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Corporate Social Responsibility and Financial Performance: Mediating Role of Organizational Reputation and Moderating Effect of Strategic Business Management

[*1]Dr. Mah a Mobeen
[2]Dr. Iram Batool
[3]Ayesha Shafique
[4]Dr. Asad Amjad
*[*1]Lecturer. Department of Management Sciences, COMSATS University, Islamabad.*
[2]Director (Treasurer Office), PMAS Arid Agriculture University, Rawalpindi
[3]Lecturer at National University of Modern Languages, Islamabad.
[4]NUST Business School, National University of Sciences and Technology, Pakistan.
[*1]mahamobeen@comsats.edu.pk, [2]iram_batool@hotmail.com, [3]Ayesha.shafique@numl.edu.pk
[4]asad.amjad@nbs.nust.edu

Abstract

Background: Corporate social responsibility (CSR) has emerged as a central concern in contemporary business strategy, with scholars and practitioners recognizing its potential to influence both intangible assets, such as reputation, and tangible outcomes, such as financial performance. In Pakistan's textile sector, which accounts for the majority of export earnings and is under growing international pressure for sustainability compliance, understanding the CSR–performance nexus is particularly critical. Purpose/Aim: This study aims to examine the impact of CSR on financial performance in large textile firms in Pakistan, while investigating the mediating role of organizational reputation and the moderating effect of strategic business management (SBM). By integrating stakeholder theory and the resource-based view, the research seeks to clarify how CSR initiatives create value in an emerging-market context. Methodology: A quantitative, cross-sectional design was employed, and survey data were collected from managers in large-scale textile firms. Structural equation modeling (SEM) using SmartPLS was applied to test the hypothesized relationships, ensuring robust assessment of measurement and structural models. Findings: Results demonstrate that CSR positively influences financial performance, with organizational reputation mediating this relationship, thereby confirming reputation as a critical intangible asset. However, SBM did not moderate the CSR–performance link. The study highlights CSR's strategic value in enhancing competitiveness while revealing contextual limitations of strategic alignment in this sector.

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Corresponding Authors*:
Dr. Mah a Mobeen

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INTRODUCTION

In today's interconnected economy, firms increasingly recognize that long-term success depends on more than just short-term profits. Intangible assets such as brand reputation, stakeholder trust, and ethical standing are now considered critical determinants of sustainable performance (Ali et al., 2022; Xia et al., 2023). Corporations across the globe face heightened scrutiny from consumers, regulators, and investors, compelling them to integrate ethical practices and social responsibility into their strategic planning (Ali et al., 2022; Xia et al., 2023). Recent reviews highlight that companies embracing socially responsible principles often report improved public image and operational efficiency, suggesting that strategic CSR is pivotal for both economic development and business sustainability (Xia et al., 2023). Empirical studies also indicate that CSR initiatives yield tangible benefits, with evidence showing positive associations between CSR and outcomes such as customer loyalty, innovation capacity, and employee satisfaction (Hussain et al., 2022; Yoon & Chung, 2023). Contemporary discourse frames CSR not as a peripheral obligation but as an integral component of corporate strategy, directly linking social and environmental commitments to competitiveness (Ali et al., 2022; Xia et al., 2023).

Recent research is mostly positive in its relationship between CSR and the outcome of firms. Research shows that CSR activity is often associated with improved financial performance and improved relations with stakeholders. As an example, the comparison of global companies indicates that socially responsible businesses become more profitable in the future than their counterparts that do not prioritize social aspects (Yoon and Chung, 2023; Hussain et al., 2022). Increased customer trust, employee motivation, and quality of products have also been linked to CSR (Hussain et al., 2022; Yoon and Chung, 2023). Nevertheless, the evidence is not quite uniform. Others state that CSR improves efficiency and brand loyalty because it helps reduce conflict costs and create goodwill and others warn that it increases resource allocation to non-core business or narrows shareholder attention (Khan et al., 2023; Voinea et al., 2022). The evidence of this is empirical and supports the fact that the effect is immensely context-sensitive. As an illustration, the operating income of firms that were rated as CSR leaders in the United States increased substantially in the following years (Yoon and Chung, 2023), whereas the research in regulated markets indicated that mandatory CSR may not necessarily improve profitability and can even limit it (Khan et al., 2023). There is no agreement over the fact that CSR can be beneficial to firms, but its value is contingent on the quality of its implementation, industry and local institutional factors (Voinea et al., 2022; Yoon & Chung, 2023).

