

A Qualitative study on Issues, challenges, myths & reality of Corporate Social Responsibility (CSR) in Small Medium Enterprises (SMEs)

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Abstract

Corporate social responsibility (CSR) is the concept which is now widely accepted in the developed world. In Pakistan, corporate sector is providing good examples of CSR activities but in the SME sector, this concept has not been matured yet.

OBJECTIVE

The main objectives of the study are to know the perceptions of CSR among SMEs owners of Karachi and to determine the reality of CSR practices in SMEs.

RESULTS

Results showed that there was a lack of awareness about the concept of CSR in the SME sector. Many business owners practice charity and philanthropic activities but do not count them as CSR activities due to unawareness. Absence of guidelines for CSR especially for SMEs and misconception about the disclosure of CSR activities, lack of support from SMEDA and government were the major barriers responsible for the absence CSR practices in SMEs.

CONCLUSION

Chamber of Commerce, SMEDA, government and non-governmental organizations should play their role in creating and raising awareness of CSR among the SMEs. Also, these entities should facilitate SMEs in terms of acquiring permissions, technical support, subsidies and tax rebates in order to raise CSR practices.

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Keywords

CSR, myth, reality, SME, corporate philanthropy, CSR practices, JEL CODE: G30, G38, G39.

1. INTRODUCTION

1.1 What is CSR?

In today's environment when the world's corporate sector (especially European, North American, & many Asian companies) spend their millions of dollars for the corporate social responsibility its significance is now also increasing in third world countries. CSR which is the very important topic in research now days is a kind of business practice that produces sustainable development in the company's business. In fact, it is the activity which produces social, economic & environmental benefits to both companies & society in which it operates.

CSR (corporate social responsibility) is the concept which is defined by many organizations in different ways few definition are given below,

The European Union defines CSR as "responsibilities of an enterprise for their Impact on the society by integrating social, environmental, human rights, ethical concerns in their business strategy & and operations."

UNIDO defines CSR as "a Management concept in which companies integrate the social & environmental concerns. CSR is a tool by which corporate gets the balance b/w economic environment & social imperatives."

Nowadays CSR has been considered a necessary business function. "companies are facing increased CSR expectations from employers, customers, investors, community members & other stakeholders. They seek & demands information in a transparent way. Nowadays this concept has so much importance that customers, employees & stakeholders all give it much weightage while choosing brand or company's services. .

Corporate social responsibility is an important concept which all types of businesses & institutions need to consider & implement strategies according to it. Before 1990 this concept of CSR was usually associated by the

researchers with the large multinationals and corporations. Today also most of the business managers & researchers consider CSR as an activity of corporations may be due to its name include "Corporate" . After 2005 world realized that this term corporate include all organizations which are working in the society & which want to become socially & environmentally competitive.

Significant amount of studies have been conducted on the topic of CSR implementation & practises with different angles but still very limited amount of literature is avialble on the CSR with SME's perspective.

Therefore, this lack of qualitative studies on the CSR & need to investigate the concepts & practices of CSR in SMEs are two basic reasons that this study focused on the qualitative methodology in which in depth interviews of the enterprenurs were taken from Karachi based SMEs.

As mentioned above that small number of literature & research has been carried out on SMEs in the CSR context majority of research is related to large multinationals & incorporations moreover, in third world countries CSR concept is a newly emerging concept which now researchers taking into consideration & further studies are much needed.

Another rationale for studying CSR IN SME's is the crucial importance of the SME's sector for the Pakistan & other third world countries. In Pakistan 90% of businesses comprised of SME's which are regarded as a backbone of the country, in which 80% of the labor force is working. Around 40 % of GDP is contributed by the SMEs sector. & , Thus, it is crucial to study CSR in the context of SMEs especially in Pakistan for the betterment of society & environment as well as to make them competitive in the international market.

In the past, SMEs of the majority of the third world countries had CSR related issues like lack of facilities in factories, inadequate health & safety standards, child labor, poor remuneration, exploitation of old/disabled/ women workers, lack of women specific facilities, etc. These all serious issues also signify the need for proper research on the practices & issues while implementation of

CSR in SMEs.

The main purpose of this study is to determine the perception that SMEs have regarding CSR, determining actual reasons for conducting CSR activities by the SMEs, determining issues & challenges which SMEs are facing while conducting these activities, determining the benefits which they are enjoying by conducting CSR related activities, To make the link between their actual practice & the CSR disclosure if they do. Last but not the least objective is to investigate the CSR concepts, implementation & practices like socially responsible business, difference b/w philanthropy & compliance of labor & other industry standards,

1.2 CSR Types in Pakistan

There are few broad classifications in which CSR can be sub classified it is a concept which can take many activities & broad things in it few are as follows,

- Environment related concerns
- Corporate philanthropy
- Ethical labor practices
- Volunteering for social causes
- Energy conservation
- Consumer protection measures,
- Employment of special persons,
- Rural development programs,
- National cause donations and anti – corruption
- Provision of Health facilities
- Provision of Education facilities

These are the types with respect to activities in which we can categorize the CSR practises from which few are related to environment as companies & business are also socially responsible for the environment so it is necessary that for the environment concerns these companies should act for the safety & security of environment. From these are environment & energy preservation programs. Few activities instead, we should say that most of the services of CSR are related to the community development & care in which

businesses operates, for example Ethical labor practises, volunteering activities, CP measures, SP Employment programs, Provision of Health & Education Facilities are the few programs in which business takes full responsibility for the development of the community.

