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An Insight into Determinants of Corporate Social Responsibility Decoupling: Evidence from Pakistan

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ABSTRACT

The study aims to examine what causes firms to engage in Corporate Social Responsibility (CSR) Decoupling. It also highlights the intensity of the firms to be involved in decoupling of firms' actual from claimed CSR practices. The study hypothesizes a significant association between CSR decoupling and its various antecedents. The documented antecedents are coercive isomorphism, monitoring mechanism, firm reputation, resource slack, and firm advertising intensity. Based on Institutional Theory and Stakeholder Theory, the present study accounts for the gap between firms' actual CSR efforts and its professed CSR while also highlighting the factors and conditions under which firms overstate and misrepresent their CSR activities. The sample of the study includes 200 non-financial Pakistani firms listed on Pakistan Stock Exchange (PSX) with a time frame ranging from 2010 to 2018. The model under study is tested using common effects regression. The study findings reveal that non-financial firms operating in Pakistan are highly engaged in CSR decoupling. Also, coercive isomorphism, monitoring mechanisms and firm reputation are significantly associated with CSR decoupling.

Key Words: Corporate social responsibility decoupling, institutional theory, stakeholder theory, coercive isomorphism

1. INTRODUCTION

In today's modern business world, firms are faced with increased conflicts and competition (Pisani, Kourula, Kolk, & Meijer, 2017). These conflicts arise as a result of conflicting demands of shareholders that is some stockholders' focus is of making profits to enhance efficiency and wealth maximization (Fonti & Mashaba, 2019) while firms are also facing pressure from community stakeholders to fulfill social responsibilities (Aguilera, Rupp, Williams, & Ganapathi, 2007). Corporate social responsibility (CSR)

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serves as a prime corporate obligation in today's socially concerned environment. Also the social responsibility is increasingly emerging as a significant mechanism to reflect a firm's goodwill, its reputation and the authenticity of its activities (Brdulak, Dąbrowski, Jastrzębska, & Legutko-Kobus, 2020). A vital tool for the communication of CSR is its reporting (Moravcikova, Stefanikova, & Rypakova, 2015). Such non-financial reporting serves as an opportunity to communicate firms' intentions towards its sustainability- one of the dimensions of CSR (Burns, Houghton, & Stewart, 2020), and its social efforts. ((Aureli, Del Baldo, Lombardi, & Nappo, 2020)). A key issue with regard to CSR reporting is the overstatement and misrepresentation of firms' actual CSR performance thereby enabling firms to practices the decoupling of CSR (Aureli et al., 2020). (Esper & Barin Cruz, 2019) related the controversial nature of CSR with the hypocrisy of shareholders in that the higher claims and talks about CSR are not a real image of shareholders' intentions and ultimate actions. CSR decoupling relates to the policies that firms adapt to falsely reflect legitimacy in practices. Previous CSR studies suggest that small firms adopt the trend of Walking CSR (CSR practices in business activities) while large firms embrace Talking CSR (formal processes to build good public relation) (Houser and Schembera, 2019). Study suggested a need to develop an integrative approach on CSR and on Decoupling. The emphasis thus in the present study is on CSR decoupling identifying different determinants that are often expected to either promote or discourage the CSR decoupling. Few studies have explored the decoupled aspect of CSR (Christensen, 2020; García-Sánchez, Hussain, Khan, & Martínez-Ferrero, 2020; García-Sánchez, Hussain, Khan, & Martínez-Ferrero; Graafland & Smid, 2019; Hauser & Schembera, 2019; Moratis & Melissen, 2020; Sauerwald & Su, 2019; Tashman, Marano, & Kostova, 2019; K. Zhang et al., 2020) examining its drivers and consequences. Firm specific factors have greatly been ignored in the previous studies with regard to their ability to explain how and why the actual green CSR is practiced in some firms while not in others (García-Sánchez et al.) Because of the scarce literature, it is not yet obvious how firms tend to engage in the decoupling of their CSR practices. The present study thus aims at examining various determinants of corporate social responsibility decoupling including Coercive Isomorphism, Monitoring Mechanisms, Firm Reputation, Resource

Slack and Advertising Intensity.

