

## **Why Pakistani Small and Medium Enterprises are Not Reporting on Sustainability Practices?**

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### **Abstract**

This paper seeks to understand why Pakistani SMEs are not reporting on sustainability practices. Also, this paper aims to understand the sustainability reporting patterns of SMEs worldwide. Out of 190 sustainability reports, published by SMEs around the world, there is not even a single report published by any Pakistani SME. This paper employs mixed methodology that includes the use of quantitative content analysis for understanding the reporting patterns and the use of questionnaire based survey and qualitative interviews for understanding the reasons for non-reporting. This paper concludes that there is a lack of awareness about sustainability reporting. Also, there are some implementation issues, lack of training and skills, lack of regulation, government support and sustainability infrastructure. Furthermore, the stakeholder pressure and demand for sustainability reporting is missing in the context of Pakistan. In the absence of all these pressures and in the presence of limited resources, SMEs are least interested in sustainability reporting as perceived benefits are far less than perceived costs.

**Keywords:** sustainability practices, sustainability reporting, small & medium enterprises, Pakistan, non-reporting sustainability

### **1. Introduction**

In recent years, stakeholders' demands for business behaviors that are consistent with sustainability are increasing (Milne, Tregidga, & Walton, 2009). As business organizations play an important role, both positive and negative, in sustainable development (Herzig & Schaltegger, 2006), the issue of sustainability is gaining prominence in the agenda of

governmental and non-governmental organisations (Tregidga, Milne, & Kearins, 2014; Unerman & Bebbington, 2007). Business organizations, especially in developing countries, are very often blamed for numerous harmful societal and environmental impacts. Therefore, stakeholders compel an organization to engage in sustainable practices and to report on those activities (Hart, 2000; Dunphy et al., 2003; Jasiulewicz-Kaczmarek & Droźnyer, 2013; Rafiq, Gillani, Khan & Atiq, 2015).

Sustainability Accounting and Reporting, is one approach that has emerged in recent years as a potential means of progressing towards sustainability (Jan Bebbington, Unerman, & O'Dwyer, 2014). Sustainability reporting is defined as “a practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development” (GRI, 2011, p.3). Furthermore, the World Business Council for Sustainable Development defined sustainability reporting as “public reports by companies to provide internal and external stakeholders with a picture of corporate position on activities on economic, environmental and social dimensions” (WBCSD, 2002, p.7).

Small & Medium Enterprises (SMEs) play an important role in the economic and sustainable development of any nation (SMEDA Research Report, 2012, State Bank of Pakistan, 2014; Liong, Hamid & Ibrahim, 2016). SMEs are also extremely important for global supply chains of large companies. In addition to this, SMEs may help build a sustainable future through responsible business practices. Although, individually, SMEs have relatively small environmental and social impacts. However, as a group the impacts are much larger; SMEs account for about 90% of all businesses. This raises the importance of sustainability reporting in the context of SMEs. Sustainability reporting is not only advantageous for society and the environment, it benefits SMEs as well. Sustainability reporting gives local SMEs the chance to go big. SMEs will get a better chance at bringing their products to the global market as a result of participating in a sustainability reporting program. Through sustainability reporting, SMEs can gain a competitive edge, attract funding, earn a reputation, cut costs, and understand more fully the risks that may accompany their businesses (Stubbs, Higgins & Milne, 2013; Searcy & Buslovich, 2014; Higgins, Milne & van Gramberg, 2015).

Several advocacy and research organizations (i.e. Corporate Social Responsibility Center Pakistan (CSRCP), CSR Association of Pakistan, Sustainable Development Policy Institute (SDPI), National Forum for Environment and Health (NFEH), Responsible Business Initiative (RBI) and Triple Bottom Line (TBL) are encouraging the sustainability reporting culture and its awareness in Pakistan. At the international level, Global Reporting Initiative (GRI) has pioneered the development of the world's most widely used sustainability reporting framework globally (Prado-Lorenzo et al., 2009; Tsang et al., 2009; Brown et al., 2009; Levy et al., 2010; Marimon et al., 2012, CSRCP, 2016). Currently, 190 sustainability reports are published by SMEs world-wide in accordance to GRI guidelines (GRI, 2016). However, there is no single report published by the SMEs in Pakistan.

