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## Article

# Corporate social responsibilities contribution for sustainable community development: evidence from industries in Southern Ethiopia

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# Corporate social responsibilities contribution for sustainable community development: evidence from industries in Southern Ethiopia

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## ABSTRACT

This study interrogates the contribution of corporate social responsibility to community development from socioeconomic, environmental, ethical, and philanthropic perspectives. A total of 401 households were selected randomly and proportionally from the Southern Nations Nationalities and Peoples Regional State and Hawassa City from the Sidama Region. Survey data were collected from local communities using the paper-assisted personal interview (PAPI) technique. Interviews with government officials and focus group discussions with local community members. Data were analyzed using a mixed research approach, where quantitative data were analyzed using a structural equation model and descriptive statistics, and thematic analysis was used for qualitative data. The study found that CSR contributes to many aspects of local community development. Our empirical model confirms that proper implementation of CSR initiatives substantially contributes to social development  $\beta = 0.913$ , economic development  $\beta = 0.913$ , environmental sustainability  $\beta = 0.784$ , ethical aspect 0.767, Philanthropic activities  $\beta = 0.814$ , and overall local development  $\beta = 0.960$  where  $p \leq 0.001$  statistically significant level. The study reasserts and reiterates the need to design appropriate policy instruments and law enforcement techniques, in addition to promulgating regulatory provisions and legal frameworks. The study sheds light on the imperativeness of CSR for smooth human-environment and business-resource relationships. The study contributes to literature, debate, and policy implications on emerging issues of CSR-business, and development discourses.

## IMPACT STATEMENT

Our study passionately explores how Corporate Social Responsibility (CSR) initiatives by industries in Southern Ethiopia significantly enhance sustainable community development across socioeconomic, environmental, ethical, and philanthropic dimensions based on first-hand data. Well-implemented CSR programs lead to substantial improvements in social development, economic progress, environmental sustainability, ethical standards, and philanthropy. However, there is a critical need for well-designed policy instruments and regulatory enforcement to promote CSR and foster harmonious human-environment and business-resource relationships. Without this, industrial activities inevitably cause adverse effects, such as pollution and health damage, exacerbated by poor regulatory control and corruption. Industries must engage responsibly with local communities to benefit them while promoting efficient communication. This research offers valuable insights for policymakers, scholars, and practitioners on the importance of CSR in achieving sustainable development goals, emphasizing its relevance in contemporary business and development discourse and providing substantial implications for policy and practice in emerging economies.

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## 1. Introduction and problem analysis

Corporate Social Responsibility lacks a precise definition and a common conceptual understanding. The World Business Council for Sustainable Development (Watts et al., 1999), defines CSR as a business's commitment to act ethically and contribute to development vis-à-vis improving the quality of life of its employees and local community well-being at large. The European Commission defines CSR it is 'businesses that voluntarily integrate social and environmental issues into their business operations and relationships with their stakeholders' (European Union, 2002). Of course, in advanced economies, it becomes both the legal and moral obligation of business enterprises to engage in environmental sustainability. CSR is more relevant in extractive industries, that consumes significant amounts of resources. It is because nowadays, sustainability is a great concern where human activities particularly extractive industries have brought undoubtedly unprecedented environmental impacts (Zhang et al., 2023).

However, CSR receives less attention or lacks clear policy frameworks in developing countries such as Ethiopia (Mamo et al., 2023), regardless of the devastating multifaceted crises on human and animal health and the environmental impacts of gold extractive industries (Regassa, 2022). The underdeveloped socioeconomic conditions and high unemployment rate of emerging economies coupled with neglected government responsibility in providing appropriate policy and strategic frameworks towards CSR to promote local community development and ensure environmental sustainability results in multiple burdens on local communities as resource frontiers, the environment, and even for business companies (Barsoum & Refaat, 2015; Regassa, 2022). Consequently, companies' CSR initiatives do not reflect communities' expectations, exacerbating business-environment-development interfaces (Barsoum & Refaat, 2015).

There are three dynamics of resource and economic development. First, countries need to improve their state's economic status. Second, the local community at the grassroots level is entitled to benefit from resources, both directly and indirectly. Third, the environment should remain sustainable and safe for future generations (see also Perdeli Demirkan et al., 2021). Given this premise, many emerging economies depend largely on their natural resources, especially in the early stages of their economic development (Dogan et al., 2020). CSR plays a crucial role in that companies are obligated to balance this dynamic and maximize their profit margins. However, in Ethiopia, for example, extractive industries cause profound unprecedented damage to both human and environmental health and negatively affect environmental sustainability (Regassa, 2022). In the literature, this is referred to as a surrogate for the natural resource-curse hypothesis (Dogan et al., 2020).

Empirical evidence asserts that despite some attempts to implement CSR initiatives, resource-rich countries and communities, such as Ethiopia, still face multifaceted human-environment crises, income inequalities (Dogan et al., 2020; Regassa, 2022), conflicts, armed violence over access to and control of resources (Idemudia, 2008), political instability, and interwoven actor networks of interest (Robbins, 2011). All of these are ascribed mainly to the presence of the natural resource extractive industry reiterating the reimagination and reconceptualization of CSR projects towards anthropocentrism (cf. Shrivastava, 1995; Walter & Evans, 2023). Butler (2015) indicates that CSR obligates businesses to engage in sustainable development agendas. Muthuri et al. (2012) highlight the need for CSR for sustainable development in developing countries, where high rates of poverty, illiteracy, disease, maladministration, and lack of good governance are common phenomena.

Thus, businesses are expected to play a crucial role in solving these problems. For example, companies make a significant contribution to sustainable infrastructure development, such as the construction of schools and health centers, and to environmental protection to compensate for industrial crises that harm human life and the natural environment (Newell & Frynas, 2007; Shrivastava, 1995). The manufacturing industry's CSR is thought to be linked to the growth of the community in which it operates (Mamo et al., 2023). Community development activities can either be targeted toward improving economic challenges, such as poverty and unemployment, or commitment to community welfare and environmental sustainability (Shrivastava, 1995).

Ethiopia's businesses primarily aim to maximize profit margins at whatever cost to employees, consumers, suppliers, environments, and residents of resource frontiers (Ayele, 2008; Regassa, 2022; Stebek, 2012). For this reason, businesses, particularly large and medium-sized manufacturing industries in

Ethiopia, are continuously causing devastating human and environmental damage and sociocultural crises (Mamo et al., 2023; Regassa, 2022). More importantly, poor policy implementation instruments that govern the relationship between businesses, resource owners' local communities, and the environment have become more problematic. Frequently, in Ethiopia, the local community is disappointed, with an imbalance between what the industries promised and their actual performance (Mamo et al., 2023). On the one hand, there is evidence of a lack of proper law enforcement and policy instruments, regardless of the government of Ethiopia providing various regulatory frameworks for businesses. On the other hand, devastating human-environmental damages continue to occur where industries are operating (Mamo et al., 2023; Regassa, 2022).

Previous CSR studies in Ethiopia had several limitations. For instance, Mamo et al. (2023) studied the socioeconomic contribution of CSR to local community residents, and a study by Regassa (2022) limited the environment and human health crisis of extractive industries by relying on a qualitative approach from a single extractive industry. Studies by Robertson (2009), and Kellow and Kellow (2021) emphasized a conceptual understanding of CSR, and Eyasu and colleagues studied the causal factors of CSR and business operations. However, the explicit contributions of industries to holistic local community developments of manufacturing industries remain largely unstudied. Furthermore, methodologically, previous studies have been limited to exploratory, descriptive, or story narration. Against this backdrop, the current study attempts to fill these gaps by evaluating the explicit contribution of manufacturing industries to local developments – socioeconomic, environmental, and philanthropic wellbeing using a structural equation model (SEM) based on data obtained using a multimethod mixed research approach. The study aimed to answer central question: To what extent are industries contributing to local community developments (socioeconomic, environmental, legal, and philanthropic) well-being?

