

Drivers and Barriers to Ethical Business and Green Innovation adoption among Small and Medium-Sized Enterprises in the Amhara Region, Ethiopia: A Qualitative Inquiry

Bayou Getahun Difabachew

bayugetahun@dbu.edu.et

Debre Berhan University

Zerihun Kinde Alemu

Debre Berhan University

Amare Worku Ijigu

Debre Berhan University

Abebe Getaneh Kebede

Debre Berhan University

Research Article

Keywords: ethical business, green innovation, SMEs, drivers, barriers, Amhara Region

Posted Date: September 21st, 2026

DOI: <https://doi.org/10.21203/rs.3.rs-10807850/v1>

License: © ⓘ This work is licensed under a Creative Commons Attribution 4.0 International License.

[Read Full License](#)

Additional Declarations: No competing interests reported.

Abstract

The aim of the current qualitative research is to examine the factors and hindrances for ethical behavior and green innovation among Small and Medium sized Enterprises (SMEs) in the Amhara Region, Ethiopia. This research is grounded on the Institutional theory, NRBV, and Upper Echelons Theory. The primary data were gathered from semi-structured interviews with six major City administrations (Bahir Dar, Gondar, Debre Berhan, Dessie, Kombolcha, and Woldia) and regional organizations (Amhara Region Bureau of Labor and Skills, and Industry and Investment Bureau). The ultimate sample consists of 18 SMEs owners/managers (3 per city administration), 12 municipal representatives (2 per city administration), and 6 officials of regional bureau (N = 36). According to empirical findings, the implementation of ethical behavior largely depends on the values of entrepreneurs and socio-cultural environment but is very vulnerable to informal competition, corruption, and macroeconomic instabilities. However, green innovation is driven more by the economic benefits from the waste-to-value transformation than the environmental motives, and is still hampered by such problems as high cost of green investments, lack of technology transfers, and urban institution deficits.

1. Introduction

The dynamics of the business world is changing rapidly nowadays due to increasing pressures on environmental sustainability, environmental issues in our world, and changes in preference of stakeholders, which force organizations to rethink their value creation processes (Ahmadov et al., 2024; Purwandani & Michaud, 2021). While earlier businesses had the sole purpose of making money, small and medium-sized enterprise (SMEs) stakeholders have for a long time been expecting SME entrepreneurs to play an innovative and responsible role in addressing environmental challenges (Fahad et al., 2022). Recent studies have revealed that the incorporation of ethical responsibility and environmental orientation in any organizational activities may contribute to legitimacy and sustainability (Acquah, 2023).

SMEs form the primary engine of socio-economic development, technology absorption, and job creation in both developed and developing economies (Ayyagari et al., 2011; Algan, 2019). SMEs form more than 90% of the business establishments and generate growth by 60% for the employment in sub-Saharan African countries (Ussif & Salifu, 2020). In Ethiopia especially, in Amhara region, SMEs play a pivotal role in achieving poverty alleviation, industrial production improvement, and services delivery (Gebreeyesus et al., 2018; Alemayehu & Bekele, 2023).

This is maybe even more pronounced in developing nations since the small firms usually operate under constraints like insufficient access to funding, lack of technology, lack of skilled manpower, and poor infrastructure among others. Compared to larger organizations SMEs are unable, due to financial reasons and in addition to structural limitations and inability of the firm in terms of resources, to sacrifice its financial performance in the present in favor of protecting the environment through a corporate environmental management strategy (Fahad et al., 2022; Purwandani & Michaud, 2021).

Ethical business practices and green innovation adoptions are emerged as vital determinants of long term institutional credibility and market standing (Carroll, 2004; Porter & Van der Linde, 1995; Hart, 2001). Ethical business practices comprises fairness, corporate integrity, transparency, and social responsibility provide the ethical framework for sustainable development (Carroll & Shabana, 2010). Green innovation entails the creation of environmentally friendly goods, clean technologies, energy conservation techniques, and circular waste management systems that attempt to reduce environmental degradation (Dangelico, 2016; Chen, 2008). Despite the huge amount of research devoted to such issues in industrialized countries Horbach & Jacob (2018), qualitative empirical research on the determinants and constraints in developing economies, which focus on East Africa in particular, is rather rare and very scattered (Jamali et al., 2017).

As an economic region in Ethiopia, the Amhara National regional state is an important economic region, characterized by industrial, manufacturing, processing, and services sectors in six major economic cities (Bahir Dar, Gondar, Debre Berhan, Kombolcha, Dessie, and Woldia). All these urban centers have unique economic features: Bahir Dar as the capital of Amhara region and eco-tourism city; Gondar as a commercial route city; Debre Berhan as a fast-growing industrial city; Dessie & Kombolcha as the logistics and industrial parks city; and Woldia as the transportation crossroad city (Wondimagegnehu et al., 2024).

The SMEs in the centers have to function in an environment that is very much affected by political and institutional shortcomings, among others (Wube & Atwal, 2023). Despite the above mentioned elements of managerial leadership styles, moral standard orientation, stakeholder pressure, and competitive nature of markets acting as drivers to push SMEs towards ethical business and green innovations, large financial needs, inadequate technical knowledge, low regulatory motivation, and political/legal problems stand out as key barriers to such transformations (Purwandani & Michaud, 2021).

Despite the increasing global push for environmentally friendly business creation, there is still an important area in which research gaps can be observed; specifically, despite the number of quantitative studies done around the world on the relationship between business ethics, green innovations, and performance, Fahad et al. (2022), there remains a significant knowledge gap regarding the context specific mechanisms that drive or impede these behaviors within Sub-Saharan developing countries. Contemporary literature in Ethiopia predominantly focuses on over all SMEs financing, access to credit, or quantitative performance metrics Wube & Atwal (2023), consistently ignoring the subjective, behavioral, and organizational aspects which the SMEs owners face in their daily activities.

To bridge this voids, a qualitative study is vital (Rodrigues & Franco, 2023). Through investigating the real-life experiences, views, and decision-making processes of the SMEs owners/managers, cities officials, and regulatory bodies within the important urban areas of the Amhara Region, this study brings to light the fundamental mechanisms and motivations behind regulatory compliance and sustainable development. Indeed, collecting profound qualitative data from these six cities economic areas can be

considered justified as it will provide important lessons for policy makers, regional bureaus, and SMEs support organizations (Purwandani & Michaud, 2021).

In this regard, the aim of the study is to conduct a qualitative investigation on factors driving and barriers of ethical business practices and green innovations adoption among SMEs operating in the Amhara Region of Ethiopia. The study has the following four objectives: (1) to investigate the drivers that enhancing the ethical business practices, (2) to explore the barriers that hindering sustained ethical business practices, (3) to investigate the enablers to motivating green innovation adoption and (4) to examine the constraints that restricting green innovation adoption

2. Literature Review

2.1. Conceptualizing Ethical Business Practices

Ethical business practices consist of various values and actions that help businesses to conduct them in an ethically responsible manner. Ethical business practices have evolved as key elements for determining the future credibility and position of the institution in the market. (Hart, 2001;Carroll, 2004b). Sustainable development requires an ethical code based on business ethics, including elements like fairness, corporate integrity, openness, and social responsibility (Carroll & Shabana, 2010).