1.3 SME SECTOR OF PAKISTAN

SME (Small & medium enterprises) are the entities which are not the public or private company or government institution. They are micro businesses which are always a large business segment of any country comprises millions of shops, small traders, retail stores any small business related to any sector of an economy. This is the sector on which economic growth & stability of any country largely depends.

Importance of this sector can be understood from this fact that in EU countries 90% businesses are SME which have provided 85% jobs in last five years. Every 9/10 companies are SME & every 2/3 people are working in SME establishment.

After the initiation of privatization policy in 1993 Government of Pakistan felt the importance of this sector thus formed SMEDA for the growth of the SME which were unregularized & undocumented at that time. SMEDA gave the definition & concept of SMEs in Pakistan after its formation & published definition to identify these entities in economy. Many other departments also formed their definition for their official purposes, but now since 2018 SMEDA has announced single definition for use in all over the country which is given below,

SME definition according to SMEDA (Small, medium enterprise development authority)			
Institution	No of employees	Paid up capital	Annual sales
SMEDA	Up to 250 employees	Up to 25 million	Up to 250 million
SOURCE: SMEDA 2019			

SMEs are also playing much important role in our country. Their importance can be understood by this fact that nearly 90% units or organizations in our country relate to this sector. Thus, they are playing a key role in economic progress & the prosperity of our country. Not only they are doing the value addition of 35% in our economic growth but employment generation is also very important benefit they are bestowing to our country. According to a

latest estimate by SMEDA that 78% of the non Agri labor force of Pakistan engage with SME sector which clearly indicates its significance for our economy.

In our country, there are approximately 3.2 million SME's which have current contribution in GDP growth of 40% (\$ 90 Billion) & in export earnings of 25%. The SME sector is acting as the back bone of the economy they are providing multiple benefits & support to the national exchequer & state in various dimensions. Pakistan recognized the strategic importance of the SME sector for economy in 1998 when government formed separate authority for the development & growth of small & medium establishments in the country. This authority after its formations performed catalyst role for the upbringing of this sector. SMEDA not only providing a platform to the government to initiate various projects for the PSDP & DPI projects but also working as a facilitation centre for the new businesses. It is providing detail guidance for the functions of businesses, management consultancy to new entrepreneurs, research & information services to SMEs, Training & IS programs & mainly financial support to the businesses through various schemes of the SBP & GoP.

Along with SMEDA, other government institutions are also playing their critical role for the development of SMEs in country, For example SBP, SECP & SME Bank are the few of those institutions which are implementing policies & providing facilities in their jurisdictions for the development of small & medium businesses in the country. . These government organizations have adopted different definitions of the SMEs which we have accumulate in the above table. The basis of the criteria which these organizations have made are the no of employees & the turnover of the company which should not be the Public or Listed company. while SME Bank has divided the Sector into two sub sectors of Small & Medium enterprises for better coverage & focus on sector.

SBP is playing very active part for the financial inclusion of these private and small firms/businesses which have also much importance for the financial system of the country. . Not only SBP took these steps like forming a separate department for the SME financing & controlling department

DFG group for coordination, started refinance & CG Schemes , market development schemes of the SBP, market infrastructure building, survey & studies of SMEs but in recent days after COVID-19 crisis it has started many important initiatives like Introduction of FTR schemes for SME's, PMYBL scheme, Islamic SME & SME portal & various capacity development programs.

Similarly in order to enhance the financial condition of SME sector in 2013 SECP issued its regulation according to which it allowed SMEs to list on the stock exchange in the country. It issued all the procedure related to listing & trading of shares with raising funds form the capital market thus they can meet their financial needs. Sismilarly secp introduced the concept of NBMFC Non banking micro finance corporation which will provide finance to micro enterprises and brought regulation related to PV & VC in 2015 funds which help to promote new SME ventures & startups to take alternate source of funds. SECP also intordued the reulation of SMC rules in 2003 by which one person managing the enterprise can start the company with all the status of a private company.

Authorities	SMEs definition by different Govt authorities			
SBP, SECP, FBS	An entity which is ideally not a public limited company and having employees not more than 250 (manufacturing) & and 50 Employees (trade / services) and also fulfills following any criteria			
	Type of concern	No. of Employees	Total Assets At cost	Total sales turnover up to
	Trading	50	50 M	300 M
	Manufacturing	250	100 M	300 M
	Services	250	50 M	300 M
	Type of enterprises	No. of Employees	Total Project At cost	Annual sales turnover up to
SME BANK	S. Enterprises	Less than or equal to 50	20 M	150 M
	M. Enterprises	More than 50 & greater than 100 / 250 Employees	20 M – 100 M	150 M to 800 M
SMEDA	Micro	Less than 10 Employees	2.0 M	-
	Small	10 to 35 Employees	20 M	-
	Medium	35 – 99 Employees	40 M	-
PID	Fixed investment of Rs 10 M excluding lands & building			
PSIC	Fixed investment up to Rs 20 M excluding lands & building			

1.4 CSR IN SMEs of Karachi

1.4.1 CSR IMPORTANCE IN SME's

Since emergence of the concept in the large scale manufacturing sector in the western world CSR has always been considered as the topic of the big MNC's who perform the community service & corporate philanthropy activities on regular basis to which they include in their vision & missions statements & publish in their CSR reports as well. These organizations after the industrialization often were criticized for taking control of the resources of the economy & producing serious hazards to environment due to which western companies involved & took interest for paying back & community welfare activities. Thus this CSR was the reaction of the pressure which came on the LSM companies for their increasing influence on the economy.