The study uses the stakeholder theory perspective to answer this research question. Stakeholder theory states that business firms are responsible for many stakeholders besides shareholders. Employees, suppliers, customers, government, investors, community, and environment (Krisnawati et al., 2014) that business firms owe corporate accountability toward a broad range of stakeholders' interests. The paper makes a threefold contribution: First, we try to fill methodological gaps in previous studies by using SEM on CSR and community development. Second, it sheds light on the relevance of CSR for promoting sustainable development from the developing [Ethiopia] countries context, where empirical studies are lacking. Third, our results contribute to CSR literature, debate, and policy implications.

## 2. Concept of CSR, community development, and hypothesis of the study

CSR as a managerial practice originated in the 19th century when people became critical of and began to question the role of businesses in society (Visser et al., 2010). This was when industrial activities increased tremendously and imperialism was at the root of the fast-developing global economic system.

CSR has become a global concern (Saiia et al., 2003). Business firms benefit the community's well-being and environmental safeguarding (Blowfield & Frynas, 2005; Carroll, 1999; Du et al., 2013). In addition, CSR is a concept understood as where in companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders voluntarily' (European Union (2002). In other words, CSR is a 'way in which companies achieve a balance of economic, environmental and social imperatives' (Rai & Bansal, 2014).

Businesses' practice of corporate social responsibility toward their host communities has far-reaching community development benefits. Businesses and organizations must pay more attention to Corporate Social Responsibility to avoid disputes, which can obstruct the achievement of the company's specified goals (Nwoba & Michael, 2016). Moreover, many jurisdictions have been using CSR as a tool for socioeconomic development, recognizing that employees are a resource to be valued, ethical issues are central to the organization, and corporations have been required to work somewhat with suppliers and customers (Murphy & Schlegelmilch, 2013).

In addition to the roles of governments, religious institutions, and traditional authorities, industries also play a significant role in community development (Adewuyi & Olowookere, 2010). In line with this, according to Moon (2007), businesses must utilize CSR to improve sustainable Community Development, particularly in their host communities, to raise their social status and strengthen their ability to exist.

Due to this significant role, corporations' goals must include helping community development stakeholders achieve their own financial goals. Participation in CSR has become increasingly enticing as a result of stakeholders' growing awareness of it and the expectations that businesses support CD.

Therefore, CSR is necessary to offset irresponsible corporate actions (Kotchen & Moon, 2012). In the modern world, stakeholders are frequently exposed to news reports in the media regarding the harmful effects on safety, health, and the environment caused by the operations of companies in the extractive sector (Unerman & O'Dwyer, 2007). Many economically viable activities in host communities, such as farming and fishing, may be affected by the operations of companies in the extractive industry. Mining and oil exploration have reportedly had an impact on ecosystems all over the world, which has led to the loss of local peoples' means of subsistence. CSR efforts include creating alternative means of subsistence for locals through skill training, agricultural projects, and educational sponsorships.

Additionally, CSR in developing countries is mostly pro-poor. CSR programs can be implemented internally to combat poverty among staff members, as well as externally in the community. At the local level, Medina-Muñoz and Medina-Muñoz (2020) claimed that programs such as skill training for local communities can aid in reducing poverty. Community support is required, including donations and volunteer work to aid the needy, support educational and medical institutions, and involvement in initiatives to alleviate hunger.

One of the CSR theories applied in this study is stakeholder theory. Freeman (2002) states that stakeholder theory suggests that a company's obligation is not only to maximize profit and increase stakeholder satisfaction. According to Freeman and McVea (2005) and Friedman and Miles (2006), stakeholders are people interested in a company's activities. The following is what stakeholders expect from their organizations: owners (financial, added value), employees (pay, work satisfaction, training), customers (supply of goods and services, quality), community (safety and security, contribution to community), and government (compliance, improved competitiveness) (Cannon, 1994). Moreover, Different authors (Fassin, 2009; Kassinis & Vafeas, 2006) define stakeholder pressure as the ability and capacity of stakeholders to affect an organization by influencing its decisions. Extending this theory, different researchers have pointed out several dimensions of CSR: customers, employees, shareholders, society, environment, media, and others (Maignan et al., 1999; Turker, 2009).

### **2.1. The concept of community development**

In the context of this study, we adopted the widely used meaning of community development given by the United Nations. According to the United Nations' definition, community development is an effort of individuals in a community conducted in such a way as to help solve community problems with minimum help from external organizations. External organizations include government and non-government organizations and corporations of various types and sizes, such as small and medium enterprises (SMEs) and multinational corporations (MNCs). The UN's definition of community development emphasizes creativity and self-reliance in the community for short- and long-term goals, while maintaining various business firms' CSR roles. Hence, the Industry's CSR role in community development in the context of this study is a combination of any direct and indirect benefits received by the community as a result of fulfilling the social, economic, environmental, philanthropic, and ethical role or commitment of corporations to the overall community and social system.

### **2.2. Hypothesis**

CSR offers prospects for community development and poverty reduction in developing countries (Ashley & Haysom, 2006; Ite, 2004).

Firstly, CSR presents a significant opportunity for governments in developing countries to collaborate with the private sector to optimize the impacts of CSR on community development in poor communities (Fox et al., 2002). Imperatively, this asserts that governments are presented with the opportunity to harness CSR potential and align CSR initiatives with community development priorities. There are also optimistic arguments from a business perspective that CSR is a strategic concept that not only improves the competitiveness of a corporation but also contributes to the well-being of the society or community



within which it operates (Burke & Logsdon, 1996; Porter & Kramer, 2002, 2006). Some scholars have even suggested that CSR should be broadly rooted in the understanding that corporations and society need each other (Porter & Kramer, 1999, 2011).

Community development through CSR in the industry is essential to the government because companies and industries can complement the government's efforts in community development and poverty reduction.

Secondly, companies and industries exist in the same communities as the poor and, therefore, have the closest first-hand experience of the needs of neighboring communities and the best or most appropriate solutions to meet those community needs.

Thirdly, CSR provides an essential opportunity for the government and private sector to increase the pool of resources to tackle community development challenges through CSR in a more direct, innovative, and sustainable way (Mitchell & Ashley, 2006). Furthermore, some scholars have argued that, once properly harnessed, in certain circumstances, CSR can offer more opportunities for the private sector to positively impact community development and poverty reduction than the government and its development partners (Spenceley & Meyer, 2012).

Based on these arguments and facts, the following hypothesis is proposed.

### **2.2.1. Economic responsibility and CSR**

Carroll (1991) asserts that firms have four fundamental responsibilities, the most significant of which is economic responsibility given that African nations are afflicted by high unemployment, foreign loans, and poverty. The economic responsibility of industries participating in CSR activities includes developing the local economy, preventing corruption and all forms of inducement, paying taxes to the federal, state, and local governments, and employing locals to provide jobs, decent working conditions, personal funds, and other benefits (Amponsah-Tawiah & Dartey-Baah, 2016).

Multinational cooperation in transitional economics is valued by policymakers and the communities in which they operate because of their role in poverty reduction and job creation, according to Lockett et al.'s (2006) analysis of CSR research conducted in Africa. International corporations, like Cisco Systems and Shell, establish new operations and open branches in developing nations to create jobs for local people and lower poverty-related unemployment. Thus, we hypothesize as follows:

H<sub>1a</sub>: There is a positive relationship between industries' economic responsibility and corporate social responsibility.

### **2.2.2. Social responsibility and CSR**

Promoting social amenities like roads, clean water, and health, as well as reducing poverty in local communities, are among the main responsibilities of industries' Corporate Social Responsibility. The degree to which a company engages in corporate social responsibility to assist the community in the areas of health, education and the arts is positively correlated with the company's market share within its industry (Sánchez, 2000).

