

ETHICAL BEHAVIOUR AND PERFORMANCE OF SELECTED SMALL AND MEDIUM SCALE ENTERPRISES IN CALABAR MUNICIPALITY

Sunday Isaac Eneh, Ph.D

(Corresponding Author)

*Department of Business Management
Faculty of Management Sciences
University of Calabar, Calabar.
sunnyisaaceneh@gmail.com*

Grace Jamie Pepple, M.Sc

*Department of Business Management
Faculty of Management Sciences
University of Calabar, Calabar.
gracepepple123@gmail.com*

&

Udu Ama Aka, Ph. D

*Business Management Department
Ebonyi State University, Abakaliki.
uduama@yahoo.com*

Abstract

The inability for sustainable ethical culture affects business behaviour, reputation and its priority for ethical practice as measure for performance goals of SMEs in Calabar Municipality. The study examined Corporate Social Responsibility (CSR) and Corporate Governance Principles (CGP) as elements of ethical behaviour of SMEs required for improved performance. The study was guided by Deontology Theory and the population of the study consisted of 807 staff with a sample size of 267 staff determined with the use of Taro Yamane sampling formula. Stratified sampling method and Bowley's proportional allocation formula were adopted in the study. Factor analysis was used to ascertain the validity of the constructs while Pearson-Product-Moment Correlation was used to test the hypotheses with the use of SPSS

version 23. Findings revealed that Firms' reputation is achieved through the help of CSR and CGP to minimize business risk and also influence positively the economic, environmental and social impact with increase resource productivity of the enterprise. The implication of the findings was the rejection of the null hypotheses. The study concluded that ethics as tool for firm reputation has attracted investors and stakeholders for sustainable performance of SMEs and this prevent economic and financial crisis in the business. The study recommended that ethical culture should be a choice of SMEs to enhance the reputation of the enterprises with high sales revenue for long term sustainability.

Keywords: Corporate Social responsibility, reputation, corporate governance principles.

Introduction

Ethics as a concept implies set of moral standards which are relied upon by individuals or organization to reach conclusions and make decisions (Wright, 2011). Ethics entails a set of moral principles to do what is right at the right time (Turyakira, 2018). This indicates that ethics is a key factor for every decision making. The need to maintain high ethical standpoint is vital in business operations, and it provides benefit for internal and external stakeholders of an organization. Therefore, business ethics relates to application of ethical ideas to business behaviour which aid to improve profitability and promotes good practices to the society; employee productivity; and fosters good business relationship in organization (Ogundele, Hassan, Idris & Aliu, 2013). McCann (2010) and McQuerrey (2012) stress that all business decisions are guided by business ethics through the use of ethical principles, practices and philosophies. The need for ethical value is to guide and encourage individual in workplace to make decision based on the attitude and belief toward business practices.

On the other hand, the concept of SMEs lacks universal acceptable definition based on diversities in economies where different standards are applicable to different purpose. Adamu, Kura, Saidu & Amsami (2014) offered a critical examination of what SMEs stands for: for instance, Australian Bureau of Statistics defined SMEs as businesses that have 5 to 200 workers. The micro business in Australia has less than 5 workers; small business has 5 to 19 workers; and medium size business has from 20 to 200 workers. United

Kingdom defined SMEs as business with fewer than 250 workers. This indicates that micro business has less than 10 workers, small business has 10-49 workers, and medium size business has 50 to 249 workers (Robert, Peter & George, 2010). With the European Union guideline, SMEs is one with less than 250 workers or a turnover of less than 40 euros. In South Africa, it is a business with less than 200 workers, has less than R5 million as turnover, less than R2 million as capital base and owners have direct managerial involvement (European Commission, 2014). In Nigeria, the National Council on Industry defined small scale enterprise as firm with 11 to 100 workers with a total cost including working capital to be less than N50 million, excluding cost of land (Fred, 2003). Medium scale is one with 101 to 300 employees or has capital that exceed N50 million but not more than N200 million, this include working capital, without cost of land (Effiom & Etim, 2018). From the above analysis, SMEs are larger in size with relative formal structure and in Nigeria about 87 percent of enterprises contribute 61 percent of the country GDP (Duke, 2006),

Firms ethical behaviour differs in time and space as different firms operate in different business environment for competitive performance (Cavalieri, 2007). Therefore, the continuous scrutiny for adoption of ethical practices in SMEs has been to compelled enterprises to reckon with ethical dimension on a stringent basis to prevent collapse of enterprises (Dutta & Benerjee, 2011). SMEs as catalyst for economic growth and productivity, adopt ethics for competitiveness in the turbulent business environment to increase performance in an

efficient manner (Turyakira, 2018). Ethical practice has become an enabler for SMEs to find new way of competing for survival and growth in developing economies though the indispensability of the concept enhances effective business practice (Zsolnai, 2004). The socio-economic landscape in developing countries has over the years embrace SMEs for industrial transition has aid in developing the economy of Nigeria (Adamu, Kura, Saidu & Amsami, 2014). Over ten years, Nigeria has been listed and tracked with the objective of accelerating the tempo of development for the economy in the bid to change into the assembly of developed economies, and efforts to achieve this development are through SMEs (Adelekan & Tijani, 2017).

