



CORPORATE SOCIAL RESPONSIBILITY: AN ANALYTICAL REVIEW OF INITIATIVES AND PRACTICES IN THE BANKING INDUSTRY OF PAKISTAN (A CASE STUDY OF PRIVATE COMMERCIAL BANKS)

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Abstract

Corporate Social Responsibility (CSR) is a leading business management concern over the globe. In Pakistan CSR, mostly multinational firm engagement is an early stage. Domestic companies due to resource constraints, political changes, cultural tradition, crisis effects, and lack of competition are not paying the required attention. Recently made mandatory for the corporate sector by SECP's directive, the governing body in Pakistan. This study focuses on and presents an analytical review of CSR initiatives taken by the Banking Industry of Pakistan for the period (2010-2014). The banking industry plays a tremendous role in financial transactions, business investment, loan provisions, and many other activities to generate economic growth. Research findings suggest that in Pakistan banks have a perception that CSR is corporate philanthropy aimed at addressing socio-economic development challenges. The present study provides a link between the financial sector and social investment in health, education, development, employment, sports, and the environment.



Key Words: Financial Market, Banks and Institution, Health Education & Welfare, Corporate Cultural Social Responsibility, Welfare Economics

JEL Code: E44, G21, I00, M14, D60

1. INTRODUCTION

Newly emerged concept of Corporate Social Responsibility (CSR) is of great importance and very popular for social and sustainable development. Most importantly include having the proportion of people living in extreme poverty. It is supposed to be an important business concept that emphasizes and adds to economic development, while improving the quality of life of the people and society, as a whole. Today CSR has become an integral part of the codes of corporate governance all over the world. However, great importance is given to CSR for Multi-National Corporations (MNCs) operating in the developing world. CSR over the time is the concept evolved from a mere charity like philanthropy to social investment to help the needy, less privileged population, and its impact is widely recognized and duly acknowledged form that helps in the sustainable development of society. Among various dimensions of CSR one is corporate CSR, a major form that is very popular these days. It is also been defined as its contribution to less privileged employees, to promote social benefits. As per the relevant literature, CSR is a newly emerged concept that ensures business personals to develop and apply self-determined policies to cater the demands of their stakeholders [Alam, (2010)].

CSR is covered by a wide range of terms that include Corporate Social Performance (CSP) Corporate Philanthropy (CP) and Business Ethics (BE) Amba (1993). The most common approach of CSR is philanthropy. This includes donations (monetary) to different organizations/sectors to improve society as a whole, particularly in developing countries by working on these social indicators of the economy. Investing in higher education is akin to investing in the leaders of tomorrow, an investment that would always bring high returns and many benefits in the years to come. Education and healthcare remain neglected in many parts of Pakistan due to insufficient public sector development programs. Public sector spending on education is around 2.14 percent of Gross Domestic Product (GDP), malnourished people accounted 19 percent, while total health expenditure is only 0.4 percent to GDP shown in Pakistan Economic Survey (2013-2014) statistics.

Global Development Agenda also aims in eliminating/reduce poverty with sustainable development by 2015. In a developing country like Pakistan where most of the people are illiterate and live below the poverty line, CSR tries to cater all these issues. Literature reveals that most research has been done in developed countries while very little work done in developing countries on the issue. For most of the developing nations, the concept of CSR is still new. Pakistan is no exception and not much work has been done in Pakistan. According to the RBI (Responsible



Business Initiative) report, prepared for UNDP(United Nations Development and SECP¹ Waheed (2005), India, and Sri Lanka are far ahead of Pakistan in this respect, while CSR in Pakistan is in an infancy stage, just focusing and educating them for this concept. For most of organizations and individuals, CSR remains a new concept. Literature also reveals that CSR practices differ among developed and developing and also across developed and developing countries and covers wide range of governance, ethics and social responsibility [Manakkalathil et al., (1995) Adam(1995), Das, (2012)]. Hence, the Pakistani government has encouraged the corporate sector both public and private sector companies to contribute to CSR activities for the development of the staff to share in the course of poverty eradication. Now global organizations especially UN organizations are promoting CSR practices as a road to competitive advantage and sustainable development. This has forced governments globally to regulate business and develop policies compliant to the current scenario.

The banking sector is one of the key drivers of the recent phenomenal growth in the financial sector of the country. In the developing world, commercial banks are recognized for their vital role in the economy. It is a well-established fact that banks play a major role in promoting economic development and achieving sustainable growth. Banks perceive and practice CSR as corporate philanthropy aimed at addressing socio-economic development challenges, with an emphasis on environmental, social-economical, and human development and sustainability issues. Gonzalez, et al., (2007) is of the view based on their observations that to improve performance and reduce the expected risk some of the banks are in the process of developing their CSR policies and management systems. Social responsibility encompasses the sectors like health, education, employment, income & quality of life and it should be binding on the corporate sector to work on these aspects, which are thought to be primarily social indicators Azim et al. (2011).