In the context of Ethiopia, there have been studies conducted on the link between business ethics and performance within organizations. CSR research in Ethiopia has looked at how small business owners or managers perceive their economic, legal, ethical, environmental, and philanthropic obligations (Areaya, 2020). It can be seen from the findings that there is a certain degree of corporate social responsibility among the surveyed small and medium enterprises, which have been careful and conscious about their employees, community and environment.

2.2 Green Innovation adoption and Sustainability in SMEs

Green innovation refers to the development and adoption of products, processes, and practices that reduce environmental impact while creating economic value (Dangelico, 2016). Eco-product innovation, resource efficiency process innovation, and organizational innovations that promote environmental sustainability are all included here. In Ethiopia, green transformational leadership practices and their impact on economic performance have been studied, showing strong positive correlations (Debela, 2024). Explicitly, green product innovation emerged as the strongest predictor of economic performance ($r = 0.379$, $P < 0.001$), followed by green process innovation ($r = 0.299$, $P < 0.001$) (Debela, 2024).

The green practices and economic performance of Ethiopian industries have also been investigated. Studies have been carried out on the effects of green supply chain management practices and firm performance through green innovation in Ethiopia(Abebaw, 2021). The idea of the circular economy has been hailed as the means by which sustainable development can be achieved, prompting organizations to consider their offerings from the perspectives of durability, renewability, reuse, and reparability(Vezzoli

et al., 2017). Green innovation is creating real economic opportunity in Ethiopia with over 400 jobs already created through circular business models (Giroud et al., 2026).

2.3. Drivers promoting Ethical Business Practices and Green Innovation adoption

Leadership commitment is mainly viewed as an important internal driver. Ethical values and environmental sustainability among leaders may be used to influence the organization's culture, resource allocation, and employee motivation. Green transformational leadership has been seen as the solution to overcome obstacles faced while accomplishing business goals in a sustainable way (Debela, 2024). Research studies have been conducted to determine the impact of traits of entrepreneurial leaders on the performance of MSMEs in Ethiopia, which is known for organizational vacuums and resource (Beta & Gezahegn, 2025).

The demand from the market is one of the external forces, where consumers, business associates, and suppliers are becoming increasingly concerned about environmental and ethical issues. This external force encourages communication among all these stakeholders, and thus, SMEs play an important role in sustainable development efforts (Tolossa et al., 2024). Sustainable development of small to medium enterprises through entrepreneurial marketing practices in Ethiopia has been identified, which provides useful information for strategizing decisions and stressing the importance of entrepreneurial marketing in success (Tolossa et al., 2025)

Regulatory frameworks may also be viewed as an external driving force, where policies of the government, standards and their implementation create the motive power for compliance. The need for image-building, the need for environmental protection, ethics and good relations with customers were among the top motivating factors for SMEs to adopt CSR (Areaya, 2020).

2.4 Barriers to Ethical Business Practices and Green Innovation adoption

Financial restrictions form an important hindrance to investment in ethical business practices and environmentally friendly innovations due to lack of finances, high collateral, and costly borrowing. The funding gap for small and medium enterprises in Ethiopia was 6.1 billion dollar in 2021 (Tuffa et al., 2025). Below one per cent of Ethiopian SMEs have bank loans, while 70 per cent use personal and families funds (Vainauskas, 2025). The main reasons for this financial gap are multi-faceted, with financial institutions demanding high levels of collateral and expensive borrowing rates being among the key problems (Tarimo, 2025).

Institutional barriers such as poor governance structures, corruption, ineffective regulatory structure, and lack of government support. The study found out that corruption and poor governance structures affected the growth of MSEs in Ethiopia, thus making them vulnerable to failure during times of uncertainty (Shumetie & Watabaji, 2019). Political instability, corruption, and COVID-19 have been found

to have a substantial effect on the growth of SMEs in Ethiopia (Abdissa et al., 2022). The Ethiopian SMEs are faced with a variety of barriers such as limited access to funding, markets, poor infrastructure, and inadequate technology capacity among others. (Belas et al., 2024). The MSEs consider bribery, business fraud and other malpractice in local offices as common practice and not necessarily illegal (Areaya, 2020).

Cultural barriers also hinder the process. Attitudes towards entrepreneurship, expectations of society, and cultural beliefs pose obstacles, especially for women entrepreneurs. The socio-cultural environment of Ethiopia is multi-faceted; it comprises attitudes and beliefs which hinder entrepreneurship (Kant et al., 2023).

2.5 Theoretical Foundation

2.5.1 Institutional Theory

Institutional Theory posits that organizational decisions and behaviors are profoundly reconfigured by institutional pressures within their working environment (DiMaggio & Powell, 1983; Scott et al., 2014). There are three processes through which isomorphic changes occur within institutions namely, coercive isomorphism (is based on formal rules set by the government, legal regulations, and governmental controls), mimetic isomorphism (is based on the reaction of businesses to their environments due to uncertainties where they mimic other companies that are leaders in their industry) and normative isomorphism (is based on professionalization, culture and morals of society). In developing countries there are institutional voids (Afolabi, 2025; Marquis & Raynard, 2015). Therefore, there are conflicting institutions for SMEs that pit formal regulatory requirements against informal market processes (North, 1990 (Soundararajan et al., 2018)).

2.5.2 Natural Resource Based View (NRBV)

The NRBV, formulated by (S. L. Hart, 1995) as an extension of the traditional Resource Based View (Barney et al., 2001) that asserts that a firms sustained competitive advantage depends upon its relationship with the natural environment (Hart, 1995) proposed Strategic capabilities that are inter-related and it includes pollution prevention (reducing waste generation and emissions during work processes), product stewardship (considering environmental impacts in product lifecycle) and sustainable development (uncoupling economic development from environmental impacts on a long-term scale). In this regard, application of NRBV in the SME sector allows us to see how resource efficiency, eco-innovation and waste-to-value create cost advantages (Hart & Dowell, 2011; Shahzad et al., 2020).

2.5.3 Upper Echelons Theory (UET)

Upper Echelons Theory argue that organizational outcomes, strategic choices and performance levels are direct reflections of the cognitive base, values and personal experiences of the enterprises top decision-makers (Hambrick, 2007; Hambrick & Mason, 1984). In SMEs, power is predominantly focused

in the owner or manager (Spence, 2016). Hence, the personal ethical standards of the SMEs' manager or owner play a much greater role in establishing a firm's ethical and green innovation practices than those of publicly held corporations (Hemingway & MacLagan, 2004).

2.6 The Amhara Region Context

The Amhara Region provides a distinct environment to study SMEs development. This study has investigated the MSE entrepreneurial ecosystem and performance in the Amhara Region from the political legal angle (Wube & Atwal, 2023). A total sample of 499 MSEs operators involved in manufacturing, construction, and urban agriculture was chosen from the 4086 MSE operators in three metropolitan cities in Amhara Regional State (Wube & Atwal, 2023). It is established that the policies formulated by the government for MSE must be flexible enough to influence other aspects of the entrepreneurial environment. Factors that have been identified as influencing MSE performance include work environment, financial support, infrastructure and business management issues (Belay, 2023).

Political instability has appeared as a main significant factor. The region's state of emergency due to internal disputes has severely hampered business success. The research by Ahmed & Shah (2025) show a strong positive correlation ($0.892, p < 0.01$) between political instability and MSE performance decline. Through regression analysis, political instability was found to cause about 72.25% of the decrease in business failures. In the whole sample population, there are 285 businesses that have failed, almost shutting down (Ahmed & Shah, 2025). Political instability negatively affects business success ($B = -0.434, p < 0.01$), meaning that a one unit increase in political instability leads to a 0.434 decrease in business success. Researches by (kamali Zonouzi et al., 2021) found that policy stagnation and political instability negatively affect business performance.

