



**RESEARCH PAPER**

**Corporate Social Responsibility Disclosure and Greenwashing in Pakistani SMEs: Evidence from Managers' Perspectives**

<sup>1</sup>Rabia Zubair\*, <sup>2</sup>Muhammad Ghulam Shabeer and <sup>3</sup>Farhat Rasul

1. Department of Business Administration, University of Sahiwal, Sahiwal, Punjab, Pakistan
2. Assistant Professor, Department of Economics, Akhuwat Institute, Kasur, Punjab, Pakistan
3. Associate Professor, Department of Economics and Quantitative Methods, University of Management and Technology, Lahore, Punjab, Pakistan

**Corresponding Author:** rabiazubair958@gmail.com

**ABSTRACT**

This study aims to examine managers' perceptions of CSR disclosures and green-washing, specifically within SMEs in Pakistan. The research focus is on their practical challenges and limitations. CSR remains an emerging concept in Pakistani SMEs because awareness is limited and misconceptions persist. Although regulatory frameworks exist, weak enforcement and institutional gaps reduce their effectiveness. This study has used a qualitative approach; data were collected through video- and audio-recorded interviews with SME managers selected via snowball sampling. The study focuses on SMEs across Pakistan as the target population. Data were transcribed and analyzed using ATLAS.ti 22, applying thematic analysis, coding, and word frequency techniques to identify patterns and insights. The findings indicate low awareness of CSR and widespread misunderstanding of disclosure practices. Weak regulatory enforcement, corruption, lack of expertise, and limited organizational support further hinder CSR adoption. The study recommends strengthening policy enforcement, improving CSR awareness, and building internal expertise to enhance responsible practices among SMEs.

**KEYWORDS** CSR, SMEs, Managers' Perception, Pakistan

**Introduction**

Corporate social responsibility (CSR) has gained importance in recent years as a vital performance indicator that draws the attention of customers, business partners, and market investors. While most publicly traded companies want to portray a favourable image of how their products are made, the public still pays little attention to CSR performance. On the other hand, the intermediary inputs produced by a company's supplier might be important (Raza & Majid, 2016). As a result, in this study, information released by a firm in these areas would be referred to as "CSR disclosure." This might disclose how a company connects with its workers, customers, the environment, and the community at large (Ali & Frynas, 2017).

Only SMEs were the subject of our investigation. The reason for this is, first and foremost, the large research gap in this sector. The majority of research exploring the link between corporate sustainability and financial success has been conducted on large firms in industrialised countries (Zubair et al., 2024). Second, despite their important contribution to a country's economy, the vast majority of SMEs in most countries fail after a few years of operation or remain small-scale (Reeg, 2013). Small and medium-sized firms (SMEs) account for over 90% of all businesses worldwide, and 50-60% of all employees are employed by them. As a result, it's vital to consider the industry's long-term survival, which has enormous growth potential (Oduro et al., 2021).

SMEs appear to be disregarded in this concept. Large enterprises play the most important role in boosting the economy, and the CSR concept in the context of SMEs appears inconsistent, as the concepts of Corporate CSR and similar phrases appear more relevant to

multinational corporations, which suggest the social responsibilities of large enterprises to the economy. As a result, most SMEs do not report their social practices. Because a wide variety of major firms rely on upstream and downstream connections with other organisations, many of which are SMEs in significant situations, it may be critical for enterprises to understand the ways and means of SMEs in business networks regarding CSR perception and practice. As a result, this study aims to examine CSR views and behaviours among SMEs in Pakistan (Zubair et al., 2023).

Along with the above reasons, another reason to investigate CSR among SMEs in Pakistan is that the SMEs sector accounts for nearly 90% of all businesses in Pakistan (Gill et al., 2023a), provides 80% of non-agricultural jobs, and contributes nearly 40% of GDP annually SMEs Development Authority, SMEDA 2013. SMEs in Pakistan have been chastised in the past for CSR-related concerns such as poor health and safety standards, underage labour, and low achievements. This indicates that CSR development among Pakistani SMEs is still in its early stages, which supports the focus of this study on examining CSR attitudes and behaviours among Pakistani SMEs (Zou et al. (2021).

