

WHAT PROMPTS THE BANKING SECTOR TO IMPLEMENT CSR? A QUALITATIVE INSIGHT WITH REFERENCE TO PAKISTAN

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Abstract

The importance of Corporate Social Responsibility (CSR) to financial institutions has deepened, especially within developing regions, for (strategizing) regulating the environment and the public domains. Very few empirical studies have considered the case of the banking industry in Pakistan, especially the challenges related to the integration of CSR in banking. This research seeks to fill this gap by qualitatively analyzing the main challenges to CSR integration in the Pakistan banking industry and the challenges to integration. Using maximum variation purposive sampling, a public and a private sector bank were selected to carry out semi-structured interviews with 11 bank CSR Managers. Braun and Clarke's framework resulted in four major themes and associated interrelationships: (1) loose and weak national regulatory frameworks, (2) infrastructure resources and civil society stakeholder frameworks, (3) employee competency frameworks, (4) alienation of finance (public banking) and (5) ignorance or apathy of civil society stakeholders. This mainly addresses the stakeholder and legitimacy theories by detailing how the CSR integration in the financial system suffers from governance and inter-/intra systemic information asymmetries. These empirical studies or frameworks allow for the provision of regulatory frameworks, mandatory CSR compliance, obligated education, and structured frameworks on civil stakeholder education. And to structure governance, these frameworks allow for insights to civil stakeholders, banks, and public and private governance.

INTRODUCTION

The last few decades have shown a rise in the prioritization and implementation of Corporate Social Responsibility (CSR) in the practice of modern business. In recent decades, the practice of CSR, specifically in the sector of finance, has become very important. As primary financial intermediaries, banks have a fundamental influence on the shaping of the economic, financial and social and environmental spheres of different countries. Historically, banks have prioritized the earning of a profit, but in recent

decades, the realization of social and environmental concerns has required banks to take a wider scope of responsibilities, which are beyond financial profit (Boulouta & Pitelis, 2014). As a result, banks are adopting CSR into their business practices.

In advanced economies, many of the industries, especially the banking sectors, are spearheading the implementation of initiatives focusing on Corporate Social Responsibility (CSR) due to the influence of regulatory policies, societal

perceptions, and market demands. However, the incorporation of CSR activities in the banking institutions in the developing countries, especially Pakistan, has been disjointed and lethargic. The South Asian region's banking system is among the tier in the region, and yet Pakistan still struggles in the adoption and implementation of CSR practices in line with what is deemed acceptable, or best practice, in the world's banking systems. The potential for CSR to create impact is low. This is due to myriad reasons, including, but not limited to, lack of regulatory deeming and cultural stagnation (Sial et al., 2022)

Research Gap and Study Objectives

There is a gap in the literature examining the implementation of CSR in the banking industry in emerging economies like Pakistan. Given that most of the previously published research has focused on the impact and importance of CSR on the corporate reputation, customer trust, and long-term sustainability, it is evident that few researchers have investigated the reasons behind the lack of CSR practices in the banking sector of Pakistan (Szegedi et al., 2020; Khan et al., 2022). This study aims to identify and address the factors that impact and limit the implementation of CSR practices in the banking sector of Pakistan. Using qualitative research, this study aims to address the perceptions of CSR managers in public and private sector banks about the barriers posed to CSR practices in the realm of institution, organization and society. This research study will bring to the surface the potential and the challenges of CSR practices that banks in Pakistan can address. This research study also aims to add to the literature on CSR in developing countries.

Literature Review

The Banking Sector and Global Impacts on CSR
The CSR Banking Sector is a newly growing field of study and practice (Scholtens, 2022). With reputation and brand loyalty at stake, along with the image of a banking corporation as socially responsible, banking institutions with a CSR reputation are viewed positively by stakeholders and the public (Taghian et al., 2022). Banking institutions with a command of the CSR field are

more likely to be seen as trustworthy and able to manage risks, a crucial factor during crisis and instability (Husted & de Sousa-Filho, 2019).

Furthermore, CSR banking is more than charitable work (CSR philanthropy). Responsible and concerned banking entails all, and much more than, eco-friendly work, community development, promoting financial inclusion, and socially responsible community work (Matuszak & Róžańska, 2020). As far as the banking institutions are concerned, benefits from such work are substantial, reducing operational risks and enhancing the institutions' resilience. This work enhances sustainable development for the institutions (Fernando et al., 2019).