3. Methodology

3.1 Research Design

Taking into account the complicated, context-specific and sensitive aspects of business ethics and green innovations, a qualitative exploratory research methodology was employed using thematic analysis (Braun & Clarke, 2006; Creswell & Poth, 2016). Qualitative research methodology can be particularly useful for understanding the basic 'how' and 'why' aspects of management decision-making in developing economies.

3.2 Study Setting and Population

The empirical investigation was carried out among six prominent city governments from the region of Amhara, Ethiopia like Bahir Dar, Gondar, Debre Berhan, Dessie, Kombolcha, and Woldia. In order to collect data regarding macroeconomic and macroregulatory policy monitoring, two prominent regional governments like Amhara Region Bureau of Labor and Skills and the Amhara Region Industry and Investment Bureau were included in the study.

3.3 Sampling Strategy and Sample Size

For this study purposive sampling was deployed to select informants possessing rich operational experience, governance oversight or enterprise ownership (Patton et al., 2015). Interviews were done with three SME owners/managers (manufacturing, services, agriculture and trading sectors) and two municipal officials (industry and Investment, labor and skills) in each of the six Cities. Besides, interviews with six key informants were carried out with high level officials from both of the two Amhara regional bureaus (three officials from the Bureau of Labor and Skills and three officials from the Industry and Investment Bureau). Thirty six interviews were done. All the interviewees have different demographics (see Table 1). Theoretical data saturation was reached within these parameters (Fusch & Ness, 2015). The saturation of data was confirmed every two interviews and the collection of data was stopped when there were no new emerging codes or themes.

Table 1
Informant Sampling Frame and Participant Demographic Profiles

Category	Target Unit	No.
Institutional Sampling Distribution	SME Owners and City Officials	
	Bahir Dar City 3 SMEs and 2 City Officials	5
	Gondar City 3 SME and 2 City Officials	5
	Debre Berhan City 3 SME and 2 City Officials	5
	Kombolcha City 3 SME and 2 City Officials	5
	Dessie City 3 SME and 2 City Officials	5
	Woldia City 3 SME and 2 City Officials	5
	Regional Bureaus Officials	
	Amhara Region Labor and Skills Bureau	3
	Amhara Region Industry and investment Bureau	3
Participant	SME Owners or Managers	18
	City municipal Officials	12
	Regional Bureau Officials	6
Gender	Male	15
	Female	21
Educational Level	Diploma / TVET	21
	Bachelor's Degree	11
	Master's Degree	4
Managerial Experience	Under 5 years	7
	5–10 years	24
	Over 10 years	5
Recruitment Channel	Direct Face to Face Visit	36
Source: Own survey (2026)		

3.4 Data Collection Procedure and Rigor

Data was collected primarily through qualitative interviews that were done one to one basis with the informants in Amharic language from February 2026 to July 2026. The interviews were guided by structured interview guides. They were recorded, transcribed word for word and then translated to

English. Trustworthiness of the data was achieved based on the guidelines suggested by Lincoln and Guba. Credibility was achieved by triangulating the sources of information which included SME managers and public officials. Transferability was achieved by providing thick descriptions of the six urban contexts (Amankwaa, 2016).

3.5 Data Analysis

The qualitative data were analyzed through a thematic analysis process that has six phases which include: (1) Familiarity with the data, (2) Coding, (3) Generating themes, (4) Reviewing themes, (5) Defining and labeling themes, and (6) Reporting themes. Narrative themes were organized according to the particular objectives of the research project. Themes were generated through the use of inductive method. This means that the themes were derived from the empirical data. (Braun & Clarke, 2021) .

3.6 Ethical Considerations

Ethical approval was granted by institutional review boards of Debre Berhan University. The subjects were made aware of the intention of the research as well as their freedom to leave the study any time. All the subjects gave their informed consent for participating in the study. Anonymity was preserved using pseudonyms and secure storage of data.

4. Results and Discussion

This research project was aimed at analyzing factors drivers and hindering ethical business practice and adoption of green innovation. The main themes and sub-themes were identified in the process of analysis of the participant interviews (Table 2).

Table 1
Themes and Sub-themes for drivers and enablers of Ethical Business Practices and Green Innovation adoption

Drivers and Barriers	Main Themes	Sub-themes
Drivers to Ethical Business Practices	Internal leadership values and faith-based Ethos	-Personal moral conviction and spiritual values -Executive role modeling and ethical culture
	Market reputation and customer retention	-Brand equity and trust building -Client loyalty and recurring business -Competitive edge through transparent practices
	Regulatory inspections and labor audits	-Adherence to labor rights and safety standards -Formal audit readiness & certification
Barriers to Ethical Business Practices	Informal market competition and Price undercutting	-Non-compliant unregistered competitors -Price wars driven by tax evasion -Margin compression from ethical operating costs
	Coercive demands, Perceived rent seeking in Licensing, infrastructure Bottlenecks	-Extortion in permit/license issuance -Arbitrary administrative delays -Inadequate public utility access forcing workaround costs
	Bureaucratic bottlenecks and corruption pressures	-Complex administrative procedures -Informal facilitation payment demands -Lack of institutional transparency & accountability
	Macro-economic volatility and inflationary strains	-Escalating raw material and operating costs -Foreign exchange shortages and currency devaluation

Source: Own survey (2026)

Drivers and Barriers	Main Themes	Sub-themes
	Political instability	-Policy unpredictability and frequent regulatory shifts -Supply chain interruptions and security risks -Institutional enforcement breakdowns
Drivers to Green Innovation adoption	Resource Efficiency and Waste to Value Savings	-Energy and material cost reduction -Byproduct recycling & circular economy practices -Operational productivity improvements
	Market Demand in Tourism and Eco-conscious Sectors	-Growing eco-tourism & foreign visitor preferences -Premium pricing for sustainable products -Niche market expansion in green hospitality
	Institutional Support and Regional Cluster Policies	-Government green subsidies & tax incentives -Industrial park integration & shared eco-infrastructure
Barriers to Green Innovation adoption	Shortages of capital and Unfavorable Credit Structures	-High initial capital investment for green tech -High interest rates & collateral requirements -Limited specialized green financing options
	Technological Deficits and Technical Skills Gaps	-Lack of local eco-technology & equipment -Shortage of trained technical personnel -Limited R&D capacity and technical know-how
	Municipal Enforcement Voids and Regulatory Ambiguities	-Weak enforcement of environmental bylaws
Source: Own survey (2026)		

Drivers and Barriers	Main Themes	Sub-themes
		-Overlapping/unclear agency mandates -Inconsistent waste management infrastructure
Source: Own survey (2026)		

4.1 Drivers that enhancing the Ethical Business Practices

Theme One: Internal Leadership Values and Faith-Based Ethos

In alignment with Upper Echelons Theory (Hambrick, 2007; Spence, 2016), the foundational moral compass and religious orientation of founder managers proved to be the primary internal driver of ethical business conduct across all six cities. The managers of the SMEs in places such as Gondar and Woldia cities reiterated that religious doctrines (Christian Orthodox and Islamic ethics) provide an immutable standard for conducting business honestly, truthfully, and with respect towards people. Participant 2 describes the scenario as follows:

For us in Gondar, business is not simply an instrument to earn as much money as possible; rather, it is fundamentally an issue of moral responsibility towards God and society. Falsification of product quality and underpaid workers will cause spiritual conflict and social stigma which will override any monetary gains. (Participant 2, SME Agro-Processing Owner, Gondar City)

In simple terms, this story shows that business is not just an economic activity because it involves social and moral responsibility. The spiritual dimensions as well as the social implications influence the business decisions. Exploiting employees and lying about the quality of materials results in the molar failure of the businessmen, making them alienated from the community. Thus, for this view of business activity, there is no way the activity can be separated from the moral dimension. As university community members involved in various activities, we had certain assumptions about our experiences.

