Corporate Social Responsibility: An Analytical Review of Pakistan’s Banking Sector

Nighat Bilgrami-Jaffery and Humera Sultan

The world these days is addressing many dimensions of social and human Millennium Development Goals (MDG). In this respect newly emerged concept of Corporate Social Responsibility (CSR) is of great importance and very popular for social and sustainable development. The empirical analysis of the social development calls for urgent measures to improve Pakistan’s social sector. There is a need to build up a triangular relationship between the government, MNC’s and the people of Pakistan. It is important that the agreement between the government and the MNC’s are reviewed and the labor laws are applied. MNC’s should have clear policies on corporate social responsibility. It importance can be realized with the fact that in some of the developed countries they have separate ministries to look after the issue of CSR.

The corporate sector is believed to work on primary social indicators of the economy. Education and healthcare remain neglected in many parts of Pakistan due to insufficient public sector development programmes. Public sector spending on education amounts to a meager 1.8 percent of Gross Domestic Product (GDP), 25 per cent of the population is malnourished, and total healthcare spending is only 0.4 percent of the GDP. Investing in higher education is akin to investing in the leaders of tomorrow, an investment that would always bring high returns and many benefits in the years to come. The responsibility for developing these crucial sectors — the backbone of future socio-economic progress of the country — lies also with the corporate sector, indicating importance of CSR in corporate sector. A company having its own CSR strategy indicates that it is socially and ethically responsible in contributing to communities well being and welfare. Few companies have their own CSR strategies and rules. Most of these are MNCs, whereas other firms and corporations however, do give donations in the form of charity but do not follow the CSR strategies/regulations. Hence, there is a dire need to educate the relevant parties about the importance and working of CSR.

(Continued on Page 4)
Seafood being the major source of food to mankind. Those countries which are situated along the coastal belts have emerged as major exporters of seafood besides providing to the nutritional needs of their own people. Fishing industry of Pakistan employs more than 1% of the labor force and a major source of employment especially for those people living along the coastal belt of the country. Pakistan is ranked as one of protein deficient country. Per capita fish consumption in Pakistan is very low, compara to East Asia and South Asia domestic consumption which is 50% of there total production. Domestically Pakistan consumes only 25% of the total marine fish production, whereas it exports 20% and 55% being use for fishmeal.

Sindh coastal zone is extended between Pakistan – India border and the Hub River. The zone is characterized by a network of creeks having mangroves catering nursery for a number of marine inhabitants and is also suitable for trawling. The bays are Karachi port and Ibrahim Hyderi.

The Indian Ocean on the Sindh coastal zone of Pakistan remains the main source of marine fish production for the country. Therefore the study was concentrated on Sindh coastal zone. The finding of this study would be helpful for exporters, extension-work staff and policy makers. This study analyzed the growth performance of species-wise marine fish production for two different periods of Sindh coastal areas viz; Period I (1985 to 1996) and Period II (1997 to 2008). The analysis was based on secondary data of major species-wise marine fish production of Sindh, collected from various issues of Hand Book of Fisheries statistics of Pakistan and Agricultural Statistics of Pakistan. Growth model was fitted to the time series data for estimating growth rates of fourteen (14) major species namely Dawan, Sole, Mangra, Pittan, Tarli, Khaggga, Aal, Mushta, Surmai, Shrimps/Prawn, Dhotar, Poplet, Hira and Palla. The study confirms that in Period I, out of fourteen (14) species eight (8) species viz; sole, mangra, pittan, tarli, palla, aal, dawan, hira, poplet and khaggga showed significant positive growth mainly due to proper stock assessment of marine resources, research and development programmes, control fishing and completely ban on illegal nets. The study also concluded that in Period II out of fourteen (14) species, growth rate of only five (5) species namely mushka, surmai, dhotar, poplet and hira have been significantly increased while that of sole, mangra, pittan, khaggga, and aal growth rates significantly decreased. The declining growth rate indicates the problem of over fishing.

(Continued on Page 4)

Trade Facilitation and Export Performance: Empirical Investigation for South Asian Countries
Mohsin Hasnain Ahmed

Tariff rates have been reduced globally over the last few years, which have consequently resulted in huge increase in international trade. However, the economic performance has varied across countries, suggesting that country-specific factors have important role in determining an economy’s response to capture trading opportunities. The rapid growth in international trade has created a challenging situation for customs administration to provide efficient services for international trade. The significance of trade facilitation and trade regulations, other reforms has become more evident with passage of time. Trade liberalization is one of the important policy advise opted in developing countries over the last few years.

