



## Corporate social responsibility practices: evidence from the automotive manufacturing SMEs in the eThekweni Metropolitan area

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### ABSTRACT

*Small and Medium sized Enterprises (SMEs) are regarded as a vital business sector in the South African economy. They elevate employment, reduce poverty, and increase the overall economic growth of any country. It is essential that SMEs should develop and grow. In ensuring their survival and growth, SMEs must be flexible and agile in every growth stage. Thus, Corporate Social Responsibility (CSR) is one of the strategic tools for business survival and growth. CSR is when organisations act responsibly and ethically towards society, the environment and other stakeholders, to maximise positive impact not just for profit. It is expected that the implementation of CSR can enhance the performance of SMEs. Consequently, the study assesses CSR practices applied by SMEs in the eThekweni Metropolitan Area. The study was quantitative in nature. It targeted 120 SME owners in the automotive manufacturing sector of the eThekweni Metropolitan Area. Data collected from 110 SME owners was analysed using version 27 of the Statistical Package for Social Sciences (SPSS). The results established that business performance increases when SME organisations support community, particularly when there is employee involvement in such support activities. Hence, the original value of this study is in its approach in uncovering the perceptions and involvement of SMEs operating in the automotive manufacturing sector in the eThekweni Metropolitan Area in KwaZulu-Natal (in South Africa) on their CSR practices.*

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## Introduction

Small and Medium sized Enterprises (SMEs) are increasingly becoming aware that, for their businesses to maintain competitive advantage, they must provide solutions to challenges encountered by stakeholders (Agudelo et al., 2019). Thus, stakeholders are communities, investors and customers that require businesses to be responsible citizens on issues relating to the environment, climate change, global warming, pollution and thinning of the ozone layer (Fordham & Robinson 2018). Hence, Corporate Social Responsibility (CSR) has been the driving concept that portrays the responsibility of a business towards the environment, communities, and the rest of its stakeholders (Hishan et al., 2017). CSR is defined as the strategy that businesses implement as part of corporate governance intended to ensure that they are ethical and beneficial to the environment, communities, and other stakeholders (Peters 2018).

Smith (2019) asserts that the practice of businesses acting responsibly is not new, although the term ‘Corporate Social Responsibility’ has taken on a recent meaning. For example, centuries ago shareholders and business owners were occupied with the question of whether the economic activities of a business should be non-impactful towards the problems of stakeholders or just simply focus on making a profit. For large corporate undertakings, it was during industrialisation that CSR gained momentum, as businesses would build houses ensuring a safe working environment for employees (Smith 2016). However, SMEs had to adapt with minimal effort to such CSR practices (Song, Zhao & Zeng 2017)

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One of the important CSR practices is for public good (Smith 2019). It intends to enhance social harmony for a wider local community in which the business operate (Turyakira 2018). Public good practices mean that a business provides a social incorporation and job market at a community level, charitable donations, and infrastructure improvement to the community (Xinwa 2018). Choongo (2017) acknowledges that the characteristic of public good engagements addresses practices relating to community support such as career and education guidance, fitness and health programmes, sports activities, helping financially disadvantaged families, and encouraging community involvement.

Accordingly, Xinwa (2018) adds that CSR activities are equally as important for SMEs. SMEs rely on the power, well-being, and wealth of their local communities in which they operate their businesses (Lv *et.al* 2019). In an attempt to achieve CSR goals through public good practices, Turyakira (2018) claims that SMEs offer preference by employing local citizens, provide sponsors to local community and give support to community events. This displays their good corporate responsibility by investing in the community and its people, thus strengthening the relationships with stakeholders. Investing in CSR programmes attract new talented employees and helps build thriving communities. In addition, it drives innovation, builds positive reputation, and foster continued business growth and development (Singh, Chen, Giudicec & El-Kassar 2019).

Today, SMEs increasingly attract young people to fill jobs that require a deeper level of technical expertise (Thanh *et.al* 2021). Studies show that skilled and talented individuals want to work for SMEs that are led with purpose, thus exhibiting a positive social and environmental impact on both local and global levels (Battaglini 2019). Hence, this study examines CSR practices as implemented by automotive manufacturing SMEs in the eThekweni Metropolitan Area. It is guided by the following key research questions:

- i. What are the CSR practices that demonstrate SMEs’ involvement on societal problems in the eThekweni Metropolitan Area?
- ii. What are the demographic variables of the automotive manufacturing SME owners involved in CSR practices in the eThekweni Metropolitan Area?

