IMPACT OF CSR INITIATIVES BY SMALL ENTERPRISES ON NON-FINANCIAL PERFORMANCE IN LAGOS STATE, NIGERIA

Jane Ejeh[1]*, Sunday Ayaogu[2] & Itohan Iyobhebhe[3]

[1,2]Department of Business Administration, Faculty of Management Sciences, University of Lagos, Yaba, Nigeria

[3]Department of Business Administration, College of Humanities, Management and Social Sciences, Mountain Top University, Ogun State, Nigeria

*janeemeruem@gmail.com

ABSTRACT: This study investigates the impact of Corporate Social Responsibility (CSR) initiatives by small enterprises on non-financial performance indicators in Lagos State, Nigeria. Specifically, it examines how CSR influences customer loyalty, brand awareness, customer perception, and emotional connection. Employing a quantitative research design grounded in positivist philosophy, data were collected through structured questionnaires from purposively sampled small businesses actively engaged in CSR activities in Oworonshoki, Lagos. Each of the scales for all variables was self-developed. Using descriptive and inferential statistics, particularly regression analysis through SPSS, to determine the relationship between the independent and dependent variables. The study tests four hypotheses relating CSR initiatives to the targeted non-financial performance metrics. The findings reveal that CSR initiatives have a significant positive impact on all examined aspects of non-financial performance. CSR explains 25.4% of the variance in customer loyalty, 41.0% in brand awareness, 16.3% in customer perception, and 35.5% in emotional connection. The results reject the null hypotheses and establish CSR as a key driver for enhancing customer-related outcomes beyond financial measures. The study underscores the strategic importance of CSR for small enterprises in building stronger customer relationships and improving brand engagement within Lagos State. The study recommends that small enterprises prioritise CSR initiatives as a core business strategy to foster customer loyalty and brand reputation. Additionally, policymakers should support CSR engagement among small businesses through incentives and awareness programs.

Keywords: Corporate Social Responsibility (CSR), Non-Financial Performance, Customer Loyalty, Brand Awareness, Customer Perception, and Emotional Connection.

INTRODUCTION

In recent decades, there has been a growing recognition of the need for businesses to consider their impact on the environment, society, and their stakeholders. While many organizations have traditionally focused on maximizing profitability, increasing pressures from global markets, customers, governments, and regulatory institutions have led to the rise of Corporate Social Responsibility (CSR) as a strategic imperative (Sheehy & Farneti, 2021; Torres, 2024; Weber-

Lewerenz & Traverso, 2025). CSR has since evolved from a philanthropic concept into a core element of sustainable business practices, prompting firms to integrate ethical, social, and environmental concerns into their decision-making processes.

CSR refers to the obligation of companies to pursue goals that go beyond financial returns to include positive contributions to society and the environment (Carroll, 2015). Modern organisations are expected to meet the expectations of various stakeholders, such as customers, employees, regulators, and community members (Barauskaite & Streimikiene, 2021). Firms that effectively implement CSR can strengthen stakeholder relationships, enhance their reputation, and gain a competitive advantage (Torres, 2024). This has driven an increase in academic and industry interest in how CSR influences both financial and non-financial outcomes across different business sectors.

In developed countries, CSR implementation is well-structured and often guided by legal and institutional frameworks, enabling businesses to align their profitability with sustainable development objectives (Bhatia & Makkar, 2020). However, in many developing countries, CSR is still an emerging concept. Its adoption is often reactive and driven more by necessity than by voluntary ethical commitment. Despite this, CSR continues to gain ground in developing economies as firms begin to recognize its strategic benefits. Small and Medium Enterprises (SMEs), which account for over 90 percent of global businesses and more than 50 percent of employment, play a significant role in this evolution (Berisha & Pula, 2015).

In the Nigerian context, CSR became a topic of national interest in the 1990s, largely due to socio-political and environmental issues in the oil and gas sector (Maury, 2022). More recently, challenges such as social inequality, infrastructure deficits, and unemployment have reinforced the importance of CSR in supporting community development and improving social outcomes (Maury, 2022). While some Nigerian firms have embraced CSR in customer-focused areas, many still fall short in addressing long-term responsibilities related to community welfare, employee well-being, and sustainability disclosures (Mensah et al., 2017; Aggarwal & Jha, 2019).