The enormous increased in international trade due to reduction in tariff rates which has created a challenging situation for custom administration, particularly associated with effectiveness and efficiency of customs’ processing. Trade transaction costs are a key factor in explaining the pattern of international trade flows. There is various indirect and direct transactions costs involved in international trade, contributing around 15 percent of the value of traded good (OECD, 2003). World Bank (2009) reported that enterprises in most SAARC countries spend much more time and documents require in export procedure than do their business rivals in developed countries. For example in SAARC economies, on average, it takes 33 days with 8 documents and cost around 1314 US$ per container to export, while in OECD countries a similar good would only take 7 days to export, require four documents and cost around 896 US$ per container for export.

The present study explores impact of trade facilitation and other reforms on export performance of South Asian economies. Findings support that the trade facilitation and regulatory quality have important role to play in facilitating export growth in South Asian countries. Empirical findings confirm the important link between trade facilitation measures, regulatory quality and export performance. Trade openness, GDP per capita income of trade partners and physical infrastructure are also emerged (Continued on Page 4)
Crop Diversification in the Fruit Belt of Balochistan Province

Akhtar A. Hai, Mahpara Sadaqat, Ambreen Fatima, Arsalan Ahmed and Ali Rashid

The increased levels of risk and uncertainty always impact on production related decisions, particularly of the farmers. In this context an attempt has been made to measure the degree to which crop diversification taken place in the north eastern belt of Balochistan province comprising seven districts. This belt tends to supply 80 to 90 percent of specific fruits output to the rest of the country. These include apple, apricot, peach, pomegranate, plum, grapes. In traditional agriculture the farmers face further constraints imposed by either absence or weak structure of research and development organization. Nevertheless, the farmers in such situations continue their efforts using indigenous knowledge to reduce such risks and uncertainties, and bringing in changes in their crop mix that are technically adaptable and economically feasible through crop diversification.

In Balochistan in addition to weather vagaries, the absence of physical and technical services and poor extension and research services have tended to limit the options available to farmers in diversifying their cropping activities and have forced them towards cultivation of apple which has relatively higher shelf life. The study uses a combination of household survey and published secondary data to analyze the crop diversification in Pakistan in Balochistan. The farmers were asked to reveal the trends in holding land assets and land allocation to crops for the 20 preceding years. The regression analysis was used and the results show that farmers, particularly the small farmers of less than 5 acres of land, were moving towards specialization instead of diversification. The analysis also identifies the area where the government has to play a major role in order that a level playing field is provided to farmers based on which they can compete through diversification thereby reducing the levels of risks and uncertainties.

The research concluded that In order that a suitable physical and technical infrastructure is provided to farmers based on which they can compete through diversification thereby reducing the levels of risks and uncertainties.

The research concludes that in order that a suitable physical and technical infrastructure is provided to farmers based on which they can compete through diversification thereby reducing the levels of risks and uncertainties.

Import Elasticities and Macroeconomic Behavior in Pakistan

Ms. Sadaf Majed’s M.Phil Thesis, under the supervision of Dr. Abdul Waheed, contributed to the empirical literature by highlighting the responsiveness of import demand in the context of its determinants in Pakistan over the period of 1971-72 to 2009-10. Her results indicate that:

(Continued on Page 4)
APPLIED ECONOMICS RESEARCH CENTRE

Corporate Social Responsibility (Continued)

Being an important player in the Pakistan's economy, banking sector realized and developed its role as a corporate philanthropist. This vital role of banks in case of CSR activities concentrate on education, health, disaster relief management and most importantly welfare of the people. In return it improves the performance of banks good well, social image and also builds up their social responsibility in society. Here we review the initiatives taken by banks and recent CSR activities. The history of banking sector reveal their engagement in benevolent activities in the form of donations to different charitable organizations like Edhi Foundation, community schools and also sponsor in other cultural activities, without any structural design and guideline to organize these philanthropic activities. The pattern seems to be quite effective with the CSR agenda for the community development as almost all banks in the sample focused on disaster management in order to give relief and solve social crisis. Hence it is found that almost all banks participated in disaster management and rehabilitation segment. Recent data of the last two years reveal that collectively banks have donated, the highest amount under the head of disaster management, earthquake IDPs and. floods of 2010. Amount delivered to this most popular area of CSR is Rs.79,758,000. Government of Pakistan has taken initiatives in order to develop CSR and educate the relevant sectors; however more significant role is required. The guidelines provided by the government will help the business to deliver more in order to achieve economic growth and sustainable development. Research findings indicate that private commercial banks in Pakistan took initiatives to discharge social responsibilities. The major initiative in this respect is observed in developing the social infrastructure such as education and health. Another major contribution is their involvement in the development of under-privileged sections of the society, such as, their special financial support to shelter home for women, trusts, welfare organizations as well as to the awareness campaigns. It is noteworthy that almost all the banks took great interests in helping the affected IDPs of earthquake and floods of 2005 and 2010 respectively. Important to note that CSR activities found in improving the performance of the banks, its goodwill, and social image and expands business of banks. From the findings of the study it is established that how few private sector banks are already aware of the concept of CSR and its performance. Also it is important to note that very little contribution is made under the head of environment which is very important for sustainable development. To conclude: Government can play a crucial role in establishing CSR values and knowledge among the business and the general public through recognition for CSR achievement and spread CSR information to attain better understanding. The SECP's new code of corporate governance has been set, now the next move should be to measure and assess the progress and performance of firms in this area and also to penalize if they are not holding a responsible attitude towards the community.