Today, SMEs have brought impressive growth driven by innovative entrepreneurial revolution for growth and employment creation (Naude, 2011). With this recognition, SMEs have enhanced sustainable economic development through the creativity and ingenuity of SMEs entrepreneurs. Strategic efforts to sustain business performance of SMEs in Nigeria has drawn government commitment to entrepreneurship which has provided over 90 percent of employment opportunities which is driven by ethics for achievement of enterprise goals (Onwumere & Obasi, 2010). Hence, a study of this nature becomes a resource to identifying the ethical behaviour and performance of SMEs for effective business growth in Nigeria.

Statement of the problem

Firms' ethical and responsible decisions in organization are affected by non compliance to rules and regulations adopted for

effective performance of the organization. The emergence of complex business environment has made ethical compliance for growth of SMEs difficult due to absence of sustainable ethical culture which has resulted to poor enterprise attention to CSR and CGP which are required for enhancement of business values. Hence, the inability of sustainable ethical culture to regulate the activities of SMEs has breed poor enterprise performance. It is against this backdrop that prompted the investigation on ethical behaviour and performance of SMEs in Calabar Municipality.

Objectives of the study

The objective of the study is to investigate ethical behaviour and performance of small and medium scale enterprises in Calabar Municipality. The specific objectives include:

- i. To examine how of CSR enhances performance of SMEs in Calabar Municipality.
- ii. To determine how CGP sustain performance of SMEs in Calabar Municipality.

Theoretical framework

This study adopts Deontology Theory proposed by Immanuel Kant between 1724-1804 to guide the study. The Deontology Theory (agent-centered theory) connotes normative ethics which emphasized that ethical behaviour commences with well defined and established duty (Alexander, 2007). It stresses the relationship between morality and duty of human actions, where an action is morally good based on attributes of an action.

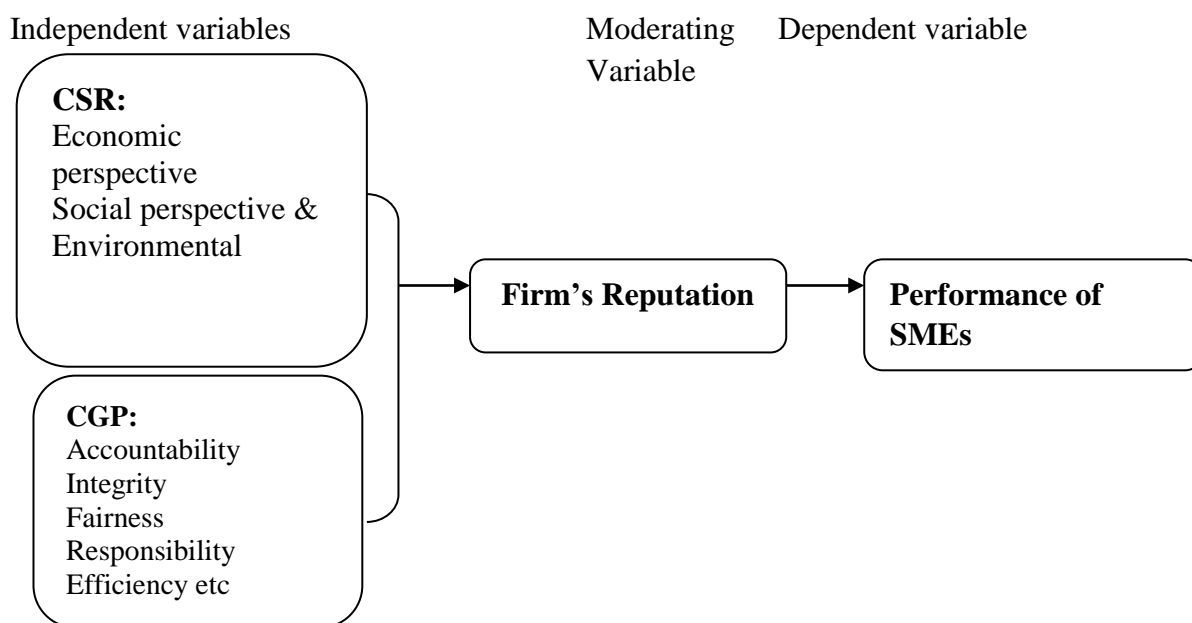
The justifications and relevance of deontology theory to the study is that the theory guides and aids the manager to assess best practice on what need to be done. It is common that what makes choice a “right one” is the conformity to the moral norms which are obeyed by moral agents (managers, employees or stakeholders). This ensures that in business, an act must be accorded with what is right for it to be implemented. Hence, agent-centered theory aid agent to be saddled with objective reasons for any action. Though deontology theory is criticized of absent consequences and clear way of resolving conflicts of moral duties (Chandran, n.d.). It is however

pertinent in sustaining ethical conducts of entrepreneurial venture.

