

## Qualitative Corporate Sustainable Development Disclosures (CSDD): A Case of Banking Industry in Pakistan

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**Abstract:** The study's objectives were to examine the qualitative corporate sustainable development discourses of the banking industry in Pakistan. For this purpose, the data was collected from the annual reports of commercial banks from 2018 to 2020 with the help of qualitative content analysis. The findings revealed that the commercial banks in Pakistan are engaged in reporting the SDGs and providing the details of these disclosures to the broader stakeholders, such as social, economic, environmental and regulatory bodies. The results also shed light further that most of the banks are either involved in reporting regarding environmental and social practices. Moreover, some of them relate SDGs to their banking practices. Based on the findings, it is recommended to require regulatory push to enhance the gamut of the SDGs disclosures further in publicly listed companies, particularly in the banking industry. The study contributes to the theory, practice and policy in several ways. First, the study contributes to the limited literature on SDGs in developing countries like Pakistan. Secondly, the study's findings add value to nascent literature for reporting the SDGs in publicly listed companies and the banking sector.

**Keywords:** Sustainable Development Goals (SDGs), Sustainability Reports, Disclosures, Banking Industry, Pakistan

### 1. Introduction

For the last a decade or so, climate change, CO<sub>2</sub> emissions, and carbon dioxide have been considered the most dangerous factors influencing the environment in a harmful way; hence, awareness about these issues is necessary for the stakeholder, and a step towards sustainability is essential (Ghazali et al., 2016). In 2015, the millennium development goals (MDG) were replaced by seventeen sustainable development goals and were adopted by the member countries of the United Nations (Erin et al., 2022). To achieve the 2030 global agenda by the nations, seventeen primary objectives of SDGs must be met. Since the development of SDGs, Sustainable development has been a famous and well-known concept, and businesses are progressively incorporating it in their reports (Laine, 2005). Fulfilling the requirements of sustainable development is a priority which has brought emerging issues for firms, and the businesses have to operate as per the requirements of SDGs (Tsalis et al., 2020). For reporting sustainable development disclosures by the organizations, various rules and regulations have been developed by the countries to encourage non-financial disclosure and their contribution to sustainable development (Jackson et al., 2020). Hence, the organizations need to disclose their non-financial information in their financial reports to cope with the regulations set by the country. In the same way, numerous organizations took the initiatives to disclose their sustainable development goals in their financial information to comply with regulations (Pizzi et al., 2022).

Pakistan is one of the leading countries to committed to include the United Nations Sustainable Development Goals (SDGs) in their development agenda. In February 2016, a resolution was passed in the National assembly of Pakistan to acknowledge the 2030 agenda and to embrace SDGs in National Development Goals (State Bank of Pakistan, 2022). The banking sector has been transformed due to various stimulating factors such as market openness, the expectation of the stakeholders and unsystematic risk; therefore, the financial service industry is changing rapidly. The banking industry must find ways to enhance profitability along complying with regulatory demands; hence, sustainability disclosures are considered a medium to convey the information (Harun et al., 2013). Pakistan is facing a severe problem of climate change and energy crises; hence the State Bank of Pakistan (SBP) is promoting green banking practices for conventional and Islamic banks. Most of the studies related to disclosures have been done on financial disclosures of different corporations, while limited studies are available in the context of sustainable development disclosures of the banking sector; hence, the current study is intended to explore and examine the qualitative sustainable development disclosures in banking sector of Pakistan. The study has several theoretical and practical implications, which are discussed.

### 2. Literature Review

#### 2.1 Theoretical framework

Stakeholder theory was developed by Edward Freeman (1984), which explains that all the individuals or organizations related

may be affected by the decisions of the organization is known as stakeholders, such as owners, debtors, creditors, customers, employees, customers, government, and society at large. Unlike shareholder theory, stakeholder theory suggests that organizations are not only concerned with the shareholders, but it must work for the betterment of all the stakeholders; thus by doing so, the organizations will be able to achieve their targets (Freeman & Phillips, 2002). The stakeholder theory is based on a solid ethical foundation and promotes the worthy consideration of a broad cluster of stakeholders to generate more value. By creating value, organizations can go towards sustainability and growth, which can be used for the betterment of the key stakeholders (Kivits & Sawang, 2019). The present study is about the sustainable development disclosures by the corporations towards the stakeholders; therefore, stakeholder theory is considered appropriate for the current study.