Corporate Social Responsibility in the Developing World: The Banking Sector's Dilemma

Corporate Social Responsibility in the world over is a common phenomenon in the developed world, but in the case of Pakistan and other developing countries, the scenario is quite the opposite. The banking industry in Pakistan, like many other industries, is in the early stage of CSR implementation and faces a multitude of challenges simultaneously from both the banking and the social sectors. These include feeble regulatory frameworks, opacity, and financial issues of the banking industry (Sial et al., 2022). Banks perceive CSR as something voluntary and optional and not as a real necessity in such economies, as highlighted in other previous studies (Aguinis and Glavas, 2019). An even bigger issue is that both managers and consumers hardly understand the value of CSR, and that is the main reason why the initiative is expected to have little or no impact in the short run.

The banking sector in Pakistan suffers from the regulatory control problem, just as many other sectors in Pakistan do. The SECP and the SBP have issued some somewhat regulatory requirements of control of reporting of CSR, but to say that there is a regulatory enforcement of any kind is a stretch, and poorly controlled banks do not even attempt to comply with the control requirements. The absence of established frameworks on CSR also means that banks have to

develop and maintain varying implementations of CSR strategy (Szegegi et al., 2020).

The Role of Stakeholder Theory and Legitimacy Theory in CSR Implementation

There are two major theories in stakeholder approach and legitimacy, which help to explain the CSR phenomena in the banking industry, and these are the theories of stakeholder and legitimacy. According to Freeman (1984), stakeholder theory asserts that all organizational constituents, ranging from customers, employees, and all other members of society, are of interest to the organization; therefore, the organization must address the interests of all. In the banking industry, customers and regulators are stakeholders, and they impose considerable pressure on banks to adopt CSR (Fernando et al., 2019). Conversely, in the case of developing economies such as

Pakistan, banks experience little pressure to engage in sustainable practices as customers are not even aware of what CSR banking is, and governmental regulations are weak.

Unlike other theories, legitimacy theory suggests that organizations integrate CSR practices to achieve legitimacy from relevant stakeholders (Suchman, 1995). Banks in Pakistan might integrate CSR practices to improve their legitimacy because of the increasing attention from international and national stakeholders. However, the absence of regulatory support and weak enforcement mechanisms affects the extent to which such efforts are effective (Goyal & Kumar, 2017). This research will apply both Stakeholder Theory and Legitimacy Theory to examine the relationship between external pressures and organizational response in determining the CSR practices within the banking sector of Pakistan.

Barriers to CSR in Pakistan's Banking Sector

Barriers to CSR adoption in Pakistan's banking sector are complex. Employees across the banking sector, especially in the public sector, are poorly trained and lack knowledge of global CSR practices such as the UN Sustainable Development Goals (SDGs) and environmental

finance. Consequently, CSR gets designed out as ancillary to banking activities operationally (Sial et al., 2022).

The public sector also suffers from onerous financial constraints that significantly limit what can be spent on budgeting for the CSR activities that can be sheltered from wide-ranging public scrutiny (Matuszak & Róžańska, 2020). The opposite is true for most of the private banks- they do have funds for CSR as part of the budget for that. However, for the most part, the funds available are inadequate to put to meaningful use. The sector is still grappling with the closure of numerous governmental and non-governmental financial institutions, with a pressing need to extend financing for ecologically sustainable frameworks.

Finally, stakeholder and customer engagement is most often passive, thereby reducing the engagement demands from the public and business customers. In the case of Pakistan, many customers who are served by local banks are still not informed about the banks' CSR initiatives, and there is next to no effort directed at encouraging banks to develop more comprehensive CSR responses (Sial et al., 2022). In large part, this lack of knowledge and understanding functions as a primary constraint to the adoption of CSR, as banks simply do not believe there is sufficient external pressure to perform such activities. There are multiple streams of literature which highlight the same barriers, and this framework provides a pattern for structuring empirical research.

- Inadequate enforcement of regulations
- Deficit of knowledge and training on CSR
- Lack of resources
- Inactive customer/stakeholder pressure
- Underdeveloped sustainability culture

Methodology

Because of the exploratory nature of this study and its orientation toward eliciting evidence from CSR practitioners about their views, a qualitative research design was selected. This section also addresses the ethical issues and trustworthiness strategies used during all stages of the research.