In South Africa, the efforts of SMEs that started with CSR practices did not receive recognition and market rewards (as back as in the early 1990s) (Song, Zhao & Zeng 2017). Codes of good citizenship and Black Economic Empowerment (BEE) excluded them from receiving any rewards for contributing to CSR practices. The entire effort by SMEs to initiate and participate effectively in CSR activities has gone unnoticed, which discourages the spirit of CSR, leading to some SMEs not bothering to implement CSR initiatives (Xinwa 2028). Hence, this study evaluates the insight of SMEs in the automotive manufacturing sector on CSR practices.

CSR is used as an instrument for business sector that demonstrates sustainable growth (Chazireni 2017). Consequently, SMEs rely on the support of their communities to succeed (Masheal 2018). However, 70 per cent of SMEs do not take responsibility, thus avoiding transparency and accountability towards the environment, communities, and their employees (Liedtke 2019). They fail to recognise societal problems during their normal course of production (Xinwa 2018) and, as such, do not implement CSR activities in societies in which they operate. Hence, it is necessary to evaluate SMEs operating in the automotive manufacturing sector in the eThekweni Metropolitan Area of their CSR practices.

The remainder of the study discusses the literature review, methodology, study results, discussion, and the implications of results for policy and practice, study limitations, as well as the conclusion.

## Literature Review

This section discusses the overview of SMEs and CSR in South Africa. It elaborates on the attitude of SMEs towards CSR practices, the influence of CSR practices on SMEs, the dimensions of CSR on SMEs, as well as environmental practices of CSR on SMEs. Ethical CSR workforce practices in SMEs and the societal oriented SME practices on CSR conclude this section.

### Overview of SMEs and CSR in South Africa

It has been established that the definition of SMEs varies and depends on the regions and industries in which they operate (Makhaye 2017). This concept also differs across developed and developing nations (Dlamini 2017). Some authors consider the number of employees and turnover rates of enterprises as characteristics that classify sectors (Makhaye 2017). Hence, in South Africa, SMEs are defined as businesses with a revenue of less than R100 million and between 20 to 200 full-time employees. The following Table 1 provides the classification of SMEs in South Africa.

**Table 1:** Classification of SMEs in South Africa

Size of enterprise	Number of employees	Annual turnover (zar)	Gross assets (excl. Fixed assets)
Medium	Between 100 to 200	Less than r4m to r50m	Less than r2m to r18m
Small	Fewer than 50	Less than r2m to r25m	Less than r2m to r4.5m

Source: Statistics South Africa (2020)

SMEs play a key role in economic development and job creation in South Africa (Xinwa 2018). Two million SMEs make up the majority of the country's economic growth. This means that SMEs generate 20 per cent of the country's yearly economic growth (Bhasin 2021). The swift change of high-performing Asian nations like India, Hong Kong, Indonesia, Taiwan, and Malaysia, where SMEs are the primary drivers of economic development, is evident (Xinwa 2018). In South Africa, SMEs contribute with the highest employment rate (Bhasin 2021). According to Chiloane-Tsoka, Evelyn & Rasivhetshele (2015), CSR has had an influence on the growth of SMEs. Hence, the next subsections elaborate on SMEs and their CSR practices.