## 2.2 Empirical Overview

Erin et al. (2022) empirically examined the reporting of SDGs of the top 50 listed companies in Nigeria through survey and content analysis. The findings showed poor reporting of SDGs in the financial reports. Jan et al. (2018) did a study on the relationship between sustainable practices and the financial performance of banks in Malaysia. The study proposed to the Islamic Reporting Initiative (IRI) a projected framework for structuring sustainability measurement for the Islamic banking sector in the future. Lawati and Hussainey (2022) investigated sustainable development goals and its impact on the financial performance of corporations. The regression analysis and the findings showed that SDGs have a positive effect on a company's economic performance. The sustainable development reporting patterns of the Dutch companies were analyzed, the content analysis was performed and the results show that the sustainability reporting of the Dutch companies are variable (Asif et al., 2013). Jackson et al (2020) examined non-financial disclosures and its influence on corporate social responsibility. The study's findings showed that non financial disclosures are vital for the company and influence corporate social responsibility.

## 3. Methodology

The population and sample is composed of all commercial banks of Pakistan. The data regarding sustainable development disclosures were collected with the help of the content analysis from the commercial banks. In the previous literature, annual reports to find out the sustainable development practices of organizations (Hussain et al., 2017; Mahmood et al., 2018). Therefore, yearly reports of Pakistani commercial banks from 2018 to 2020 were used to collect the data related to sustainable development practices.

## 4. Findings

The content analysis of most Pakistani banks' annual reports discloses SDG practices in their annual reports. These

statements based on SDGs are categorized as follows. The banks reports on SDG 01: No Poverty as.

*“Interest free loan for youth, Going Green Entrepreneurship, Bank's annual business expansion plan, due weightage is given to under developed areas and Bank now has a well-balanced and strategically located branch network providing easy access to modern banking facilities to majority of the population of the Country”.* (Bank Islami Pakistan Ltd., 2018, p. 64)

Likewise, another bank reports that.

*“To mitigate the impact of COVID-19 pandemic on the business community, the State Bank of Pakistan took various measures for provision of concessional loans to business community. The Bank remained on forefront for ensuring easy access of credit to the business community enabling them to continue their business activities. Further, with a view to encourage entrepreneurship in the Country, the Bank is providing concessional loans facility to unemployed youth of the Country under Prime Minister's Kamyab Jawan – Youth Entrepreneurship Scheme”.* (Bank of Punjab, 2020, p. 101)

The banks are also reported on the SDG 02: Zero Hunger as follows.

*“The bank has been making contributions to combat hunger in Pakistan with monthly provision of sacrificial meat for the poor feeding. In 2018, Rs. 7 million was spent on this activity”.* (Silk Bank Ltd., 2018, p. 183)

*“Distributes nutritious cooked food and rations. During Covid-19 pandemic, around 50,000 patients treated and above 110,000 persons fed”.* (Askari Bank Ltd., 2020, p. 125)

The SDG 3: Good Health and Wellbeing elaborated the banks...

*“Healthy and safety during work, Al-Baraka Economic Opportunities & Social Investments Programme: covering community development including financing and investments in projects supporting affordable housing and a spectrum of healthcare and related activities, micro, small and medium-sized enterprises, local and other industries”.* (Al-Baraka, 2019, p. 64).

SDG 4: Quality Education explained as follows.