Pakistan Intra-Industry Trade: (Continued)

introduce a dynamic panel data, GMM-System. To estimate the dynamic model methodological formulate of Blundell and Bond (1998, 2000) was applied. The results presented in this manuscript are generally consistent with the predictions of intra-industry trade studies. Empirical findings of this research pose several compelling economics. Pakistan should reduce the trade barriers in sectors that have potential for IIT. If Pakistan is looking for greater diversity in its exports and like to become more competitive in the world market, the growth of small and medium-sized firms should be promoted. Pakistan needs to obtain competitive advantages in new products with capital intensive and technological innovations. The increase of intra-industry trade will be associated to product differentiation, quality, brand and design. In terms of economic policy the Government can promote agreements or contracts programs or subsidies for production and research and development (R&D).

Moreover, the government should promote relevant technical education and training. This measure must be seen in a long-term. In other words, the effects are not certainly immediate. This study has some limitations. This manuscript examines only the characteristics of the countries. It will be necessary to introduce the characteristics of industries as explanatory variables. This possibility justifies a future investigation.

Marine Fish Production(Continued)

Therefore in order to increase the production growth rate in Period II of the above species, over fishing needs to be eliminated through comprehensive fisheries policy of Sindh government, research and development programme, complete ban on illegal nets, easy credit facilities to fishermen, reducing post-harvest losses through the upgrading of vessels and fish harbours, proper marketing and cold storage facilities.

Trade Facilitation and Export(Continued)

important determinants of export performance of SAARC region. Furthermore, our findings suggest that trade facilitation reforms are crucial if they are supplemented with institutional reforms and in this way it can enhance an economy's capacity to respond to the export market opportunities created by trade liberalization policies.

(Continued from Page 3)

(1) The inelastic price elasticity suggests that exchange rate policy may not feasible to improve trade condition in Pakistan. Therefore, depreciation of the currency to restrict import growth may not be feasible in the case of Pakistan.

(2) Moreover, long run elastic coefficients with respect to all expenditure variables suggest trade balance will negatively affected by economic growth if this growth is not determined by exports.

(3) More reliance on domestic investment to endorse economic growth may lead to further deteriorate the trade balance in Pakistan.

(4) The consumption and investment expenditures are the major determinants of the movements of import demand in Pakistan which suggest that the Government should formulate the economic policy specially to design consumption and investment pattern in the context to remove the trade distortion in the long run.

The Impact of Fiscal Rules on Fiscal Volatility, Fiscal Efficiency and Economic Growth in Pakistan

Syed Ammad Ali under the supervision Dr. Qazi Masood conducted his M.Phil thesis based on VAR (Vector Autoregressive) model. His study captures dynamic effect of public investment on private investment, employment and output. The results show that public investment crowd-in private investment in Agriculture, Mining and Quarrying, Manufacturing and Electricity & Gas Distribution sectors, while in construction, Transport Storage & Communication (also included Railway post office others), Finance and Insurance including Ownership of Dwellings and Public Administration & Defense including Community, S&P (social and public) services sectors have a crowding out effect of public investment. The sectoral output effect of public sectoral investment is positive; in seven out of eight sectors.

The negative effect is found in Finance and Insurance including Ownership of Dwellings sector. Highest marginal productivity and rate of return found in manufacturing sector while in the case of employment there is positive employment effect in five out of eight sectors in the short term, but in the long term two sectors out of eight have positive effect. The budgetary effect of public investment in terms of revenue generation the highest revenue effect was found in manufacturing sector 0.9; indicating a one rupee investment in this sector will generate Rs.0.9 tax revenue.

Page 4 of 4