The study's main goals are to determine small and medium enterprises' (SMEs) perceptions of CSR disclosure in Pakistan, to determine which CSR activities are being carried out by SMEs in Pakistan, to investigate SMEs' motivations for participating in CSR activities in Pakistan, and to examine the benefits of CSR activities achieved by SMEs in Pakistan. Usually, SMEs do not disclose their CSR activities, so our primary objective is to understand the reasons or hurdles for not disclosing CSR information. I also want to know the Managers' perceptions about corporate social responsibility disclosure and greenwashing, and this research aims to know the reasons for greenwashing in SMEs .

Our contribution focuses on SMEs in Pakistan because their importance cannot be ignored in a country's social and sustainable development. Pakistani SMEs are the main source of employment, poverty alleviation, and achieving balanced economic growth. There is huge research conducted on large firms, and at the very least, research conducted on SMEs, especially in Pakistan, about their CSR disclosure or CSR activities/issues and greenwashing. Our main contribution is understanding the problems and issues faced by SMEs in Pakistan, as well as the reasons for the absence of CSR in Pakistani SMEs.

## **Literature Review**

The first section describes the structure and characteristics of SMEs. The second section discusses CSR practices in SMEs, and the third section describes CSR activities and determinants in SMEs. The final section reviews studies on SMEs in Pakistan and other countries, both developing and developed.

## **Structure and Characteristics of SMEs**

The structure of SMEs in Pakistan is adaptable, which is thought to improve corporate management capabilities, workforce quality, domestic resource mobilisation, foreign exchange earnings, technological innovation, and job creation. A foundation for industrialisation cannot be built in the economy without the formation of a network of SMEs, making this sector the fourth most important growth engine in Pakistan (Economic Survey of Pakistan 2013-2014).

SMEs in Pakistan are defined by three criteria: first, the number of workers, which shouldn't exceed 250; second, the paid-up capital, which shouldn't exceed Rs. 25 million; and third, annual sales, which shouldn't exceed Rs. 250 million. The definition of SMEs (SME prudential regulation) provided by the State Bank of Pakistan, the nation's central bank, is thought to be the one that is most frequently cited in Pakistan. Any person who meets one of the following conditions and who is not a public limited company with an employment

size of at least 250 people in the manufacturing sector and 50 employees in the services/trade sector, respectively, is considered to be an SME.

### **CSR in Pakistani SMEs**

Small to medium-sized enterprises (SMEs) in Pakistan can be identified by the characteristics of the owner being the manager with little labor; self-owned and operated; investment being relatively small; low production, dealing, and sale; insufficiently efficient business operation; and lack of a network of relationships with other businesses and parties concerning investment, finance, management, accounting, and taxation (SMEDA 2015). Manufacturing and trade are the two main types of SMEs in Pakistan (wholesaling, retailing, and services). Small units (non-household) are not legally registered and do not operate from the owner's dwelling, while household SMEs are mostly family companies that operate from the owner's residence (Zubair et al., 2025).

In terms of distribution by location, urban areas account for 41% of the total, while rural areas account for 59%. Household units are located in rural areas 78% of the time, while non-household units are formed in rural areas 47% of the time, and in urban areas 53% of the time. Pakistan is divided into four administrative provinces. It is estimated that 3.2 million SMEs are employed across Pakistan's four provinces. 56.26% of the population is in Punjab, followed by 17.83% in Sindh, 14.21% in KPK, and 2.10% in Baluchistan. Furthermore, in addition to the classification mentioned, the Gallup Survey (2013) categorises SMEs in Pakistan by the number of employees. According to SMEDA research, 85% of SMEs in Pakistan operate as partnerships or sole proprietorships, 8% are corporations, and 7% are small businesses operating in the public sector.

Along with the aforementioned reasons, another explanation for researching CSR among SMEs in Pakistan is that the SMEs sector in Pakistan accounts for 90% of all firms, 80% of non-agricultural jobs, and roughly 40% of the country's yearly GDP (2013). More than 184.35 million people call the federal democratic Islamic Republic of Pakistan, located in South Asia, home, according to the Economic Survey of Pakistan (2013), making it the sixth-most populous country in the world. Pakistan's geographic location gives it a distinct strategic edge in creating a regional economic network that encompasses South Asia, Central Asia, the Middle East, and China (Ali Gill et al., 2023).