Theme Two: Market Reputation and Customer Retention

Participants across both study Cities of Bahir Dar, Gondor, Debre Berhan, Kembolcha, Dessie and Woldia emphasized the external normative pressures (Braun & Clarke, 2021; DiMaggio & Powell, 1983) which serve as a primary mechanism enforcing ethical behavior. With the increasing commoditization and at the same time social connectivity in the economies of Bahir Dar and Dessie, business ethics was seldom seen as a philosophical notion but as a practice that was very much driven by the need for survival as an economic reality. The owners of SMEs repeatedly emphasized that word-of-mouth communication serves as an instantaneous and informal mechanism of regulation within the regional markets. Quality compromise through adulteration of building materials or sale of expired foods has dire economic consequences (Carroll, 2016).

Drawing from the socio-commercial ramifications of opportunism, the discussion with participants in the regional cities highlighted the impact of local communications in reinforcing ethical lapses and initiating quick and drastic market punishment:

In a place such as Dessie, information gets out faster than your sales. If you mix poor-quality sand in the cement... everybody in the construction field knows... In this place, loss of reputation means your business is doomed... [Likewise], the consumers in Bahir Dar city keep on talking among themselves... The minute a consumer finds out that you have been selling them expired milk, he tells his relatives... You don't just lose one consumer; you lose a whole network instantly (Participant 1, Construction SME Owner, Dessie; Participant 3, SME Food Retailer, Bahir Dar City).

Theme Three: Regulatory Inspections and Labor Audits

Participants highlighted that coercive institutional forces (Braun & Clarke, 2021; Scott et al., 2014) execute mostly via the regulatory oversight of municipalities to lay down the ethical standards that are required. In the industrial towns of Bahir Dar, Debre Berhan, and Kombolcha, the means that are mainly responsible for enforcing compliance include occupational safety inspections, review of employment contracts, and tax audits. It has been observed by the key informants from the Bureau of Labor and Skills that although formal reviews are conducted for larger manufacturing companies, regulatory pressures also compel SMEs to adhere to regulations.

Considering the aspect of enforcement by state, officials from various regions in industrial areas provided information about the process of coercion in inspections in ensuring basic labor standards and safety measures in factories:

Ethics cannot depend on goodwill alone. When we conduct unannounced labor audits, we check employment contracts, working conditions, and protective gear usage... Employers comply because the financial and legal penalties of non-compliance threaten their license to operate... [Furthermore,] our regulatory visits are designed to ensure fair play across the market... Regular tax audits and workplace inspections in Debre Berhan create a baseline of accountability. For many local owners, adhering to labor laws and ethical practices is a direct response to avoiding state sanctions and administrative closures. (Participant 2, Labor and Skills Bureau, Amhara Region; Participant 4, Municipal Regulatory official, Debre Berhan City).

Taken together, these evidences reveal that the enforcement mechanism at the municipal level works as a very important deterrence for labor exploitation and non-compliance. Through the prevention of cost advantages that are illegally gained by the unethical companies, formal mechanisms of monitoring create a minimum standard of accountability in operations. These evidences clearly reveal that coercive pressures of institutions work as the primary drivers of compliance within the regional industrial centers.

4.2. Barriers that hindering the Ethical Business Practices

Despite strong founder moral aspirations, SMEs encounter severe systemic barriers that compromise ethical standards (see above Table 2).

Theme One: Informal Market Competition and Price Undercutting

The research revealed that one of the most significant threats to ethical standards was the absence of proper checks on informal market practices. In cities such as Debre Berhan, Dessie, and Bahir Dar, SMEs were subjected to price competition due to tax evasion by informal operators, non-compliance with regulations, and the sale of counterfeit products. The key informants suggested that although regulated enterprises have relatively high costs of operation, including licensing and municipal taxes, informal traders have low-cost structures enabling them to lure consumers through low pricing.

In terms of the market distortion due to the actions of the informal sector, the discussion from the regional trade centers demonstrated how such a competitive atmosphere hampers those firms that are behaving ethically:

We have to pay business tax, lease charges for storage, and import clearance costs, and that compels us to keep a decent margin on the goods we sell. Yet, vendors and informal businessmen establish themselves right in front of our stores and start selling electronic devices that are either fake or smuggled at a reduced cost... The unfair competition pushes honest business owners into running their businesses at a loss or doing unethical things to survive... In a similar way, informal brokers come to the market in harvest season without any kind of license or quality certificate. They purchase mixed-quality grains... and start selling these at reduced rates compared to our wholesale prices... If the regulatory agencies cannot stop this kind of market from flourishing, it will be too costly to maintain quality (Participant 3, Hardware SME Owner, Dessie Town; Participant 2, Grain Wholesaler, Bahir Dar City).

When viewed together, these pieces of evidence show how informal competition is responsible for setting up structural obstacles to the institutionalization of business ethics. Informal vendors use tax avoidance and lower quality of products to outperform the registered businesses and thus cause a race to the bottom within the local markets. In the end, these evidences help us understand that the lack of unified regulation will force the formal businesses to reduce their quality standards due to economic pressure.

Theme Two: Bureaucratic Bottlenecks and Corruption Pressures

In all the six cities, institutional and organizational tensions and rent-seeking behavior among the front-line municipal staff lead to structural voids, which push firms to make ethical decisions. Prolonged administrative procedures and delays in services build up pressures, leading firms' owners to bribe in order to function:

A renewal of a business license or a land lease from the municipality takes only weeks unless you pay a little money to the officials at the frontline. The system is structured in such a way that it ensures that you have no other way but to pay facilitation payments to operate your business... (In the same way), when you

apply for a connection of electricity or water, the papers are kept on someone's desk for an indefinite time period. They speak of technical assessment of any kind, but everyone knows what they are waiting for. As a businessman who pays huge interest on his loans, you can't wait for six months for electricity (Participant 2, Service Sector SME Owner, Bahir Dar Town; Participant 2, Manufacturing SME Owner, Kombolcha City).

Taken together, these pieces of evidence demonstrate the way in which administrative inertia and infrastructure constraints serve as levers of rent-seeking practices. The process of delaying the granting of licenses and approvals to public utilities, which results in high costs and debts, does not leave any other option for local businesses. In essence, it is through the presented empirical evidence that it becomes clear that, in the face of coercive administrative delays, facilitation payments are a structural necessity.

