UNMASKING CORRUPTION: A QUALITATIVE STUDY OF PAKISTANI SMES

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ABSTRACT

This study explores organizational misconduct and human rights abuses within Pakistani SMEs, focusing on child labour, wage disparity, gender inequality, and nepotism. Through 40 in-depth interviews with stakeholders from manufacturing SMEs in Lahore and Karachi, findings reveal how unethical practices are socially constructed and normalized, especially through leadership influence. Corruption—including embezzlement, bribery, and favouritism—is rationalized by socio-cultural and economic pressures. Child labour perpetuates cycles of poverty, while wage disparity undermines morale and productivity. Gender biases hinder workplace equality, and nepotism erodes fairness. This study highlights the interconnectedness of organizational corruption, human rights abuses, and societal challenges, emphasizing the need for ethical leadership, strong regulatory frameworks, and transparency. Aligning practices with Sustainable Development Goals (SDGs) can help Pakistani SMEs foster a more equitable society.

Keywords: Organizational Corruption, Human Rights Abuse, Pakistani SMEs, Child Labor.

INTRODUCTION

Organizational corruption and wrongdoing remain formidable barriers to sustainable development, particularly in developing economies where regulatory oversight may be limited and socio-economic pressures high. The United Nations emphasizes the critical role of addressing corruption for achieving the Sustainable Development Goals (SDGs), particularly SDG 16, which promotes peace, justice, and strong institutions, and SDG 8, which focuses on decent work and economic growth (UNODC, 2023; Transparency International, 2021). Corruption, defined as the abuse of entrusted power for private gain, distorts economic processes, exacerbates social inequalities, and undermines institutional integrity (Transparency International, 2021). Organizational wrongdoing, including practices like fraud, nepotism, and exploitation, hinders not only fair and efficient business operations but also undermines social stability (Lange & Washburn, 2012). Addressing these ethical challenges within the business sphere, especially within Small and Medium Enterprises (SMEs), is crucial for fostering a culture that aligns with sustainable development goals and cultivating trust in economic systems.

In Pakistan, SMEs represent a crucial sector, accounting for over 90% of businesses, 80% of non-agricultural employment, and more than 40% of the country's Gross Domestic Product (GDP) (SMEDA, 2020). However, these enterprises often operate within an environment where limited regulatory enforcement and socio-cultural norms allow unethical practices to become embedded. Studies show that SMEs in developing countries frequently encounter unique challenges, including financial constraints, high interest rates, and

infrastructural barriers, all of which can promote corrupt practices as survival strategies (Okpara, 2011; Jamali et al., 2010). Specifically, Pakistani SMEs are vulnerable to unethical behaviours, such as child labour, wage disparities, and nepotism, which have profound implications for social and economic development (Gould & Reyes, 1983; Transparency International, 2021). This research aims to explore how corruption and human rights abuses are rationalized and normalized within Pakistani SMEs and examine the societal impact of these practices and potential pathways for reform.

Objectives and Scope of Research

The research's primary objective is to examine the complex relationship between organizational practices and societal challenges within the SME sector in Pakistan, focusing on human rights abuses such as child labour, wage disparity, gender inequality, and nepotism. By adopting a qualitative approach, this study seeks to provide an in-depth understanding of how organizational wrongdoing is socially constructed and contested in SMEs (Berger & Luckmann, 1967).

The paper examines the manifestations and consequences of corruption and misconduct within Pakistan's small and medium-sized enterprises (SMEs). Since SMEs constitute a substantial segment of the national economy, it is essential to comprehend the underlying causes of corruption within these organizations. Existing literature indicates that corruption in SMEs, including bribery and favouritism, often emerges from economic motivations and deeply engrained social norms (Lange & Washburn, 2012; Transparency International, 2021). Examining the socio-economic and cultural factors contributing to unethical practices within Pakistani SMEs reveals significant influences. Prevailing cultural norms and economic pressures frequently justify organizational misconduct. Research indicates that socio-economic factors, including financial instability and the cultural acceptance of hierarchical privileges, play a crucial role in the prevalence of unethical practices, such as nepotism and wage disparity (Jamali et al., 2010; Shafqat, 1999). Assessing the impact of certain practices on the achievement of relevant Sustainable Development Goals (SDGs) reveals that corruption and human rights violations significantly obstruct progress, particularly concerning SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities). The existing literature emphasizes organizational integrity's critical importance in fostering economic resilience and social equity (UN Global Compact, 2019; UNICEF, 2020).