Where SMEs play a vital role in the Pakistani economy but also face some problems, the major problems to the growth of SMEs in Pakistan include: Lack concerned with the government's finance and taxation department, law enforcement, slower adoption of new technology, a lack of pertinent market information, ineffective environmental and social compliances, inadequate infrastructure, and a lack of intellectual property rights, trademarks, and patents are the main obstacles to the growth of SMEs in Pakistan (SMEDA 2015). In addition to the barriers already mentioned, it is reported that 55% of SMEs in Pakistan are having financial problems, 38% are having trouble finding a business location, 39% are having trouble finding skilled labor, 28% are having problems getting product orders, 21% are having problems with bribes, 12% are having problems with government interference, 12% are having problems with knowledge, 10% are having problems getting raw materials, and 8% are having problems adopting new technology.

The final section reviews studies conducted on SMEs in Pakistan and other countries, both developing and developed countries. Companies in developing nations, the so-called South, may not experience as much or as prolonged pressure from the media, shareholders, and customers. Shareholding is concentrated in many nations, people lack a strong understanding of business, and consumer groups are often nonexistent or ineffective. Governments lack the political will, financial resources, or both to enforce compliance where standards and regulatory frameworks already exist. Like other emerging nations, Pakistan also has these issues.

## Material and Methods

This study adopts a qualitative research design to explore managers' perceptions of corporate social responsibility (CSR) and greenwashing practices in SMEs. A qualitative approach was chosen because it allows the study to capture participants' experiences, interpretations, and attitudes toward CSR practices within their organisations.

### Data Collection Methods

As a result, performing quantitative research was extremely challenging. The Sahiwal region was chosen because of its convenience, and has mostly been impacted by the question of where the primary bad practices are employed by SMEs. This research used snowball sampling to select participants. Snowball sampling is a method of obtaining data to get access to particular groups of individuals. To choose the appropriate course of action, it is important to weigh the benefits and drawbacks of this study methodology.

The snowball approach to finding persons who are unwilling to expose their identities (such as addicts and criminals) is made especially easy with the use of this form of networking. Snowball sampling may be less dependent on a reference sample in another definition, but it can still be used to identify unreachable groups. For instance, if the study is directed at a group of addicts or illegal immigrants, meeting the initial group of samples will likely lead to the collection of other samples, and the study sample expands like a snowball.

### Sample

The majority of SMEs in Pakistan's industrial sector are run and owned by families. Therefore, from this point forward in the paper, the terms "manager" or "managers" shall be used to refer to executives, senior managers, and owners. Key informants were asked to take part in the interviews through a letter asking them to schedule an interview. As a follow-up, phone calls were also made. Only 40 managers agreed to a scheduled interview after these attempts. Out of 40 informants, only 20 respondents were interviewed in this research. Due to some reasons, 20 managers were unavailable for the interviews. The description of the participants is given below.

**Table 1**  
**Interview Participants**

Designation	Gender	Education	Frequency
HR Managers	Male	MBA / MS (HR)	16
Owners	1 Male, 1 Female	Bachelor's Degree	2
Mechanical Engineer	Male	Mechanical Engineering	1
Production Manager	Male	MS (Supply Chain)	1
Total	19 Male, 1 Female	—	20

In total, 20 in-depth interviews were conducted with managers and owners, especially human resource managers from Pakistani SMEs. Sixteen participants were HR managers and highly qualified; two were company owners, one was a mechanical engineer, and the rest were production managers. Interviews were conducted with semi-structured and open-ended questions. The consent form is sent to the respondents both physically and via WhatsApp. The questions were created using a progression from broad to more specialised inquiry, as per accepted interview protocols. Out of 20 interviews, 8 were conducted face-to-face and video-recorded, 12 were tape-recorded, and, when taping was not possible, comprehensive notes were taken during the interview. The majority of the interviews were conducted in Urdu, the native language, and then translated into English. A copy of the transcription was emailed to the interviewee after the interviews had been translated and transcribed, so they could review it and provide feedback on its accuracy. Transcripts were deemed accurate by the vast majority of participants. The final

transcribing checks were completed, and then the interview material was coded. ATLAS 22 is used for coding recorded interviews and analysis.