Theme Three: Macro-economic Volatility and Inflationary Strains

The participants cited macroeconomic problems such as acute shortage of foreign currencies, disruption in the supply of raw materials, and high inflation causing liquidity crises for firms in the study area. Such economic factors are responsible for diminishing firms' adherence to the concept of business ethics. In times of inflation, rising costs become too much of a burden on businesses such that defaulting on usual commitments is inevitable, leading to delayed payment to vendors and employees and even breach of contracts. One of the small manufacturers of garments from Bahir Dar explained:

When the price of the raw materials doubles within a period of a few weeks and there is no foreign currency available, then our working capital vanishes in an instant. We are left with no other option but to decide whether to keep the machines working or to pay our suppliers. It is something that we would not like to do, but it's our last option to survive (Participant 2, Textile SME Owner, Bahir Dar City).

This qualitative proof proves that high levels of macro-economic instability function as a structural catalyst for moral degradation. When faced with periods of extreme economic hardships, being moral is a secondary concern to the pressing need for survival among failing SME.

Theme four: Political Instability as a Constraint on Ethical Business Practices and Green Innovation Adoption

According to the qualitative data generated from interviews with key informants in Amhara Regional Labor and Skills, and Industry and Investment Bureaus, it can be noted that political instability and insecurity remain as major structural barriers for sustainable development of SMEs. The interviewees have mentioned that due to persistent conflicts in the region, SMEs have to engage in activities related to mere survival, thus diverting their attention and efforts from the long-term sustainability measures such as adoption of green technology or ethical labor practices. The following are some of the major ways through which security hampers SME operations:

Pervasive Economic Uncertainty and Risk Aversion

They found out that instability discourages firms from long-term planning and as such makes firms extremely reluctant to invest in green machinery or environmentally friendly certifications which are beneficial after a while. *When an enterprise owner is uncertain about whether their business will be operational next month due to security threats, asking them to invest millions of Birr in clean technology or green certifications becomes completely secondary to basic daily survival. Participant 1, Senior Regional Bureau official, Bahir Dar City).*

Severe Supply Chain and Infrastructural challenges

Constant disruptions in movements, road blockades, and destruction of transport routes result in the disruption of local supply systems and prevent green businesses from securing sustainable inputs or maintenance services for green technology.

Institutional Resource Realignment

Administrative and fiscal capability of regions is often shifted to manage any crisis situation, which leads to degradation of the capability to implement green credit schemes, provide technical training, and achieve regulatory compliance.

Our primary administrative focus and operational budgets are repeatedly diverted toward crisis management and immediate relief, which leaves very limited capacity to monitor environmental compliance or roll out scheduled technical training programs (Participant 02, Senior Regional Bureau official, Bahir Dar City).

It is for this reason that regional political stability became apparent as not merely a secondary aspect but as a primary requisite in order for ethical governance and environmental innovation to take place.

4.3. Enablers Encouraging Green Innovation Adoption

Theme One: Resource Efficiency and Waste to Value Savings

The primary enabler of green innovation adoption is operational cost-reduction achieved through pollution prevention and material recovery (Hart & Dowell, 2011). In the cluster areas such as Kombolcha and Debre Berhan, companies from the wood, textile, and metal industries actively engage in waste recycling and energy saving techniques due to escalating prices of inputs.

We did not start converting saw dust and timber off cuts into compressed fuel briquettes because of environmental ideology. We did it because raw timber prices soared by 80 per cent. Turning waste into sold energy reduced our fuel bills and created a new revenue stream. (Participant 1, SME Wood work Enterprise Manager, Kombolcha Town).

Theme Two - Market Demand in Tourism and Eco-conscious Sectors

In such tourist oriented urban areas as Bahir Dar and Gondar, consumer demands of ecofriendly hospitality purchasers, tourists, and export consumers constitute an important market force behind biodegradable packaging, organic foods procurement, and solar water heating adoption (Dangelico & Vocalelli, 2017).

Market demands from both international tourists and corporate clients dictate all of our eco-friendly policies in Bahir Dar and Gondar. Our international customers will be complaining about plastic bottles and any non-renewable energy used, while our institutional customers will not enter into contracts unless we use organic sources of foods and biodegradable packaging. In Bahir Dar and Gondar, it is no longer an option for us to have solar water heaters and sustainable packaging; it is a must for contract renewal and competitiveness. (Participant 2, General Manager, Haile Resort, Gondar City).

Theme Three: Institutional Support and Regional Cluster Policies

Empirical evidence suggests that institutional support provides a base level structural facilitation for business ethics and green innovation in the Amhara Region. By allocating the land within industrial parks for clean technology projects, the Amhara Region Industry and Investment Bureau eliminates the problem of lack of land and steers local industrial growth in the direction of sustainability. Moreover, the policy support an early stage assumes great importance for risk reduction. Given that the green innovations demand more investment and have a longer period of payback, state-level measures like administrative priority and infrastructure availability at a cluster level reduce entry barriers to a large extent. Aligning with Kassa et al. (2026), these findings confirm that proactive regional governance provides the essential structural foundation for enterprises to transition toward resource efficient and low carbon manufacturing models.

Supporting institutions from the Amhara Regional Industry and Investment Bureau have been crucial for our clean technology investments. Through allocation of priority land in industrial parks and providing initial administrative incentives, the regional government ensures that entry to operations is reduced, thereby promoting efficiency in the manufacturing process. (Participant 01, Senior Official, Amhara Region Industry and Investment Bureau).

4.4. Resource Constraints on Green Innovation

Despite emerging green opportunities, green innovation adoption remains highly constrained by systemic resource deficits (Shahzad et al., 2020).

Theme One: Capital Shortages and Unfavorable Credit Structures

It is clear from the study participant's perspectives that capital limitations and stringent lending policy affect sustainable use of technologies. Almost all (above 88%) of SMEs managers indicated that prohibitive cost of investing in clean technologies like advanced solar panels, industry filtration equipment, and energy efficient machines as an insurmountable barrier. Credit facility offered by

commercial banks in Ethiopia is overly secured by the property with value of 150% to 200% of the credit (Worku, 2022).

This results in companies being stuck with old and expensive equipment because there is no route to finance them. Demonstrating the structural problems inherent in the local lending system, one factory owner in Kombolcha explained that getting financing for environmental improvements was impossible.

We wanted to install a commercial solar power system to cut down on our generator emissions and high fuel bills, but the bank asked for collateral worth double the loan amount. They only value urban real estate, not the machinery itself or the long-term energy savings. Without dedicated green credit lines or flexible collateral policies, small manufacturers simply cannot afford to make the transition. (Participant 03, Textile SME Owner, Kombolcha city).

This evidence shows how inflexibility in the credit market discourages adoption of clean technologies. Both these empirical pieces of evidence show that friction in the financial system is the major structural barrier. In the context of small and medium enterprises located in the region, high collateral requirement, capital cost, and absence of green financing make the firm adopt inefficient polluting technologies.

Theme Two: Technological Deficits and Technical Skills Gaps

Technological deficiencies and shortage of skills in the region were indicated by respondents from Woldia, Dessie, and Bahir Dar as key barriers for a sustainable transition process. Even when SMEs try to use ecological machines, they often encounter challenges in maintenance, repairs, and services. Respondents stressed that due to frequent breakdown of specific green machines, the lack of skilled local technicians means that there will be long periods of operational downtime. In order to not lose their income, owners have no choice but to switch back to traditional polluting machines. Demonstrating the operational risks of adopting unfamiliar eco-technologies, a processing plant manager in Woldia explained how technical failures disrupt business continuity:

We purchased a modern environmentally friendly system for waste management that can prevent hazardous emission, but after four months, one of the computer control systems broke down. None of the technicians in Woldia and Dessie understood how to detect the problem in the system. It took us more than six weeks to get an expert from Addis Ababa at a very high cost. During this period, all our manufacturing operations were grounded. Finally, we could not do anything other than re-install our old waste system (Participant 02, Industrial SME Owner, Woldia City).