This paper is motivated by the non-representation of Pakistani SMEs among the leading reporters on sustainability around the world. This paper has twin objectives. First, understanding of the worldwide trend of GRI based sustainability reporting by SMEs, and second understanding why Pakistani SMEs are not reporting on sustainability practices?

## 2. Literature Review

Small & Medium Enterprises (SMEs) are the mainstay of any economy, including Pakistan as they represent more than 90% of the businesses world-wide (GRI, 2008). In Pakistan, 3.2million SMEs are working in the business segment (Khalique et al., 2015). According to SMEDA (2010) and Global Entrepreneurship Monitor (2012), Pakistani SMEs constitute nearly 90% of all private businesses; they are employing 80% of the non-agricultural labor force; their share in the GDP is 40% and 30 percent in total exports of Pakistan (as cited by: Rohra and Panhwar, 2009; Ahmed et al., 2010). Furthermore, according to SBP (2014), SME financing was 287.88 billion as on December 31, 2014 showing an increase of almost 20 percent as compared to September, 2014. SMEs play a significant role in the stability of the economy in Pakistan through enhancing the social status & enriching the individuals' life-style (Rohra and Panhwar, 2009; Ahmed et al., 2010; SMEDA, 2010).

Instead of having tremendous growth & contributions, the SMEs of Pakistan are facing numerous challenges (for example: lack of financial resources, unskilled management, incapable workforce, deficiency of latest technology, obsolete production facilities, inadequate industrial infrastructure and mishandling of intangible resources) (Khalique et al., 2015). Therefore, most of the SMEs croaked within the few years after establishment and merely 5 percent to 10 percent of SMEs can endure, flourish and attain maturity level (Davis, Haltiwanger & Schuh, 1996; Onugu, 2005; Ullah et al., 2011). Moreover, Bari et al. (2005) stated that the current progress of Pakistani SMEs is below their real potential. To tackle this alarming condition of SMEs, the SMEDA, with the collaboration of the Government of Pakistan, is continuously taking measures to flourish Pakistani SMEs. SMEDA mainly aimed to formulate policies to encourage the growth of SMEs in the country and to advise the Government on fiscal and monetary issues related to SMEs, to facilitate the development and strengthening of SME representative bodies' associations/chambers, to set-up and manage a service provider's database, including machinery and supplier for SMEs, to provide them securing financing and improving the SMEs by conducting seminars, workshops and training programs (SMEDA, 2016).

In recent years, there has been a growing interest in the sustainability of SMEs. Both, general public as well as investors are increasingly concerned with social, environmental, and economic impacts of decisions made by SMEs (Sajjad and Eweje, 2014). As a response to this increasing interest and stakeholder concerns, large number of SMEs are assessing their environmental and social impacts, and reporting on these impacts to their stakeholders. Sustainability report is one mechanism through which SMEs communicates all this with its stakeholders. Number of studies (see e.g. Stubbs, Higgins & Milne, 2013; Searcy & Buslovich, 2014; Higgins, Milne & van Gramberg, 2015) have shown that Sustainability reporting is expected to bring certain advantages to the SMEs. Through sustainability reporting SMEs may cut costs through better understanding of business operations. SMEs may also earn more reputation and obtain marketing and branding advantages. Employee morale and retention may increase. Through reporting on sustainability initiatives, SMEs may avoid negative impacts of future demands of customers and regulators. Pressures from NGOs may also be tackled through sustainability reporting. SMEs reporting on sustainability initiatives may attract more funds as both investors and lenders these days evaluate sustainability performance before making any decision. Local SMEs may also become a preferred supplier of large corporations and

become a part of global supply chain. Finally, through sustainability reporting, SMEs may achieve competitive advantage and leadership position.

