

**CORPORATE SOCIAL RESPONSIBILITY:
A COMPARATIVE EXPLORATION INTO CONVENTIONAL AND
ISLAMIC BANKS OF PAKISTAN**



A thesis submitted in partial fulfilment of the requirements for the degree of MS Islamic Banking
& Finance

Researcher:

Adeela Abbasi (32-SE-MS/IBF-2/F09)

Supervisor:

Dr. Pervez Zamurrad Janjua
Professor (IIE)

Co-supervisor:

Dr. Mumtaz Ahmad
Assistant Professor

COMSATS Institute of Information Technology, Islamabad

International Institute of Islamic Economics
International Islamic University Islamabad



2014

TH-14636 (P) 9/5
Accession No. 14636

MS
658.408
ADC

- Social responsibility
- employee's welfare
- Islamic banks of Pakistan


Approval Sheet

Comparative Social Responsibility: A Comparative Exploration into Conventional & Islamic Banks of Pakistan

By

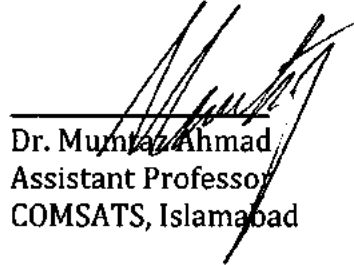
Adeela Abbasi
Registration No.244-FE/MS IBF-2/F09

Supervisor:



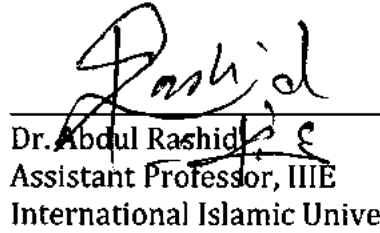
Dr. Pervez Zamurrad Janjua
Ex-Professor, IIIE
International Islamic University, Islamabad

Co-Supervisor:



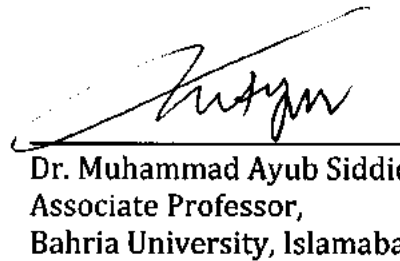
Dr. Muneer Ahmad
Assistant Professor
COMSATS, Islamabad

Internal Examiner:

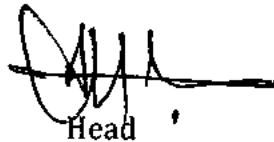


Dr. Abdul Rashid
Assistant Professor, IIIE
International Islamic University, Islamabad

External Examiner:



Dr. Muhammad Ayub Siddique
Associate Professor,
Bahria University, Islamabad



Head

International Institute of Islamic Economics
International Islamic University, Islamabad



Director General

International Institute of Islamic Economics
International Islamic University, Islamabad

Date of Viva Voce Examination 7th of November 2014

ABSTRACT

Managing the banks activities with special consideration to Corporate Social Responsibility (CSR) is a recently emerged standard to address the growing concerns of the society and the problem of bank's profitability. In this research study, the CSR techniques have been contemplated, showing the participation of Islamic banks in comparison to the conventional banks in order to make the study meaningful.

The study explores the CSR structure, instruments, constructs and prevailing practices in the banking industry of Pakistan. The study incorporates a sample of five full-fledged Islamic banks and five conventional banks functioning in Pakistan.

The purpose of this research is to explore the perception of the respondents on CSR and to analyze the practice of major conventional and Islamic banks of Pakistan in context of CSR. Data has been gathered from banking practitioners of Islamic and conventional banks through pre-structured questionnaires and analyzed quantitatively by using Structural Equation Modelling technique. The key CSR constructs are quotas for social based investments, employee's welfare, development based investments, environment based investments, policy to assist small business, social saving and investments, and charitable activities. The allocation of resources in banks for CSR accomplishments has not been traced in this exploration. Later, the research revealed positive perception of respondents regarding importance of CSR and its incorporation in banking sector of Pakistan. Comparatively, results have revealed that conventional banks show a higher involvement in CSR practices as compare to Islamic banks.

DECLARATION

I Adeela Abbasi hereby declare that the thesis titled “A Comparative Exploration into Conventional and Islamic Banks of Pakistan in context of Corporate Social Responsibility” is submitted by me in fulfilment of the requirement for the degree of MS-IBF. This thesis represents research carried out at International Islamic University Islamabad and aims at encouraging discussion and comments. The observations and viewpoints expressed are the sole responsibility of the author. It does not represent position of International Islamic University or its faculty. I also understand that if evidence of plagiarism is found in my thesis or proven to be earlier submitted anywhere, I shall stand by the consequences.

Adeela Abbasi

Registration # 32/SE-MS/IBF

DEDICATED TO

The Holy Prophet Muhammad (P.B.U.H)

Honourable Teachers,

Beloved Parents,

&

Siblings

Sohaib Abbasi & Saleha Abbasi

Table of Contents

ABSTRACT.....	i
ACKNOELEDGEMENT	vii
LIST OF FIGURES AND TABLES.....	viii
LIST OF FIGURES	viii
LIST OF TABLES.....	ix
CHAPTER 1	1
1. INTRODUCTION	1
1.1 Background of the Research Subject	1
1.2 Problem Statement	5
1.3 Objectives of the Study	5
The specific objectives of study are mentioned hereunder:-.....	5
1.4 Significance of the Study	6
1.5 Structure of the Study	8
CHAPTER NO 2.....	9
2. LITERATURE REVIEW	9
2.1 Concept of Corporate Social Responsibility	9
2.2 Theories of Corporate Social Responsibility	10
2.2.1 Classical Shareholder Theory	10
2.2.2 Social Contract Theory	11
2.2.3 Instrumental Theory.....	11
2.2.4 Legitimacy Theory.....	12
2.2.5 Stakeholder Theory	12
2.2.6 Motivational Theory	13
2.2.7 Corporate Social Responsibility in Islamic Perspectives	14
2.3 Corporate Social Responsibility and Banking Business	16

CHAPTER 3	24
3. DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY	24
3.1 Regulatory Development of CSR at International Level	27
3.2 Application of CSR in Banking Sector of Pakistan	31
CHAPTER 4	34
4. RESEARCH METHODOLOGY	34
4.1 Universe of Study	34
4.2 Sampling	34
4.3 Research Instrument	35
4.4 Theoretical Underpinning and Research Model	36
4.5 Variables and Hypotheses	38
4.5.1. Corporate Social Responsibility (CSR)	38
4.5.2. Quotas for Employee’s Welfare (QEW).....	38
4.5.3. Social Impacts Based Investments Quotas (SIQ).....	39
4.5.4. Development Based Investment Quotas (DIQ).....	39
4.5.5. Environment Based Investment Quotas (EIQ).....	40
4.5.6. Policy for Micro and Small Businesses, Social Savings and Investments (PMSI).....	40
4.5.7. Charitable Activities (CA).....	41
4.6 Data Collection	41
4.7 Estimation Technique and Procedure	42
CHAPTER 5	44
5. RESULTS & DISCUSSIONS	44
5.1 Summary Statistics of Responses	44
5.2 Analyzing the CSR Application in Banking Sector of Pakistan	45
5.2.1 Descriptive Analysis based on frequency distribution.....	45

5.2.2	Descriptive Analysis Based on Mean Values of Indicators	66
5.2.3	SEM Results of Conventional Banks.....	76
5.2.4	SEM Results of Islamic Banks.....	79
5.2.5	Comparative SEM-CSR Analysis for Conventional and Islamic Banks of Pakistan.....	82
5.2.6	Discussion of Coefficient Results.....	85
5.3	Goodness of Fit Indices.....	88
6.	CONCLUSIONS AND RECOMMENDATIONS	90
6.1	Conclusions.....	90
6.2	Recommendations	92
REFERENCES:		95

ACKNOELEDGEMENT

I acknowledge the blessings of Almighty Allah (SWT), who in spite of all my weaknesses enabled me to prepare this thesis.

I would express my profound gratitude to my supervisor Prof. Dr. Pervez Zumurrad Janjua, for his guidance, constant supervision, vital encouragement and support in addition to the provision of necessary information, help and inspiration he extended. His assistance and exclusive reverence enabled me in the progression of this work.

I would extend my gratitude to my co-supervisor Dr. Mumtaz Ahmad for the guidance, technical advice and constant feedback. He has constantly motivated me and provided me opportunity to carry out this study. He helped me to overcome the problem regarding quantitative analysis.

I would not be able to forget in articulating appreciation to my colleaguess Uzma Bashir, Mamoona Sadaf, Nadia, Amna Nasim, Naima Kayani, Saleha Abbasi, Sarah Munir and all the people who prayed by heart and provided moral support in getting this work done.

Lastly, I am grateful to all those who helped me to strengthen my work. However, I solely stand for the weaknesses of my research thesis.

Adeela Abbasi

Registration # 32-SE/MS-IBF

LIST OF FIGURES AND TABLES

LIST OF FIGURES

1.	CSR Model, Constructs and Factors	37
2.	Results in Percentages for Employee's Welfare Quotas (Mean Values)	49
3.	Results in Percentages for Social Impact Based Investment Quotas (Mean Values)	53
4.	Results in Percentages for Development Based Investment Quotas (Mean Values)	56
5.	Results in Percentages for Environment Based Investment Quotas (Mean Values)	60
6.	Results in Percentages for Micro, Small Businesses, Social Savings & Investment Quotas	63
7.	Results in Percentages for Charitable Activities (Mean Values)	66
8.	SEM-CSR Results of Conventional Banks	77
9.	SEM-CSR Results of Islamic Banks	80

LIST OF TABLES

1.	Summary Statistics of Responses	44
2.	Frequency Distribution & Descriptive Statistics: Employees' Welfare	46
3.	Frequency Distribution & Descriptive Statistics: Social Impact Based Investment Quotas	50
4.	Frequency Distribution & Descriptive Statistics: Development Based Investment Quotas	54
5.	Frequency Distribution & Descriptive Statistics: Environment Based Investment Quotas	57
6.	Frequency Distribution & Descriptive Statistics: Micro, Small Business Social Savings and Investments	61
7.	Frequency Distribution & Descriptive Statistics: Charitable Activities	64
8.	Perception of Bank Employees on CSR: Employees' Welfare	67
9.	Perception of Bank Employees on CSR: Social Impact Based Investment Quotas	69
10.	Perception of Bank Employees on CSR: Development Based Investment Quotas	71
11.	Perception of Bank Employees on CSR: Environment Based Investment Quotas	73
12.	Perception of Bank Employees on CSR: Micro, Small Business, Social Savings & Investments	74
13.	Perception of Bank Employees on CSR: Charitable Activities	75
14.	CSR Coefficient Values and p-Values of Conventional Banks and Islamic Banks	83
15.	Goodness of Fit Statistics	88

CHAPTER 1

1. INTRODUCTION

This chapter describes the main concept of Corporate Social Responsibility (CSR) and its role in the development of business, economy with a particular focus on the banking sector of Pakistan. In addition, it generally highlights the basic issues that are addressed in Corporate Social Responsibility and the implementation of these practices in the banking sector of Pakistan. Furthermore, the chapter identifies the problems in the practical operations of banks in context of CSR, outlines the objectives and explains the rationale of the study.

1.1 Background of the Research Subject

Financial sector plays a fundamental role in economic system. Further, this sector is responsible for provision of financial products, fulfilling customers' financial needs and playing the intermediary role by connecting the supply and demand channels of money. Banks are the backbone of any economy. The advancing component of a bank results in wealth creation and thus, affects the entire money stream of the economy. In extending credit, the banking sector may also lift the growth of essential sectors of the economy while affecting resource allocation across the sectors. Moreover, it facilitates enormous volume of money transactions in the market. Banks associate the monetary transactions through essential players in the economy, i.e. international and local businesses, the government and the households (Jeucken, 2004: 55). Thus, banks play a central role in monetary arrangement particularly through the financial market. In the current era of boosting development of the financial sector and its impact on real sector of the economy, Corporate Social Responsibility emerges as one of the most valuable and significant disciplines in the world.

The application of CSR has been a concern for the organizations, business firms, manufacturing companies, financial institutions and researchers for many decades. CSR is basically to symbolize corporate actions beyond profit making, which include protecting the environment, caring for employees, being ethical in trading, and to be involved in the local community welfare. Some of the main issues addressed in corporate social responsibility are promoting human rights, community involvement, human resource management, socially responsible investing and social reporting (CSR-Europe, 2001).

CSR and the banks are a perfect fit for one another in order to make a sustainable match for the societal benefit with the combination of wealth creation and economic development. Such activities promote social justice in the society. Banks' sustainability is influenced by its stakeholders including employees, customers, competitors, government and society at large. Presently, CSR is a tool of competitive edge for the banks in order to strengthen their reputation and brand image.

Banking sector can have many unethical practices that can be put into question by the stakeholders. These may include low service quality, discrimination in employees' affairs, financing un-ethical projects having negative environmental and social impact and unjust practices with clients (Amacanin, 2005). Such issues can be addressed through effective CSR.

Banks, like other business organizations, cannot be forced to get themselves engaged in the socially beneficial initiatives until and unless they themselves become pro-active in adopting high profile and significant activities at communal level. Banks also face pressure about sustainability issues from the interest groups, media and government. They need to concentrate on socially beneficial activities in order to avoid negative reputation. Since last two decades, this unique responsibility has been steadily incorporated into the banks' practices due to increasing

demand from civil society and donors. Presently, banks are showing commitments for addressing the sustainability issues because they are well aware of the increasing expectation of the stakeholders and the society.

Banking industry is experiencing a high competition in the market. Therefore, in addition to figuring, mounting and reporting their sustainability objectives and actions, they ultimately are destined to strive for community welfare benchmarking in competing their contestants.

There have been many dimensions in which Corporate Social Responsibility initiatives have to be incorporated in the banking sector policies in order to achieve the organization's stability and societal benefit. These dimensions include integration of CSR to existing and new financial products, management policies and practices, internal business operations and external social environment.

Another important terminology that came across research is the structural change. CSR is considered to be a response of the businesses towards the communal concerns. This in return brings about structural change in the industry. CSR can be a driving force that carries structural change in the financial industry which consequently makes societal benefits the main concern of even the most economic and materialistic institutions (Llewellyn, 1998; Decker, 2004).

Researchers justify the presence and incorporation of CSR in the financial policies as a constituent of publically beneficial structural change initiative that includes the banks' active participation in social responsibility akin to the firms as they interact with vigilant market contributors. They need to be observant in order to fulfil the demands of influential consumers. CSR is perceived to be a potent tool in response to induced problems of the financial sector and can prove to be a strong competitive edge for the institutions. On the contrary, non-integration of

CSR policies into the financial organization's active policies can be a high risk factor for them. As imposed by the regulation, CSR becomes an integral part of the banking system.

According to WCED Report (1987), "a sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Peters, 1984). This means that the stride of financial, technological and economic development should consider the absorptive capacity of the conservational system for dealing with the lasting ecological deprivation that would consequently weakens economic growth. Here comes the concept of CSR that eventually protects the absorbent tendency by introducing the environmental and ethical standards into the practical operations of the organizations. CSR and sustainable development lead to choose an altered path from the usual bottom line financial approach to a triple bottom line vision that include the economic, social, and environmental criteria. The so called 3 P's criteria include 'people' or 'social value' for the development of customers, employees, NGOs and suppliers, inside and outside stakeholders of the company; the 'planet' or 'ecological value' for a justifiable level of usage of natural resources and conservational load, presently and in the future, locally and universally; and the 'profit' or 'financial value', a level essential to assure the steadiness of the organisation's provision of goods and services for an extended period of time.

However, as the concept of CSR has grown across several businesses and disciplines, the financial service industry has recognized the tactical significance of CSR as a basis of opportunities and risks (Decker, 2004). For that reason, there has been a growing pressure on banks to cultivate, distribute and establish pertinent CSR practices.

1.2 Problem Statement

Banks have progressively recognised the pressure from their stakeholders including shareholders and financiers to do commerce in an accountable and moral manner. Several banks recognized that environment-unfriendly ventures can have a negative impact on the share prices and brand repute. Moreover, patrons do exceedingly investigate the bank's standpoint on CSR and its financial rules of conduct. Currently, deposit managers give importance to the subject of virtuous venture, principally to cover CSR in their annual policy statements. In recent years, socially responsible investors mutually uttered strong apprehension on organizations to take into account global issues, such as environmental degradation (Cowe, 2002).

Therefore, it would be significant to identify how the banks operating in Pakistan are responding to CSR and sustainable development issues. Are the banks joining with both environmental and communal concerns? What are their aims and policies in undertaking CSR initiatives and how CSR is substantially embedded in their products?

1.3 Objectives of the Study

The aim behind this study is to identify the corporate beneficial activities in favour of employees and other stakeholders of banks in addition to spreading awareness in line with the human and societal betterment.

The specific objectives of study are mentioned hereunder:-

- To benchmark the initiatives of financial institutions in Pakistan in building a truly ethical concept of business that seeks to balance profit motives with societal development.
- To examine the main components of CSR used in Pakistani banking sector in context of conventional and Islamic principles

- To execute comparative analysis of conventional and Islamic banks in context of their level of contribution towards CSR.

1.4 Significance of the Study

Several theoretical and empirical studies have investigated the phenomenon of CSR in the Western countries. Despite such progress, that is made to enlighten the importance of CSR, no serious attempt has been made to study this concept in banking perspective of Pakistan. The proposed study specifically focuses on this huge gap. The emergence of CSR in Pakistan today requires a thorough examination from both conventional and Islamic perspectives. The concern over social responsibility is also relevant to Islamic enterprises, which accept ethics and social responsibility as enduring principles. This study will attempt to fill this gap by providing insights into centric position on the CSR doctrine.

Corporate Social Responsibility concept has a very vast impact over the economy. This will not only assist to elevate the economic wellbeing of the general public but also constitute towards more equitable allocation of economic resources. Integrating CSR with business policies, provide competitive edges and market benefits to the banking industry. This integration will help the banks to proactively balance short term financial goals with long term goal of sustainable development through community involvement.

This research mainly focuses on the practice of CSR in banks of Pakistan. The disclosure and promotion of socially beneficial activities in the financial reporting and public accountability standards is a big problem that needs to be addressed adequately. Thus, the outcome of this research provides policy implication to strengthen employees' loyalty and customers' retention on the basis of participation in societal benefit and betterment in a positive manner.

The benefits of analysing Pakistani banking sector in connection with CSR are twofold. First, this study aims to analyse the real scenario of the Islamic banks' participation in CSR in comparison with conventional banks. Moreover, the study investigates whether the behaviours identified in previous researches for the CSR practices in developed countries are also found in Pakistani banking sector. Second, since the last decade long fluctuations are observed in banking sector of Pakistan which is characterized by integration of CSR into their policies. Each bank is now having a separate CSR policy. This changing scenario in different periods gives us the opportunity to test contentions of both the Islamic and conventional sectors. Additionally, it allows us to explore the reasons behind the encouragement of such values in economic and financial institutions (Gervais & Odean, 2001).

In this study, the researcher aims to test CSR theories and to identify the practical gap between the theoretical framework and the practical procedures. The most important factor is to excavate the customers' and employees' behaviour in above said circumstances. Research attempts to enlighten the ways through which the said institutions can be a milestone for laying the foundation in building a durable and societal friendly environment.

This study may be helpful for policy makers in the banking sector to have a considerate insight that CSR could affect their business reputation and sustainability. The results of this study could be utilized for assistance of strategic planners and higher authorities of banks and other entities operating in the markets in understanding the working of CSR as a helping hand to achieve some of the societal objectives. The knowledge on working behaviour of employees and business preferences of customers may help to design more effective policies. This research provides suggestions, how the institutions may improve their reputation and returns by properly utilizing the psychological factors of stakeholders involved in trading of CSR perspective.

1.5 Structure of the Study

After introducing the problem, objectives and significance of the study in chapter one, chapter two deals with literature review including the theories addressing CSR and interpretation of its practical operation in different service providing organizations with reference to past studies. Chapter 3 addresses the development of CSR at international and national level. Chapter 4 illustrates the methodology, selection of econometric model and empirical procedure. Chapter 4 estimates and analyzes the results by using descriptive statistics and SEM technique. Lastly, chapter 5 provides conclusions and policy recommendations.

CHAPTER NO 2

2. LITERATURE REVIEW

This chapter consists of four parts. First part discusses the concept of CSR. Second part deals with different theories of CSR. Last part overviews practice of CSR in banks through interpretation of various empirical studies.

2.1 Concept of Corporate Social Responsibility

A major issue for business entities in history has been whether the corporate decision makers should consider non-profitable issues of the society or not. Defining the concept of corporate social responsibility is not an easy task. In 1863, Adam Smith came up with a new dimension towards business and argued that in exploration of profit generation, business holders will eventually lead towards the greatest social good with the help of the invisible hand of the market (Smith, 1995). Later on, various researchers elaborated this concept and highlighted different factors hindering the effectiveness of invisible hand, e.g. imperfect competition, lack of customer's information, etc. (Petkus and Woodruff, 1992). By this, the growing literature has been continuously attempting in defining the ways where organizations can be considered as socially responsible.

A variety of meanings can be derived from the term 'Corporate Social Responsibility'. The definitions can be grouped into two main groups, namely 'multidimensional definitions' and 'societal marketing based definitions' (Mohr, 1996). The first category determines the organization's main responsibilities. In this category, the work of Carroll (1991) is worth-mentioning. The author suggested four major dimensions of CSR, namely legal, ethical, economic and philanthropic and their relation with various stakeholders of the organization that include owners, employees, customers, the community and the public.