Research Design

This research was exploratory and qualitative in nature, with the purpose of exploring the barriers to the adoption of CSR in the banking industry in Pakistan. A qualitative study is especially valuable to better comprehend complex, contextually situated phenomena when researchers seek detailed experiences and perceptions of participants (Braun & Clarke, 2021). This was an appropriate methodology, which is good in tackling research topics trying to capture subjective experiences, the nature of social construction and the underlying mechanisms that affect CSR practices (Silverman, 2021).

Specifically, this research aims to reveal barriers and challenges on the part of banking professionals in introducing CSR goals, looking at institutional and organizational factors. It is also particularly useful to gain a rich, deep data set of the genogram itself and to identify themes and patterns with thematic analysis through qualitative research.

Research Approach and Theoretical Framework

The approach was theoretically underpinned by Stakeholder Theory and Legitimacy Theory.

Stakeholder Theory (Freeman, 1984) offers a perspective to consider the desires and pressures induced by different actors (i.e., customers, regulators and employees) on the banking sector with reference to CSR. According to this theory, banks need to balance and negotiate the interests of these stakeholders in order to achieve legitimacy and long-term success.

Legitimacy Theory (Suchman, 1995) argues that companies undertake CSR activities in order to establish and keep legitimacy with their stakeholders. The theoretical rationale is that CSR helps a company ensure its operations are well-matched in the long run to prevailing social values and needs.

These theories informed the formulation of research questions, interview protocols and data analysis. Through using these frameworks, the paper aims to investigate how CSR obstacles in the banking sector of Pakistan are shaped by institutional dynamics and stakeholder pressures.

Sampling Strategy

To investigate the views of those who work in CSR practices, a non-probability technique, purposive sampling was employed for selecting managers of CSR from different banks in Pakistan. The use of purposeful sampling is acceptable when conducting qualitative research in order to capture rich and naturalistic data from people who have experience or knowledge about the aligned thematic issue you are studying (Creswell & Poth, 2016). This approach enabled the researcher to discover informants with detailed knowledge of CSR barriers and activities within the banking industry.

Sample Size and Selection Criteria

The sample comprised 11 CSRs heads operating in different types of banks in Lahore, such as:

- Public sector banks
- Private commercial banks
- Islamic banks
- Multinational banks

The following were the criteria for participant eligibility:

- **Engagement in CSR activities:** None of the participants had any role to play in the actual designing, execution and monitoring of the CSR initiatives within their banks. This was expected to ensure that the participants would have the expertise and would be able to give insights based on their experiences.

- **At least 5 years of work experience in CSR:** It was to ascertain that participants would have enough knowledge to gain an insight into CSR practices in the banking industry.

- **Diversity of perspectives:** The case includes CSR managers from three types of banks (public, private and Islamic) to ensure that various perspectives were gathered in consideration of the fact that CSR practices and challenges are different within different organizational contexts. The purposeful selection of banks provided a wide variety of perspectives from different types of organizations, and this widened the generalization level for findings across Pakistan's banking sector.

Data Collection Methods

Semi-Structured Interviews

Data were obtained during semi-structured interviews that are widely recognized in qualitative research when a researcher attempts to investigate experiences and perceptions of respondents in depth (Kvale, 2007). By using a semi-structured interview format, the flexibility over what is asked is increased, but the topic areas of relevance to the research questions are addressed.

An interview guide was developed to provide uniformity among the interviews. The guide contained open-ended questions, as well as probes to address the following (central) topics:

- **Barriers to CSR adoption perception:** The enlightenment about the perceived barriers towards practicing CSR was to get an impression of what constitutes inhibitions for the respondents to apply CSR in their designated bank.

- **Internal constraints:** Where questions concerned are internal barriers, such as lack of resources, training and staff commitment.

- **Exogenous factors:** There were inquiries on regulation, customer understanding and stakeholder pressure.

- **CSR motives:** Questions for the why question whether CSR was originally established to comply with regulation, manage reputation, or is rather rooted in a real social responsibility commitment.

The duration of the interviews ranged from 30 to 45 minutes and was held in English or Urdu, according to participants' language preference. Using two languages to encourage participants during the task facilitated good rapport and ensured that they were able to express themselves at ease.