*“Education about Resource Allocation, through its strategic initiatives; Centers for Excellence in Islamic Finance at Lahore University of Management Sciences (LUMS), Institute of Business Administration (IBA) and IM Sciences (Peshawar), the Bank is making a substantial contribution in increasing the relevant skills for employment and entrepreneurship of youth in the country. The Bank has also supported IBA in arranging special training on Islamic finance for the finance faculty of Sindh universities arranged by Higher Education Commission of Pakistan”.* (Meezan Bank Ltd. 2020, p. 136)

*“Nurturing and encouraging local talent, Al Baraka Philanthropic Programme: covering the promotion and funding of a broad spectrum of activities including the arts, literature and culture, scholarly and literary works, and*

activities aimed at aiding people with special needs and facilitating them in their own efforts through vocational training". (ALbarka, 2020, p. 88)

#### SDG 5: Gender Equality

"Equal Opportunity Employer and Employment of Special Persons Continuous focus was maintained towards increasing the diversity of Bank's human capital; reinforcing the inclusive culture of Your Bank. Your Bank aims to ensure that employees of all backgrounds are treated equally and have an equal opportunity to be successful. Over the years, Your Bank has engendered direct and indirect employment which is currently exceeding 11,600+ employees, who are mainly employed from diverse areas of Pakistan; thereby positively impacting the broad-based economy and society at large". (Allied Bank Ltd., 2020, p. 133)

"Recognizing the importance of women's participation in economic activities and empowering them to become more effective part of society, the Bank continued to encourage women entrepreneurship through credit lines and also ensures that in all its business dealings, women are given equal opportunity. Sponsored 1st KP Women T20 Super League Tournament." (Bank of Khyber, 2018, p. 133)

#### SDG 6: Clean water and sanitation

"Save Water Campaign, Water conservation we have installed sensor based water taps at selected locations to conserve water effectively. Waste management we use shredder machines to destroy unwanted papers. The offices are cleaned daily and the waste is managed through proper dump sites". (Dubai Islamic Bank, 2019, p. 57)

"Sustainable water and wastewater management, to minimise the water costs, aerators on faucets were mounted across different locations". (Dubai Islamic Bank, 2019, p. 122)

#### GOAL 7: Affordable and Clean Energy

"The Bank is focusing on solarising its business premises and using energy-efficient equipment. The bank also finances large scale renewable energy generation projects through corporate & Investment Banking. Financed 240 million for renewable energy projects". (MCB, 2018, p. 155)

"The Bank has provided renewable energy (Solar) financing facilities for households and Agriculture Business (solar tube wells), and Drip Technology based Agri financing. Branches have been instructed to use energy efficiently through managing equipment, lesser use of paper, and encouraging plantation in the vicinity of the Branches. Branches are also advised to arrange meetings in order to raise awareness among the staff regarding conservation of energy and environmental protection". (BOK 2020, p. 114)

#### GOAL 8: Decent Work and Economic Growth

"Mobile Banking and Digitalization of Transaction, We have managed to organise over 19 awareness and knowledge sharing sessions on SME products and services along with

specialised workshops, with industry/subject matter experts, to improve understanding of industries, business dynamics and improve business affairs of SMEs. We have interacted with over 3500 SMEs and business owners during these sessions. Additionally, we have made footprints in the digital". (Dubai Islamic Bank, 2019, p. 67)

"Digital services / Digital Banking, The Bank extended Islamic Refinance Facility for wages and salaries to Corporate/SME customers to safeguard the workforce/labor from being laid off during the pandemic". (Meezan Bank Ltd., 2020, p. 136)

#### GOAL 9: Industry, Innovation and Infrastructure

"Green Construction and renovation, Collaborated with Sajjad Foundation to send fourteen (14) Pakistani students to "NUS Enterprise Summer Program on Entrepreneurship" at the National University of Singapore". (Bank Islami Ltd, 2020, p. 79)

"Green banking initiatives and support and finance environment friendly projects, Investment in infrastructure and innovation are crucial drivers of economic growth and development of the country. The country's economy cannot achieve optimal growth without the development of the SME sector". (MCB, 2020, p. 63)

