

Assessment of Corporate Social Responsibility (CSR) Awareness and Practices in Manufacturing Sector of Pakistan

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Abstract. Globalization and mass communication have significantly influenced the socio-economic growth of countries and organizations are under immense pressure to develop their businesses in a more socially responsible way. Consequently, Corporate Social Responsibility (CSR) has emerged as a business development concept. CSR acknowledgement is low in south Asian countries both at state and corporate levels. Pakistan, being a developing country, is no exception and the manufacturing sector, which is the third largest contributing sector to the economy, is facing the challenge of corporate social compliance. This study explores the awareness level amongst employees in the manufacturing sector and also evaluates the practices of CSR activities in these organizations. The study is mainly focused on the textile and automobile sectors and shows greater CSR awareness in the automobile sector than the textile sector; however, there are many organizations where the concept of CSR is unknown. The findings of this research will help organizations in enhancing understanding of CSR amongst employees and will also allow manufacturing industries to improve their implementation against identified weak areas. Increased levels of social compliance will ultimately help organizations in promoting their businesses in the global market.

Keywords: Corporate Social Responsibility (CSR), Awareness, Practices, Internal CSR, Employee Engagement, Manufacturing Sector

1. Introduction

The purpose of businesses is to maximize profit by selling products/services and multiple stakeholders are involved in the whole process. People develop businesses to

leverage resources collectively so as to achieve mutual goals and objectives [1]. For the purpose of achieving these goals and objectives, organizations are required to interact with multiple stakeholders internally and externally, where one of the stakeholders is society at large. Stakeholders, especially society, expect corporations to play a dynamic role in developing consciousness towards environmental sustainability and social prosperity beyond fulfilling legal obligations [2][3]. Non-government organizations (NGOs) play a vital role in increasing the level of awareness by providing training to organizations [1]. With the emergence of innovative ideas and paradigm shifts in corporate society from the stakeholders' perspective, CSR has become the main development concern [4]. Realization of the benefits of CSR practices in terms of improving an organization's image among the stakeholders helps organizations in achieving their long term business goals [5].

1.1. Background

The concept of CSR was developed in the 1950s by Bowen who described social responsibility as *"to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society"* [6]. Bowen is considered to be the *father of Corporate Social Responsibility* and the concept of social obligation [7]. CSR is multi-dimensional and associated with various terminologies such as corporate governance, sustainability, corporate social performance, corporate citizenship and social responsibility [8]. Conversely, there is no mutually agreed definition of CSR available in the literature by practitioners, scholars and theorists due to its broad horizons and versatility of scope [8]–[10]. However, a suitable definition was proposed by Nikolaos as *"CSR is the necessity and the duty of an entity to behave responsibly, ethically and sustainably, and to be transparently accountable to its stakeholders"* [2].

Much research has focused on CSR-based strategies as important factors in the competitiveness of individual companies, industrial sectors and nations [11]. Any organization having CSR awareness and practices is likely to exhibit better working environment and social performance [12]. Internationally branded value chains are concerned about negative public images portrayed through media reports about workers' rights abuse, child labor, discrimination, issues at the work place and other unethical factors affecting legitimacy and public image. On the other hand, local vendors in developing countries are concerned about the increased costs related to CSR compliance, particularly in the context of local culture, whilst simultaneously facing immense pressure from customers to reduce prices [13].

Pakistan is home to approximately 200 million people with an abundant work force and varying legal and protection levels. Many developing countries like Pakistan are more likely to encounter violation of basic human rights particularly in the work place. However, multi-national companies are attracted by the abundant cheap labour and other favorable operating conditions to maximize their profits [14].

2. Research Framework

Pakistan, being a developing country, is striving hard to improve its economy through exploration of new international markets to increase its exports. In doing so it has to fulfil all the legal requirements where compliance to CSR implementation is one of the

key factors. In contrary to developed countries, the CSR paradigm in Pakistan is different due to stringent environmental and labour laws, violation of various social norms i.e. discrimination, child labour, lack of a proper education system etc. [15], [16]. Policy guidelines, ‘*Corporate Social Responsibility Voluntary Guidelines 2013*’, related to CSR initiatives were first released by the Securities and Exchange Commission of Pakistan (SECP) [17].

The corporate community in Pakistan has been involved in various philanthropic activities which are mainly related to pre-dominant cultural and religious attitudes but proper regulation mechanisms with reporting and disclosure requirements for the corporate sector are missing. The CSR concept is comparatively new to the business community of the country and most companies are deficient in applying the concept to their business practices. However with increasing awareness of CSR, most multinational companies have started including CSR-related aspects in policies and practices [18]. This study aims at exploring the awareness level amongst employees in the manufacturing sector and evaluating the current state of CSR practices, and is mainly focused on the textile and automobile sectors. Selection of the sectors has been made on the basis of the Pakistan Economic Survey report published by the Pakistan Bureau of Statistics (PBS) where the textile sector provides 40% employment and automobile sector contributes 4% to national GDP [22].