1.1. Institutional Theory

The challenging and disputed nature of CSR concept has made it a controversy (Matten & Moon, 2008), to a level that (Godfrey & Hatch, 2007) have mentioned it as ‘a tortured concept’. (Brower & Dacin, 2019), based their study of corporate social and financial performance (CSP – CFP) on institutional theory revealing that improved CSP leads to improved CFP. The present study builds a theoretical framework centered on institutional theory to advance the understanding of CSR decoupling in the context of firms operating in Pakistan. According to the basic formulation of the theory, firms operating in specific environments try to advance their legal and social legitimacy through explicit adoption as well as manipulation of CSR activities. At the same time firms do not actually conform to the adopted or claimed CSR processes, which means they decouple practices from policies. Institutional work in the present study mentions the effortful processes that facilitate the adoption and transformation of the CSR practices thereby enabling firms to challenge, transform and interrupt the claimed CSR efforts” (Lawrence, Suddaby, & Leca, 2011)

1.2. Stakeholder Theory

The Stakeholder Concept is used by the present study to well explain the involvement of firms in CSR Decoupling in response to various stakeholder pressures. The interests of different stakeholders of the firm may differ. Theory proposes that a firm’s foremost goal is to stabilize the conflicting interests of its stakeholders. The conflicting demands of firms’ shareholders and all other stakeholders thus pose serious pressures that firms’ need to resolve (Aguilera et al., 2007). In order to meet stakeholders’ demands, firms adopt an instrument named decoupling so as to falsely portray their CSR efforts through the decoupling of actual CSR from reported one (Meyer & Rowan, 1977); (Marais, Reynaud, & Vilanova, 2020)). Stakeholder Theory has recently been used by (Arora & De, 2020) while examining the drivers and consequences of environmental sustainability. While studying the stakeholder view, (Chun, Argandoña, Choirat, & Siegel, 2019) suggested a significant stakeholder impact on firm reputational growth or loss. A main idea of the theory is that firms do not have the wrong intentions to

cheat their stakeholders while adopting decoupling. But it can be a result of external and internal pressures (Marais et al., 2020). Thus firms may falsely report their CSR engagements by window dressing their CSR disclosures and ultimately, the true green CSR is lacking.

2. LITERATURE REVIEW

2.1. Isomorphism and CSR Decoupling

One of the core concepts of institutional theory is isomorphism (DiMaggio & Powell, 1983); (Meyer & Rowan, 1977). Isomorphism shows the similarity of one organization with other organizations on specific characteristics. (Westphal, Gulati, & Shortell, 1997) demonstrated ‘Institutional isomorphism’ as increased conformity. Those organizations are considered to be legitimate which tend to share similar characteristics of other organizations ((Fligstein, Powell, & DiMaggio, 1991; Tolbert & Zucker, 1983). A recent study documented that business groups tend to resemble one another resulting from isomorphic pressures (Wiessner, 2020). (Fligstein et al., 1991) stated that formal or informal pressures when employed on organizations by other groups enabling organizations to adopt certain practices. This leads to ‘coercive isomorphism’ resulting from pressures exerted by government and regulatory bodies. (Lyon, 2020), while investigating environmental governance and the role of social movements declared that the issues of environmental development and governance have primarily highlighted by government regulations. In order to operate profitably, an organization need legitimacy which is achieved when they conform to the expectation of society and environment. Moreover the external isomorphic pressures exerted on firms by environmental regulations enable them to pursue green innovation - a CSR dimension (Qiu, Hu, & Wang). But this conformity to societal and institutional pressure sometimes contradict with internal efficiency needs. Such a pressure exerted on firms by regulatory authorities to adopt certain similar practices beyond their capability enable them to falsely claim the adaptation of practices but actually, they do not. Rather they decouple actual from professed activities to maintain organizational efficiency (Boxenbaum & Jonsson, 2017).

H₁: *Coercive isomorphism is significantly related to CSR decoupling.*

2.2. Monitoring Mechanisms and CSR Decoupling

The phenomenon of corporate governance have long been the attention of scholars and has recently been studied in relation to the coronavirus pandemics (COVID-19) thereby postulating significant association of corporate governance mechanisms and responsible innovation as a dimension of CSR (Scherer & Voegtlin, 2020). (Harjoto & Jo, 2011; Jo & Harjoto, 2011) postulated that it is important to carefully monitor the activities of top management through board independence or other effective tools. (Sauerwald & Su, 2019) while examining the CSR decoupling as a function of cognitive biases, postulated that the intensity of CSR decoupling can be mitigated through board of directors and ownership incentives. (Rosenstein & Wyatt, 1990) maintained that for the better monitoring of the activities and behaviors of top management, especially in the case of dispersed shareholders, the board is the most effective mechanism for appointing, suspending, and rewarding the management. (Tran, 2018) advocated a strong effect of independent non-executive directors on organizations' CSR reporting. It is evident from the existing literature that the level of board independence, as well as the board diversity, strongly influences CSR disclosure specifically 'greenhouse gases' one of the several CSR dimensions (Prado-Lorenzo & Garcia-Sanchez, 2010). Further, (Johnson & Greening, 1999) found that active governance leads to successful CSR investments. The studies however, did not examine the impact on corporate social responsibility decoupling. Thus we propose;