H<sub>1b</sub>: There is a positive relationship between CSR and the social responsibility of industries and corporate social responsibility.

### **2.2.3. Ethical issues and CSR activities**

Carrying out business operations in a trustworthy and honest manner (avoidance of unethical behavior), trusting the promise and actions and contributing to the betterment of society and local communities. Corporate success has been shown to favorably correlate with ethical behavior and concern for people and the environment (Crowther & Aras, 2008).

H<sub>1c</sub>: There is a positive relationship between an industry's ethical aspects and corporate social responsibility

### **2.2.4. Environmental responsibility and CSR**

CSR helps to protect the environment. It cannot be denied that some of the world's largest corporations have made an evident commitment to CSR, for example, through initiatives aimed at reducing their

environmental footprint (Ismail, 2009). Corporations believe that financial and environmental performance can work together to drive corporate growth and social reputation. This attitude can only enhance the employment value proposition, such as interest in 'going green' and gaining traction (Perrin, 2016). Environmental-based CSR programs are essential for promoting human well-being, maintaining ecological integrity, and protecting the environment and its natural resources. This includes the availability and accessibility of assured resources such as clean air and water, and adequate livelihoods.

H<sub>1d</sub>: There is a positive relationship between the environmental aspects of industries and corporate social responsibility.

### **2.2.5. Philanthropic responsibility and CSR**

Philanthropy is expressed as a business organization's desire to enhance welfare activities for the community and society through social and economic services. According to Dakare et al. (2011), a business organization can profit from using natural community resources. Thus, the community needs to be compensated directly or indirectly for what is taken out of the community.

H<sub>1e</sub>: There is a positive relationship between the philanthropic responsibility of industries and corporate social responsibility.

### **2.2.6. Corporate social responsibility (CSR) and community development**

As society expects business organizations to rise in the direction of their significant role-playing in the community, some companies are finding ways to integrate CSR into long-term business strategies in mutually beneficial ways for both communities and enterprises. CSR relates to business, government, and civil society collaboration, with the bottom line being the achievement of a win-win situation (Ismail, 2009).

A CSR program can be viewed as an aid to alleviate poverty. According to Masum et al. (2020), managers and employees need to participate in voluntary and charitable activities within their local communities, especially in projects that enhance a community's quality of life. Successfully implementing CSR programs in community development promotes growth, reduces poverty, and is financially beneficial for members of society. Development discourse claims that CSR offers new prospects for addressing poverty and underdevelopment in developing countries (Bohdanowicz & Zientara, 2008; Moon, 2007; Porter & Kramer, 2006). For instance, the United Nations (UN) has officially recognized the private sector's important role in development and called for a 'global partnership' for development (United Nations, 2012). State governments have been translating and domesticating this partnership, particularly in developing countries.

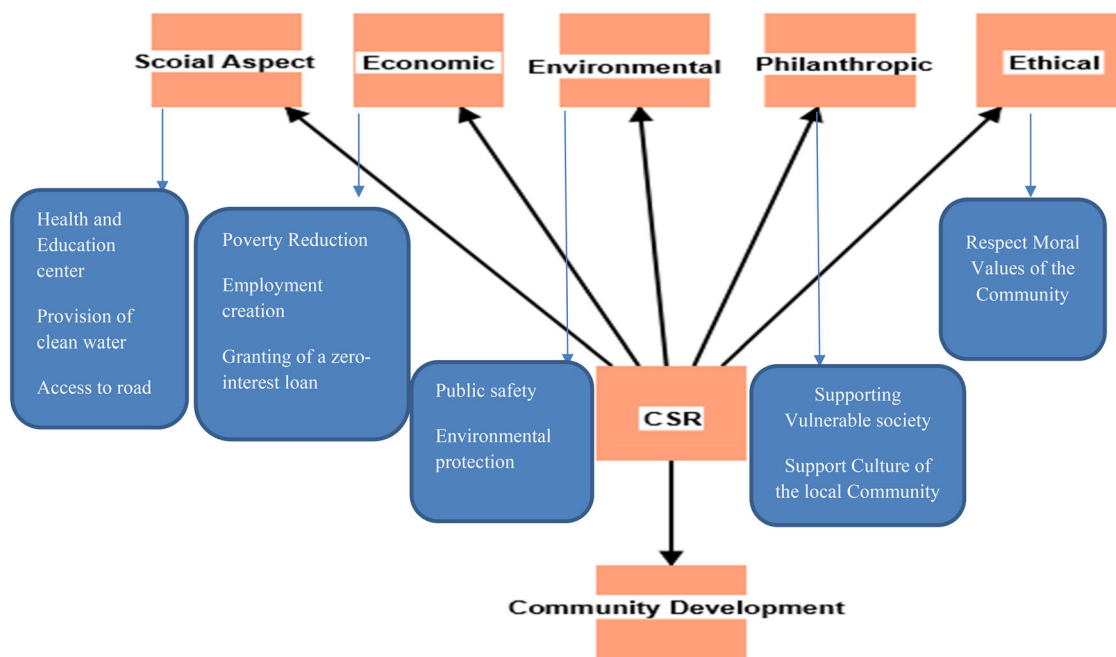
H<sub>2</sub>: There is a positive relationship between CSR and Community development.

## **3. Materials and methods**

### **3.1. Conceptual framework of the study**

The conceptual framework of the study illustrates the positive contribution of industrial CSR activities to sustainable community development based on the variables shown in the figure below. However, these industries inevitably experience adverse environmental and health consequences. Empirical data (Mamo et al., 2023; Regassa, 2022) show the adverse effects of industrial activity on Ethiopia's local community and environment. Mamo et al. (2023) indicated that the soap and beverage industries in Hawassa, the flower factory in Welkitie, and the textile factory in Butajura towns, especially the soap factory, dispose of their waste in the open environment with little treatment. This exposes the surrounding community to various health problems such as asthma due to foul odors and skin diseases. Pregnant women who work in these industries or live nearby face an increased risk of abortion because of waste. Furthermore, the health and productivity of cattle (e.g., goats, sheep, and cows) are increasingly damaged when they drink factory-released waste liquids (Mamo et al., 2023). Regassa (2022) points out the extent of negative environmental and health consequences of the extractive gold mining industry.





**Figure 1.** Conceptual framework of the study. *Source:* authors' conceptualization.

Nevertheless, the explicit contribution of manufacturing industries to sustainable community development in terms of socioeconomic and environmental sustainability, ethical compliance, and other socio-philanthropic activities remains largely unstudied. Therefore, this study, in conjunction with previous studies, will provide a significant impetus for policy formulation and assist the government in preparing legal guidelines for industries (Figure 1).

### 3.2. Description of the study area

One of Ethiopia's regional states is the Southern Nations, Nationalities, and People's Region (SNNPR). Kenya (including a small portion of Lake Turkana) borders the SNNPR on the south, the Illemi Triangle (a region claimed by both Kenya and South Sudan) on the southwest, South Sudan on the west, the Gambela National Regional State on the northwest, and the Oromia National Regional State on the north and east. The region is expected to have a population of 14,929,548, with 7,425,918 men and 7,503,630 women (Central Statistical Authority [CSA], 2007). Rural residents comprised 13,433,991 people (89.98%), whereas city dwellers comprised 1,495,557 people (10.02 percent). According to these estimates, SNNPR is Ethiopia's most rural area. With an estimated area of 105,887.18 square kilometers, this region has a population density of 141 people per square kilometer. This region has 3,110,995 households, with an average of 4.8 people per home (3.9 persons per household in urban areas and 4.9 persons per household in rural areas).