The 'societal marketing' is more intellectual version of CSR concept. Societal marketing concept can be elaborated as a unique way of conducting business that sustains and develops the consumers' condition and the society's betterment at large (Kotler, 1991). Both groups of definitions are different at rational level but have a common concern that is the social responsibility of the business entity. Another addition was made by Petkus and Woodruff (1992) with the concept of 'avoiding the harmful activities' and 'doing well in businesses'. Thus, CSR can be interpreted as the company's commitment towards minimizing the harmful effects and maximizing the long-term positive effects towards the society (Petkus and Woodruff, 1992).

2.2 Theories of Corporate Social Responsibility

CSR develops a framework for the companies to play a positive role in society not only with the provision and satisfaction of their purely economic and financial interests but also with active social participation. The literature underpins the concept of CSR with certain theories that provide the basis for the practical application and guidance. These theories are discussed below.

2.2.1 Classical Shareholder Theory

Milton Friedman is the most prominent defender of the classical doctrine regarding business's role in society. His two contributions in this regard include his book on 'Capitalism and Freedom' (1967) and the seminal contribution on 'The Social Responsibility of Business to Increase its Profits' (1996). Both of the contributions focus on the argument that the vision of having business officials to outspread their societal responsibilities beyond their stockholders' interest is nothing but a delusion of the nature of a free economy. In such an economy, "there is one and only one social responsibility of business – to use its resources and to engage in

activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud” (Friedman,1996). He further elaborated his concept that the organization’s socially responsible activities and contributions are worth recognizing and worth praising, if they are providing real means for generating profits in monetary terms and not only as a part of philanthropic contribution (Freidman, 1970).

2.2.2 Social Contract Theory

The fundamental notion of the social contract theory is by what means a corporation is to be related with the society. According to this theory, organizations necessarily act in an accountable modus not merely because it fulfils their commercial interest but for the reason that society implicitly expects businesses to do so (Moir, 2001). Furthermore, in accordance with the social contract theory, a business is considered as a social institution and it should be a part of other social entities, such as the family, religious and educational institutions, in improving the life standards and essentials. In other words, the corporate social contract theory holds that business and society are equal partners; each of them is enjoying rights and having reciprocal responsibilities. Business corporations owe a great social responsibility towards the society because they take all the necessary resources (e.g. material, capital and human resource) from the society and in turn, owe a considerably huge responsibility of being participant of common welfare of the society (Lantos, 2001).

2.2.3 Instrumental Theory

In this theory CSR is considered as a strategic instrument to meet the corporation’s basic economic goals. The proponents of this theory are of the view that company can work on

the societal betterment aspects with an insight of exploring ways to fulfil the basic economic objectives. These activities include charity, supporting poor, quotas for education, supporting health facilities, and helping the discriminated lot, etc. This will help the corporations in the long run to achieve good image, strengthen public relations strategy and improve company's competitive edge without risking stakeholders' interest (Windsor, 2001; Lantos, 2001 and 2002; Johnson, 2003).

2.2.4 Legitimacy Theory

This theory highlights two hidden and reciprocal contracts between the business and the society. The business has a 'social contract' with the society and the society has a contract with business to let the business continue its operation by observing social responsibility. Company is basically concerned with the actions it performs and by the perceptions which society has about its business (Tomer, 1994; Suchman, 1995; Deegan, 2002). The proponents of this theory argue that the companies engage themselves in the CSR activities only to keep these contacts in running condition (Davies, 1997). CSR is perceived to be a response of organizations towards different political, social, legal, economic and ethical pressures.

2.2.5 Stakeholder Theory

The most prominent theory often quoted in CSR literature is the stakeholder theory. According to this approach, managers can cultivate a socially responsible behaviour in the society by means of taking care of the rights and needs of all the stakeholders of the business (Maignan and Ferrell, 2004). By considering CSR during decision making, managers can lead the companies to be a figure of socially responsible entities (Clarkson, 1995; Donaldson and

Preston, 1995; Gibson, 2000; Weiss, 2003). This theory mainly focuses on the broadening of the concept of fulfilling the rights of the shareholders towards the needs fulfilment of stakeholders of the company.

From an Islamic perspective the stakeholders, to which the products and services are targeted in addition to the effects of CSR, can be divided into three kinds based on the precedence of their rights in the business. First are those who are directly and considerably affected by the feat or failure of the business, i.e. owners and employees. Second are those who are adequately affected by the victory and crash of the business and its operations, i.e. dealers, patrons and government, and third are those who are focused to the externalities of the business, i.e. surroundings and community (Beekun & Badawi, 2005). Asyraf Wajdi Dusuki (2008) proposed stakeholder theory because it provides a constructive procedure to build up a socially accountable conduct with the help of paying attention on the rights and needs of stakeholders in a business scenario.

2.2.6 Motivational Theory

A twisting argument is provided by Tuzzolino and Armandi (1981) who developed a motivational theory of organizational communal response. According to them CSR is the fulfilment of a firm's "interior and exterior self-actualization requirements" which are located on the top of the wants pyramid of organization. According to this view, firms adopt CSR activities for achieving three basic organizational needs. First, need of survival is fulfilled by corporate profits. Second, safety need is addressed through dividend policy and competitive edge. Third, affirmative need is fulfilled by trade associations with other groups and lobbies. There are four broader concepts related to the community ethics that are interrelated intimately. These concepts

are CSR, corporate good citizenship, corporate social policy procedure and corporate social responsiveness (Epstein, 1989).

The above mentioned overlapping theories are concerned with the fulfilment of company's needs and their practical application in context of CSR. Those who are interested in the continuity of business operation, opt for legitimacy theory. Stakeholder theory will be adopted by the companies desiring to fulfil the stakeholder's needs etc. CSR is considered as an instrument of strategic plan by those, who are interested to create good business repute that in turns results in profit maximization.

2.2.7 Corporate Social Responsibility in Islamic Perspectives

Another important scenario is examining the CSR in the light of Islamic teachings. The concept of CSR in Islam has a specific status. The essence of this concept is based on the teachings of the Holly Quran and the Sunnah. Additionally, the social responsibility and ethical standards provide the lasting principles for CSR foundation which makes it more eternal and enduring (Wilson, 2001; Ahmad, 2002; Ahmad, 2003b). This inherent holistic view, provide a best alternate for rational framework for man's interaction with society, humanity and nature (Ahmad, 2002). Islamic ethical values are concerned with the interests of the entire population while providing enrichment to the self-interest of the stakeholders, which are consistent with the central values of CSR. (Ullah and Jamali, 2010)

In Islamic viewpoint, the stakeholders to which the products and services are targeted in addition to the effects of CSR can be divided into three kinds based on the precedence of their rights in the business. First are those who are directly and considerably affected by the feat or failure of the business i.e. owners and employees. Second are those who are adequately affected

by the victory and crash of the business and its operations i.e. dealers, patrons and government. Third are those who are focused to the externalities of the business, e.g. surroundings and community. Islam insists on adopting the just behaviour with all the above-mentioned stakeholders during the business operations (Beekun & Badawi, 2005).

CSR for Islamic financial institutions (IFI) can be defined in specific terms as it refers to all the operations carried out by an IFI in order to fulfil its religious, economic, legal, ethical and discretionary responsibilities as financial intermediary for the individuals and institutions (AAIOFI Standard No 7). This standard is provided for the specific guidance to the IFIs to engage in productive CSR activities and disclosure of these activities to the stakeholders. Religious responsibility refers to the overarching obligation of Islamic financial institutions to obey laws of Islam in all dealings and operations. Economic responsibility refers to the obligation of IFI to be financially viable, profitable and efficient. Legal responsibility refers to the obligation of the financial institutions to respect and obey the laws and regulations of the country in which they conduct their operations.

Ethical responsibility refers to the obligation of IFIs to respect the mass of societal, religious and customary norms, which are not codified in law. Discretionary responsibility refers to the expectation from stakeholders that IFIs will perform a social role in implementing Islamic ideals over and above the religious, economic, legal and ethical responsibilities. The responsibilities under the AAIOFI standards are divided into two categories, namely mandatory and recommended conduct. Within mandatory conduct, there are basic responsibilities, which Islamic financial institutions must carry out, while there is guidance on the discretionary methods by which these specific responsibilities may be carried out (AAIOFI Standard, 2008).

The CSR concept is not an unfamiliar subject to Islam, as it is genuinely encoded in Shari'ah. Islam visualizes the business firms as caretakers, not just for the financial resources of stakeholders but also for society's economic wealth as incorporated in the concept of vicegerency (Iqbal and Mirakhor, 2003). This entails an unavoidable need for organizations to engage in good CSR patterns in their business operations by addressing all unethical issues through moral deeds. Alternatively, the main essence of Islam, i.e. Taqwa Paradigm (God realization) motivates the firms to involve in business operations in socially responsible manners to avoid the hard consequences in this world and in the Hereafter (Kamali 1989b). Hence, any organization that claims to be based on Islamic principles would naturally be involved in CSR practices (Kamali 1993).

2.3 Corporate Social Responsibility and Banking Business

A lot of stuff on CSR focuses on the irresponsibility of the companies, the public expectation and their reaction towards it (Aman, 2001). There are two kinds of social change steered with the practice of the CSR, i.e. proactive or reactive social change. An example of proactive social change is the triple bottom line approach focusing on the three main elements that are environmental sustainability, economic profitability and the social performance as the basis for organization success (Hart & Milstein, 2003). Reactive social change steered by CSR include granting greater prominence to CSR rankings (e.g. 100 Best Corporate Citizens), integrating global principles of anticipated accountable conduct into organization systems (e.g. the UN's Global Compact), and presenting responsibility initiatives (e.g. SA 8000 and AA 1000) in production processes and international supply chains (Waddock et al., 1994).

Almost above half of the 'Fortune Global 500' multinational corporations create an isolated CSR report yearly and most of them have executives with responsibility for CSR efforts (Economist, 2005). One common ground in both the cases of reactive or proactive CSR initiatives is that corporations are being pressurised by the internal and external forces to engage themselves in CSR activities to meet promptly altering expectations about corporate and its social responsibilities (Gonzalez & Martinez, 2004; Clark & Hebb, 2004; Economist, 2005).

Another premise related to CSR practice is that some companies embedded CSR action into their core values whereas some go for only superficial level for only fulfilling the place in numbers instead of doing that for societal change (Weaver & Cochran, 1999). It is assumed that the companies usually respond to the changing social expectation from their stakeholders especially in the practical implementation of the CSR strategy into their strategic objectives. This assists them not only to alter their corporate culture but also to bring a real social change in alleviating people standards (Taylor & Scharlin, 2004; Global Compact, 2005).

Banks, being part of business industry, are concerned with the social interest and well-being of their customers. Some banks even initiated the financial inclusion drivers. With this action they have proved that they are just more than a business. They have exhibited their philanthropic side by engaging themselves and encouraging such kind of activities.

The significance of CSR has initiated the need of global recognition by every large and important business and banking institution. This has also acquired a certain portion and even a standalone report in the annual reports and accounts information of the business institutions. Research has proved that a link is established amongst the banks' conduct towards their clients and the financial exclusion of individuals (Chambers, 2004). There is a considerable gap between what the banks deliver and what they are expected by the customers to deliver. This

expectation gap makes the customers to get disengaged from the banks which in result leads to financial exclusion and later on to social exclusion (Chambers, 2004; Mckillip and Wilson, 2007). The need of corporate social responsibility may assist to find the way towards the problem of including the excluded one by bridging the above mentioned expectation gap (Chambers, 2004; Kempson & Whyley, 2001).

Banks are self-regulatory institutions which highly focus on reducing the gap of financial exclusion. However, 1.3 million people are suffering from this gap of financial exclusion. It is expected that even more people will be financially excluded (BBC, 2009). This financial exclusion issue is highly noticed in the developed countries like USA and UK. The Community Reinvestment Act 1977 was approved in USA. Main purpose of this act was to include the excluded community of red lining. Many scholars raised opinions in favour of this act as an answer to the criticism raised about the banks' red lining that created a financial exclusion gap among individuals (Bernanke, 2005). Some commentators reported that this act was not that much effective and practical as it was perceived. Later on, this act was amended several times with certain revised versions to increase the social responsibility of the financial institutions.

CSR is more than the problem of red lining. CSR for banks mean fair funding or equitable lending. It also focuses on the information revelation to the customers about the actual usage of their finances and their ability to manage their funds in a best way. Chatterjee (1996) put forward the concept of CSR as a characteristic of overall business which involves not only the profit maximization for the advantage of the shareholders but the implementation of a socially responsible assertiveness in dealing with business. Chatterjee also highlighted that

profit maximization can be effective for one part of the society (i.e. the shareholders and owners) and can affect adversely to the other part (in the form of financial exclusion).

Though banking sector is a backbone of any economy, still literature proves that banks have been lagging behind in considering the importance and consequences that they could face because of not participating in socially responsible activities. In this regard, banks in recent past began to realize the importance of sustainability and started addressing the CSR components, i.e. environmental protection at first and then the social issue later. Furthermore, they started integrating environment and society with the policies and norms of the banks (Jeucken, 2002). A bank could therefore consider two main elements while making a business decision. First, whether the proposed decision is worthy for the bank's profit maximisation and second, whether the proposed decision sounds ethical and accountable towards the society. CSR assists to improve the in-house atmosphere, human resources, governance, public relations, risk management, and customer relations (AFD, 2009). With the increased emphasis over the banking sector and the environment, research interests focused on two types of risks. Initially, it has to save this sector from direct risk of being held liable for polluting the environment with unethical activities. Later on, it switched towards the indirect risk that leads to the concerns of good reputation, responsible lending and ethical business (Jeucken, 2004)

Additionally, different stakeholders have different concerns with the banks. Lenders would be interested in the channelization of their money and investors might be concerned about the ups and downs of their share value because of the increase or decrease in the banks reputation. NGO's will bother about the considerable economic sectors financed by the banks. The growth in the market shares and funds of the bank in addition to the investment in the responsible companies results in the progressive environmental care done by the banks (Jeucken,

2004). Exploratory research has been carried out on CSR in the European banking sector by considering three variables that are countering bribery, promoting gender equality and mitigating climate change. The survey has showed that banks perceive CSR as a course leading from dedication stage towards substantive and evident results both in internal operations of the bank and external, societal and environmental dealings (European Union, 2006). After getting acknowledged by the current scenario and emerging from the traditional framework of banking, this sector is now becoming aware of its social responsibility. Integration of social, environmental and ethical concerns in decision making process can help banks to achieve short-run benefits and long run sustainability in addition to the contentment of ethical participation in society.

There are two directions of empirical research on CSR. One relates to the components and the other to the impacts of CSR on the performance of bank. This study deals with the first stream i.e. components of CSR and their application in the banking sector.

Various studies have been conducted about the components of CSR. According to Gray et al. (1995a) corporate social reporting, being a component of CSR, does not seem to be linked to the profitability directly at least in the short run. However, the annual survey conducted on CSR by opinion researchers Mori showed that percentage of the peoples' perception about the significance of social responsibility in companies has grown from 28 % to 46 % between 1998 and 2001 reflecting a cumulative awareness of CSR among consumers (The Guardian, 2001b).

Schwartz (1992) observed that in context of socially acceptable behaviour of North American firms in the 1970s disclosure of information to shareholders included disclosure of the board of directors, environmental protection, equality of treatment for minorities, profit sharing, non-monopolistic behaviour, social impact of technology and ethics in advertising.

Another valuable research in this area has been done by Vyarkarnam (1992). He has found that current CSR concerns cover the activities, such as environmental protection, philanthropy, involvement in social causes and urban investment.

In 1997, the British Department for International Development communicated about CSR as a source of protection for the employees and the environment from the undesirable consequences of the international trade development.

Research has shown several ways in which CSR can heighten organizational magnetism, aspirant attraction, organizational commitment, work contentment, organizational citizenship, and even insight of job accomplishment and performance (Booth et al., 2009).

One of the variables widely discussed in context of CSR is the employees' welfare. Employees might be concerned with CSR activities and these may help them in many ways. The needs of employees include control, belongings, family, meaningful existence, compatible salary package, training, etc. Thus, CSR activities have tendency to fulfil employee's needs that in turn are advantageous for bankers and employers (Aguilera et al., 2007; Aguinis, 2010).

The components of CSR of banks may include social expectations, such as establishing corporate governance, avoiding tax evasion, providing equivalent opportunity for employment, protecting employees' rights, struggling against money laundering, supporting environmental awareness and protecting financial confidentiality. Blow (2005) carried out an empirical research and found a positive connotation between a company's social performance by measuring it through company's repute index, and its financial performance by its return on equity.

A recent study found that more than 70% of the Irish consumers' purchases have been influenced by the companies involved in environmental concerns, while 86% of the respondents agreed that more likely they buy a product associated with a social cause. These statistics

highlight the importance for Irish industries to pay consideration to CSR for their business flourishing (Brennan, 2002).

There is a relative deficiency in empirical studies on the practice of corporate social reporting in developing and emerging economies. According to a study the influencing factors in the determination of corporate social reporting are political, cultural and social systems. In this regard, the equity market and the legal system are not found significant. Main reason for the organizations in disclosure of environmental and social activities is the mandatory requirement of the government regulation (Douglas et al, 2004).

Consumers judge those companies on higher rankings that are involved in charitable activities and develop higher degrees of 'customer corporate (C-C)' relationship. This in long run creates benefits for such organizations as CSR is manipulated to be positively affecting C-C identification. Thus, it results in high customers donations to the corporate nonprofits (Dutton et al., 1994; Sen and Bhattacharya, 2001).

On reviewing the methodological literature on corporate social responsibility, an important study about the role of banks in CSR was presented by Shirley Yeung (2011). The purpose of the research was to explore the respondents' perception about the practice of CSR of main banks in Hong Kong. Primary data was used and the questionnaire was judged on the (7 points) Likert scale. Banking related people and finance academic folks were the respondents. Factor analysis technique and mean square method was used for the final analysis. The study suggested positive organizational culture, internal management of people and strategies and external management as significant factors in order to achieve the betterment of stakeholders.

Another research has been done by Amin and Degirmencioglu (2011) on the comparative practice of CSR of commercial banks in US and Swedish market. This study has a

purpose to analyse how far in different nations the practice of CSR of commercial banks matches with the theoretical framework of CSR. The research has been conducted on four commercial banks of USA and Sweden. A qualitative approach is used and secondary data is utilized to derive final results. The banks included 'Bank of America', 'Citigroup', 'Nordea' and 'commercial banks'. The authors have concluded that commercial banks prove to be better banks as compared to others because of their better risk management and responsible lending attitude. Due to this reason, commercial banks have been in a better position during the financial crises of 2008 comparing other Swedish banks. (Hansson and Ström, 2009; Woolhouse, 2010). Commercial banks have been successful because they depend on the values of trust, cautiousness, reliability and long-term relationship not only for the stockholders but also for the stakeholders (Kroner, 2009).

Another important piece of research work has been done by Dusuki and Abdullah (2007), who have focused on the patronising of Malaysian customers about Islamic banks. The study has principally focused on the choices of the Malaysian customers particularly in dual banking environment with special concentration on the factors relating to CSR. Primary data has been collected involving 750 respondents from four regions of Malaysia. The criteria of Islamic Banks ranking in respondents' opinion has been analysed through Friedman Test. Exploratory Factor Analysis has been used to explore the deeper consideration of customers about banking criteria. The findings have revealed that the selection criteria depend upon numerous factors that include financial and quality services reputation, corporate social responsibility and product price.

As explained earlier, no serious effort has been done to assess the application of CSR in the practice of banking sector of Pakistan. Therefore, this study focuses on analyzing various

factors that determine the comparative application of CSR in the conventional and Islamic banks of Pakistan.

CHAPTER 3

The first part of third chapter deals with the development of CSR, the second part focuses on regulatory development of CSR at international level and the third part addresses the application of CSR in banking sector of Pakistan.

3. DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY

CSR has become an imperative and central aspect of the contemporary society (Baker, 2008). The origin of CSR appears in different forms. Philanthropic standards of the 19th century could be termed as some of the initial indices of CSR although they have been limited to few companies in the earliest stage. In the twentieth century, these ideas have been promoted at extensive level. President Roosevelt (1937) of USA stated that “we have always known that heedless self-interest was bad morals, we now know it is bad economics”.

The concept of CSR has been originated by Bowen. According to him business entities have obligations to “pursue those policies, to make those dimensions, or follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953). Contrarily, Friedman (1970) and Hayek (1969) have argued that the successful functioning of our society depends on the role specialization of its institutions. According to them, the corporation is an economic institution and thus should specialize in the economic sphere; socially responsible behaviour will be rectified by the market through profits. In Friedman’s view, business has only one social responsibility and that is to maximize the profits of its owners.

He has further questioned that apart from maximization of profit to the shareholders, if businessmen do have a social responsibility, how are they going to know that? Whether the selected private individuals are eligible enough to figure out what the social interest is (Friedman, 1970). Regardless of these arguments, enormous economic progress during 20th century has directed attention towards social and environmental issues within organizations that have appealed for enhanced moral activities at corporate level. Thus, CSR has been first appreciated and adopted by the Western countries.

Certain activities have been taken by Western countries in order to encourage and support CSR at extensive level. An academy of CSR has been established in 2004 in New York by the Trade and Industry Department as a resource for businesses of different sizes and sectors seeking assistance in developing and incorporating their CSR policy in their strategic and functioning activities (Chambers and Day, 2009).

In the Companies Act 2006, it has been made obligatory for corporations to report on communal and environmental matters in the perspective of advancement of their businesses. Before 2006, it has remained a trend in large companies that they used to follow the norms of disclosing their actions beyond profit maximization. Various organizations have made considerable contributions to charities on a voluntary basis. Currently, in most developed countries, socially responsible investments are highly encouraged and practiced. Many companies even exceed the legal requirements of social investment and go beyond that level for further improvement (Woodward & Day, 2006). In the United States, almost \$2.7 trillion of reserves are being financed in communally screened investments and one out of these nine invested dollars goes through some screening system before investment (Social Investment Forum, 2009).