This study provides actionable recommendations to foster ethical business practices and promote sustainable development within SMEs. By leveraging insights from qualitative data, it offers practical guidance for SMEs, policymakers, and regulatory bodies to implement effective policies and drive cultural changes that strengthen ethical practices. Research has shown that transparency, accountability, and ethical leadership play a critical role in enhancing business integrity and building stakeholder trust (Windsor, 2014; Brown & Treviño, 2006).Focusing on four manufacturing SMEs in Lahore and Karachi, this study employed 40 semi-structured interviews across various organizational levels to gain a comprehensive understanding of the ethical challenges these organizations face. Examining these issues through a social constructionist lens, this research contributes to the broader academic discourse on business ethics and sustainable development, offering insights that promote actionable change within Pakistani SMEs (Ruggie, 2011).

Conceptual Background

This research explores corruption within Pakistani SMEs from a social constructionist perspective, positioning these enterprises as significant contributors to national development and individual livelihoods while also being prone to unethical practices. The United Nations Sustainable Development Goals (SDGs), which address global challenges through 17 comprehensive goals, emphasize combating corruption as critical for achieving sustainable development, particularly SDG 16 (peace, justice, and strong institutions) and SDG 8 (decent work and economic growth) (UNODC, 2023). Viewing corruption as a socially constructed phenomenon, this study adopts a nuanced approach to understanding how unethical practices within SMEs are culturally and contextually rationalized to inform policies that align with the SDGs and foster ethical practices (Trevino, et al. 2006).

Corruption and Organizational Wrongdoing

Corruption, commonly defined as the misuse of entrusted power for private gain, pervades multiple levels of organizations and substantially negatively impacts society, economies, and institutions (Transparency International, 2021). Organizational wrongdoing includes a range of unethical behaviours, such as fraud, nepotism, and exploitation, which compromise fair and sustainable business operations (Lange & Washburn, 2012). Literature suggests that corruption is a complex, socially embedded issue. For example, in developing countries, corruption may be justified by socio-economic pressures and weak regulatory frameworks, reflecting a complex relationship between organizational behaviour and social context (Tänzler & Maras, 2016; Berger & Luckmann, 1967).

In Pakistani SMEs, organizational corruption and wrongdoing are prevalent, often manifesting as embezzlement, bribery, favouritism, and misuse of resources. According to interviews conducted in this study, business owners and employees reported these behaviours, illustrating how they permeate organizational levels and are normalized through socio-cultural influences and economic constraints. Literature corroborates these findings, showing that economic pressures often drive SMEs to adopt practices like child labour, rationalizing them as necessary for survival despite ethical and legal implications (UNICEF, 2020). This framework situates corruption as a phenomenon that, while socially constructed, requires intervention at both the organizational and policy levels to align business practices with sustainable development goals.

Connection Between Corruption, Human Rights Abuses, and Societal Challenges

Corruption has direct and indirect links to human rights abuses, such as child labour, wage disparity, and gender inequality. The deterioration of regulatory frameworks, the exploitation of vulnerable populations, and the erosion of the rule of law frequently result from corruption, which, in turn, intensifies poverty and inequality (UNDP, 2016; Transparency International, 2021). This research has identified that within SMEs in Pakistan, child labour is a prevalent concern, primarily driven by the prevailing perception that employing children is essential for cost reduction. Child labour not only violates fundamental rights but also spreads poverty and limits educational opportunities, undermining both individual and national socio-economic development (ILO, 2020).

Wage disparity and gender inequality further compound these societal challenges, as SMEs often exhibit significant wage gaps and gender-based discrimination. Women and younger employees frequently earn less than their male counterparts, regardless of similar job

roles, with pay disparities and limited promotional opportunities being commonly reported in this study. These issues reflect broader systemic biases that affect labour markets in developing economies and restrict equal participation in economic growth (PBS, 2020; World Bank, 2019). Addressing these abuses requires a holistic strategy that acknowledges the socio-economic and cultural environment, highlighting the importance of regulatory frameworks and promoting ethical practices within SMEs.

Theoretical Framework: Social Construction Theory

This research adopts social construction theory, which suggests that reality, including concepts of corruption and ethical behaviour, is shaped through social interactions and the collective negotiation of acceptable norms (Berger & Luckmann, 1967). Social construction theory provides an interpretive framework for analysing how nepotism, wage disparity, and child labour become normalized in SMEs through continuous interaction between employees, management, and socio-economic forces (Lange & Washburn, 2012). This study revealed that employees often rationalized organizational wrongdoing as essential for business survival, reflecting how financial pressures and cultural norms intersect to create a socially constructed view of ethical boundaries.