The objective of the research paper is to emphasize the strategic importance of CSR for the Pakistani Banking Industry. The study will also analyze and focus on the main directions envisaged by the financial institutions. The aim is also to investigate and highlight the issues of CSR in the banking sector, which witnessed mushroom growth in recent years due to government investment friendly environment. The study also reviews CSR reporting and its extent in the annual reports. The objective of the study is as follows:

- First to analyze and review the scope of CSR initiatives undertaken by private banks of Pakistan,
- Second to identify and compare the contribution under CSR head in different social sectors,
- Third is to analyze the share of CSR as percentage of banks profit.

This study attempts to comprehend and gain insights into the attitudes of the private banking industry towards various aspects of social contribution.

¹ SECP: Securities and Exchange Commission of Pakistan



The rest of the paper is organized as follows: Section 2 presents the review of literature and dimensions of CSR whereas Section 3 gives CSR practice in Pakistani banks while Section 4 provides the details of data and methodology. Final Section 5 presents the conclusion and policy implications.

2. REVIEW OF THE LITERATURE AND DIMENSIONS OF CSR

With the passage of time Global organizations especially UN organizations are promoting CSR practices as a road to competitive advantage and sustainable development. This has forced governments globally to regulate business and develop policies compliant to the current scenario. An important aspect of corporate social responsibility is Sustainable Development. It is broadly defined as the advancement of economic development while maintaining the quality of environmental and social systems. The principles of sustainable development are important in all industrial and commercial sectors, as all activities have the potential to influence social and environmental welfare quality. In a way, financial institutions not only ensure that economic activities are sustainable, but they also help financing these activities to have more sustainable development.

Global CSR trends show that now it has become a mainstream principle. The triple bottom line is an accepted tool and CSR departments are now commonplace in the corporate sector and accepted as an investment and not a cost. Most importantly, academia plays a very important role in developing future business leaders Khursheed (2012). As RBI (Responsible Business Initiatives), study findings reveal there is no CSR department or unit in any institution or university recognized by HEC (Higher Education Commission) in Pakistan. Further, no course is taught anywhere and any faculty member is doing primary research in CSR.

Through the comparative study of CSR in Bangladesh and Pakistan, Author try to find out the sensitivity among those countries regards to Local listed firms and Multinational corporations (MNCs) for sustainable development. There has been remarkable difference observed in between firms and corporations, lack of responsibility and interest with respect to different heads of CSR were found. Four areas were focused like human rights, anticorruption, labour standard and environmental protection in the heads of CSR. Specific shortfall seen by the segments of gender equality, child labour, in anti-corruption, community bases and workers regular representation delivered the loopholes for CSR privilege. Bangladesh and Pakistan are one of those developing countries, where there always been seems existence of lack of human rights, child labour problem, poverty inclusion and illiteracy reflects. Great difference noticed in both countries by their policies and implementation with respect to CSR. Finding shows there is under developed concept found in both countries for CSR. Government support needed to be required with best contribution of NGO and civil society, whilst willingness business sector also necessary for sustainable development Malik et al. (2009).



Carroll (1979) model holds importance discussing the Corporate Social Responsibility. Due to its simplicity, it is one of the most cited in literature Matten (2004). Carroll (1979) in a paper on corporate social performance explained it under four tiers named as economic, legal, ethical and philanthropic responsibilities. Talking about economic means involve in the production of goods that people want and making profit. Legal refers that the economic activity should conform to the laws prevailing in the society. Ethical are hidden in society's norms and cannot be found anywhere written whereas philanthropic is a role of voluntary player. Accordingly, to him it takes a form of the pyramid to which the foundation is economic responsibilities and to reach the height it has to be fulfilled first given in Figure-1. The four tires further explained as:

Economic Responsibility:

Entrepreneurship undergoes a risk to earn profit in exchange of the goods it offers. But sometimes this motive of earning maximum profit gets in the way of being economically responsible. Economic reliability confirms the business responsibility.

Legal Responsibility:

All the firms and entrepreneurs have to operate while satisfying the legal bindings and by staying in compliance with rules and regulations set by the government. So while pursuing economic responsibility and paying off to the community they work within the limits set by the authorities.

Ethical Responsibility:

After legal and economic responsibility is interwoven, the conscientious attitude can be tested or measured under the laws or by only being economically responsible. They should be working under certain ethical codes set by satisfying a minimum set of standards of morals, which is not only being fair, right, and justified but more than it.