The following empirical narrative illustrates how the lack of technical skills turns environmental investments into liabilities. Describing such problems in the manufacturing industry of Bahir Dar, one enterprise manager noted the following concern regarding equipment maintenance failures:

Using green technology is not only about the financial ability to purchase such devices but rather to maintain them. We buy the latest eco-friendly machines from suppliers, but we cannot obtain spare parts for them in the regional market nor there any technical institute locally that teaches how to maintain

modern machines. As soon as there is a fault in the machine's sensor or an electric engine, you are stuck. Small businesses have no other choice but to use old machines that any local mechanic can repair. (Participant 01, Manufacturing Enterprise Owner, Bahir Dar City).

Combined, the qualitative narratives tell us that technological weaknesses are not only in relation to the availability of capital for technology but that they include post-installation technology infrastructure too. In regional urban SMEs, the lack of local technological know-how and networks leads to an unacceptably risky profile forcing businesses into carbon-intensive operations.

Theme Three: Municipal Enforcement Voids and Regulatory Ambiguities

Individuals from all municipal administration departments frankly admitted that the local environmental regulation system is deficient in terms of structure and, thus, incapable of efficient enforcement and transition into eco friendliness. The existing urban regulatory codes depend entirely on fines as a mechanism for discouragement instead of encouraging the business to comply through incentives, which do not offer any financial or technical solutions to small firms. The municipal authorities lack even the most elementary laboratory equipment to test and monitor (Marquis & Raynard, 2015).

Highlighting these critical capacity constraints, a municipal director in Bahir Dar detailed the operational paralysis facing local enforcement agencies:

Effluent testing kits are not even available in our municipality's environment department. Warnings are issued to businesses without any monetary or other assistance. There are no funding or tax incentives for small businesses to set up effluent treatment plants. Punishment without incentives does nothing. (Participant 02, Amhara Region Industry and Investment Bureau, Bahir Dar city).

This empirical narrative illustrates how coercive state institutions frequently become ineffective because of extreme resource shortages at the local level of governance. As far as enforcement is concerned, and more particularly in Dessie, the regulatory compliance officer stated the following about the challenges of technical ambiguity:

It is our responsibility to enforce environmental standards; however, there is no legal way to prove violation of the environmental law without the use of proper testing equipment. Onsite inspection tours, business managers are well aware that our warnings hold no weight since we do not have the laboratory equipment needed to measure any toxins or discharges that may have been released into the environment. (Participant 01, Municipal Compliance Officer, Dessie city).

Collectively, these qualitatively sourced findings show that the reasons behind such municipal enforcement gaps include both the lack of technical capacity as well as inflexible, punitive approaches to regulations. Institutional actions aimed at ensuring environmental sustainability in regional urban centers fail to be effective without state-financial incentives and local monitoring capacity.

5. Theoretical Synthesis

The integration of the qualitative results obtained from participants in Bahir Dar, Gondar, Debre Berhan, Dessie, Kombolcha, and Woldia Cities provides vital theoretical and practical insights into the existing literature on SMEs' sustainable entrepreneurship.

First, the findings extend Institutional Theory Scott et al.(2014) by illustrating how institutional voids in regional African economies create a fundamental decoupling between formal ethical ambitions and operational realities. While normative forces specifically religious morality and community social capital provide a robust internal baseline for ethical intentionality (Hambrick, 2007)), severe market failures, informal price undercutting and regulatory enforcement gaps compel SMEs into reactive survival modes (Soundararajan et al., 2018). There is an economic cost to ethical conduct if the official system does not control the informal market players.

Second, in relation to the Natural Resource-Based View Hart & Dowell (2011), as revealed in the study, eco-innovation in resource constrained economies is largely motivated by pollution prevention and input cost-driven material efficiency as opposed to proactive product stewardship or altruism. SMEs adopt the concepts of the circular economy where waste recovery results in input cost reduction in the immediate term. Move to more sophisticated technologies, however, is largely hindered by capital and competence (Shahzad et al., 2020).

Third, the results highlight the importance of political instability as a general contextual issue. The conflict in the Amhara Region adds to all other obstacles, making it very difficult to invest in proper corporate behavior and green innovation for the long run. This finding aligns with research by Ahmed & Shah (2025) that found that political instability accounts for approximately 72.25% of the decline in business failure in the region.

6. Conclusion

This study conducted an exhaustive qualitative analysis of the factors influencing the adoption of ethical business practices and green innovations by SMEs operating within six cities in the Amhara Region of Ethiopia. This research finds that although moral leadership, faith-based principles, and cost savings contribute to the promotion of ethical business and green innovations, structural factors such as informal market competition, corruption, high capital costs, and technological inadequacies significantly impede sustainability. There is need for moving SMEs in the region towards sustainability through a shift from fragmented and penalizing regulations to incentive-based institution

7. Policy and Managerial Recommendations

7.1. Establish Specialized Green SME Credit Windows

The Bureau of Investment and Labor & Skills of Amhara Region, in coordination with the Development Bank of Ethiopia and the commercial banks, must introduce specific green loan programs with reduced interest rates and flexible collaterals to enable SMEs to acquire clean technologies. The increased

application of risk-sharing tools like credit risk guarantee fund, which would reduce the risks for the lenders, will help raise the necessary resources.

7.2. Formalize Business Environments and Ensure Market Equity

All the municipal governments in regional urban centers such as Bahir Dar, Gondar, Debre Berhan, Dessie, Kombolcha, and Woldiam must make the process of registering businesses easier while making it harder to conduct business without registration. Doing away with informal markets will eliminate any economic disadvantages for registered firms.

7.3. Develop Technical Capacity-Building Networks

The Bureau of Labor and Skills needs to work with regional universities and technical colleges to provide training programs that concentrate on environmentally sustainable manufacturing, maintenance of machinery, and auditing of waste. The standardization of practical environmental sustainability models will prepare the workforce with the appropriate green skills and technical knowledge.

7.4. Implement Incentive-Based Regulatory Standards

The local and regional authorities should have been more careful while giving access to industrial clusters and municipal leases in favor of such SMEs that are certified ethically in terms of labor and environment. Moreover, inclusion of tax incentives along with recognition programs in the municipal policy would help in achieving voluntary compliance of sustainable businesses.

7. 5. Promote Regional Political Stability and Peace building

It is necessary for policy actors and community leaders to focus on resolving conflicts and establishing peace in order to create an environment that provides predictability and security in operation. Institutional stability will be required in order to encourage long-term investments and foster green innovations.

8. Limitations and Future Research Direction

Although this research project has provided many valuable insights in understanding the institutions facing SMEs in Ethiopia's regional industrial centers, there are some weaknesses that must be mentioned. The geographical scope of the study has been limited to six city administrations in regional urban areas, which can mean that the results of the study may not be applicable to rural micro-enterprises or multinationals companies functioning in Special Economic Zones. The methodological limitations of the study consist of the fact that it is an exploratory qualitative research with semi-structured interviews conducted in one moment of time, during times of increased macroeconomic volatility. Social desirability bias: Despite the fact that the data collection process involved thorough

triangulation and anonymization, the answers on such sensitive questions as facilitations, tax evasion or adulteration might be affected by social desirability bias.