### Data Analysis Methods

ATLAS 22 software was used to apply a variety of qualitative data analysis approaches, including video recording, interview transcription, theme analysis, data coding, analysis, and word frequency analysis. All interviewees were recorded in their native language (Urdu), which was transcribed into English. In code-based cluster analysis, the number of times authors have coded a node with various forms of references is referred to as similarity. Those themes with comparable codes are close together, while those with dissimilar coding are separated.

### Results and Discussion

The most crucial stage of any research is data analysis. Data analysis concentrates on acquired knowledge. There are 5 sections and 7 research questions, with question no. 1 divided into two parts. The section describes factors that lead to SMEs' non-engagement in CSR. There are five factors contributing to SMEs' non-engagement in CSR, and Section 2 highlights some social and environmental issues in Pakistani SMEs. There are 11 issues highlighted. In section 4, we discuss CSR activities carried out by Pakistani SMEs. A total of 11 activities are carried out by SMEs, divided into three further groups. Section 5 analyses the main reasons for the presence of CSR information in Pakistani SMEs' annual reports, and Section 6 analyses the main reasons for the absence of CSR information in Pakistani SMEs' annual reports. There are 14 reasons mentioned for the absence of CSR information and 8 reasons for its presence. In the last section, explain the reasons for greenwashing.

### Factors Influencing SMEs' Non-Engagement in CSR

Table 2 explains the factors of SMEs' non-engagement in CSR. There are some factors that measure the non-engagement with CSR in SMEs, with the most frequent being the lack of regulation and government support (45%) and the lack of CSR knowledge (45%). Most HR managers said they receive the least support from the government, have very limited knowledge of CSR, and lack CSR experts within the firm. Some managers report that top management is not committed to them (35%) and that there are minimal resources and passive customer demand related to CSR.

**Table 2**  
**Factors of SMEs' Non-Engagement in CSR**

Factors	Frequency	Percentage (%)
Lack of CSR Knowledge	9	45%
Lack of Regulations and Government Policies	9	45%
Lack of Top Management Commitment	7	35%
Lack of Resources	3	15%
Lack of Customer Demand for CSR	2	10%

### Social and Environmental Issues Associated with SMEs

Table 3 describes the social and environmental issues that are created by SMEs in Pakistan. The majority of the respondents thought that 'Third-party hiring (short-term commitment)', and 'Lack of provision of basic facilities to employees', because they are deprived of basic facilities like clean drinking water, medical facilities, safety gadgets, etc. Most companies do not provide proper training or safety equipment to their employees, whether on or off the job. Only fifty to sixty per cent of companies do this; the remaining forty per cent do not give the basic facilities to their employees. Companies hire employees through a third party and avoid government policies. After employees complete probation, companies do not automatically make them permanent under the law.

In addition to this result told us that employees are facing the problem of long working hours like according to law eight hours are employees working hours in a day and suppose they take work from employees twelve hours in a day at the same salary and the interesting thing is most employees are also unaware about their rights those who know do not say anything because of the high rate of the unemployment rate. Salary issues (especially late salary issues during COVID-19) and health and safety issues were the only two aspects of CSR for which the importance placed on them by senior managers was supported by written policies. 55% of respondents reported that the government has a set of policies and laws, but there is a lack of enforcement (in fact, companies are bribing regulatory authority representatives to avoid compliance), regulatory authorities just make money, and third-party audit visits companies for just paperwork.

That's why some companies also do not fulfil the government requirement and do not give security facilities to their employees, like EOBI (Employees' Old-Age Benefit Institute). Fifty per cent of respondents reported that many SMEs, especially leather and textile companies, are more pollution-intensive because they lack proper waste systems (discharging waste openly on the land) and are pollution-oriented (Air pollution, Noise pollution, water pollution). One of the biggest reasons for water pollution is the high cost of installing an ETP plant. Most small companies are cost-conscious, so they discharge effluent into the irrigation canals, which causes several diseases. Overall, a higher percentage of respondents felt Pakistani SMEs face several social and environmental issues that need improvement.