Although, SMEs have the major stake in businesses in Pakistan, they are also polluting the living environment. According to World Economic Forum (2016), Pakistani cities; Karachi, Peshawar and Rawalpindi are among the 20 most polluted cities in the world, while India has the top worst level of pollution. Pollution have harmful impacts on people's health. Therefore, stakeholders are now highly concerned with the sustainability reporting around the world (del Mar Alonso-Almeida, Marimon, Casani & Rodriguez-Pomeda, 2015). SMEs worldwide are required to report on their sustainability, which includes the economic, environmental, and social dimensions of sustainability, as well as their interactions within and throughout the time dimension while addressing the company's system (including operations and production, management and strategy, organizational systems, procurement and marketing, and assessment and communication); and its stakeholders" (Lozano et al., 2015). Sustainability reporting specifies the methods of handling and revealing the information about the sustainability practices of an organization and its progress, along-with "triple bottom line" (Elkington, 1997).

Sustainability practices in Pakistan are irregular and underdeveloped (Naeem & Welford, 2009; Kemp & Vinke, 2012). However, several advocacy NGOs, professional associations and sustainability consultants are encouraging businesses to adopt sustainability practices and working towards the sustainability awareness among the general public and business organizations. Despite of this, research (e.g. Jeswani, Wehrmeyer & Mulugetta, 2008) revealed that Pakistani organizations lack pro-environmental programs. Pakistani business organizations have a lack of awareness, insufficient financial resources, non-availability of technology, and shortage of expertise to deal with complex environmental issues. Sustainability reporting in Pakistan is also in infancy and remains unregulated. At the same time, very limited research work is available for sustainability reporting in the Pakistani context (Sajjad & Eweje, 2014; Mahmood, 2015; Qazi, Ahmed, Kashif & Qureshi, 2015). For example, Batool (2016) based on the content analysis of CSR disclosures on the company's website concluded that Pakistani organizations have the lack of appropriate CSR disclosures. Table-01, below summarizes the findings of the limited research on CSR and sustainability reporting, that is available in the context of Pakistan.

**Table 1: CSR and Sustainability Reporting**

<b>Study Name</b>	<b>Authors &amp; Study Year</b>	<b>Study Type</b>	<b>Findings</b>
Corporate social and environmental responsibility in Asian countries and other geographical regions.	Baughn & McIntosh (2007)	Comparative study	CSR performance of Pakistani organizations falls below the average as observed in other regions such as East/Central Europe, Latin America and African countries.
How warm is the corporate response to climate change? Evidence from Pakistan and the UK.	Jeswani, Wehrmeyer & Mulugetta (2008)	Comparative study	Pakistani organizations lacked the pro-environmental programs. They have a lack of awareness, insufficient financial resources, the absence of a regulatory framework and policies, non-availability of technology, and shortage of expertise to deal with complex environmental issues.
A Comparative Study of Corporate Social Responsibility in Bangladesh and Pakistan	Naeem & Welford (2009)	Comparative study of CSR practices	CSR practices are underdeveloped
Effects of corporate social responsibility on consumer retention in the cellular industry of Pakistan.	Ali, Rehman, Yilmaz, Nazir & Ali (2010)	Exploratory research based on primary and secondary data	The study found no association between CSR & consumers' retention.
An empirical investigation of the relationship between corporate social responsibility and financial performance (Evidence from manufacturing sector of Pakistan).	Ehsan & Kaleem (2012)	Exploratory research based on primary data	Study results disclosed that there is a positive association between CSR & financial performance.
CSR reporting: a review of the Pakistani aviation industry.	Kemp & Vinke (2012)	Content Analysis	CSR practices are irregular in Pakistan.
Corporate Social Responsibility and Corporate Reputation: A Case of Cement Industry in Pakistan	Khan, Majid, Yasir & Arshad (2013)	Exploratory research based on primary data	There is a positive relationship between CSR and corporate reputation.

Corporate Social Responsibility in Pakistan: Current Trends and Future Directions	Sajjad & Eweje (2014)	Evaluate the current status of CSR practices	CSR is a new phenomenon in Pakistan. Organizations have the lack of knowledge, Furthermore, environmental issues require immediate attention
Company's financial performance & CSR: Pakistan context	Qazi, Ahmed, Kashif & Qureshi (2015)	Exploratory research based on primary data	CSR enhance the firm's financial performance.
Voluntary CSR disclosure on company's website: an empirical evidence from Pakistan	Hassan & Batool (2016)	Content Analysis	Lack of appropriate disclosure of CSR information.

