

Review Article

Corporate Social Responsibility (CSR) in Pakistan

¹Faiza Irum

Independent Researcher

Email: faizairum1@gmail.com
^{*2}Prof Dr. Muhammad Zahid Awan

Director IBA/Dean faculty of Law and
Administrative Sciences, Gomal University, D.I.
Khan

Email: zahidawan@gu.edu.pk;
zahidawan1967@gmail.com
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ABSTRACT

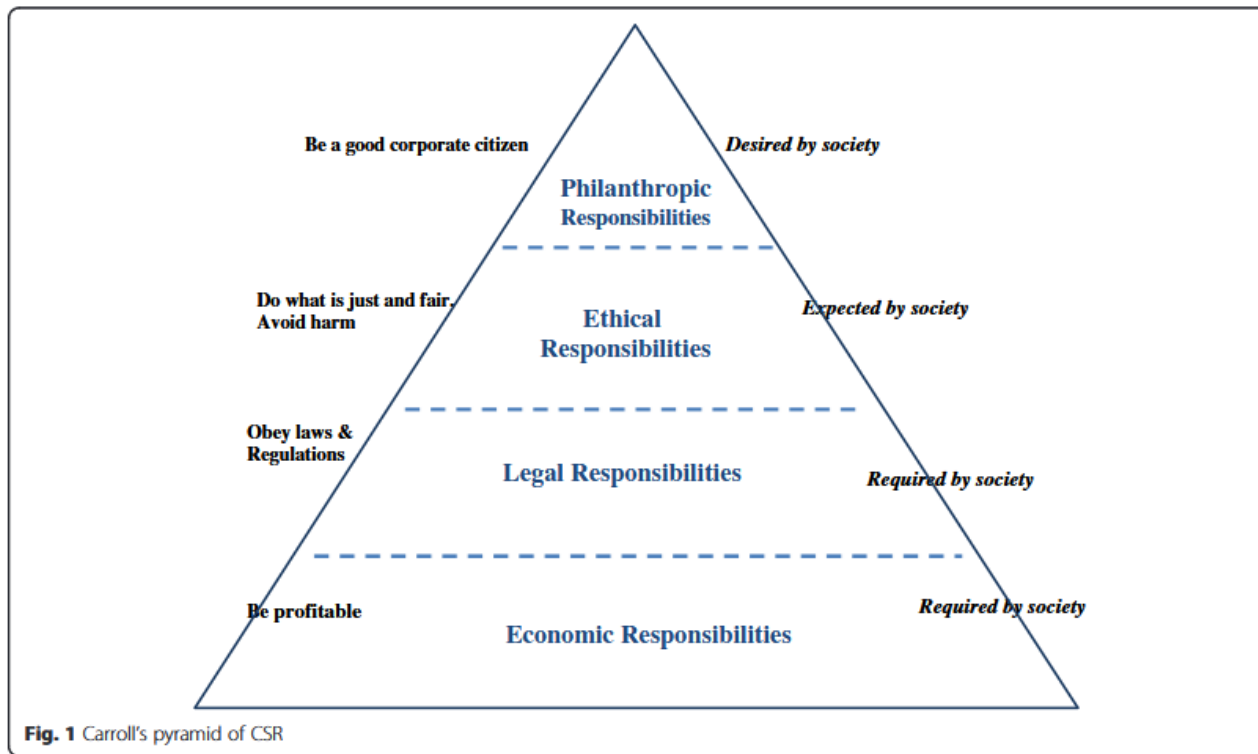
Corporate Social Responsibility (CSR) has emerged as a significant element in global business practices, highlighting a corporation's commitment to sustainable development, ethical practices, and social welfare. In Pakistan, CSR is gaining momentum, driven by growing awareness, regulatory frameworks, and shifting corporate mindsets. This review paper examines the evolution, trends, challenges, and future of CSR in Pakistan, analyzing key studies and practices. It also explores the role of government, the private sector, and civil society in promoting CSR, while identifying areas for improvement and development. PRISMA methods are used to collect the literature from WOS and Scopus databases. Articles, thesis, books published in English and WOS and Scopus were included in the study. CSR has positive impression in attracting the investors in Pakistan. CSR also help firms to attract talented and hard-working employees.