Sidama, the second study area region, has become Ethiopia's newest 10th regional state since June 2020 and is located approximately 275 km south of Addis Ababa. Sidama became Ethiopia's tenth regional state in November 2019, after serving as one of the administrative zones of Ethiopia's Southern Nations Nationalities and People's Regional States. Sidama is found between 6° 10' and 7° 05' north latitude and 38° 21' and 39° 11' east longitude. It is largely bordered to the south, north, and east by the Oromia area, to the south by the Gedeo zone and Oromia, and to the west by the Bilate River.

A total of 8 manufacturing industries located in Gedeo, Gurage, Wolayta, Gamo Zones and Bugarija city in the SNNPR region, and Hawassa City in the Sidama region, were purposefully chosen based on the recommendation of SNNPR and Sidama Region Investment office and the level of local community resides around these industries.

METAD Agriculture Development PLC from Gedeo Zone, Tinaw Flower Factory and Destaw Textile from Gurage Zone, Dilbe Ali Plastic PLC and Floor factory from Wolaita Zone, Arba Minche Textile factory

from Gamo Zone, ETAB soap factory and BGI Ethiopia from Sidama Region have been chosen for this study.

Based on the secondary data obtained from textile factories in Butajira, BGI Ethiopia in Sidama, METAD in Gedeo Zone, and Tinaw flower factories in Wolqite, a total of 6966 job opportunities have been created for the local community residences. And, not all industries listed in the conceptual framework of the study are creating undesirable effects on the environment, animals, and human beings.

### 3.3. Data and methodology

Four data-gathering instruments/tools were used to collect the primary data. questionnaires (PAPI), key informant interviews, Focus Group Discussions (FGD), and observations. In addition, secondary data were gathered from a few observed companies. Quantitative and qualitative data-gathering methods were used in this study. Quantitative data were collected from 401 local communities located close to manufacturing industries. These respondents were selected randomly from each zone and proportionally according to the number of residents from the two areas, SNNPR and Sidama Regions. Gedeo, Gurage, and Bugarija cities in the Gurage zone, Wolayta and Gamo Zones in the SNNPR region, and Hawassa City in the Sidama region were purposefully chosen based on the SNNPR and Sidama Region Investment offices, and the level of the local community residing nearby industries. Researchers oversaw the PAPI (Paper Assisted Personal Interview) technique used to collect the questionnaire. Six Focus Group Discussions (FGDs) with members of the local community and six key informant interviews with government officials were held in the selected six study areas and categorized as FGD1 to FGD6 and KII1 to KII6 according to the order of the selected areas listed above. The observation was also held during data collection, strengthening the study's findings to see the real effect of industries on the local community. The collected data were analyzed using both qualitative and quantitative methods. Statistical Package for Social Sciences (SPSS) version 25 and STATA 15 were used to process and analyze the survey data. The thematic approach was used to analyze the data collected from the FGDs and KII.

The five-point Likert scale order, which ranges from 'strongly disagree' to 'strongly agree', was used to develop each instrument. The variable score for each household is the average value of each variable when the number of different indicators for each variable is considered. Smart PLS software was used for the modeling of structural equation analysis because it can estimate direct effects and is a testable model. It also confirms the model's consistency with the data and estimates the effects of the constructs on one another, and the partial list square estimate technique was applied.

### 3.4. Sampling technique and sample size

Probability (random) sampling was used in this study. The probability sampling method for this type of inquiry is difficult and costly. However, probability samples are the only type of sample whose results may be extended to the entire population.

Researchers have employed multi-stage sampling methodologies to discover local communities surrounding industries. First, the Southern Nation Nationalities and Peoples Region (SNNPR) and the Sidama Region were divided into zones. Based on the recommendation of the investment office of the regions, the authors chose four (4) zones and one city administration from the SNNPR and Hawassa City Administration from the Sidama Region. The researchers selected 401 local communities from the defined zones and cities in a proportional manner.

The Appropriate Sample Size in Survey Research was determined using the Cochran sample size determination formula for categorical data (Cochran, 1977).

$$n = \frac{Z^2 p(1-p)}{d^2} DEFF = \frac{1.96^2 (0.5)(0.5)}{0.06^2} 1.5 = 401$$

Where  $Z$  – Upper  $\alpha/2$  percentile point of a standard normal distribution with  $\alpha = 0.05$  being the level of significance;  $P$  – The probability of success;  $d$  – The desired margin of error;  $DEFF$  – design effect because of using multi-stage sampling.

**Table 1.** The sample respondents were allocated for each zone and the city administration.

Zones	Total number of households	The sample of households in each zone $n_h = \frac{nN_h}{N}$
Gedeo	1773	10
Wolayita	3979	23
Gurage and Butajira city administration	40,508	233
Gamo	19,548	112
Hawassa city administration	3923	23
Total	69,730	$n = 401$

Source: Household and Population Survey, 2007.

The sample size was distributed when the overall sample size was calculated. The following formula was used to calculate the probability proportional to the size:

$$n_h = \frac{N_h}{N} * n$$

Where:  $n_h$  – sample size in  $h$  zones,  $n$  – Estimated final sample size,  $N_h$  – Total number of household's in  $h$  zone and,  $N$  – Total number of households in selected 6 areas.

As a result, the sample of respondents assigned to each zone was determined as shown in Table 1.

### 3.5. Method of data analysis

Default Smart PLS estimation methods for the maximum likelihood of data analysis were used in the first three steps of the study. The first step involves each construct's factor loading and reliability using confirmatory factor analysis. In the second step, we established all measures' convergent and discriminant validity. Third, we estimated the effects of CSR on community development using structural equation modeling (Henseler et al., 2009).

#### 3.5.1. Qualitative data analysis

Qualitative data were analyzed using narrative and descriptive analysis of thematic methods, where responses were arranged into preset categories and analyzed according to themes, and quantitative and qualitative data results were triangulated (Figure 2).

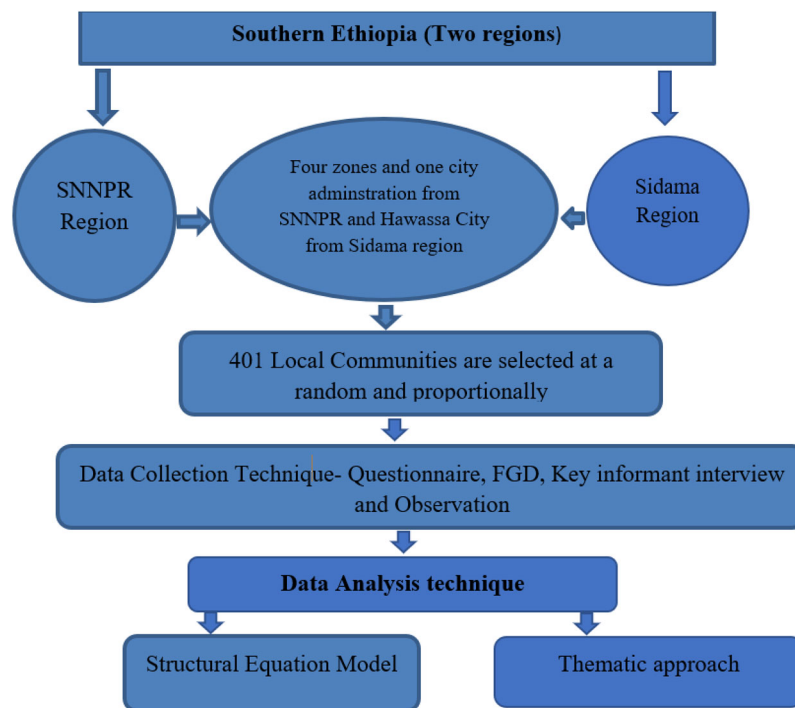
### 3.6. Social benefit of the study

The study is worthwhile and serves as an input for the government, policymakers, and local communities. This demonstrates how industries function and the degree to which they adhere to the obligations imposed by the government. Additionally, it will provide realistic alternatives to minimize the negative impact that industries have on local communities, and it will provide insight for government and policymakers about how companies function and benefit neighborhood communities, which enables them to control and measure the industries.