Corporate social responsibility includes numerous parts, some of which are industry specific and others are general. As various effective activities of organisations are invisible, so it is noticed that responsibility cannot actually be fulfilled until and unless some form of public reporting is being done. There are certain public reporting guidelines that are generic in nature and they can be used as a substitute or foundation for fulfilling the CSR public reporting need. Numerous generic guidelines on CSR are provided by UN Global Compact¹, AA1000² and OECD³. Another set of guidelines are the FORGE guidelines drawn up by and for financial services industry. The objectives of these guidelines are to:

- Develop understanding of the significance of CSR in the financial sector and the role and challenges of the industry in addressing CSR.
- Upturn the commitment of financial industry in responding to CSR and identify aspects of CSR applied by financial service companies.
- Figure out initiatives acceptable to business in providing assistance for developing an organized and structured methodology towards CSR.
- Provide a base for attaining better consistency levels through the sector.
- Contribute with practical steps for classifying and listing issues on priority basis, while designing and executing CSR in management practices
- Expand distribution of the sector's information regarding CSR administration and reporting, etc.

¹ United Global compact is the initiative to encourage the businesses to be responsible towards the society and sustainability issues.

² AA1000 is a set of principles/standards for the businesses to behave in responsible, ethical and accountable manner.

³ OECD stands for Organization for Economic Cooperation and Development.

Moreover, the strategies acknowledged four classifications of CSR, namely office, market, environment and community. On this basis, nine largest UK banks have addressed the problem of products and services access and disclosure in 2006 (Day and Woodward, 2009; Chambers and Day, 2009)

The research done by Brennan and Pierce (1996) is based on the analysis of the annual reports of the 125 companies of Ireland and the authors found little social disclosure beyond statutory requirements. These obligatory requirements have been comprehended in 'The Companies Act 1986', 'The Safety, Health and Welfare at Work Act 1989' and 'The Electoral Act 1997' which covered the disclosures such as addressing the health and safety issues of employees, employment costs, the donations made to political parties, average employee' numbers, job and pension pledges, and advancement of disabled employees (Douglas et al., 2004).

3.1 Regulatory Development of CSR at International Level

The concept of CSR is well recognized at international level. Some nations, such as France and South Africa, require their listed companies to show compliance with the CSR activities. Legal requirements for social accounting and auditing do exist. As CSR is a voluntary concept, so any single definition or specification for it is hardly possible. Whatever comes in to the criteria of societal development falls in CSR category. Hence, no national or international common standard agreement can be drawn on societal or environmental betterment issue. Many companies produce CSR annual reports that vary in standardization, style or methodology. There are certain standards made by different organizations in support of CSR.

International Organization for Standardization (ISO) has been founded in 1947 and it has developed numerous standards that in turns address the CSR factors. Some of the standards include quality management, environmental management, social responsibility, risk management, food safety management, information security management and energy management, etc.

AccountAbility is a foremost organization which is being engaged in providing inventive solutions to the problems of other institutions regarding social responsibility, compliance, governance and sustainability issues. Since 1995, the organization is engaged in betterment of the institutions, NGO's and other organizations in order to formulate their organizational structure with the implantation of social, environmental and ethical standards. In 2008, it formulated the AccountAbility AA1000 standards in addition to providing advisory services to the organizations at international level. These standards are based on the triple bottom line and focus on green economy, environmental protection, social reporting and assurance.

With the passage of time, certain other developments have been made in the business world. SA8000 is an audit standard which has been developed by Social Accountability International (SAI) in 1997. It promotes the development, organization and maintenance of socially responsible practices and provides an excellent option to compare and verify social responsibility in the organization. This standard is also recognized and added by ISO certification and focuses on the issues of sustainability related to workforce and workplace. Another organization, namely Global Reporting Initiative, has been established in 1997 with the collaboration of United Nations Environment Programme (UNEP) and other international institutions. Its first Sustainability Reporting Guidelines have been released in 2000 to address the sustainability issues and ways to ensure economic stability. It's most widespread standards

are environmental, social governance, ecological footprint reporting and triple bottom line reporting.

Employees' welfare remained at forefront during the whole development procedure of CSR. The 'Fair Labour Association (FLA)' has been established in 1999 and it is involved in national and international labour laws and devoted towards labour condition worldwide, thus addressing social aspect of CSR. This association works under International Labour Organization (ILO) standards and focuses on the internal and external monitoring of the workplace conditions while maintaining a worldwide spread of its affiliates.

Other considerable inputs have been given by 'Fair Wear Foundation (FWF)' which was established in 1999 for the betterment of labour conditions and environments. In 2011, the foundation had over fifty two member companies joining hands on CSR with specific focus on employees' welfare. A proper verification is made by FWF about the implementation of 'Code of Labour Practices' in its member companies. Unfortunately, Pakistan is not the part of this foundation. Employees' preferences, choices, discrimination, safety, payments and exploitation of child labour and legality issues are being addressed by this code of ethics.

Another standard has been set by 'The Prince of Wales' in 2004 giving a new idea of dealing not only with 'us and today' but also focusing on 'others and tomorrow'. This project has been designed to help the investors' community to move towards sustainable economy.

Later, in 2010, an international standard has been launched by the 'International Organization for Standardization' in order to provide social responsibility guidelines named as 'ISO 26000'. Noticing the current scenario and awareness level of stakeholders about market and social responsibility, this standard is being designed to encourage the organizations to practice social responsibility initiatives to benefits the employees, natural environment and communities.

Standard Ethics is a sustainability reporting agency that has been established in 2001 in London. The main purpose behind the establishment is promotion of social ethics and responsibility. In 2013, it has become the first independent European agency that is engaged in sustainability rating through standard methodology. It has developed standards to promote corporate ethics, corporate governance and CSR.

Companies listed on Johannesburg Stock Exchange of South Africa have been directed to generate integrated reports from 2010. Such integrated reports include social, economic and environmental performance records of that year. This requirement highlights the main trends of CSR in companies and their actual status in community participation. Moreover, 'Integrated Reporting Committee (IRC)' has been founded in order to issue guidelines and to ratify the companies' level of involvement.

In 2013, the CSR rules have been launched by the European Commission for the extension of societal beneficial activities making the disclosure of non financial information such as environmental and developmental initiatives, mandatory for all companies. Today, CSR has attracted various governments in Europe to show their involvement for being the most sensitive and momentous concept. CSR has now occupied a considerable space in European Union countries' regulations and policies.

Though numerous standardized organizations are involved in the practice and promotion of CSR activities, but there is still a lot to do for its development. CSR is basically a voluntary concept and its policies and practice differs with diversity of governments, organizations and societal needs. It is not being introduced as mandatory in organizations through regulations. An effective regulation of CSR can only be assured through active participation of various stakeholders of corporate business.

3.2 Application of CSR in Banking Sector of Pakistan

CSR is acknowledged as a very significant concept and presently gained considerable importance in banking sector (Basu and Palazzo, 2008). However, there has been a gap of research and attention towards CSR in Pakistani banking sector. One of the objectives of this research is to benchmark the basic CSR initiatives that can be used by Pakistani banking sector towards ethical business.

Contrary to the West, Pakistan is still lacking behind in application of CSR. The multinational organizations operating in Pakistan are ahead in CSR race as they are following the norms of their head offices. Some NGO's and welfare communities have raised their voices in favour of CSR to spread awareness in Pakistani business community. Among such companies only those who have an exposure to the international market are involved in CSR practices. Before addressing the banking sector of Pakistan, some organizations and standards that laid down the foundation of CSR and contribute practically in initiating and practicing CSR in Pakistan are introduced below.

In 1998, Agha Khan Development Network focussed on 'indigenous philanthropy', promoted the concept of self-reliance in terms of savings and finances and laid down the foundation of 'Pakistan Centre for Philanthropy'. This centre basically focuses on the stakeholders' involvement and promotion of philanthropy heading towards social investments (PCP, 2014).

In 2003, the Ministry of Commerce has initiated a forum called "Pakistan Compliance Initiative" with the collaboration of textile sector and international buyers. They developed a national standard which replaced many previous external standards and resultantly was included

in trade policy of Pakistan. In order to promote this standard, another organization 'The Pakistan National Accreditation Council (PNAC)' was established in 1998, which arranged seminars for spreading awareness about SA8000 at all major chambers of commerce in the Punjab province.

An association was set up in 2005 named as 'CSR Association of Pakistan'. This association has made a huge impact in spreading the concept of corporate social responsibility at corporate level in Pakistan. Currently, it has numerous members that have incorporated CSR practices into their businesses. This organization helps the companies to be an efficient market participator by focussing and addressing the CSR activities. The association has introduced the 'CSR National Excellence Award'. This award encourages the companies to show enhancement in societal beneficial activities and gain good recognition and repute. CSR Development Programmes are designed for the assistance of corporations planning to implement the CSR practices into their operations.

The Securities and Exchange Commission of Pakistan (SECP) approved an order in 2009 that during each year the public companies are directed to disclose their CSR activities. The disclosure include activities like corporate philanthropy, consumer and environment protection, emplacement of special persons, development projects, national cause donations, energy conservations and other CSR deeds. The SECP has also approved additional guidelines named as Corporate Social Responsibility Voluntary Guidelines 2013. This standard focuses on the encouragement of alignment of business strategies with CSR. These guidelines help the companies to judge their performance and rating by benchmarking the CSR initiatives.

The State Bank of Pakistan (SBP) is itself engaged in numerous CSR activities. The Training and Development Department of SBP is focusing on the employees' needs. Its activities include skills and capabilities' enhancement, program management and guidance for

improvement in services, scholarship schemes, internship programs, benefits for exporters, etc. These activities are positive signs of SBP towards CSR. Unfortunately, this research did not find any particular regulation or standard passed by SBP for the compliance of CSR disclosures and initiatives on behalf of banking institutions in Pakistan.

Nevertheless, banking sector of Pakistan is engaged in CSR activities in order to cope with divergent CSR requirements. The main areas focused by banks of Pakistan are sports, charitable activities, arrangement of social awareness programs and poverty alleviations, women empowerment, health and medical services, employees' welfare and social welfare projects.

CHAPTER 4

4. RESEARCH METHODOLOGY

This chapter deals with the methodology used in exhibiting complete process of our research work. It explains research design and management of empirical investigation. It describes the econometric model and provides rationale for the selection of particular variables. It also examines the data collection procedure as well as method and procedure of data estimation.

4.1 Universe of Study

The population of this study is banking sector of Pakistan. To have a matched sample with the five Islamic banks, we have selected only five major conventional banks. The names of conventional banks taken as the target population are Allied Bank Limited, Habib Bank Limited, MCB bank Limited, Bank Al Falah Limited and Askari Bank of Pakistan. Similarly, Islamic banks include Meezan Bank, Al- Baraka Bank Ltd, Bank Islami Ltd, Dubai Islamic Bank, and Dawood Islamic Bank.

4.2 Sampling

Sampling attempts to achieve representativeness of the target population. Convenient sampling is one of the approaches used for sampling. Convenient sampling is basically a type of non-probability sampling which involves the sample taken from the population that is easily accessible. It includes choosing the people through personal visits or contacts through technological means, i.e. internet, telephones etc. An additional benefit of using this fast and sampling technique is that it is inexpensive mode of certifying sufficient numbers of samples for a study. Two main drawbacks of this kind of sampling are possibilities of biasness and non-

representation of population. Both these concerns are minimised to maximum probable extent. The former one is dealt through homogenous population selection, i.e. where all individuals can be regarded as the same type. The second one is addressed through collecting the data from four major cities of Pakistan, hence providing a significant representative potential. Our study considered a planned sample size of 600 respondents including 300 responses from conventional banks and similarly 300 respondents from Islamic banks.

4.3 Research Instrument

This research is a response towards Margolis & Walsh (2008) future research opening area of CSR and firms in conducting business. The research instrument is tested before actual survey in order to identify the potential problems regarding measurement and to know the preliminary strength and reliability of the research instrument. A total of hundred questionnaires were distributed to the banks of selected areas of Islamabad and eighty five filled questionnaires were collected and processed for pilot testing.

Primary data was collected on the basis of a pre-structured questionnaire. The questionnaire comprises of two sections. First section contains general information about the bank, branch location, age and gender of the respondent, etc. Second section contains questions related to the banks' performance in context of various constructs of CSR. The questionnaire is consisted of 27 items with six dimensions, namely quotas for employees, social based investment quotas, development based investment quotas, quotas for environmental protection, micro & small social investment and charitable activities. This instrument is devised on the basis of the survey conducted by Dinar Standards and Dar ul Istithmar (2009), who have used 13 constructs for their research survey. We have selected 6 constructs that directly influence the key variables

of CSR. For measurement purpose a five-point Likert scale has been used where 1 represents the lowest degree of agreement and 5 represents the highest degree of agreement.

It has been observed that questionnaire survey usually gets a low response rate (Parker, 1990) and particularly when the subject matter is CSR, it often yields a little response outcome (Spence and Lozano, 2000). In order to encourage response rate, a questionnaire with the common information regarding bank has been demanded, without asking any particular questions regarding respondents' personal information, i.e. their names or designations. Additionally, they have been given a surety of confidentiality, leading to a high response rate.

4.4 Theoretical Underpinning and Research Model

This research is based on the foundation of stakeholder theory that emphasizes on the protection of the rights of various stakeholders related to a business organization. The stakeholders may include customers, employees, shareholders, government and society.

The research model is based on a survey undertaken by Dinar Standards and Dar ul Istithmar (2009). The constructs of this study are constructed through factor analysis which has selected most relevant variables for analysis. Out of 13 constructs, the most relevant six constructs are selected to devise our research model. The model, variables and relevant factors are illustrated in Figure 1.

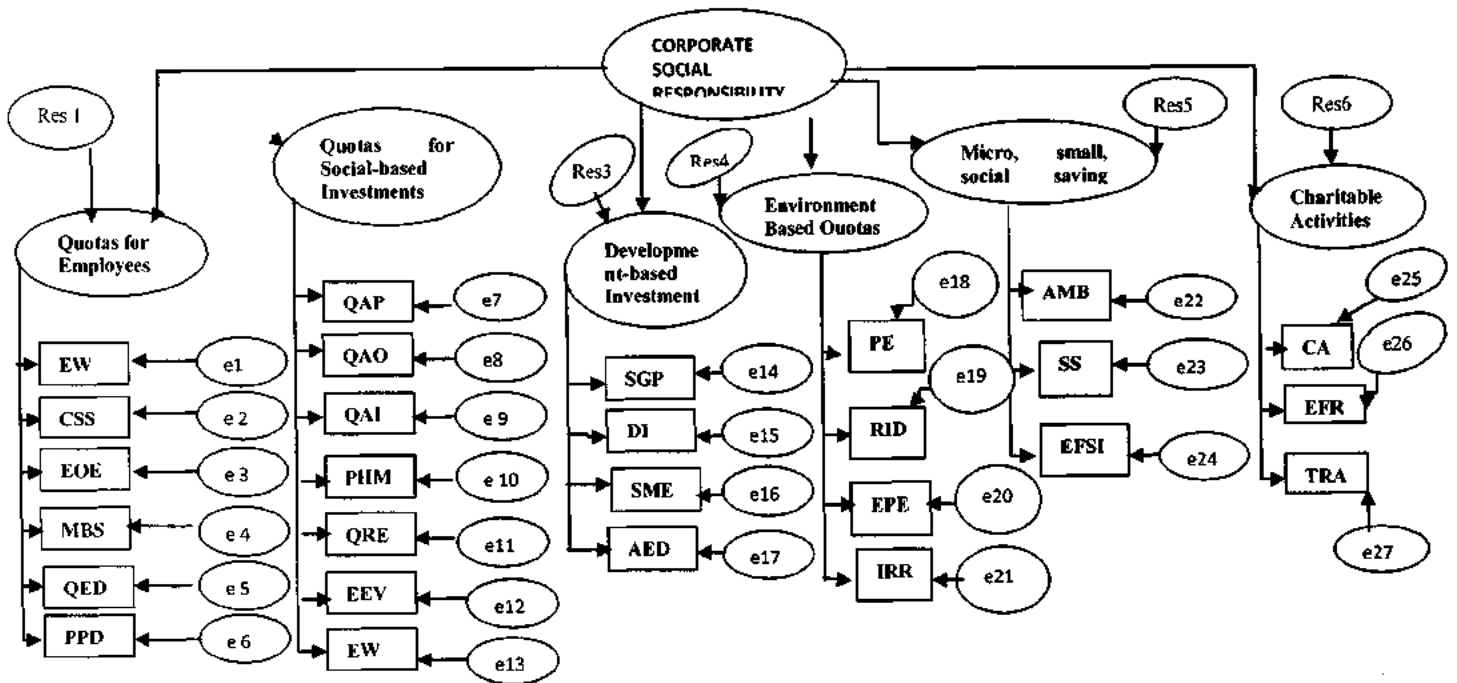


Figure 1: CSR Model, Constructs and Factors

Abbreviations:

EW = Employee welfare.
 CSSE = Customer service skills of employees
 EOE = Equal opportunity for employees
 MBSP = Merit based salary and promotion structure
 QED = Quotas for employment from disadvantaged background.
 PPD = Policy to prohibit discrimination.
 QAP = Quotas for assisting poor.
 QAO = Quotas for assisting orphans
 QAI = Assisting heavily indebted
 PHM = Provision of health & medical services
 QRE = Research & Education facilities
 EEV = Encouraging ethical culture.
 DE = Discouraging social evils.
 SGP = Significant growth potential.
 DI = Development of infrastructure
 DSME = Development of SME's

AED = Alleviation of social and economic discrimination.
 PE = Protecting the environment
 RID = Reducing the impact of development
 EPE = Encouraging people to protect the environment
 IRR = Increasing the use of renewable resources
 AMB = Assisting micro and small businesses
 SS = Social savings for marriages, children's education, and community based programs
 EFSI = Encouragement of family savings and investment
 CA = Charitable activities
 EFR = Establishing fundraising drives
 ATRA = Active target groups requiring assistance
 EII = Enlisting social responsibility initiatives that your institution is most proud of.

4.5 Variables and Hypotheses

The model is based on one dependent variable and six independent variables. Each independent variable constitutes a hypothesis. The dependent variable is explained below.

4.5.1. Corporate Social Responsibility (CSR)

CSR is a significant concept that coordinates the corporations with the society. It can be considered as the activities that are implemented by a corporation to contribute towards a healthier society including its environmental circumstances, social issues, ethical standards and many others. Additionally, we endorse the idea that corporations have responsibilities to go beyond their immediate business and financial interests and fulfil their mandatory obligations placed on them by the legislation or other “rules of the game” (Carroll, 1979; Windsor, 2001). Banks are businesses but they also have to behave socially responsible as decisions made by banks would affect a major part of the society, hence it should focus on broader agenda of CSR, rather than just focusing on profit maximization [Chatterjee, (1996)].

Here CSR is taken as a dependent and binary variable and it is considered that if an organization or corporation is fulfilling the below mentioned activities that will be considered as the socially responsible entity.

Now, the independent variables and relevant hypotheses are explained below.

4.5.2 Quotas for Employee’s Welfare (QEW)

It addresses the issues like monitoring the par excellence customer service skills of employees, equal opportunity for all employees, merit based salary and promotion structure without discrimination. It also deals with the policy that specifically requires establishing, monitoring and acting on realizable targets for employment of staff from disadvantaged

backgrounds, with disabilities, from a minority group or from under-represented groups in the formal economy (including females). It includes a policy that specifically prohibits discrimination including gender, race, religion, disability or socio-economic background discrimination and penalties for such discrimination and avenues for complaints for such discrimination without any manner of recrimination. Research studies have shown that Employees commitment increases with corporate social contributions (Brammer et al. (2007).

- H_1 = Quotas for employee's welfare do impact significantly and positively to the corporate social responsibility practiced by the banks of Pakistan.

4.5.3 Social Impacts Based Investments Quotas (SIQ)

This concept includes numerous factors which will lead us to the facts of contribution of the banks related to the social, developmental and environmental betterment of the society. It includes a proactive policy for social, development oriented and/or environment based investment quotas, assisting poor and needy individuals and families through financing, assisting orphans, helping heavily indebted individuals or families with unfortunate circumstances etc. Provision of health and medical services to the needy people is also included in it. Promoting the education facilities and discouraging the social evils also come in this category (Greening, 2000),

- H_2 = Quotas for social based investments do impact significantly and positively to the corporate social responsibility practiced by the banks of Pakistan.

4.5.4 Development Based Investment Quotas (DIQ)

Development based investments include allocation of funds to harness growth potential for the country of operation, significant contribution to the development of infrastructure in the

country, supporting SME's and assistance in the alleviation of social and economic disadvantages and discrimination (Perrini, 2006).

- **H₃** = Quotas for development based investments do impact significantly and positively to the corporate social responsibility practiced by the banks of Pakistan.

4.5.5 Environment Based Investment Quotas (EIQ)

Encouraging individuals and institutions to protect and preserve the natural environment. More specifically increasing the use of renewable, sustainable sources of energy are the factors that are addressed in this portion (Dasgupta et al., 2001)

- **H₄** = Quotas for environment based investments do impact significantly and positively to the corporate social responsibility practiced by the banks of Pakistan.

4.5.6 Policy for Micro and Small Businesses, Social Savings and Investments (PMSI)

Small, medium enterprises (SME), micro-financing and social investments are important social issues. Organizations that are practicing CSR cannot ignore these important issues. This include assisting micro and small businesses or social savings and investments, social savings for marriages, children's education, and community based programs and encouragement through pro-active policies for family savings and investment, etc (Jenkins, 2006).

- **H₅** = Policy to assist micro, small business, social savings and investments do impact significantly and positively to the corporate social responsibility practiced by the banks of Pakistan.