The theoretical foundation of CSR is rooted in ethical responsibility, emphasising the importance of doing the right thing for society and the environment (Singh & Misra, 2021; Lee & Fu, 2024). CSR also plays an essential role in enhancing non-financial aspects of business performance, such as brand image, customer perception, emotional connection, and loyalty. However, in many Nigerian organisations, especially smaller firms, there is a noticeable gap in CSR reporting and implementation. This gap may be due to unclear CSR frameworks, resource limitations, or inconsistent understanding of how CSR initiatives influence stakeholder engagement and business outcomes.

Small enterprises, despite being vital contributors to the Nigerian economy, often operate with limited financial resources and capacity for long-term planning (Mberewere, Kudzanai & Tinashe, 2024). As such, their CSR activities tend to be informal, irregular, and underreported. Nevertheless, even small-scale CSR efforts, such as community support, environmental clean-ups, and employee welfare initiatives, can positively influence how the public and their customers perceive these businesses. The strategic potential of CSR to shape customer loyalty, brand awareness, and community goodwill underscores the need for empirical research into its actual impact on non-financial performance in this segment.

This study, therefore, seeks to examine the impact of CSR initiatives by small enterprises on non-financial performance in Lagos State, Nigeria. Given the economic importance of SMEs and the increasing relevance of CSR in the Nigerian business landscape, this research aims to provide evidence-based insights into how CSR activities influence outcomes such as customer retention, brand recognition, public perception, and emotional engagement. The findings are expected to guide small business owners and policymakers in designing CSR strategies that are both impactful and sustainable, thereby enhancing the overall performance and competitiveness of small enterprises within Lagos State.

This study explores how CSR initiatives by small enterprises in Lagos State influence non-financial performance metrics such as customer loyalty, brand awareness, customer perception, and emotional connection. This led to the following specific objectives:

i. To determine the impact of CSR initiatives by small enterprises on customer loyalty in Lagos state.
ii. To assess the impact of CSR initiatives by small enterprises on brand awareness in Lagos state.
iii. To analyze the impact of CSR initiatives by small enterprises on customer perception in Lagos State.
iv. To examine the impact of CSR initiatives by small enterprises and emotional connection in Lagos state

Following the study's objectives, the following hypotheses are formulated:

i. H_{01}: CSR initiatives by small enterprises have no significant impact on customer loyalty in Lagos state.
ii. H_{02}: CSR initiatives by small enterprises have no significant impact on brand awareness in Lagos state.
iii. H_{03}: CSR initiatives by small enterprises have no significant impact on customer perception in Lagos state.
iv. H_{04}: CSR initiatives by small enterprises have no significant impact on emotional connection in Lagos state.

LITERATURE REVIEW

Theoretical Framework

The study is underpinned by legitimacy theory, which, according to Gulluscio (2023), relies upon the notion that there is a social contract between an organization and the society in which it operates. Corporations try to legitimize their corporate actions by engaging in CSR reporting to get approval from society (societal approach), thus ensuring their continuing existence and ultimately promoting employee productivity. The social contract, as explained by Gulluscio

(2023), represents a myriad of expectations that society has about how an organization should conduct its operations. Steverson, Rutherford, and Buller (2013) argue that the legitimacy theory stems from the idea that for corporations to continue operating successfully, they must act within the bounds and norms of what society identifies as socially responsible behaviour. Rutherford and Buller (2013) also provided that the legitimacy of a firm is dependent on the maintenance of a reciprocal relationship with its stakeholders, given that the firm has obligations, including moral obligations, to a broad range of stakeholders, including its shareholders. According to Bhatia and Makkar (2020), CSR reporting practices have become a key management tool to the growing complexity of multinational business management. Waddock, Bodwell, and Graves (2002) argued that employees' perceptions about how a corporation accepts and manages its responsibilities are often part of the employees' decision about where to work. Pham and Tran (2020) argue that CSR disclosures play an important role in enhancing the effect of CSR on corporate reputation as well as representing a signal of improved social and environmental conduct and brand performance. Ortiz-Martínez et al (2023) confirm that a high level of CSR disclosures is strongly associated with corporate reputation for stakeholder groups (stakeholder approach).

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) refers to the voluntary integration of social and environmental concerns into business operations and stakeholder interactions (Carroll, 2015). It signifies the evolving role of businesses beyond profit-making to include ethical responsibilities to society (Barauskaite & Streimikiene, 2021). Initially, CSR was regarded as a secondary function, with companies prioritizing shareholder interests above societal well-being (Lee, 2008). Over time, the concept has matured due to increased stakeholder awareness and demand for ethical business practices (Lee & Fu, 2024). CSR is now widely seen as a corporate commitment to sustainable development (Sheehy & Farneti, 2021). It aligns business success with social progress, striking a balance between economic goals and environmental and social concerns (Singh & Misra, 2021).