### **Attitude of SMEs towards CSR practices**

In South Africa, the CSR initiative for SMEs is just as important as it is for large businesses as such sector has a distinctive and important space in the marketplace that permits them to build and support their local communities (Valdez 2017). These community-focused CSR practices have some direct effects on the society. It has been established that both the corporate undertakings and SMEs face challenges in CSR implementation (Aseghehey 2018). CSR requires excessive funding from businesses, while several SMEs have an inadequate financial resource for giving back to communities, including training and empowering staff in the workplace (Tahnayath & Said 2022). It is commonly understood that the attitude of implementing and developing CSR results in competitive tension. Inadequate financial backing from the government has resulted in a negative attitude towards implementing CSR by SMEs (Chiloane-Tsoka et al., 2015). Equally, implementing CSR by SMEs is difficult in the turbulent and ever-changing business environment. This discourages SMEs from implementing CSR initiatives (Anwana 2018). Sila and Cek (2017) assert that CSR implementation requires leaders and managers with great commitment in managing and changing the workspace environment of the business. The lack of management expertise and capabilities to successfully implement CSR processes leads to a negative attitude towards CSR for SMEs. Tilt (2016) argued that the implementation of new practices within SMEs is not an easy process. It requires commitment and hard work from every person within the business work environment, from top management to lower management. Anwana (2018) indicates that the lack of measurement systems is another challenge that has led to a negative attitude when it comes to implementing CSR for SME. Measurement systems are required to quantify the benefits of implementing CSR. They serve as a valuable tool for the appraisal and evaluation analysis of control in CSR performances. However, the lack of these tools makes it difficult for SMEs to analyse whether the implementation of CSR was a success.

### **Influence of CSR practices on SMEs**

SMEs are important drivers of economic development and contribute substantially to employment opportunities (Bhasin 2021). The use of CSR in SMEs in South Africa has grown (Chiloane-Tsoka et al., 2015). SMEs supply goods and services to consumers and large businesses (Valdez 2017). Evidence was noticed in the rapid transformation of high-performing Asian countries such as India, Malaysia, Indonesia, Taiwan, and Hong Kong, where SMEs are major catalysts in economic development (Bhasin 2021). Emanating from the CSR stimulus, two million of the SMEs contribute 20 per cent to the annual growth rate of South Africa (Xinwa 2018). According to Yuen and Lim (2016), employees in the 21st century want to feel proud of the business they work for and wish to contribute with innovative ideas. CSR enabled several SMEs to improve on their financial performance. SMEs with a strong CSR initiative often realise an improved performance in key areas of their operations.

### **Dimensions of CSR on SMEs**

A strong CSR initiative is the key component to improving business reputation and helping position a business as an ethical and responsible entity to its competitors, thus maintaining the competitive advantage (Omer 2018). This creates and sustains trust between a business and its clients (Zoysa, Takaoka & Zhang 2021). This also helps attract new business ventures, partnerships, investors, reinforcing of existing relationships, and increasing market share. Hence, the following subsections provide clarity on the environmental practices of CSR on SMEs performance, ethical CSR workforce practices in SMEs, as well as society-oriented practices of CSR and SME performance.

### **Environmental practices of CSR on SMEs**

Environmental practices of SMEs are areas of concern for the sector (Eger, Miller & Scarles 2019). A large percentage of SMEs are not aware that good environmental sustainability can substantially improve business performance (Thanh et al., 2021). SMEs often lack knowledge, financial resources, and time to implement environmental practices of CSR. However, it is easier for large businesses to invest in CSR initiatives because of their financial stability and knowledge on implementing environmentally related CSR strategies. In western counties, governments encourage SMEs to engage in environmental practices (McLennan & Banks 2018). The justification is that SMEs have a major impact on the environment and often do not take measures to prevent and engage with CSR environmental practices.

Since the environmental issues play a significant role, society and shareholders should focus on them when exploring business CSR efforts. Choongo (2017) asserts that perceived environmental CSR engagements provide a chance for SMEs to maximise competitiveness and could cause environmental preservation. Additionally, Xinwa (2018) maintains that environmental practices of CSR have an extensive impact on economic and environmental performance in developing countries. According to Chazireni (2017) environmental practices of CSR can aid in strengthening the SMEs' brand reputation by nurturing relationships with local community members and employees who will end up serving as supporters to the business image and brand. It provides an opportunity to build

genuine and reliable collaborative multi-sector partnerships with non-profits and governmental organisations that may historically have been on the other side of key environmental and social issues (Xinwa 2018). This can be done by complying with practices such as energy and water saving processes, environmentally friendly production processes, environmentally friendly packaging, environmentally friendly distribution processes, the provision of sufficient environmental information on products, services and processes as well as recycling and re-use.