This theory also elucidates the dynamic process by which unethical practices are contested and negotiated within organizations. Interviews revealed that employees were increasingly challenging favouritism and demanding transparency, with one participant stating, "We've been asking for more transparent policies" (Discussion, 2023). By examining organizational wrongdoing as a construct that evolves within a specific cultural and economic context, this framework underscores the role of individual and collective agency in redefining and challenging unethical practices (Lange & Washburn, 2012; Tänzler & Maras, 2016).

METHOD

Research Setting: Pakistan

Pakistan's governance, education, and bureaucracy systems were largely inherited from British colonial rule and later modified with elements of local expertise under various post-independence regimes. However, these adaptations have struggled to gain full acceptance within Pakistan's distinct socio-cultural context. As a developing country, one of Pakistan's significant economic challenges is the high cost of corruption, an issue the country has faced since its founding. Pakistan's inherited systems—from education to governance—are marked by British structures but are layered with local norms, including egalitarianism, the landlord system, patriarchy, kinship ties, and community bonds (Goran et al., 2003; Haque, 1997; Shafqat, 1999).

Pakistan's society is deeply patriarchal, rooted in close family ties and traditional belief systems, which can be better understood through broader social norms that differentiate it from Western cultures. For instance, long-term orientation highlights how societies connect present and future challenges with respect for traditions. This perspective shapes many behaviours and values within Pakistan, linking its past-oriented traditions with contemporary socio-economic issues, including corruption.

Description of Qualitative Research Approach

This study adopts a qualitative research approach to explore the intricate dynamics of organizational wrongdoing and human rights abuses within Pakistani SMEs. Qualitative

research is particularly suited for this investigation as it allows for a deep, nuanced understanding of complex social phenomena through rich, contextualized data (Denzin & Lincoln, 2018). By employing this approach, the study aims to capture the subjective experiences and perspectives of individuals involved in or affected by organizational practices, thereby uncovering the socially constructed nature of corruption and wrongdoing within SMEs.

Social Construction Theory

The research is guided by social construction theory, which provides a critical lens for understanding how organizational wrongdoing, such as corruption, child labour, wage disparity, and nepotism, is normalized within Pakistani SMEs. As developed by Berger and Luckmann (1967), social construction theory posits that reality is not inherently objective but constructed through social interactions, shared meanings, and collective practices. In the context of this study, organizational corruption and unethical behaviour are not viewed solely as isolated individual actions but as phenomena deeply embedded in the social and cultural fabric of organizations. Leaders, managers, and employees co-construct norms and values through daily interactions, which can perpetuate or challenge corrupt practices. This theoretical framework is essential for analysing how practices like bribery or favouritism are justified and maintained within the organization, often becoming normalized and institutionalized over time.

Using social construction theory, the research explores how these practices are rationalized and even contested within the workplace, shedding light on the dynamic processes through which unethical behaviour evolves and is sustained. This lens allows for a more nuanced understanding of how corruption and human rights abuses are not static phenomena but are subject to continuous negotiation between stakeholders, influenced by organizational culture, power dynamics, and broader socio-economic conditions. For example, the theory helps to explain how leadership might construct narratives that justify child labour as a necessary economic decision, while workers may construct counter-narratives that challenge these justifications. Ultimately, this theoretical framework deepens the interpretation of the findings, emphasizing that organizational wrongdoing is a socially constructed reality shaped by shared beliefs, interactions, and contextual factors within SMEs.

Rationale for Methodological Choices

A qualitative research approach was chosen for this study to explore the complex and nuanced dynamics of organizational wrongdoing and human rights abuses within Small and Medium Enterprises (SMEs) in Pakistan. Qualitative methods are particularly suited to examining social phenomena where the meanings and experiences of individuals are central to understanding the issue (Denzin & Lincoln, 2018). In the context of this research, organizational corruption, child labour, wage disparity, gender inequality, and nepotism are not simply objective events but are deeply embedded in social and cultural structures. The qualitative approach allows for an in-depth exploration of how these practices are constructed, rationalized, and experienced by different stakeholders within SMEs, providing rich, contextualized data that could not be captured through quantitative methods alone (Creswell, 2013).

