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## Unveiling the Nexus: Corporate Social Responsibility and Financial Performance in Developing Economies

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### ABSTRACT

The purpose of this study is to examine how corporate social responsibility (CSR) affects a company's financial performance by looking at the moderating effect of CSR information quality and the mediating role of customer satisfaction and loyalty. Additionally, a two-stage structural equation approach was used to assess the validity and reliability of the data, as well as the impact of underpinning variables. This study demonstrated that CSR has a positive and significant impact on consumer loyalty, customer satisfaction, and corporate financial performance. Furthermore, the study affirmed the function of customer loyalty and satisfaction as a mediator between CSR and corporate financial performance. Furthermore, it has been shown that the CSR information quality modifies the association between CSR and customer satisfaction. However, the moderating effect of the quality of CSR information on the connection between CSR and company financial performance was not supported by this study. This study is significant since it sheds light on the intricate relationships that exist between financial performance and CSR, and offers understanding of the basic processes that support business success in terms of client loyalty, customer satisfaction, and the CSR information quality in developing countries.

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## 1. Introduction

A business strategy, known as "corporate social responsibility" (CSR), aims to benefit all stakeholders in the economy, society, and environment while also promoting sustainable development. It's a complex and highly debated subject regarding how CSR and financial performance are related (Kuo et al., 2023). There isn't a universally applicable solution, but a number of studies have looked into this relationship, and most of them point to a positive association between financial performance and CSR efforts (Hawn & Kang, 2018). It is important to remember that different industries, geographical areas, and individual businesses may have different relationships between CSR and financial performance (Ferdous & Moyeen, 2022). Furthermore, sincere dedication, rather than just token gestures, transparency, and alignment with a company's basic values are what determine whether a CSR project is beneficial (Tarigan et al., 2021). Businesses should approach CSR with a strategic, long-term attitude rather than expecting instant financial benefits, even if there is evidence to support the positive impact of CSR on financial performance (Harjoto & Laksmana, 2021). CSR is now a strategic requirement for businesses all over the world, surpassing the status of a simple charitable project (Al-Alawi et al., 2023). The relationship between CSR practices and corporate financial performance has received a lot of attention in an era when firms are held responsible not only for their financial success, but also for their social and environmental effect (Collyer & Smith, 2020).

However, a company's ability to retain and satisfy its customers is essential to its success since it affects its market share, reputation, and ultimately its financial performance (Palakshappa & Grant, 2018). The satisfaction and loyalty of a company's customer base play a crucial role in determining the success of CSR initiatives when it comes to organizations (Hichri & Ltifi, 2021). In addition, the caliber of data that businesses release about their CSR initiatives is crucial in forming stakeholder opinions and affecting financial results (Fourati & Dammak, 2021). Organizations looking to promote social impact and sustainable growth must now incorporate CSR into their business plans (Le, 2023). There is a fundamental gap in our understanding of the complex path of CSR when viewed through the lenses of customer satisfaction, loyalty, and information quality, despite the literature's positive link between CSR and company financial performance (Amegbe et al., 2021). The main issue is that there aren't enough thorough insights that take into account all the variables.

Nonetheless, a number of studies have been carried out regarding the relationship between CSR and business financial performance. For example, He et al. (2023) accessed the relationship between CSR performance and financial performance, as well as the relationship between financial performance and CSR performance, using a hybrid model of accounting and business data. Kumar and Singh (2022) examined the connection between the adoption of financial performance and the worldwide CSR standard (ISO 26000). The direct effect of earnings per share (EPS) on financial performance, as well as the moderating effect of CSR on earning management and financial performance were also examined. Additionally, Monferrer Tirado et al. (2023) take into account the mediating roles of firm capital and company reputation when measuring the impact of CSR on financial performance in the context of small and medium enterprises (SMEs). Furthermore, by taking into account the moderating effect of company reputation, examined the relationship between CSR and financial performance. In a similar vein, Rinawiyanti et al. (2023) assessed how customer advocacy mediated the relationship between CSR and financial performance. Furthermore, Kajenthiran et al. (2022) explored the correlation between CSR, management discretion, competencies, learning, and efficiency, and perceived corporate financial success, including the viewpoints of Ugandan managers, in order to determine the validity and significance of CSR. Finally, in Iranian companies registered on stock markets, Tiep Le et al. (2023) examined the impact of CSR on financial accounting principles, such as the stock return, actual earning management, information asymmetry, and financial performance.