The textile sector exemplifies these global challenges. Globally, textiles are among the most resource-intensive industries, responsible for approximately 10% of carbon emissions and ranked as the second-largest industrial consumer of water (Shahzad et al., 2022). Furthermore, about 85% of textile products are discarded in landfills each year, highlighting severe sustainability concerns (Köhler et al., 2023). These pressures have prompted stricter environmental and social requirements from regulators and consumers, such as those introduced under the European Green Deal. In Pakistan, textiles represent the backbone of the economy yet face severe vulnerabilities. The sector contributes around 8.5% of GDP and employs nearly 40% of the national workforce, while accounting for almost 60% of total exports (Government of Pakistan, 2023). In fiscal year 2024, textile exports were valued at approximately USD 16.7 billion (State Bank of Pakistan, 2024). However, climate-related shocks have created major disruptions: Punjab, the country's

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key cotton-growing region, reported a cotton output decline exceeding 30% in 2024–25, forcing record cotton imports (Pakistan Bureau of Statistics, 2025). Simultaneously, energy shortages, outdated machinery, and shifting global trade dynamics undermine competitiveness (Government of Pakistan, 2023). In response, policymakers have emphasized sustainability. The Pakistan Textile & Apparel Policy 2020–2025, for example, seeks to promote exports while improving compliance with international labor, ethical, and environmental standards (Ministry of Commerce, 2023). These challenges underscore why the integration of CSR and strategic management has become a pressing issue in Pakistan's textile industry.

Despite the growing emphasis on CSR, substantial gaps remain in studies, particularly within Pakistan's textile industry. Most studies examine CSR's outcomes in isolation or in developed economies, offering limited insight into its broader strategic implications in emerging markets. Few have analyzed how CSR initiatives, when embedded in corporate strategy, shape both organizational reputation and financial performance in the textile sector. Hussain et al. (2022) note that while CSR's role in firm performance is often acknowledged, its connection to organizational reputation remains "inconclusive and contradictory," with little empirical work on the mechanisms linking these constructs. In Pakistan, research tends to emphasize narrow outcomes, such as employee attitudes, rather than developing holistic models that integrate CSR, strategy, and financial outcomes. No comprehensive study has yet examined CSR integration alongside organizational reputation and financial results in large textile manufacturers, despite the sector's prominence in global trade. This oversight is significant because large Pakistani textile firms operate within an intensely competitive, sustainability-driven environment, where responsible practices may determine brand survival and profitability. Therefore, the research problem centers on examining whether CSR, when treated as a strategic priority, generates reputational capital that translates into financial gains. Addressing this gap will clarify the conditions under which CSR functions as a value-adding asset rather than an operational burden in Pakistan's textile sector.

Exploring the CSR–performance link in Pakistan's textile sector is academically, practically, and politically important. From an academic perspective, it contributes to refining theories by situating CSR within a strategic framework in an emerging market context. For managers, it offers practical guidance on designing CSR initiatives that enhance both reputation and profitability. For policymakers, the findings align with national and global development objectives. Pakistan's Textile Policy 2020–2025 explicitly promotes sustainability and ethical compliance as a means of boosting competitiveness (Ministry of Commerce, 2023). Moreover, the research is directly relevant to the UN Sustainable Development Goals (SDGs). In particular, it supports SDG 8 (decent work and economic growth), SDG 9 (industry, innovation, and infrastructure), and SDG 12 (responsible consumption and production). Recent UN analyses stress that Pakistan must reduce industrial waste and increase manufacturing value-added to remain on track with the SDGs (UNDP, 2023; UNIDO, 2024). Thus, this study has practical and policy relevance because it lies at the nexus of economic resilience, social responsibility, and global sustainability commitments.