**Table 3**  
**Key CSR-Related Issues Reported by Respondents**

Issues	Frequency	Percentage
Third-Party Hiring (Short-Term Employment Contracts)	16	80%
Lack of Basic Facilities for Employees (e.g., clean drinking water, medical facilities, safety equipment)	15	75%
Salary Issues (Delayed salaries, particularly during COVID-19, and accounting-related issues)	11	55%
Weak Regulatory Oversight and Excessive Paperwork	11	55%
Employees' Lack of Awareness	7	35%
Air and Noise Pollution Issues	5	25%
EOBI and Social Security Issues	5	25%
Improper Waste Management (Open disposal of waste on land)	5	25%
High Cost of Installing Effluent Treatment Plants (ETP)	4	20%
Non-Compliance with Government Requirements	4	20%
Failure to Provide Permanent Employment as Required by Law	3	15%

### Managers' Perceptions of CSR

During this research, we found a lack of awareness of the CSR concept; most managers do not know about CSR, and those who do have a very limited approach to it, as well as a misconception about CSR disclosures. Managers perceive that companies are concerned with society; that's why companies avoid CSR. Almost 20% of managers said CSR is largely a publicity/image issue, and that companies disclose their CSR activities in their annual reports for publicity. Some managers perceive CSR as a significant responsibility and the most important factor for any company (Table 4).

**Table 4**  
**Managers' Perception of CSR**

Managers' Perceptions of CSR Disclosure	Frequency	Percentage
Companies Need Not Be Concerned with Society	13	65%
CSR Is Largely a Publicity or Image-Building Activity	7	35%
CSR Is a Major Responsibility of Companies	6	30%
CSR Is Very Important for Companies	4	20%
CSR Promotes Employee Welfare	3	15%

### CSR Activities Undertaken by SMEs

Table 5 describes the types of activity that make up CSR engagement in Pakistani SMEs. Some Pakistani small and medium enterprises focused on employee health and safety training, the provision of safety equipment for employees, and employee training and development at the time of hiring, as these are basic employee facilities. In addition, 58% of companies provide basic facilities to their employees, but 14% provide only on-the-job training; however, employees also need off-the-job sessions. Very few companies focus on employee welfare and educational projects, such as scholarships and bursaries (20%). Many companies did not have appropriate facilities to 'lend', while others said they had never been asked.

Overall, the sample suggests that Pakistani companies engage in a broad spectrum of CSR activities, with the fewest providing basic facilities (water, medical facilities, food). Some companies engage in community-related activities, such as charitable donations. Some companies engage in environmental projects (installation of ETP plants, recycling waste materials, etc.), sponsor sports activities for their employees, and engage in arts and cultural activities.

**Table 5**  
**CSR Activities Reported by Respondents**

CSR Activities	Frequency	Percentage
<b>Employee-Related Activities</b>		
Health and Safety Training and Safety Equipment	14	70%
Employee Training and Development	12	60%
Provision of Basic Facilities (water, food, medical facilities)	5	25%
On-the-Job Training Only	6	30%
Employee Welfare Programs	2	10%
Educational Projects (Scholarships and Bursaries)	2	10%
<b>Community-Related Activities</b>		
Charitable Donations	2	10%
Sports Activities	4	20%
Arts and Cultural Activities	1	5%
<b>Environment-Related Activities</b>		
Environmental Projects (e.g., tree planting)	2	10%

### Reasons for CSR Disclosure in Annual Reports

A considerable majority of the respondents thought that CSR disclosure helps to achieve a limited number of business objectives. Table 6 shows the percentage of Reasons for the presence of CSR disclosure in annual reports of SMEs in Pakistan. Respondents said that companies disclose their CSR information to enhance company reputation and to build public image, which is the most frequently cited (55%) reason for the presence of CSR disclosure. Thirty per cent of companies disclose their CSR information to attract and retain high-calibre employees and to improve moral attributes. Forty per cent of companies are due to government policies and legislation pressure, and due to Accountability and maintaining the public relationship (35%). Just over half of the respondents felt CSR activities help to promote international business strategies, highlighting the growing significance of socially responsible behaviour in the globalising marketplaces, particularly as it is linked to corporate reputation.