In Nigeria, companies have increasingly adopted CSR as part of their business strategies to meet social, environmental, and economic expectations (Wu & Shen, 2013). For example, First City Monument Bank (FCMB) engages in CSR activities that include economic empowerment, poverty alleviation, and environmental sustainability (Wu & Shen, 2013). Fidelity Bank also demonstrates its CSR commitment through key pillars such as education, health and social welfare, and environmental initiatives (Wu & Shen, 2013). Nigerian banks have institutionalized CSR as a mechanism for addressing stakeholder concerns and enhancing corporate image (Sheehy & Farneti, 2021). These CSR activities are often aligned with national development goals and help bridge social service gaps (Ali et al., 2010). As such, CSR in Nigeria is both a strategic tool and a moral obligation for many businesses (Carroll, 2015).

CSR plays a significant role in shaping consumer preferences and loyalty (Ali et al., 2010). Consumers are more inclined to support companies that demonstrate genuine concern for societal and environmental issues (Sheehy & Farneti, 2021). Ethical CSR practices have been linked to improved brand perception and customer trust (Bhatia & Makkar, 2020). Research shows that CSR influences customer behaviour, particularly when it aligns with their values (Keller & Aaker, 1992). Companies that promote ethical practices and social responsibility often see enhanced customer satisfaction and emotional connection to their brands (Ali et al., 2010). Consequently, CSR has become a competitive advantage for firms in gaining and retaining customers (Sheehy & Farneti, 2021).

Carroll's CSR pyramid is a foundational framework that outlines four levels of corporate responsibility: economic, legal, ethical, and philanthropic (Carroll, 2015). The base of the pyramid is economic responsibility, which stresses the importance of profitability for business sustainability (Carroll, 2015). Legal responsibility ensures that businesses operate within the framework of laws and regulations (Aggarwal & Jha, 2019). Ethical responsibility entails acting in a manner that is right, fair, and just, even when not legally required (Mberewere, Kudzanai, & Tinashe, 2024). The top of the pyramid is philanthropic responsibility, which refers to voluntary contributions to community well-being (Carroll, 2015). This model provides a comprehensive guide for businesses to structure their CSR initiatives across multiple dimensions (Berisha & Pula, 2015).

CSR has been empirically linked to improved organizational performance, both financially and in terms of stakeholder relations (Sindhu et al., 2024). In Pakistan, CSR was found to foster innovation and enhance brand reputation among banks (Sindhu et al., 2024). Spanish SMEs that embraced CSR reported higher non-financial performance through sustainability reporting (Ortiz-Martínez et al., 2023). In Morocco, CSR activities combined with ethical leadership resulted in stronger customer satisfaction and loyalty (Bouichou et al., 2022). Ecuadorian banks also recorded positive relationships between CSR and customer trust, loyalty, and retention (Tulcanaza-Prieto et al., 2020). Similarly, Nigerian firms engaging in CSR have experienced notable improvements in profitability and brand equity (Mensah et al., 2017). These examples demonstrate CSR's tangible benefits across different regions and sectors (Folajin et al., 2014).

CSR has become a central component of strategic management in modern businesses (Sheehy & Farneti, 2021). It helps companies build stronger relationships with stakeholders and communities (Carroll, 2015). Strategic CSR enables firms to differentiate themselves in competitive markets by showcasing ethical values and social commitments (Ali et al., 2010). Organizations that integrate CSR into their core strategies tend to enjoy better reputation, employee morale, and customer loyalty (Mberewere, Kudzanai & Tinashe, 2024). CSR also reduces business risks by promoting transparency and compliance with societal expectations (Aggarwal & Jha, 2019). Thus, CSR is no longer optional but an essential aspect of long-term corporate success and sustainability (Barauskaite & Streimikiene, 2021).