This research provides value by presenting a comprehensive theoretical model and context-specific evidence. It is unique in jointly analyzing CSR, strategic orientation, organizational reputation, and financial outcomes in large textile firms in Pakistan an industry and region often overlooked in CSR studies. By empirically testing this framework, the study contributes to stakeholder-based theories by illustrating how CSR-driven engagement functions as an intangible resource and offers firms a competitive edge. The research also fills a geographic gap, showing how developing-country industries can leverage responsible practices to strengthen global competitiveness.

This study is underpinned by stakeholder theory, complemented by the resource-based view. Stakeholder theory posits that firms must serve the interests of multiple constituencies, and that addressing these interests enhances legitimacy and long-term value creation (Freeman et al., 2022). CSR initiatives, framed strategically, serve this function by building organizational reputation, which can then translate into financial performance. Reputation is thus conceptualized as an intangible asset mediating the relationship between CSR and firm outcomes. By empirically demonstrating this mediating role, the study expects to provide theoretical insights into the CSR–reputation–performance chain, while offering practical guidance to managers and policymakers on designing strategies that deliver both societal and financial returns.

THEORY

Stakeholder theory, originally articulated by Freeman in 1984, emerged as a response to the traditional shareholder-centric view of corporate governance. In essence, the theory states that it is the duty of the firms to not only to its shareholders but also to a wider circle of stakeholders which includes staff, consumers, societies, suppliers, and the government. Such a more general orientation signifies the concept that sustainable success is based on balancing and harmonizing the interests of different groups instead of focusing on maximization of short-term profit. The main idea of the stakeholder theory is that organizations are not isolated and have to compete in complicated social systems where financial returns are not as important as legitimacy, trust, and reputation (Freeman et al., 2022). The stakeholder theory has changed significantly during the last four decades. Although it has been used earlier as a moral imperative, the more recent discussion portrays its strategic aspect since it is not only normative but also instrumental in creating a competitive advantage in the long run when stakeholders are well engaged. Recent advances have merged the theory with other theories like the resource-based view and the institutional theory, demonstrating the relevance of stakeholder-oriented practices in resource-building intangibles including reputation, legitimacy, and resilience (Del Giudice et al., 2022). This development highlights its heightened applicability in sectors, which are being tightly reviewed with regard to their social and environmental effects, including textiles and apparel.

Stakeholder theory has been well utilized in modern-day research studies to examine the relationship between organizational practices and how they are conducted so as to generate profit and at the same time meet the expectations of the society. Empirical research is indicating that the company with a stronger engagement with the stakeholders tends to report a better reputation, innovation, and finances when focusing more on new approaches (Hussain et al., 2022; Xia et al., 2023). Specifically, it is indicated that stakeholder involvement allows companies to address uncertainty, enhance legitimacy in the international markets, and reduce reputational risks of unsustainable operations (Voinea et al., 2022). Such combination of moral obligation and strategic management shows why stakeholder theory is considered now as moral and pragmatic approach to organizational success. In the setting of the textile industry of Pakistan, the stakeholder theory can be used as an effective intellectual backbone in examining the manner in which socially responsible business practices are entrenched in strategic management. The textile companies in Pakistan are highly globalized and in such a supply chain, adherence to labor, environmental, and ethical practices is a paramount requirement in ensuring that it has access to international markets. The stakeholder theory implies that not only normative duties are satisfied by fulfilling these expectations but also a better reputation and trust make the company more competitive. This framework therefore forms the basis of the current study as it is through responsible practices that intangible assets are built which can be converted into tangible performance. By placing the study in the context of the stakeholder theory, the study highlights the two-fold nature of CSR as a moral necessity and a strategic asset in the process of sustainably growing.