4.5.7 Charitable Activities (CA)

There are many charitable activities that lead to the societal betterment in terms of lifting the living standard of needy people. Organizations are expected to have the pro-active policies for charitable activities, establishing the fundraising drives, targeting groups, communities or institutions that require assistance. Poor and needy individuals, orphans, heavily indebted individuals or families with unfortunate circumstances, health and medical services are included in this category (Angelidis and Ibrahim, 1993).

- H_6 = Proactive policy applied to support the charitable activities does impact significantly and positively to the corporate social responsibility practiced by the banks of Pakistan.

4.6 Data Collection

In this research the data was collected by distributing 600 questionnaires among the respondents. The potential respondents were the employees and the managers of the banks. At least five responses from each branch were expected to attain the effective sample size. The questionnaires were routed towards the respondents through e-mails and personal visits. 120-130 branches of both the conventional and Islamic banks were targeted for the research purpose in Lahore, Karachi, Islamabad, Rawalpindi. Before handing over the questionnaires to the employees, all the questions were explained in detail to the respondents for their convenience to avoid any misunderstanding. The respondents were asked to choose only one answer.

Almost 300 questionnaires were distributed in twin cities of Islamabad and Rawalpindi, among which we got 285 (95%) responses. Similarly, we distributed 150 questionnaire in each of the cities of Karachi and Lahore and we got back 140 (93%) and 135 (90%) responses,

respectively. Thus, out of total of 600 questionnaires, 560 responses (93%) were collected back and same were processed in the study.

4.7 Estimation Technique and Procedure

The collected data was coded and entered into the SPSS sheet for analysis. The selected variables were computed using IBM-SPSS-AMOS 20⁴.

There are two sections of the estimation techniques. One is the descriptive analysis through frequency distribution and mean values for a more in-depth analysis of the individual variables for all constructs.

The second section is based on the relationships between CSR and explanatory variables that are estimated by applying Structural Equation Model (SEM). SEM is basically a combination of multiple regressions and exploratory factors analysis. It allows assessing numerous relationships between one or more dependent and independent variables. Since CSR is a latent variable in the model, so Logit/Probit Models are not applicable in this case and Structural Equation Modelling is the most appropriate methodology that has been used for analysis for latent variables. These variables could not be directly observed but they are measured through certain observed variables. These observed variables further lead us to measure the unobserved variable known as CSR.

There are certain practical advantages of SEM that provide the researcher a better alternate to empirically analyse the data. First among those is the validity. There are certain variables that cannot be measured directly and certain other observable indicators are required in

⁴ SPSS-Amos is basically used for much better and transparent interface, and it allows the researcher to improve the survey and data collection work, resulting in increased productivity and a much improved quality of reporting.

order to observe such variables. SEM assists to use various indicators (variables) simultaneously per observed variable, which further leads to achieve more valid and effective conclusions.

SEM can tackle the problem of measurement error by explicitly adding measurement error variables that are related to the observed variables' measurement error areas. Hence, the conclusion about the relationships between observed variables are not biased; rather the conclusion is based on perfect reliability variables' relationship.

One may use variance analysis to test hypothesis in single criterion construct. However, SEM allows testing the complex model for the compatibility of observed variables with theoretical model by systematically factoring the variance and covariance. It also assists in assessment of data and its relationships in addition to the exploratory suggestions for potential improvement.

The present research has incorporated common elements of above-mentioned theories and focused primarily on the corporate social behaviour and estimation of reflection of ethical themes and social accountability in the operations of banks of Pakistan.

CHAPTER 5

5. RESULTS & DISCUSSIONS

This section examines the understanding and practice of corporate social responsibility in the banking sector of Pakistan. It reflects the results of descriptive statistics. It also contains comparative analysis of CSR in Pakistani banks. Lastly, it interprets the results of structural equation modelling techniques in context of importance and application of CSR in the conventional and Islamic banks of Pakistan.

5.1 Summary Statistics of Responses

The percentages of responses from different cities are presented in Table 1.

Table 1: Summary Statistics of Responses

Cities	Total distributed	Total collected	% of Responses
Twin cities	300	285	95 %
Karachi	150	140	93 %
Lahore	150	135	90 %
Total	600	560	93 %

Among 600 questionnaires, almost 300 have been distributed in twin cities of Islamabad and Rawalpindi, from where we got 285 (95%) responses. Similarly, we have distributed 150 questionnaire in each of the cities of Karachi and Lahore and we got back 140 (93%) and 135 (90%) responses, respectively. Thus, out of total of 600 questionnaires, 560 responses (93%) have been collected back and further processed in the study.

5.2 Analyzing the CSR Application in Banking Sector of Pakistan

The response of the bank staff has revealed the fact that at least most of them are aware about CSR, even if they do not know about the same terminology, they have awareness of this concept. Other revelation about practice of CSR has been made through their websites and annual reports that specifically contain a section regarding CSR and specify concerning areas that are being addressed by the bank in the name of CSR. Hence, it has been proved that Pakistani banking industry is aware of the term CSR and it is being practiced by conventional and Islamic banks of Pakistan, though with different proportions in different categories.

The results of comparative CSR analysis of conventional and Islamic banks are expressed through two different approaches. The former approach is descriptive analysis that reflects the result through frequency distribution in percentages and ratios analysis of responses and the second approach compares the coefficient values for both types of banks through SEM analysis and also measure the Goodness of fit index. As a first step, we proceed to the frequency distribution and ratio analysis through mean values.

5.2.1 Descriptive Analysis based on frequency distribution

The result of descriptive statistics regarding employees' welfare which is the first construct of CSR is given below. The following table 2 presents the comparative results of both conventional and Islamic banks' respondents' opinion. The responses are measured against the likert scale, explained in percentages. Since we are not dealing with Logit/Probit family, so it's difficult to talk in terms of probabilities rather percentages are used, which is fulfilling the objectives and depicted below.

Table 2: Frequency Distribution and Descriptive Statistics: Employees' Welfare

	EW1			EW2			EW3			EW4			EW5			EW6		
	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total
SD	31	19	50	22	28	50	14	25	39	29	43	72	12	19	31	26	26	52
A	(5.5)	(3.4)	(8.9)	(3.9)	(5.0)	(8.9)	(2.5)	(4.5)	(7.0)	(5.2)	(7.7)	(12.9)	(2.1)	(3.4)	(5.5)	(4.6)	(4.6)	(9.3)
DA	36	29	65	30	29	59	31	35	66	47	54	101	48	43	91	27	37	64
	(6.4)	(5.2)	(11.6)	(5.4)	(5.2)	(10.5)	(5.5)	(6.3)	(11.8)	(8.4)	(9.6)	(18.0)	(8.6)	(7.7)	(16.3)	(4.8)	(6.6)	(11.4)
N	34	34	68	49	66	115	32	71	103	37	35	72	69	64	133	56	57	113
	(6.1)	(6.1)	(12.1)	(8.8)	(11.8)	(20.5)	(5.7)	(12.7)	(18.4)	(6.6)	(6.3)	(12.9)	(12.3)	(11.4)	(23.6)	(10.0)	(10.2)	(20.2)
A	102	107	209	105	97	202	116	82	198	95	76	171	108	84	192	94	88	182
	(18.2)	(19.1)	(37.3)	(18.8)	(17.3)	(36.1)	(20.7)	(14.6)	(35.4)	(17)	(13.6)	(30.5)	(19.3)	(15.0)	(34.3)	(16.8)	(15.7)	(32.5)
SA	77	91	168	74	60	134	87	67	154	72	72	144	43	70	113	77	72	149
	(13.8)	(16.3)	(30.0)	(13.2)	(10.7)	(23.93)	(15.5)	(12)	(27.5)	(12.9)	(12.9)	(25.7)	(7.7)	(12.5)	(20.2)	(13.8)	(12.9)	(26.6)
Total	280	280	560	280	280	560	280	280	560	280	280	560	280	280	560	280	280	560
	50.0	50.00	100.0	50.0	50.0	100.0	50.0	50.0	100.0	50.0	50.0	100.0	50.0	50.0	100.0	50.0	50.0	100.0
Chi-sq	4.9201			5.0295			26.5478			5.3740			11.4947			1.9369		
P-val	0.296			0.284			0.000			0.251			0.022			0.747		

NOTE: SDA= Strongly Disagree, DA=Disagree, N=Neural, A=Agree, SA=Strongly Agree, CB=Conventional Banks, IB=Islamic Bank

Chi-sq=Pearson's Chi-square statistic

EW2 = Customer service skills of employees.

EW4 = Merit based salary and promotion.

EW6 = Policy that specifically prohibits discrimination.

EW1 = Quotas for employee's welfare.

EW3= Equal opportunity for all employees.

EW5 = Quotas for staff employment from disadvantaged backgrounds.

The above table reflects that respondents generally consider that employees' welfare is significantly related to CSR in banks of Pakistan. More than 20 % of respondents of conventional banks agreed and 16% strongly agreed upon the variable 'equal opportunity for all employees'. On the contrary, 15% of Islamic banks employees agreed whereas 12% strongly agreed that this variable is positively related to CSR and is practiced by Islamic banks. The highest value of 19% of agreed and 16% of strongly agreed responses in Islamic banks is attained by the first variable i.e. 'quotas for employee's welfare' while conventional bank is also falling on positive side regarding this category by achieving 18% agreed and 14 % strongly agreed responses. The remaining variables also get positive response as 'development of customer service skills of employees' get a positive response of 19 % (agreed) and 13% (strongly agree) response whereas 17 % agreed and 11 % strongly agreed is achieved by conventional bank. Similarly, 'merit based salary and promotion' got the encouraging response of 17% agreed and 13% strongly agreed from conventional banks and 14% respondents of Islamic banks agreed and 13 % strongly agreed that this construct is practiced by respective banks. Contrarily, this construct has also considerable number of employees, i.e. 7.7% who strongly disagree and 9.6 % that disagree about 'merit based salary and promotion' practice in Islamic banks and 5.2% respondents strongly disagree whereas 8.4% of conventional banks disagree about this construct. Other variables also attained a considerable importance as the variable 'quotas for staff employment from disadvantaged backgrounds got 19 (agreed) and 8% (strongly agreed) from conventional banks and 15 % (agreed) and 13% (strongly agreed) response is generated from Islamic banks of Pakistan. The percentage of responses for 'disagree' and 'strongly disagree' for remaining constructs ranges between 2 % to 8 % approximately. In general, the maximum number of both conventional and Islamic banks' are of positive opinion

about 'employees' welfare' constructs. Pakistani banks are noticed to be indulged in categories that include trainings, promotional activities, merit based salaries, rewards and incentives and health and medical services for employees' motivation, contentment and retention.

The Pearson chi-square test has been used to test if there is significant difference in the responses of both types of banks. The calculated value of Pearson's statistic is 2.4985 with p-value of 0.476 indicating that there is no difference in the opinions of the respondents in conventional and Islamic banks and they consider employees welfare to be a considerable variable of CSR duly practiced by Islamic banks.

The individual values of Pearson chi-square test for the construct 'employees' welfare' is given below. The first variable attained the chi-square value of 4.9201 and its p-value is 0.296 which is not less than 5%. This shows that there is no significant difference between conventional and Islamic banks as far as 'quotas for employee's welfare' is concerned. The second variable that is 'to develop customer service skills of employees' achieved a chi-square value of 5.0295 and its p-value is 0.284 which is not less than 0.05, showing that no significant difference is being observed between opinions of conventional and Islamic banks' respondents.' Equal opportunity for all employees' attained the chi-square value of 26.5478 with a p-value of 0.000, which certainly shows that opinions of the respondents of Islamic and conventional banks differ significantly. 'Merit based salary and promotion' got the chi square value of 5.3740 and the p-value is 0.251 which is not less than 5%, so it is concluded that there is no significant difference between conventional and Islamic banks for this variable. As far as 'quotas for staff employment from disadvantaged backgrounds' is concerned, its chi square value is 11.4947 and p-value is 0.022, which is below 5%. Thus, this value proves that the variable has achieved significant difference between conventional and Islamic banks' responses. The last variable is

'policy that specifically prohibits discrimination', which has obtained a chi-square value of 1.9369 and its p-value is above 5%, which is 0.747 that has proved this variable's response is not significantly different between conventional and Islamic banks of Pakistan.

The average response of all items has been taken together and the pie chart reflects the difference between conventional banks and Islamic banks based on mean values that are calculated against likert scale. The responses are presented in the following figure.

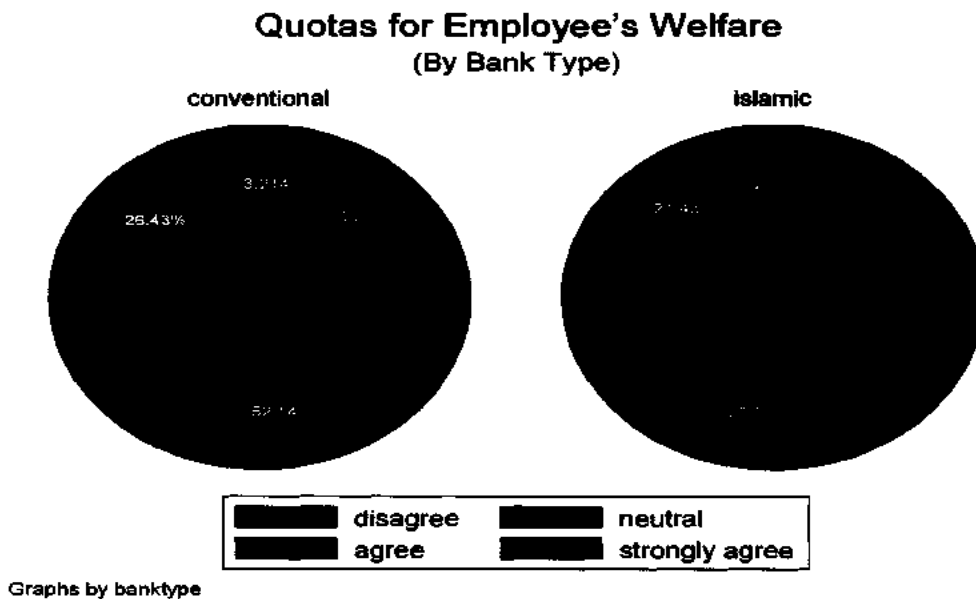


Figure 2: Results in Percentages for Employee's Welfare Quotas (Mean Values)

The conventional and Islamic banks employees' perception regarding 'social impact based investment quotas' is depicted in Table 3.

Table 3: Frequency Distribution and Descriptive Statistics: Social Impact Based Investment Quotas

	Si1			Si2			Si3			Si4			Si5			Si6			Si7		
	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total
SDA	35	31	66	21	27	48	22	26	48	30	18	48	35	26	61	21	28	49	34	15	49
	(6.3)	(5.5)	(11.8)	(3.8)	(4.8)	(8.6)	(3.9)	(4.6)	(8.6)	(5.4)	(3.2)	(8.6)	(6.3)	(4.6)	(10.9)	(3.8)	(5.0)	(8.8)	(6.1)	(2.7)	(8.8)
DA	50	53	103	57	48	105	53	43	96	56	53	109	37	48	85	44	30	74	55	45	100
	(8.9)	(9.5)	(18.4)	(10.2)	(8.6)	(18.8)	(9.5)	(7.7)	(17.1)	(10.0)	(9.5)	(19.5)	(6.6)	(8.6)	(15.2)	(7.9)	(5.4)	(13.2)	(9.8)	(8.1)	(17.9)
N	43	53	96	69	70	139	63	50	113	67	61	128	48	46	94	52	46	98	54	59	113
	(7.7)	(9.5)	(17.1)	(12.3)	(12.5)	(24.8)	(11.3)	(8.9)	(20.2)	(12.0)	(10.9)	(22.9)	(8.6)	(8.2)	(16.8)	(9.3)	(8.2)	(17.5)	(9.6)	(10.5)	(20.2)
A	84	77	161	57	78	135	76	77	153	77	79	156	89	85	174	89	101	190	80	91	171
	(15)	(13.8)	(28.8)	(10.2)	(13.9)	(24.1)	(13.6)	(13.8)	(27.3)	(13.8)	(14.1)	(27.9)	(15.9)	(15.2)	(31.1)	(15.9)	(18.1)	(33.9)	(14.3)	(16.3)	(30.5)
SA	68	66	134	76	57	133	66	84	150	50	69	119	71	75	146	74	75	149	57	70	127
	(12.2)	(11.8)	(23.9)	(13.6)	(10.2)	(23.8)	(11.8)	(15.0)	(26.8)	(8.9)	(12.3)	(21.3)	(12.7)	(13.4)	(26.1)	(13.2)	(13.4)	(26.6)	(10.2)	(12.5)	(22.7)
Total	280	280	560	280	280	560	280	280	560	280	280	560	280	280	560	280	280	560	280	280	560
	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)
Chi-sq	1.7057			7.5096			5.0371			6.4231			2.9955			4.7806			10.6269		
P-value	0.790			0.111			0.284			0.170			0.559			0.311			0.031		

NOTE: SDA= Strongly Disagree, DA=Disagree, N=Neutral, A=Agree, SA=Strongly Agree, CB=Conventional Banks, IB=Islamic Banks
The numbers in parenthesis represent percentages.

Chi-sq =Pearson's Chi-square statistic. Si1 = Targets for assisting poor by financing business opportunities. Si2 = Quotas for assisting orphans. Si3 = Quotas for assisting heavily indebted individuals. Si4 = Quotas for provisioning of health and medical services. Si5 = Quotas for assisting in the development of research. Si6 = Quotas for encouraging the development of ethical and native societal culture. Si7 = Quotas for discouraging contemporary social ills.

The fifth and sixth variable of 'social impact based investment quotas', are 'quotas for assisting in the development of research' and 'quotas for encouraging the development of ethical and native societal culture'. These two variables got a maximum of 13 % strongly agreed response from conventional banks which equalizes same amount of responses of 13% from Islamic banks. 16 % agreed response has been attained from conventional banks for both categories and 15% and 18% agreed responses from Islamic banks, correspondingly. The banks invest for the development of social culture and research work to enhance the education and development sector. The maximum value of 15 % (strongly agree) and 14 % (agree) has been achieved from Islamic banks in the category of 'quotas for assisting heavily indebted individuals' whereas the conventional banks offer 12% (strongly agreed) and 14 % (agree) response. The heavily indebted individuals are facilitated through low interest based loans and Islamic banks provide financing on Qard e Hasana basis. Results have shown that 15 % respondents are in the favour of 'targets for assisting poor by financing business opportunities' and 12% are strongly agreed on this variable in case of conventional banks while 14% of people have positive opinion and 12% people strongly supported the practice of assisting poor through financing their business opportunities from Islamic banks side. Conventional banks employees' opinion about 'quotas for discouraging contemporary social ills' got 14% agreed response and 10% strongly agreed and 16 % of respondents have given agreed response while 13 % Islamic banks' employees of Pakistan are strongly in favor of this construct. The disagree responses falls between the range of 3 % to 9 % in both the conventional and Islamic banks. There is no significant difference observed between the responses of both banks, hence maintaining a positive value for 'social impact based investment quotas'. Certain drives have been reported to

arrange for spreading social and health awareness i.e AIDS and hepatitis and assisting people for minimizing social issues.

The Pearson chi-square test values for the construct 'employees' welfare' is given below. The variable 'targets for assisting poor by financing business opportunities ' attained the chi-square value of 1.7057 and its p-value is 0.790 which is not less than 5%. This shows that there is no significant difference between conventional and Islamic banks as far as the variable 'target for assisting poor by financing business opportunities' is concerned. The second variable that is 'quotas for assisting orphans' achieved a chi-square value of 7.5096 and its p-value is 0.111 which not less than 0.05, showing that no significant difference is being observed between opinions of conventional and Islamic banks' respondents. 'Quotas for assisting heavily indebted individuals' attained the chi-square value of 5.0371 with a p-value of 0.284, which certainly shows that opinions of the respondents of Islamic and conventional banks, does not differ significantly. 'Quotas for provisioning of health and medical services' got the chi square value of 6.4231 and the p-value is 0.170 which is not less than 5%, so it is concluded that there is no significant difference between conventional and Islamic banks for this variable. As far as 'quotas for assisting in the development of research' is concerned, its chi square value is 2.9955 and p-value is 0.559, which is not below 5%. Thus, this value proves that the variable have no significant difference between conventional and Islamic banks' responses. The variable 'quotas for encouraging the development of ethical and native societal culture' obtained a chi-square value of 4.7806 and its p-value is above 5%, which is 0.311 that has proved this variable's response is not significantly different between conventional and Islamic banks of Pakistan. The variable 'quotas for discouraging contemporary social ills' has a chi square value of 10.6269 and its p value is 0.031, this p value shows that there is a significant difference between the

conventional and Islamic banks' responses as the value attained for this variable is less than 5%. Collectively, Pearson's Chi² value for this variable is 4.7105 with a p-value of 0.194. This result depicts that there is no significant difference in the responses obtained from conventional and Islamic banks' employees. The average response of all variables of social impact based investment has been taken calculated on likert scale and the pie chart reflects the difference between conventional banks and Islamic banks in this context. The responses are presented in the following graphs.