#### GOAL 10: Reduced Inequality

"The Bank ensures personalized and priority services to the senior citizens in line with directives of the Government of Pakistan and State Bank of Pakistan. Further, the special persons visiting the Bank are duly taken care of in best possible manner". (Askari Bank Ltd, 2018, p.134)

"Employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc., including employment of special persons". (Bank Al-Habib, 2020, p. 118)

#### GOAL 11: Sustainable Cities and Communities

"Incorporating sustainability policies into the Bank's business operations, Rural Development Program Meezan Bank is working with notable stakeholders such as Karandaaz, Sindh Enterprise Development Fund (SEDF) & SBP Agriculture Schemes, aiming to go all out for the financial inclusion of rural masses. Through various partnerships, the Bank is addressing food security, sustainability and economic opportunity for the rural economy to generate benefits such as Leveraging agri-based corporate relationships, Program based SBP solar financing, Financial inclusion: Rural baithaks (farmers literacy program), Agri value chain financing, Leveraging Karandaaz & SEDF Platform". (Meezan, 2020, p. 139)

"JS Bank is in its second year of collaborating with USAID to create a sustainable and efficient renewable energy environment by allowing small scale energy projects access to long term financing options. This is in line with JS Bank's strategy to engage with stakeholders that range from non-profits to government bodies to multilateral organizations. This

allows mutual support in improving sustainability performance while allowing us to deepen our expertise in this matter". (JS Bank Ltd. 2018, p.114)

#### GOAL 12: Responsible Consumption and Production

"Renewable energy as a step towards sustainable environment, the Bank has taken various initiatives that help in reducing cost as well as reduce carbon footprints. The Bank has installed solar panels that power 150 ATMs across the country. Paperless operations The business impact of going paperless manifests itself in an enhanced customer experience, increased productivity, improved operational efficiency and reduced carbon footprint by limiting the use of paper". (MCB 2020 p.128)

"The Bank has designed an EnvRM system to incorporate procedures for evaluation and management of environmental risks in current as well as future decision making process for financing/investments. GB Policy requires each non-consumer credit portfolio obligor to be reviewed on the basis of Environmental Due Diligence (EnvDD), as part of EnvRM regime by assigning Environmental Risk Rating, as part of the credit approval process". (Samba Bank Ltd., 2020, p. 106)

#### GOAL 13: Climate Action

"Protect the Environment and conserving the natural resources, we have developed an internal mechanism to ensure that our entire business model remains sustainable and socially responsible. We have added new procedures to our credit approval process as a result of which we will not only encourage our existing customers to adopt the Al Baraka Sustainability and Social Responsibility Priorities, but we will also aim to give preference to working with such new customers who are equally committed to consistently adding more value to their respective communities". (Albarka Bank Ltd., 2019, p. 77)

"We have launched a green-investment initiative called "Come Grow with Us" in collaboration with Karachi Relief Trust. Our vision through these initiatives is to engage and create awareness among the present and potential customers and employees of the Bank. Along with this, an on-ground activity in selected mosques located near Islamic branches will be adhered such as tree plantations, recycling & conservation of ablution water at mosques. The whole idea is to resonate the initiative strategically with the Islamic Banking proposition, reaching out to all the current and prospects customers of the bank". (Faysal Bank Ltd., 2018 p. 88)

#### GOAL 15: Life on Land

"The Government of Pakistan has limited resources, it is unable to fully meet medical needs of the population living in rural and urban areas of Pakistan. NBP, in the partnership with various NGOs, and institutions arranges various medical and eye camps in remote areas of various province of Pakistan and also helps in upgrading the infrastructure by providing financial and equipment support through concerned Patient Welfare

Societies of various hospitals. Moreover, in Pasheen, and Kachlaq in Baluchistan portable machines and medicines were donated by NBP. Approximately 7000 wheel chairs have been supplied to various health institutions as well as specialize white canes for blind people. Dialysis machines have been supplied in remote areas in Sindh for Patient who cannot afford to come to the cities. NBP has set up Arron plants and solar plants in Thar". (NBP, 2018, p. 98)