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The specific mechanisms through which these initiatives influence corporate financial performance (CFP) through mediating factors such as customer loyalty and satisfaction, as well as the moderating role of CSR information quality remain inadequately understood, despite the fact that CSR practices are becoming more widely recognized and implemented among Pakistani companies. As a result, there is a significant research gap that necessitates a detailed examination of the relationship between CSR, corporate financial performance (CFP) in the context of customer loyalty, customer satisfaction, and CSR information quality in the context of Pakistani corporate sector.

As a result, this study closes a number of research gaps. Firstly, there are few empirical studies that systematically examine the mediating role that customer satisfaction and loyalty play between CSR and financial performance (Fakharmanesh & Ghanbarzade Miyandehi, 2013). In the context of south Asian economies, understanding the circumstances in which happy and devoted customers magnify the financial benefits of CSR efforts is still a crucial knowledge gap. Second, corporate financial success, customer happiness, and customer loyalty are all influenced by CSR (Baharin et al., 2020). For this reason, this study takes into account the direct effects of CSR on these three variables as well. Thirdly, it is becoming more widely acknowledged that a key element affecting stakeholder perceptions is the caliber of information that companies distribute about their CSR initiatives. Nevertheless, the current study does not sufficiently explore the precise processes by which information quality moderates the relationship between CSR and customer satisfaction and financial results (Shahi et al., 2020). Organizations hoping to strategically use CSR for financial success must close these gaps. A lack of nuanced understanding of the ways that customer satisfaction, loyalty, and information quality simultaneously affect the financial trajectory of CSR projects hinders the effective design of strategies.

The following sections of the study are arranged as follows: Section 2 presents a review of the literature, a theory, and a hypothesis that have been used to support this investigation. The research technique is described in Section 3 of this article. This article's fourth section will analyse the study's findings in relation to theory and literature, and its fifth section offers discussion, conclusion, limitation, implication, and details on the study's potential future directions.

## **2. Literature Review**

### **2.1. Theoretical Background**

Applying Social Exchange Theory to your study topic on how CSR affects financial performance through customer happiness and loyalty would allow you to examine how customers view CSR activities as cost-benefit exchanges (George et al., 2020). Think about the ways in which CSR initiatives enhance customer happiness (rewards) and how any perceived expenses or potential annoyances could impact the customer-company relationship (Slack et al., 2015). You can learn more about the dynamics of the linkages between CSR, customer happiness, loyalty, and information quality by including Social Exchange Theory into your research (Subba & Rao, 2016). A more complex understanding of how consumers view and react to CSR initiatives within the framework of business success is made possible by this theoretical framework (Gaudencio et al., 2021).

According to the Social Exchange Theory, people form social bonds with one another on the basis of reciprocity, trying to maximize benefits while lowering costs. According to this idea, as businesses and their clients relate to each other, the clients become more loyal and content when they feel that the firm provides benefits (rewards) that outweigh the costs associated with doing business with them (Ong et al., 2024). However, under the auspices of CSR initiatives, companies undertake community-building, environmental sustainability, and ethical business practices, among other responsibilities that go beyond their financial commitments to the community. These CSR programs might be viewed as "benefits" that the company offers to its customers. When customers have a favorable opinion of these CSR initiatives, they are more likely to express their happiness and loyalty to the company (Zhou et al., 2024).

Additionally, the Social Exchange Theory highlights how crucial trust is to interpersonal connections. Customers are more inclined to trust businesses that exhibit a commitment to social responsibility and to form favorable opinions of them in the context of CSR. Customers are happier and more devoted as a result of this trust, which influences their purchasing decisions and boosts the company's financial performance (Kumar et al., 2024). Therefore, through the mediating functions of customer loyalty and satisfaction, the ideas of reciprocity, perceived advantages, and corporate trust may be used to explain, within the framework of Social Exchange Theory, the influence of CSR on

CFP (Sánchez-Iglesias et al., 2024). However, given Pakistan's distinct socio-cultural and economic backdrop, businesses that engage in CSR projects are more likely to receive from their clientele in the form of greater customer satisfaction, loyalty, and eventually financial success (Ghaderi et al., 2024).