These organizations mostly perform these activities in which they operate but their work is still quite less as compare to the population of the country & due to variety of the problems which exists in our society.

There are many hindrances, & difficulties which come across due to which these companies are not capable to cover the population & community at grass root level. LSM companies & MNC's have always certain SOP's, guidelines, SECP/ Authority policies & parent company policies on which they have to comply. These MNC's perform various CSR activities through out the year in pakistan for which they keep millions of budget but again their activities are related to specific & sometimes very formal areas in which they donate or provide their services. But when consider SMEs sector, the CSR & its awareness with its true knowledge, is in the stage of infancy still in this sector.

Mostly of the SME owners & managers who are incharge of management are semi skilled or Unskilled who have not any corporate experience. these SMEs particularly in Karachi are located in different sub urban & industrial areas related to services & manufacturing sector doing millions of turnover in a year. The sector is comprises of small shops, registered & unregistered firms, small Industrial Units & home industries to which our SME authority SMEDA has further divided them in 43 clusters & sectors according to their nature of products & services. In Karachi these SMEs are largely located in those areas

where the population is residing with very unhealthy & poor environment. The major issues of these communities from which their suppliers, employees, customers & other stakeholders belong are illiteracy, poverty, health issues, sanitation & water shortage, women rights violations, child labor practices & many other issues to which our large manufacturing units & companies are catering by performing CSR & CP activities in many underprivileged areas of Pakistan.

SMEs are the different organizations as compared to the LMC in many respects like Hierarchy of the structure, responsiveness to change, adaptation & nature of the stakeholders so we cannot apply the CSR models of LSM Companies & MNC's on these firms thus we shall have to change the lens to observe the possible sustainable business practices (SBP) of the SMEs.

Implementing CSR in SMEs means that these firms apply the SB practices strategies & activities as parts of their business processes, thus they shall be capable to bestow the benefits to the community development, fair distribution of wealth & bringing social stability on the community in which they operate. Not only by applying the CSR & SB policies the community will grow & prosper but side by side firms will become sustainably developed & socially responsible businesses. Today CSR concept is also somewhat modified in the SMEs & it is termed as ESR Enterprise social responsibility.

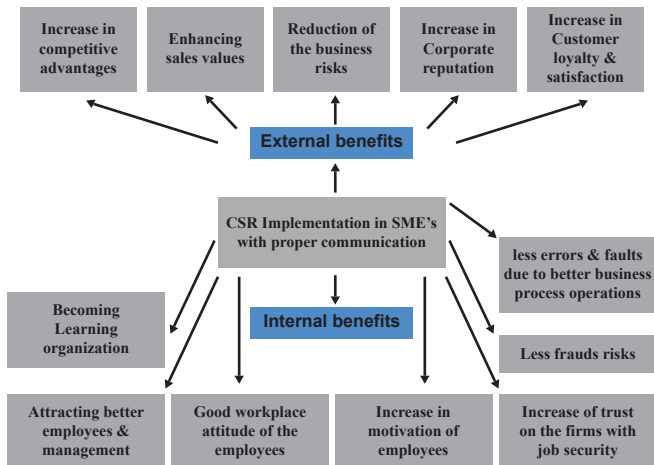
CSR implementation also helps SMEs to become competitive in the local & international market. If these SMEs adopt the CSR activities so these firms will not only become socially responsible, sustainable but also become economically competitive in the market. Thus we can say that adoption of CSR will gain these firms in long run and will make them highly competitive which will benefit to these firms to great extent & society both.

CSR implementation also brings innovation, effectiveness & efficient business processes in the departments. Similarly in many international countries SMEs who are involved in CSR activities are growing by leaps & bounds. The basic reason is the improving product quality, improving labor performance by training & development, offering fringe benefits to

workforce, improving community living conditions & other s sustainable business practises which they have adopt after observing success of corporate sector.

Corporate image & customer loyalty are the two key factors of any business's growth & survival. CSR practises if implemented in their true sense can produce the better image of the SMEs in the community to which they operate thus better corporate image will much influence on the client satisfaction & loyalty, accessibility to funds, Low employee turnover, high sales & profit growth.

In last we can say that CSR always upgrade the Financial performance of the company with making its environment favourable for the profit maximization & also make it capable to involve in welfare of its stake holders. Thus following mentioned CSR activities if properly implemented & communicated to the community always gives internal & external benefits & economies to the SMEs which we have shown in the framework given below. By following the best sustainable business practises & ethical business practises SMEs can achieve growth & long term profitable existence in the economy.