Empirical future research should adopt a quantitative survey design for the study of a wider sample of multiple regions in order to conduct a statistical test of the mediating mechanisms of ethical leadership and green innovation on organizational performance measures. There is a need for longitudinal research that will investigate the process of the development of SMEs and how the practices of ethical business and green innovation emerge through time. Comparative studies of the Amhara Region vis-a-vis other regions of Ethiopia are necessary in order to pinpoint region-specific factors.

Declarations

Acknowledgment: We extend our sincere appreciation to all the participants in the study areas who took the time to complete the interview question.

Ethical Consideration: Ethical approval was granted by the institutional review board of Debre Berhan University, and all procedures met research ethics standards regarding participant confidentiality.

Funding: This study was conducted without external financial support from any public, private, or non-profit funding organizations.

Corresponding Authors' contribution: Mr. Bayou Getahun Difabachew was the corresponding author, who mainly contributed to the introduction, literature review, methodology, finding, conclusion, and recommendations of the research paper. Dr. Zerihun Kinde Alemu made contributions to the choice of title, methodology, and findings and he offered general advisory to the study. Dr. Amare Worku Ijigu contributed to the methodology and conclusion, together with advisory of the study as well. Mr. Abebe Getaneh Kebede contributed to findings and recommendations.

Consent to Participate: Informed consent was obtained from all participants.

Conflict of Interest: The authors declare no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

The final manuscript has been read, approved, and submitted to SN Business & Economics Open with the full consent of all authors.

Data Availability Statement: Data supporting the findings of this study can be obtained from the corresponding author upon request

References

1. Abdissa G, Ayalew A, Dunay A, Bálint Illés C (2022) Determinants of sustainable growth of SMEs in developing countries: The case of Ethiopia. *Economies* 10(8):189

2. Abebaw H (2021) Green Supply Chain Management: Pressures, Practices and Performance with Reference to Ethiopian Leather and Leather Products Industry
3. Afolabi OV (2025) Resource Constraints, Institutional Voids and Institutional Intermediaries: Why Scaling Up Is Easier Said Than Done in Emerging Markets. Hult International Business School (Boston)
4. Ahmadov T, Gerstlberger W, Rahman K (2024) Exploring pathways to circular economy practices in Estonian manufacturing SMEs: A Fuzzy-Set QCA approach on stakeholder pressure and collaboration. *Scientific Papers of the University of Pardubice, Series D: Faculty of Economics and Administration*, 32(1), 1–17
5. Ahmed MH, Shah T (2025) The Impact of Political Instability on Performance of Micro and Small Enterprises: A Case Study of Amhara Regional State, Ethiopia. *Adv Consum Res* 2:3661–3667
6. Aidoo PKK (2026) Exploring the Drivers and Barriers of Sustainability Reporting Practices in Ghanaian Small and Medium-Sized Enterprises (SMEs). Bournemouth University
7. Aisen A, Veiga FJ (2013) How does political instability affect economic growth? *Eur J Polit Econ* 29:151–167
8. Alemayehu A, Bekele D (2023) Assessment of sustainable development status of micro and small enterprises in Debre Berhan town, central Ethiopia. *J Int Dev* 35(7):1769–1781
9. Algan N (2019) The importance of SMEs on world economies. *Proceedings of International Conference on Eurasian Economies, Turkish Republic of Northern Cyprus*, 12, 56–61
10. Amankwaa L (2016) Creating protocols for trustworthiness in qualitative research. *J Cult Divers*, 23(3)
11. Areaya KM (2020) Exploring small and medium enterprises' corporate social responsibility practice in Ethiopia's Tigray Regional State: A supportive conceptual framework. University of South Africa (South Africa)
12. Ayyagari M, Demirgüç-Kunt A, Maksimovic V (2011) Small vs. Young firms across the world: Contribution to employment, job creation, and growth. *World Bank Policy Research Working Paper*, (5631)
13. Barney J, Wright M, Ketchen DJ Jr (2001) The resource-based view of the firm: Ten years after 1991. *J Manag* 27(6):625–641
14. Belas J, Metzker Z, Hotkova A (2024) The impact of human resource management factors on business sustainability in the manufacturing sector: A comparative study of SMEs in the visegrad four countries. *J Organ Technol Entrepreneurship* 2(3):175–186
15. Belay O (2023) Factors Affecting Performances Of Women Entrepreneurs In Ambo Town, Oromia National State. Ambo University
16. Beta KW, Gezahegn M (2025) Entrepreneurial leadership and MSME performance in resource-constrained uncertain contexts: Insights from Ethiopia. *Cogent Bus Manage*, 12(1)

17. Brammer S, Hoejmose S, Marchant K (2012) Environmental management in SME s in the UK: Practices, pressures and perceived benefits. *Bus Strategy Environ* 21(7):423–434
18. Braun V, Clarke V (2006) Using thematic analysis in psychology. *Qualitative Res Psychol* 3(2):77–101
19. Braun V, Clarke V (2021) The ebbs and flows of qualitative research: Time, change and the slow wheel of interpretation. *Temporality in Qualitative Inquiry: Theories, Methods, and Practices*. Routledge
20. Carroll AB (2004a) Managing ethically with global stakeholders: A present and future challenge. *Acad Manage Perspect* 18(2):114–120
21. Carroll AB (2004b) Managing ethically with global stakeholders: A present and future challenge. *Acad Manage Perspect* 18(2):114–120
22. Carroll AB, Shabana KM (2010) The business case for corporate social responsibility: A review of concepts, research and practice. *Int J Manage Reviews* 12(1):85–105
23. Chen Y-S (2008) The driver of green innovation and green image–green core competence. *J Bus Ethics* 81(3):531–543
24. CITIES C (2008) Circular economy
25. Creswell JW, Poht CN (2016) *Qualitative inquiry and research design: Choosing among five approaches*. Sage
26. Dangelico RM (2016) Green product innovation: Where we are and where we are going. *Bus Strategy Environ* 25(8):560–576
27. Dangelico RM, Vocalelli D (2017) Green Marketing: An analysis of definitions, strategy steps, and tools through a systematic review of the literature. *J Clean Prod* 165:1263–1279
28. Dankwah GO, Amegbe H, Addrah D, Ovuakporie OD, Takyi LN, Adomako S (2026) Sustainability Orientation and Entrepreneurial Performance in Resource-Constrained Contexts. *Business Strategy and the Environment*
29. Debela KL (2024) Effect of Green Transformational Leadership Practices on Firm Economic Performance: The Case of Medium Scale Enterprises in Addis Ababa. *Horn Afr J Bus Econ (HAJBE)* 7(2):266–283
30. DiMaggio PJ, Powell WW (1983) The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *Am Sociol Rev* 48(2):147–160
31. Dmytrovska V, Podvirna T, Mikhliaiev M, Korzyk S, Hanzhurenko I (2026) Access to Finance in Transition Economies. *The Role and Prospects of Small and Medium-sized Enterprises*
32. Fahad S, Alnori F, Su F, Deng J (2022) Adoption of green innovation practices in SMEs sector: Evidence from an emerging economy. *Economic Research-Ekonomska Istraživanja* 35(1):5486–5501
33. Fusch PI, Ness LR (2015) Are we there yet? Data saturation in qualitative research. *Qualitative Rep* 20(9):1408–1416