Philanthropic Responsibility:

Now the two-way relationship between the one producing and the one who consumes is further exploited to add a third party. Concisely, it includes financial assistance or donation for education, helping the underprivileged masses to alleviate poverty, using and promoting environmentally safe techniques and products, and even investing in infrastructure.



Figure – 1
Carroll's Pyramid of CSR



The model maintains, that, “these, four categories are not mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other. Rather, they are ordered in the Figure only to suggest what might be termed their fundamental role in the evolution of importance”. These provide us with the distributions of various responsibilities that society expects businesses to assume.

Throughout the world, the banking industry plays a tremendous role in financial transactions, business investment, loan provisions, and many other activities that private economic development. The financial sector plays a crucial role for the economic growth of the country Jaffery (2013). Being an important player in the economy the banks should realize the need of including the social sector where they are expected to deliver their jobs satisfactorily. This sector is believed to be capable of setting new development trends. CSR raise the performance of banks' goodwill, social image, business, and emphasizes the social responsibility. As it is commonly understood by the term, CSR that business has an obligation toward society,[Narwal (2007), Jothi(2011)] When it comes to the Banking industry Narwal (2007) adds CSR also known as Community Service Banking to the industry. According to him, the banks were among the first to accept, as part of their corporate philosophy that human and financial resources at their command should mobilized in discharging the social role.

3. CSR PRACTICES IN PAKISTANI BANKS

This vital role of banks in case of CSR activities consider on education, health, disaster management and most importantly welfare of the people. In response, increase the performance of banks especially social responsibility in society. This section reviews the initiatives of banks and CSR activities. History of banking sector reveals the engagement in benevolent activities by



donations to different charitable organizations, community schools and cultural activities. Given the corporate culture in Pakistani Banking Industry, large banks can build the CSR practices effectively. The CSR agenda for the community development as almost all the sample banks consist on; Health, Education Disaster management and Welfare and others in order to give relief for better solution in social crisis and rehabilitation. Pakistan since, 2004 collectively facing disasters, earth quick and flood disasters, that influence the socially, economically, physically and financially and raised the long last devastating impacts on the societies.

The last five years data reveals that the entire banks contributed for the CSR donation under the following heads as given. **Education** has been one of the key to socio economic development for the developing countries and every citizen has this right to achieve. In Pakistan this head have a priority in terms of low literacy rate with less expenditure ratio on that by the Government. Private commercial banks either Large or Medium for CSR expenditure on education, providing a wide area of the amount to the donation for the society regarding the institutes, Universities trust, foundations and association as educational institutes, IBA (Institute of Business Administration), LUMS (Lahore University of Management Science), Army public schools, Citizen foundation and many others for that purpose.

Second head marked for the donations is **Health**. Both Large and Medium banks facilitating in different categories of the disease that are covering (heart, kidney, transplantations of the organs, blood provision, liver and Cancer). Children cancer hospital, SIUT (Sindh Institute of Urology and Transplantation), SKH (Shukat Khanam Hospital), Kiran Hospital, Kidney Centre, Aziz Taba Heart Institute were the main recipients along with Mohammadi Blood Bank, The Indus Hospital, and many others providing their best services as well in form of CSR donations.

Under the third head of **Disaster Management** the contribution of series goes like that, Prime Minister Earthquake Relief Fund for Baluchistan, Chief Minister Punjab Relief fund, Quetta-Bank Club for Earthquake, Construction of houses at flood-affected areas, Chief Minister Fund for IDPs, Chief Minister Fund for North Waziristan. Flood Relief fund.

Welfare Organization, trust and foundation that have the basic aim to provide support either physical protection, financially or provide material well-beings for the deserving people. In that program Government also play a progressive part for poor unemployed persons for their food, cloth, housing and other needs. Following head covers all that segments few of them named that performing their best are, Habib Medical Trust, Pakistan Memon Education & welfare Trust, Patient Aid Foundation, Caravan of Life, IDA Poor Welfare Association, Chippa Welfare Association, Rahmat-Bi-Food and Clothing Trust, Abdul-Sattar-Edhi Foundation one of those.

Others category, consist of mix bag that are paying their services under this head like, Pakistan Centre for Philanthropy, Zehra homes, Rotary Club of Karachi Continental, Bait-Ul-Sukoon for orphans, Child Aid Association, Pakistan Bridge Foundation, Lahore Business Association for



Rehabilitation of the Disable. Public Interest Law Association of Pakistan, Solar pumps for people of Tharparkar, Sindh Club, Youth Impact, Karachi Chamber of Commerce and National Forum for Environment are few of them that making their support yearly through the banks for the contribution of CSR activities.