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2. Review of the literature

we conducted the detailed literature review of the previous studies which

have focused or discussed the CSR activities with respect to the SMEs in developed & underdeveloped countries we found various studies which have discussed the issue in much depth in both qualitative, quantitative & mixed methods.

A study for KPK SME's conducted for the determination of the practises barriers & motivation behind the CSR activities conducted in KPK this study took mixed method research techniques in which conducted research in two phases of qualitative part (indepth interviews conducted after which thematic analysis employed to generate themes by which conceptual model was formed for the quantitative part the researcher used sample of respondents on which PCA & SEM were applied. The research identified six main CSR activities on which KPK SME's are working, CSR driving factors & barriers to whom this study tested the developed model by the quantitative tools. This research reveals that KPK SMEs are working on the CSR activities yet they have not achieved the standards but they are implementing different CSR related activities with few barriers to whom they want to overcome.

Similarly another study conducted by the in which they conducted in depth interviews of 43 participants after purposive sampling to find the priorities of CSR in SMEs of Sialkot by purely qualitative study. They identified the key CSR priority activity which was Philanthropy majorly practised in three sectors of Sialkot. They applied qualitative technique of thematic content analysis prescribed by in which they found that the main activity on which firms working were the community service by philanthropy activities. They identified the dimensions of the activities which the firms performed which are economical, legal, philanthropy & environment.

Another studies which have studied the SME's but with respect to sustainable practises reporting & issuance of the SBR reports. This studies tried to understand the trend of the GRI based sustainability reporting by SMEs & it tried to find the reasons behind non reporting of the Sustainable business practises. They employed content analysis approach for understanding trends & identifying patterns in sustainability reporting worldwide. Study concluded that SMEs sustainable reporting is mainly

focused in Colombia as it is the only country which has published its reports on sustainable business practises on SMEs, EU are on 2nd number while Asian countries have collectively published 48 reports out of 190 total reports in the world. Pakistan' SME has not published any such SB practises report on GRI web portal. Which clearly shows that the SMEs in Pakistan cannot bear the cost of the reporting due to very limited resources & lack of awareness in SME's.

Another study conducted by in which it tried to find out the organizational benefits associated with the CSR practises they term it Organizational benefits of CSR. They produced the conceptual Framework after the qualitative analysis after studying various SMEs in Pakistan they produced internal & external benefits which organizations enjoy whenever it includes CSR practises in its policies & procedures.

Another study conducted on Polish firms tried to propose the CSR evaluation & reporting model they identified the trends in CSR development like social welfare, competitive advantage. They have generated the tool for the evaluation which is ESG risk catalog for the monitoring & reporting of the CSR in SMEs which are involved in the manufacturing sector of the Poland.

Few researchers have checked the competitive advantage of the SMEs which they achieve after implementing policies of CSR practises like & tried to identify the factors which result in to the competitive advantages which SME's achieve due to CSR practises in Uganda same researchers in another study conducted the empirical study in which they test the CSR factors which influence the Competitive advantages to SME's. after self administered questioner they performed the EFA technique were carried out in which they used structural equation modeling with correlations study concluded that WF Activities, SO activities, MO activities, Regulated activities are the major few activities which influence the competitiveness of the SMEs in Uganda.

Another study conducted the comparison of the LSM & SMEs CSR practises in which they have compare the strategies of the CSR in two sectors they

took the sample of 3680 firms in which they applied MSH analysis & found that the size of the firm is another factor which influence the firm's selection of the CSR strategy the analysis conclude that large firms are more capable & familiar with the CSR activities & meeting the requirement of the CSR practises.

Another study conducted on Pakistani & NZ firms explores the relationship b/w IM (Institutional Mechanisam) & CSR. The study assumes that adoption of CSR is mainly depends on the formal & informal institutional factors which produce influence on the CSR Disclosure of the firms. They employed the Quantitative technique of content analysis were applied on sample of eight listed companies taken from both countries. These studies found that paksitani companies are giving more disclosure for the CSR practices as compare to the NZ companies, & Pakistani companies are strictly following the CG guidelines requirements of the SECP.

A systematic review conducted on the SMEs in CSR have showed that there are number of ways in which SMEs are conducting the CSR activities yet they are different in nature as compare tio MNC & LSM firms. Study concluded that SME's are highly motivated & engaged in CSR activities but the conditions & strategies of SME's are different from LSM it is the research gap which can be filled by upcoming researchers to conduct the research on the Nature of conditions & strategies which are favourable for adoption of CSR by SMEs.

Similarly another systematic literature review conducted in which they studied the relation of QM in SME's produced due to implementation of CSR practices. They performed Content analysis on total 107 empirical studies in which they tried to developed the parallel b/w QM & CSR practices in SMEs. Studies conclude that SMEs are increasingly integrating both QM & CSR for stakeholders requirements & thus SMEs are suceesful for the development of QM Practises through CSR social & environmental practises.

Another study conducted discussed the SPI indexed in scopus database on the topic of CSR & CSP(Corporate social Performance) they observed after

applying bibliometric analysis on 227 studies that majority of the Scientific production has been carried in 18 years period which are of mostly qualitative nature.