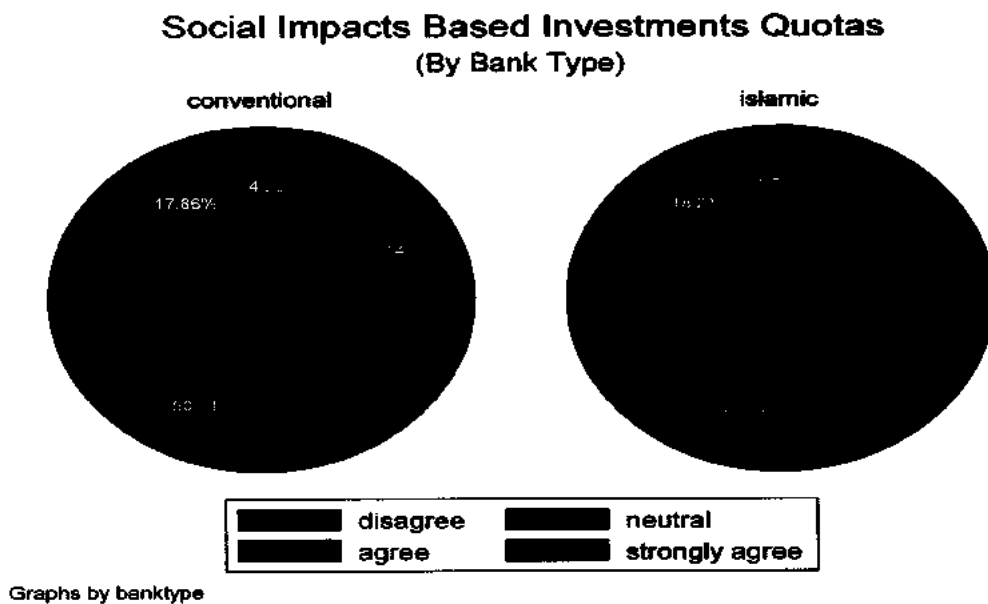


Figure 3: Results in Percentages for Social Impact Based Investment Quotas (Mean Values)

Table 4 illustrates the employees' perception of conventional and Islamic banks concerning development based investment quotas.

Table 4: Frequency Distribution and Descriptive Statistics: Development Based Investment Quotas

	Dbq1			Dbq2			Dbq3			Dbq4		
	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total
SDA	31	14	45	39	33	72	29	22	51	32	26	58
	(5.5)	(2.5)	(8.1)	(7.0)	(5.9)	(12.9)	(5.2)	(3.9)	(9.1)	(5.7)	(4.6)	(10.4)
DA	48	26	74	50	37	87	35	35	70	56	49	105
	(8.6)	(4.6)	(13.2)	(8.9)	(6.6)	(15.5)	(6.3)	(6.3)	(12.5)	(10.0)	(8.8)	(18.8)
N	58	44	102	61	49	110	52	57	109	58	52	110
	(10.4)	(7.9)	(18.2)	(10.9)	(8.8)	(19.6)	(9.3)	(10.2)	(19.5)	(10.4)	(9.3)	(19.6)
A	85	100	185	68	79	147	93	73	166	72	81	153
	(15.2)	(17.9)	(33.0)	(12.1)	(14.1)	(26.3)	(16.6)	(13.1)	(29.6)	(12.9)	(14.5)	(27.3)
SA	58	96	154	62	82	144	71	93	164	62	72	134
	(10.4)	(17.1)	(27.5)	(11.1)	(14.6)	(25.7)	(12.7)	(16.6)	(29.3)	(11.1)	(12.9)	(23.9)
Total	280	280	560	280	280	560	280	280	560	280	280	560
	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)
Chi-sq	25.4772			7.3525			6.5510			2.6903		
P-value	0.000			0.118			0.162			0.611		

NOTE: SDA= Strongly Disagree, DA=Disagree, N=Neural, A=Agree, SA=Strongly Agree

CB=Conventional Banks, IB=Islamic Banks

The numbers in parenthesis represent percentages.

Chi-sq = Pearson's Chi-square statistic.

Db1 = Quotas for development investments.

Db2 = Quotas that significantly contribute to the development of infrastructure.

Db3 = Quotas that has effects on SME.

Db4 = Quotas that assist in the alleviation of social and economic disadvantage.

Collectively, the opinions falls in positive category but a difference is being noticed overall. The maximum positive opinion has been generated for the variable 'quotas for development investments'. Conventional banks have earned 10% response of strongly agree for this variable and Islamic bank obtained 17%, thus highlighting a significant difference. There is also a difference of opinion on agreed option. Conventional bank got 15 % positive response for 'quotas for development investments' while that of Islamic banks is 18% (agreed). 'Quotas that significantly contribute to the development of infrastructure' maintain a collective percentage of 12% agreed and 11% strongly agreed in conventional banks whereas 14% agreed and 15% strongly agreed in Islamic banks. Moreover, 'Quotas that has effects on SME' also bear a considerable impact on CSR and Pakistani banks are inclined towards certain application of developmental activities. There are small percentages of respondents that range between 2% to 10% that have disagreement over the application of development based investments by the banks but most of them consider 'development based investment quotas' as component of CSR and the one practiced by Pakistani banks. The results have shown that Islamic banks are considered more positive about the development based investments as compared to conventional banks. Overall, bank respondents remained in favour of quotas for development investment. Banks, being national exchequer, with the payment of taxes and investments in the economy become a source of significant contribution towards the growth and development of economy.

The Pearson chi-square values for the construct 'development based investment quotas' is given below. The variable 'quotas for development investments', have attained the chi-square value of 25.4772 and its p-value is 0.000 which is less than 5%. Hence, we conclude that there is a significant difference between conventional and Islamic banks in regard of 'quotas for development investments'. 'Quotas that significantly contribute to the development of

infrastructure' achieved a chi-square value of 7.3525 and its p-value is 0.118 which not less than 0.05, showing that no significant difference is being observed between opinions of conventional and Islamic banks' respondents. The next variable which is 'quotas that has effects on SME' attained the chi-square value of 6.5510 with a p-value of 0.162, which definitely shows that opinions of the respondents of Islamic and conventional banks, does not differ significantly. 'Quotas that assist in the alleviation of social and economic disadvantages' got the chi square value of 2.6903 and the p-value is 0.611 which is not less than 5%, so it is concluded that there is no significant difference between conventional and Islamic banks for this variable. On the whole, the results of Pearson's statistics for 'development based investment quotas' is 20.5959 and the p-value is 0.000 which certainly shows that opinions of the respondents of Islamic and conventional banks differ significantly.

The average response of the construct of development based investment quotas of CB's and IB's is reflected in the below drawn pie chart.

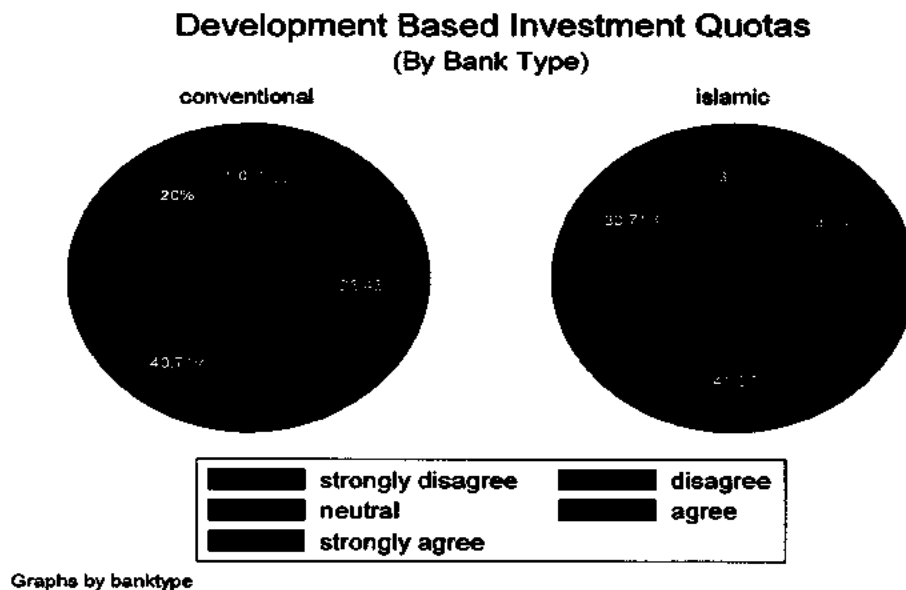


Figure 4: Results in Percentages for Development Based Investment Quotas (Mean Values)

The employees' perception in context of quotas for environment based investment is presented in Table 5.

Table 5: Frequency Distribution and Descriptive Statistics: Environment Based Investment Quotas

	Ebq1			Ebq2			Ebq3			Ebq4		
	CB	IB	Total	CB	IB	Total	CB	IB	Total	CB	IB	Total
SDA	45	26	71	27	20	47	27	39	66	34	35	69
	(8.04)	(4.6)	(12.7)	(4.8)	(3.6)	(8.4)	(4.8)	(7.0)	(11.8)	(6.1)	(6.3)	(12.3)
DA	56	37	93	47	42	89	43	42	85	40	47	87
	(10.0)	(6.6)	(16.6)	(8.4)	(7.5)	(15.9)	(7.7)	(7.5)	(15.2)	(7.1)	(8.4)	(15.5)
N	50	52	102	78	51	129	71	30	101	54	57	111
	(8.9)	(9.3)	(18.2)	(13.9)	(9.1)	(23.0)	(12.7)	(5.4)	(18.0)	(9.6)	(10.2)	(19.8)
A	69	100	169	75	87	162	93	99	192	78	84	162
	(12.3)	(17.9)	(30.2)	(13.4)	(15.5)	(28.9)	(16.6)	(17.7)	(34.3)	(13.9)	(15.0)	(28.9)
SA	60	65	125	53	80	133	46	70	116	74	57	131
	(10.7)	(11.6)	(22.3)	(9.5)	(14.3)	(23.8)	(8.2)	(12.5)	(20.7)	(13.2)	(10.2)	(23.3)
Total	280	280	560	280	280	560	280	280	560	280	280	560
	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)
Chi-sq	14.8918			13.3447			23.9902			3.0871		
P-value	0.005			0.010			0.000			0.543		

NOTE: SDA= Strongly Disagree, DA=Disagree, N=Neural, A=Agree, SA=Strongly Agree

CB= Conventional Banks, IB= Islamic Banks

The numbers in parenthesis represent percentages.

Chi-sq= Pearson's Chi-square statistic.

Ebq1 = Quotas for protecting the environment

Ebq2 = Reducing the negative impact of development on the environment

Ebq3 = Encouraging institutions to protect natural environment

Ebq4 = Increasing the use of renewable, sustainable sources of energy

Generally, conventional and Islamic banks are in favour of this category. As far as the variable of 'environment based investment quotas' is concerned, both the conventional and Islamic banks' respondents think that it is an important component of CSR and it has been practiced by Pakistani banks. The relative difference is noticed among various responses regarding individual variables. 15% employees from Islamic banks and 14 % from conventional banks have an 'agreed' opinion about 'increasing the use of renewable, sustainable sources of energy' whereas 10% of Islamic banks and 13 % from conventional banks strongly agreed on this variable. The agreement in Islamic banks is achieved by second variable that is 'reducing the negative impact of development on the environment' by getting 13 % of agreed and 10 % of strongly agreed responses for conventional banks whereas, 16% of agreed and 14 % strongly agreed response is attained by the Islamic banks which reflects that certain arrangement has been made in order to reduce the adverse effects of technological development on the environment. When the respondents have been asked to show their agreement or disagreement about the third category which is 'quotas for protecting the environment', here the positive responses achieved from conventional banks for agreed and strongly agreed categories are 18% and 12%, respectively. On the contrary, the same variable is supported by 18 % agreed responses and 12% strongly agreed responses from Islamic banks side. The conventional banks' 17 % respondents have shown agreed response and 8 % strongly agreed response. Islamic banks' employees portrayed the maximum of 18% response about 'encouraging institutions to protect natural environment' and 13 % strongly agreed response. Majority (10%) of the respondents of conventional did not agree with the statement 'quotas for protecting the environment', though this is the variable conducting maximum amount of acceptance as well. 8% of Islamic banks' employees show disagreement on 'increasing the use of renewable, sustainable sources of energy'. Hence, it can be regarded that

'environment based quotas' is a very important variable of CSR that should not be underestimated and few considerable lower percentages are also attained regarding this variable but Islamic banks performance is better in comparison with conventional banks. Various projects that are fruitful in environment protection, i.e. renewable energy sources, plantation schemes and paperless environment, fall in this category.

The Pearson chi-square values for the construct 'environment based investment quotas' is as under. The first variable 'quotas for protecting the environment' has attained the chi-square value of 14.8918 and its p-value is 0.005 which is below than 5%. Therefore, we determine that there is a significant difference between conventional and Islamic banks with regard to this variable. 'Reducing the negative impact of development on the environment ' achieved a chi-square value of 13.3447 and its p-value is 0.010 which is more than 0.05, showing that there is no significant difference between opinions of conventional and Islamic banks' respondents. The next variable is 'encouraging institutions to protect natural environment' and it has attained the chi-square value of 23.9902 with a p-value of 0.000, which illustrates that opinions of the respondents of Islamic and conventional banks, do significantly differ from each other. The last variable is 'increasing the use of renewable, sustainable sources of energy' that got the chi square value of 3.0871 and the p-value is 0.543 which is not less than 5%, hence it is concluded that there is no significant difference between conventional and Islamic banks for this variable. Overall, the value of Pearson 'statistics for the construct of 'environment based investment quotas' is 11.1524, where p-value is 0.025 which is below 0.05. Hence, this highlights that there is a significant difference in respondents' opinions of conventional and Islamic banks of Pakistan.

The average response of all variables of environment based investment quotas measured against likert scale is presented in following pie chart.

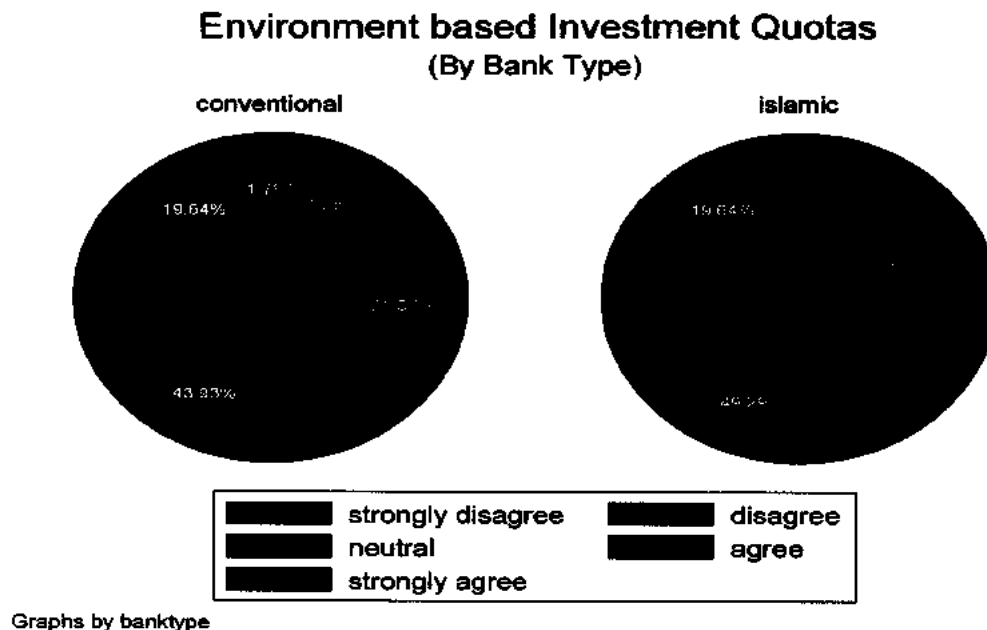


Figure 5: Results in Percentages for Environment Based Investment Quotas (Mean Values)

The perception of the respondents of conventional and Islamic banks regarding micro, small business, social savings and investments is presented in Table 6.

Table 6: Frequency Distribution and Descriptive Statistics: Micro, Small Business Social Savings & Investments

	Msbs1			Msbs2			Msbs3		
	CB	IB	Total	CB	IB	Total	CB	IB	Total
SDA	23	32	55	26	35	61	34	28	62
	(4.1)	(5.7)	(9.8)	(4.6)	(6.3)	(10.89)	(6.1)	(5.0)	(11.1)
DA	49	44	93	42	45	87	42	65	107
	(8.8)	(7.9)	(16.6)	(7.5)	(8.04)	(15.5)	(7.5)	(11.6)	(19.1)
N	69	59	128	71	45	116	53	49	102
	(12.3)	(10.5)	(22.9)	(12.7)	(8.0)	(20.7)	(9.5)	(8.8)	(18.2)
A	75	85	160	76	93	169	91	71	162
	(13.4)	(15.2)	(28.6)	(13.6)	(16.6)	(30.2)	(16.3)	(12.7)	(28.9)
SA	64	60	124	65	62	127	60	67	127
	(11.4)	(10.7)	(22.1)	(11.6)	(11.1)	(22.9)	(10.7)	(12.0)	(22.7)
Total	280	280	560	280	280	560	280	280	560
	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)	(50.0)	(50.0)	(100.0)
Chi-sq	3.2768			9.0398			8.5364		
P-value	0.513			0.060			0.074		

NOTE: SDA= Strongly Disagree, DA=Disagree, N=Neural, A=Agree, SA=Strongly Agree

CB=Conventional Banks, IB=Islamic Banks

The numbers in parenthesis represent percentages.

Chi-sq= Pearson's Chi-square statistic

Msbs1 = Policies to assist micro and small businesses social savings and investments.

Msbs 2 = Encourage social savings for marriages, social welfare programs, etc

Msbs 3 = Encourage family savings and investment

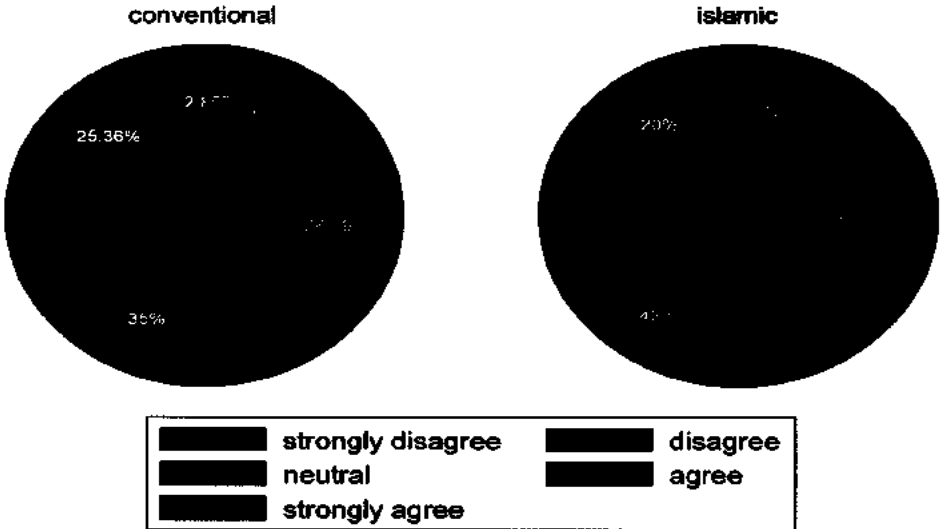
Among the three variables of 'micro, small business, social savings and investments', second variable that is 'encourage social savings for marriages, social welfare programs' achieve a response of 12% strongly agreed and 14% agreed in conventional banks while that of Islamic banks' 11% employees strongly agreed while 17% have showed agreed responses. Approximately, 16% of conventional bank customers were in favour of the variable 'encourage family savings and investment' while 10 % were strongly in favor of this variable. Islamic banks got a small percentage in comparison to conventional banks by getting 12 % agreed and 12 % strongly agreed responses. Altogether, both kinds of respondents were in favor of 'micro, small business, social savings and investments' and consider this construct a productive one in favour of CSR. Overall, Islamic banks' respondents showed maximum responses for first two variables while conventional banks employees scored positive results about 'policies to assist micro and small businesses social savings and investments'. Various strategies are highlighted by the banks in order to assist people through micro-financing and small investment by favourable lending and constructive investments.

The calculated value of Pearson's statistic is 13.6183 with p-value of 0.009 indicating that there is a significant difference in the opinions of the respondents in conventional and Islamic banks. As far as the first variable 'policies to assist micro and small businesses social savings and investments' is concerned, the chi square value is 3.2768 and p-value is 0.513, which is not below 5%. Thus, this value proves that the variable has no significant difference between conventional and Islamic banks' responses. The second variable is 'encourage social savings for marriages, social welfare programs', which has obtained a chi- square value of 9.0398 and its p-value is above 5% that is 0.060, which has proved that this variable's response is not significantly different between conventional and Islamic banks of Pakistan. The variable

'encourage family savings and investment' has a chi square value of 8.5364 and its p value is 0.074, this p value shows that there is a no significant difference between the conventional and Islamic banks' responses as the value attained for this variable is not less than 5%.

The average response of 'micro, small business and social saving and investments' are presented in the figure as under highlighting the main differences between the CB's and IB's.

**Micro Small Business and Social Savings and Investments
(By Bank Type)**



Graphs by banktype

Figure 6: Results in Percentages for Micro, Small Businesses, Social Savings & Investment Quotas

Table 7 describes the variation of responses between conventional and Islamic banks' respondents about 'charitable activities'.

Table 7: Frequency Distribution and Descriptive Statistics: Charitable Activities

	CA1			CA2			CA3		
	CB	IB	Total	CB	IB	Total	CB	IB	Total
SDA	27 (4.8)	26 (4.64)	53 (9.5)	24 (4.3)	35 (6.3)	59 (10.5)	25 (4.5)	39 (7.0)	64 (11.4)
DA	50 (8.9)	37 (6.6)	87 (15.5)	33 (5.9)	31 (5.5)	64 (11.4)	49 (8.8)	43 (7.7)	92 (16.4)
N	64 (11.4)	58 (10.4)	122 (21.8)	70 (12.5)	52 (9.3)	122 (21.8)	84 (15.0)	63 (11.3)	147 (26.3)
A	80 (14.3)	94 (16.8)	174 (31.1)	100 (17.9)	92 (16.4)	192 (34.3)	72 (12.9)	76 (13.6)	148 (26.4)
SA	59 (10.5)	65 (11.6)	124 (22.1)	53 (9.5)	70 (12.5)	123 (22.0)	50 (8.9)	59 (10.5)	109 (19.5)
Total	280 (50.0)	280 (50.0)	560 (100.0)	280 (50.0)	280 (50.0)	560 (100.0)	280 (50.00)	280 (50.0)	560 (100.0)
Chi-sq	3.6732			7.4520			7.3050		
P-value	0.452			0.114			0.121		

NOTE: SDA= Strongly Disagree, DA=Disagree, N=Neural, A=Agree, SA=Strongly Agree

CB=Conventional Banks, IB=Islamic Banks.