Conceptual framework

The conceptual framework of a study is based on the experience, analysis and observation of the researcher (Mbogo, Kitula, Gimbi, Ngaruko, Massomo, Kisoza, Ngatuni Swai & Mtae, 2012). Therefore, the researchers wishes to address ethical behaviour and performance of SMEs through firm’s reputation. The framework in figure 1 below indicates independent variables, moderating variable and dependent variable for effective performance of SMEs

Figure 1: Model for Ethical behaviour of SMEs



Source: Author, 2019.

Ethical behavior and reputation of SMEs
Organizational ethics is driven by its ethical existence which determines the decision for the organization to do things ethically (Adda, Aziqwe & Awuni, 2016). Ethical behaviour implies action that is consistent

and viewed in relation to moral principles and values. For instance, an organization with ethical framework is one with ethics at the centre of its activities. An incredible contribution of ethics to economic development of a nation is apparent for

improved business performance. Dutta and Benerjee (2011) noted that ethics is a major concern for organization to promote long term sustainability and ensure that employees are motivated toward organizational success. This requires ethical practice for employee to be satisfied in their jobs which leads to better profitability in the organization. However, the extent to which companies encourages ethics is an indication that it is an important attribute in workplace. The urgency for ethical value implementation in SMEs is a growing concern for organizations. The ethical behaviour of SMEs is influenced by managers whereby their personal attitude, visible presence and behaviour set the tone for ethical behaviour in organization for employees.

In Nigeria, SMEs are grossly inadequate to mobilize resources to build ethical workplace culture compared to larger organization. Though having ethical policy is important, it reinforces values and principles to be part of culture of organization; provide guidance on how employees are to conduct business; help employees to be able to raise concern with their managers. Hence, the ethical behaviour and performance of SMEs is driven by effective ethical policy which is based on set values of the business. These values are considered as behavioral standard which expresses belief of what is good and right in an organization. A good reputation is an ethical practice that drives business growth and productivity. An enterprise with good reputation has ethical conscience of being fair and honest in carrying out business decisions with integrity (Turyakira, 2018). Good reputation makes business to be

endorsed by stakeholders and this creates new customers leading to stronger customer relationship (Winstein, 2012). Turyakira (2018) noted that SMEs with good ethical conduct will have low turnover of worker, positive sales with high profit margin.

This ethical behaviour will make the business to have low recruitment cost and attract investors (Wiid, Cant & Van-Niekerk, 2013). This portrays that good reputation is a policy that SMEs has to be developed for daily business operation. In support, Hill (2019) aligned by stressing that company reputation is an ethical behaviour that create positive image in marketplace and new customers are attracted through referrals. This indicates that unethical dealing is consequential and has the possibility of inhibiting the chances that organization has in obtaining new customers particularly in this social networking era where a unsatisfied customer can tarnish the image of organization about a negative experience with that organization. For instance, organizations are now paying serious attention to ethics with awareness that ethical violation can cause them huge setback, based on this Berman (2017) opined that ethical violation bring down the reputation of organization and the perception of new customers and productive employees are affected.

CSR and performance of SMEs

The growing importance of corporate social responsibility (CSR) indicates that business organizations have ethical responsibilities. The demonstration of CSR is an ethical behaviour that brings about the necessity for environmental sustainability through CSR

policies which engages them with responsibility beyond profit making (Adda, Aziqwe & Awuni, 2016). Daft (2001) posited that the inability to demonstrate CSR has the potency in damaging organization reputation with less attraction to stakeholders. The need for CRS is based on the notion the business enterprise carries out their operation within society, therefore, the economic prosperity has to be extended to the society (Carroll & Shabana, 2010). In support, Frederick, (2006) view it as business system which enhances wealth distribution for the progress of stakeholders by implementing ethical system for sustainable practice. The benefits of adhering to CSR aid organization to avoid labour exploitation and corruption. This has made the organization to know what the society expect of them. The adherence to this ethical behavior offers organization with improves profitability, growth and sustainability. Therefore, organization must avoid actions that damage trust because their operation depends on the trust and support of the local communities that is operating. Swanson (2007) stressed the need for organization not to be destructive in their activities in order not to damage the trust earned from the community.