Table 1 revealed that the nature of existing research studies is either content analysis, comparative analysis or exploratory. These studies mainly shed light on the extent of sustainability reporting, its patterns and determinants. Some of these studies have also analyzed the impacts of sustainability reporting on firms' financial performance and on the overall corporate image. One of the major limitation of the existing research is that it fails to answer why some businesses (especially SMEs) are not reporting at all on corporate social responsibility and sustainability. Therefore, the current study aims to fill this gap. It seeks to understand (a) the worldwide patterns of sustainability reporting by SMEs and (b) why SMEs of Pakistan are not reporting on sustainability practices?

### 3. Research Methodology

The current study employed mixed methodology. For understanding trends in sustainability reports by SMEs around the world, this paper employed content analysis of the sustainability report published by SMEs. For content analysis, the researchers established a complete list of worldwide SMEs' sustainability reports published in 2016 till December on GRI database. All sectors of SMEs around the world were studied in the present study. A total of 190 reports were published in 2016 on GRI database. Thus, for content analysis, a sum of 190 sustainability reports were selected as the sample for this study. Content analysis is the extensively used method in the sustainability disclosure literature, specifically for measuring the patterns of sustainability reporting (Guthrie & Mathews, 1985; Milne & Adler, 1999; Alrazi et al., 2011; Marx & van Dyk, 2011; Kozlowski, Searcy & Bardecki, 2015; Piecyk & Björklund, 2015; Vourvachis & Woodward, 2015; Borghei, Borghei, Leung, Leung, Guthrie & Guthrie, 2016). Hence, after the collection of reports, the researchers established a MS-Excel worksheet to record the results of content analysis.

For understanding the reasons for non-reporting by Pakistani SMEs, this study employed survey questionnaire method for data collection. Researchers designed a survey questionnaire which is based on existing studies related to sustainability reporting. This research instrument was distributed among the managerial staff of 200 SMEs located in Pakistan. A total of 53 questionnaires were received as duly filled. The purpose of this research instrument was to identify the factors which lead SMEs towards the non-

disclosure of sustainability reporting in Pakistan. Survey questionnaire method for data collection is extensively used in numerous prior research studies on sustainability reporting. Furthermore, researchers also used interview method for yielding data. The authors of this study conducted eight interviews with managerial staff of SMEs and expert personalities (i.e. trainers and consultants) relevant to the sustainability reporting field. This method is widely used in numerous prior research studies aimed to investigate the non-disclosure of sustainability practices (for example: Belal & Cooper, 2011; Stubbs, Higgins & Milne, 2013; Searcy & Buslovich, 2014; Higgins, Milne & van Gramberg, 2015).

#### **4. Results and Discussion**

##### *4.1. Patterns of Sustainability Reporting by SME's Worldwide*

A sum of 190 sustainability reports were published in 2016 till December by SMEs at GRI database (GRI, 2016). Table-2 demonstrates the total number of reports published by SMEs along with country and region name. The results disclosed that Colombian's SMEs are mainly involved in reporting on sustainability practices as 18 reports on GRI database were published by SMEs from Colombia. Furthermore, Europe region stands at first in producing sustainability reports as 84 reports out of 190 reports were from this region. Moreover, study findings clearly showed that there is not a single SME from Pakistan, which is reporting on sustainability practices and published its report on the GRI website (see Table-02). While, a sum of 48 SMEs from other Asian countries are producing sustainability reports according to GRI guidelines.