KEYWORDS: Corporate Social Responsibility, Pakistan, Sustainable Development, Business Ethics, Social Welfare, Corporate Governance

1. Introduction

Corporate Social Responsibility (CSR) refers to the voluntary actions taken by companies to integrate social and environmental concerns into their business operations and interactions with stakeholders (Prasad et al. 2019). CSR has gained importance across the globe, driven by the need for businesses to be more accountable for their impact on society and the environment (Fuentes-Garcia et al. 2008). In Pakistan, CSR practices have gradually developed in response to international pressures, local needs, and the growing recognition that businesses should contribute to the welfare of society (Mahmood et al., 2021). CSR is not a new concept for corporations (Yusliza et al., 2019). In recent years corporate behavior towards social expectations and CSR has been changed. The aim of this article is to provide a review of CSR in Pakistan. The origin of CSR can be traced back to ancient Roman law in form of hospitals, old age homes, orphanage. Concept of CSR emerged from firms' commitment to provide benefits to any person who take advantage of firms' social activities (Servaes, & Tamayo 2013). There is hardly census found on the definition of CSR (Carroll & Buchholtz, 2015; Alvarado & Toledo 2017). Carroll (2016) work is recognized globally for CSR. The pyramid with four dimensions got recognition globally. CSR activities of a firm shows how the company deal with its stakeholders. There are four dimensions of CSR by Carroll (1991). Economical, legal, ethical and philanthropy. Immense pressure from stakeholders insisted firms to

add social and environmental elements in their operations. Corporate environmental responsibility (CER) included company policies, and practices such as water management, recycling of byproducts. CSR also help to fight child labor, human rights, social fairness, prevention of pollution.



Carroll extracted four-part definition in 1991 and provide pyramid of CSR. The purpose of pyramid was to provide definition and building blocks of framework. The economic responsibility was placed at the base, to provide support so that the base should be strong. Another aspect is legal responsibility, investors would like to invest in those countries and firms where there is legal framework of CSR is provided. After that, ethical part comes, the business has some obligation and expectation. Do good and less harm to stakeholders. Last step is philanthropy to provide physical, financial and human resources to community which it is a part.

2. Evolution of CSR in Pakistan

CSR in Pakistan has its roots in the early 1990s when multinational corporations (MNCs) began to introduce practices reflecting global CSR trends. However, CSR activities were initially limited to philanthropic efforts like donations to charity, education, and healthcare. The shift from philanthropic CSR to more strategic and sustainable models of CSR began in the 2000s as the concept gained more recognition in Pakistan's corporate world (Muneer et al., 2020).

The role of CSR in Pakistan became more prominent after the introduction of various international frameworks and conventions, such as the UN Global Compact, which encouraged businesses to adopt ethical practices in their operations. The rise of global supply chains and the increasing importance of brand image further pushed local businesses to adopt CSR practices in their operations.

3. Key Drivers of CSR in Pakistan

Several factors have contributed to the rise of CSR practices in Pakistan. Some of the key drivers include:

- 3.1. Globalization:** Global trade practices and multinational companies have had a significant influence on local businesses. Many international brands now demand higher ethical and social standards from their suppliers in Pakistan (Rehman et al., 2017).
- 3.2. Regulatory Changes:** The Securities and Exchange Commission of Pakistan (SECP) and other regulatory bodies have introduced frameworks that encourage CSR, though these are still evolving (Muneer et al., 2020).
- 3.3. Corporate Governance:** As corporate governance practices in Pakistan improve, companies have increasingly integrated CSR into their broader strategy, recognizing that ethical behavior enhances long-term profitability (Niazi & Rashid, 2019).
- 3.4. Public Awareness:** Increasing social consciousness and consumer demand for ethical products and services have pushed businesses to adopt CSR practices. Pakistani consumers are now more aware of issues such as environmental sustainability and workers' rights (Yang et al., 2013).