Very few studies have focused the SMEs financial performance with respect to their CSR practises. As due to the non availability of published financial reports it is very difficult to gauge to empirically tested the effect of CSR initiatives on the FP of the SME sector investigated the effect of CSR activities on the Financial performance of the FI in Pakistan they employed the Pooled Regression model on sample of 30 CB listed in SECP & found the positive relationship b/w the CSR on ROI, ROE, ROA & EPS. Thus it is evident that CSR element is essential for the growth & can be taken as FP increasing tool by the today's financial sector.

To identify the barriers & opportunities in Swedish SMEs sector conducted semi constructed interviews in two companies of Sweden, It studies the CSR in SMEs perspective in the Swedish context of CSR theory & RBV view. Findings indicate that main barrier for the CSR which SMEs are facing are the lack of financial resources, while the main opportunity they have is the communication with the community & other stakeholders.

conducted the study for studying the factors & reasons due to which CSR factors effects on the strategic decision making process in comparative analysis of SME & LSM or MNE. They have also investigated the reasons & techniques by which MNE engage the SME's as the stakeholders to effect the CSR policies which they implement. The study concludes that MNE & SME are both different with each other with respect to economic resources, MNE have major influence on community by its CSR practises but has low touch with external environment, while SMEs are very flexible for their decisions and have the fast touch with external environment. Thus SMEs are superior in the sense of rapid communication with the community & stakeholders with having instant decision making which is impossible in MNE firms.

Another study conducted in Peshawar studied the performance of SMEs in the industrial estate of Peshawar KPK by the Interpretivism as its theoretical

position. They conducted semi structured interviews & collected data after which they used Miles & Huberman (1994) approach of thematic modeling the data through. Study concludes that the SMEs in Peshawar are practicing the CSR in informal manner, Mostly of the firms are doing informal way of CSR practises but in irregular manner usually for employees but for safety & health work is missing. They don't conduct CSR practises for Environment except one or two manufacturing firms. Mostly are doing CSR with respect to employees & other stakeholders.

2. Methodology of the studies

2.1 Design

This study involves the phenomenological & ethnographical study as this study has subjective in nature related to CSR in which human experience is involved thus this studies employed Interpretivism as a theoretical perspective & used tools for data collection of in depth interviews of SMEs CEO's, Owners, Middle & Lower managers who are working with SMEs. Field notes & national & international Documents were also studied. Face to face interviews in Karachi in different areas where SMEs are located were conducted. A case study approach was employed as it is more appropriate & suitable according to our research objective which is" in depth study about the issues & challenges, Myth & reality about the CSR, its activities & its implementation in SMEs. Ethical approval was obtained from the Research Ethics Committee at the Institute of Business Studies IOBM CBM Karachi.

2.2 Sampling & recruitment

Targeted population of the studies was thousands of SMEs in Karachi which are dispersed in many areas doing business of various kinds. Purposive sampling was performed first for the selection of SMEs and then quota sampling was performed so from which two SMEs were selected from each priority sector made by Small & medium enterprise development authority, State bank of pakistan, SME Bank & Securities & exchange commission of paksitan. This selection shows an equal proportion representation of every sector of SME in my study so errors & variation in results will be reduced. Various sector's detail is given below in chart. After employing this purposive & Quota mix sampling technique, I selected equal no of CEO, Owners, Top management official of SME's & specially their employees who usually are

the victim of the Violation of CSR guidelines. We form this sampling matrix because to obtain divergent & most diverse views. Due to time constraints, I sent invitations for interviews, including the leaflet, topic guide & consent form to 20 people only from which 14 people welcomed me from 10 businesses.

Priority sector name	No of Entities visited	No of person Interviewed
Diary Farm Business	2	2
Tourism & travel	2	3
Logistics & transport	1	3
Software house & IT consultant	2	2
Construction & builders	2	2
Eng & energy	1	2

Priority sectors which SMEDA has developed mentioned its policy documents are as follows.

Priority sector in which SMEDA	
Minerals	Gems / Jewelry
Diary & livestock	Horticulture
Tourism & travel	Fisheries
Logistics & transport	Textile
Software house & ICT consultant	Leather & its garments
Construction & builders	Carpet weaving
Eng & energy	glass bangles
Cotton ginning	wooden furniture
marble & granite	dates & apple processing
ceramics industry	Sports goods

2.3 Data generation

Interviews were conducted of 30 to 40 minutes from 16th December 2019 to 6th January 2020 in both English & Urdu. All interviews were in Urdu/Eng mix language due to the language problem of SMEs owners as most are not fluent in English. Written consent was obtained before each interview. A topic guide was used, but interviewees were encouraged to speak freely to express their views. Documents (research papers, National & International report & SME related regulations) were identified through google searches

which were in English. Table is as follows,

Document Reviewed & Analyzed

Serial no	Document name	Type
1.	Prudential Regulations for SME Financing	Report
2.	The Listed Companies (Code of Corporate Governance) Regulations, 2019 A new governance regime Pwc Pakistan	Regulation
3.	Pakistan Economic survey 2019	2019
4.	SMEDA Annual Report 2019	2018
5.	SMEDA https://smeda.org/	Web Site
6.	SME BANK https://smebank.org/	Web Site
7.	http://www.sbp.org.pk/smefd/circulars/2010/C7-Annex-1.pdf	Web Page
8.	Handbook SBP SMEDA & SECP	Report
9.	SECP-approves-SME-regulation	Press Release
10.	Code of corporate governance 2002 & 2009	Law
11.	Voluntary guidelines of CSR 2013	Law
12.	Voluntary National Review – Pakistan 2019	Report
13.	SME POLICY 2019	Law