### **Ethical CSR workforce practices in SMEs**

Businesses demonstrate ethical practices by treating their employees fairly (Lv, Wei & Lin 2019). Ethical practices are displayed by recognising the difference between right and wrong and consistently striving to set an example of good conduct amongst employees (Maduekwe & Kamala 2016). In a business setting, ethical behaviour means applying the principles of fairness and honesty to every employee. Employees are the most important asset of a business (Anwana 2018). Therefore, SMEs need to invest in their employees' happiness by both actions and behaviour. SMEs must intensify ethical practices that will enhance employee engagement. Hence, employee engagement is becoming an important indicator in measuring business performance (Boštjančič 2019). According to Lv et al. (2019), employees are looking for more than just a nine-to-five job, they want to feel valued, involved in the decision-making, with transparency and honesty as key ethical drivers throughout the business. According to Forbes (2020), SMEs with high levels of ethical workforce practices are reported to have achieved 22 per cent higher productivity. Thus, employers of SMEs that engage in CSR workforce practices tend to invest more in employee wellbeing. The Workplace Research Foundation found that employees who are working in an ethical workplace are 38 per cent more likely to have above-average productivity (Forbes 2020).

CSR workforce practices increase trust and develop relationships between employees and employers of SMEs (Cherian & Pech 2017). The employee's reactions to CSR workforce activities are important because innovative employees tend to associate with SMEs with current business trends such as CSR and they provide positive perceptions that improve other employees' commitment (Sabharwal & Berman 2020). The impact of CSR ethical workforce practices offers a social exchange between the SME business and its employees. Such practices influence positive attitudes and behaviours of employees. Investing in CSR ethical workforce practices encourage competent and innovative employees to stay with an SME business, enabling the retention of knowledge that is relevant to the business and reducing staff turnover costs (Cavazotte & Chang 2017). Hence, Yasir, Imran, Irshad, Mohamad & Kan (2017) claim that there is a positive relationship between CSR ethical workforce practice and employee commitment. When employees believe that their organisation is committed to them, it guarantees their rights as workers, protects their health and safety, and invests in their professional development, their emotional ties to the organisation are enhanced, thus consistently improving business performance.

### **Societal oriented SME practices on CSR**

The societal oriented practices of CSR enhance social harmony in a wider view of local society in which an SME operates (Turyakira 2018). Such practices entail a business incorporating the social and job markets at a community level. This includes charitable donations and providing infrastructure improvements to society (Xinwa 2018). Choongo (2017) acknowledges that the characteristic of society-oriented engagement address practices related to community support such as career and education guidance, fitness and health programmes, sports activities, helping financially disadvantaged families, and encourages the involvement of community in such practices. According to Xinwa (2018), the following CSR activities are important for SMEs, namely, financial donations, education of the public, volunteerism, support of various kinds for the local quality of life and collaboration with local schools, authorities, and various organisations. SMEs rely on the well-being and wealth of their local communities where they operate (Lv et al 2019). Being a good corporate citizen who is invested in the community and its people strengthens the relationships with stakeholders (Cherian & Pech 2017). It attracts new employees through community development. Consequently, investing in CSR in local society with programmes focused on local development and community enhancement, attracts new employees, thus helping build thriving communities. It also drives innovation, builds positive reputation, and fosters continued business growth and development. Studies show that skilful and talented individuals want to work for SMEs that are led with purpose, which drive positive social and environmental activities on both a local and global level (Battaglini 2019).

## **Research and Methodology**

This section discusses the research design, the target population, sampling, data collection and data analysis.

### **Research Design**

The study was quantitative in nature. Quantitative research is the phenomenon in which numerical data is collected and analysed (Regoniel 2015). For this study, the goal was to establish the extent of CSR practices employed by the automotive manufacturing SMEs operating in the eThekweni Metropolitan Area.

### **Target Population**

The study was conducted in the eThekweni Metropolitan Area in the province of KwaZulu-Natal, South Africa. The target population for the study was 120 SME owners in the automotive manufacturing sector operating in the eThekweni Metropolitan Area.

### Sampling

The sampling technique relates to the method by which participants were selected (Taherdoost 2016). The study employed a survey in which 102 SME owners of the automotive manufacturing sector participated. The cluster sampling technique was used. According to Smith (2019), cluster sampling is when researchers divide a population into smaller groups known as clusters. They then randomly select among these clusters to form a sample. For this method, each member of the sample size had a chance of being chosen for participation in the study (McCombes 2019). Consequently, the site under study was subdivided into geographical areas within the eThekweni Metropolitan Area. Data was thus gathered from the automotive manufacturing SME owners operating within the stated geographical metropolitan area. Hence, the participating SMEs were from the four sectional geographical areas, namely, the south, north, east, and west.