4. CSR Practices in Pakistan

While CSR in Pakistan remains an emerging concept, various companies have incorporated different approaches. CSR practices can be categorized into several broad areas:

- 4.1. Philanthropy and Charity:** Many Pakistani companies, particularly in the banking and telecommunications sectors, engage in charity-based CSR. This includes donations to hospitals, schools, and relief efforts during natural disasters (Mahmood et al., 2021).
- 4.2. Environmental Sustainability:** Corporations such as Engro Corporation and Nestlé Pakistan have taken significant steps towards environmental sustainability by focusing on waste management, energy conservation, and promoting environmental awareness (Rehman et al., 2017).
- 4.3. Employee Welfare:** Companies such as Unilever Pakistan and Coca-Cola Beverages Pakistan are known for offering welfare programs to employees, including health insurance, career development programs, and work-life balance initiatives.
- 4.4. Community Development:** Companies like the Lucky Cement Company and Fauji Fertilizer Company have invested in local community development, building schools, hospitals, and providing clean drinking water (Muneer et al., 2020).

5. Challenges to CSR in Pakistan

Despite the growing awareness and adoption of CSR practices, several challenges hinder the widespread implementation of CSR in Pakistan:

- 5.1. Lack of Regulatory Frameworks:** Although the SECP has made some strides in integrating CSR into corporate governance, Pakistan still lacks comprehensive laws that mandate CSR activities across industries (Javed & Khan, 2021). Many businesses perceive CSR as a voluntary activity rather than a regulatory requirement.
- 5.2. Lack of Awareness and Education:** Many small and medium-sized enterprises (SMEs) in Pakistan remain unaware of the benefits of CSR. Education and awareness initiatives are still lacking in the corporate sector (Rehman et al., 2017).

5.3.Misalignment of CSR Practices with Local Needs: CSR initiatives often do not align with the most pressing social or environmental needs of local communities. While large corporations focus on global standards, smaller businesses and rural areas may have different social needs that are not adequately addressed (Niazi & Rashid, 2019).

5.4.Transparency and Accountability: There is often a lack of transparency in CSR reporting, which leads to skepticism regarding the actual impact of CSR activities. Some companies may engage in "greenwashing," where CSR efforts are superficial and aimed at improving the company's public image rather than creating real change (Muneer et al., 2020).

6. The Role of Stakeholders in Promoting CSR

The promotion of CSR in Pakistan requires concerted efforts from multiple stakeholders:

6.1.Government: The government plays a pivotal role in encouraging CSR by creating an enabling environment through incentives, regulatory frameworks, and monitoring mechanisms. For example, the SECP introduced the Corporate Social Responsibility Index to evaluate companies' CSR practices (Javed & Khan, 2021).

6.2.Private Sector: The private sector, especially large corporations, has an essential role in setting the example for smaller businesses by adopting comprehensive CSR strategies that focus on sustainability and ethical business practices.

6.3.Civil Society: Civil society, including NGOs, consumer groups, and environmental organizations, can hold companies accountable for their CSR efforts, pressuring businesses to align their operations with social welfare goals.

6.4.Academia: Universities and research institutions in Pakistan can contribute by conducting studies, disseminating knowledge, and educating future leaders on the importance of CSR (Mahmood et al., 2021).

7. Research Methods

PRISMA method was used for this review article. For this review study articles, thesis and books were downloaded from reputed data bases like EBSCO, Web of Science (WOS), and Scopus. This method is one of the authentic and most preferred method by scholars for review articles. Below is the PRISMA picture.

7.1 Inclusion Exclusion of Studies

The studies conducted on CSR were included in the article, moreover, the studies published in English language and published and indexed in reputed databases were included in this study. Those studies published in other than English language, were excluded from this study.