Few banks, mainly Bank Al-Habib and Habib Metropolitan Bank have created separate Foundations and Trusts for the purpose of social welfare and other benevolent activities that sincerely promote the objectives of CSR. They also participate by giving handsome amounts to some women organizations and shelter homes. It is worth mentioning here that SECP guidelines recommend revealing each donation worth Rs.100, 000 and more in banks annual reports. It is also worth mentioning that amount contributed towards CSR is charged off as expenditure for the corresponding year

SECP, s INITIATIVES FOR THE CSR ACTIVITIES IN PAKISTAN:

With the growing awareness, Pakistan has taken initiative to ensure CSR strategies for the corporate sector. Security and Exchange Commission of Pakistan (SECP) is a governing body for corporate sector and provide the guidelines to the corporate sector. For the purpose, it has instructed all the stakeholders to have transparent and detail CSR expenditure during each financial year. In compliance banks have mention the CSR expenditure details in their annual reports. It further expanded the obligation asking them not to restrict the activities to limited domain, but to broaden the horizon by working beyond corporate philanthropy, community investment and welfare schemes, energy conservation and environmental protection measures, recruitment of handicapped, safety and health programs for under privileged, rural development programs and so on. The SECP has outlined new regulatory framework on financial responsibility and probity.

Under the Federal Law SECP has given 13 areas of CSR activities,² given below;

- i) corporate philanthropy
- ii) energy
- iii) environmental protection measures
- iv) community investment
- v) consumer protection measures
- vi) welfare spending
- vii) industrial relations
- viii) employment
- ix) occupational safety and health
- x) business ethics
- xi) national-cause donations

² The SRO No. 983(1)2009 dated November 16, 2009.



- xii) contribution to national exchequer
- xiii) rural development programs

4. DATA AND METHODOLOGY

The study is based on secondary data taken from the Annual reports of the banks; further information has been collected from Directors and the Electronic media for the years 2010 to 2014, listed with KSE³. Sample banks included in the study are among top ten of the banking sector these are Habib Bank, United Bank, Muslim Commercial Bank, Allied Bank, Bank Al-Habib, Habib Metropolitan, Askari Bank, Bank al Falah, Faysal Bank and Soneri Bank.

These ten banks are divided into two groups:

- a. Private sector Large Banks (former public sector banks)
- b. Private sector Medium Banks (private sector banks)

It is observed that CSR reporting helps in the process of communicating social and ethical norms of the company's actions towards economic well-being of a particular interest group within society. Hence banks have adopted separate reporting of CSR activities along with the amount used under each activity in their Annual Reports after the directives and guidelines given by SECP to the corporate sector during the year 2010. Interesting to note that former public sector banks namely Habib Bank, United Bank, Muslim Commercial Banks and Allied Bank are now private sector giant banks. Hence, we divided the private banks into two categories, four giant banks and six medium banks.

QUALITATIVE ANALYSIS BETWEEN LARGE AND MEDIUM BANKS:

Almost all the Private Banks contributed under the heads of Education, Health and Disaster management sectors. Meanwhile 50 percent banks contribution were made towards welfare organizations of 'others' heads, which also include Rural Development Programs, and Responsible Business Initiatives. Qualitative analysis of Large Banks and Medium private banks showed by the following Table .1(a) and Table.1 (b), that reveals the major CSR activities under the given heads.

³ KSE : Karachi Stock Exchange



Sector wise CSR Activities of Sample Banks

Large Banks

Table-1(a)

BANKS	Education	Health	Disaster	Welfare	Sports	Others
HBL	**	**	*	**	**	**
UBL	**	*	*	*	*	*
MCB	*	*	**	*	0	*
ABL	*	*	*	*	0	*

*** Perform ** High perform 0* No performance**

In large banks, progress wise contribution of Habib Bank Limited (HBL) on CSR expenditure shows the highest amount in all heads except disaster management. Meanwhile United Bank Limited (UBL) owned second in Education. Muslim Commercial Bank (MCB) performing ahead in disaster management whilst Allied Bank Limited (ABL) performing donations on average.