Sindhu et al. (2024) and Tulcanaza-Prieto et al. (2020) investigate the banking sector particularly in Pakistan and Ecuador employing both efficiency and satisfaction measures but failing to incorporate small businesses. While Ortiz-Martínez et al. (2023) did consider SMEs, their research sample was focused solely on Spanish firms, thus a geographical and contextual void in small business Nigeria was unveiled. In addition, other papers like Bouichou et al. (2022) and Ibrahim (2020) discussed the relationship between CSR and performance and other non-performance factors like customer satisfaction and corporate image, with the moderating variable of ethical leadership or corporate governance in large firms as their focal point. This also explains why there is no focus on micro or macro non-financial performance issues such as customer loyalty, brand recognition, and engagement, which may be even more relevant in small businesses than in other organisations. Similarly, though Okwemba et al. (2014) and Folajin et al. (2014) observe that CSR affects the performance of African banks, there is a lack of sufficient evidence on how CSR influences performance that relates to the customer's sentiment and perceptions, particularly on the small enterprises in Nigeria. This study fills this gap by focusing on Lagos State, evaluating how CSR activities of small enterprises affect customer loyalty, brand awareness, customer perception, and emotional connection, which define non-financial performance.

Non-Financial Performance

Non-financial performance can be defined as the capacity of the organisation to perform well in factors that do not necessarily produce a financial impact but are very significant in the future performance evaluation of an organisation (Ittner & Larcker, 2003). This is because non-financial performance measures seek to capture non-operational assets that may give the company a competitive edge (Abdel-Maksoud, Dugdale & Luther, 2005). They are non-financial measures that still have a greater effect on the organisation, which is adjusting to change and attaining strategic objectives (Ittner & Larcker, 2003). Non-financial performance is also associated with an organisation's capacity for creating innovation and customer trust (Kaplan & Norton, 1996). Even in highly competitive environments, organisations that concentrate on performance may not notice significant changes or trends in customer needs, attitudes, or organisational vulnerabilities (Alatawi et al., 2023). Thus, non-financial performance is a critical factor in creating a sustainable foundation to strengthen organisational performance, address the needs of a wider range of stakeholders, and align the organisation's activities with strategic goals (Porter & Kramer, 2006). This study focuses on four (4) metrics of non-financial performance:

- **Customer Loyalty**

Customer loyalty can also be regarded as a valuable intangible asset for many organisations (Rai & Srivastava, 2012). Casidy and Wymer (2016) defined customer loyalty as one's feelings of devoted attachment to the loyalty object, rather than repeated commercial exchanges. Customer loyalty is also defined as a long-term emotional attitude that drives a customer to repurchase the same brand or set of brands continuously in the future (Oliver, 1999). According to Rai and Srivastava (2012), customer loyalty is considered by different companies as one of the major sources of competitive edge. However, customer loyalty is considered a difficult task in existing corporations, particularly in the competitive industry (Närvänen, Kuusela, Paavola & Sirola, 2020). Customer loyalty has been described as one of the significant benchmarks for measuring the organisational performance of various enterprises in the marketplace (Närvänen et al., 2020). Customer loyalty not only contributes to sustained revenue but also reduces the cost of acquiring new customers, thereby enhancing overall profitability (Reichheld & Sasser, 1990). Loyal customers are more likely to engage in positive word-of-mouth, which can influence potential buyers and strengthen brand reputation (Dick & Basu, 1994). Also, building and maintaining customer loyalty requires consistent value delivery, personalised experiences, and strong customer relationship management strategies (Kumar & Reinartz, 2016).

- **Brand Awareness**

Brand awareness is the knowledge of consumers who can identify a brand with a product under different circumstances, making it the foundation of brand equity (Aaker, 1991). It helps to create awareness about the brand among consumers and occupies a very important position in the buying decision process of the consumer, especially in the initial stages of the buying decision process (Keller, 2003). High brand awareness makes sure that during the purchasing decision, a brand is preferred over other since consumers trust well-known brands as compared to non-existent brands (Huang & Sarigöllü, 2012). According to Khurram, Qadeer and Sheeraz (2018), brand awareness consists of two key components: Brand recall and brand recognition remain one of the most effective methods of establishing brand identity (Bergkvist & Taylor, 2022). Brand recall is where consumers can come up with a brand name given a product category, while brand recognition is where consumers can attest to having seen the brand before (Subhani et al., 2020). Also, building brand awareness increases the probability of creating positive thoughts and affection towards the brand, which influences purchase intentions and brand loyalty (Macdonald & Sharp, 2000). However, brands with high awareness are also associated with positive word-of-mouth since consumers are likely to engage in communications regarding brands they are familiar with (Rai & Srivastava, 2012).