HYPOTHESES

The relationship between organizational practices that emphasize responsibility toward diverse stakeholders and firm-level outcomes has remained a central theme in management research. It is becoming a popular argument among scholars that organizations in the modern world are not only judged based on their economic performance but also the ability to create value to employees, communities and the environment. According to the stakeholder theory, the responsiveness to the needs of stakeholders improves the legitimacy, trust, and reputation capital that contribute to the competitive positioning (Freeman et al., 2022). The empirical evidence also confirms that, companies that incorporate socially responsible practices in their business model achieve greater stakeholder loyalty, which consequently lowers the transaction costs and improves the business opportunities in the market (Voinea et al., 2022). Recent research in other industries attests to a positive correlation between these practices and profitability and risk reduction, but other researchers report contradictions based on contexts where financial gains can be postponed or less direct (Xia et al., 2023). These observations demonstrate that more studies are necessary on the role of such practices in influencing performance in labor-intensive and export-oriented industries such as textiles. In the newly developing economies like Pakistan where the textile production sector is not only economically important, but also globally under scrutiny; the issues of stakeholders have become central to growth. Not only does responsible conduct ensure that firms can comply with buyers internationally, it also helps the company become more resilient to reputational and operational risks (Hussain et al., 2022). This is in line with the assertion of the stakeholder theory that the process of dealing with the different expectations of different stakeholders is not only normative but also, strategic. With such expectations being met, companies within the fiercely competitive global supply chains can access tangible and intangible advantages that lead to financial results. Therefore, it is hypothesized that:

H1: Corporate social responsibility has a positive effect on financial performance.

Reputation has increasingly been recognized as a vital intangible asset that strengthens the link between socially responsible practices and financial outcomes. Stakeholder theory presupposes that organizations obtain legitimacy and trust as they fulfill the expectations of employees, customers, and communities and establish reputational capital that the organization has in comparison with its competitors (Freeman et al., 2022). Copernican research results evidence that CSR projects can frequently result in positive reputation of the stakeholders, strengthen the brand reputation, customer retention, and investor trust (Hussain et al., 2022). These reputational benefits generate channels where social and environmental projects indirectly affect profitability by drawing in new markets, lessening risk, and increasing the competitiveness over the long term (Xia et al., 2023). However, On the one hand, the direct impact of CSR on financial performance may be ambivalent, and, on the other hand, the reputational returns that it brings about are believed to be a key factor in reinforcing the CSR-performance relationship (Voinea et al., 2022).

When applied to the setting of Pakistan textile industry, where global consumers and regulators are becoming more and more focused on the ability to operate under sustainability and labour requirements, reputation turns to become a defining determinant of whether the business can gain access to the market and survive in the long term. Companies that operate in a responsible manner do not see immediate financial benefits but are able to improve their reputation score which in turn leads to development in terms of increased trust and competitiveness on the global scale (Shahzad et al., 2022). This is in line with theoretical postulation that the translation of stakeholder-oriented practices into quantifiable economic returns is mediated by the intangible resource like reputation. Therefore, it is hypothesized that:

H2: Organizational reputation mediates the relationship between corporate social responsibility and financial performance.

The extent to which socially responsible initiatives enhance organizational reputation and financial outcomes is not uniform across firms; it depends heavily on how effectively such initiatives are aligned with strategic priorities. The stakeholder theory implies that the consideration of the stakeholder expectations is more effective when incorporated in the overall strategic management practices at the firm level, so that CSR is not deemed as marginal, but as part of the decision-making and resource-allocation (Freeman et al., 2022). Recent research points to the fact that companies with strategic orientations towards sustainability reap more reputational and financial gains out of CSR than companies with symbolic or ad-hoc orientations (Del Giudice et al., 2022). The strategic business management can help the firms to formalize CSR activities, embed them within the operational framework, and use them as the differentiation sources, which enhances their impact on the intangible and tangible outcomes (Voinea et al., 2022).

In the textile industry of Pakistan, where competition and compliance require are intense, strategic alignment is especially imperative. Companies that strategically incorporate CSR by the management are more likely to be reputational legitimized with the international customers and the authorities, which subsequently translate the intangible benefits into a better financial performance (Hussain et al., 2022). In comparison, the strategy-lacking firms might not be able to transform CSR activities into something significant, which constrains the effectiveness of CSR in its ability to impact reputation and performance. This reasoning shows that CSR initiatives may be heightened by strategic business management towards organizational reputation and financial outcomes.Therefore, it is hypothesized that:

H3: Strategic business management positively moderates the relationship between corporate social responsibility and financial performance.