Medium Banks

Table-1(b)

BANKS	Education	Health	Disaster	Welfare	Sports	Others
BAH	*	*	*	**	0	*
HMB	*	**	*	*	*	**
ASB	**	*	*	*	0	0
BALF	**	*	*	*	0	*
FBL	*	0	*	**	0	*
SOB	0	**	**	*	0	*

***Perform ** High perform 0* No performance**

Table.1 (b) shows, Askari Bank and Bank Alfiah paying more responsibility regarding the donation for Education. Category of Health, both Habib Metropolitan Bank (HMB) and Sonneri Bank (SOB) performing highest. SOB also ahead in Disaster management. Moreover Bank Alhabib (BAH) and Faysal Bank Limited (FBL) taking more valuable part in CSR activity to the welfare. In medium banks for the privilege of sports none of the banks contributing except HMB. During the study period, it is observed only UBL and HMB among the sample banks contributed to rural development and RBI (Responsible business initiatives) in the category of others respectively.



Total CSR Expenditure in Large Banks

Table2(a) Rs(000)

BANKS	2010	2011	2012	2013	2014	Total
HBL	395153	253028	251736	284377	381444	1565738
UBL	84092	53368	35136	76990	111705	361291
MCB	15000	83506	31162	25000	40000	194668
ABL	38260	61295	61295	80183	75900	316933
Total	532505	451197	451197	466550	609049	

Source: Annual Reports

Table 2(a) and 2(b) indicate the total contribution of the sample banks during the study period of (2010-2014). Table 2(a) indicates by the large banks. Total contribution under CSR donation during the period accounted Rs532505 in thousand to Rs.609049 thousand in 2010 t-2014. HBL contributed much more than other banks have total expenditure since 2010 as Rs1565738 thousand to 2014. UBL stood second with Rs 361291thousand. HBL among large banks leads in whole group. Total CSR expenditure for 2010 – 2014 to all large banks were noted at Rs 532505 in thousand and Rs 609049 in thousand respectively that have increased by the amount of Rs 76544 in thousand.

Total CSR Expenditures in Medium Banks

Table2(b) Rs.(000)

BANKS	2010	2011	2012	2013	2014	Total
BAH	77373	24650	28750	21750	48800	201323
HMB	35235	33315	33414	35462	44800	182226
ASB	86015	16000	0	2500	6140	110655
BALF	27570	11720	39200	36000	32695	147185
FBL	23436	75106	44606	46458	36998	226604
SOB	2000	8851	100	10550	21378	42879
Total	251629	169642	146070	152720	190811	

Source: Annual Reports



Medium banks performance regards to total CSR expenditure highlighted by the Table. 2(b) FBL contributed highest amount on CSR among the group of shows through the Pie diagram. FBL donating 226604 Rs in thousand and BAH comes second on 201323 Rs in thousand amount donating. Lowest CSR contribution delivered by SOB in all the years among different heads of donations.

SECTORAL PATTERN OF CSR UNDER THE HEADS (EDUCATION, HEALTH, DISASTER MANAGEMENT, WELFARE AND OTHERS):

Sectoral pattern of CSR Expenditure under the head of Education;

Table.3a shows the CSR contribution under the most important head of Education. Highest amount delivered in two continuous years in 2013 and 2014 respectively 136.8% to 242% by all large banks.

CSR Expenditure on Education(Large Banks)

Table-3(a)

BANKS	(In %)				
	2010	2011	2012	2013	2014
HBL	0.90	5.87	1.44	0.64	5.09
UBL	53.98	61.97	61.66	59.56	174.63
MCB	0.00	5.67	0.00	0.00	0.00
ABL	33.40	51.23	57.10	76.57	61.92
Total	88.29	124.74	120.21	136.77	241.64

Total contribution noted 88.29% in 2010 and 241.64% that has increased 153 % percent from 2010 to 2014 which is quite remarkable sign in favor of human capital accumulation through the literacy in the economy. UBL contributed highest amount with 53.98% to 174.63% during 2010 and 2014 respectively where as ABL stood second with 33.40% in 2010 to 61.92% in 2014.

It has observed that UBL contributed 412% for the whole study period to education.



CSR Expenditure on Education (Medium Banks)

Table-3(b)

BANKS	(In %)				
	2010	2011	2012	2013	2014
BAH	33.47	71.40	75.83	18.39	6.76
HMB	31.99	35.28	39.12	54.62	46.86
ASB	18.60	100.00	0.00	0.00	91.86
BALF	42.51	100.00	99.49	100.00	76.46
FBL	42.67	53.26	42.60	38.74	0.00
SOB	0.00	0.00	0.00	0.00	0.00
Total	169.24	359.93	257.03	211.76	221.95

Whereas, medium private banks represent a better trend situation except SOB can be seen in Table.3b. Although ASB bank delivered 100% in 2011 and 91.86% in 2014 but never been consistent in 2012 and 2013, have marked no donation in their Annual report. BALF found more consistent in overall years with 100% contribution in 2011 and 2013 has got highest payer in the head of education. This bank donation recorded for the (2010-2014) around 418% that leads among all banks. Whilst SOB remained as none performer in completely existing periods. It is interesting to note that almost all banks paid the donations to IBA, LUMS, and Citizen Foundation, although historically these banks already involved in philanthropic activities. In some of banks CSR reporting it is mentioned that as part of their agreement with IBA this is the 4th installment to the institute during 2011.