- **Customer Perception**

Customer perception can be defined as how customers have an impression of the brand and its products and or services (Zeithaml, 1988). This is a perceptual measure that is often elicited by marketing communications, word-of-mouth communications, personal experiences, societal or cultural factors, and others (Zeithaml, 1988). Customer perception is very important for every organisation since it is a determinant of the course of action that customers are going to take when approaching a certain brand or making their decision on which organisation's brand to use. According to Khan (2013), when customers perceive a firm's product as providing more value than that of its rivals, the customer remains loyal and continues to purchase the product. Torres and Tribó (2011) asserted that possession of favourable customer perception enhances brand equity, customer satisfaction, and advocacy, and negative perception, on the other hand, drives customer dissatisfaction and market share dilution. In addition, there is a need to have a match between the image communicated by a brand and its reality, which is important in ensuring that customers' perception is positive (Khan, 2013). In a study by Chevalier and Mayzlin (2006), they noted that online reviews play a significant role in shaping a brand's image, where positive reviews boost the image, while negative reviews can also drag it down.

- **Emotional Connection**

An emotional connection fosters a bond between the customer and the branded product, leading to a sense of commitment (Loureiro, Ruediger, & Demetris, 2012). Hur, Moon and Kim (2020) found that emotional connection increases brand loyalty by building customer trust, improving the level of customer satisfaction, and encouraging repeated purchases. Loyal customers have an affinity towards the brand, defend it, and are least likely to switch to another product (Vredeveld, 2018). When customers are emotionally involved, they are assured that the claims and actions of the brand are genuine, authentic, and reliable. Such trust makes them committed as they expect the brand to meet their expectation in the future based on the Value Proposition (Hur, Moon & Kim, 2020). In other words, an emotional connection has to do with the positive emotions and enjoyment that customers derive from the brand (Morrison & Crane, 2007). Loyal consumers who have developed an emotional attachment to a given brand are likely to rationalise price hikes, hence maintaining their brand loyalty (Närvänen et al., 2020).

METHODOLOGY

This study adopted a quantitative research methodology guided by the positivist research philosophy. Positivism was chosen because it supports the use of objective data, statistical analysis, and hypothesis testing (Taherdoost, 2021). This aligns with the study's aim to measure the relationship between Corporate Social Responsibility (CSR) and non-financial performance indicators of small enterprises in Oworonshoki, Lagos State. A deductive approach was employed, enabling the researcher to develop hypotheses based on existing theories and test them using empirical data (Taherdoost, 2021). The research design was descriptive, which helped in presenting an accurate profile of CSR initiatives and their effects on customer loyalty, brand awareness, emotional connection, and customer perception. This structured design allowed for the efficient collection of quantifiable data that reflects the current state of CSR practices among small businesses.

The study utilised a cross-sectional time horizon, which involved collecting data at a single point in time (Cohen, Manion & Morrison, 2017). This was appropriate due to time and resource constraints and the need to understand current CSR trends and perceptions. A survey strategy was adopted, using structured questionnaires to collect data from respondents. The mono-method quantitative choice ensured consistency and simplicity in data collection and analysis. The sampling technique adopted was purposive sampling. This technique was chosen to target small enterprises in Oworonshoki that are actively engaged in CSR activities or have a visible presence in the community. This ensured that the responses were relevant and informative to the research objectives.

Data collection involved administering structured questionnaires divided into two sections. Section A captured the demographic profiles of respondents, while Section B focused on assessing perceptions of specific CSR initiatives and their impact on non-financial performance. The CSR initiatives measured included community engagement, promotion of diversity and inclusivity, and ethical business practices that build customer trust and influence patronage. Customer loyalty was measured by statements relating to repeat patronage, recommendations, and perceived value from loyalty programs. Brand awareness included familiarity with products/services, social media engagement, and perceived brand influence in the local economy. Customer perception covered service quality, responsiveness to feedback, and views on social responsibility. Emotional connection assessed the sense of belonging, emotional satisfaction, and pride in associating with socially responsible small enterprises. Each variable is rated on a five-point Likert scale (strongly agree to strongly disagree). Descriptive statistics summarized respondent characteristics, while inferential statistics, particularly regression analysis using SPSS, tested the relationships between CSR initiatives and these customer-focused performance indicators. Ethical considerations, including informed consent, confidentiality, and voluntary participation, were strictly upheld throughout the research.