Effective performance of SMEs requires critical considerations to various dimensions of CSR. For instance, the economic aspect of CSR entails being economically responsible to improve performance through investment, payment of taxes, investment in development and other economic activities in a community (Swanson 2007). These are significantly executed by SMEs in Calabar Municipality. The social aspect of CSR entails that as companies become increasing

active in addressing social concerns, for instance, the social effect SMEs on people is determined various donations, medical check-up etc. Okafor, Hassan & Hassen (2008) stressed that the obligation of management must be directed at making choices that will contribute to the wellbeing of the society and the company at large. Strategic areas of social aspect of CSR involves company responsibility towards customer by treating them with respect (Mohr & Webb, 2001); responsibility toward employees demands that the company must have concern for personnel's welfare and safety at work while upholding their skills and motivation at work; also, responsibility toward community must be geared toward ensuring the prosperity of the community that the company operates within. This is because majority of SMEs in Calabar Municipality operates in a community where its customers are residing. This implies that the reputation of the company and its image as an employer and producer in the community influence competition in the community. In addition, the environmental and ecological aspect of CSR being the pillar of CSR with new challenges must consider the negative environmental impact where the business operate such as wastage, pollution, deforestation climate change etc. this will requires measuring environmental impact and effective environmental management with the aim of increasing resource productivity, promoting cleaner production and have effective dialogue with stakeholders of the company (Mahoney, 2011).

Waldman and Zilberg (2010) posited that CSR is essential for long-term sustainability

of firms. In support, Hoffman (2007) emphasized the moral/ethical of objective of CSR which is to create a culture of ethical choice. This has often times aid to identify specific business outcomes while providing guidance to business leaders on CSR objective and benefits. Today CSR is associated with the benefit of enhancing organizational reputation whereby the value system and moral conviction makes customers and suppliers to be more willing in dealing with the company with good CSR track records. Hence, ethical investors are ready to pay premium for the company stock with significant CSR disclosures (Anderson & Frankle 2009). A critical benefit of CSR is the boost in sales revenue; this is why Anger, Devinney and Louvoniere (2003) consider CSR as revenue generator in a long term of a business.

For instance, information on how a product is manufactured in socially responsible manner will attract increase in market share against competitors who are poor corporate citizen and cannot generate significant sales. This ethical practice of CSR has been noted in reducing business risk (Orlitzly & Benjamin, 2001). CSR can decrease business risk by allowing firms to anticipate environmental upheaval more effectively (King, 2005). This is because firm's reputation for CSR helped to minimize business risk. Hence, through CSR organization are able to influence economic, environmental and social factors in a variety of ways which enhance achievement of organizational goals.

CGP and performance of SMEs

There is a growing argument on issue of corporate governance being applied to

SMEs. This emanates because the issue of separation of ownership and control constitutes the necessity for corporate governance. However, though the ownership of SMEs may be the manager, the ownership may also be shared across family members (Abor & Adjasi, 2007). Therefore, the principles of corporate governance becomes strategic for SMEs performance and growth in today's business environment. In the context of SMEs, corporate governance implies the set of rules, structure and regulation directed at achieving high performance through the implementation of appropriate and effective method for achievement of objectives. It therefore requires internal system or discipline to governed relationship involving strategic players (manager or owner, employees) that are to enhance the performance of enterprise (Meressa, 2017). The importance of corporate governance principles to SMEs is that it provide transparency, discipline, accountability, fairness, independence, responsibility, disclosure of information, dispute resolution etc (Barnes, 2013). For instance, accountability is a disciplinary action which must be adopted based on regulation. Therefore, corporate governance in SMEs improves the prospect of SMEs in relation to finance (Htay & Salman, 2013). This justifies the perception of Abor and Adjasi (2007) that corporate governance principles enhance market confidence, efficiency and integrity which promotes economic financial stability and economic growth of enterprises in Calaber Municipilty.

A study by El-Kasser, Messarra and Elgammal, (2015) reveal that though corporate governance is concerned with

how the organization's policies and procedures are implemented in a sound manner, its important has raised concern for well-being of society as stakeholders are increasingly become socially responsible by guiding the decision of board in an ethical way. It aids organization to remain responsible and committed to fair practices that promotes the growth of SMEs. For instance, the existence of corporate scandal in business organization was as a result of lack of strict adherence to good corporate governance principles, i.e. the global instability caused by financial crisis was due to absent of moral compass for effective governance which took the world by surprise (Othman & Abdul, 2011). The remedy to this requires creating ethical culture in a business environment to guarantee a sustainable global corporate governance system. Corporate governance embraces ethic, for instance, the need for transparency of financial data (Dahawy, 2007). This shows that with huge SMEs, corporate governance is necessary for effective business practice. This is enabled through information disclosure which strict adherence in SMEs. Associated issue to this may be lack of awareness on corporate governance benefits among management and stakeholders. Though the disclosure exposes the power of managers' decision making and power allocation between manager and shareholders (Khlif & Souissi, 2010), this voluntary disclosure is relatively low in SMEs. In the words of Elgammal, El-Kassar and Messarra, (2018), the role of SMEs on the local and global economies has contributed to significantly for the growth of the economy. The flexible structure of SMEs creates economic activities and aids various demands of

business to be met. Though corporate governance through accountability, fairness, transparency are necessary to operate market, it has allow SMEs to grow.