## 4. Result and discussion

### 4.1. Demographic characteristics of the respondents

Table 2 presents the respondents' demographic characteristics. Of the local community respondents who resided in the selected industries, (293, 73%) were male, and (108, 27%) were female. The most common age group was 40 and above (168, 41.9%), followed by 25–34 (126, 31.9%), 35–39 (66, 16.5%), and 15–24 (39, 9.7%). Respondents' educational level was categorized as degree and above, diploma, secondary education, primary-level education, and no schooling. Among them, (158, 39.4%) and (109, 27.2%) had completed primary and secondary school, respectively. Respondents' longest stay in the community was 16 years or more (338, 84.3%), and the least was less than two years (4, 1%). A total of 397 respondents had lived in the area for more than five years. From this figure, we can infer that the respondents have sufficient knowledge about the companies/manufacturing adverse and good effects on the local community and the extent to which the industries met the duties they promised when



**Figure 2.** Summary of research methodology. *Source:* Authors.

**Table 2.** Demographic characteristics of the respondents.

Variable	Coding	Frequency	Percentage
Gender	Male	293	73
	Female	108	27
Age	15–24	39	9.7
	25–34	128	31.9
	35–39	66	16.5
	40 and above	168	41.9
Marital status	Single	65	16.2
	Married	315	78.6
	Divorced	19	4.7
	Widowed	2	0.5
Education level	No schooling	64	16.0
	Primary	158	39.4
	Secondary	109	27.2
	Diploma	34	8.5
Length of stay in the community	Degree and above	36	9.0
	below four years	25	6.2
	5–10 years	18	4.5
	11–15 years	20	5.0
	16 years above	338	84.3

*Source:* Authors.

they started the firm. Of the total respondents (315, 78.65%) were already married, compared with the lowest rate (2, 0.5%) who were widowed.

These facts suggest that the study sample was fairly typical of the target population, which included people who lived close to manufacturing industries and participated in CSR initiatives in a local community in Southern Ethiopia.

#### 4.2. Confirmatory factor analysis

Confirmatory Factor Analysis is used to assess whether the data contained in each of the five components of corporate social responsibility (CSR) and community development models was a strong fit. Accordingly, from the thirty-nine items of the confirmatory factor analysis, items SA4, SA5, SA8, ECO2, ECO3, ECO7, ENV1, ENV2, ENV3, ENV6, ETH1, ETH2, ETH3, and ETH5 were deleted, while the remaining

**Table 3.** Construct and factor loading.

Constructs	Item	SA	ECO	Component ENV	ETHI	PHI
Social Aspect	SA1	0.881				
	SA2	0.861				
	SA3	0.724				
	SA6	0.761				
	SA7	0.756				
Economic Aspect	ECO1		0.761			
	ECO4		0.804			
	ECO5		0.866			
	ECO6		0.874			
	ECO8		0.844			
Environmental Responsibility	ENV4			0.882		
	ENV5			0.895		
	ENV7			0.723		
	ENV8			0.891		
Ethical Issue	ETH4				0.788	
	ETH6				0.819	
	ETH7				0.782	
Philanthropic	PHI1					0.754
	PHI2					0.864
	PHI3					0.857

Source: Authors.

**Table 4.** Discriminant validity test.

Construct	CSR	Economic Aspect	Environmental Responsibility	Ethical Issue	Philanthropic	Social Aspect
CSR	<b>0.811</b>					
Economic Aspect	0.782	<b>0.831</b>				
Environmental Responsibility	0.631	0.820	<b>0.851</b>			
Ethical Issue	0.757	0.690	0.832	<b>0.769</b>		
Philanthropic	0.675	0.609	0.815	0.760	<b>0.827</b>	
Social Aspect	0.635	0.525	0.610	0.567	0.725	<b>0.799</b>

Source: Authors.

items SA1, SA2, SA3, SA6, SA7, ECO1, ECO4, ECO5, ECO6, ECO8, ENV4, ENV5, ENV7, ENV8, ETH4, ETH6, ETH7, and PHI1, PHI2, and PHI3 were selected. This indicates that the variables had strong correlations with the underlying factor, with factor loadings averaging more than 0.7 (Hair et al., 2014).

There were five items in this regard; however, the findings of the confirmatory factor analysis showed that one of them, CD4, was eliminated after the confirmatory factor analysis was completed. The final four items, CD1, CD2, CD3, and CD5, showed factor loadings greater than 0.70. Accordingly, the four items had factor loadings ranging from greater than 0.70 (Hair et al., 2014). Which suggested that they significantly connected to the factor itself, according to Table 3.

#### 4.3. Validity analysis of all models

The convergent and discriminant validity of the model was examined. The degree of relationship between two measurements of hypotheses that could or might be connected is known as convergent validity. We demonstrated that elements that should not be connected are not connected to evaluate discriminant validity (Table 4).

#### 4.4. Convergent validity and discriminant validity of All models

All models have convergent and discriminant validity tested using three measures: factor loadings, AVE, and composite reliability (CR). Convergence validity is true if  $CR > 0.7$ ,  $AVE > 0.5$ , and  $CR > 0.7$  for any model (Hair et al., 2010). Our model meets the requirements for convergent validity with  $CR > 0.7$ , AVE greater than 0.5, for all constructs, and  $CR > AVE$ . The AVE parameters were used to test discriminant validity according to Hair et al. (2014).

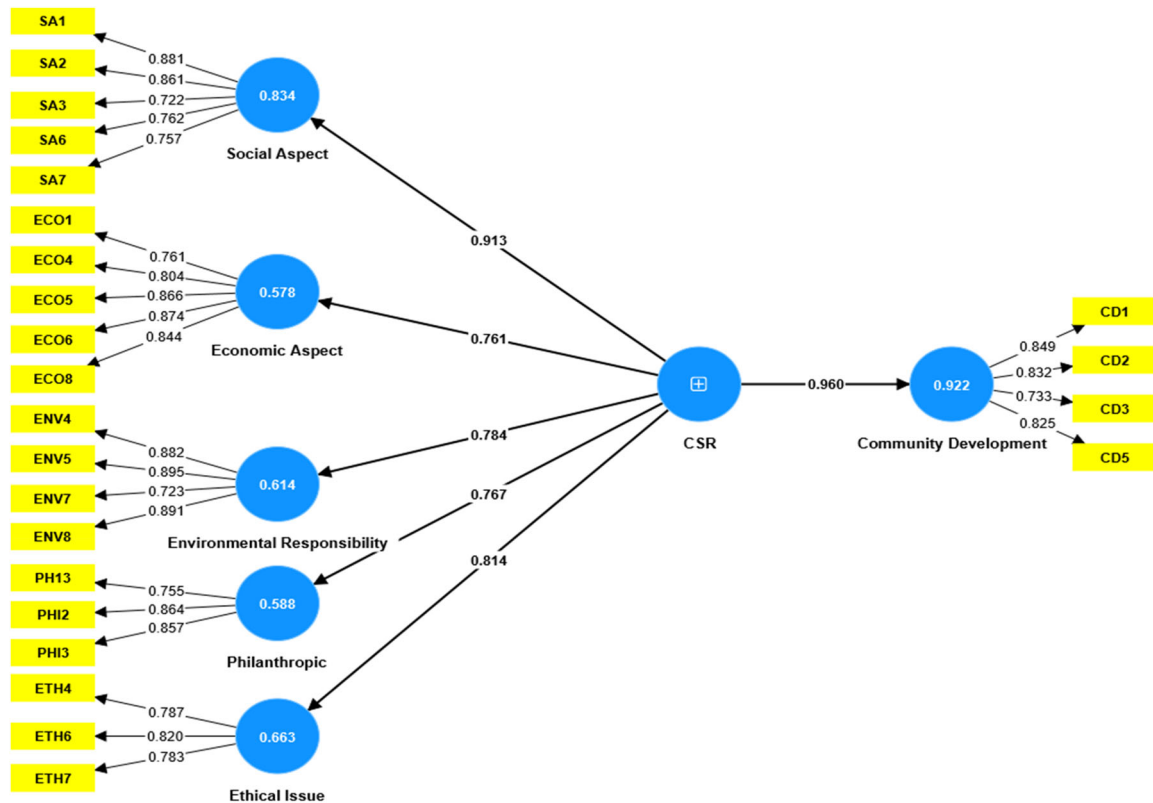
##### 4.4.1. Model fit estimates or measurement model