H₂ (a): Effective monitoring mechanisms are significantly related to CSR decoupling.

H₂ (b): The link of monitoring mechanisms and CSR decoupling is negative.

2.3. Firm Reputation and CSR decoupling

The managers of firms often invest in CSR activities and investments. The ranks of firms whether high or low strictly relate to the level of conformity with CSR (Pan, Chen, Yang, & Chen, 2020) (Afrin, Peng, & Bowen, 2019) studied stakeholders' reactions to firms' water projects while also determining the reputational impacts of such CSR. Study revealed not only a positive reaction of the stock market but also found that improved CSR efforts enable the creation of reputational capital while reputational liability results from poor and decoupled CSR practices. Moreover in a recent study by

(Lizarzaburu & del Brio, 2020) a significant association of CSR investments (in educational sector) with firm reputation have been found. Moreover, large size firms and high reputed ones exhibit more responsible social behavior. The significance of corporate social responsibility and investments in CSR programs is mostly stressed by high reputed firms. Also previous studies are evident on positive association between CSR permanency and firm value (Noor, Saeed, Baloch, & Awais, 2020). Thus, it is evident that even greater concerns towards social welfare are expected from well-reputed companies. A recent study is evident that doing good leads to doing well that means enhanced environmental, social and governance investments leads to high efficiency levels for firms (Broadstock, Managi, Matousek, & Tzeremes, 2019). This means that reputation and status itself impose pressure on firms to address social issues. Firms tend to adopt CSR initiatives to obtain as well as sustain positive image (Fombrun & Shanley, 1990). Fombrun and Shanley noted corporate reputation as people's growing judgments and opinions about the firms over time. Since previous literature focused on firm reputation as an outcome of its social commitments, however, the present study presents a fruitful contribution to existing literature by checking the hypothesis whether the high reputed firms being best performers of CSR (facing challenging pressures to meet social as well as profit-making goals) promote or discourage the CSR decoupling.

H₃: Firm reputation is significantly related to CSR decoupling

2.4. Firm Resource Slack and CSR Decoupling

The resources possessed by the firms over and above those which are compulsory to accomplish a task are known as slack resources (Agusti-Perez, Galan, & Acedo, 2020; Leyva-de la Hiz, Ferron-Vilchez, & Aragon-Correa, 2019). Significant resources are invested by multinational enterprises in CSR. (Asmussen & Fosfuri, 2019) challenged the concept of CSR as being an insurance against unethical conduct while also postulating that resources when invested in social brands enable the firms to walk the talk. (Tan, Habibullah, Ong, & Mohamed, 2019) explained in slack resource theory, that the link of such type of resources and CSR is significantly positive. The resource-based perspective maintains that the availability of extra resources owned by the firms will promote their tendency to be more engaged in CSR (Branco & Lima Rodrigues, 2006) thereby reducing

decoupled CSR policies.. Another study reveals that higher slack leads to higher positive and lower negative CSR dimensions.

H₄: *Higher slack resources are negatively linked with CSR decoupling.*

2.5. Firm Advertising Intensity and CSR Decoupling

The extent of CSR in a firm is contingent upon expansion and its advertising intensity (McWilliams & Siegel, 2001). (Conte, Vollero, Covucci, & Siano, 2020) studied symbolic and online CSR communications in Asian economies revealing its contingency upon the culture and characteristics of country, and also suggested effective public CSR communications. Complete awareness of the potential firm customers about its CSR efforts makes them more loyal and committed to its products and services which in turn leads to firm success. That is why firms are increasingly focusing on how to communicate CSR with consumers so as to remove their skepticism and doubts about firm CSR truths (Moreno and Kang, 2020). When such CSR characteristics are missing about firms' products, the customers would rather buy the product from anywhere without any preference. The firms which are more dependent on advertising and public prominence for their better sales and business are more likely to get extensive stakeholders' attention and are more concerned about CSR adoption. On the other hand, because firms with greater advertising intensity can receive more public attention, therefore increased CSR investments are expected from them. Thus firms with high advertising intensity may falsely indicate conformity to societal expectations but the actual productive CSR practices are doubtful. Thus we may propose increased advertising intensity allow firms to decouple their CSR commitments.