Over all analysis of Table .1a and 1.b shows that Medium banks donating as 1219% under the head of education for all study period is greater than large banks that has 712%.

Sectoral Pattern of CSR expenditure under the head of Health:



CSR Expenditure on Health

Table-4(a)

Large Banks

(In %)

BANKS	2010	2011	2012	2013	2014
HBL	88.45	89.30	0.60	1.86	1.44
UBL	8.16	18.48	14.79	25.26	62.53
MCB	3.33	0.94	16.05	0.00	0.00
ABL	13.07	12.07	13.05	14.34	4.78
Total	113.01	120.78	44.49	41.47	68.76

Due to the vulnerability of flood devastation in 2010- 2011 donation for health affected peoples recovery highly observed, in two years as 113% and 121% respectively. Uniform progress in 2010 and 2011 performed by HBL respectively 88.45% and 89.30%, while the whole year it has given the highest percentage amount 182%. Over the year UBL and ABL contributed the best. Meanwhile MCB delivered none in last two years. All the banks under the head of health contributed 113% in 2010 and found in 2014 with 69%. Increment of 44% noted in large banks donation.

CSR Expenditure on Health

Table-4(b)

Medium Banks

(In %)

BANKS	2010	2011	2012	2013	2014
BAH	59.26	13.89	0.00	0.00	7.17
HMB	14.01	14.23	25.22	12.97	17.86
ASB	0.00	0.00	0.00	0.00	0.00
BALF	3.08	0.00	0.00	0.00	0.00
FBL	0.00	0.00	0.00	0.00	0.00
SOB	0.00	0.00	0.00	94.79	46.78
Total	76.35	28.12	25.22	107.76	71.81

Under the head of health major performer noted for 2010-2014 years were remained by HMB among the whole Medium banks, SOB contribution seen only in last two years. Developing countries always face the basic necessities in terms of education, health and others, dire need for poor people in form of medicine availability and treatment have been observed in major civil



hospitals. Regularity in health sector donation can provides the cure for the deserving society for the rehabilitation. Study compares the donation of 2010 and 2014, total CSR donation declined by 5%. Year 2013 indicates the highest amount percentage deliverance.

Over all findings in both tables highlights that increment in donation under the head of health seen in large banks by 389% for whole years than medium banks 309%.

Sectoral Pattern of CSR expenditure under the head of Disaster Management:

Devastating impacts of flood, earth quick, and disasters influence the developing countries economy and disturb the infrastructure for a long period of time to rehabilitate. Donation of large bank under this head could provide valuable contribution and support through the CSR. In that category MCB is one of those that highly participating with their 100% efforts except the year of 2012. Next one is ABL, that performing as a second donor for the CSR which is highlighted in Table.5a.

CSR Expenditure on Disaster Management

Table-5(a)

BANKS	(In %)				
	2010	2011	2012	2013	2014
HBL	11.10	0.00	0.00	0.00	3.42
UBL	33.47	18.74	0.00	0.00	4.48
MCB	96.67	93.39	0.00	100.00	100.00
ABL	39.21	24.47	83.72	12.47	18.57
Total	180.44	136.60	83.72	112.47	126.47

Total CRS expenditure in 2010 for all the banks represents 180.44% while in 2014 it has 126.47%. Regarding vulnerability 2010 and 2011 shows highest amount for the donation. Highest donation amount for 2013-2014 recorded in annual report as 100% by MCB.



CSR Expenditure on Disaster Management
Table 5-(b)

	(In %)				
BANKS	2010	2011	2012	2013	2014
BAH	32.21	0.00	0.00	0.00	0.00
HMB	28.21	0.00	0.00	0.00	0.00
ASB	0.00	437.59	0.00	0.00	0.00
BALF	54.41	0.00	0.00	0.00	0.00
FBL	7.05	14.29	1.87	0.00	0.00
SOB	100.00	100.00	0.00	0.47	46.78
Total	221.88	551.88	1.87	0.47	46.78

While the ratio of donation through the Medium banks remained low as compared to large banks, it has been observed clearly in Table.5b. Only SOB bank delivered 100% donation for the disasters management in 2010-2011 years and still contributing near half of the percentage amount in 2014 compared to 2010-2011 among all other banks. There is a gap identified by the study that from 2012 to 2014 no performance shown by the banks except SOB bank contribution.