A study by Uchehara (2017) indicates that corporate governance principles guide SMEs in monitoring their environment for growth and efficiency. This is because the activities of SMEs affect the productivity of the business in Calabar Municipality and the stakeholder at large. In support, Jayashree (2006) stressed the imperative of corporate governance to SMEs is to maximize efficiency of the business; reduction in perceived risks; adoption of ethical and corporate practice for stakeholders confidence etc. This is in tandem with the fact that full implementation of corporate governance principles would aid in running SMEs smoothly and attract lenders and investors confidence to the business and safe guard mismanagement.

Methodology

Survey research design was adopted to elicit relevant information for the study. The population covers 4 (four) selected SMEs in Calabar Municipality: Crunchis-Plus Fast food, OMNI Errand Manufacturing, Jubitex Company Limited, and Alphastar Paints and Industry Limited with a total of 807 staff. The sample size of 267 was determined scientifically using Taro Yamane sampling formular. The study adopted stratified sampling method with the aid of Bowley's proportional allocation formular to ensure that staffs were selected from four SMEs in Calabar Municipality without bias. Questionnaire was the primary source of data and was administered to employees in SMEs who had relevant

knowledge on ethical behaviour and performance of SMEs. 267 questionnaire copies were distributed but the research was able to recover 253 copies. This represents 94.76 percent response rate. Descriptive statistics was used in summarizing data and hypotheses were tested using Exploratory Factor Analysis and Pearson-Product-Moment Correlation. This was done with the use of SPSS version 23.

Factor analysis of ethical behaviour and performance of SMEs in Calabar Municipality

The data obtained from the survey were subjected to Principal Component Analysis (PCA) technique in order to establish the content validity of the questionnaire constructs. Principal Component Analysis (PCA) is a type of exploratory factor analysis technique. Factor analysis is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. It is a data reduction technique which streamlines multiple variables into fewer ones that adequately represents the construct. The constructs were extracted under three components based on Eigenvalues greater than 1 and Varimax with Kaiser Normalization rotation method. The Communalities were extracted for each construct and they all had values greater than acceptable level of 0.5 as seen in Table

1. Table 2 shows the factor loadings of each extraction. The extractions all had factor loadings greater than 0.7 and this satisfied the Rule of Thumb which states that average loading for each construct should be greater than 0.7 (Hair et al, 2006). The Initial Eigenvalues showed that more than 83 percent of the total variance is explained by each of the components. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) is greater than 0.6, thus indicating that the sampling is adequate. Bartlett's Test of Sphericity is significant (.000) thus indicating that the variables are suitable for structure detection.

From the PCA pattern matrix in Table 2, it is seen that four constructs were loaded onto the first component- exhibited ethical behavior, moral convictions, moral objective and minimize business risk. These were categorized as Corporate Social Responsibility. The second component consisting of four constructs-discipline, existence of corporate governance, guide decision making in an ethical way, and information between management & stakeholders were valid constructs of Corporate Governance Principles. Finally, the third component was considered to be Firm Performance and the valid constructs include improvement in society, improved growth, productivity of the business and maximized efficiency).

TABLE 1: Communalities

	Initial	Extraction
Exhibited ethical behavior	1.000	.793
Moral convictions	1.000	.901
Moral Objective	1.000	.880
Minimize business risk	1.000	.647
Discipline	1.000	.692
Existence of corporate governance	1.000	.808
Guide decision making in an ethical way	1.000	.815
Information disclosure between management and stakeholders	1.000	.755
Improvement in society	1.000	.936
Improved business growth	1.000	.917
Productivity of the business	1.000	.715
Maximized efficiency	1.000	.737

Extraction Method: Principal Component Analysis.

TABLE 2: Rotated Component Matrix^a

	Component		
	1	2	3
Exhibited ethical behavior	.825		
Moral convictions	.938		
Moral Objective	.909		
Minimize business risk	-.736		
Discipline		.723	
Existence of corporate governance		.703	
Guide decision making in an ethical way		.726	
Information btw management & stakeholders		.708	
Improvement in society			.956
Improved business growth			.950
Productivity of the business			.768
Maximized efficiency			.808
Variance explained = 83.256			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy = 0.663			
Bartlett's Test of Sphericity/ Approx. Chi-Square = 2087.303			
df = 36			
Sig. = .000			

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Source: SPSS Output, 2019

Test of Hypotheses

After the Exploratory Factor analysis has been executed, the Pearson Product Moment Correlation analysis was used to test the hypotheses.