H₅: *High advertising intensity is significantly associated with CSR decoupling*

3. RESEARCH METHODOLOGY

Following (Tashman et al., 2019), discovering a fundamental effect of internationalization and institutional voids on CSR decoupling, the present study proposed the hypothesis on the impact of various antecedents on CSR decoupling in PSX listed firms in the context of Pakistan.

Population and Sample: The target population is the firms listed on PSX. The

sample includes all the non-financial companies listed on PSX. The sample supports a thorough understanding of the subject under study across a given context. The study covers the time period from 2011 to 2018.

Data: Secondary data will be used to analyze the relationships between CSR decoupling and its antecedents. The data involves the analysis of financial and sustainability reports and web sites in Pakistani listed companies. These annual reports are taken from corporate, PSX and other authentic websites.

3.1. Variables and Measurements

Dependent variable - CSR Decoupling: CSR decoupling is measured as the gap between the qualitative (reported/disclosed) and the quantitative (actually practiced) components of CSR. The value of CSR decoupling is obtained by obtaining the difference between the standardized values of these two components of CSR. Higher values on this variable suggest, firms are highly engaged in decoupling practices.

Present Study Approach to Measure CSR Decoupling: The present research used a disclosure approach to measure CSR reporting. The disclosure approach is used to establish a measure of qualitative CSR (CSR reporting) while the quantitative CSR (actual CSR performance) is measured using the CSR monetary spending ratio (see Figure 1).

Figure 1. Framework of CSR decoupling measurement (Ahsan, Tahir and Ahmed, 2018)

Measuring CSR Reporting using Disclosure Approach: The disclosure approach involves the content analysis in which all the written information related to firms' CSR concerns reported in their financial and CSR reports is converted into the quantitative scale (Nyahunzvi, 2013); (Malik & Kanwal, 2018). The approach has been adopted to cover the three CSR reporting dimensions i.e. social economic and environmental. In total, the study assesses 17 common items under these CSR dimensions (Table 1). The study measures the firms' CSR reporting on each item such that '1' is assigned if the firm reported on an item of CSR and '0' if it did not.

Measuring CSR Performance using CSR Monetary Spending Ratio

To measure the firms' actual CSR performance, the ratio of firm's total CSR expenditure to earnings after-tax is calculated. This method follows the studies of References ((Pyo & Lee, 2013); (Ehsan, Nazir, Id, et al., 2018).

3.2. Independent Variables

Isomorphism: The study uses state ownership as a measure of Coercive Isomorphism such that the value '1' is assigned to the government owned firms and 0 otherwise (Othman, Darus, & Arshad, 2011).

Monitoring Mechanism: Monitoring mechanisms is measured in terms of independent non-executive directors 'INED' and institutions ownership. 'INED' is measured by identifying the % of non-executive directors in a firm. Institution ownership is measured as percentage of institutions' ownership (Majeed, Aziz, & Saleem, 2015).

Firm Resource Slack: The study measures this slack using the ratio of current asset to total liabilities ((Darus, Mad, & Nejati, 2015).

Firm Reputation: Awards or Certifications received for CSR are used to measure corporate reputation (Kansal, Joshi, & Batra, 2014). The firms receiving CSR Business Excellence Awards and other awards on best CSR performance in Pakistan since 2011 are assigned a value '1' and 0 otherwise.

Firm Advertising Intensity: The firms' advertising intensity is measured as the logarithm of the ratio of advertising expenditure over sales (R. Zhang, Zhu, Yue, & Zhu, 2010)

Table 1. Description of CSR reporting indicators (adapted from Fortanier et al., 2011)