The numbers in parenthesis represent percentages.

Chi-sq= Pearson's Chi-square statistic

CA1 = Support for charitable activities

CA2 = Establish fundraising drives from its clients

CA3 = Organization, target groups that require assistance.

Broadly, the above table has shown a positive response of bank' respondents towards the construct of charitable activities. The above table shows a comparative picture of the respondents' opinions in detail. The conventional banks respondents gave a response of 11% strongly agreed and 14 % agreed for the first variable 'support for charitable activities', whereas Islamic banks achieved a highest value of 17% and 12% for this category. Moreover, 14% of conventional and 17% of Islamic banks' respondents have neutral opinion about this construct. The next best positive responses have been gathered for 18% agreed and 10% strongly agreed whereas Islamic banks have scored the value of 16% as strongly agreed and 13% agreed for the variable named 'establish fundraising derives from its clients'. The next variables also attained higher comparative results by Islamic banks in comparison with conventional banks. Banks involves themselves in the activities like community welfare, widows' care, children education, fund raising drives, management in natural disasters, donation boxes and other such derives are initiated to take participation in charitable activities.

The Pearson chi-square values for the construct 'charitable activities' is explained under. The first variable is 'support for charitable activities', it has attained the chi-square value of 3.6732 and its p-value is 0.452 which is greater than 5%. Therefore, we conclude that there is a no significant difference between conventional and Islamic banks in regard of this variable. The second variable 'establish fundraising drives from its clients' achieved a chi-square value of 7.4520 and its p-value is 0.114 which not less than 0.05, showing that there is no significant difference between opinions of conventional and Islamic banks' respondents. The next variable is about 'supporting the 'organization, target groups that require assistance' and it has attained the chi-square value of 7.3050 with a p-value of 0.121, which illustrates that opinions of the respondents of Islamic and conventional banks, do not significantly differ from each other as the

value achieved is not less than 5 %. The calculated value of Pearson's statistic for charitable activities is 5.4745 with a p-value of 0.242 representing that there is no significant difference in the opinions of the respondents in conventional and Islamic banks. Following figure illustrates the average values difference of CB's and IB's in context of charitable activities:

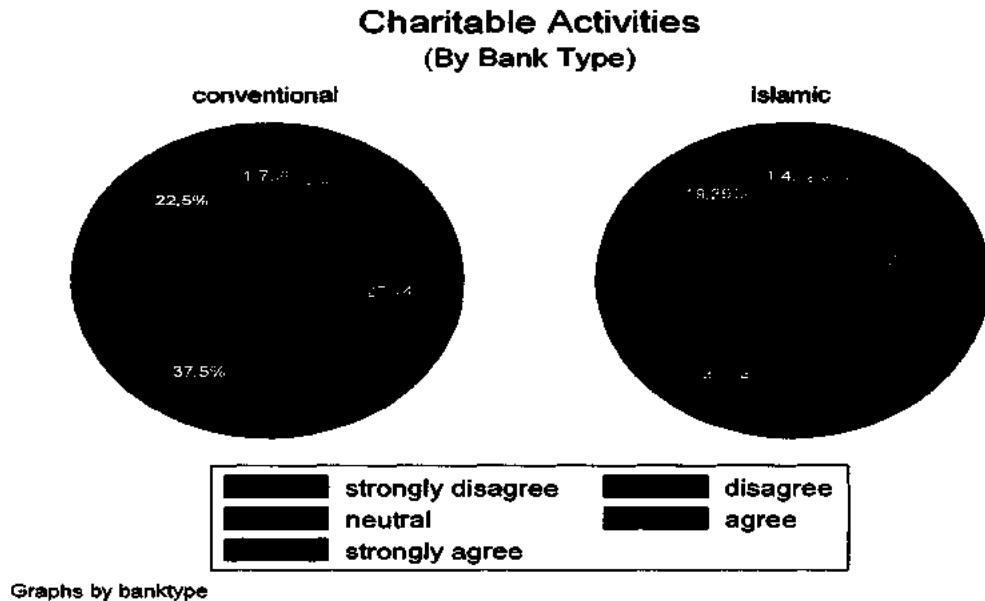


Figure 7: Results in Percentages for Charitable Activities (Mean Values)

5.2.2 Descriptive Analysis Based on Mean Values of Indicators

Now, we analyse the data according to the mean values of the factors involved in determining the constructs of CSR. Each of the variables of conventional bank is analyzed and is compared with the Islamic bank. The t-statistics shows the difference between mean responses of conventional and Islamic banks.

The first variable is 'employees' welfare' and employees are asked this question so that they could show a clear depiction of the practice made by conventional and Islamic banks in direction of CSR and in favour of employees. Results are shown in Table 8.

Table 8: Perception of Bank Employees on CSR: Employees' Welfare

No	Factors	CBs	IBs	t-statistic (p-value)	Average Mean
1	Quotas for employee's welfare	3.79	3.56	-2.1526 (0.0318)	3.68
2	To develop customer service skills of employees	3.47	3.64	1.638 (0.102)	3.56
3	Equal opportunity for all employees	3.47	3.83	3.5647 (0.0004)	3.65
4	Merit based salary and promotion	3.29	3.48	1.6643 (0.0966)	3.38
5	Quotas for staff employment from disadvantaged backgrounds	3.51	3.44	-0.7744 (0.4390)	3.47
6	Policy that specifically prohibits discrimination	3.51	3.60	0.8774 (0.3806)	3.56
7	Average value*	3.50	3.59		3.55

*Likert scale mean varies between 1 (strongly disagree) and 5 (strongly agree).

*t-statistic is the t-test for difference between mean responses of CBs and IBs.

The above mentioned table reflects an overall positive trend in the variables' performance in determining the CSR practice. Mean values show respondent's positive response towards this variable and the values reflect that the respondents generally agree that 'employees' welfare' is being practiced by the banks of Pakistan.

'Quotas for employees' welfare' have achieved a mean of 3.79 by CBs, and IBs obtained the value of 3.56 for this variable. The calculated value of t-statistic for 'employees' welfare' is -2.1526 with a p-value of 0.0318, which is less than 5% significance level, so we reject the null hypothesis that mean response for 'quotas for employee's welfare' is same for conventional and

Islamic banks and conclude that there is difference in the means responses across the two bank types.

The second factor is about the 'policy to develop customer service skills of employees'. CBs obtained a mean value of 3.47 for this factor while IBs achieved mean value of 3.64. The t-statistics have a value of 1.638 while its p-value is 0.102. The p value is neither significant at 5% level nor at 10% level of significance. Therefore, we do not reject null hypothesis that the difference between means responses of CBs and IBs are same.

The maximum mean value is achieved by IBs in the variable 'equal opportunity for all employees'. IBs have attained highest mean value of 3.83 against 3.47 of CBs, which is still noticeably good. The t-statistics results show that its value is 3.5647 and the p-value is 0.0004 which is considerably below 5% level of significance. Thus, we reject the null hypothesis that mean responses for 'quotas for employee's welfare' is same for conventional and Islamic banks and conclude that there is difference in the means responses across the two bank types.

Regarding 'merit based salary and promotion' IBs performance is better than CBs. However, both types of banks need to improve their reward system because it can greatly influence the organizational commitment and performance of employees. Here, the CBs got the mean value of 3.29 while that of IBs is 3.48. The value of t-statistics for this variable is 1.6643 and the p-value is 0.0966 which is higher than 5% and lower than 10% level of significance. This shows that means values are statistically significant at 10% level of significance and there is a difference between the responses of conventional and Islamic banks of Pakistan.

'Quotas for staff employment from disadvantaged backgrounds' by CBs and IBs, gained mean value of 3.51 and 3.44, respectively. It showed a positive relationship with CSR. Meanwhile the calculated value of t-statistics is -0.7744 while the p-value is 0.4390. This shows

that we do not reject null hypothesis and there is no difference in the means responses for 'staff employment from disadvantaged backgrounds' across both types of banks.

Respondents gave a positive response when they were asked about 'banks' policy that prohibits discrimination'. CBs scored a mean value of 3.51, which is below 3.60 that are scored by IBs. The t-statistics results for this variable are 0.8774 and the p value is 0.3806. The p-value proves this variable does not have difference among the conventional and Islamic banks in context of means values responses.

Table 9 highlights the pattern of mean variations in the construct of 'social impact based investment quotas', their t-statistics and p-values as well.

Table 9: Perception of Bank Employees on CSR: Social Impact Based Investment Quotas

No	Factors	CBs	IBs	t-statistic (p-value)	Average Mean
1	Targets for assisting poor by financing business opportunities	3.34	3.36	0.1897 (0.8496)	3.35
2	Quotas for assisting orphans	3.32	3.39	0.6685 (0.5041)	3.36
3	Quotas for assisting heavily indebted individuals	3.54	3.40	-1.2858 (0.1990)	3.47
4	Quotas for provisioning of health and medical services	3.46	3.22	-2.2790 (0.0230)	3.34
5	Quotas for assisting in the development of research	3.48	3.44	-0.3531 (0.7241)	3.46
6	Quotas for encouraging the development of ethical and native societal culture	3.59	3.54	-0.4718 (0.6372)	3.56
7	Quotas for discouraging contemporary social ills	3.56	3.25	-2.8765 (0.0042)	3.41
8	Average mean value*	3.47	3.37		3.42

*Likert scale average mean varies between 1 (strongly disagree) and 5 (strongly agree).

*t-statistic is the t-test for difference between mean responses of CBs and IBs.

The first factor of this construct consists of 'quotas for assisting poor by giving them business opportunities. Both the conventional and Islamic banks have showed an overall growth in this factor and obtained mean values of 3.34 and 3.36, respectively. The t-statistics showed the

value of 0.1897 while that of p-value is 0.8496. The p-value shows that we do not reject the null hypothesis that mean response for this variable is same for conventional and Islamic banks and conclude that there is no difference among the responses of CBs and IB.

'Quotas of provision of health and medical services' are noticed with the mean values of 3.46 for conventional and 3.22 for Islamic banks. These values give a clear prediction that conventional banks are more responsive in this context as compared to Islamic banks. This variable has the t-statistics of -2.2790 and its p-value is 0.0230, which is less than 5% significance level, so we reject the null hypothesis that mean response for this variable is same for conventional and Islamic banks and conclude that there is difference in the means responses across the two bank types.

Similarly, in case of 'quotas for discouraging social ills', CBs and IBs scored mean values of 3.56 and 3.25, respectively which shows that with some differences Pakistani banks are involved in social impact based investments. The calculated value t-statistics for this variable is -2.8765 and that of p-value is 0.0042. This value is less than 5% level of significance, so we reject the null hypothesis and it is concluded that the mean responses for both bank types are different.

The second factor of this construct relates to 'quotas for assisting orphans'. The mean values of CBs and IBs are 3.32 and 3.39 showing slightly above average participation from the banks. Similarly, in third factor, CBs and IBs achieved 3.54 and 3.40 as mean values for assisting heavily indebted individuals. The p-value of remaining variables is noticed to be greater at 5% or 10% significance level. Hence, the remaining variables show that there is not much difference among the responses of conventional and Islamic banks.

Another factor of this construct is ‘quotas for assisting in the development of research’. The results of mean values in assisting research by CBs and IBs are 3.48 and 3.44, respectively. Hence, the results do not reflect much difference in the CSR performance of both types of banks.

‘Quotas for encouraging the development of ethical and native societal culture’ have gained mean values of 3.59 for CBs and 3.54 for IBs. This also shows a minor difference between the CSR practices of both types of banks in Pakistan.

Third construct determining CSR relates to ‘development based investment quotas’. In this regard, the mean values of the responses of banks’ employees are depicted in Table 10:

Table 10: Perception of Bank Employees on CSR: Development Based Investment Quotas

No	Factors	CBs	IBs	t-statistic (p-value)	Average Mean
1	Quotas for development investments	3.85	3.33	-5.1146 (0.0000)	3.59
2	Quotas that significantly contribute to the development of infrastructure	3.50	3.23	-2.3832 (0.0175)	3.36
3	Quotas that has effects on SME	3.64	3.51	-1.2585 (0.2087)	3.58
4	Quotas that assist in the alleviation of social and economic disadvantages	3.44	3.27	-3.15736 (0.0018)	3.36
5	Average mean value*	3.60	3.34		3.47

*Likert scale average mean varies between 1 (strongly disagree) and 5 (strongly agree).

*t-statistic is the t-test for difference between mean responses of CBs and IBs.

All development based investment projects (e.g. schools, hospitals, etc.) proving beneficial for the society are included in this category. Such investments have significant growth potential for the country of operation. ‘Quotas for development based investments’ obtained the mean values of 3.85 and 3.33 by CBs and IBs, respectively. The calculated t-statistics attained the value of -5.1146 while the p-value is 0.0000 which is below 5% significance level. Hence, it

can be concluded that we reject the null hypothesis and that there is a significant difference in the means' responses across the two bank types.

Similarly the second variable which is 'quotas that significantly contribute to the development of infrastructure' got a value of 3.50 for CBs and 3.23 for IBs. The t-statistics value for this variable is -2.3832 and the p value is 0.0175 which is considerably below 5% level. Hence, we reject the null hypothesis that the mean response in regard of this variable is same for CBs and IBs. Hence, it is verified that there is a significant difference between the mean responses within the two bank types.

Quotas for SMEs got mean values of 3.64 and 3.51 for CBs and IBs, respectively. The value t-statistics for this variable is -1.2586 and that of p-value is 0.2087 which is above 5% or 10% level of significance. Hence, we cannot reject null hypothesis for this variable and it is concluded that this variable is not much difference in the mean responses of both bank types.

Similarly, in the variable 'quotas for assisting in the alleviation of social and economic disadvantages', CBs attained a mean value of 3.44 against a mean value of 3.27 obtained by IBs. Hence, it shows that CBs have shown more involvement in improving the situation of socioeconomic disadvantaged people or groups. The calculated t-statistics have a value of -3.15736 with a p-value of 0.0018 which is below 5% significance level. Hence, it is concluded that the null hypothesis is rejected and the means responses have a difference across the two bank types.

Now we consider the perception of banks' employees regarding 'environment based investment quotas' and the mean value analysis for each variable of this construct is depicted in table 11.

Table 11: Perception of Bank Employees on CSR: Environment Based Investment Quotas

No	Factors	CBs	IBs	t-statistic (p-value)	Average Mean
1	Quotas for protecting the environment	3.50	3.15	-3.1436 (0.0018)	3.33
2	Reducing the negative impact of development on the environment	3.59	3.29	-2.9087 (0.0038)	3.44
3	Encouraging institutions to protect/preserve natural environment	3.43	3.31	-1.0165 (0.3098)	3.37
4	Increasing the use of renewable, sustainable sources of energy	3.29	3.42	1.1823 (0.2376)	3.36
5	Average mean value*	3.45	3.29		3.38

*Likert scale average mean varies between 1 (strongly disagree) and 5 (strongly agree).

*t-statistic is the t-test for difference between mean responses of CBs and IBs.

The conventional banks have attained a mean value of 3.50 for the first variable 'quotas for protecting the environment' and Islamic banks achieved 3.15. The calculated t-statistics have a value of -3.1436 with a p-value of 0.0018, which is below the 5% significance level. Consequently, it can be regarded as the null hypothesis is rejected and there is a significant difference between conventional and Islamic banks of Pakistan in this regard.

Similarly, CBs appear to be more involved than IBs in 'reducing negative impact of development on environment' and 'promoting institutions for preservation of natural resources'. Mean values attained by CBs and IBs in these factors are 3.59 and 3.29 as well as 3.43 and 3.31, respectively. The result of t-statistics for this variable is -3.1436 with a p-value of 0.0018. This shows that we reject null hypothesis that is the means responses for this variable is same for CBs and IBs and conclude that there is a difference between the means responses between two types of banks.

The only factor where IBs showed better performance than CBs is 'promoting use of renewable sources of energy'. This factor includes indicators, such as usage of paper bags, avoidance of excessive paper usage, etc. Mean values attained by CBs and IBs are 3.29 and 3.42, respectively. Here, this variable has obtained a t-statistical value of 1.1823 and the p-value is

0.2376 which is above 5% or 10% level of significance. Therefore, we cannot reject null hypothesis and it is concluded that there is no significant difference between the means responses between two types of banks.

While considering the construct of ‘microfinance, small business, social savings and investments’ the results of perception analysis show a positive trend in the employees’ responses. The results are given in Table 12.

Table 12: Perception of Bank Employees on CSR: Micro, Small Business, Social Savings & Investments

No	Factors	CBs	IBs	t-statistic (p-value)	Average Mean
1	Policies to assist micro and small businesses social savings and investments	3.35	3.39	0.3673 (0.7135)	3.37
2	Encourage social savings for marriages, social welfare programs, etc	3.36	3.40	0.3280 (0.7430)	3.38
3	Encourage family savings and investment	3.30	3.36	0.5467 (0.5848)	3.33
4	Average mean value*	3.34	3.38		3.36

*Likert scale average mean varies between 1 (strongly disagree) and 5 (strongly agree).

*t-statistic is the t-test for difference between mean responses of CBs and IBs.

For all three factors, namely promotion of SMEs, encouragement of social savings for welfare programs and mobilization of small savings for investment, IBs showed a slightly better performance than CBs. The average mean values for CBs and IBs in this construct are 3.34 and 3.38, respectively. Moreover, as depicted in the above table, the variables have attained p-value of 0.7135, 0.7430 and 0.5848 for all the three variables respectively. Hence, the null hypothesis cannot be rejected as all the values are above 5% or 10% level of significance.

Regarding the CSR construct of ‘charitable activities’ the results of employees’ perception are produced in Table 13.

Table 13: Perception of Bank Employees on CSR: Charitable Activities

No	Factors	CBs	IBs	t-statistic (p-value)	Average Mean
1	Support for charitable activities	3.48	3.34	-1.3857 (0.1664)	3.41
2	Establish fundraising drives from its clients	3.47	3.45	-0.2034 (0.8389)	3.46
3	Organization, target groups that require assistance	3.26	3.26	0.0000 (1.0000)	3.26
4	Average mean value*	3.40	3.35		3.38

*Likert scale average mean varies between 1 (strongly disagree) and 5 (strongly agree).

*t-statistic is the t-test for difference between mean responses of CBs and IBs.

The first factor that determines the banks' involvement in CSR is 'support for charitable activities'. In this factor, CBs and IBs attained mean values of 3.48 and 3.34, respectively. The calculated value of t-statistics for this variable shows that the value obtained for this variable is -1.3857 and that of p-value is 0.1664. This p-value is greater than 10% level of significance. So, it can be regarded that we cannot reject null hypothesis and there is no significant difference between CBs and IBs. The similar is the case for other two variables. They both have p-values lower than 5% level of significance as illustrated in above table. Therefore, we reject the null hypothesis as there is no difference in both CBs and IBs.

Overall, in the construct of 'employees' welfare', IBs have shown slightly better performance by achieving 3.59 average mean value in comparison to CBs that have achieved 3.50 mean value. The factors that assist to outweigh the IBs performance over their counterparts include skill development, equal opportunities and merit based salary for employees. The results show that there is slightly difference between the perception of CBs and IBs respondents. The construct of 'social impact based investment quotas'; CBs have shown better performance by attaining 3.47 average mean value which is greater than average mean value of IBs that is 3.37. In this aspect, CBs' performance is higher than the performance of IBs for factors, such as

assisting heavily indebted individuals, facilitating health and medical services and discouraging contemporary social ills. 'Development based investment quotas' shows that respondents dominantly perceived that CBs are more involved by attaining 3.60 average mean value than IBs 3.34 in providing finance for socioeconomic development and improving the conditions of low income earners. The next construct is 'environment based investment quotas', a higher percentage of respondents dominantly perceived that CBs are more involved in application of this construct as they attained the average mean value of 3.45 which is above than IBs that have achieved 3.29 average mean value, in providing finance and launching initiatives for the preservation of environment. The perception of respondents about 'micro, small businesses, social savings and investments' have obtained the mean value of 3.34 in case of conventional banks and 3.38 in reasoning the perception analysis of IBs. Considering the construct of 'charitable activities', mean values of its variables show that the respondents dominantly perceived that although both types of banks have been involved in such activities but CBs are slightly more active (3.40 mean value) than IBs (3.35) in the promotion of charitable activities.

5.2.3 SEM Results of Conventional Banks

With the application of SEM, coefficient values for each variable of conventional and Islamic banks are obtained through regression analysis. The coefficient values of six factors of CSR for conventional banks are presented in the Figure 8.

