibility

On investigating the external factors that drive the SMEs to practice CSR, four variables were tested that included:

Expectations of the local community, access to grants for socially responsible projects, competitors' CSR efforts and prevention of negative publicity. The responses on agreement level revealed some interesting facts as presented below:

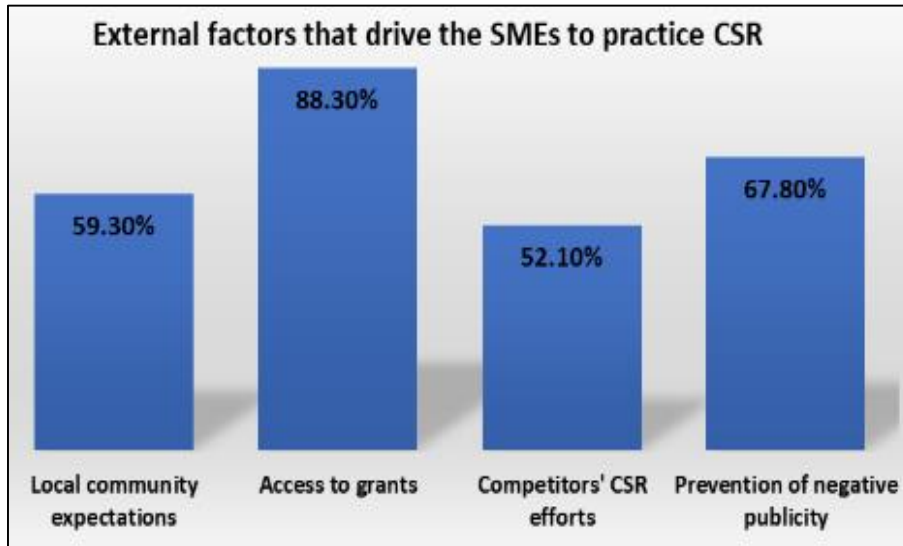


Fig 7: Showing External factors that drive the SMEs to practice CSR

It was interesting to note that most of the SMEs are driven to practice CSR due to prospects to access grants for socially responsible projects. The second driving force is prevention of negative publicity. Other factors that drive the SMEs to practice CSR include expectations from the local community at 59.3% and competitors' efforts in practicing CSR at 52.1%.

4.3.3 Constraints to practicing CSR

Two major constraints were identified as hindering the practice of CSR by the SMEs in Arua City. The first one is lack of funds to finance the CSR initiatives and secondly, lack of understanding of CSR's benefits that limits SMEs' adoption.

Majority of the respondents comprising 63.3% of the total responses strongly agreed that financial constraints are a hinderance to CSR implementation while 33.2% of responses disagreed. The remaining 3.8% of responses showed uncertainty.

On understanding of benefits of CSR, 76% of the respondents agreed that failure to understand benefits accrued from CSR practices was a major hinderance.

Table 6: Showing understanding of CSR's benefits limits SMEs' adoption

		Frequency	Per cent
Valid	Disagree	80	20
	not sure	16	4
	Agree	115	28.7
	strongly agree	189	47.3
	Total	400	100

5. Discussion, Conclusion and Recommendations

5.1. Discussions

The study aimed to examine, the factors that motivate SMEs to engage in CSR activities and how these practices can be leveraged for competitive advantage.

The SMEs were involved in CSR practices covering sectors of education, health care, housing, poverty alleviation, environmental protection and government programs. The responses showed education at 33.8%, followed by health care at 12.5%, housing at 4.0%, poverty at 7.8%, environmental protection at 32.3%, and government

programs at 35.3%. The core aspects such as "the people" and "sustainability of CSR activities" are considered important by the respondents, economic factors like "profits and business growth" also significantly influence CSR practices in small and medium enterprises in Arua City. However, environmental concerns have a relatively lower priority based on the responses.

On internal factors that drive the SMEs to practice CSR, the respondents ranked work-life balance as the main internal CSR aspect rating it at 30%, followed by human rights at 25%, training and development at 24% and work diversity at 21%.

On investigating the external factors that drive the SMEs to practice CSR, four variables were tested that included: Expectations of the local community, access to grants for socially responsible projects, competitors' CSR efforts and prevention of negative publicity. The responses showed some interesting facts. It was noted that most of the SMEs are driven to practice CSR due to prospects to access grants for socially responsible projects. The second driving force is prevention of negative publicity. Other factors that drive the SMEs to practice CSR include expectations from the local community at 59.3% and competitors' efforts in practicing CSR at 52.1%.

Two major constraints were identified as hindering the practice of CSR by the SMEs in Arua City. The first one is lack of funds to finance the CSR initiatives and secondly, lack of understanding of CSR's benefits that limits SMEs' adoption.

External factors such as government regulations, stakeholder pressure, and industry norms can also impact CSR practices in SMEs (Carroll & Shabana, 2010) [10]. In Arua City, government regulations related to environmental protection and labour standards have been identified as key drivers of CSR practices among SMEs. Stakeholder pressure from customers and community groups inclined SMEs', CSR practices positively. Furthermore, industry norms related to sustainability and social responsibility have become important for businesses seeking to compete effectively in global markets (Carroll & Shabana, 2010) [10]. These findings suggest that external factors influence CSR practices in SMEs in Arua City.

Finally, sustainable opportunities such as access to renewable

energy sources and eco-friendly technologies incentivize SMEs to engage in CSR practices (Carroll & Shabana, 2010)^[10]. In Arua City, access to funding for renewable energy sources has been identified as a key factor enabling SMEs to adopt environmentally responsible practices. Moreover, using eco-friendly technologies has reduced production costs and improved competitiveness among SMEs. These findings support the hypothesis that sustainable opportunities influence corporate social responsibility practices in Arua City.

5.2. Conclusion

Most SMEs in Arua City practice CSRs (83.2%) and were influenced mainly by internal factors within their respective organizations. Understanding the drivers of CSR engagement among SMEs is essential for reasons which include; it allows businesses to align their CSR strategies with their core values and objectives, enables SMEs to respond to stakeholder expectations and societal demands for responsible business practices. Lastly, by identifying the motivations behind CSR initiatives, organizations can optimize their resources and maximize the positive impact of their sustainability efforts.

5.3. Recommendations

To enhance CSR initiatives in Small and Medium Enterprises (SMEs) in Uganda, focusing on practical strategies can improve social responsibility practices while aligning them with business objectives. Here are some evidence-based recommendations for SMEs in Arua City and beyond.

Development of a Comprehensive CSR Strategy: SMEs should develop a well-defined CSR strategy that outlines their goals, target areas, and key performance indicators. This strategy should be aligned with the company's core values and business objectives to ensure sustainability and impact.

Engage Stakeholders: SMEs should engage with their stakeholders, including employees, customers, suppliers, and the local community. By involving stakeholders in decision-making processes and seeking feedback, SMEs can build trust and enhance the effectiveness of their CSR initiatives.

Invest in Employee Development: SMEs can enhance their CSR efforts by investing in the development and well-being of their employees. This can include providing training opportunities, promoting work-life balance, ensuring fair wages, and creating a safe and inclusive work environment.

Measure and Report Impact: To ensure accountability and transparency, SMEs should establish mechanisms to measure the impact of their CSR initiatives. Regular monitoring and evaluation will help identify areas for improvement and demonstrate the value of corporate social responsibility to stakeholders.

By implementing these recommendations, SMEs in Uganda can strengthen their CSR initiatives, foster stakeholder engagement, and contribute to sustainable business growth in Arua City and beyond.

Further studies could be aimed at understanding how SMEs can measure and report their CSR activities.

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