Table 5.a and 5b reveals that contribution of Medium banks is higher with 823% for 2010-2014 as compared to larger banks with 640%.

Sectoral Pattern of CSR expenditure under the head of Welfare;

Welfare, association, and different trust, through the banks under this head contributing CSR expenditure. HBL performance remained highest over the years for the welfare. Gradual contribution noted by the side of HBL and ABL. Moreover 2012-13 accounted for more donation 137% and 122% shows the study in Table 6.a. Welfare organizations, trust, associations and NGO,s have always been the helping hand for the developing economy to the support and sustainability with the Government assistance.

CSR Expenditure on Welfare
Table-6(a)

	(In %)				
BANKS	2010	2011	2012	2013	2014
HBL	0.03	0.53	88.79	92.46	81.77
UBL	0.00	0.00	19.73	26.80	9.88
MCB	0.00	0.00	15.83	0.00	0.00
ABL	10.14	7.99	12.56	2.74	5.01
Total	10.17	8.52	136.92	122.00	96.65



In Medium banks, FBL leads 100% among all the banks in welfare donation for the year 2014. Started with the donation 50.17% in 2010 and reached on top with an increment of 50%. The next one is BAH gradually raised its amount by 10% in each year from 2011 to 2014 in Table

CSR Expenditure on Welfare
Table-6(b)

	(In %)				
BANKS	2010	2011	2012	2013	2014
BAH	4.69	14.71	24.17	39.08	50.20
HMB	13.21	24.25	314.82	43.86	19.64
ASB	0.00	0.00	0.00	0.00	8.14
BALF	0.00	0.00	0.51	0.00	0.00
FBL	50.17	32.45	55.53	61.26	100.00
SOB	0.00	0.00	100.00	0.00	0.00
Total	68.07	71.41	495.03	144.19	177.99

Over the analysis for Table 6a and 6b for the year 2010-2014, indicates that again medium bank goes a step ahead with 957% regarding welfare head considered the highest donation with the comparison of large banks that is just only 374.2%.

Sectoral Pattern of CSR expenditure under the head of Others:

The last head in CSR donation is other that also includes (Responsible Business Initiatives, Rural Development Programme). As it is difficult to name each and every CSR activity of the banks, hence all such activities are combined under the head 'others'. ABL leads on top of others with a percentage of 21.54 in 2014 from 4.18 percent in 2010 with a 17.36% increase in donation amount. HBL remained on near about 6% given in Table 7(a).

CSR Expenditure on Others
Table.7(a)

Large
banks

	(In %)				
BANKS	2010	2011	2012	2013	2014
HBL	1.25	2.69	6.82	6.03	5.78
UBL	0.00	0.00	3.82	0.71	0.69
MCB	0.00	0.00	64.15	0.00	0.00
ABL	4.18	4.24	0.82	3.60	21.54
Total	5.43	6.93	75.59	10.33	28.01



For medium banks, over all the years HMB comes on top then the second BAH. Moreover, in Medium banks, it accurses under the head of disaster management at 551.88% in the year 2011 after a huge devastating impact of 2010 Flood in Pakistan that causes to death of 1540 persons by Federal flood commission (FFC)⁴.

For the period of the whole analysis study, Medium banks delivered for others (under different heads) leads by the donation of 403%, while large banks come on 126%.

CSR Expenditure on Others

Table .7(b)

Medium

Banks

(In %)

BANKS	2010	2011	2012	2013	2014
BAH	2.33	0.00	0.00	42.53	33.81
HMB	36.31	10.45	104.69	18.05	20.02
ASB	0.00	0.00	0.00	0.00	0.00
BALF	0.00	0.00	0.00	0.00	23.54
FBL	0.11	0.00	0.00	0.00	0.00
SOB	0.00	0.00	100.00	4.74	6.45
Total	38.75	10.45	204.69	65.32	83.82

Relationship of Profit & CSR expenditure among Large & Medium Banks:

Relationship of Profit & CSR Expenditure for (Large Banks);

The study highlights the profit relation and CSR expenditure in large banks. HBL is one of those among the banks, that profit were around 17,034,380 Rs in thousand while the expenditure on CSR exist 395153Rs in thousand makes the profit in form of percentage is 2.32% in 2010 which is highest. In 2014 this profit decline up to 1.20% that shown in Figure-2. Overall profit percentage sum from 2010-2014 by the banks clearly mentions, how they have interest for the donation in that context respectively HBL (7%), UBL (1%), MCB (2.2%), ABL (3%). Almost all banks contribute within the range of 1 percent and 7 percent of their profits, which is remarkably higher.