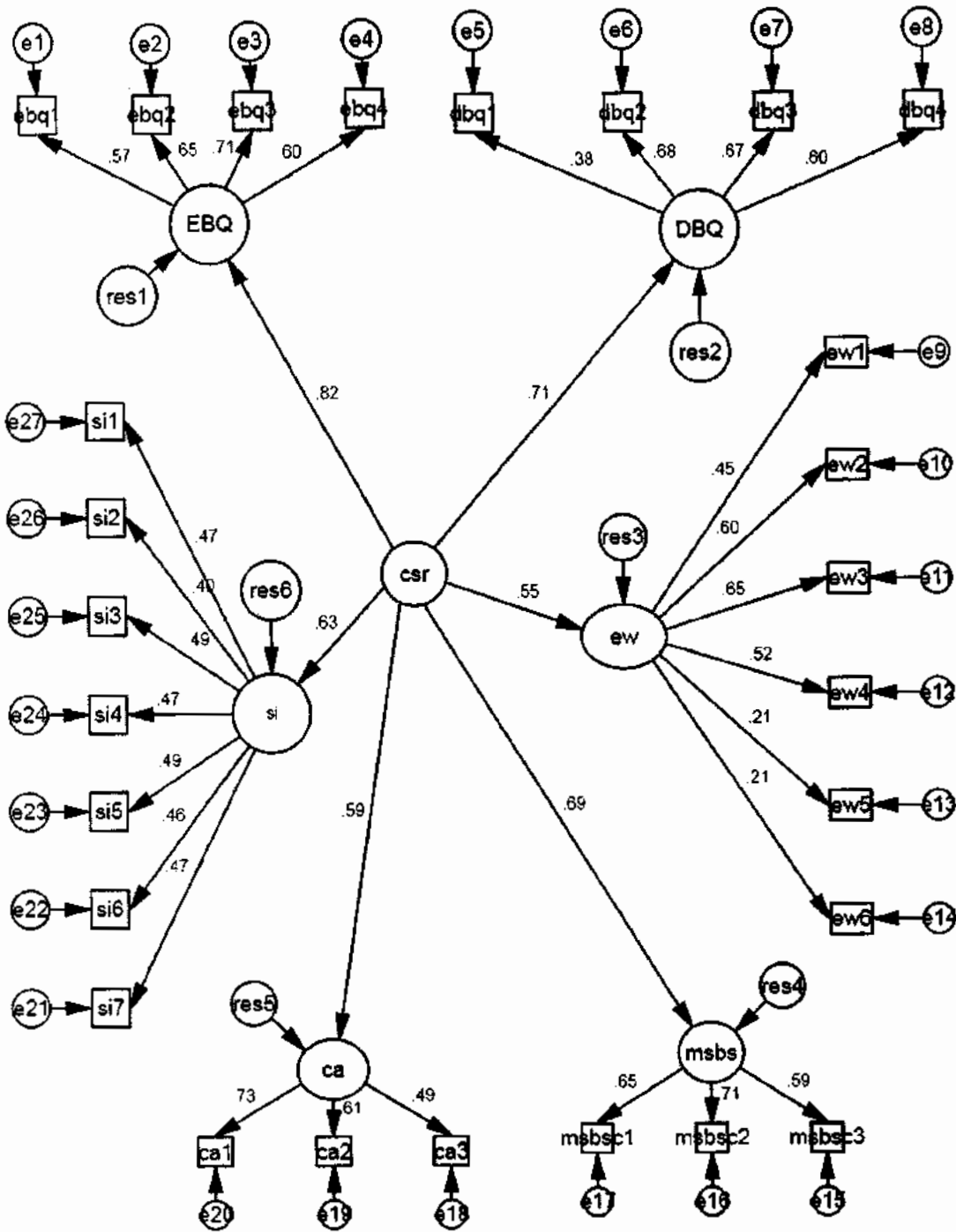


Figure 8: SEM-CSR Results of Conventional Banks

Conventional banks have a strong background in financial sector and a long history as compared to Islamic banks which are still in developing stage. In line with this development, the results of our SEM analysis reflect relatively better application of CSR by conventional banks than their Islamic counterparts. The results with regard to each factor of six concerned variables (constructs) are individually described below.

According to Factor Analysis, the CSR in banks has been categorised in six constructs and most important one is found to be 'environment-based quotas (EBQ)'. This construct has highest regression coefficient value of 0.82 among others. Hence, it has the highest impact on CSR. The above figure also explains the relative importance and contribution of individual factors for particular constructs which ultimately affects CSR. The variables influencing at maximum to this most effective construct are 'quotas for encouraging individuals and institutions to protect and preserve natural environment' and 'reduction in the negative impact of development on the environment. Thus, these two factors should be focused more specifically by the banks as they draw a significant impact towards CSR.

Development based quota (DBQ) is the second most important construct considered and practised by conventional banks. This construct is having a coefficient value of 0.71 and therefore, it is considered the second best construct contributing towards CSR. The strongest influence is made by the factor 'quotas that significantly contribute to the development of infrastructure' in the country of operation or for another developing country which has obtained the coefficient value of 0.68 resulting in maximum contribution.

The value of regression coefficient of 'micro, small business and social savings and investments (MSBS)' is 0.69, hence listing it on the third position in case of conventional banks. The regression coefficient value of the factor named as 'encouragement for social savings for

marriages, children's education, community based programs or other social welfare programs' is 0.71 and it provides the most positive impact towards this construct.

The construct of 'social impact based investment quotas (SI)' is at fourth place and obtained coefficient value of 0.63. Here, two individual factors scored the same coefficient value of 0.49 which are 'quotas for assisting heavily indebted individuals or families with unfortunate circumstances' and 'quotas for assisting the development of research and education facilities', particularly those that utilize and empower disadvantaged individuals or communities.

The next positive impact on CSR is harvested by 'charitable activities CA)' by scoring 0.59 coefficient value. The first factor of this construct, 'support for charitable activities' got the maximum regression value of 0.73.

The last construct affecting CSR is 'employees' welfare (EW)' which attained regression coefficient value of 0.55. The highest contribution in this construct was made by the factor 'equal opportunity for employees', regardless of gender, religion, disability or socioeconomic background, and it obtained the value of 0.65.

5.2.4 SEM Results of Islamic Banks

The regression co-efficient results drawn from SEM technique about the six constructs of CSR practiced by Islamic banks are presented in Figure 9.

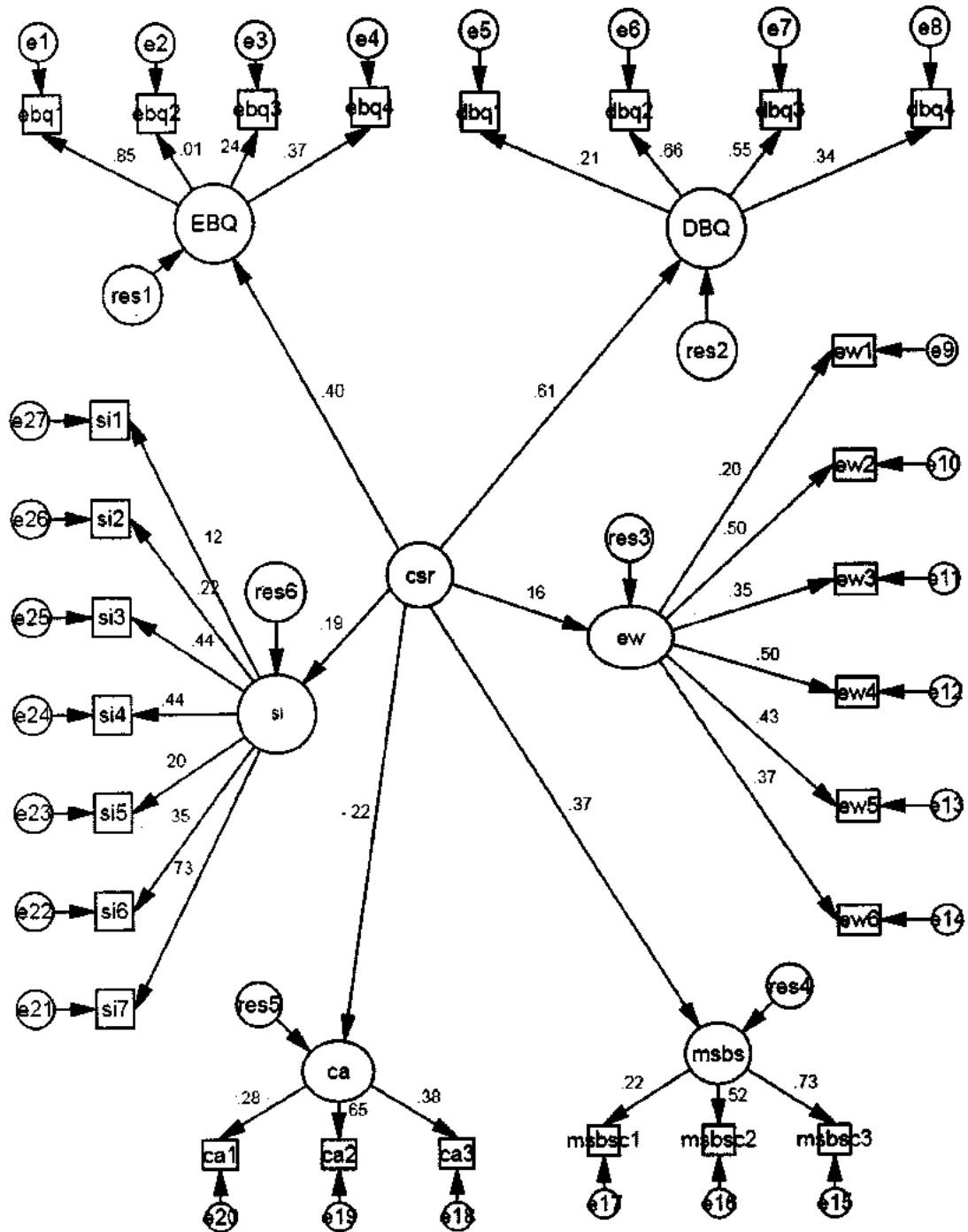


Figure 9: SEM-CSR Results of Islamic Banks

The most important construct of CSR for Islamic banks is 'development based quotas (DBQ)'. The obtained regression coefficient value is .61. It reflects that Islamic banks put more funds in development based quotas and consider it more important than other constructs of CSR. The impact of individual factors in this construct of CSR for Islamic banks is similar to that of conventional banks. The vital factor making chief contribution is 'quotas that significantly contribute to the development of infrastructure' in the country of operation or for another developing country. This variable obtains the regression coefficient value of 0.66 and is having the maximum importance in the CSR policy of IB's.

The second best impacting construct is 'environment based quotas (EBQ)' having a regression coefficient value of 0.40. The most significant factor in this construct is proved to be the 'quotas for protecting the environment' by achieving maximum regression coefficient value of 0.85.

Micro, small business and social savings and investment (MSBS) is the third significant construct of CSR of Islamic banks. It attained regression coefficient value of 0.37. Islamic banks put 37% contribution towards this construct and considered it important to some extent. Among the three of its factors, 'encouragement towards family savings and investment through proactive policies' is the factor achieving the maximum relative significance by achieving 0.73 regression coefficient value.

The regression coefficient value of 'social impacts based investment (SI)' of Islamic banks is 0.19. Among seven factors contributing to this construct, most vital one getting maximum importance from Islamic banks' perspective is 'quotas for discouraging contemporary social ills'. It gained a regression coefficient value of 0.73.

The construct of 'employees' welfare (EW)' gained a relatively low regression coefficient value of 0.16. Here, two factors, namely 'development of customer service skills of employees' and 'merit based salary and promotion of employees', are equally important and both attained a coefficient value of 0.50.

The least important CSR construct of Islamic banks is 'charitable activities (CA)' which got the coefficient value of -.22. This construct contains three factors. Most vital space is occupied by the factor of 'fundraising drives from bank clients' which is rated with a coefficient value of 0.65. Since the construct of this factor possesses a negative value, therefore the factors of this construct are plying no positive role in case of Islamic banks.

5.2.5 Comparative SEM-CSR Analysis for Conventional and Islamic Banks of Pakistan

A comparison of CSR coefficient values of conventional and Islamic banks is given in Table 14. This comparison allows us to identify the commonalities and differences in context of practice of CSR by conventional and Islamic banks.

The results of comparative analysis depict that in all constructs of CSR bank employees perceive comparatively better performance of conventional banks. Specifically, in the constructs of 'environment based investment quotas (EBIQ)' and 'development based quotas (DBQ)', the perceived CSR contributions of conventional banks are quite significant with coefficient values of 0.82 and 0.71, with compare to the coefficient values of 0.40 and 0.61 of Islamic banks. Similarly, in remaining constructs perceived CSR contributions of CBs are more impressive than that of IBs having the coefficient values of 0.69 and 0.37 for 'micro, small business and social savings and investments (MSBS)', 0.63 and 0.19 for 'social impact based investment quotas (SI)', 0.59 and -0.22 for 'charitable activities (CA)', and 0.55 and 0.16 for 'employee' welfare (EW)', respectively.

Table 14: CSR Coefficient Values and p-Values of Conventional Banks (CBs) and Islamic Banks (IBs).

No	Constructs and Factors	CBs	IBs
	Employees' Welfare (EW)	0.55*** (0.00)	0.16 (0.273)
1	Quotas for employee's welfare	0.45*** (0.00)	0.20*** (0.00)
2	To develop customer service skills of employees	0.60*** (0.00)	0.50** (0.021)
3	Equal opportunity for all employees	0.65*** (0.00)	0.35** (0.030)
4	Merit based salary and promotion	0.52*** (0.00)	0.50** (0.021)
5	Quotas for staff employment from disadvantaged backgrounds,	0.21*** (0.007)	0.43** (0.024)
6	Policy that specifically prohibits discrimination,	0.21*** (0.007)	0.37** (0.028)
	Social Impacts Based Investments Quotas (SI)	0.63*** (0.00)	0.19 (0.131)
1	Targets for assisting poor by financing business opportunities	0.47*** (0.00)	0.12 (0.119)
2	Quotas for assisting orphans	0.40*** (0.00)	0.22*** (0.003)
3	Quotas for assisting heavily indebted individuals	0.49*** (0.00)	0.44*** (0.00)
4	Quotas for provisioning of health and medical services	0.47*** (0.00)	0.44*** (0.00)
5	Quotas for assisting in the development of research	0.49*** (0.00)	0.20*** (0.006)
6	Quotas for encouraging the development of ethical & native societal culture	0.46*** (0.00)	0.35*** (0.00)
7	Quotas for discouraging contemporary social ills	0.47*** (0.00)	0.73*** (0.00)
	Development Based Quotas (DBQ)	0.71*** (0.00)	0.61** (0.031)
1	Quotas for development investments	0.38*** (0.00)	0.21*** (0.00)
2	Quotas that significantly contribute to the development of infrastructure	0.68*** (0.00)	0.66*** (0.007)
3	Quotas that has effects on SME	0.67*** (0.00)	0.55*** (0.010)
4	Quotas that assist in the alleviation of social and economic disadvantages	0.60*** (0.00)	0.34** (0.018)

	Environment Based Investment Quotas (EBIQ)	0.82***	0.40***
		(0.00)	(0.003)
1	Quotas for protecting the environment	0.57***	0.85***
		(0.00)	(0.00)
2	Reducing the impact of development on the environment	0.65***	0.01
		(0.00)	(0.834)
3	Encouraging institutions to protect/preserve natural environment	0.71***	0.24***
		(0.00)	(0.001)
4	Increasing the use of renewable, sustainable sources of energy	0.60***	0.37***
		(0.00)	(0.00)
	Micro, Small Business and Social Savings and Investments (MSBS)	0.69***	0.37***
		(0.00)	(0.004)
1	Policies to assist micro and small businesses social savings and investments	0.65***	0.22***
		(0.00)	(0.004)
2	Encouraging social savings for marriages, social welfare programs, etc	0.71***	0.52***
		(0.00)	(0.00)
3	Encouraging family savings and investment	0.59***	0.73***
		(0.00)	(0.00)
	Charitable Activities (CA)	0.59*	-0.22
		(0.00)	(0.149)
1	Support for charitable activities	0.73***	0.28***
		(0.00)	(0.008)
2	Establishing fundraising drives from its clients	0.61***	0.65***
		(0.00)	(0.00)
3	Organization, target groups that require assistance	0.49***	0.38***
		(0.00)	(0.00)

Note 1: P values are presented in parenthesis.

Note 2: ***, **, * denote significance at 1%, 5% and 10% significance level.

Although the overall perceived CSR performance of Islamic banks is not impressive, yet IBs showed a reasonable level of CSR contribution in the construct of 'development based quotas (DBQ)', with a coefficient value of 0.61, and a lesser level of CSR contribution in the constructs of 'environment based investment quotas (EBIQ) and 'micro, small business and social savings and investments (MSBS)' with coefficient values of 0.40 and 0.37, respectively. The perceived CSR performance of IBs in the constructs of 'social impact based investment quotas (SI)' and 'employee' welfare (EW)' is quite low with coefficient values of 0.19 and 0.16,

respectively. No CSR involvement of IBs could be traced in the construct of 'charitable activities (CA) with a coefficient value of -0.22.

5.2.6 Discussion of Coefficient Results

Discussion is based on the findings from evaluation of Pakistani banking sector in context of CSR practice. This is an innovative study as no other empirical study has been done yet by the researchers in context of causes of CSR and its component analysis especially in context of Pakistani banking sector. Still the results of CSR practice in banking sector include a wide range of factor analysis used as a basis of CSR components in service providing organizations i.e. banks. The study is composed of most of the supposed relevant variables to insight the state of affairs. Impact is examined by individual variables used to determine the constructs of CSR.

As suggested by the researcher Holmes (1976), business should be responsible towards the solution of social problems even if the business has nothing to do with the causes of those social problems. Social investment and problem solution construct has been deemed to have positive relation with the corporate social responsibility. The current research has also got a positive response of respondents in favour of this constructs though there is a difference between the ratios of responses. The conventional banks have attained a co-efficient value of 0.63 with a p-value of 0.00, thus showing it as a highly significant construct in comparison to that of Islamic banks which has attained the value of 0.19 with a p-value of 0.131. This difference might be because of the strong base line of customers of conventional banks and their deep routed business setup. The Islamic banks are probably involved in the customer building phase. Though, there is a huge difference between the two values, still the results have shown that both the CBs

and IBs do consider social investment based quotas having a positive relation with the CSR and is being practically implemented by the respective banks.

The construct 'micro, small business, social savings and investments' has attained the coefficient value of 0.69 in case of CBs and 0.37 in case of IBs. Both types of banks achieved a positive response with certain differentiation of involvement. CBs again showed better response as compared to IBs. Charitable activities have been deemed to be the constructive part of CSR from the very beginning. CBs achieved a positive coefficient value of 0.59 significant at 1% level while that of IBs is -0.22. This is the first construct from the banks' side that have attained a negative value, this might be because of low investments by Islamic banks in this category or probably because of lack of awareness of bank respondents about the practical operations of banks in CSR specifically in charitable activities

Employees' welfare is proved to be a very important construct of CSR. Previous studies have proved that working for employees' welfare wins the employees' loyalty and organizational commitment that lead to good organizational performance. The employees' welfare results in employees' commitment towards the organization and that in turn affects the corporate social responsibility (Ali et al., 2010). This research assist in examining the current situation in banking sector of Pakistan and find that the construct of 'employees' welfare' has achieved the same positive relationship with the CSR as attained in the previous researchers. Both the conventional and Islamic banks have attained a positive sign that employees' welfare is a significant component of CSR and is being practiced by Pakistani banks. Comparatively, conventional banks have got the coefficient value of 0.55 at 0.00 p-value and Islamic banks have achieved coefficient value of 0.16 at p-value of 0.273. Here, conventional banks are noticed to be more

involved in extending merit-based salaries, promotions and their trainings as compared to Islamic banks.

In the beginning, the environment based investments and development based investments were directly included in the CSR components. Later, when the need aroused, they were embedded as important components of CSR. The World Business Council for Sustainable Development (WBCSD) emphasized on the development based quotas as a significant component of CSR. Similarly, the coefficient values of the current research regarding CSR and Pakistani banks have also achieved a positive response and find development based investment quotas as an important component of CSR practiced by banks of Pakistan. The value of coefficient by conventional banks is 0.71 while that of Islamic banks is 0.61. There is a small difference between the two and both are proved to be significant at 1% and 5% level of significance respectively. Thus, it has revealed that banks of Pakistan have almost similar approach towards this aspect of CSR and both types of banks are actively participating in development side.

The Commission of European Communities (2001) has presented a proper definition of CSR in context of environment protection. Environment based investment has been considered to have significant impact over the CSR and economy. The results of present study are in line with the previous studies by achieving a positive response and value from the respondents' side. The conventional banks have attained 0.82 coefficient value at p value significant at 1% level of significance. On the contrary, the Islamic banks have attained the coefficient value of 0.40, that is positive but comparatively less than CBs. Hence, it can be judged through the results that CBs are exceedingly involved in the environment protection construct as compared to IBs. Hence, it can be regarded as 'environment based investment quotas' is the significant construct of CSR.

5.3 Goodness of Fit Indices

Goodness of fit basically describes how well a statistical model fits the data set used in some research. The results of this analysis are given in Table 15.

Table 15: Goodness of Fit Statistics

S. No.	Indexes	Values
1	Chi-square	1395.55
2	Goodness of fit index (GFI)	0.839
3	Comparative fit index (CFI)	0.659
4	Adjusted goodness of fit index (AGFI)	0.811
5	Root mean square residual (RMR)	0.133
6	Root mean square error of approximation (RMSEA)	0.046
7	PCLOSE (default model)	0.986

The chi square value of the model at 5% significance level represents that model is good fit. Tests on the goodness of fit are quite satisfactory. The goodness of fit index (GFI) is at 0.839, the adjusted goodness of fit index (AGFI) is 0.811, and the comparative fit index (CFI) is 0.659. These indexes are bounded above by 1, which means it should be less than 1, which indicates a perfect fit; therefore, the indexes obtained from the model are very good (MacCallum, et al., 2000). The root mean square residual (RMR) index has a value of 0.133, and the root mean square error of approximation (RMSEA) has a value of 0.046; the values of these indexes are low and therefore are quite good. The p-value of the default model is significant at 5% level and is .986. This finding suggests that model fits the data acceptably. Verifying evidence is provided by the RMSEA fit statistic – the obtained value of RMSEA is .046 which is well below the desired limit of .06. Correspondingly, the Tucker-Lewis Index result of default model is .986 that is fairly above required criteria, whereas it should be above the 0.95 threshold, hence representing a satisfactory model fit.

Hence, the above mentioned indexes have shown that the variables and the relationship between dependent and independent variables of this research are significant and their values have been proved to be a good fit.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

This study has analyzed the role of Pakistani banking industry in context of CSR. The study explained major issues involved in the practice of CSR by Pakistani banks.