The study used a structural equation model (SEM) with the partial least squares (PLS) technique and the Smart PLS 4 data analysis tool for model estimation and multivariate analysis. Path models with latent

**Table 5.** Reliability and convergent validity.

Construct	Cronbach's alpha	rho_a	Composite reliability	The average variance extracted (AVE)
CSR	0.867	0.875	0.905	0.656
Community Development	0.825	0.829	0.885	0.658
Economic Aspect	0.887	0.888	0.917	0.690
Environmental Responsibility	0.870	0.871	0.912	0.724
Ethical Issue	0.726	0.743	0.839	0.635
Philanthropic	0.766	0.771	0.866	0.684
Social Aspect	0.857	0.865	0.898	0.638

Source: Authors. Note. AVE average variance extracted and CR composite reliability.

**Figure 3.** Measurement model.

variables were estimated using a multivariate analytic partial least squares structural equation model. First, the model's convergent validity, which considers indicator loading, average variance extracted (AVE), and composite reliability (CR), was examined. The indicator loadings of all items that were more than the suggested value of 0.708, as advised by Hair et al. (2014), are shown in Table 5. Due to low factor loadings, fifteen items (SA4, SA5, SA8, ECO2, ECO3, ECO7, ENV1, ENV2, ENV3, ENV6 and ETH1, ETH2, ETH3, ETH5 and CD4) were eliminated due to low factor loadings results. The CR ranged from 0.839 to 0.905, exceeding the recommended value of 0.70 stated by Hair et al. (2014), while the AVE of all the variables was in the range of 0.535 to 0.724, exceeding the recommended value of 0.70 (Hair et al., 2017).

This part gives the fitness of the total measurement model in Figure 3, based on fit indices produced by fitting a moment structure output from statistical software (Smart PLS). According to Hair et al. (2010), researchers can select two or three indices to evaluate the model's goodness of fit. Our model produced a solid fit for the data in Table 6 below.

The standardized outer loadings should be at least 0.708 higher and the outer loading value should be statistically significant. However, if deletion does not increase the measures above the threshold, it can maintain the reflective indication when the outer loading value is between 0.40 and 0.70. The construction AVE value is inside the advised threshold value (i.e.,  $AVE > 0.5$ ); hence, the researchers in this study decided to keep five reflective indicators (Hair et al., 2014).



**Table 6.** Convergent validity and reliability for outer loading model ( $N = 401$ ).

Construct and indicators	Item	Factor loading	Composite reliability (CR)	Average variance extracted (AVE)
Industries have prioritized the local community resilience in our vicinity	SA1	0.881	0.898	0.638
The manufacturing industries are actively involved in local community projects and activities	SA2	0.861		
The industry is involved in improving social infrastructure and living conditions in the area	SA3	0.724		
The industry provides potable water to the community	SA6	0.761		
The manufacturing industry has provided the community with good roads	SA7	0.756	0.917	0.690
The industry is the main source of employment for the local community	ECO1	0.761		
Industries support the local community (farmers) with provisions of farming supplies (seeds, pesticides, fertilizer, etc.)	ECO4	0.804		
Technologies/skills are transferred from the manufacturing industries to local communities easily	ECO5	0.866		
The industries support the local community through supply chain relationships (backward and forward)	ECO6	0.874	0.912	0.724
The local community living conditions/status/way of life is improved after this industry is established	ECO8	0.844		
Manufacturing industries are working to reduce the risk and vulnerability of local communities	ENV4	0.882		
Industries invest in sanitation/health facilities to avert the industrial spillover effects on the environment/health of local community residents	ENV5	0.895		
The industries in our locality are a threat to the local community development endeavors	ENV7	0.723	0.839	0.635
The industry significantly considered public safety when undertaking business	ENV8	0.891		
The manufacturing industries have conducted environmental effect assessments in consultation with local community members	ETH4	0.788		
The industries have conducted risk identification and developed response strategies before beginning their operation	ETH6	0.819		
The industries are operating according to the ethical /moral values established in the community	ETH7	0.782	0.866	0.684
Industries in our vicinity are actively participating in response of different crisis responses (natural or manmade)	PHI1	0.754		
Industries voluntarily contribute (financial and nonfinancial support) to vulnerable groups of society (children, old aged, women, etc.) section of the society	PHI2	0.864		
Industries contribute to the flourishing of our culture by financing local fine and performing arts	PHI3	0.857		

Source: Authors.

#### 4.4.2 Structural model path analysis

Structural regression models are formed between the latent variables in structural equation models. It consists of a measurement model and a structural model. The measurement and structural models were combined, including measurement errors and the production of more precise findings. In other words, multiple regression and confirmatory factor analyses coexist (Civelek, 2018). An analysis using structural equation modeling showed that six hypotheses were supported (see Table 8). CSR activities have a positive effect on all aspects of community development, including social aspects, economics, environmental responsibility, ethical issues, philanthropic responsibility by industries committed to the community, and CSR practices by industries. Before starting the structural model analysis, collinearity was examined (variance inflation factor (VIF) above 5.00, while the values of tolerance statistic values were greater than 0.20) in the predictor constructs as indicative of collinearity (Hair et al., 2014). The values of VIF and tolerance levels for each indicator are listed in Table 7; therefore, multicollinearity was not a problem for this study, and the relevant p-values were also significant at the 5% significance level. The components of CSR practices by industry significantly affect community development.

In the structural model, the path coefficient represents the hypothesized relationship between the variables (Hair et al., 2017). To determine the statistical significance of the path coefficient, bootstrap

**Table 7.** Testing for multicollinearity assumption.

Constructs	Items/Indicator	VIF	Tolerance (1/VIF)
Social Aspect	SA1	3.012	0.332
	SA2	1.511	0.662
	SA3	3.101	0.322
	SA6	3.003	0.333
	SA7	2.815	0.355
Economic Aspect	ECO1	2.897	0.345
	ECO4	3.129	0.320
	ECO5	2.288	0.437
	ECO6	2.340	0.427
	ECO8	2.867	0.349
Ethical Issue	ENV4	2.872	0.348
	ENV5	3.063	0.326
	ENV7	1.399	0.715
	ENV8	3.005	0.333
Environmental Responsibility	ETH4	1.163	0.860
	ETH6	2.153	0.464
	ETH7	2.092	0.478
Philanthropic	PHI1	1.332	0.751
	PHI2	1.887	0.530
	PHI3	1.843	0.543

Source: Authors.