**Table 2: Details of Sustainability Reports by SMEs along-with Country and Region Name**

<b>Asia</b>		<b>Europe</b>	
<b>Name of Country</b>	<b>No. of Reports</b>	<b>Name of Country</b>	<b>No. of Reports</b>
Philippines	3	France	9
Turkey	13	Greece	4
Korea	2	Iceland	2
Taiwan	10	Germany	11
India	3	United Kingdom of Great Britain and Northern Ireland	2
Hong Kong	3	Finland	10
Mainland China	6	Switzerland	5
South Africa	1	Spain	10
Saudi Arabia	2	Austria	10
United Arab Emirates	1	Italy	4
Sri Lanka	1	Poland	2
Malaysia	1	Luxembourg	1
Singapore	1	Sweden	5
Japan	1	Portugal	2
<b>Total</b>	<b>48</b>	Hungary	2
<b>Latin America &amp; the Caribbean</b>		Norway	1
<b>Name of Country</b>	<b>No. of Reports</b>	Russian Federation	1
Colombia	18	Netherlands	1
Mexico	5	Czech Republic	1
Costa Rica	1	Ireland	1
Honduras	1	<b>Total</b>	<b>84</b>
Argentina	2	<b>Northern America</b>	
Peru	1	<b>Name of Country</b>	<b>No. of Reports</b>
Brazil	4	Canada	9
Chile	1	United States of America	12
<b>Total</b>	<b>33</b>	<b>Total</b>	<b>21</b>
<b>Oceania</b>		<b>Africa</b>	
<b>Name of Country</b>	<b>No. of Reports</b>	<b>Name of Country</b>	<b>No. of Reports</b>
Australia	3	Botswana	1
<b>Total</b>	<b>3</b>	<b>Total</b>	<b>1</b>

Furthermore, Table 3 shows the total number of sustainability reports published by listed and non-listed companies. The results highlighted that 53 reports were published by listed companies while 134 sustainability reports were published by non-listed companies. It also highlighted that most of SMEs around the world are non-listed.

**Table 3: Details of Listed & Non-Listed Companies**

Indicator	No. of Reports
Listed Companies	53
Non-Listed Companies	134
Not Applicable	3

According to the GRI database (November, 2016), total 33 sectors are involved in sustainability reporting practices around the globe. However, among these 33, financial sector stands at first as 23 sustainability reports were published by those SMEs which are representing this sector (see Table 4). That might be the result of some regulations related to financial sectors in various countries. In addition, non-profit organizations stand at second, which comprised 20 sustainability reports.

**Table 4: Name of Sector along-with No. of Reports**

Sr. No.	Name of Sector	No. of Reports	Sr. No.	Name of Sector	No. of Reports
1	Agriculture	3	18	Logistics	3
2	Automotive	1	19	Media	1
3	Aviation	3	20	Metals Products	1
4	Chemicals	2	21	Mining	3
5	Commercial Services	4	22	Nonprofit/ Services	20
6	Computers	2	23	Public Agency	4
7	Constructions	5	24	Real Estate	3
8	Construction Materials	1	25	Retailers	1
9	Electric Utilities	1	26	Technology Hardware	2
10	Energy	13	27	Telecommunications	1
11	Equipment	15	28	Textiles and Apparel	5
12	Financial Services	23	29	Tourism/ Leisure	9
13	Food and Beverage Products	7	30	Universities	5
14	Forest and Paper Products	2	31	Waste Management	6
15	Health Care Products	7	32	Water Utilities	6
16	Health Care Services	9	33	Other	20
17	Household and Personal Products	2			

In addition, researchers also searched out the ownership type (cooperative, non-profit, partnership, private, public institution, state-owned company, and subsidiary) of the SMEs which are involved in sustainability disclosure practices (see Table 5). The findings of the study highlighted that private SMEs are highly involved in producing sustainability reports according to GRI guidelines. While partnership-based SMEs shows the least interest towards the sustainability practices. Moreover, maximum SMEs are following GRI-G4 reporting guidelines for preparing their sustainability reports. The outcomes of content

analysis disclosed that 117 sustainability reports out of 190 reports published by SMEs on GRI-database were following GRI-G4 sustainability reporting guidelines.