RESULTS/FINDINGS

Hypothesis I:

H_0: CSR initiatives by small enterprises have no significant impact on customer loyalty in Lagos state.

Table 1: Regression Analysis between CSR Initiatives and Customer Loyalty

R = .504[a]				Adjusted R Square = .246		
R Square = .254				Std. Error of the Estimate = .46847		
ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.678	1	7.678	34.985	.000[b]
	Residual	22.604	103	.219		
	Total	30.282	104			
a. Dependent Variable: Customer loyalty						
b. Predictors: (Constant), CSR initiatives						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.501	.477		3.149	.002
	Customer loyalty	.625	.106	.504	5.915	.000
a. Dependent Variable: Customer loyalty						

From Table 1, R-value = .504, $R^2 = 0.254$; When taken as a whole, CSR initiatives by small enterprises account for 25.4% of customer loyalty. The regression table indicates that the F-value is 34.985 at a 0.000 significant level ($p < 0.05$), indicating that the null hypothesis is rejected and the alternative hypothesis is accepted as indicated above. As a result, it is predicted that CSR initiatives by small enterprises and customer loyalty in Lagos state have a significant relationship. The constant value of 1.501 in the coefficient table above represents the part of customer loyalty in Lagos state that is independent of the CSR initiatives by small enterprises. According to the findings, CSR initiatives by small enterprises have a positive and significant causal influence on customer loyalty in Lagos state. The model predicts that a 1% increase in CSR initiatives by small enterprises will result in a 0.625 increase in customer loyalty in Lagos state.

Hypothesis II:

H_0: CSR initiatives by small enterprises have no significant impact on brand awareness in Lagos state.

Table 2: Regression Analysis between CSR Initiatives and Brand Awareness

R = .640[a]				Adjusted R Square = .404		
R Square = .410				Std. Error of the Estimate = .41657		
ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.408	1	12.408	71.505	.000[b]
	Residual	17.874	103	.174		
	Total	30.282	104			
a. Dependent Variable: Brand awareness						
b. Predictors: (Constant), CSR initiatives						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.892	.288		6.559	.000
	Customer loyalty	.571	.067	.640	8.456	.000
a. Dependent Variable: Brand awareness						

From the model summary, R-value = .640, $R^2 = 0.410$; When taken as a whole, CSR initiatives by small enterprises account for 41.0% of brand awareness. The regression table indicates that the F-value is 71.505 at a 0.000 significant level ($p < 0.05$), indicating that the null hypothesis is rejected and the alternative hypothesis is accepted as indicated above. As a result, it is predicted that CSR initiatives by small enterprises and brand awareness in Lagos state have a significant relationship. The constant value of 1.892 in the coefficient table above represents the portion of brand awareness in Lagos state that is independent of the CSR initiatives undertaken by small enterprises. According to the findings, CSR initiatives by small enterprises have a positive and significant causal influence on brand awareness in Lagos state. The model predicts that a 1% increase in CSR initiatives by small enterprises will result in a 0.571 increase in brand awareness in Lagos state.

Hypothesis III:

H_0: CSR initiatives by small enterprises have no significant impact on customer perception in Lagos state.

Table 3: Regression Analysis Between CSR Initiatives and Customer Perception

R = .403[a]				Adjusted R Square = .155		
R Square = .163				Std. Error of the Estimate = .49615		
ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.927	1	4.927	20.017	.000[b]
	Residual	25.355	103	.246		
	Total	30.282	104			
a. Dependent Variable: Customer perception						
b. Predictors: (Constant), CSR initiatives						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.889	.543		3.483	.001
	Customer loyalty	.558	.125	.403	4.474	.000
a. Dependent Variable: Customer perception						

From the model summary, R-value = .403, $R^2 = 0.163$; When taken as a whole, CSR initiatives by small enterprises account for 16.3% of customer perception. The regression table indicates that the F-value is 20.017 at a p-value of 0.000 ($p < 0.05$), indicating that the null hypothesis is rejected and the alternative hypothesis is accepted, as indicated above. As a result, it is predicted that CSR initiatives by small enterprises and customer perception in Lagos state have a significant relationship. The constant value of 1.889 in the coefficient table above represents the part of the customer perception in Lagos state that is independent of the CSR initiatives by small enterprises. According to the findings, CSR initiatives by small enterprises have a positive and significant causal influence on customer perception in Lagos state. The model predicts that a 1% increase in CSR initiatives by small enterprises will result in a 0.558 increase in customer perception in Lagos state.