**Table 8.** Structural model results.

Relationship	Hypothesis	path coefficient ( $\beta$ )	$p$ Value	Result	$f^2$
Social Aspect $\rightarrow$ CSR	H1a	0.761	***	Supported	0.389
Economic Aspect $\rightarrow$ CSR	H1b	0.913	***	Supported	0.678
Ethical Issue $\rightarrow$ CSR	H1c	0.767	***	Supported	0.358
Environmental Responsibility $\rightarrow$ CSR	H1d	0.784	***	Supported	0.465
Philanthropic $\rightarrow$ CSR	H1e	0.814	***	Supported	0.425
CSR Community Development	H2	0.960	***	Supported	0.710

Source: Authors. Note. \*\*Significant at 0.05 level, \*\*\*Significant at 0.001 level.

analysis (resampling = 5000) was utilized to estimate the path coefficients of the structural model. The findings show that economic aspects have a significant positive relationship with CSR practices ( $\beta = 0.761$ ,  $p = 0.000$ ). Therefore,  $H_{1a}$  was supported. The social aspect has a significant positive relationship with CSR practices ( $\beta = 0.913$ ,  $p = 0.000$ ),  $H_{1b}$  is supported, ethical issues have a significant positive relationship with CSR practices ( $\beta = 0.814$ ,  $p = 0.000$ ),  $H_{1c}$  is supported, environmental responsibility has a significant positive relationship with CSR practices ( $\beta = 0.784$ ,  $p = 0.000$ ),  $H_{1d}$  is supported, and philanthropic activities and CSR activities have a significant positive relationship ( $\beta = 0.767$ ,  $p = 0.000$ ),  $H_{1e}$  is supported. A significant positive relationship between CSR practices and community development  $\beta = 0.960$  was found to be significant at  $p = 0.000$ . As a result, hypothesis  $H_2$  was supported: CSR has a significant effect on community development, as shown in [Figure 4](#).

The effect of an independent variable on a dependent variable is known as the direct effect. [Figure 4](#) and [Table 8](#) show the significance of each path coefficient, which was used to calculate the regression coefficient estimate beta,  $p$ -value at 5% significance, and effect size ( $f^2$ ).

This study calculated the effect sizes of various factors (see [Table 8](#)). According to Sullivan and Feinn (2012), both statistical significance ( $p$ -value) and the highest significance should be reported in the results. To compute the effect size ( $f^2$ ), which explains the highest effect of the omitted variable on the endogenous variable, Hair et al. (2014) recommend that changes in  $R$  should be studied when an exogenous variable is omitted from the model. (Sawilowsky, 2009; Selya et al., 2012) provided commonly used standards for effect size, which are 0.02, 0.15, and 0.35 for small, medium, and significant effects, respectively.

According to Akter and Hani (2011), the study used the effect size ( $f^2$ ) for all values, which can be used as a cut-off for the validation of the PLS model, and was estimated using the criteria provided by Wetzels et al. (2009). The effect size ( $f^2$ ) for the study model was higher than the threshold value of 0.35 for the highest effect size of  $R^2$  suggested by Akter and Hani (2011).

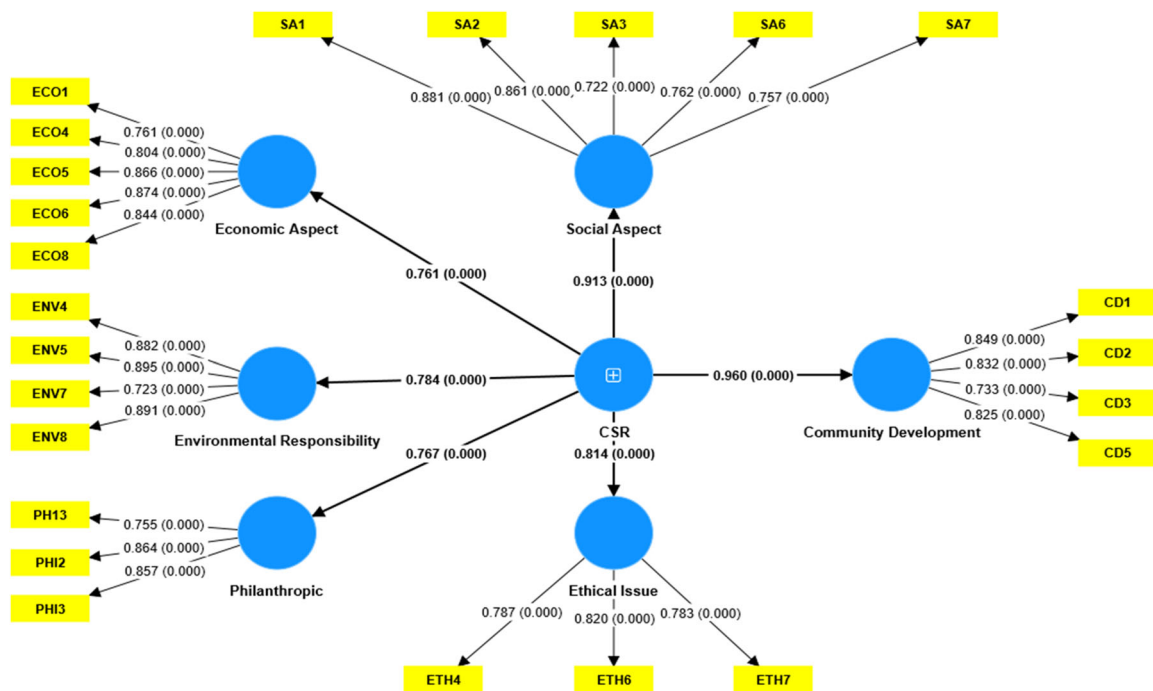


Figure 4. The effect of corporate social responsibility.

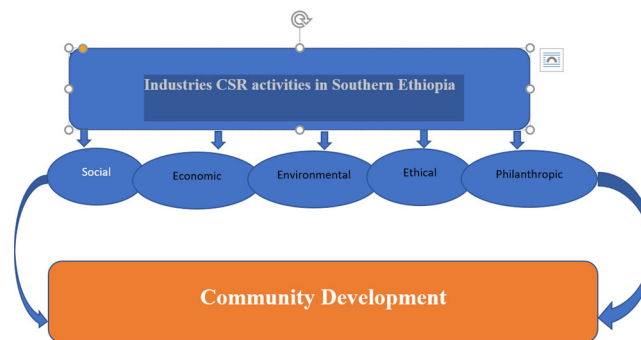


Figure 5. Finding of the study. Source: Authors.

## 5. Discussion

High altitudes of poverty, illiteracy, disease, poor governance, unemployment, corruption, and lack of infrastructure in developing countries lead to underdevelopment. To overcome this problem and enhance community well-being, companies play a vital role in addressing these problems through Corporate Social Responsibility (Figure 5).

### 5.1. Social responsibility and CSR

The results in Table 8 and Figure 4 show the significant or positive relation of the social responsibilities of industries with corporate social responsibility and community development.

Social responsibility of industries and CSR are significant positive relationships indicated in Table 8 ( $H_2$ ,  $\beta$ , 0.913,  $p$  value 0.001), which has been found statistically significant at a 1% significance level. This means that industries fulfill their social responsibilities such as being actively involved in local community projects and activities, building schools for the community, and promoting healthcare delivery to the local community. Industries in Southern Ethiopia actively participate in providing educational material for local community children, building or contributing to school buildings, handing over supporting materials to poor people, and funding to educate and care for autistic children in the community. This

finding is in line with Knudsen (2015), who stated that donating to community education is a way to do good, and demonstrates a corporation's responsibility to the community to improve social living standards by enhancing the quality of education. In addition, industries are participating in health protection activities such as planting trees in hospitals, donating blood, treating elderly people, and covering medical fees. This construction of the CSR contribution to community health care denotes corporations' donating policies to help the community regarding health issues to improve the health condition of community members (Eweje, 2006; Mahmud et al., 2020).

Within this, not all industries are in the same position and fulfill social responsibilities like other companies. The FGD we held with the local community also stressed this point. The local community indicates that even though the industries are promised to promote community well-being by providing clean water, building schools, and constructing roads to interconnect urban and rural areas, this has not yet occurred in our local area. From our observations, we can confirm this fact, and some industries in the study area still need to fulfill the required and promised responsibilities.

### **5.2. Economic responsibility and CSR**

Economic responsibility of industries and CSR, are significant positive relationship indicated in Table 8 (H1,  $\beta$ , 0.761,  $p$  value 0.001), has been found statistically significant at a 1% significance level.