Semi-structured interviews were selected as the primary data collection method because of their flexibility and capacity to delve into sensitive, complex topics like corruption and human rights abuses. Unlike surveys, which might constrain participants' responses to

predefined categories, semi-structured interviews allow for a more open, conversational format. This format encourages participants to share their experiences in detail, offering insights into the underlying reasons, motivations, and justifications for unethical practices (Kvale & Brinkmann, 2009). Additionally, interviews are more appropriate than focus groups for discussing sensitive issues such as bribery or nepotism, as participants might feel uncomfortable discussing these topics in front of others. Interviews facilitate candid communication by offering a private and confidential environment, thereby providing nuanced and personal data. This methodological approach proved essential in revealing the socially constructed dimensions of corruption and misconduct within the organizational framework of SMEs in Pakistan. By providing a private, confidential setting, interviews encourage openness and candidness, yielding nuanced and personal data. This method was critical for uncovering the socially constructed nature of corruption and wrongdoing within the organizational fabric of Pakistani SMEs.

Details of the Semi-Structured Interviews Conducted in Lahore and Karachi

This study involved 40 semi-structured interviews with representatives across various levels from four manufacturing SMEs in Lahore and Karachi. The exploratory data collection aimed to trace the emergence of key themes within each organization. To ensure validity, we focused on events that interviewees directly experienced, reducing reliance on speculative accounts. Triangulation was applied by corroborating accounts of specific events among multiple interviewees, with any inconsistencies leading to the exclusion of that data from analysis (Golder, 2000; Kipping et al., 2014).

Semi-structured interviews served as the primary data collection method, selected for their flexibility in allowing in-depth exploration while allowing participants to express their perspectives (Kvale & Brinkmann, 2009). Each SME contributed ten interviews, capturing diverse views from business owners, managers, employees, and external stakeholders, including industry experts and regulatory officials. This scope of perspectives enabled a nuanced understanding of organizational practices and challenges within the SME sector.

Contextualization of SMEs and Industry

Small and Medium Enterprises (SMEs) form the backbone of Pakistan's economy, contributing approximately 40% to the country's GDP and accounting for nearly 80% of non-agricultural employment (Small and Medium Enterprises Development Authority [SMEDA], 2020). SMEs in Pakistan operate across various sectors, but manufacturing remains one of the most significant due to its role in exports, job creation, and industrial development. The manufacturing industry was selected for this study because it is particularly prone to labour violations, wage disparities, and corruption. Given the labour-intensive nature of manufacturing, SMEs in this sector often face economic pressures that lead to exploitative practices, including the use of child labour and wage suppression. Furthermore, these businesses frequently operate in environments with limited regulatory oversight, making them fertile ground for organizational wrongdoing, including bribery, nepotism, and non-compliance with human rights laws.

Lahore and Karachi, the two largest industrial and commercial hubs in Pakistan, were chosen as representative cities for this research due to their economic significance and concentration of manufacturing enterprises. Karachi, as the country's financial capital, is home to a vast number of SMEs operating in various manufacturing sectors, while Lahore is renowned for its textile, electronics, and food processing industries. These cities capture regional variations in economic practices and reflect the broader challenges SMEs face across

the country. Corruption and human rights abuses, including child labour and gender discrimination, are known to be prevalent in both cities, further emphasizing their relevance for the study. By focusing on Lahore and Karachi, the research captures a wide spectrum of industrial practices and provides valuable insights into how organizational wrongdoing is embedded in Pakistan's key economic centres in table 1.

Table 1 INTERVIEW DETAILS				
Company	Designation	Code Name	Length of Interview	City
Company A	CEO	A1	75 minutes	Lahore
Company A	Operations Manager	A2	60 minutes	Lahore
Company A	HR Head	A3	70 minutes	Lahore
Company A	Worker 1	A4	55 minutes	Lahore
Company A	Worker 2	A5	50 minutes	Lahore
Company B	CEO	B1	80 minutes	Karachi
Company B	Production Supervisor	B2	65 minutes	Karachi
Company B	Finance Manager	B3	70 minutes	Karachi
Company B	Worker 3	B4	55 minutes	Karachi
Company B	Worker 4	B5	50 minutes	Karachi
Company C	CEO	C1	75 minutes	Lahore
Company C	QC Manager	C2	60 minutes	Lahore
Company C	HR Assistant	C3	65 minutes	Lahore
Company C	Worker 5	C4	55 minutes	Lahore
Company C	Worker 6	C5	50 minutes	Lahore
Company D	CEO	D1	80 minutes	Karachi
Company D	Plant Manager	D2	70 minutes	Karachi
Company D	Compliance Officer	D3	65 minutes	Karachi
Company D	Worker 7	D4	55 minutes	Karachi
Company D	Worker 8	D5	50 minutes	Karachi