Hypothesis IV:

H_0: CSR initiatives by small enterprises have no significant impact on emotional connection in Lagos state.

Table 3: Regression Analysis Between CSR Initiatives and Customer Perception

<table>
<tr><td colspan="4">R = .596[a]</td><td colspan="4">Adjusted R Square = .349</td></tr>
<tr><td colspan="4">R Square = .355</td><td colspan="4">Std. Error of the Estimate = .43540</td></tr>
<tr><td colspan="8">ANOVA[a]</td></tr>
<tr><td colspan="2">Model</td><td>Sum of Squares</td><td>df</td><td>Mean Square</td><td colspan="2">F</td><td>Sig.</td></tr>
<tr><td rowspan="3">1</td><td>Regression</td><td>10.756</td><td>1</td><td>10.756</td><td colspan="2">56.736</td><td>.000[b]</td></tr>
<tr><td>Residual</td><td>19.526</td><td>103</td><td>.190</td><td colspan="2"></td><td></td></tr>
<tr><td>Total</td><td>30.282</td><td>104</td><td></td><td colspan="2"></td><td></td></tr>
<tr><td colspan="8">a. Dependent Variable: Customer perception</td></tr>
<tr><td colspan="8">b. Predictors: (Constant), CSR initiatives</td></tr>
<tr><td colspan="8">Coefficients[a]</td></tr>
<tr><td colspan="2" rowspan="2">Model</td><td colspan="2">Unstandardized Coefficients</td><td>Standardized Coefficients</td><td rowspan="2">t</td><td colspan="2" rowspan="2">Sig.</td></tr>
<tr><td>B</td><td>Std. Error</td><td>Beta</td></tr>
<tr><td rowspan="2">1</td><td>(Constant)</td><td>1.509</td><td>.374</td><td></td><td>4.035</td><td colspan="2">.000</td></tr>
<tr><td>Customer loyalty</td><td>.644</td><td>.086</td><td>.596</td><td>7.532</td><td colspan="2">.000</td></tr>
<tr><td colspan="8">a. Dependent Variable: Customer perception</td></tr>
</table>

From the model summary, R-value = 0.596, $R^2 = 0.355$; When taken as a whole, CSR initiatives by small enterprises account for 35.5% of emotional connection. The regression table indicates that the F-value is 56.736 at a 0.000 significant level ($p < 0.05$), which rejects the null hypothesis and accepts the alternative hypothesis, as indicated above. As a result, it is predicted that CSR initiatives by small enterprises and emotional connections in Lagos state have a significant relationship. The constant value of 1.509 in the coefficient table above represents the part of the emotional connection in Lagos state that is independent of the CSR initiatives by small enterprises. According to the findings, CSR initiatives by small enterprises have a positive and significant causal influence on emotional connection in Lagos state. The model predicts that a 1% increase in CSR initiatives by small enterprises will result in a 0.644 increase in emotional connection in Lagos state.

DISCUSSION OF FINDINGS

The findings revealed that CSR programs undertaken by small businesses influenced customer loyalty in Lagos State positively and significantly. This shows that when small enterprises engage in CSR activities, they contribute not only to community welfare but also to stronger, trust-based relationships with customers. These results align with existing studies showing that CSR builds trust and strengthens brand image, which in turn drives repeat patronage and positive word-of-mouth (Iglesias et al., 2020; Glaveli, 2021; Islam et al., 2021). For example, Islam et al. (2021) found that CSR initiatives enhance loyalty through greater customer satisfaction and trust, while Iglesias et al. (2020) noted that consumers prefer to stay loyal to brands they consider socially responsible because they reflect shared values. Glaveli (2021) also emphasised that CSR nurtures emotional bonds and shared beliefs, both of which are vital for customer retention. Small enterprises in Lagos can use these insights to adopt CSR as a strategic tool for standing out in a crowded market while building customer trust and loyalty.

This study further established that CSR activities of small businesses play an effective and significant role in boosting brand awareness in Lagos State. Well-designed and well-communicated CSR programs not only address social issues but also help businesses gain public recognition. This observation supports previous research which found that CSR draws positive consumer attention and enhances brand recall (Peloza et al., 2015; Tingchi Liu et al., 2014; Muniz et al., 2019). Peloza et al. (2015) argued that CSR links a brand with positive social attributes, while Tingchi Liu et al. (2014) and Muniz et al. (2019) demonstrated that CSR strengthens trust and loyalty, resulting in stronger brand recognition. For small enterprises with limited marketing budgets, community-focused CSR efforts, local sponsorships, and clear communication about social initiatives offer a cost-effective way to increase brand visibility and attract socially conscious consumers.