2.4 Data Handling and Analysis

Interviews were digitally recorded along with written field notes. Recordings were then transcribed verbatim. The transcriptions were documented in MS Word and were coded. Codes were uploaded in MS Excel for data analysis. Deviant & negative cases were also included in the analysis. Deductive thematic analysis (TA) provided preconceived themes in the data based on the existing knowledge and inductive TA introduced new themes out of the data., & The researchers were careful about the possible influence they may have on the data interpretation due to their background and preconceptions. This possible influence of the researcher on the data interpretation is the reflexivity of the researcher on the studies &

3. Results

We approached to 20 individuals but received 14 responses from 10 SMEs. We found five over-arching themes emerged from the data as follows:.

(a) Awareness & Perception about the CSR (b) Role of CSR Regulation & Compliance standards in SMEs (c) Basic CSR activities of SME (d) Reasons of SMEs conducting CSR activities (e) Issues & Challenges in conducting CSR activities by SMEs.

(a) Awareness & Perception about the CSR

The majority of SMEs knew the general concept of CSR and they believed that businesses have to contribute towards societal goals. .

“Yes, we know it very well & not only this but every company like us in somewhat method use it. Top management doesn't discuss it, but practice it like philanthropy & activities.” (Construction AA1)

“yes we know” (Dairy HM 1)

On the contrary, a few of the the business owners have very limited information about it, however, they practice charity and work for the community. Most of the SMEs were owned by semi-literate high school passed individuals who have not been educated about CSR activities and practices. They perceived that the CSR is way of marketing, show off or image building for the firm's profit maximization

“no we have not heard this concept, but we know it as which you are saying to me, it's all detail so it is fraud because companies do it for the financial & tax benefits but we do it for charity as we do for Allah as we have to answer to Allah” Gujjar family Dairy business owner (Dairy IB 1)

Also, there were business owners who knew that when the business make money from the society, they should also return back to the society through philanthropic activities voluntarily. .

“yes, it is related to the business because we work in this society we are part of it.” (Dairy HM2)

“it is very important & highly beneficial concept when we are working in this society so we should give something back in return to the society.” (Transport ZB 2)

“Yes, we do this & it relates to us as an example, have been before us of "Bahria town dastarkhuwan. " (Construction HA 2)

“you it is much significant for business for ethical point of view, but mostly

we don't practice it but we should do". (I. TECH AR2)

Furthermore, few unqualified SME business owners knew the importance & have full awareness about the CSR activities but they didn't practice it because they perceived that CSR is only for the large businesses because SMEs have limited funds and other resources to be involved in CSR activities. However, one of the entrepreneur (stated that the CSR was not only to spend large funds but other practices such distribution of knowledge and skills can also be helpful to give back to the community.

" Yes, I have an idea & knowledge about it, but SMEs do with their domain like free seminars, sessions for IT courses we haven't done that, but we should do as I have 15-16 employees with much knowledge & resources", (I TECH SA3)

(b) Role of CSR Regulation & Compliance standards in SMEs

For compliance of CSR in Pakistan, SECP issued CSR guidelines in Code of Corporate Governance in 2002 & then in 2009 & .

It issued corporate social responsibility general order .In 2013, it issued CSR Voluntary guidelines 2013 which encouraged all companies to formulate & implement workable model & socially responsible strategy with all stakeholders for CSR Initiatives & Practices. &

Similarly SBP also issued guidelines for CSR initiatives in its Prudential Regulations, but only for banks & other FBIs.

For SMEs, SMEDA has not issued any guidelines for the CSR either in SME Policy 2007 & or in currently published National SME policy 2019.

The interviewees stated that there was a wide gap of communication & governance b/w SMEDA & SMEs in Karachi. Due to the absence of CSR guidelines in SME's majority of the SME's owners have very limited vision about CSR.

" No, we didn't adopt any guidelines about these SMEs no practically they

didn't come to us & even for thanks & appreciate to us, we manage all labors in our group according to our own ethical guidelines & labor policies.” (Construction AA3)

“No, absolutely not, Govt don't ask us to come to us or regulate us practically. Neither we know nor does other business in our field feel that any authority comes here or practically regulate the CSR in SMEs.” (Dairy HM3) “We don't know any such authority & we have not adopted any such laws for the CSR no any authority, even ask any things to us, except tax officials of the Sindh tax office.” (Travel AD3) It was found that the tracking the activities of CSR was also very difficult in SME's as there is no department responsible for implementing CSR in SMEs. Unlike the corporate sector, CSR activities were not publicized by the SMEs..

“No, we didn't adopt any such guidelines of the CSR neither any dept. ever contacted by us or came to us for this CSR compliance.” (I. TECH AR3)

“yeah, we know some organizations who conducted CSR award, but we don't know any such regulations which are about CSR regulated by any authority As Govt has not the visibility of SMEs.” (I. TEH SA3)

(Transport ZB3) a transport & logistic company owner talked to me in this way & said “No... Govt guidelines are but not workable these Govt dept. makes the rules, but don't enforce them & I think this CSR cannot be enforced & it is all voluntary.”