Sampling Strategy

Purposive sampling was employed in this study to ensure that the participants selected were those most knowledgeable and directly involved in or affected by the organizational practices under investigation, such as corruption, human rights abuses, and workplace ethics. Specifically, the study utilized maximum variation sampling, a technique that aims to capture various perspectives across different organizational levels and roles. The study included multiple viewpoints representing the organization's leadership and operational levels by selecting participants from diverse roles within each SME—such as CEOs, managers, HR personnel, and workers. This approach was essential for capturing the complexities of organizational wrongdoing, which can manifest differently across hierarchical levels. For example, while senior management might justify certain practices as necessary for business survival, lower-level employees may experience these practices as exploitative or unethical.

The selection of interviewees was guided by specific criteria in addition to their job roles, extending beyond the confines of organizational hierarchy. These criteria encompassed the length of tenure of each participant within the company, ensuring that individuals with more extensive experience could offer valuable insights into the evolution of unethical practices over time. Similarly, participants were chosen based on their direct involvement with key organizational processes, such as hiring, wage allocation, and compliance with labor laws. This criterion ensured that participants had first-hand experience or knowledge of the issues being studied. Furthermore, participants were selected to ensure a balance of gender representation, allowing the study to capture potential gender-related disparities and biases in the workplace. This sampling strategy was designed to comprehensively understand how

organizational wrongdoing is constructed and perpetuated across different functional areas and roles within SMEs in table 2 & table 3.

Table 2 TITLES/DESIGNATIONS AND GENDERS OF THE INTERVIEWEES		
Company	Titles/Designations	Gender
Company A	CEO, Operations Manager, HR Head, Worker 1, Worker 2	Male,Male, Female, Male, Female
Company B	CEO, Production Supervisor, Finance Manager, Worker 3, Worker 4	Male,Male, Female, Male, Male
Company C	CEO, Quality Control Manager, HR Assistant, Worker 5, Worker 6	Male,Female, Female,Male, Female
Company D	CEO, Plant Manager, Compliance Officer, Worker 7, Worker 8	Male,Male, Female, Female, Male

Table 3 TYPES OF MANUFACTURING	
Company	Manufacturing Type
Company A	Textile Manufacturing
Company B	Food Processing
Company C	Electronics Manufacturing
Company D	Automotive Parts Manufacturing

Data Saturation

Data saturation was carefully monitored and determined during the interviews. Saturation occurs when no new themes, insights, or patterns emerge, indicating that enough information has been gathered to comprehensively address the research questions (Saunders et al., 2018). This study initially reached data saturation after conducting 28 interviews — seven from each of the four SMEs involved. At this point, the core themes, such as corruption, nepotism, wage disparity, and human rights abuses, were consistently identified across participants from different organizational levels, including CEOs, managers, and workers. The recurring responses indicated that no significant new information was emerging, signaling that saturation had been achieved.

To ensure completeness and credibility of the data, an additional three interviews were conducted with each company, bringing the total to 40 interviews. These extra interviews confirmed that no new themes emerged, further validating the initial saturation point. The decision to continue with these additional interviews was made to ensure that variations between the SMEs or potential outliers were accounted for. The consistency of the data across the additional interviews reinforced the reliability and adequacy of the collected information. This methodical approach to saturation ensures that the research provides a comprehensive and well-rounded understanding of the organizational wrongdoing and human rights abuses within Pakistani SMEs, enhancing the overall credibility and rigor of the study (Fusch & Ness, 2015).

Justification for Reliability and Validity of Qualitative Research

The reliability of this qualitative research is reinforced by the consistency in data collection methods. Each interview followed a semi-structured format with a predefined set of questions, ensuring each participant was asked the same core questions. This structured

approach enhances comparability across interviews and reduces variability that could arise from differing question phrasing or interview techniques (Kvale & Brinkmann, 2009).

All interviews were audio-recorded and transcribed verbatim, ensuring the accurate capture of data that other researchers can review. Detailed field notes and memos were also maintained, documenting the context of each interview, including non-verbal cues and environmental factors that might have influenced responses (Miles & Huberman, 1994). This meticulous documentation supports the reliability of the data collected.

The study employed triangulation by gathering data from multiple sources within each company, including CEOs, managers, HR personnel, and workers. This multi-perspective approach enhances reliability by cross-verifying information from different stakeholders, identifying common themes and discrepancies, and providing a more robust understanding of the issues investigated (Patton, 2015).