Ethical Considerations

Before interviewing, the study obtained ethical approval from the appropriate institutional review board. Key ethical considerations included:

- **Consent:** Participants were informed of the purpose and voluntary nature of their participation, and that they could withdraw at any time.

- **Confidentiality:** The identities of participants and the names of the banks they

represented were disassociated to maintain confidentiality.

- **Data protection:** Interview recordings and transcripts were stored securely and accessible only to the research team.

- **Transparency:** At the end of the study, study participants received a summary of results, ensuring transparency.

Data Analysis

Thematic Analysis

Thematic analysis is a popular method for finding patterns or themes in qualitative text Braun & Clarke, (2021) and was used to analyze the data. This method was selected as it enables a detailed examination of the participants' data and provides useful insights into their perspectives, which is ideal for exploring multi-faceted concepts such as CSR barriers.

The analysis was guided by Braun and Clarke's (2021) six-phase framework:

- **Data familiarization:** All interviews were transcribed by the researcher, and thereafter, read thoroughly to become familiar with the data.

- **Initial coding:** Key sections of the data were identified and given initial codes. These were reducible codes that reflect themes, concepts, and words in CSR barriers.

- **Theme development:** The preliminary codes were further grouped into broader themes, which largely reflected the main challenges of CSR implementation in the banking industry of Pakistan.

- **Theme review:** The themes were reviewed in order to check that they accurately reflected the data and related to the research questions.

- **Theme definition and naming:** All themes were defined explicitly, and their sensitivity to the research questions was clarified.

- **Results:** The results on defined themes and their importance were reported in the findings section, along with illustrative quotes from interviews.

NVivo Software

Analysis and organization of the data were supported by NVivo software. Use of NVivo made it possible for the researcher to organize

qualitatively rich data in a structured manner, including consistent application of themes throughout all interviews.

Trustworthiness

Several strategies were used by the study to guarantee the validity and trustworthiness of its findings:

- **Triangulation:** To triangulate the results, various sources of data (CSR Managers from different kinds of banks) were employed to ensure that findings truly reflect the wider banking sector.
- **Member checking:** Participants were presented with the findings of the interviews to verify the accuracy and credibility of the results.
- **Reflexivity:** The author kept a reflective diary during the research process to reflect on any potential biases and enhance transparency.
- **Saturation:** In this study, saturation was reached when new themes could not be extracted from the data and further data collection would not provide further insights (Guest et al., 2006). With 11 interviews completed, saturation of data was achieved as several recurrent, consistent themes were found in the interviews.

Interpretation and Results

a. Insufficiency of legal guidelines and framework established by regulatory departments, respondents, and the government

The interviewee revealed that the ignorance of the government and policy makers over the poor environment is a major constraint. For instance, one participant shared his views as:

“Maaaaam...aaaah.. since we work as a government institution and u know that well...ammm...government lack funds in this area, we are not supported well by the policy makers and...the government bodies (hope.... our bank name and employee name won't be published)... while gaining confidence over what he said”.

“pleaseeee.....don't mind.....but u know the government is unable to control even sugar-related issues....how can you expect them to have a check over CSR related issue...(bs chup he ker jaen) government k jo halat hain annual books especially mention kertay hain lkn ustr hn se koi check nhi hai....”

The Government of Pakistan should revise their policies for the encouragement of CSR

participation by the banking sector of Pakistan. Moreover, the government should develop interest in different sectors in CSR activities by arranging awareness seminars and training regarding the importance of CSR. Government bodies need to implement eco-friendly product usage and support technological advancement, which helps in carbon emission control. The barrier “lack of regulation and governmental support” is also acknowledged as a hurdle for CSR practices in the existing literature (Goyal & Kumar, 2017; Arevalo & Aravind, 2011; Braun & Clarke, 2006).

b. Lack sustainable education:

The concept of sustainability is still under development in Pakistan. The majority of businesses work towards short-term goals and objectives rather than focusing on the upcoming generation's benefits. The participants' opinions as

“We do try to encourage our employees on these aspects, but still they lack behind may be due to old schools of thoughts....They do not understand future aspects rather than live in present benefits....you can well see (spinning the pen in his hands,,,,while talking it in our insurance plans....People take them as bullshit as they aren't ready to save for their next generations.”