Hypothesis one

H₀₁: CSR does not relate to firm’s reputation for improve performance of SMEs in Calabar Municipality

TABLE 3: Pearson Product Moment Correlation analysis of the relationship between CSR and performance of SMEs

		CSR	Firm’s Performance
CSR	Pearson Correlation	1	.623**
	Sig. (2-tailed)		.000
	N	253	253
Firm’s Performance	Pearson Correlation	.623**	1
	Sig. (2-tailed)	.000	
	N	253	253

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

Source: SPSS Output, 2019

The result above shows the Pearson Product Moment Correlation of the relationship between corporate social responsibility and firm reputation for improve performance of SMEs in Calabar Municipality. The table shows that each variable is perfectly correlated with itself and so $r = 1$ along the diagonal of the table. The result reveals that Corporate Social Responsibility is positively related to firm performance with a Pearson correlation coefficient of $r = 0.623$ and the significance value is less than 0.005 ($p < 0.005$). This means that the relationship between both variable is 62.3 percent. This is a strong positive relationship and is statistically significant. Since the correlation (r) is 0.623 and p (0.000) is less than 0.05,

we can reject the null hypothesis which states that corporate social responsibility does not relate to firm reputation for improve performance of selected SMEs in Calabar Municipality. Hence, we accept the alternative hypothesis which holds that Corporate social responsibility is significantly related to firm reputation for improve performance of selected SMEs in Calabar Municipality.

Hypothesis two

H₀₂: CGP does not relate to firm’s reputation for effective performance of selected SMEs in Calabar Municipality.

TABLE 4: Pearson Product Moment Correlation analysis of the relationship between CGP and Firm’s Performance

		CGP	Firm’s Performance
CGP	Pearson Correlation	1	.356**
	Sig. (2-tailed)		.000
	N	253	253
Firm’s Performance	Pearson Correlation	.356**	1
	Sig. (2-tailed)	.000	
	N	253	253

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

Source: SPSS Output, 2019

The result above depicts the Pearson Product Moment Correlation of the relationship between corporate governance principles dose not relate to firm reputation for effective performance of SMEs in Calabar Municipality. Table 4.4 shows that each variable is perfectly correlated with itself and so $r = 1$ along the diagonal of the table. The result reveals that corporate governance principles is significantly and positively related to firm reputation for effective performance of SMEs with a Pearson correlation coefficient of $r = 0.356$ and the significance value is less than 0.005 ($p < 0.005$). This means that the relationship between both variable is 35.6 percent. This is a weak but significant relationship. Since the correlation (r) is 0.356 and p (0.000) is less than 0.05, we can reject the null hypothesis which states that ineffective leadership does not relate to decision making for achievement of organizational performance in selected manufacturing companies in Calabar. Hence, we accept the alternative hypothesis which holds that corporate governance principles significantly relate to firm reputation for effective performance of selected SMEs in Calabar Municipality.

Discussion of Finding

The result of the first hypothesis revealed that Corporate social responsibility significantly relate to firm reputation for improve performance of selected SMEs in Calabar Municipality ($r = 0.623$, $n = 253$, $p < 0.000$). In agreement with this, Adda, Aziqwe and Awuni, (2016) stressed that the demonstration of CSR is an ethical behaviour that brings about the necessity for environmental sustainability through CSR policies which engages them with responsibility beyond profit making. Responses from the respondents indicated that 187 and 26 respondents representing 73.9% and 10.3% respectively with a total of 84.2% strongly agreed and agreed that CSR is an ethical behaviour exhibited by the firm for sustainable growth and profitability. Hence, firm reputation and value system are enhanced through CSR which gives moral conviction and makes customers and suppliers more willing to deal with the company. In support Waldman and Zilberg (2010) stressed that CSR is essential for long-term sustainability of firms. Responses from the respondents revealed that 107 and 111 respondents representing 42.3% and 43.9% respectively with a total of 86.2% strongly agreed and agreed that long-term

sustainability depends on moral of objective of CSR which helped to create culture of ethical choice in the firm. This is in conformity with the work of King, (2005) that firms' reputation achieved through CSR helped to minimize business risk and also influence positively the economic, environmental and social impact with increase resource productivity of the enterprise.

The result of the second hypothesis portrayed that corporate governance principles significantly relate to firm reputation for effective performance of selected SMEs in Calabar Municipality ($r = 0.356$, $n = 253$, $p < 0.000$). In consensus, Meressa, (2017) opined that corporate governance principles requires discipline to governed relationship involving strategic players (manager or owner, employees) that are to enhance the performance of enterprise. The analysis of responses indicated that 136 and 110 respondents representing 53.6% and 43.5% with a total of 97.1% strongly agreed and agreed that corporate governance principles governed relationship with discipline which involves the actions of manager and employees to enhance the performance of enterprise. This is true because the effectiveness of the firm is driven by the existence of corporate governance principles which provide transparency, discipline, accountability, fairness in SMEs ventures in Calabar Municipality. Hence firm performance is enhanced through corporate governance principles which guide SMEs to achieve growth and efficiency and productivity of the business. In addition, El-Kasser, Messarra & Elgammal, (2015) stressed that corporate governance is concerned with