### Data Collection

Data collection is the act of acquiring and assessing information on variables of interest, in an established, systematic fashion that allows one to answer research questions and evaluate outcomes (Jovancic 2019). The closed-ended questionnaire, with a five-point Likert scale statements spanning from strongly disagree to strongly agree, was used. The questionnaire was aligned with study objectives. Jovancic (2019) concurs that data collection is successful when closed-ended questionnaire is designed in accordance with the study objectives.

### Data Analysis

The study employed a quantitative data analysis, which is anticipated to transform unprocessed data into a meaningful information that can be used to make informed decisions (Smith 2019). Quantitative data analysis completes the computation of frequency on variables and differences between variables (Jovancic: 2019). The Statistical Package for Social Sciences (SPSS) version 27 was used. Consequently, the descriptive and inferential statistics were employed for data analysis. Descriptive statistics were used to analyse the demographic data, hence percentages and mean values analysed participants’ responses. The inferential statistics were employed using Chi-square tests.

### Findings and Discussions

This section discusses the results of the study. This includes the discussion of descriptive and inferential analysis.

#### Descriptive analysis

The following Table 2 provides results for the descriptive analysis of CSR practices.

**Table 2:** CSR Practices

Construct	CSR Practices	Mean	Standard deviation	Disagree (%)	Agree (%)
<b>CSR PRACTICES</b>	The first customers to initiate support in the business are the community where the business operates	4.10	0.604	1.0	88.7
	Business that gives back to the community is likely to improve performance.	4.09	0.737	4.1	88.7
	The business that provides false information about its products is likely to gain more customers	2.39	1.246	65.9	28.8
	Government is the only institution that is responsible for dealing with environmental problems caused by businesses.	2.80	1.239	42.3	36.1
	Sponsoring a community is likely to reduce profit of the business	2.75	1.208	53.6	41.2
	Allowing employees to volunteer in community services enhances customer loyalty	4.07	0.665	2.0	88.6

**Source:** Calculated from Survey Results

*The first customers to initiate support in the SME business are the community where the business operates*

Table 2 indicates that the majority at 88.7 per cent of the participants agreed that the communities in which the SME business is located are the first customers to establish support for the business. Only one per cent disagree with the statement. The mean score of 4.10 indicates that most participants believed that an SME business operating in local communities serves as its first and most loyal customer base. The mean score of 4.10 is above the standard mean score of 3. Consequently, those that are close to the business are the first to endorse it, whether by word of mouth to friends and family or by posting on social media (Eger, Miller & Scarles 2019).

*SME businesses that give back to the community are likely to improve its performance*

Results in Table 2 show that 88.7 per cent of participants agreed with the assertion that SME business that give back to the community are likely to improve performance. However, 4.1 per cent of the participants disagreed with the statement. The mean score of 4.09 shows that participants affirm with the statement that SME businesses that give back to the community improve their performance. The mean score of 4.09 is above the standard score of 3. Giving back to the community by SME businesses is a sign of social responsibility. It maintains a good reputation, attracts investors, and draws in consumers (Newman, Rand, Tarp & Trifkovic 2019). Such practices are beneficial to the SME business performance and ability to generate sustainable profit (McLennan & Banks 2018).

*The business that provides false information about its products is likely to gain more customers*

Table 2 shows that the majority at 65.9 per cent of the participants disagree that businesses that give inaccurate information about its products are likely to gain more customers. However, 28.8 per cent of SME owners agree with the statement. The mean score of 2.39 is below the standard mean score of 3. This demonstrate that SME owners in the automotive manufacturing sector are conscious that the business must be honest about its brand and any related factors pertaining to it. Thus, transparency and honesty are crucial qualities for the business and stakeholders (McLennan & Banks 2018). Businesses that are open and truthful tend to attract more customers than those that portray incorrect information about their operations to increase their customer base (Zoysa, Takaoka & Zhang 2021). When business stakeholders and investors discover that the business provides false information or acts dishonestly, they may consider investing in rival businesses (DeFoe 2015).