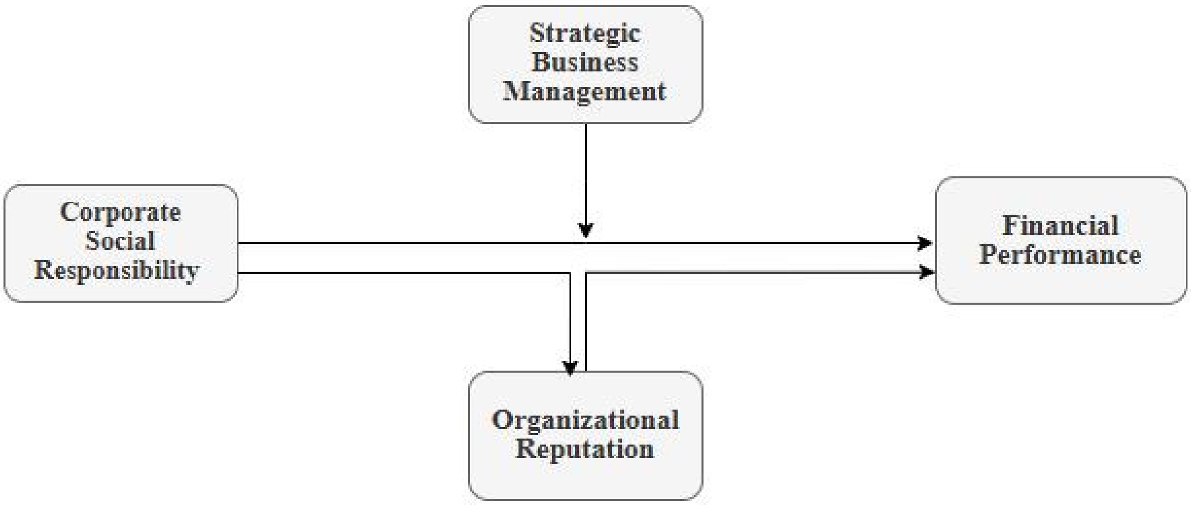

FIGURE 1: RESEARCH MODEL

METHODOLOGY

The current research design is quantitative and cross-sectional as it attempts to establish the relationships between corporate social responsibility, firm reputation, and financial performance within the textile industry in Pakistan. The specific population to be studied is large-scale textile producers in Pakistan since this industry contributes almost 60 percent of the overall export revenue of the country and employs a significant percentage of the labor force, and thus, it is a very relevant population to evaluate how CSR has been strategically integrated in the business operations (Pakistan Bureau of Statistics, 2024). The growing global interest in this industry regarding sustainability and ethical compliance renders this industry a fitting setting to explore the theorized CSR-reputation-performance relationship. In order to derive representative data, proportionate stratified random sampling will be implemented in subsectors of spinning, weaving, dyeing, and garment manufacturing to cover various operational activities in textiles. The size of the sample is selected in accordance with the requirements of the structural equation modeling (SEM), in which ten responses per indicator are considered to be the minimal (Hair et al., 2022). Considering the number of 25-30 indicators within constructs, it is planned to collect at least 300 responses, which is the best practice to obtain reliable parameter estimates and statistical power (Kline, 2023).

The methods of data collection are based on structured questionnaires, and all the constructs are assessed using validated scales used in previous research. These are CSR which is measured by 12-item scale (Turker, 2009), organizational reputation measured by 6-item scale (Walsh et al., 2009), strategic business management measured by 7-item scale (Li et al., 2020) and financial performance measured by 5-item perceptual scale (Dess and Robinson, 1984) all measured on a 7-point Likert scale of strongly disagree (1) to strongly agree (7). There are a large number of studies that use these instruments in recent CSR and strategic management research, and the instruments have a high level of reliability and construct validity (Nguyen et al., 2022; Voinea et al., 2022). The data analysis will consist of two steps: descriptive statistics and inferential statistics with the help of SPSS and structural equation modeling with SmartPLS to determine the measurement reliability, determine the validity with the help of confirmatory factor analysis and test the hypothesized structural relationships. SmartPLS is especially the most appropriate in complex models with mediating and moderating variables, and its use improves the strength in the conditions of emerging economies in which the distribution of data can be non-normal (Hair et al., 2022). The methodological rigor and transparency in the answers to the research questions are guaranteed by this combination of proven tools, suitable sampling, and sophisticated tools of analysis.