Indicators	Description
Environmental	
Environmental Protection/ Voluntary agreement	1 if report mentions participation in voluntary environmental agreements; otherwise 0
Pollution Prevention / Carbon emission control	1 if report describes firm's involvement in carbon-reducing initiatives; otherwise 0
Implantation of Trees	1 if report describes firm's involvement in implantation of trees to make country green; otherwise 0
Waste Management	1 if report includes information on firm's initiatives to manage waste; otherwise 0
Social	
Employee satisfaction	1 if report describes whether employees are satisfied with working for the firm (often through employee satisfaction survey); otherwise 0
Diversity	1 if report contains quantitative information about the firm's workforce diversity, by either gender or ethnicity or both; otherwise 0
Working conditions	1 if report contains information about working conditions (information about the quality of the physical environment, the organizational climate) and/or benefits to employees; otherwise 0
Training	1 if report contains information about the firm's efforts to train employees (e.g., training-related hours or expenses, curricula for employees training); otherwise 0
Health programs	1 if report includes information about the supported health programs; otherwise 0
Education	1 if report describes firm's commitment to school/education programs; otherwise 0
Water projects	1 if report includes information about firm's water conservation efforts; otherwise 0
Philanthropy	1 if report includes information on size of philanthropic initiatives; otherwise 0
Economic impact	1 if report includes information on the size of the firm's economic impact on society; otherwise 0
Governance	
Fair Competition	1 if report includes information on firm's commitment to fair competition; otherwise 0
Fair Trade	1 if report includes information on firm's commitment to fair trade; otherwise 0
Equal Opportunity	1 if report provides information on specific policies, programs or committees aimed at fostering equal opportunities internally regardless of gender and ethnicity; otherwise 0
Taxation	1 if report includes information on tax issues (e.g., transfer pricing policies, firm's effective tax rate); otherwise 0

**Notes: n = 1800 observations for 200 cross sections, CSR reporting on 17 CSR parameters (adapted from Fortanier et al., 2011) are reported*

3.3. Controls

Capital intensity: Capital intensity as the ratio of assets to sales is incorporated as a control variable ((Murwaningsari & Rachmawati, 2017)

Size: The study also incorporated firm size (measured as the log of total revenues) as a control variable (Christmann and Taylor, 2006).

Profitability: Profitability (net income to total sales) is another control variable as it can affect firms' CSR performance (Pardosi & Hutabarat, 2020).

4. RESULTS AND ANALYSIS

The study aims to test the model using common effects regression because the study involves panel data with 200 cross-sections and time ranging from 2010 to 2018 (Cameron & Trivedi, 2010). The study also conducts the descriptive analyses of (i) CSR reporting, to estimate CSR parameters that are most reported by sample firms, (ii) CSR expenditures to identify those CSR projects on which Pakistani firms spend the highest amounts. Finally, CSR decoupling has been analyzed in terms of its qualitative and quantitative components to estimate the intensity of firms' engagement in CSR decoupling. Before the analyses, to identify non-normality, each variable is standardized.

Econometric Equation

$$(CSR\ DECP_{i,t}) = \beta_1 (ISO_{i,t}) + \beta_2 (INED_{i,t}) + \beta_3 (IO_{i,t}) + \beta_4 (SLACK_{i,t}) + \beta_5 (REP_{i,t}) + \beta_6 (ADV_{i,t}) + (SIZE_{i,t}) + (CI_{i,t}) + (PROF_{i,t}) + \epsilon$$

Where,

CSR DECP_{i,t} = Corporate Social Responsibility Decoupling

ISO_{i,t} = Coercive Isomorphism

INED_{i,t} = Independent non-executive directors

IO_{i,t} = Institutional Ownership

SLACK_{i,t} = Firm Resource Slack

REP_{i,t} = Firm Reputation

ADV_{i,t} = Firm's advertising intensity

SIZE_{i,t} = Firm size

CI_{i,t} = Firm capital intensity

$PROF_{i,t}$ = Firm Profitability

In the present study, CSR decoupling has been measured in terms of (a) CSR reporting and (b) actual CSR spending. The study conducted a descriptive analysis of both the components separately to effectively describe firms' CSR involvements. Table 2 reflects the descriptive results of CSR reporting indices

Table 2. Descriptive Analysis for CSR Reporting indices

Variables	Mean	SD	Min	Max
CSR reporting	10.63	3.91	2.00	17.0
Environmental Protection	0.785	0.41	0.00	1.00
Pollution Prevention	0.395	0.49	0.00	1.00
Tree Plantation	0.240	0.43	0.00	1.00
Waste Management	0.415	0.49	0.00	1.00
Employee Satisfaction	0.815	0.39	0.00	1.00
Diversity	0.435	0.50	0.00	1.00
Workplace Condition	0.755	0.43	0.00	1.00
Training	0.830	0.38	0.00	1.00
Health	0.790	0.41	0.00	1.00
Education	0.695	0.46	0.00	1.00
Water Projects	0.300	0.46	0.00	1.00
Philanthropy	0.780	0.41	0.00	1.00
Economic Impact	0.615	0.49	0.00	1.00
Fair Competition	0.325	0.47	0.00	1.00
Fair Trade	0.990	0.10	0.00	1.00
Equal Opportunity	0.470	0.50	0.00	1.00
Taxation	0.995	0.07	0.00	1.00