how the organization's policies and procedures are implemented in a sound manner. Responses from the respondents shows that 87 and 165 respondents representing 34.4% and 65.2% respectively with a total of 99.6% strongly agreed and agreed that firm's policies and procedures are implemented in a sound manner through corporate governance which guide decision making in an ethical way. This is fact because corporate governance principles promote effective business practice that enabled information disclosure among management and stakeholders of the enterprises. Hence, the need to maximize efficiency of the business and reduced perceived risks is to enhance business performance and increase stakeholders confidence and safe guard mismanagement. This confirmed the work of Jayashree (2006).

Conclusion and Recommendations

It is evident that the implementation of ethical policies in SMEs enhances the existence of ethical culture as indicator for ethical behaviour of business enterprises in Calabar Municipality. Sustainable compliance to ethics in business reflects the behavioural responsibilities of SMEs in the areas of CSR and CGP. These have improved profitability of the SMEs with strategic responsibility to the society and environment. Hence, ethics as tool for firm's reputation has attracted investors and stakeholders for sustainable performance of SMEs and this prevent economic and financial crisis in the business. The following recommendations are strategic for ethical performance of SMEs:

1. SMEs in Calabar Municipality should ensure implementation of CSR policies

that will enhance execution of economic, social and environmental responsibilities to improve profitability and growth

2. Ethical culture should be a choice of SMEs to enhanced the reputation of the enterprises with high sales revenue for long term sustainability
3. SMEs in Calabar Municipality should ensure that CGP are established to enhance market confidence and efficiency through accountability, fairness, transparency, and promote economic and financial stability.

Calabar Municipality

4. SMEs in Calabar Municipality should imbibe ethical practices to avoid mismanagement and attract investors.

REFERENCES

- Abor, J. & Adjasi, K. D. (2007). Corporate governance and the small and medium enterprises sector : Theory and implications, corporate governance. *The international Journal of Business in Society*, 7(2), 111-122
- Adda, G., Aziqwe, J. B. & Awuni, A. R. (2016). Business ethics and corporate social responsibility for business success and growth. *European Journal of Business Innovation Research*, 4(6), 26-42
- Adamu, H. B. Y., Kura, C. A., Saidu, Y. & Amsami, M. (2014). Small scale enterprises (SMES) and ethics: Yobe state experience, Nigeria. *International Journal of Sciences: Basic and Applied Research*, 15(1), 267-286
- Adelekan, S. A. & Tijani, A. A. (2017). Effect of support for entrepreneurship development on economic growth and development in Nigeria. *European Science Journal*, 13(13), 426-446
- Alexander, L. (2007). *Deontology ethics*. Retrieved from <https://plato.stanford.edu/entries/ethics>.
- Anderson, J. C. & Frankle, A. W. (2009). Voluntary social reporting: An iso-beta portfolio analysis. *Accounting Review*, 55(9), 467-479.
- Anger, P., Devinney, T. M. & Louvoniere, J. J. (2003). What will consumers pay for social products feature. *Journal of Business Ethics*, 42(3), 281-304.
- Barnes, I. (2013). *The Albatross around the neck of SMEs company directors: SMEs corporate governance in Australia*. 26th Annual Conference Proceeding Australia.
- Berman, C. (2017). *Ways in which ethical violations affect the reputation of an organization*. <https://smallbusiness.chron.com>.
- Carroll, A. B. & Shabana, K. M. (2010). The business case for corporate social responsibility: A review of concept, research and practice. *International Journal of Management Reviews*, 14(6), 85-2105.
- Chandran, S. S. (n.d.). *Problems with deontological ethics*. Retrieved from <https://www.scribd.com/document/pr...>
- Cavalieri, E. (2007). *Ethics and corporate social responsibility*. Retrieved from www.unimib.it/symphonya.
- Dahawy, K. (2007). *Developing nations and corporate governance: The story of Egypt*. Retrieved from <http://www.ifc.org/ifcext/cgf.nsf/>.
- Dutta, S. & Benerjee, S. (2011). Ethical proactice towards employees in small enterprises: A quantitative index. *International Journal of Business*