**Table 5: Ownership Type of the SME's**

<b>Ownership Type of Organization</b>	<b>No. of Reports</b>
Cooperative	4
Non-Profit Organization	28
Partnership	1
Private Organization	121
Public Institution	8
State-Owned Company	17
Subsidiary	11

Overall, the content analysis sheds light on the sustainability reporting patterns around the world. The SMEs working in Europe are mainly involved in preparing sustainability reports according to the GRI guidelines (GRI, 2016). In addition, Asian region stands at second number as 48 sustainability reports from a total of 190 reports were from this region. However, specifically to Pakistan, there is not a single SME which is producing sustainability report according to world's leader (i.e. GRI) sustainability reporting guidelines. Thus, the researchers moved one step forward from content analysis i.e. questionnaire based survey and interview method, in order to identify the possible factors that Pakistani SMEs are facing in the development of sustainability reports. These two methods are extensively used in exploratory research studies aimed to identify possible issues/ problems behind a particular phenomenon (Belal & Cooper, 2011; Stubbs, Higgins & Milne, 2013; Hanbury, Farley & Thompson, 2015; Pearsall, Meghji, Pitzul, Aarts, McKenzie, McLeod & Okrainec, 2015; Tilley, McLeod & McLeod, 2015; Pérez-López, Moreno-Romero, & Barkemeyer, 2015; Pereira, 2015).

*4.2 Reasons for Non-Reporting on Sustainability*

*4.2.1 Lack of Sustainability Awareness*

There is a lack of awareness, among managers of Pakistani SMEs, about the concept of sustainability and, the practices involved. The results of the survey revealed that 40 out of 53 respondents were unaware of the sustainable practices. They even don't know about the steps involved in sustainability reporting. The other 13 SMEs that have some sort of awareness about sustainability reporting revealed that GRI guidelines for sustainability reporting are too difficult to understand and apply. This has been expressed by one of the interviewees in these words.

*“There is no sustainability reporting infrastructure in Pakistan. The SMEs of Pakistan are not aware about the concept and practices of sustainability reporting. The management of SMEs have the lack of knowledge about sustainability reporting and its guidelines. The managerial staff of SMEs is not ready to learn new knowledge.”(Interviewee 1)*

*4.2.2. Lack of Training and Skills*

Pakistani SMEs that have some sort of understanding about sustainability practices find it difficult to understand the application of the Global Reporting Initiative (GRI) guidelines. Their management has no experience of preparation of sustainability reports. Management has the insufficient knowledge about the data collection method for sustainability

reporting. They do not know the adequate criteria about what to disclose in sustainability reports. The results of the present study disclosed that 13 SMEs has some knowledge about sustainability reporting but they have implementation issues. This has been expressed by one of the SME managers as

*“There is no training session held in Pakistani SMEs on sustainability reporting. Thus, they are unable to produce such reports even they are involved in sustainability practices. For SMEs, the selection of CSR contents is a problematic task. The management of SMEs in Pakistan doesn’t know about what to report in a sustainability report.” (Interviewee 2)*

However, in an interview with one of the sustainability consultant, it was revealed that training is available, but SMEs are less interested in it which indicates some other reasons for non-reporting. This has been expressed by an expert trainer in these words.

*“In 2015, we have tried to conduct training sessions for the promotion of sustainability reporting, but SMEs of Pakistan showed least interest towards it. Therefore, we discontinued these training sessions. In my opinion, the regulatory authorities and government shall establish the mandatory mechanism of sustainability reporting in Pakistan” (Interviewee 3)*

#### 4.2.3 Lack of Regulation, Government Support and Sustainability Infrastructure

The survey revealed that sustainability reporting is the novel concept for Pakistani SMEs. Although, SMEs are aware about financial reporting standards, there is an absence of sustainability reporting mechanism. The survey also disclosed that SMEs are not making any disclosure on sustainability as there is no regulation in Pakistan for preparing sustainability reports.

In addition, 85% of surveyed SMEs highlighted the need that there is no governmental support regarding the sustainability reporting practices. The government should conduct seminars and training sessions on sustainability reporting practices.

*“The government support is necessary for SMEs. It’s impossible for Pakistani SMEs to work on such initiatives until government support. The government should introduce sustainability reporting mechanism.” (Interviewee 2)*

*“There is lack of Small & Medium Enterprises Development Authority (SMEDA) and industrial association support regarding sustainability reporting. These institutions should have to pay attention on sustainability reporting to enhance this mechanism in Pakistan.” (Interviewee 4)*

#### 4.2.4 Lack of Pressures / Demand for Sustainability Reporting

The participants of the present study agreed with the findings of Searcy and Buslovich (2014) that nobody reads sustainability reports. Shareholders and management just concerned with the profit maximization activities. Furthermore, they (participants) also agreed on the statement that there is low public pressure on SMEs to disclose sustainability practices.