Export base companies disclose their CSR information due to international pressure. Interestingly, CSR engagement was perceived to play the least significant role in 'retaining government support' and believed that government support was irrelevant or negligible for their industries, and argued that they did not have any government support. Overall, a higher percentage of respondents felt CSR was likely to play a greater role in the future in helping achieve all business objectives. Table 6 shows the percentage of Reasons for the presence of CSR disclosure in annual reports of SMEs in Pakistan that perceived CSR to help achieve specific business objectives.

**Table 6**  
**Reasons for the Presence of CSR Disclosure in Annual Reports**

Reasons	Frequency	Percentage
Enhance Company Reputation and Public Image	11	55%
Promote International Business Strategies	10	50%
Due to Government Policies and Legislative Pressure	8	40%
Accountability and Maintaining Public Relationships	7	35%
Attract and Retain High-Calibre Employees	6	30%
Attract Investors and Achieve Business Objectives	5	25%
Retain Government Support	3	15%
Improve Moral and Ethical Values	3	15%

### Reasons for the Absence of CSR Disclosure

Table 7 illustrates the reasons for the absence of CSR disclosure in the annual reports of SMEs in Pakistan. Some senior manager respondents thought the main reason for CSR absence in an annual report was due to a lack of regulatory authority and policymakers (90%). The government has set up policies and laws, but there is a lack of enforcement (it has been noticed that companies are bribing regulatory authority representative for non-compliance with this). Regular authorities just make money, and third-party auditors visit companies solely for paperwork, which is why some companies do not disclose CSR information. Some other managers reported that the absence of CSR information in the annual report is due to a lack of CSR knowledge, a lack of CSR experts in the firms, and a lack of top management commitment.

Just over half the respondents said they did not disclose CSR information in their annual reports due to the cost of reporting. 40% of companies do not disclose their CSR information due to ineffective strategic planning. Interestingly, some managers perceived to play the least significant role in 'lack of competitive knowledge', 'new startup of a business, and 'Uncertainty'. Some senior managers believed that they do not disclose their company's CSR information because they are not focused on employee training and development, have little implementation of CSR activities, make short-term planning, and lack government support, due to the high rate of unemployment in Pakistan. The unemployment rate in Pakistan is high. People do not raise their voices for their rights because they do not have another good opportunity. Some companies just focus on their profit and their well-being, not on long-term planning.

Lack of awareness and the cost of participating in CSR were the two most commonly identified obstacles to CSR involvement. A few interviewees held the view that the lack of knowledge was more about a lack of understanding of the significance of CSR than about the idea itself. Similar remarks were made on the lack of knowledge of very inexpensive CSR activities as a barrier to CSR. Lack of knowledge and competence, as well as "no connection to company objectives", were both very commonly mentioned. There were some fascinating answers to this topic as well. For instance, two respondents claimed that the only things standing in the way of CSR implementation were a lack of competitive knowledge, and some managers thought that SMEs in Pakistan are tax avoiders.

**Table 7**  
**Reasons for the Absence of CSR Disclosure in Annual Reports**

Reasons	Frequency	Percentage (%)
Cost of reporting	10	50%
Lack of competitive knowledge	2	10%
Lack of CSR experts in the firm	10	50%
Lack of CSR knowledge	14	70%
Lack of effective strategic planning	8	40%
Lack of regulatory authorities and Govt support	18	90%
Lack of government support	5	25%

Lack of top management commitment	11	55%
Limited implementation of CSR activities	6	30%
Short-term planning focus	5	25%
New business startups	3	15%
Lack of focus on employee training and development	7	35%
Uncertainty in the business environment	2	10%
Unemployment	12	60%
Tax avoidance practices	3	15%

### Managers' Perceptions of Greenwashing

Table 8 describes the reasons for greenwashing in SMEs. Fifty-five per cent of respondents reported that the government has a setup of policies and laws, but there is a lack of enforcement (actually, it has been noticed that companies are bribing regularity authority representatives for not complying with this), regularity authorities just make money, and third-party audit visits companies for just paperwork. They have very little concern about what companies do or do not; there is an enforcement need. Seventy-five per cent of companies use false statements, and almost fifty to sixty per cent of companies mention extra information in annual reports. Companies do not implement what they mention in their annual reports; they just do it for paperwork and documentation.