(started in urdu like)...Madam jee chado...yhan to sustainability k spelling be mushkil he atay honagy low level staff ko...aur gorment(government) ka to apko pta khan aysa miyar k her banday ko suatustainability ka concept b pta ho”(while smiling sarcastically).”

Lack of sustainable education is another obstacle in building an oriented organization. This barrier is highlighted in the past literature (Kuo et al., 2016; Yuen & Lim, 2016; Zhang et al., 2019). The daunting need for CSR awareness has been observed. Western economies set a perfect example for all of us to follow as a developing country in terms of CSR practices.

c. Lack of financial resources:

Financial constraints are one major aspect in the implementation of CSR practices. The majority of the interviewees mentioned that they lack financial resources for these departments. However, few banks are taking green banking

seriously and managing it strategically. Private Banks reported that they have set an annual budget for CSR, whereas Government banks lack these funds. A few banks were reluctant to quote the amount assigned to the CSR department annually.

“It is difficult for me to answer it ...you can refer to the annual report...they have mentioned a figure for it, and you can get the figure for 2020.

Obviously. Yes...yes... (looking at the annual report of bank 2020, turning pages over) board allocates annually budgets towards the CSR activities and obviously according to the latest.”

“Our bank’s CSR Budget varies from year to year. ...sorry, can’t disclose.”

“Our system is not modified to the extent to incorporate CSR practices.....while nodding his head..Ma'am, how would a country with extreme poverty and hunger be able to spend on such things? We lag behind because of budgets.”

The interviewee showed a positive attitude towards CSR implementation if given full financial support by the organizations. This barrier was highlighted in the previous literature (Arevalo & Aravind, 2011; Braun & Clarke, 2006; Goyal & Kumar, 2017).

d. Customers act passively to CSR initiatives

The interviewee claimed that customers do not support CSR initiatives, and their behavior is not inclined to CSR performance in a positive manner. Customers behave in a passive way, thus creating a barrier to CSR implementation.

Goyal and Kumar (2017) opines that in developed countries, this barrier is one of the top rated barriers, but in developing countries, like Pakistan, it is rated last in the list of barriers and it is logical because majority people in Pakistan lack knowledge about sustainability (Jamil et al., 2024; Jamil et al., 2025; Manzoor et al., 2025) or CSR practices, hence they put little or no pressure on businesses to get engaged in sustainable practices.

“Ma'am we have a vast base of customers...belonging to different income groups....age groups...and sects....not everyone is educated enough to understand CSR perspective.....yes the stake holders contribute well if the

firm is practicing CSR....it is a point of concern for them but for not all the customers”

“Miss ...started in urdu be like (bht log to angothay lga k account operate kertay hain...unko CSR ka khan pata)... still we try to educate them.”

The above-mentioned barriers are major hurdles for the implementation of CSR in the banking sector of Pakistan.

Discussion

The results of this research would help to understand the impediments that resist the adoption and implementation of CSR in the Pakistani banking industry. The study has elicited the views of CSR managers from a spectrum of public, private and Islamic banks to discover the main barriers to CSR implementation: limited regulatory support, absence of financial sustainability literacy and CSR skills, financial restrictions, poor levels of customer and stakeholder collaboration. The implications of these results on prior literature and the theories are presented in this section, comparing both differences and similarities, illustrating their value when it comes to academic research as well as practical implementations in the banking sector.

Regulatory Frameworks and Governance Challenges

An important hindrance found in this survey was the lack of proper stringent rules and regulation by the government to support CSR in banking sector of Pakistan. Participants indicated that CSR is generally perceived as a discretionary activity - meaning that it is not mandated - and there are very little regulations in place for banks to include or report on CSR practices. This result is consistent with prior studies which confirmed that developing countries experience difficulty in embedding CSR as institutional practice because of weak enforcement mechanisms (Goyal & Kumar, 2017). In Pakistan, the Securities and Exchange Commission of Pakistan (SECP) has issued CSR reporting guidelines; however, its enforcement and monitoring are not carried out in an effective manner for the guidelines to be implemented effectively (Sial et al., 2022).

According to legitimacy theory, this lax regulation may suggest that banks perceive CSR as a weaker tool for achieving stakeholder legitimacy. Organizations perform CSR to make their activities correspond to the societal demands and conditions and thus they can augment their legitimacy (Suchman, 1995). But there is no mandatory requirement so banks in Pakistan do not have an incentive to practice CSR voluntarily. Accordingly, CSR is still something rather symbolic or procedural driven by compliance than part of strategy according to long-term sustainable objectives.