*“Nobody demands sustainability reports from us as there is a lack of mature mechanism of sustainability reporting in Pakistan” (Interviewee 8)*

#### 4.2.5 Lack of Resources

In contrast to big companies, SMEs have the limited financial resources. Many authors argued that lack of financial resources is the key reason behind non-adoption of new technology or non-disclosure of additional reporting (i.e. Sustainability reporting (Belal and Cooper, 2011)). In line with previous studies, the present research disclosed that all SMEs highlight the similar issue (i.e. lack of resources). The maximum SMEs indicated that the cost of measuring and reporting sustainability information is high. In an interview, the respondent says,

*“We (SMEs) don't have enough resources to produce this sort of report. We haven't trained workforce to measure and publish sustainability information and there is the high cost of training which we can't bear. However, up-to some extent, we (SMEs) are involved in such practices (e.g. diverse work force, employees' related benefits, smaller donation) but the additional cost of reporting is always a constraint.” (Interviewee 5)*

In addition, one of interviewee disclosed that there is no benefit of publishing sustainability reporting. He says,

*“Why we (SMEs) produce such reporting, as there is no benefit of publishing CSR reporting. It just increases the overall expenditures of the business.” (Interviewee-6)*

Similar to the argument of Friedman (1970) that the main objective of the business is to make profits and there is little space for investing the business resources to non-essential undertakings.

*“I am not ready to initiate such activity (sustainability reporting) as shareholders may ask to me why you are investing our money to these non-productive activities.” (Interviewee 7)*

### 5. Conclusions

This paper concludes that worldwide stakeholders' commitments towards sustainability reporting are increasing. However, in Pakistan not even a single SME is publishing sustainability reports in accordance with GRI guidelines. This paper employs mixed methodology (i.e. survey and interviews) to search out the influencing factors/ obstacles in producing sustainability reports. The researchers concluded that there is a lack of awareness about sustainability reporting. Also, there are some implementation issues, lack of training and skills, lack of regulation, government support and sustainability infrastructure. Furthermore, the stakeholder pressure and demand for sustainability reporting is missing in the context of Pakistan. In the absence of all these pressures and in the presence of limited resources, SMEs are least interested in sustainability reporting as perceived benefits are far less than perceived costs.

The non-existence of sustainability reports because of lack of awareness of sustainability reporting and its guidelines might be predominantly applicable in the perspective of developing countries like Pakistan. Managerial staff of SMEs in developing countries needs basic training sessions and orientations in order to enhance the sustainability reporting mechanism. These findings are similar to prior studies (e.g. Belal & Cooper, 2011). Furthermore, the researchers of current study also suggest that there is need to

change the mindset of managerial staff of SMEs that sustainability reporting brings business advantages (Owen et al., 2000, 2001).

Moreover, the lack of sustainability reporting practices by Pakistani SMEs due to a dearth of government support and underdeveloped sustainability infrastructure can be elucidated by arguing that such reports are often produced in order to fulfill the demand of government regulations or to tackle social pressure (Tilt, 1994). However, in Pakistan, there is no legal requirement nor social pressure on SMEs to publish sustainability reports. Therefore, the Pakistani government through regulation could legitimately require SMEs to produce sustainability reports and especially to shed light on eco-justice issues for example, equal opportunities, child-labor and poverty alleviation. State agencies should introduce an efficient sustainability reporting infrastructure in order to guide SMEs towards such disclosures (Khan & Belal, 1999). Such initiatives shall motivate SMEs towards sustainability reporting. The findings 'lack of sustainability reporting due to a dearth of government support and underdeveloped sustainability infrastructure are in-line with the results of prior studies (Adams et al., 1995; Naser & Baker, 1999; Kuasirikun & Sherer, 2004; Gao et al., 2005). The government and other regulatory authorities should focus on sustainability reporting by conducting seminars and training sessions about sustainability practices and its reporting.

Overall, this study contributes to the existing literature available on sustainability reporting by recognizing the major obstacles confronted by SMEs of developing states like Pakistan, in the development of sustainability reports.

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