**Table 8**  
**Managers' Perceptions of Greenwashing in SMEs**

Reasons for Greenwashing in SMEs	Frequency	Percentage
Use of False or Exaggerated Statements in CSR Reports	15	75%
Weak Regulatory Oversight (Authorities Focus on Paperwork and Monetary Gains)	11	55%

### Conclusion

The main purpose of this research is to know the Managers' perception of CSR disclosures and greenwashing. Also, to know the issues/problems and CSR activities of SMEs in Pakistan. To examine the Managers' perceptions of CSR disclosures and greenwashing in Pakistan, this research used data collected through qualitative video- and audio-recorded interviews. This research used a snowball sampling technique to select participants. ATLAS 22 software was used to apply a variety of qualitative data analysis approaches, including video recording, interview transcription, theme analysis, data coding, analysis, and word frequency analysis. The findings of this study show that most managers and business owners have limited awareness of the CSR concept and misconceptions about CSR disclosure. Our findings reveal that the main reason for CSR absence in an annual report is due to a lack of regulatory authority and policymakers (90%). The government has set policies and laws, but enforcement is lacking.

This research also identifies the social and environmental issues of Pakistani SMEs: 'Third-party hiring (short-term commitment)' and 'Lack of provision of basic facilities to employees'. They have been deprived of basic facilities such as clean drinking water, medical care, and safety equipment. The findings also show that a lack of CSR knowledge, a shortage of CSR experts within the firm, and a lack of reassurance are reasons for the absence of CSR disclosure. The key contribution of this study is its focus on SMEs in Pakistan, as their importance cannot be ignored in a country's social and sustainable development. Pakistani SMEs are the main source of employment, poverty alleviation, and achieving balanced economic growth. There is huge research conducted on large firms and, at the very least, research conducted on SMEs, especially in Pakistan, about their CSR disclosure or CSR activities/issues and greenwashing. Our main contribution is understanding the problems and issues faced by SMEs in Pakistan, as well as the reasons for the absence of CSR in Pakistani SMEs. The findings of this study will also help formulate future CSR policies for Pakistani SMEs and resolve social and environmental issues in these businesses.

## **Recommendations**

The findings of this study highlight several important areas that require urgent attention from both the government and corporate sector in Pakistan. First, the government must significantly improve enforcement of existing regulations on corporate social and environmental responsibilities. Weak enforcement mechanisms currently allow many companies to neglect their obligations without facing any meaningful consequences.

Second, there is a strong need to strengthen regulatory bodies so they can effectively address the social and environmental issues companies face. Empowered and well-resourced regulatory institutions would be better positioned to monitor corporate behaviour and ensure greater compliance with sustainability standards.

Third, companies themselves must place greater emphasis on respecting human rights and labour rights. Beyond mere compliance, businesses should integrate these fundamental rights into their core operations and corporate culture to foster more ethical and responsible practices.

Furthermore, the government should develop clear and comprehensive laws specifically focused on corporate reporting, particularly CSR reporting. The absence of mandatory, well-defined reporting requirements has led to inconsistent and incomplete disclosure practices across industries.

Finally, many companies in Pakistan lack knowledge and resources for proper sustainability and CSR reporting. To overcome this challenge, the government should establish a dedicated support mechanism — such as a consultative forum or committee comprising academics, practitioners, and regulators. This collaborative platform would help companies understand reporting requirements and enable them to transparently disclose all their social, environmental, and economic activities.

## **Limitations and Future Direction**

This research was conducted through 20 interviews with Sahiwal small and medium-sized enterprises, all of which are pollution-intensive, especially the leather industry. In the future, we need a different type of industry analysis and to collect data from other cities, as this research currently collects data only from Sahiwal SMEs. Second, the sample size is small; hence, larger samples are needed for future studies. The findings of this study will also help formulate future CSR policies for Pakistani SMEs and resolve social and environmental issues in these businesses.

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