DATA ANALYSIS

TABLE 1: FACTOR LOADINGS

Variables		CSR	FP	OR	SBM
Corporate Social Responsibility	**CSR1**	0.885			
	CSR2	0.867			
	CSR3	0.846			
	CSR4	0.824			
	CSR5	0.863			
	CSR6	0.892			
	CSR7	0.812			
	CSR8	0.906			
Financial Performance	**FP1**		0.867		
	FP2		0.909		
	FP3		0.869		
	FP4		0.911		
	FP5		0.846		
	FP6		0.860		
Organizational Reputation	**OR1**			0.824	
	OR2			0.817	
	OR3			0.820	
	OR4			0.869	
	OR5			0.856	
	OR6			0.797	
Strategic Business Management	**SBM1**				0.880
	SBM2				0.895
	SBM3				0.882
	SBM4				0.901
	SBM5				0.892
	SBM6				0.919
	SBM7				0.858
	SBM8				0.911

Factor loadings are the level of correlation between observed indicators and their latent constructs, which are the decisive pieces of evidence of reliability and validity of measurement models in structural equation modeling. The increase in loadings means that the indicator is good at capturing the construct that it is designed to capture and, therefore, increases construct validity (Hair et al., 2022). Although loadings exceeding 0.40 are usually accepted as insignificant in exploratory research, confirmatory studies usually have more rigid requirements, with loadings above 0.70 regarded as evidence of high convergent validity (Sarstedt et al., 2022). The benchmarks can assist researchers to assess the suitability of measurement tools and to achieve sound statistical inferences.

The outcomes of the factor loading of this study indicate a consistently good relationship between constructs where all the items have greater than the suggested 0.70 level. On corporate social responsibility, the indicators display patterns between 0.812 (CSR7) and 0.906 (CSR8), which is highly reliable in the measurement of CSR practices. Items within the financial performance also have high loading factors with 0.846 (FP5) to 0.911 (FP4) validating their significance in indicating organizational performance. The indicators of organizational reputation are slightly less but still confirmatory with the range between 0.797 (OR6) and 0.869 (OR4). There are the highest loadings of strategic business management items, 0.858 (SBM7) and 0.919 (SBM6), with a clear construct. Since all items pass the confirmatory threshold, none of them should be excluded, because their high empirical support is in line with theoretical predictions.

TABLE 2: VALIDITY STATISTICS

	Cronbach's alpha	(rho_a)	(rho_c)	(AVE)
Corporate Social Responsibility	0.951	0.954	0.959	0.744
Financial Performance	0.940	0.942	0.953	0.770
Organizational Reputation	0.910	0.910	0.930	0.691
Strategic Business Management	0.964	0.987	0.969	0.796

These statistics collectively assess internal-consistency reliability and convergent validity two prerequisites before testing structural relationships. Cronbach's alpha estimates the extent to which items within a scale co-vary and is widely used as a lower-bound reliability indicator; Dijkstra–Henseler's rho_A and composite reliability (rho_C or CR) offer refinements that better reflect true-score reliability in SEM contexts (rho_A adjusts for construct score estimation; CR relaxes tau-equivalence) (Hair et al., 2022; Cheung et al., 2023). Average Variance Extracted (AVE) quantifies convergent validity by indicating the proportion of item variance explained by the latent construct (Fornell & Larcker logic as operationalized in contemporary guidelines). Best-practice thresholds endorsed in recent methodological reviews are ≥ .70 for Cronbach's alpha, rho_A, and CR, and ≥ .50 for AVE (Hair et al., 2022; Cheung et al., 2023). The values reported exceed these benchmarks by a comfortable margin suggests very cohesive content coverage beneficial for measurement precision but meriting a conceptual check for item redundancy; retention is justified here because strong psychometric performance aligns with theoretical coverage and improves model stability, whereas any decision to drop items should weigh theoretical representativeness as well as statistical criteria (Cheung et al., 2023).