*Government is the only institution responsible for dealing with environmental problems caused by businesse*

Results in Table 2 show that most of the participants at 42.3 per cent do not view government as the only entity that addresses environmental problems caused by enterprises. The results are supported by the mean score of 2.80, which is below the standard mean score of 3. SME owners recognise that a corporation must take accountability for reducing pollution through efficient waste management procedures, thus participating in programmes that seek to maintain a clean environment (Helfaya & Moussa 2017).

*Sponsoring a community is likely to reduce profit of the business*

Table 2 shows that 41.2 per cent of the participants agree with the practice that sponsoring a community is likely to reduce profit of the business. However, 53.6 per cent disagree. This is supported by the mean score of 2.75 which is below the standard mean score of 3. This shows that SME owners regard community sponsorship as a practice that is likely to reduce their business profit.

*Allowing employees to volunteer in community services enhances customer loyalty*

Results in Table 2 show that 88.6 per cent of participants agree that allowing employees to volunteer in community services improves consumer loyalty. The mean score of 4.07 supports the percentage agreement as it is above the standard mean score of 3. Most SME owners believe that permitting employees to volunteer in community service is a crucial component of giving back to the community. Community charitable practices are acts of public goods that enhance business reputation and attract consumers, investors, and the government (Berman, 2016). Stakeholders want to be associated with businesses that are accountable, responsible, and transparent in their actions (Chazireni 2017).

## **Inferential Analysis**

This section presents results of demographic variables and CSR practices.

**Table 3:** Demographic Variables and CSR Practices

Demographic variables of SME business owners	CSR practices					
	The first customers to initiate support in the business are the community where a business operates	SME businesses that give back to the community are likely to improve performance	The business that provides false information about its products is likely to gain more customers	Government is the only institution that is responsible for dealing with environmental challenges caused by businesses	Sponsoring a community is likely to reduce profit of the business	Allowing employees to volunteer in community services enhances customer loyalty
<b>Gender</b>	10.745 (0.013**)	6.822 (0.146)	4.838 (0.304)	6.445 (0.168)	13.061 (0.011**)	7.423 (0.115)
<b>Age</b>	9.770 (0.369)	9.310 (0.676)	22.986 (0.028**)	18.028 (0.115)	21.775 (0.040**)	32.910 (0.001**)
<b>Number of years in a business sector</b>	15.148 (0.087)	14.586 (0.265)	11.041 (0.525)	21.418 (0.045**)	18.496 (0.101)	18.733 (0.095)
<b>Qualification</b>	7.113 (0.625)	18.777 (0.094)	8.529 (0.743)	10.085 (0.608)	31.412 (0.002**)	17.975 (0.116)
<b>Location</b>	31.375 (0.002**)	47.494 (0.001**)	17.242 (0.370)	13.748 (0.617)	19.152 (0.261)	32.842 (0.008**)
<b>Number of employees</b>	3.462 (0.749)	2.217 (0.974)	8.951 (0.346)	9.343 (0.314)	13.532 (0.095)	10.077 (0.260)
<b>Business registration</b>	11.929 (0.217)	5.165 (0.952)	6.550 (0.886)	10.521 (0.570)	10.530 (0.570)	3.614 (0.989)

Source: Calculated from Survey Results

Note: \*\*indicates significance at five percent (0.05).

*The first customers to initiate support in the SME business are the community where it operates*

Results in Table 3 show that the practice in which the first customers to initiate support in the SME business are the community where it operates has a relationship with both the gender and the location (where the business operates) at p-value of 0.013 and 0.002 respectively. The p-values are below 0.05 level of significance. This demonstrates a connection between location and the initial patrons who support a business (Newman et al., 2019). Hence, the local community where the business operates are the first to start supporting it (Berman, 2016).

*The business that gives back to the community is likely to improve performance*

The practice in Table 3 in which SME businesses that give back to the community are likely to improve performance has a relationship with the location within which the business operates at the p-value of 0.001. The p-value is below 0.05 level of significance.

*The business that provides false information about its products is likely to gain more customers*

Results in Table 3 in which the business that provides false information about its products is likely to gain more customers has a relationship with age of SME business owners at p-value of 0.028. The p-value is below 0.05 level of significance. SME business owners recognise the value of honesty and transparency both internally and externally with their stakeholders (Keremidchiev 2019). When a business disseminates false or inaccurate information, this can have a negative impact and may result in bad publicity (Newman et al., 2019).