Profit of CSR expenditure for Large Banks

⁴ FFC: operates under Pakistan's Ministry of Water and Power that charged flood control projects and protecting the lives and property of Pakistanis citizens.



Table 8(a)

BANKS	(Profit in %)				
	2010	2011	2012	2013	2014
HBL	2.32	1.13	1.10	1.23	1.20
UBL	0.09	0.43	0.15	0.12	0.16
MCB	0.76	0.36	0.20	0.41	0.51
ABL	0.46	0.59	0.53	0.55	0.51

Source: Author's Estimation

Relationship of Profit & CSR Expenditure for (Medium Banks):

According to the Table 8.b the profit percentage of medium banks, FBL contribution in 2010 accounted 1.96% donation for flood affective peoples respectively as 5.86% in 2011 that gradually decline according to time from 3.14% in 2012 and reached 1.49% in 2014 year. Mostly banks donated CSR in 2010-2011 while, maximum percentage performed by FBL and ASB banks as 5.9% and 5%. Overall profit percentage sum from 2010-2014 by each Medium bank delivers as BAH (4.3%), HMB (3.4%), ASB (7%), BALF (5%), FBL (15%), and last SOB (5%). Highest contributor identified, named FBL performing the best among all banks. Profit percentage range exists between 3 to 15%.

Profit of CSR expenditure for Medium Banks

BANKS	(Profit in %)				
	2010	2011	2012	2013	2014
BAH	2.11	0.54	0.52	0.42	0.77
HMB	1.25	1.01	0.40	0.37	0.39
ASB	1.74	5.04	0.00	0.05	0.15
BALF	2.36	0.27	0.86	0.77	0.58
FBL	1.96	5.86	3.14	2.51	1.49
SOB	1.59	1.12	0.01	1.02	1.35

Source: Author's Estimation

Finding emphasized, that each bank have a wide space between their profit and donation. They should spent more donation for the vulnerable persons. As this is a matter of fact for developing



countries the capacity of utilization always remains much higher after flood and earth quake situation that leaves the long term effects on the economy. Pakistan also still faced the same situation for a long period of time.

5. CONCLUSION

This study analyzed the extent of CSR activities in the Pakistan's Banking industry and found it is an underdeveloped concept. Although Government of Pakistan has taken initiatives in order to develop CSR and educate the relevant sectors however more significant role is required. Research findings indicate that private commercial banks in Pakistan paying their social responsibilities well. The focus in this respect is observed in developing the social infrastructure such as education and health and others. The major contribution is their involvement in the development of under privileged sections of the society can't be deny, like special financial support in form of shelter homes for women, trusts, welfare organizations and awareness campaigns for the society. Another important note that the CSR activities help in performance of the banks, their goodness, and social image to the expansion of business banking. Further from the findings is established that some of the private sector banks are aware of the concept of CSR and its performance. During the study has found that the contribution of Medium banks except under the head of Health noted higher than the large banks. Contribution of large bank remained highest in Health donation.

Sectoral activities by the large and medium banks under the different heads observed and found that, in large banks by the head of education HBL, UBL performed highest, meanwhile in Health, welfare, sport and other again HBL leads. MCB is only one who donates highest for Disaster Management. Moreover, study explored the small contribution seen to the head of environment that in real remained important for sustainable development. Medium banks performed in education by ASB, BALF while in health HMB, SOB contributed highly. Disaster again leads by SOB. In welfare BAH, FBL while in others HMB goes forward. Analysis also compares profit shares from the banks and how they are spending in terms of CSR, result shows highest profit on CSR expenditure delivered by the large bank named HBL (7%). Whilst for Medium banks accounted by the FBL (15%) shows higher profit percentage as compared to large banks.

The detail review of the Pakistani banking industry reveal the increasing interest it has shown in CSR practices as mentioned earlier. This concept in Pakistan is in an infancy phase, hence, CSR initiatives are not taken seriously. CSR practices adopted by banks in fact help in integrating sustainability into their business. However, it is true that banks are spending more to their CSR activities, but not as much as they are earning profit.

POLICY RECOMMENDATIONS/ SUGGESTIONS

Government can play a crucial role in establishing CSR values and knowledge among the business and the public through recognition for CSR achievement and spread CSR information to attain



better understanding. Government facilitation enables companies to engage in CSR to drive social and environmental improvements. Banks, Firms and companies should follow transparent rules and strategies for CSR. Local firms need to acquire legal framework policies, business ethics and standards. Government should proactively support the efforts of NGOs and companies in promoting the CSR agenda in Pakistan. Public private partnerships between the government and nonprofit organization can play important role for community development programs.



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