Another common thread was the absence of government assistance for CSR projects. Lack of guidelines and no tax benefit or incentive for banks practicing CSR, impeding the banks especially public sector ones to make a larger investment in CSR programs. This trend is consistent with the overall difficulties that comes in face of business sector in Pakistan, where weak institutional structure and ineffective policy making process have been reported as a major obstacle of CSR (Szegedi et al., 2020).

Regulatory Frameworks and Governance Challenges

Lack of government support and weak regulatory environment for CSR in the Pakistani banking sector was found to be one of the significant hindrances according to the current study. Those qualitative findings are generally consistent with the view expressed by participants that CSR is mainly viewed as a voluntary activity and not much regulated by banks in terms of both implementing and reporting on CSR. The result is consistent with the literature that developing countries struggle to institutionalize CSR because of low regulatory enforcement (Goyal & Kumar, 2017). In Pakistan, the Securities and Exchange Commission of Pakistan (SECP) has formulated CSR reporting rules, however these guidelines are not fully implemented yet and they lack monitoring, which limits their effectiveness (Sial et al., 2022).

For example, this loose regulation suggests that banks are less likely to view CSR as a mechanism to acquire legitimacy with stakeholders from the

perspective of legitimacy theory. As noted by Suchman (1995), organizations practice CSR to bring their actions into alignment with field-level expectations and to increase legitimacy. But since no laws are in place for force banks to follow it, the Pakistani banks feel least motivated towards practicing CSR. Therefore, CSR continues to be a symbolic or compliance-based rather than strategic aspects that harmonized with organizations long-term sustainability objectives.

Another common theme was the absence of state support for CSR. Absence of proper policies and rewards to the tax incentive given for practicing CSR by banks makes difficult to justify investments in CSR unless it is obligatory with the PSBs leading. This result is in line with the broader problems facing firms in developing countries such as Pakistan, where poor institutional arrangements and low policy enforcement have been identified as obstacles to CSR (see, for example Szegedi et al., 2020).

Financial Constraints

Lack of cost-effectiveness was also a major barrier in the implementation of CSR, particularly in public sector banks. A few participants felt it as a barrier while private banks have the freedom to deploy funds for CSR activities; public sector banks are constrained by budgets and government-prescribed financial prudence. This result is consistent with what has been generally documented in the literature, that lack of finances has been cited among key obstacles to CSR adoption in many developing countries (Arevalo & Aravind 2011; Blahová & Knápková 2011).

CSR, in simpler terms, calls for massive investment with regard to community development, environmental preservation and workers' welfare schemes. In Pakistan the public sector banks, generally over-embellished with inefficiency and low resources, find it difficult to pool effective resource for CSR. Just private banks, if they have a specific CSR budget at all, are acting to generate profits in short time frame rather than drive long term CSR goal especially which has much importance during economic volatility.

The resource-based model of the firm (Barney, 1991) stresses that gaining a competitive advantage is based on internal resources. Here, the importance of financial means comes into play in the implementation and continuation of CSR activities capable of creating value over time. To alleviate the financial burden on banks and make CSR part of their regular business activities, other means can be envisaged (public/private partnerships, tax benefits, green financing etc).

Low Customer and Stakeholder Engagement

The research also showed that there was low level of community and stakeholder involvement as a major obstacle to CSR practice. In Pakistan, most customers are unaware of CSR policies and they also fail to demand the social responsibility from banks. Incipient customer awareness means banks are under less external pressure to adopt CSR, acting as a deterrent for banks to adopt more than superficial or simply compliance-based levels of CSR.

This result is in line with Goyal and Kumar (2017), who found that customers in the developing world are less likely to consider CSR important over financial performance or other business-related metrics. The stakeholder theory suggests the influence of customers and the community as external stakeholders for CSR implementation (Freeman, 1984). But until these customers start to hold banks accountable for their corporate behavior, there may be little economic argument in favor of significant CSR initiatives by banks.