**Notes: n = 1800 observations for 200 cross sections, CSR reporting on 17 CSR parameters (adapted from Fortanier et al., 2011) are reported*

The overall CSR reporting index has a mean score of 10.63 out of 17. This shows that on average all non-financial firms listed on PSX reported their CSR activities on about 60% selected parameters. Results also indicate that mean value for 'fair trade' and 'taxation' is highest i.e. 0.99 and 0.995 respectively. This implies that firms mostly report governance-related CSR information. While the mean for tree plantation and water projects holding a mean score of 0.28 and 0.30 respectively. These results support the fact that in Pakistan, firms show greater concern to governance-related parameters of CSR while environmental concerns are paid less attention.

Table 3. Descriptive Analysis for CSR Monetary Spending

Variables	Mean	SD	Min	Max
Total CSR Monetary Spending	54.37	166	0.00	2107
Donations	11.74	41	0.00	769
Employee Welfare	37.46	129	0.00	2107
Research & Development	5.16	41	0.00	862

The descriptive results of firms' CSR monetary expenditures are in table 3. The mean of total CSR expenditures is 54 million, out of which, 37.5 million is employed on Employees. On the other hand, firms are relatively less inclined towards donations holding a mean value of 11.7 and research and development with a mean of 5.2.

Since CSR decoupling has been identified as the gap between firms' CSR reporting and its actual CSR expenditures. Table 4 thus reports CSR decoupling mainly in terms of its two aspects i.e. reporting and monetary expenditure to reflect the intensity of Pakistani firms to engage in CSR decoupling.

Table 4. Descriptive Analysis for CSR Decoupling

Variables	Mean	SD	Min	Max
CSR Decoupling	0.542	1.01	-37.3	3.09
CSR Reporting	0.625	0.23	0.12	1.00
CSR Monetary Spending	0.08	0.10	-2.33	38.2

**Notes: n = 1800 observations for 200 cross sections for the years ranging from 2010 to 2018.*

The descriptive analysis reveals that the mean score of firms' reporting on CSR concerns and commitments is 0.63 while the mean of the actual overall monetary CSR expenditures of the same firms has found to be 0.08 which is far less than the value of reported CSR. This shows a higher engagement of Pakistani firms in CSR decoupling holding a mean of 0.54.

The study thus presents an interesting fact that on average; only 13% of the reported and claimed CSR is actually fulfilled in terms of monetary expenditures. The study also conducted the descriptive and correlation analysis of the un-standardized variables before applying regression analysis. The descriptive statistics of the model under study are reflected in table 5. The correlation results are reported in table 6.

Table 5: Descriptive Analysis for Model of Study

Variables	Mean	SD	Min	Max
CSR Decoupling	-0.78	0.89	-6.21	1.13
Coercive isomorphism	0.05	0.21	0.00	1.00
Firm Reputation	0.27	0.44	0.00	1.00
Monitoring Mechanism				
▪ Independent Directors	-0.55	0.35	-1.95	0.00
▪ Institutional Ownership	-2.64	1.79	-9.21	0.00
Resource Slack	-0.20	0.89	-3.59	4.86
Advertising Intensity	-7.51	2.70	-14.40	1.48
Capital Intensity	0.19	1.02	-2.02	9.11
Size	15.31	2.12	0.00	20.9
Profit Margin	-2.85	1.34	-8.38	4.11

*Notes: n = 1800 observations for 200 cross sections, Unstandardized data

Table 6. Correlation Matrix

Variables	CSR	ISO	REP	INSOWN	INED	SLACK	ADV	CAPINS	SIZE	PROF
CSR	1.00									
ISO	0.05	1.00								
REP	0.10	0.19	1.00							
INSOWN	0.07	0.07	0.08	1.00						
INED	0.00	0.03	0.05	0.03	1.00					
SLACK	-0.00	-0.01	-0.00	-0.02	0.00	1.00				
ADV	-0.01	-0.02	-0.01	-0.06	-0.09	0.03	1.00			
CAPINS	0.00	-0.00	-0.03	-0.02	-0.06	0.01	0.26	1.00		
SIZE	0.10	0.26	0.35	0.16	0.05	-0.07	-0.07	-0.15	1.00	
PROF	0.00	0.00	0.02	0.02	0.05	0.00	-0.33	-0.96	0.13	1.00