"The key CSR objectives of the policy have been aligned with the rolling strategic plan of the Bank; ensuring close adherence to the global Sustainable Development Goals (SDGs) Workplace: Build an engaged, healthy and inclusive workplace, with an emphasized focus on achieving an equitable gender employment ratio. Environment: Contribute towards sustainable growth; with no adverse impact on the environment. Society: Contribute towards wider social development including health, education and general community welfare". (MCB, 2019, p. 157)

#### GOAL 16: Peace and Justice Strong Institutions

"The Bank has focused on several key principles as an institution. It is committed towards fostering a better work place and cleaner environment through its varied initiatives. By committing to a culture of excellence, good governance, transparency and integrity, it ensures that all activities are conducted in a manner that is ethically responsible and beneficial for all stakeholders". (Askari Bank Ltd., 2019, p. 148)

"The commitment of the Bank is evident from the diverse initiatives taken with active involvement and participation from employees across all ranks. Another reason for focusing on diverse areas and initiatives is to ensure maximum direct and indirect beneficiaries. Going forward, KBL looks forward to committing its resources for similar activities to make this country and world a better place". (Khushali Bank Ltd, 2018, p. 337)

#### GOAL 17: Partnerships to Achieve the Goal

"ABL Bank has been precisely noticing globally recognized ecological and social practices through its endorsed CSR policy. The key CSR objectives of the policy have been aligned with the rolling strategic plan of the Bank; ensuring close adherence to the global Sustainable Development Goals (SDGs) Workplace: Build an engaged, healthy and inclusive workplace, with an emphasized focus on achieving an equitable gender employment ratio. Environment: Contribute towards sustainable growth; with no adverse impact on the environment. Society: Contribute towards wider social development including health, education and general community welfare". (ABL, 2020, p. 152)

"Allocation fund to for innovation, eco-friendly investment projects, The Group's target is to make all its businesses sustainable and socially responsible. As far as possible, we measure our progress. However, in some areas we are still

developing the right tools to do so. Based on the existing measurement tools, the Group's overall Social & Sustainable Finance Programme contributed US\$ 3.4 billion in 2020 to communities (primarily with the financing operations)". (Albarka Bank Ltd., 2020, p. 97)

### 5. Conclusion and Way Forward

The study explores the SDG disclosures in the banking industry of Pakistan through the qualitative content analysis approach. The data was collected from the annual reports of the sample banks for the period from 2018 to 2020. The disclosures revealed that Pakistani banks are somehow involved in sustainability reporting, including SDGs. The findings further reported that the sample banks are engaged in reporting the SDGs and providing the details of these disclosures to the broader stakeholders, such as social, economic, environmental and regulatory bodies. The results shed light further that most of the banks are either involved in reporting regarding environmental and social practices. Moreover, some of them relate SDGs to their banking practices. However, the results further recommend that the banking industry may disclose the detail of SDG sub-targets and indicators. Hence, it is recommended that it requires a regulatory push to enhance the gamut of the SDGs disclosures further in public listed companies, particularly in the banking industry.

The study contributes to the theory, practice and policy in several ways. First, the study contributes to the limited literature on SDGs in developing countries like Pakistan. Secondly, the study's findings add value to nascent literature for reporting the SDGs in the public listed companies and banking sector particularly. Thirdly, the study has practical significance for the managers and top management of the banking industry to increase sustainability disclosures in the banking industry. Finally, the study has practical implications for regulatory bodies such as SBP, PSX and SECP to regulate and increase the importance of the SDGs reporting among the listed firms of Pakistan.

Alongside implications, the study is not free from the limitation. The study is only limited to the banking industry for a limited period from 2018 to 2020. Hence, future studies would consider other sectors and a long time for sustainability and SDG disclosures. Similarly, the study is only limited to the qualitative disclosures of the banks; hence, in future, it may include quantitative variables. Last but not least, future studies may consider the trend of the SDGs disclosures related to the COVID-19 period.

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