Additionally, the research also made it known that a product-consumer is less able to distinguish between CSR and charitable behaviors in Pakistan and perceives CSR as discrete activities of benevolence rather than an essential component of business. This is indicative of a more pervasive social problem where the concept and significance of CSR continue to be relatively unknown or unappreciated by society (Sial et al., 2022). Hence, banks need to spend resources in teaching customers about the true benefits of CSR over the long term and help to create a customer base that asks for or demands responsible business actions. Banks should also use outlets such as social media and community development programs to

illustrate their CSR campaigns and show how dedicated they are to being a sustainable business.

Implications for Theory

This study offers theoretical implications for both stakeholder theory and legitimacy theory. This study illustrates how poor regulations and low stakeholder participation contribute to the underutilization of CSR in the banking sector, especially for developing countries. By viewing CSR adoption through these theoretical lenses, the study elucidates how external pressures (e.g., customer demand, regulatory mandate) and internal capacities (e.g., employee awareness, financial leverage) interact to influence CSR practices in the context of the Pakistani banking sector.

The study also extends legitimacy theory and shows that the banks in Pakistan are involved in CSR not only to gain legitimacy but also to comply with minimal regulatory requirements or out of reputation concerns. Due to weak governmental enforceability and stakeholder demands, CSR is more symbolic than strategic.

Practical Implications

- **For practitioners:** This investigation provides some recommendations regarding what steps to take to surmount the barriers identified herein:
- **Enabling Regulatory Measures:** The authorities should make CSR guidelines more stringent and encourage banks to work with a sustainable focus. This might include a tax break for green projects or requiring CSR reporting.
- **Invest in Training Staff:** Enough training on CSR should be provided to the staff so as to make sure they are aware of the benefits of CSR, not only for the bank itself but also for society in the long term.
- **Growing customer engagement:** Banks should engage customers and other stakeholders in CSR programs via awareness-building campaigns and integrating CSR into marketing and branding. This will create a customer base that values sustainability and expects more from banks.

- **Use of Public-Private Partnerships:** The public Sector banks may enter into partnerships with private sector organizations or international CSR agencies and overcome the financial limitations and implement mega-scale CSR initiatives as well.

Limitations of the Study

This paper also has certain limitations, notwithstanding that it gives an illumination of obstacles to the adoption of CSR in the banking sector of Pakistan.

- **Geographic Scope:** The study is limited to CSR managers in banks of Pakistan; as a result, the findings may not be generalizable to other emerging economies with different institutional arrangements.
- **Sample Size:** While the participant sample size of 11 was deemed to be acceptable for a qualitative study, given that all but one were employees from one bank alone, obtaining participants who are drawn from an array of other banks may offer richer data on barriers to CSR.
- **Stakeholder View:** The analysis is based mostly on the perspective of CSR managers. Future work could explore the perceptions of other stakeholders, including customers, employees and regulators, for a more holistic understanding of CSR obstacles.

Future Research Directions

Considering the constraints of this study, several topics for further research could be investigated:

- **Cross-Country Comparison:** A cross-country comparison between the different emerging economies could help in understanding exceptional problems and prospects with respect to CSR in banking sectors operating under similar legal frameworks, as well as socio-economic status.
- **Quantitative Studies:** Quantitative analysis with survey instruments to evaluate the impact of the implementation of CSR on optimum financial performance within banks, which might inform practice about the business case arising from CSR.
- **Stakeholders Participation:** A Study on CSR and the impact of customer involvement in CSR and public knowledge would be worthwhile,

to ascertain how demand for socially responsible banking can be fostered.

- **Long-term Studies:** Future research should adopt a longitudinal approach by observing how CSR practices have evolved in the banking sector over time and what impacts regulatory changes and stakeholders' expectations have had on the banks' CSR agendas.

Conclusion

In summary, this research conducts a thorough investigation of the obstacles to implementing CSR within Pakistan's banking industry. Results indicate that weak regulation, lack of CSR competencies among employees, financial constraints and low stakeholder involvement are key impediments to the proper adoption of CSR in banking. Overcoming these obstacles will require joint efforts of the government and banking sectors, tougher supervision, more CSR education investment and engagement with multiple stakeholders. Conquering these challenges would enable Pakistan's banks to better align their business models with the globally recognized sustainability standards and contribute to the long-term growth of the Pakistani economy as well as its society. With increasing global interest in CSR, it is important that the Pakistani banking sector grasps this potential to drive economic and social value.

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