In this context, industries assessed in southern Ethiopia fulfill their economic responsibilities through employment creation in the local community, especially for educated but unemployed youth. This will lead to poverty reduction and improve the well-being of the local community. An interview with the regional investment commission indicated that most regional companies lack integration, which may be helpful in the transfer of technology, a skilled workforce, economic scale-up, and additional job opportunities. According to Youssoufou (2014), a socially responsible business organization must be able to integrate actions into the national economy, and the inter-industry linkage between the group's activities and other sectors of the economy can measure it.

The three primary obligations of the industries are hiring local workers, which ensures the supply of employment opportunities and good working conditions. In our case, industries are producing job opportunities for local communities, but the wages, working conditions, and working environment do not benefit the company's employees.

Even though these industries create employment opportunities for locals, they require job security and a suitable working environment. Low income and long work hours without relaxation impair employees' physical and psychological well-being according to a focus group with industry employees and their families. Consequently, most employees abandon their jobs. Furthermore, corporations that do not provide training and future employment opportunities, as well as employee safety, are not considered. Alemayehu (2017) states that corporations are very careful regarding CSR initiatives involving employee safety, security, benefits, development, and overall well-being.

### **5.3. Ethical responsibility and CSR**

The Researchers hypothesized that CSR would positively affect the ethical issues of industry activity, as shown in Table 8 (H3, 0.767,  $p$  value 0.000). This finding portrays the significant relationship between corporate social responsibility and ethics. According to an interview with the managers of companies in Hawassa City and Gedeo zone, gedeb woreda infers that their companies respect the norms, beliefs, and values of community members, which has helped them to create good relationships with local community members. This result is consistent with the findings of Szczecin (2014). Responsible companies can generate profits by simultaneously developing both in-house and external social relationships.

### **5.4. Environmental responsibility and CSR**

The result expressed in Table 8 (H4,  $\beta$ , 0.784,  $p$  value 0.000) shows that CSR positively and significantly affects the environment. Thus, other things that remain constant, CSR involve environmental conservation and protection. There is a positive correlation between environmental responsibility and corporate

reputation, as pollution reduction enhances confidence and safety for employees, communities, and consumers (Ganescu & Dindire, 2014). According to interviews with the managers of the METAD industry in the Gedeo zone, the coffee processing industry, and the farmers around the site confirmed that the community, through the help of the industry planting trees every year, has a dual advantage for the farms and the environmental rehabilitation. This served as a shelter for growing coffee plants and protected the area from erosion. Companies with both CSR and Environment Management Systems (EMS) will have higher profits than those that have only one of them (Dubravská et al., 2020). In contrast, industries in Hawassa city, such as the ETAB soap factory, pollute the environment, dispose of wastes to the community, and seriously affect the health condition of the local community and cattle in the area (Mamo et al., 2023). This is because the Hawassa city administration's inability to properly implement environmental policies and regulations and take corrective measures has played a significant role in polluting the environment and affecting the community's health.

### **5.5. Philanthropic responsibility and CSR**

Based on the result ( $H_5$ ,  $\beta$ , 0.814,  $p$  value 0.000), indicates the relationship between philanthropy and CSR is statistically significant. This indicates that companies participate in charitable activities to support communities.

In most company sites, the community members around the business organization state that the companies provide them with free services, especially TINAW flower companies, which provide free healthcare services for elders and pregnant women. In most of the surveyed zones, companies cover educational expenses for poor youth. According to interviews with company managers, they help poor and elderly orphan children by providing exercise books, pens, books, and chairs for community schools; sponsoring art and cultural activities; and sponsoring youth for sports events.

### **5.6. CSR and community development**

The Researchers hypothesized that CSR activity would have a significant positive effect on community development; the result in Table 8 ( $H_6 = 0.960$ ,  $p = 0.000$ ) was found to be statistically significant at the 1% significance level. Industries may contribute to sustainable community development by maximizing positive economic, social, environmental, and ethical activities, and increasing philanthropic activities in the local community. This suggests that CSR plays a key role in community development. According to the FGD community members in Welkite and Butajira in the Gurage zone, and Gedeb woreda in the Gedeo zone confirmed that the companies in their community have contributed to their community development in areas such as the construction of tributary roads that link Kebele to Kebele, and bridges that link kebele to Woreda, provision of water supply which help to the day to day activities, supporting the poor people, create employment opportunity and alleviate poverty, planting trees to protect the environment degradation.

### **5.6. Research problem, solutions, and the theoretical contribution of the study**

This study aims to fill the theoretical, empirical, and methodological gaps that have not been addressed in previous studies. The primary objective of this study is to assess the extent of industries' socio-economic, environmental, ethical, and philanthropic responsibility to enhance sustainable community development. This study was based on and supported the stakeholder approach, which claims that corporate organizations have stakeholders in addition to shareholders to whom they own obligations. Business organizations owe corporate accountability to a wide range of stakeholders' interests, including those of their workers, suppliers, consumers, government, investors, community, and the environment. The study found and demonstrated a positive relationship between CSR and community development.

First, companies play a constructive role in the social development of their local communities by actively becoming involved in initiatives and events such as building roads and potable water systems and enhancing the quality of life for residents.

Second, there is a strong and positive correlation between companies' CSR activities and local communities' economies. This indicates that industries are the primary source of employment for local

communities, that certain industries supply agricultural supplies for farmers, and that some industries transfer skills to communities located nearby industries.

Third, the study found that, except for the industries found in the Hawassa city administration, which have harmful effects on the overall health of society, industries invest in sanitation and health facilities to prevent industrial spillover effects on the environment and residents' health.

Fourth, the ethical effects of companies on the neighborhood are positive. Except for some of the industries indicated above, industries operate in accordance with the moral and ethical standards established in the community and have conducted environmental impact assessments in conjunction with local communities.

Finally, industries occasionally play charitable roles in nearby communities. For instance, the observed industries are actively involved in responding to various crises (natural or man-made), voluntarily providing financial and non-financial support to society's most vulnerable groups (children, the elderly, women, etc.), and contributing to youth sports festivals.

In conclusion, industry-wide CSR initiatives support community development for both the local community and general social and economic growth of the nation.

## 6. Policy suggestion

To mitigate the adverse impacts of industries on the environment and society, the government should impose stringent regulations on these sectors and assess existing policies, rules, and regulations concerning industries in relation to their implementation. Merely providing regulatory frameworks does not guarantee success unless appropriate policy instruments and legal enforcement are provided. In addition, the industries carried out their responsibilities, benefited the community, and discussed with them to promote efficient communication and handle issues related to local community development. Additionally, the community needs to support the industry's development agenda and play a constructive role in its development strategy for the community.

## 7. Conclusion

The conclusions of this study, which only examined two Southern Ethiopian regions from the viewpoint of the local population, are generalizable to the area. Additionally, this study excluded industry workers, who need to be investigated.

The structural equation model results show that industries have a positive and significant contribution to community development but not to the expectation level of the community. Some industries' activities have adverse side effects on communities living near the industry. Industries must fulfill their responsibilities to enhance sustainable community development and protect the community from the spillover effect of their business activities. The responsibilities of companies over the communities are social, economic, environmental ethical, and philanthropic.

According to the study's conclusions, industries' CSR positively contributes to the sustainable development of communities. According to our findings, industries play a positive and active role in social, economic, ethical, environmental, and philanthropic endeavors that improve the community's standard of living. However, not all contribute equally to the community's sustainable development. Some industries have adverse impacts on the environment and the local community, which leads to various diseases; the farming areas of the community are affected by the poorly treated water released by the industries, and cattle die as a result of this effect, which incurs unnecessary costs and develops a negative perception of the industry as a result of poor control mechanisms, corrupt officials, and irresponsible activities of companies.

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## Disclosure statement

The authors declare that they have no conflict of interest.

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