(c) Basic CSR activities of SMEs in Karachi

The basic CSR activities which SMEs owners perceived were donations, welfare activities and labor law compliance. Moreover, many of them have no idea of environmental protection, energy conservation, consumer rights , employment of special persons, rural development programs, national cause donations and anticorruption measures.

Many businesses owners and workers didn't know about the environmental concerns.

“No, we do only for labors & it is our duty to them first as they are our prime

workers so we take care of our labors yes on the environment we builders should focus on it.” (Construction HA8)

“Ya for the environment, it is not our duty to do it is getting work to do or produce awareness among masses. It is not our duty.” (Engineering AKR 8)

However, one educated SME owner stated that the environment protection is important to consider in CSR Activities

“For Environmental responsibility our SME use, efficient use of electricity & computer system such other energy conservation concept in our company less paper environment as the paper comes from trees.” (I. TECH AR6&7) Most of the businesses owners considered CSR activities as facilities and good working environment for labors & staff. and nothing for the community.

“We provide free food to labors, provide loan benefits, if any labor needs, we also provide other facilities to labors only, but for general public Govt should come forward.” (Construction AA6&7)

“We don’t know about these guidelines but I confirm that we give every good facility to our employees like free lunch to labors, free transport, salary & allowances, loans, leaves to visit their hometown.” (Engineering AKR 12)

“Ya for philanthropy, we do this from our labors & other stuff, but for the general public we have not so much funds specially in present Govt.” (Transport ZB 9&11)

(d) Reasons of SMEs conducting CSR activities

All SMEs owners viewed that corporate CSR practices were only for money making & tax benefits

“Definitely it is related to business, but unfortunately in Pakistan people engage in it for tax benefits & other image building activities, it is for the society & in SME or MNC society is affected by the business in which they operate.” Construction AA2

“other people are doing for reputations, marketing more sales, more growth, more money currently many people also doing for tax refunds also.” (Construction RS 18/19)

“Usually corporate companies are doing these receiving these benefits like

tax credits & tax refunds which they receive in their tax payments.” (Travel WA 18/19)

Almost all interviewees stated that all of their welfare activities such as philanthropy, donations & charity, and ethical labor practices are in-line with the CSR activities.

, “Ya, we are doing but in the path of Allah but not for officially marketing & brands reputation style, but we are doing in unofficially in the path of Allah & we shall not disclose it.” (Construction HA 9&11)

“For the philanthropy yes we do, but on individual basis, but it is all in path of

Allah. Totally due to the religion so no one wants to discuss on it.” (Construction AA 9&11)

, “We don’t do for benefits, but for Allah & we were giving benefits to society by our CSR activities as already told.” (Dairy IB 18 & 19)

“no we do for Allah for the good & prosperous business, we don’t do all that for worldly benefits we don’t need such marketing & fame.” (Engineering AKR 18&19)

(e) Issues & challenges while conducting CSR in SME’s

As SMEs owners have the view that they have limited resources & capabilities to conduct CSR activities on their own. They perceived that government may come forward and assist them with other resources to conduct CSR activities.

“The government will have to come forward if Govt will not think of the people so businesses will not also come forward. There are many people who want to participate in the community services.” (Construction AA 16&17), “inflation behavior of FBR NAB & different other Govt dept. comes across while doing such activities.” (Travel AD 16&17)

“No w/o Govt help we cannot do as a government has the resources without resources we cannot improve our society. (Transport TS 16&17) said,

“Environment advisories should be given in Pakistan to MNC’s but not to

SME in Pakistan as we have less budget & resources.” (I. Tech SA 8) said,

4. Discussion

4.1 Principal findings

- We have found that mostly the qualified business community has the awareness about the CSR activities but there were many qualified persons who have no information about it.. Uneducated SMEs owners have very conservative mindset for CSR and mostly didn't practice it, but they were aware of their responsibility to the society.
- SMEDA only focused on the development of the SME Sector in Pakistan rather than the development of socially responsible SME's sector..
- Most of the SMEs who are currently involved in similar CSR activities were only practicing it in the limited scope.. SMEs were not involved in environment protection, education, Health, Sports, Science & Technology.
- The SME's owners have strong opinion about the corporate companies that companies were doing CSR activities for the financial benefits & Tax refunds. However, they perceived that CSR related activities should be done for the Allah & those persons are not good who are doing these CSR activities for the showoff & Tax refunds & claims.

4.2 Interpretation of findings with the published literature

This study employed qualitative method of analysis in which it employed in depth semi structured interviews to gather data after which thematic analysis produced the themes which produced the overarching themes mentioned & discussed above. The findings of this analysis is very different to some international studies but somewhat similar to some Pakistani studies conducted in Sialkot, of Peshawar, of KPK Pakistan, of India. This study found that Karachi based SMEs are same as

Peshawar based SMEs as they are already involved in the CSR practices with respect to their employees, clients & suppliers. Their activities are usually limited up to donation, employee benefits & trainings, payment of dowry of employee's daughter marriages, loans to employees without markup on easy term & food expense payment of labors & employees. Other SMEs in the

country which are working in Sialkot & Peshawar or in India many such SMEs are working which are practising the CSR initiative without the disclosure as found by the in their study similarly Pakistani firms are reluctant for publishing their activities due to economic & social reasons.