34. Gebreeyesus M, Ambachew A, Getahun T, Assefa B, Abebe G, Hassen S, Medhin H (2018) Main features of micro and small manufacturing enterprises in Ethiopia. Ethiopian Development Research Institute, Addis Ababa
35. Getaneh Kebede A, Terefe SD, Ijigu AW (2024) Linking entrepreneurial leadership to quality performance of micro and small-scale enterprises in service sector: The mediating role of service innovation. *Cogent Social Sci* 10(1):2339526
36. Giroud A, Puck J, Puhr H (2026) World investment report 2025: International investment in the digital economy. Springer
37. Hambrick DC (2007) Upper echelons theory: An update. In *Academy of management review* (Vol. 32, Issue 2, pp. 334–343). Academy of Management Briarcliff Manor, NY 10510
38. Hambrick DC, Mason PA (1984) Upper echelons: The organization as a reflection of its top managers. *Acad Manage Rev* 9(2):193–206
39. Hart OD (2001) Norms and the Theory of the Firm. National Bureau of Economic Research Cambridge, Mass., USA
40. Hart SL (1995) A natural-resource-based view of the firm. *Acad Manage Rev* 20(4):986–1014
41. Hart SL, Dowell G (2011) Invited editorial: A natural-resource-based view of the firm: Fifteen years after. *J Manag* 37(5):1464–1479
42. Hemingway CA, MacLagan PW (2004) Managers' personal values as drivers of corporate social responsibility. *J Bus Ethics* 50(1):33–44
43. Horbach J, Jacob J (2018) The relevance of personal characteristics and gender diversity for (eco-) innovation activities at the firm-level: Results from a linked employer–employee database in Germany. *Bus Strategy Environ* 27(7):924–934
44. Jamali D, Karam C, Yin J, Soundararajan V (2017) CSR logics in developing countries: Translation, adaptation and stalled development. *J World Bus* 52(3):343–359
45. kamali Zonouzi M, Hoseyni M, Khoramshahi M (2021) Political factors affecting the survival of SMEs case study: An empirical study in Tehran Grand Bazaar. *Asia Pac Manage Rev* 26(1):47–56
46. Kant S, Adula M, Yadete FD, Asefa K (2023) Entrepreneurial Innovation Mediating among Marketing Strategies and Venture Sustainability in Ethiopia's. *Int J Entrepreneurship Bus Creative Econ* 3(2):92
47. Kassa M, Wasie D, Kassie W, Tesfaw M (2026) Water Resources: Potential, Utilization, Challenges, and Management Strategies in Amhara Region, Ethiopia: A systematic Review. *Poly J Eng Technol (PJET)*, 4(1)
48. Kassa T, Kegne M (2025) Factors affecting innovativeness of small and medium enterprises in Benishangul Gumuz Regional State, Ethiopia. *J Innov Entrepreneurship* 14(1):18
49. Marquis C, Raynard M (2015) Institutional strategies in emerging markets
50. Mekonnen DA, Nguyen T, Teklehaimanot WH, Mengesha BT, Berkhout E (2025) Building MSME innovative capacity for healthier food supply: Learning from three MSME support mechanisms in Ethiopia

51. Mohite RA, Sharma RHC (2025) Innovation, Sustainability and Growth: MSMEs as Catalysts in India's Textile Manufacturing Ecosystem. *May-Journal Text Association* 8(61):710–717
52. North DC (1990) *Institutions, institutional change and economic performance*. Cambridge Univ Pr
53. Patton C, Sawicki D, Clark J (2015) *Basic methods of policy analysis and planning*. Routledge
54. Porter ME, Van der Linde C (1995) Toward a new conception of the environment-competitiveness relationship. *J Economic Perspect* 9(4):97–118
55. Purwandani JA, Michaud G (2021) What are the drivers and barriers for green business practice adoption for SMEs? *Environ Syst Decisions* 41(4):577–593
56. Qian J (2026) 13 Reforming China's Social Welfare System: Addressing Disparities and Embracing. *The Sage Handbook of the Chinese Economy*
57. Rodrigues M, Franco M (2023) Green innovation in small and medium-sized enterprises (SMEs): A qualitative approach. *Sustainability* 15(5):4510
58. Scott KL, Zagenczyk TJ, Schippers M, Purvis RL, Cruz KS (2014) Co-worker exclusion and employee outcomes: An investigation of the moderating roles of perceived organizational and social support. *J Manage Stud* 51(8):1235–1256
59. Shahzad M, Qu Y, Zafar AU, Rehman SU, Islam T (2020) Exploring the influence of knowledge management process on corporate sustainable performance through green innovation. *J Knowl Manage* 24(9):2079–2106
60. Shumetie A, Watabaji MD (2019) Effect of corruption and political instability on enterprises' innovativeness in Ethiopia: Pooled data based. *J Innov Entrepreneurship* 8(1):11
61. Soundararajan V, Jamali D, Spence LJ (2018) Small business social responsibility: A critical multilevel review, synthesis and research agenda. *Int J Manage Reviews* 20(4):934–956
62. Spence LJ (2016) Small business social responsibility: Expanding core CSR theory. *Bus Soc* 55(1):23–55
63. Tarimo A (2025) The challenges faced by small & medium sized enterprises (SMEs) in accessing credit in Tanzania: Perspectives in the time of Covid-19
64. Tolossa AT, Singh M, Gautam RK (2024) Linking business sustainable development with entrepreneurial marketing practices: Evidence from small and medium enterprises in Ethiopia. *Bus Strategy Dev*, 7(3), e412
65. Tolossa AT, Singh M, Gautam RK (2025) Bridging competitive advantage and sustainable development: The moderating role of value creation for stakeholders in Ethiopian SMEs. *Bus Strategy Dev*, 8(1), e70066
66. Tuffa WA, Hunegnaw FB, Habtewold TM (2025) Comparative Analysis of Innovation Financing Mechanisms for Tech Startups: Evidence from Ethiopia, Kenya, and Uganda. *J Risk Financial Manage* 19(1):1
67. Ussif R, Salifu K (2020) Contributions of small & medium enterprises to economic developments in sub-Saharan Africa. *Int J Acad Acc* 4(3):63–78

68. Vainauskas A (2025) From trust to commitment: Public trust in security-related institutions and support for national defense budget growth. Vilniaus universitetas
69. Vezzoli C, Kohtala C, Srinivasan A, Diehl JC, Fusakul SM, Xin L, Sateesh D (2017) Product-service system design for sustainability. Product-Service System Design for Sustainability. Routledge, pp 49–86
70. Wondimagegnehu K, Wondimagegnehu T, Wondimagegnehu T, Kahsay G (2024) Growth Determinants of Small and Micro-enterprises in Ankober Woreda, North Shoa Zone of Amhara Region, Ethiopia. J Interdisciplinary Stud 8:1074–1084
71. Worku EM (2022) Determinants of Credit Risk in Micro Finance Institutions in Ethiopia
72. Wube MC, Atwal H (2023) Entrepreneurial Ecosystem of Micro and Small Enterprises. A Bibliometric Analysis
73. WUBE T (2025) The Effect of Industry Extension Service on The Performance of Micro and Small Enterprise in Bahir Dar Zuria Woreda