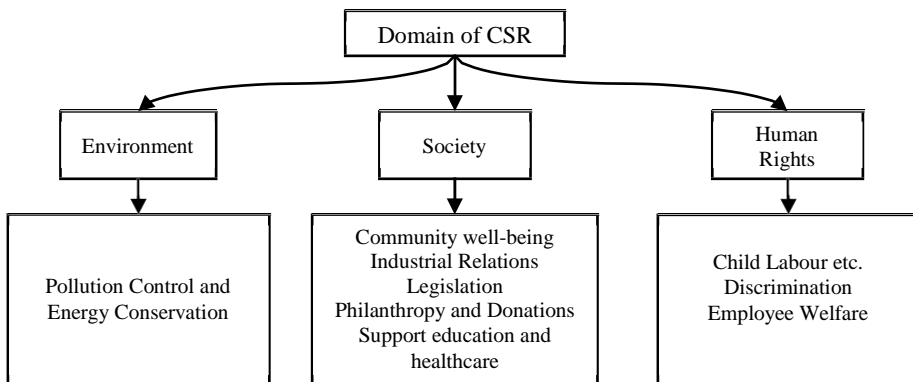


Figure 1. Domain of CSR with key areas/components

In order to assess awareness levels and evaluate CSR practices, prominent areas of CSR like human rights, society and environment have been considered. Based on CSR Voluntary Guidelines, 2013 and a literature review [5] [16] [18]–[21], these three prime areas have been further divided into nine factors/components as shown in figure 1.

3. Research Methodology

Keeping in view the aim of study, a questionnaire was designed and split into two sections, the first section comprising of 5 questions to explore the awareness level of CSR and second comprised of 33 questions pertaining to the evaluation of CSR practices on respective components as mentioned in figure 1. A five-point Likert scale was used to capture the opinions of respondents. The questionnaire was initially constructed in English and later translated into Urdu.

For the purposes of data collection, 65 textile and automobile companies listed on the Lahore and Karachi stock exchanges were randomly selected. The questionnaire

was administered to 230 companies of the targeted population and 172 responses were received (response rate of 75%) 13 questionnaires were discarded due to incomplete data/information. The questionnaire was forwarded by post as well and *Google Product Forums* were for online data collection. 22% of the responses were from females and 78% from males. 61(38.4%) of the responses were received from Punjab, 43(27.0%) from Islamabad and 55(34.6%) responses were received from Sindh. Keeping in view the degree of knowledge of the selected area of study, data was collected from the top and middle management of the companies.

4. Reliability Analysis

The most frequently used Cronbach’s Alpha method was adopted for testing reliability of the data by using IBM SPSS Statistics [23]. Testing for reliability is a measurement of stability and consistency of data which depicts the same results over difference scenarios [24]. Cronbach’s Alpha values ranged from 0.70 to 0.87 which is an acceptable level as it meets the threshold value of 0.7 (table 1) [25]–[27].

Table 1. Cronbach alpha values of study variables/CSR components

Key Area/CSR Domain	variable/CSR Component	Allocation of Question	Cronbach Alpha value (a)
Environment	Pollution Control & Energy Conservation	5	0.76
	Child Labour	2	0.71
Human Rights	Discrimination	2	0.77
	Employee welfare	7	0.83
	Community well being	6	0.70
Society	Industrial Relation	2	0.81
	Legislation	5	0.72
	Philanthropy & Donations	2	0.87
	Support education, health care	2	0.74

5. Initial Results and Discussion on CSR Awareness

Since the objective of the study was to explore the awareness levels of CSR and to assess the practices, these are considered separately in the following sections.

CSR Awareness

Table 2 shows the general awareness levels of employees of textile and automobile companies. 62% of the respondents understood the concept of CSR adequately, 23% had only heard about the terminology but had inadequate understanding and 15% had no knowledge. Hence the majority of the employees are aware of the CSR context.

Table 2. Awareness about Corporate Social Responsibility

Description	Awareness Level	Percentage
Heard about CSR and understand clearly	Complete understanding	62%
Heard about CSR but don’t understand	Moderate understanding	23%
Never heard about CSR	No knowledge about CSR	15%

Comparative analysis of the textile and automobile companies shows that employees of automobile sectors are more conversant with the CSR concept i.e. 93% respondents from automobile sector and 78% from textile sector showed awareness up to an appropriate level (Table 3).

Table 3. Descriptive analysis of textile and automobile companies

Question Statement	Description		Textile Sector	Automobile Sector
Have you ever heard about Corporate Social Responsibility (CSR) before?	Complete understanding	a	46	54
	Moderate understanding (No)	b	15	21
	Responses with appropriate awareness level (No)	c=a+b	61	75
	Total Responses (No)	d	78	81
	Percentage awareness level	e=c/d	78%	93%

Awareness of CSR activities in the organization can develop a reciprocating psychological covenant between the employees and the organization [28], [29]. An employee’s perception regarding engagement of his/her organization in CSR initiatives actuates attitudinal, emotional as well as behavioral responses that are favorable for the business entity [30]. Similar results have been obtained explaining enhanced motivation resulting in improved work performance of the employees with the involvement of the employer in CSR activities [31]. Research conducted in the banking sector showed that integration training, safety, work life balance and work place diversity in organizations influences employee engagement and commitment [32].

6. Conclusion and Future Research

The study explored and evaluated CSR awareness levels and current practices in the manufacturing sector of Pakistan, focusing on textile and automobile industries and concluded that both sectors had adequate levels of awareness. However, it is clear that some components are missing and need attention in practice. There are still many people who have no idea about CSR, and there is a need for awareness campaigns and communication of the concept effectively among stakeholders [33]. Employees of the automobile industry were more conversant with CSR than those in the textile industry. This research also provides an empirical basis for the manufacturing industries of Pakistan to improve in weak areas of CSR compliance. Analysis of the profiles of the respondents revealed that companies engaged in CSR were more likely to complete questionnaires than those companies unaware or disinterested in the concept. Further investigations focus on the practices and how neglected areas might be addressed so that the long terms benefits of CSR awareness and implementation can materialize.

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