Table 7. Common-effects Regression on the Model

Dependent Variable: CSR Decoupling

R Square = 0.654, Adjusted R² = 0.651, Significance = .000

Variables	Beta	Sig
Constant	-1.50	0.000 ***
Coercive Isomorphism	-3.93	0.000 ***
Firm Reputation	0.024	0.000 ***
Monitoring Mechanism		
○ Independent Directors	0.14	0.001 **
○ Institutional Ownership	0.027	0.0004 ***
Resource Slack	-0.01	0.573
Advertising intensity	-0.004	0.406
Capital Intensity	-0.009	0.693
Size	0.072	0.000 ***
Profit Margin	0.070	0.000 ***

Table 7 presents the results of the regression analysis of the model under study. The table shows findings of hypothesis 1, that coercive isomorphism influences the firms' intensity to engage in CSR decoupling. The results indicate isomorphism to have a beta ($\beta = -3.93$, $\rho = 0.00$), suggesting coercive isomorphism to be a significant predictor of CSR decoupling. Thus the result supports one of the main hypothesis i.e. *H1* of the study revealed that in the context of listed Pakistani firms, the higher degree of coercive isomorphism discourages firms to participate in the decoupling of CSR.

The study analysis then shows results for hypothesis 2. The results confirm a statistically significant association between monitoring mechanism as measured by two main components, 'institutional ownership' and independent non-executive directors' and the CSR decoupling. For institutional ownerships ($\beta = 0.02$, $\rho = 0.0004$), the coefficient suggests that a 1 unit increase in institutional ownership is associated with a 0.02 unit increase in CSR decoupling. For independent non-executive directors ($\beta = 0.14$, $\rho = 0.001$), the coefficient suggests that a 1 unit increase in independent non-executive directors is associated with a 0.14 unit increase in CSR decoupling. The ρ -value for both the components of the monitoring mechanism is significant which confirms Hypothesis 2 (a) that firms' decoupling behaviors are significantly influenced by its monitoring mechanisms. The positive beta sign however disapproves the proposed negative association between monitoring mechanism and CSR decoupling thereby rejecting the hypothesis 2 (b).

The table also reports the results for hypothesis 3. A significant link of firm reputation and CSR decoupling ($\beta = 0.24$, $\rho = 0.00$), is found. The coefficient indicates for every 1 unit increase in the value of firm reputation, CSR decoupling will be promoted by 0.24 units.

The analysis also presents the results for two other variables, 'firm resource slack' and 'firm advertising intensity' that were expected to be the predictors of CSR decoupling as proposed in hypothesis 4 and 5 respectively. In contrast with the study expectations, the study found no evidence on the association between these two variables and the CSR decoupling. The analysis reveals that for both the variables, firm resource slack ($\beta = -0.01$, $\rho = 0.57$) and firm advertising intensity ($\beta = -0.004$, $\rho = 0.40$), an

insignificant association with CSR decoupling has been observed. The results thus don't support H_4 and H_5 .

Furthermore among the three control variables, firm size, and firm profitability have a positive impact on CSR decoupling with ($\beta = 0.072$, $\rho = 0.00$) and ($\beta = 0.070$, $\rho = 0.00$) respectively. While capital intensity ($\beta = -0.00$, $\rho = 0.69$) is insignificant about its association with CSR decoupling.

5. DISCUSSION

The findings of the study suggest that among the five main predicting variables coercive isomorphism, Monitoring mechanism and Firm Reputation have been confirmed to be the significant determinants of CSR decoupling. The results of the estimation analysis thus support H_1 , H_2 , and H_3 . While, no significant relationship has been observed for Firm Resource Slack, and Firm advertising Intensity. The findings of the study also imply that Pakistani firms are highly engaged in CSR decoupling such that on average, more than 80% of the CSR information is decoupled. The majority of the past research studied the effects of various constructs on CSR in terms of either reporting or spending. (Liu & Lu, 2019) suggested CSR as a reputation insurance tool revealing that firms use falsely reported CSR shields to build and retain their reputation and status. The present study results are also in line with these arguments, posing that high reputed firms to better respond to higher stakeholder demands, decouple CSR activities. (Masud, Nurunnabi, & Bae, 2018), proposed corporate governance mechanisms and CSR reporting to be associated and argued that reporting is increased when governed by appropriate mechanisms. The present study, however, proves that although governance mechanisms boost the firms' CSR reporting but not the actual CSR implementation thereby leading firms to decouple CSR practices.