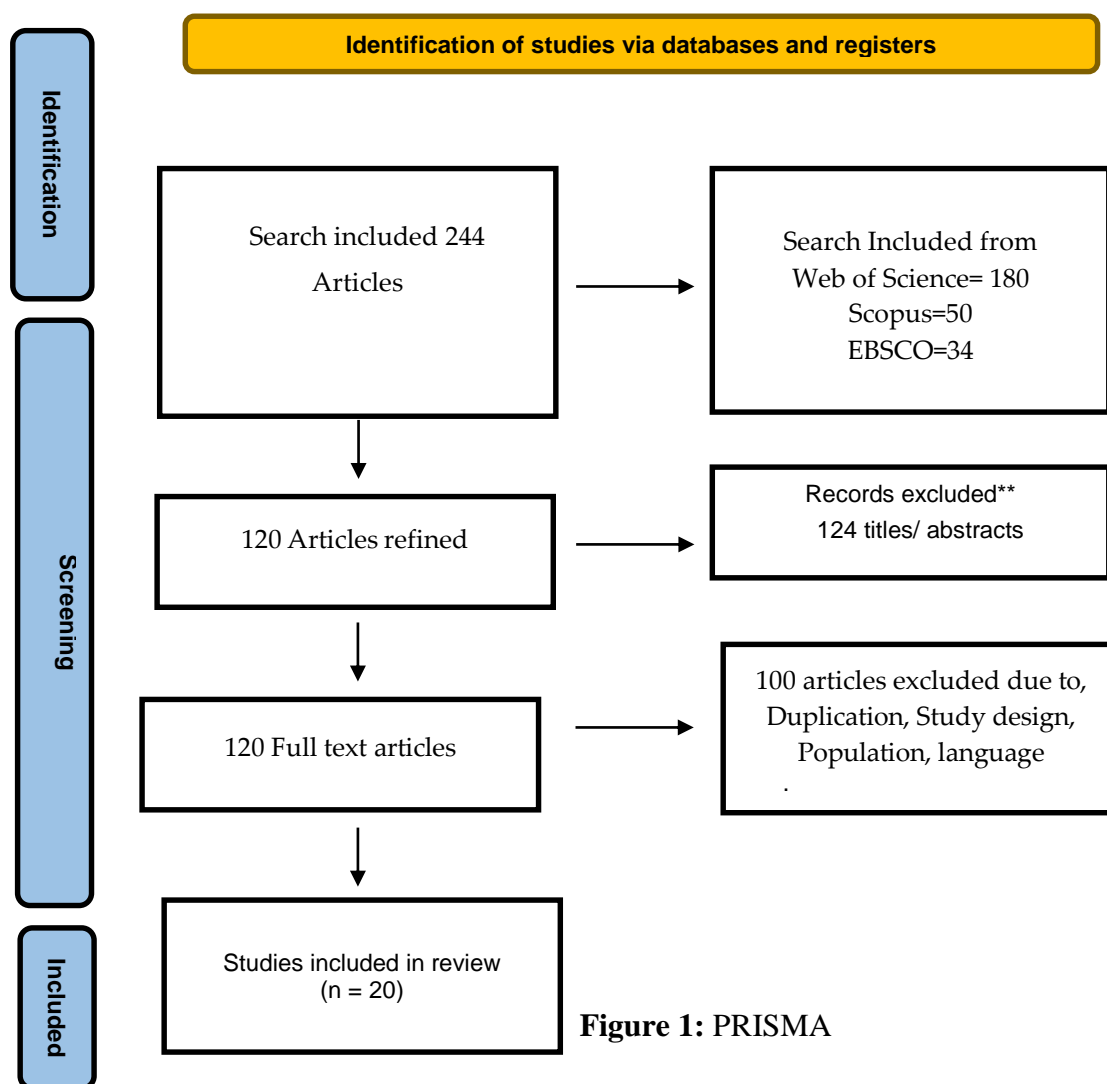


Figure 1: PRISMA

8. Future of CSR in Pakistan

The future of CSR in Pakistan seems promising, although significant work is required to align practices with global standards. The key to expanding CSR in Pakistan lies in:

- 8.1.Stronger Regulatory Frameworks:** The government must enforce CSR regulations more effectively and create financial incentives for businesses to invest in social and environmental initiatives.
- 8.2.Collaboration between Stakeholders:** Collaboration among the government, private sector, and civil society can lead to more impactful CSR initiatives.
- 8.3.Integration of Sustainability into Core Business Strategies:** CSR must be incorporated into the core strategies of businesses, not as a separate or isolated activity. This will ensure that businesses align with long-term sustainable development goals.

9. Conclusion

CSR in Pakistan has made significant strides over the past few decades, driven by both internal and external factors. While large corporations have led the charge, many challenges remain, particularly regarding awareness, regulatory frameworks, and transparency. By leveraging the strengths of various stakeholders, Pakistan can further develop CSR practices that contribute not only to business growth but also to the sustainable development of the country. CSR in Pakistan has positive impact on firm performance (Mughal et al. 2020) While it has negative impact on firm performance in turkey. The reason for negative impact is investors looks at CSR in the financial reports and statements of the firm and consider it as expense on the cost of their profit therefore, investor do not invest in such firms in Turkey which conducts CSR activities. While in Pakistan investor consider it as ethical and invest in such firms which conducts CSR activities.

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