TABLE 3: HTMT RATIO

	CSR	FP	OR	SBM
Corporate Social Responsibility				
Financial Performance	0.586			
Organizational Reputation	0.650	0.611		
Strategic Business Management	0.097	0.075	0.043	

The heterotrait–monotrait ratio of correlations (HTMT) is a contemporary and widely recommended diagnostic for discriminant validity in variance-based SEM because it directly estimates the ratio of between-construct correlations to within-construct correlations, offering greater sensitivity than traditional criteria (Hair et al., 2022). Methodological guidance published in the last three years reinforces two pragmatic cut-offs: a conservative threshold of HTMT < .85 for clearly distinct constructs and a more liberal threshold of HTMT < .90 when constructs are theoretically close or conceptually overlapping (Guenther et al., 2023; Panzeri et al., 2024). Best practice also encourages

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Vol. 3 No. 9 (2025)

researchers to complement point estimates with bootstrapped confidence intervals for HTMT where values approach those cut-offs, to avoid overreliance on a single heuristic (Hair et al., 2022). Applying these standards to the reported matrix demonstrates satisfactory discriminant validity. All pairwise HTMT values lie well below the conservative .85 criterion, indicating that each latent construct captures a distinct conceptual domain rather than measuring the same underlying phenomenon.

TABLE 4: MODEL FITNESS

	Saturated model	Estimated model
SRMR	0.048	0.049
d_ULS	0.953	0.994
d_G	0.791	0.791
Chi-square	1409.854	1411.433
NFI	0.849	0.848

The model fit indices provide evidence of acceptable measurement model quality. The standardized root means square residual (SRMR) values of 0.048 (saturated) and 0.049 (estimated) are below the recommended 0.08 threshold, indicating good fit (Hair et al., 2022). Both d_ULS and d_G values show minimal differences between saturated and estimated models, suggesting model stability. The chi-square statistic, though large, is expected in complex models with larger samples and is not solely relied upon for fit assessment. The normed fit index (NFI) values of 0.849 and 0.848 approach the 0.90 benchmark, reflecting an adequate though improvable fit.

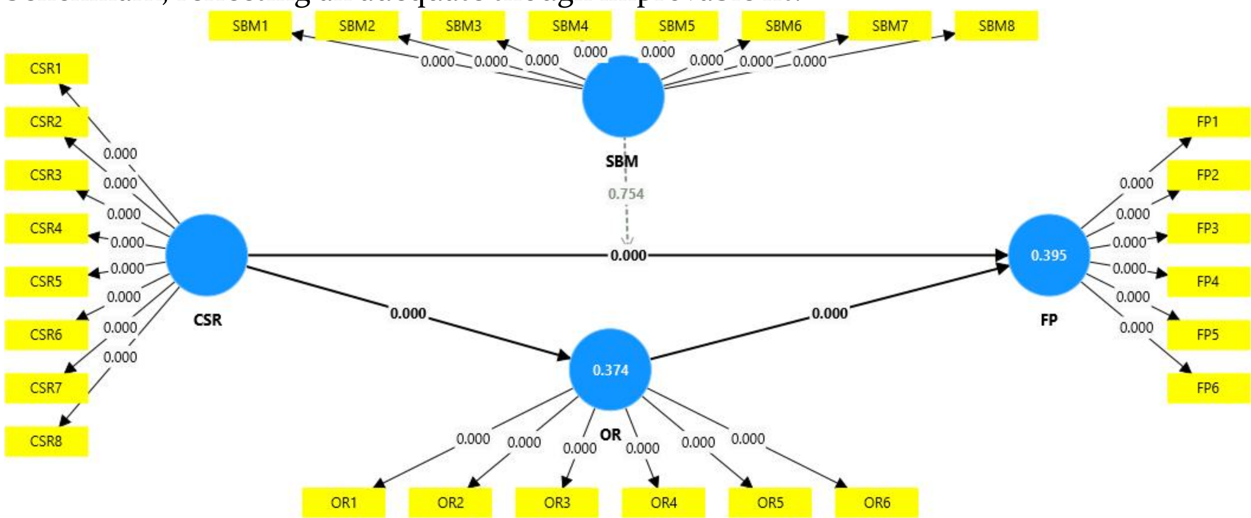

FIGURE 2: STRUCTURAL EQUATION MODELLING

TABLE 5: HYPOTHESES RESULTS

Hypotheses	Original sample	Sample mean	Standard deviation	T statistics	P values
Corporate Social Responsibility -> Financial Performance	0.335	0.332	0.058	5.751	0.000
Corporate Social Responsibility -> Organizational Reputation -> Financial Performance	0.222	0.224	0.041	5.398	0.000
Strategic Business	0.018	0.005	0.057	0.313	0.754