The results revealed that the banking personnel have a moderate awareness about the concept of CSR. Additionally, they have a reasonable level of understanding about the credibility, importance and profitability of CSR concept. Hence, the study found a nexus between theory and practice of CSR in context of banking sector of Pakistan. The difference in CSR practice relates to the level of CSR contributions by the conventional and Islamic banks. The conventional banks, comparing with Islamic banks, are more aware about CSR and they involve themselves in ethical practice as a part of corporate sector. Islamic banks are least operative in certain spheres of CSR. The idea of Corporate Social Responsibility is new in Pakistan. However, our analysis revealed that conventional banks are relatively better involved in the CSR than Islamic banks. This may be because of the fact that conventional banks have a long history and the Islamic banks have entered the field a few decades ago. When conventional banks indulged themselves in modern concept of CSR, Islamic banks remained busy in strengthening their foundation for providing banking services and building base line of customers.

However, as the basic concept of Islamic banking industry is based on the principles of Islamic finance ethics having the characteristics of justice, equality, partnership, risk and profit sharing, charity and interest free loans, therefore the financing modes and practices themselves made them responsible towards the society.

For conventional banks, the CSR concept basically adds into ethical understanding and fulfilling demands for new trends of market and society but for Islamic banks, CSR constitutes the rationale of their existence. Most of the respondents of our study were aware of CSR concept and a moderate number of them did agree about the practice of this concept by the respective banks. Therefore, it can be concluded that banks' policies and senior management's attitude are the major factors that can be helpful in practising CSR activities in banks.

The outcome of the research highlights the performance of conventional banks more positive than their Islamic counterparts. The maximum and minimum coefficient values of CSR activities of conventional banks are 0.82 and 0.55, respectively. The contributions of Islamic banks towards CSR activities are not so impressive with maximum and minimum coefficient values of 0.61 and -0.22, respectively.

Both types of banks appear to have focused on the environment and development based investments in context of CSR activities. Bank employees showed their utmost trust towards these categories and also provided maximum positive response by highlighting that banks do show concern in the sphere of environment. Similarly, 'development based quotas' achieved second highest attention by the conventional bank and highest attention by the Islamic banks. It shows that CSR activities of banks in Pakistan are considerably focused on sustainable societal development.

Banks' respondents appear to have awareness about the impact of CSR activities on resource mobilization, cash inflows and customer retention. Hence, it is need of the day that banks become socially more accountable and receptive towards society. The CSR activities can be beneficial for long term profitability and survival of banking organizations.

There are certain issues regarding the application of CSR in the banking sector of Pakistan. The main issue is about the disclosure and documentation of the corporate socially responsible activities. Banks usually do not disclose CSR activities. This lack of disclosure could be due to various reasons. One could be the lack of trust with other organizations. The second reason could be that no importance is being given to the documentation of such activities as they are not bound by any legislation. The third could be the small proportion assigned to such activities. The other side of the picture could be the excessive disclosure of such activities through websites and financial reports which bank is not doing practically. There may be a biased attitude regarding the disclosure on the part of banks. Another important issue is regarding the lack of control and check. Banks are neither bound to be responsible and participative towards the societal betterment nor are they supervised by any authoritative body in order to keep them in line with the CSR principles. Getting bound by some regulation can be a productive and fruitful action to formalize the procedures with the aim to ensure embedding the socially acceptable activities within the business operations for societal betterment, CSR recognition and enhancement in brand repute.

There is no practical platform for the education, awareness and uniform information to the interested candidates who want to know about CSR. Another issue is that there is no specific benchmark for CSR measurement on national level. Hence, that lacks of such standard leave no room for measurement and comparative judgement of CSR practical implication.

6.2 Recommendations

On the basis of our analysis following policy implications are derived.

The concept of corporate social responsibility should be strengthened through people, processes and management of banks in Pakistan. In this regard, proper training and development

programs should be arranged to develop different constructs of CSR. It is also important to train bank personnel and make them well aware of the short and long term benefits of CSR. Refresher courses on the relationship of profitability, banking industry and social responsibility may be arranged. Public-private partnership of training institutions and universities can be used for the dissemination of awareness and knowledge on CSR.

Both internal and external management processes should be integrated in corporate practice in order to facilitate different stakeholders of banks, i.e. customers, employees, investors, management and community.

Protection of customer rights with proper complaint addressing channel would be a viable way of becoming socially responsible and getting maximum stakeholders' credibility and consideration.

Bank management should have an appropriate proactive policy for strengthening constructive organizational culture and socially responsible attitude among the employees. Organizational ethics, proper training and internal evaluation as well as attractive reward system can greatly improve organizational commitment of banks employees for the benefit of organization and the society at large.

Some regulatory measures may be introduced in respect of minimum level of investments in the area of CSR and it can be made mandatory for the banks to achieve socially desired results. A regulatory authority could be the best solution for the promotion of CSR. The authority should have the capacity to spread awareness, devise guidelines, implement rules and monitor and control progress.

The most urgent needed work in regards of CSR field is the standardization of CSR. Some serious measures should be taken in order to build up a CSR standard that can be accepted

nationally and recognized globally, specifically focusing on the needs of today's world. Such effort could become a standard guideline for the organizations to benchmark their CSR activities and judge their own performance.

This research study also puts forward some areas for future research. First, researchers may further explore the pattern of resource allocation through various banks of Pakistan in context of CSR activities. Second, researchers may assess the impact of CSR activities on the performance of various banks in Pakistan.

REFERENCES:

- AAIOFI, (2007) Exposure draft o Governance standard for Islamic financial institutions no 7
CSR: Conduct and Disclosure of Islamic banks.
- AccountAbility. (1995). Retrieved on May 10, 2014, from <http://www.accountability.org/standards/index.html>
- Aguilera, R., Williams, & Ganapathi. (2007). Paper listed in SSRN's Top Ten download list.
- Agha Khan Development Network. (2005). Retrieved on May 12, 2014, from http://www.akdn.org/civil_society.asp
- Ahmad, Khaliq (2002). "Islamic Ethics in a Changing Environment for Managers", in AbulHasan M. Sadeq (ed.), *Ethics in Business and Management: Islamic and Mainstream Approaches*. London: Asean Academic Press.
- Ahmad, Khurshid (2003). "The Challenge of Global Capitalism: An Islamic Perspective": in John H. Dunning (ed.), *Making Globalization Good: The Moral Challenge of Global Capitalism*. Oxford: Oxford University Press.
- Ahmad, Saiyad Fareed (2003b). "Does Morality Require God?": *Intellectual Discourse* 11(1), pp.51-76.
- Ali, I., Rehman, K., Irshad, A., Yousaf, J., & Zia, M. (2010). Corporate social responsibility influences, employee commitment and organizational performance. *African Journal of Business Management*, 4(12), 2796-2801.
- Amin, T., & Degirmencioglu, C. (2011). CSR in commercial banks- Comparison of the U.S and Swedish market.
- Angelidis, P., & Ibrahim, N. (1993). Social demand and corporate supply: a corporate social responsibility model. *Review of Business*, 15, 7-10.
- Agha Khan Development Network. (2005). Retrieved on May 12, 2014, from http://www.akdn.org/civil_society.asp
- Aman, A. (2001). Privatization and the democracy problem in globalization: Making markets more accountable through administrative law. *Fordham Urban Law Journal*, 28, 1477-1506.

- Brammer, S., Millington, A., & Rayton, B. (2007). The contribution of corporation social responsibility to organizational commitment. *International Journal of Human Resource Management*, 18 (10), 1701-1719.
- Baker, R. Capitalism's Achilles heel. Wiley,(2005), "London Reference Collections shelf mar"
- Bernanke, S. (2005). The global saving glut and the U.S. current account deficit, speech delivered for the Sandridge Lecture at the Virginia Association of Economists, Richmond.
- Bernanke, Ben. (2005). Remarks at the Homer Jones Lecture, St Louis.
- Beekun, R., & Badawi, J. 2005. Balancing Ethical Responsibility among Multiple Organizational Stakeholders: The Islamic Perspective. *Journal of Business Ethics*, 60(2): 131-145.
- Booth, C., Crosby, J. C. (2014). A dynamic approach to urban road deposited sediment pollution monitoring, *Journal of Applied Geophysics*, 105, 10–20.
- Brennan, C. (2002). Being a good corporate citizen pays dividends. *The Irish Times*, 4.
- Bowen, H. R. (1953). Social responsibilities of the businessman. New York: Harper & Row.
- Beekun, R. I., & Badawi, J. A. (2005). Balancing ethical responsibility among multiple organizational stakeholders: The Islamic Perspective. *Journal of Business Ethics*, 60, 131-145
- Brennan, N., Pierce, A. (1996). Irish company accounts: regulation and reporting, *Oak Tree Press*, Cork.
- Basu, K., & Palazzo, G. (2008). Corporate social responsibility: A process model of Shirley Yeong (2011).
- Brennan, C. (2002). Being a good corporate citizen pays dividends. *The Irish Times*, 4.
- Blowfield, M. & Frynas, J.G. (2005). Setting new agendas: critical perspectives on Corporate Social Responsibility in the developing world. *International Affairs*, 81, 499-513.
- Cowe, R., & Parrit, J. (2002). Government's business: Enabling corporate sustainability. London, Forum for the Future.
- Chambers, C. & Day, R. (2009). The banking sector and CSR: An unholy alliance? *Financial Regulation International*, 12 (9). 13-20.

- Chatterjee, A., & Hunt, J.M. (1996). Self-monitoring as a personality correlate of materialism: An investigation of related cognitive orientation', *Psychological Reports* 79(2), 523-528.
- Carroll, A.B. (1979). A three dimensional model of corporate social performance. *Academy of management Review*, 4(4), 495-505.
- CSR Association of Pakistan. (2005). Retrieved on May 12, 2014, from <http://www.csrassociationpk.com/about.php>
- Clarkson, Max B. E. (1995). "A stakeholder framework for analysing and evaluating corporate social performance. *Academy of Management Review*, 20 (1), 92-117.
- Commission of the European Communities, 2001. Promoting a European Framework for Corporate Social Responsibilities, (2001) 366 final, Brussels.
- Cuesta Gonzalez, M. & Valor Martinez, C. (2004). Fostering corporate social responsibility through public initiative. From the European Union to the Spanish Case, *Journal of Business Ethics*, 55, 273-293.
- Douglas, A., Doris, J., & Johnson, B. (2004). Corporate social reporting in Irish financial institutions. *The TQM Magazine*, 16 (6), 387-395.
- Dutton Jane, E., Janet, M. Duckerich., & Celia. V. Harquail, (1994). "Organizational images and member identification." *Administrative Science Quarterly* 39 (2), 239-263.
- Decke.r, S., & Sale, C. (2009). An Analysis of Corporate Social Responsibility, Trust and Reputation in the Banking Profession, Part 1, 135-156, in Idowu, S. O. & Filho, W. L., Professionals Perspectives of Corporate Social Responsibility, Springer-Verlag Berlin Heidelberg.
- Dusuki, Asyraf Wajdi.(2008). What Does Islam Say About Corporate Social Responsibility (CSR)?
- Davis, K. (1975), "Five propositions for social responsibility", *Business Horizons*, Vol. 18 (3), 19-24.
- Dinar standards, Dar ul Istithmar, July (2009). Social Responsibility survey of Islamic financial Institutions.

- Davis, Peter W. F. (1997). *Business Philosophy: Searching for an authentic role in Peter W.F. Davies. Current Issues in Business Ethics*. London: Routledge.
- Deegan, Craig. (2002). The legitimising effect of social and environmental disclosures: A theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15 (3), 282-311.
- Dasgupta, S., Laplante, B. & Mamingi, N. (2001). Pollution and capital markets in developing countries, *Journal of Environmental Economics and Management* 42: 310–335.
- Duane, Windsor. (2001). The future of corporate social responsibility, *International Journal of Organizational Analysis*, 9 (3), 225 – 256.
- European Union. (2006). Retrieved on September 10, 2013, from http://ec.europa.eu/enterprise/policies/sustainable-business/documents/corporate-social-responsibility/index_en.htm
- Epstein, E. M. (1987). The corporate social policy process: Beyond business ethics, corporate social responsibility, and corporate social responsiveness. *California Management Review*, 99–114.
- Fair Labour Association. (1999). Retrieved on May 8, 2014, from <http://www.fairlabor.org/our-work/mission-charter>
- Fair Wear Foundation. (1999). Retrieved on May 8, 2014, from <http://www.fairwear.org/488/labour-standards/1.-employment-is-freely-chosen/>
- Friedman, M. (1970). "The social responsibility of business is to increase its profits". *New York Times Magazine*, 13 Sept., 32-33.
- Gibson., Kevin. (2000). "The moral basis of stakeholder theory". *Journal of Business Ethics*, 26, 245-257.
- Gervais, S., & Odean, T. (2001). The review of Financial Studies, 14(1), 1-27.
- Global Reporting Initiative. (1997). Retrieved on May 10, 2014, from <https://www.globalreporting.org/information/about-gri/Pages/default.aspx>
- Guthrie, J., & Parker. L. (1990), Corporate social disclosure practice: A comparative international analysis, *Advances in Public Interest Accounting* 3, 159-176.

- Greening, D. W., & Turban D. B.(2000). Corporate social performance as a competitive advantage in attracting a quality workforce. *Business and Society* 39(3), 254–280.
- Gray, R., Kouhy, R., & Lavers, S. (1995a). Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure”, *Accounting, Auditing and Accountability*, 8(2), 47–77.
- Geoffrey, P. Lantos. (2002). The ethicality of altruistic corporate social responsibility, *Journal of Consumer Marketing*, 19 (3), 205 – 232.
- Hart, S. L., & Milstein, M. B. (2003). Creating sustainable value. *Academy of Management Executive*, 17(2): 56-67.
- Holmes, S.L. (1976). Executive perceptions of corporate social responsibility. *Business Horizons*, Vol. 19 pp.34-40.
- International Organization for Standardization. (n.d), Retrieved on May 12, 2014, from http://www.iso.org/iso/home/standards_development.htm
- Ullah, S., Jamali, D. (2010). Institutional Investors and Corporate Social Responsibility: The Role of Islamic Financial Institutions, *International Review of Business Research Papers* Vol.6, No.1 February 2010, Pp. 619-630
- Integrated Reporting Committee (2010). Retrieved on May 8, 2014, from <http://www.sustainabilitysa.org/IntegratedReporting/TheIntegratedReportingCommitteeofSouthAfrica.aspx>
- Iqbal, Zamir and Mirakhor, Abbas (2003). Stakeholders Model of Governance in Islamic Economic System. Paper Presented at the Fifth International Conference on Islamic Economics and Finance: Sustainable Development and Islamic Finance in Muslim Countries, Bahrain.
- Jeucken, A. H. (2004). *The Changing Environment of Banks*, Netherland.
- Jeucken., M. (2004). *Sustainability in Finance Banking on the planet*. Delft, the Netherlands: Eburon.
- Jenkins, H. (2006). Small business champions for corporate social responsibility. *Journal of Business Ethics*, 67, 241–256

- Johnson, H. (2003). Does it pay to be good? Social reasonability and financial performance. *Business Horizon*, 46, 6
- Kamali, Mohammad Hashim (1993). "Fundamental Rights of the Individual: An Analysis of Haqq (Right) in Islamic Law": *The American Journal of Islamic Social Sciences* 10 (3), pp. 340-366.
- Kamali, Mohammad Hashim (1989b). "Sources, Nature and Objectives of Shari'ah" *The Islamic Quarterly*, pp. 215-235.
- Kotler, Philip. (1991). Presentation at the trustees meeting of the Marketing Science Institute in November 1990, Boston.
- Kroner, N. (2009). A blueprint for better banking: Svenska Handelsbanken and a proven model for post-crash banking. Great Britain, Harrimon House Ltd.
- Llewellyn, J.T. (1998). Evaluating corporate claims of social responsibility: Developing citizenship checklist. *Research in Corporate Social Performance and Policy*, 15, 89-106.
- Lantos, Geoffrey P. (2001). The boundaries of strategic corporate social responsibility: *Journal of Consumer Marketing*. 18(7), 595-630.
- Laura, J. Spence, Jose Felix Lozano. (2000). Communicating about Ethics with Small Firms Experiences from the U.K. and Spain. *Journal of Business Ethics* 27, 43-53.
- Milagros Caminade Amacanin. (2005). The strategic implications of corporate responsibility and sustainability in the UK banking sector.
- Margolis, Joshua D., Hillary Anger Elfenbein., and James P. Walsh. (2008). Do well by doing good? Don't count on it. *Harvard Business Review*, 86(1), 19-20.
- MacCallum, R. Austin, J. (2000). Applications of Structural Equation Modelling in Psychological Research. *Annual Review of Psychology*, 51, 201-226
- Maignan, Isabelle, and Ferrell, O.c. (2004). Corporate social responsibility and marketing: An integrative framework. *Journal of the Academy of Marketing Science*, 32 (1), 3-19.
- McKillop, D. & McKillop, D. (2007). The development of credit unions and their role in tackling financial exclusion, *Public Money and Management*, 4, 37-44

- Moir, L.(2001).What do we mean by corporate social responsibility. *Corporate Governance* ,1(2) , 16-22.
- Pakistan National Accreditation Council. (1998). Retrieved on May 8, 2014, from http://pnac.org.pk/info/Time_line_for_Accreditation_Process.pdf
- Perrini, F. (2006). SMEs and CSR Theory: evidence and implications from an Italian perspective, *Journal of Business Ethics* 67, 305–316.
- Petkus, E. & Woodruff, R.B. (1992). A model of socially responsible decision making process in marketing: linking decision makers and stakeholders. *American Marketers Winter Educators Conference, Marketing Theory and Application*.
- Peters, J. and Darling MD, S. (1984).The Greenhouse Effect of Nature Reserves. *Bioscience*, 35, 707.
- Day, R., Thérèse Woodward, (2009). CSR reporting and the UK financial services sector. *Journal of Applied Accounting Research*, 10 (3), 159 – 175.
- Schwartz, S.H. (1992). Universals in the content and structure of values: Theoretical advances and empirical tests in 20 countries. *Advances in Experimental Social Psychology*, 25, 1-65.
- Securities and Exchange Commission of Pakistan. (2009). Retrieved on May 12, 2014, from <http://www.secp.gov.pk/corporatelaws/pdf/CSR.pdf>
- Sen Sankar, & Bhattacharya, C.B. (2001). Does doing good always lead to doing better? Consumer reactions to corporate social responsibility. *Journal of Marketing Research*, 38(2), 225-243, Sense making. *Academy of Management Review*, 33, 122-136.
- Shirley Yeung1, (2001). The role of banks in corporate social responsibility. *Journal of Applied Economics and Business Research, JAEBR*, 1(2), 103-115.
- Social Accountability International. (1997). Retrieved on May 12, 2014, from <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=472>
- Suchman, Mark C. (1995).Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, 20 (3), 571-610.
- Smith, Adam. (1863). An inquiry into the nature and causes of the wealth of nations. Edinburgh, Adam and Charles Black.

- Smith, N. Craig. (1995). Marketing strategies for the ethics era. *Sloan Management Review*, 35(4), 85-97.
- Standard Ethics. (2001). Retrieved on May 13, 2014, from http://en.wikipedia.org/wiki/Standard_Ethics_Aei
- Social Investment forum (2009). Retrieved on May 12, 2014, from <http://socialinvesting.about.com/b/2009/05/07/social-investment-forums-community-investment-guide-for-faith-based-investors.htm>
- Tomer, John F. (1994). Social responsibility in the human firm: Towards a new theory of the firm's external relationships. *Karl-Erik Warneryd, Ethics and Economic Affairs*. London.
- Training and Development Department. (2007). Retrieved on May 12, 2014, from http://www.sbp.org.pk/sbp_bsc/BSC/TDD/index.htm
- Tuzzolino, F. & Armandi, B. (1981). A need – hierarchy framework for assessing corporate social responsibility. *Academy of Management Review* 6(1), 21-28.
- Taylor, J. G., & Scharlin, P.J. (2004). *Smart alliance: How a global corporation and environmental activists transformed a tarnished brand*. New Haven: Yale University Press.
- The Economist. 2005. *The good company. A Survey of corporate social responsibility*.
- (The) Guardian (2001b), "Social awareness", The Giving List, The Guardian, Retrieved on November 5, 2013, from <http://www.emeraldinsight.com/journals.htm?articleid=842127>.
- Waddock, S.A. & Graves, S.B. (1997). The corporate social performance – financial performance link. *Strategic Management Journal* 18(4), 303–320.
- Weiss, Joseph W. (2003). *Business Ethics: A stakeholder and issues, management approach*. Third Edition. Ohio: Thomson South Western.
- Weaver, R. & Cochran, L. (1999). Integrated and decoupled corporate social performance: Management commitments, external pressures, and corporate ethics practices. *Academy of Management Journal*, 42 (5), 539-552.
- Wilson, R. (2001). "Business Ethics: Western and Islamic Perspectives", in K. Ahmed and A. M. Sadeq (eds.), *Ethics in Business and Management: Islamic and Mainstream Approach*. London: Asean Academic Press.

Woolhouse, M. (2010). Taking discontent to the bank. Boston.com, account rate state chartered banks community banks.

World Business Council for Sustainable Development. (1999). Corporate Social Responsibility: Meeting Changing Expectations. *World Business Council for Sustainable Development*: Geneva.

World Business Council for Sustainable Development. (2000). Corporate Social Responsibility: Making Good Business Sense. *World Business Council for Sustainable Development*: Geneva.

World Economic Forum and Prince of Wales International Business Leaders Forum. (2004). Values and value: Communicating the strategic importance of corporate citizenship to investors. Geneva, Switzerland: Author.

United Nations Environment Programme. (1972). Retrieved on May 10, 2014, from http://en.wikipedia.org/wiki/United_Nations_Environment_Programme

Vyakarnam, S. (1992). Social responsibility: what leading companies do? *Long Range Planning*, 25 (5), 59-67.