*Government is the only institution that is responsible for dealing with environmental challenges caused by businesses*

SME owners' perception in Table 3 that relates with the government as the only institution responsible for dealing with environmental challenges caused by business has a relationship with the SME owner's number of years in the business at p-value of 0.045. The p-value is below 0.05 level of significance. According to Battaglini (2019), inadequate financial backing from the government results in a negative attitude towards implementing CSR by SMEs.

*Sponsoring a community is likely to reduce profit of the business*

Table 3 shows that a practice of sponsoring a community, which is likely to reduce a profit of the business, has a relationship with gender, age as well as qualification at p-values of 0.011, 0.040 and 0.002, respectively. The p-values are below 0.05 level of significance.

*Allowing employees to volunteer in community services enhances customer loyalty*

The practice as indicated in Table 3 in which employees are allowed by business to volunteer in community services in order to enhance customer loyalty has a relationship with both the age and the location of the business at p-values of 0.001 and 0.008, respectively. The p-values are below the statistically significant value of 0.05. According to Boštjančič (2019), stakeholders want to see staff members of all ages participating in CSR voluntary-related activities. However, businesses must allow voluntary services in areas where they are most needed, like cleaning up the beach after floods (Keremidchiev 2019). Such voluntary service boosts business reputation and increases customer retention.

## **Discussion**

The study investigates the perceptions of SMEs in the automotive manufacturing sector on CSR practices in the eThekweni Metropolitan Area. It assesses CSR practices that are used by SMEs operating in the automotive manufacturing sector. It examines the significance of demographic variables on CSR practices as applied by the automotive manufacturing SME in the eThekweni Metropolitan Area. Participants agreed that improving the creative potential of SMEs will ultimately result in the South Africa's SMEs becoming viable. Business performance increases when they support the community. Strong CSR practices are correlated with sustainable business growth (Bhasin 2021).

Results showed that SMEs operating in the automotive manufacturing sector acknowledge the significance of public good behaviours such as sponsorship, volunteering and giving back to community for their business success. According to Xinwa (2018), public good practices mean that a business provides a social incorporation and job market at a community level, charitable donations, and infrastructure improvement to the community. The intention is to enhance social harmony for a wider local community in which the business operates (Turyakira 2018).

*Implications of results for policy and practice*

The South African SMEs sector should revise social development initiatives, policies and practices that help to achieve CSR practices (Maduekwe & Kamala 2016). This must be based on an understanding of the economic factors relating to CSR for public innovativeness (Agudelo 2021). Besides the achievement of study objectives, the following conclusions can be made:

- i. CSR has traditionally been associated with large corporations; however, the SME sector is considered a significant global contributor towards socio-economic activities (Radebe, 2017).
- ii. CSR awareness and training, as well as management support, must be encouraged for the South African SMEs' participation in such practices (Maduekwe & Kamala, 2016). This includes awareness of good environmental sustainability practices (Thanh, Huan & Hong 2021).
- iii. SMEs in South Africa may choose CSR projects that are within their means. This may include, amongst others, employees spending time in teaching charitable organisational members a unique skill or offering in-service training to tertiary students (Metzker & Streimikis, 2020).

## **Conclusion**

The study provided a framework of SMEs in South Africa. It highlighted an overview of CSR and the role played by the SMEs in the automotive manufacturing sector operating in the eThekweni Metropolitan Area. It outlined CSR practices and their significance on SMEs. The study highlighted issues encountered by SMEs in the automotive manufacturing sector when implementing CSR. It also observed the challenges SMEs encountered when implementing CSR activities and the barriers that discourage them from implementing them. Although the study has bridged a gap in terms of CSR and SMEs, there is still more to learn about the relationship between CSR practices, business success, and growth. Such research has significant and practical implications, given the importance of SMEs to the majority of economies.

Irrespective of noticeable contributions from this study, it had limitations that must be taken into consideration for future research. The data was collected from the automotive manufacturing SMEs located in the eThekweni Metropolitan Area of the KZN province of South Africa. Consequently, the results cannot be generalised to other economic sectors of South Africa. Future studies on CSR practices should expand to other sectors of the South African economy.



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