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Management x Corporate Social Responsibility -> Financial Performance

The results of the structural model reveal mixed support for the hypothesized relationships. The direct effect of corporate social responsibility on financial performance is positive and statistically significant ($\beta = 0.335$, $t = 5.751$, $p < 0.001$), indicating that firms engaging in CSR practices are likely to experience improved financial outcomes. The mediating pathway through organizational reputation is also supported, with CSR positively influencing financial performance via reputation ($\beta = 0.222$, $t = 5.398$, $p < 0.001$). However, the moderating effect of strategic business management on the CSR–financial performance relationship is not supported. The path coefficient is small and statistically insignificant ($\beta = 0.018$, $t = 0.313$, $p = 0.754$), suggesting that strategic business management does not strengthen or alter the influence of CSR on financial outcomes in this context.

DISCUSSION

The findings provide clear empirical support for the proposition that corporate social responsibility (CSR) contributes positively to financial performance. The significant direct path aligns with stakeholder-theoretic expectations that responsiveness to multiple constituencies enhances legitimacy, reduces transaction costs, and creates market advantages that are reflected in financial outcomes (Freeman et al., 2022). Empirical work in related contexts similarly documents that CSR can generate both demand-side benefits (customer loyalty, market access) and supply-side efficiencies (employee commitment, lower risk exposure), which together translate into superior performance (Hussain et al., 2022; Yoon & Chung, 2023). In the Pakistan textile context—an export-driven, reputation-sensitive sector these mechanisms are particularly salient because international buyers and regulators reward credible sustainability performance, thereby converting social responsiveness into measurable economic returns (Shahzad et al., 2022; Government of Pakistan, 2023). Thus, the supported H1 underscores CSR's dual normative and instrumental role in creating firm value in this industry.

The mediated relationship through organizational reputation is also supported, indicating that reputation is an important channel by which CSR influences financial outcomes. This result is in line with the theoretical integrations of the stakeholder theory and the resource-based view, which assume that reputational capital is an intangible resource that helps to mediate the conversion of stakeholder-oriented practices into a competitive advantage (Del Giudice et al., 2022; Voinea et al., 2022). In practice, the biased mediation that is evident (both direct and indirect effects are not negligible) implies that CSR is mediated by several channels: a reputational channel that strengthens trust, buyer relationships, and entry into high-end markets, and a more direct channel that results in improved operational efficiency and dedication to the company by internal stakeholders (Xia et al., 2023). These findings, combined with earlier ones, bolster the claim that reputational benefits are not simply a by-product but a process that links CSR investments to long-term financial returns.

In contrast, the hypothesized moderating role of strategic business management (SBM) was not supported. Several plausible explanations merit consideration. Methodologically, moderation effects require sufficient between-firm variance in the moderator and adequate statistical power to detect interaction terms; extremely high internal consistency of SBM (and low bivariate correlations with other constructs in this sample) may indicate restricted variance or ceiling effects that attenuated the interaction signal (Hair et al., 2022; Kline, 2023). Theoretically, SBM may function as an antecedent or enabling capability that shapes CSR adoption rather than as a boundary condition that amplifies CSR's effects; in other words, strategic management may determine whether and how CSR is implemented, but once CSR is enacted, reputation-driven effects on performance unfold relatively independently (Del Giudice et al., 2022). Contextually, large Pakistani textile firms may exhibit convergent strategic practices due to regulatory and buyer-driven compliance pressures, reducing heterogeneity necessary for moderation (Government of Pakistan, 2023). Future research should therefore employ longitudinal or multi-source designs, probe SBM's role as an antecedent or mediator, and test additional moderators (e.g., green technology capability, internationalization) to clarify boundary conditions.

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