Credibility in qualitative research refers to confidence in the truth of the findings. This study ensured credibility through member checking, where participants reviewed and confirmed the accuracy of their interview transcripts. This process validates the findings by ensuring they accurately reflect participants' experiences and perspectives (Lincoln & Guba, 1985).

Transferability refers to the extent to which findings can be applied to other contexts. Detailed descriptions of the research context, participants, and findings (thick description) are provided, allowing other researchers to determine the applicability of the findings to similar contexts (Geertz, 1973). This comprehensive account aids in evaluating the transferability of the research outcomes.

Dependability ensures that the research process is logical, traceable, and documented. An audit trail was maintained throughout the research process, documenting all stages from data collection to analysis. This audit trail includes interview protocols, raw data, data analysis notes, and decisions made during the research process, supporting the study's dependability (Lincoln & Guba, 1985).

Confirmability guarantees that the findings are shaped by the participants rather than the researcher's biases. This objective is effectively achieved through reflexivity, where researchers rigorously reflect on their potential biases and their impact on the research process (Malterud, 2001). Peer debriefing, involving discussions with colleagues not directly involved in the study, challenged assumptions and interpretations, ensuring findings are based on the data collected rather than researchers' preconceptions (Patton, 2015).

While qualitative research is inherently context-specific, the rigorous methodological framework employed in this study enhances its replicability. Future researchers who follow the same procedures, use the same interview guides and maintain similar levels of documentation and reflexivity are likely to obtain comparable results. By adhering to consistency, transparency, and rigor principles, this qualitative study provides a reliable and valid foundation for understanding organizational wrongdoing and human rights abuses within Pakistani SMEs (Creswell, 2013).

In this study, reflexivity was an essential practice for ensuring the objectivity and integrity of the research process. Reflexivity involves continuous self-awareness of the researcher's position, perspectives, and potential biases and how these might influence the research. The researcher, coming from a minority Christian community in Pakistan and originating from outside the major industrial cities of Lahore and Karachi, brought an inherently unique perspective to the study. This outsider positionality contributed positively to the research by providing an unbiased lens, especially in navigating sensitive topics such as corruption, human rights abuses, and nepotism. As someone not embedded in the socio-cultural dynamics of these industrial centers, the researcher could approach the study without

preconceived loyalties or entanglements with local practices, which might have shaped the responses differently if the researcher were an insider.

However, the researcher's background may also have introduced limitations, particularly in interpreting local cultural nuances or organizational practices deeply embedded in Lahore and Karachi's social fabric. To address this, the researcher actively engaged in reflexivity throughout the study, documenting personal reflections and maintaining a conscious awareness of potential biases. Peer debriefing and consultations with local experts were used to ensure that interpretations of data were aligned with local realities and were not unduly shaped by the researcher's outsider status. Additionally, by prioritizing participant narratives and ensuring that their voices shaped the findings, the research focused on the lived experiences of those involved rather than the researcher's preconceptions (Malterud, 2001). This reflexive approach helped balance the researcher's positionality, ensuring that the study's findings accurately reflect the complexities of organizational wrongdoing and human rights abuses within Pakistani SMEs in table 4.

Table 4
SUMMARY OF INTERVIEW RESPONSES ON CORRUPTION AND ETHICAL PRACTICES

Category	Business Owners/Managers (n=20)	Employees (n=20)	Key Themes Identified
Instances of Corruption	15reported instances	18reported instances	Embezzlement, bribery, favouritism, misuse of resources
Leadership Influence	Positive: 5, Neutral: 8, Negative: 7	Positive: 4, Neutral: 6, Negative: 10	Role modeling, accountability, lack of enforcement
Human Rights Compliance	Policies in place: 10, None: 10	Aware: 8, Unaware: 12	Child labour policies, wage policies, gender equality initiatives
Impact on Morale/Productivity	Positive: 4, Neutral: 7, Negative: 9	Positive: 3, Neutral: 5, Negative: 12	Job satisfaction, employee turnover, productivity levels
Suggestions for Improvement	Ethical training, stricter policies, leadership change	Fair wages, anti-nepotism measures, better reporting mechanisms	Training, transparent policies, leadership accountability