Similarly Karachi based firms don't have the awareness of CSR guidelines & CSR initiatives with its practises types & voluntary disclosure of these practises in FS of the firms. They think that CSR is the act of donations & welfare activities for their employees & customers. Yet it is also a reality that these SMEs have not invest in their employees health & education projects, similar is the case in Punjab & KPK as discussed in the above mentioned studies. This is mainly due to the financial constraints & very limited resources of the SMEs.

SMEs don't want to make formal the procedure of this CSR activities in which they are involved because they hesitate due to the eye of authorities & due to focus on their own work & limited human resource capacity.

Karachi SMEs findings shows similar economies & benefits or good financial performance can be achieve by proper implementation of CSR in the businesses. this way it has confirmed the results of the studies of, in which they found that those SMEs which are working on CSR activities properly they are taking the internal & external benefits of the CSR implementation in Longrun. Those firms in Karachi which are working in CP, CSR, sustainable business practises are taking the competitive advantage on its competitors due to which not only they are making their image good in the market but they are leaving behind the competitors in the profit maximization. Their employees turnover is low due to which their business process are smooth with quality production & management of the firm.

4.3 Strengths & Limitations of the study

The strength of my study is the MSVS (Maximum sampling variation strategy) & respondents Validation. Interviewees were given the opportunity to raise their own issues for discussion if any of them were missed during the interview.

In this study it is possible that some insignificant views may have been missed, but we tried to conduct interviews until data saturation. . Due to the limitation of the time, it was not possible for to travel outside Karachi. but I tried to include all educated, uneducated, SME owners . We couldn't interview females as it was difficult to get contact numbers of female SMEs owners included in SMEDA List.

4.4 Policy implications for the Government & other Authorities

Government, SMEDA & other private entities such as Chamber of Commerce should create awareness among SMEs about the CSR activities and their potential benefits to the businesses such as brand recognition, customer loyalty, and increased sales. SMEs should be given tax credits or refunds if they conduct CSR activities.. In this way their confidence in the government will raise & culture of “earning in society by serving society” will develop. It is also the necessity of time to issue CSR activity guidelines and encourage SMEs to focus on issues pertinent to our community and region such as environment protection, energy conservation, consumer rights protection , employment of special persons, and rural development programs. However, SMEDA is present for helping out the SMEs in many ways, but not for CSR. It could be because of SMEDA's newly structured organization is currently striving for the development of SMEs in Pakistan in the first instance.

Moreover, business owners found government departments interventions as obstacles in conducting CSR activities, for example, intervention of KDA, CDGK, Cantonment boards, MDA, SBCA, police & rangers in acquiring no objection certificates, permits, and licenses.. It is because of corrupt bureaucratic & the political system in the country that every SMEs owner is reluctant to do any social services for the community.

4.5 Conclusion

Private business entities such as Chamber of Commerce, SMEDA and government should play their role in creating and raising awareness of CSR among the SMEs. They should be informed that CSR activities benefit both communities and businesses in terms availability of skilled workers, brand recognition, and customer loyalty. However, there are concerns of SMEs

regarding lack of support by SMEDA and government in conducting CSR activities, which the authorities should take notice, and facilitate SMEs concerns on initiating CSR activities.

4.6 Declaration

There is no conflict of interest of author with study.

4.7 Funding

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References:

Annexure A

Topic Guide

Q1 What you think about CSR? Have you heard about this idea or terminology?

Q2 Do you think that CSR concept is related to businesses and what you think either is it? How much yours SME or owners gives importance to CSR activities in your company activities?

Q3 Do you know any authority which is responsible or regulates the CSR activities of the corporation & SME sector? Or in your sector or in your community? Have your SME adopted any CSR guidelines Of SECP 2013, SDPI, or SMEDA or any other CSR compliance standards?

Q4 How much your employees know this concept? Either they know the concept or just a definition?

Q6 What are the major CSR activities which your company is practicing & why? How these activities Contribute to improve the society?

Q7 How you people are playing the role of Environmental responsibility? Either you people have started any campaign for that.

Q8 How your people are doing activities related to philanthropy? Either you people have ever started any official campaign for that?

Q9 For Pakistan & especially for Karachi residents who are poor & weak what steps you have Taken by your CSR activities?

Q10 Is your company following ethical labor practices which are the basic requirements for the CSR activities?

Q11 Either Govt intervenes in your activity or participates in your activities or at least encourages you

Q12 How your company or SME communicate these activities? Either with any person, in your any advertisement or any publication or newspaper?

Q13 What are the issues/challenges which you have while practicing CSR activities in your company?

Q14 What, you think that how SME's can overcome on these challenges? Either you overcome on any one or not?

Q15 What are the benefits which you think you people are receiving from this CSR activity? Either They are social, reputational, ethical or monetary benefits?

Q16 What future benefits you see in these CSR activities? What Govt should do to encourage you for these activities? What People can do to encourage you?