6. CONCLUSION

This study provides an insight into a comparatively less explored CSR aspect i.e. CSR decoupling by analyzing the factors that either promote or discourage CSR decoupling. The study aims (1) to develop an understanding of CSR decoupling by assessing the intensity of the firms operating in Pakistan to undertake decoupled CSR

practices, (2) to explore the factors that enable firms to decouple its CSR reporting from true CSR activities. The present study found that on average, Pakistani firms are highly focused on reporting governance-related parameters. Also, the actual CSR monetary contributions of Pakistani firms are highest in the area of employee welfare. The analysis highly supports the fact that Pakistani firms are prominently involved in overstating and misrepresenting their actual CSR dedication. This finding is in line with (Graafland & Smid, 2019) work on decoupled CSR policies and programs and (Ehsan, Nazir, Nurunnabi, et al., 2018) work on CSR disclosure in developing economies. An interesting aspect of this study findings is that on average, only 13% of the claimed CSR in firms' annual reports is performed and fulfilled and the rest of the reported CSR only reflects decoupling. The estimation technique, Common effects regression is used to test the relationship between proposed antecedents and CSR decoupling. The results of the study reveal a significant association between isomorphism, monitoring mechanisms and reputation. The results display that firms facing coercive isomorphism are under extensive government regulations and are therefore less involved in CSR decoupling. Whereas, high reputed facing extensive stakeholders' pressure are likely to engage in CSR decoupling. Also, firms, even under strict monitoring mechanisms, have been found to decouple actual from claimed CSR practices. Thus, this study delivers a novel contribution to the existing CSR literature.

6.1. Implications of the Study

The study provides an insight into the gap between CSR reports and actual CSR practices, a relatively less studied concept called corporate social responsibility decoupling in the context of non-financial Pakistani listed firms. Since the idea of CSR decoupling significantly disrupts not only the stakeholders' expectations of a firm's engagement in addressing societal issues but also lead to the violation of human rights. Several measures can be taken by the government to improve the process. It could develop and implement relevant laws constraining the efficacy of CSR decoupling promoters and substantively deploy them through effective monitoring of firms' CSR reporting and performance. The study has implications for policymakers who need to take into account the stated CSR issues resulting in decoupling. Since the present study

addresses various firm related factors that affect firms' tendency of Decoupling, an important implication of this study includes developing the management understands and ability to identify what aspects enable CSR decoupling. The study also implies that firms' CSR reporting without effective monitoring mechanisms is blind and its subsequent CSR practices are empty thus companies whose actual performance is not in line with stated CSR projects may face the risk of harming their reputation as well as legitimization.

6.2. Limitation and Future Research Directions

The limitation of the study serves as future research directions. First, the study provides a narrow view of what factors enable participation in decoupled CSR practices in non-financial firms listed on PSX. It does not account for the investigation of concepts in other developing countries and foreign economies. Future research can be conducted to explore CSR decoupling in multinational enterprises and in other economies. Second, the present study entails a data set of the limited-time period i.e. nine years ranging from 2010 to 2018 during which neither boom nor recessions in the economy have been observed. So results cannot be extended for a period of boom or recession. Third, despite being a central idea in the institutional theory, the literature on determinants and outcomes of CSR decoupling is scarce. Thus for future investigation, researches should explore other factors such as 'Internal Organizational Control' and 'Media Pressure' that can either promote or discourage CSR decoupling among different firms. Third, the present study considers only one of three types of Isomorphism that is Coercive Isomorphism as a determinant of CSR decoupling. It is important to acknowledge research suggesting how the other two types of Isomorphism affect corporate social responsibility decoupling. Future studies should therefore measure the 'Normative' and 'Mimetic' isomorphism in relation with decoupling of CSR. Finally, in contrast with the present study which focuses on firm related factors, researches should continue to explore various behavioral aspects of managers affecting corporate social responsibility decoupling in firms.

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