Table 5
DISTRIBUTION OF REPORTED HUMAN RIGHTS ISSUES

Human Rights Issue	Number of Reports (n=40)	Percentage (%)	Key Examples
Child Labor	12	30%	Employment of minors in hazardous tasks
Wage Disparity	18	45%	Gender-based wage gaps
Gender Inequality	14	35%	Discrimination in hiring and promotions
Nepotism	20	50%	Preferential treatment based on relationships

Table 6
RECOMMENDATIONS FOR ENHANCING ETHICAL PRACTICES

Recommendation	Frequency (n=40)	Percentage (%)	Key Insights
Implementing Ethical	25	62.5%	Regular training on ethical conduct and

Training			compliance
Strengthening Internal Controls	30	75%	Robust internal audits and anti-corruption policies
Promoting Transparent Leadership	28	70%	Ethical leadership, transparency in decision-making
Enhancing Reporting Mechanisms	22	55%	Anonymous reporting channels and whistleblower protection

Child Labour Practices in SMEs and Their Socio-Economic Implications

Child labour remains a pervasive issue within Pakistani SMEs, driven by socio-economic pressures and inadequate regulatory enforcement. Interviews revealed that child labour is often utilized as a cost-saving measure, with children employed in hazardous conditions for minimal wages. One respondent stated, "We hire children because they are cheap labour and can be easily controlled."

The socio-economic implications of child labour are profound. Children engaged in labour miss out on educational opportunities, perpetuating cycles of poverty and limiting their future economic potential. As one interviewee mentioned, "These children grow up without proper education and skills, which affects their ability to find better jobs in the future." Moreover, the exploitation of child labour undermines the broader socio-economic development goals of the country, hindering human capital formation and contributing to long-term socio-economic stagnation. Addressing child labour requires stringent enforcement of labour laws and the provision of social safety nets to support vulnerable families in table 5& table 6.

Gender Equality Challenges and the Persistence of Gender Biases in the Workplace

Gender equality remains an elusive goal within Pakistani SMEs, with persistent gender biases evident in hiring, promotion, and compensation practices. The study found that women often face significant barriers to entry and advancement in the workplace, with prevalent discriminatory practices that favour male employees. One female employee noted, "Despite having the same qualifications and experience, men are often preferred for higher positions."

Gender biases are reinforced by socio-cultural norms that view women as less capable or committed to their careers. These biases limit women's career opportunities and deprive organizations of the diverse perspectives and skills women bring to the workplace. Promoting gender equality requires concerted efforts to dismantle discriminatory practices and create an inclusive work environment that supports women's professional growth. One manager suggested, "We need to actively promote and support women in our organization to break these biases."

Nepotism and Its Effects on Organizational Fairness and Employee Trust

Nepotism is a widespread issue in Pakistani SMEs, where familial and social connections often influence hiring and promotion decisions. The findings indicate that nepotism undermines organizational fairness and erodes employee trust. Employees who perceive nepotistic practices as unjust will likely experience decreased trust in management and reduced organizational commitment. One employee said, "It's disheartening to see promotions based on connections rather than merit."

This, in turn, can lead to higher turnover rates and lower organizational cohesion. To mitigate the effects of nepotism, SMEs need to implement merit-based recruitment and promotion policies that ensure fairness and transparency. By fostering a meritocratic culture,

organizations can enhance employee trust and build a more cohesive and productive workforce. One business owner stated, "Implementing a transparent hiring process has significantly improved our team's trust and performance."

The findings highlight the complex and interrelated nature of organizational wrongdoing within Pakistani SMEs. Addressing these issues requires a multi-faceted approach that includes promoting ethical leadership, enforcing labour laws, implementing fair wage policies, dismantling gender biases, and curbing nepotistic practices. By doing so, SMEs can contribute to a more just and equitable business environment that supports sustainable development and human rights.

DISCUSSION

This research argues that SMEs can play a pivotal role in societal change by acting as strategic bridges between various stakeholders. Through this role, SMEs can influence political, economic, and social landscapes by driving institutional, governance, and cultural transformations. Our findings, informed by social construction theory, suggest that corruption and unethical practices within Pakistani SMEs are not isolated incidents but are deeply rooted in the broader social and organizational context (Lange & Washburn, 2012; Tänzler & Maras, 2016). Social construction theory emphasizes the role of social interactions in shaping reality and defining acceptable norms (Berger & Luckmann, 1967). This perspective helps us understand how corruption can become normalized within organizations in table 7. Leaders and employees collectively shape organizational culture through daily interactions, either fostering a culture of integrity or tolerating unethical behaviour (Lange & Washburn, 2012).