The study also found that CSR programs carried out by small businesses significantly shape customers' perceptions in Lagos State. Active involvement in relevant and consistent CSR initiatives allows small businesses to influence how customers view their ethical standards and commitment to community development. Previous studies highlight that CSR enhances the perceived responsibility of businesses regarding social and environmental concerns (Chaudary et al., 2016; Hillestad et al., 2010; Martínez and Del Bosque, 2013). Chaudary et al. (2016) pointed out that CSR builds credibility by showing alignment between a business's values and customer expectations. Hillestad et al. (2010) argued that CSR helps brands stand out competitively, while Martínez and Del Bosque (2013) noted that customers hold favourable opinions of companies involved in CSR, which helps strengthen relationships. Even simple initiatives such as local donations, environmental practices, or partnerships with community organisations can influence brand perception and make small businesses more trusted within their communities.

The findings showed that CSR activities by small enterprises positively influence the emotional connection that customers develop with brands in Lagos State. Meaningful and genuine CSR efforts strengthen emotional ties, which boosts loyalty and encourages customers to act as brand advocates. Previous studies have shown that CSR appeals to customers' values and ethical expectations (Xie et al., 2019; Hur et al., 2020; Sheikh and Beise-Zee, 2011). Xie et al. (2019) found that customers feel proud and loyal when they see a company's CSR values align with their own beliefs, while Hur et al. (2020) highlighted how CSR builds trust and emotional relevance. Castro-González et al. (2019) concluded that stronger emotional connections are formed when customers believe companies care about social and environmental issues. Despite these benefits, many Nigerian SMEs struggle with limited resources and weak policy support, which can hinder the sustainability of CSR programs. More awareness, practical training, and supportive frameworks can make CSR more achievable for small businesses, helping them strengthen customer relationships and build a positive reputation as responsible community partners.

Conclusion

This study confirms that Corporate Social Responsibility (CSR) initiatives by small enterprises significantly enhance non-financial performance in Lagos State. Key findings highlight that CSR strengthens customer loyalty, boosts brand awareness, and improves customer perception. These outcomes demonstrate that socially responsible actions build lasting customer relationships. Small businesses engaging in CSR can differentiate themselves and maintain a competitive edge. CSR proves vital in shaping positive customer interactions and business reputation.

The study further shows that CSR's influence extends beyond loyalty, touching multiple aspects of the customer experience. Brand awareness grows as socially responsible practices capture customer attention in crowded markets. Demonstrated care for social and environmental issues enhances trust and favourable brand attitudes. Genuine CSR activities nurture stronger emotional bonds with customers, driving deeper engagement. These insights illustrate the strategic advantage of consistent CSR commitments for small enterprises.

Given the growing customer expectations, CSR remains central to small businesses' sustainable success in Lagos State. Firms should integrate CSR into their core strategies to build trust and emotional alignment with customers. Future research could examine the long-term effects of sustained CSR on small business growth and customer loyalty. Comparative studies across different sectors in Nigeria would also provide valuable insights. Exploring these areas can deepen understanding of CSR's broader impact and guide small enterprises in maximizing its benefits.

Recommendations

Based on the study's findings, the following are recommended:

i. Small enterprises should actively communicate their CSR efforts through multiple platforms such as social media, local events, and direct customer engagement. Clear and consistent communication helps build stronger loyalty by making customers aware of the business's commitment to social responsibility.
ii. Small businesses should make Corporate Social Responsibility (CSR) a central part of their brand identity and marketing efforts. This approach can help distinguish their brand in a crowded marketplace and increase recognition among target customers.
iii. Small enterprises should develop CSR programs that genuinely address the needs of their local communities and reflect sincere concern. Authenticity in these initiatives fosters positive perceptions and builds trust with customers.
iv. Small businesses should create CSR initiatives that resonate emotionally with their audience by supporting meaningful causes. This emotional engagement helps deepen relationships and fosters long-term customer support.
v. Small enterprises should implement systems to measure the effects of their CSR initiatives on customer loyalty, brand awareness, perception, and emotional connection. Regular

evaluation allows for continuous improvement and ensures that CSR efforts deliver the greatest benefit.

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