- Management, Economic and Research*, 2(3), 205-221.
- Duke, J. E. (2006). Entrepreneurial strategy for the economic development of the Niger Delta region of Nigeria. *Arabian Journal of Business and Management Review*, (12), 33-47
- El-Kasser, A., Messarra, L. C. & Elgammal, W. (2015). Effects of ethical practices on corporate governance in developing countries: Evidence from Lebanon and Egypt. *Corporate Ownership and Control*, 12(3), 494-504
- Elgammal, W., El-Kassar, A. & Messarra, L. C. (2018). Corporate ethics, governance and social responsibility in MENA Countries. *Management Decision*, 56(1), 273-291
- European Commission (2014). *SME definition user guide and model declaration*. Retrieved from eu.europa.eu/enterprise/policies/sms/fil/sme.
- Effiom, L. & Etim, S. (2018). Success of small and medium enterprises in Nigeria: Do environmental factors matter. *Journal of Economic and Sustainable Development*, 9(4), 117-128
- Fred, N. U. (2003). Survey of small and medium scale industries and their potentials in Nigeria. *Quarterly Journal of Economic*, 118(1), 107-155.
- Hill, B. (2019). *The advantages of ethical behaviour in business*. Retrieved from <https://smallbusiness.chron.com>.
- Hoffman, R. C. (2007). Corporate social responsibility: An institutional perspective. *Journal of Management History*, 13(1), 55-73.
- Jayashree, R. (2006). *Corporate governance and its effect on the concept of business organization*. New York: Prentice Hall.
- King, A. (2005). Avoiding ecological surprise: Lessons from long-standing committee. *Academy of Management Review*, 20(9), 961-985
- Khlif, H. & Souissi, M. (2010). The determinant of corporate disclosure: A meta analysis. *International Journal of Accounting and Information Management*, 18(3), 198-219
- Mahoney, L. S. (2011). Corporate social responsibility and long-term compensation. *Journal of Business Ethics*, 57(3), 241-253
- Mbogo, S., Kitula, M., Gimbi, A., Ngaruko, D., Massomo, S., Kisoza, J., Ngatuni, P., Swai, E. & Mtae, H. (2012). *Research methodology*. Durban: Excel Learning Pty Ltd.
- McCann, J. (2010). "Ethical Practices and Regulatory Context of Family Business". *Journals of Academic and Business Ethic*, 12(1), 1-17.
- McQuerrey, L. (2012). *Definition of ethical values*. Retrieved June 2, 2018 (www.smallbusiness.chron.com/definition-on-business-ethical-values-21096.html)
- Meressa, H. A. (2017). Application of corporate governance principles for the sustainability and competitiveness of small and medium scale enterprises: A literature review. *European Journal of Business and Management*, 9(10), 31-37
- Mohr, L. A. & Webb, D. J. (2001). Do customers respect compel organization to be socially responsible. *Journal of Consumer Affairs*, 5(2), 14-22.
- Naude, W. (2011). *Entrepreneurship and economic development*. Retrieved from <http://unu.edu-publication-wider>.
- Ogundele, O. J. K., Hassan, A. R, Idris A. A. & Aliu, A. A. (2013). "Ethical Problems Affecting SMES in Nigeria and their Impact on E-business Development". *International Journal of Economics and Management Sciences*, 2(10), 1-15.

- Okafor, E. E., Hassan, A. & Hassan, A. D. (2008). Environmental issues and corporate social responsibility: The Nigeria experience. *Journal of Human Ecology*, 23(2), 101-107.
- Onwumere, J. & Obasi, R. O. (2010). Analysis of small-scale Turkey production in Owerri agriculture zone of Imo State, Nigeria. *International Journal of Agriculture and Rural Development* 13(2), 8-15
- Orlitzly, M. & Benjamin, J. D. (2001). Corporate social performance and firm risk: A meta-analysis review. *Business and Society*, 40(4), 369-396
- Othman, Z. & Abdul, R. (2011). Exploration of ethics as moral substance in the context of corporate governance, *Asian Social Science*, 7(8), 173-183
- Robert, B., Peter, C. & George, A. T. (2010). *7 business advieoms: Professional competence, trust and ethics*. Research report 119. The Association of Chartered Certified Accountant.
- Swanson D. L. (2007). Addressing theoretical problem by re-orienting the corporate social performance model. *The Academy of Management Review*, 10(4), 7380-7690.
- Turyakira, P. K. (2018). Ethical practices of small and medium-sized enterprises in developing countries: Literature analysis. *South African Journal of Economic and Management Sciences*, 21(1), 1-7
- Uchehara, C. C. (2017). Corporate governance and management of small and medium scale enterprises in Lagos, Nigeria. *IJRDO-Journal of Business Management*, 3(2), 114
- Weinstein, A. (2012). *Superior customer value: Strategies for winning and retaining customers* (3rd ed.). Florida: CRC Press, Coral Spring
- Wiid, J. K., Cant, M. C. & Van-Niekerk, C. (2013). Moral behaviour and ethical misconduct in Nigeria small business. *International Business and Economic Research Journal*, 12(9), 1087-1100
- Wright, T. A. (2011). "Ethical Responsibility in Organization: An Overview". *Journal of Organizational Behaviour*, 20(8), 1107-1112.
- Zsolnai, L. (2004). Honesty and trust in economic relationships. *Management Research News*, 27(9), 57-62