<table>
<tr><th colspan="4">Table 7
DATA ANALYSIS STEPS</th></tr>
<tr><th>Steps</th><th>Description</th><th>Examples from the Study</th><th>Resulting Themes</th></tr>
<tr><td>1. Familiarization with Data</td><td>Researchers read and re-read interview transcripts, taking notes on initial thoughts and observations.</td><td>"There's always favouritism in promotions. If you're not part of the inner circle, you don't move up."</td><td>Identification of general patterns such as favouritism.</td></tr>
<tr><td>2. Initial Coding</td><td>Key phrases and concepts were systematically highlighted and coded across the dataset.</td><td>"We hire children because they are cheap labour," coded as Child Labour.</td><td>Creation of first-level codes: Child Labour, Bribery.</td></tr>
<tr><td>3. Collating Codes into Themes</td><td>Codes were grouped into broader categories or themes based on conceptual similarity.</td><td>Codes like Unfair Promotions and Hiring Relatives were grouped under the theme of Nepotism.</td><td>Major themes: Nepotism, Wage Disparity, Corruption.</td></tr>
<tr><td>4. Reviewing Themes</td><td>The themes were reviewed and refined to ensure they accurately represented the data and were distinct.</td><td>Nepotism was checked for clarity against Favouritism, ensuring it covered hiring/promotions linked to family connections.</td><td>Refined themes with more explicit boundaries and labels.</td></tr>
<tr><td>5. Defining and Naming Themes</td><td>Themes were given clear, descriptive names and definitions that captured the essence of the data.</td><td>Corruption was defined as encompassing bribery, embezzlement, and misuse of resources.</td><td>Final themes: Corruption, Nepotism, and Child Labour.</td></tr>
<tr><td>6. Illustrating Themes with Data</td><td>Direct quotations from participants were linked to each theme to illustrate how the theme was derived.</td><td>"In our company, cutting corners is a norm to survive" associated with Corruption.</td><td>Thematic evidence through participant quotes.</td></tr>
</table>

CONCLUSION

This study presents a thorough examination of organizational wrongdoing within Pakistani SMEs, emphasizing how corruption and unethical practices—specifically child labour, wage disparity, gender inequality, and nepotism—are entrenched and justified within these organizations due to socio-economic pressures and weak regulatory environments. The findings reveal that these practices are perpetuated through both cultural norms and economic constraints, significantly impacting employees' human rights and obstructing Pakistan's progress toward Sustainable Development Goals (SDGs), particularly SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities). Addressing corruption in SMEs is thus an ethical imperative and a strategic necessity to foster sustainable economic growth, social equity, and the long-term viability of businesses within Pakistan's rapidly developing economic landscape. The research uncovered that leadership plays a crucial role in either perpetuating or challenging these unethical practices. Findings indicated that leadership choices influence employee morale and organizational culture: leaders who prioritize ethical standards set positive precedents that reduce instances of corruption, while corrupt leadership normalizes unethical behaviour at all organizational levels. This underlines the importance of ethical leadership as a critical factor in shaping organizational culture and moral climate, with interviewees noting a marked improvement in organizational integrity when transparent and accountable leadership was prioritized.

LIMITATIONS

While this qualitative study offers in-depth insights into organizational wrongdoing and human rights abuses within Pakistani SMEs, several methodological limitations must be acknowledged. One fundamental limitation is the reliance on self-reported data, which may introduce bias due to participants' tendencies to underreport unethical practices or provide socially desirable responses, particularly when discussing sensitive topics like corruption, nepotism, and child labour. Despite efforts to create a confidential and open interview environment, participants may have withheld certain information to protect themselves or their organizations. Furthermore, the semi-structured nature of the interviews, while beneficial for exploring complex themes, also leaves room for variability in how questions are asked and interpreted, potentially affecting the consistency of responses across participants (Patton, 2015).

Another limitation lies in the challenges of generalizing findings from a specific sample of SMEs located in Lahore and Karachi. Although these cities are major industrial hubs in Pakistan, and the inclusion of diverse industries enhances the breadth of the study, the findings may not fully capture the experiences of SMEs in other regions or sectors. The context-specific nature of qualitative analysis also limits how much the results can be generalized to all Pakistani SMEs. Additionally, qualitative data interpretation is inherently subjective, and despite the rigorous thematic analysis process, researcher bias may have influenced how themes were identified and categorized (Braun & Clarke, 2006). Acknowledging these limitations ensures transparency in the research process and encourages further studies to explore these issues in broader contexts or use different methodologies to validate the findings.

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