## **2.2. Predictor of Corporate Financial Performance, Customer Satisfaction, and Customer Loyalty**

Socially conscious brands are becoming more and more popular with consumers, which boosts sales and market share and eventually improves financial performance (Kaimal & Uzma, 2024). Similarly, adopting responsible business practices can assist organizations in controlling and reducing risks related to environmental, social, and governance (ESG) aspects (Fatma & Chouaibi, 2023). The reduction of risk aids in resilience and stability of finances. Investors could, however, see the upfront fees unfavorably since they can put a pressure on available funds and reduce short-term profitability (Kuo et al., 2023). Furthermore, while certain industries enjoy a clear-cut good relationship, others could deal with subtleties due to the nature of their business. It is essential to comprehend these industry-specific factors in order to create focused CSR strategies (Probohudono et al., 2022). Furthermore, while there may be short-term benefits from CSR programs, their true value is frequently realized over time, underscoring the necessity of a deliberate, ongoing commitment to ethical business practices (Ferdous & Moyeen, 2022). Comparatively, funding and attention devoted to CSR initiatives may be taken away from essential business operations, which could have an effect on productivity and operational efficiency (Tarigan et al., 2021). Thus, socially conscious investors tend to view companies with robust CSR commitments as less hazardous. These businesses might have easier access to funding, better terms on loans, and more investment prospects (Noor et al., 2021). Therefore, easier access to money can have a favorable impact on financial flexibility, liquidity, and the capacity to carry out expansion or strategic investment initiatives (Dakhli, 2022). Customers may occasionally have doubts about the sincerity of CSR programs, seeing them more as marketing gimmicks than as sincere pledges (Harjoto & Laksmana, 2021). Therefore, businesses that match customer preferences with their values stand to gain a greater market share, which boosts revenue growth and improves financial performance (Hawn & Kang, 2018). The authors argue that, given the positive relationship between the two, SMEs can minimize their capital constraints by implementing CSR practices, which can eventually translate into financial performance, even though this study did not find a significant correlation between CSR and Ghanaian SMEs' access to financing (Agyemang & Ansong, 2017).

However, patrons of socially conscious firms frequently experience a feeling of pride and fulfilment, which boosts patron satisfaction and loyalty (Mohammadi et al., 2023). On the other hand, if expectations are not fulfilled, clients may become dissatisfied and lose interest in the business due to their sense of being cut off from its social responsibility initiatives (Al-Alawi et al., 2023). Furthermore, a key component of client loyalty and happiness is trust. CSR initiatives foster trust, which raises customer satisfaction and increases the possibility of repeat business (Olazo, 2023). In the analogy, it can have a detrimental effect on customer satisfaction and loyalty if they believe that the quality of key offerings has declined as a result of an excessive focus on CSR (Collyer & Smith, 2020). As a result, consumers who identify with a company's principles are more likely to be pleased and devoted since they see the brand as an extension of their own ideals (Bello et al., 2021). Similarly, disputes can result in disgruntled customers and a reduction in loyalty from those who don't agree with or find the company's CSR position offensive (Collyer & Smith, 2020). Positive perceptions also lead to higher customer satisfaction and loyalty since buyers are more inclined to select goods from businesses that follow sustainable and ethical business practices (Palakshappa & Grant, 2018). According to the authors' recorded evidence for a mechanism tying CSR to firm financial success, SMEs with improved CSR practices are better positioned to gain enhanced reputation, which translates into increased financial performance (Agyemang & Ansong, 2017). The authors show that earnings management significantly and negatively affects financial performance using panel data from 3,003 French firm-year observations (Chakroun et al., 2022). In fact, in the French context, CSR favorably mitigates the detrimental effects of earnings management on financial performance (Chakroun et al., 2022).

Similar to this, a corporation risks losing market share and client loyalty if consumers place a higher value on immediate gratification than on social responsibility (Konalingam et al., 2022). Correspondingly, goodwill and recommendations from satisfied clients can attract new business and

increase the loyalty of current clients (Palakshappa & Grant, 2018). Customers may consequently lose faith in a firm and become unsatisfied if they think its CSR initiatives aren't sincere (Hichri & Ltifi, 2021). Therefore, a lack of trust can undermine customer loyalty and happiness because it makes customers wonder why CSR initiatives are undertaken (Palakshappa & Grant, 2018). In conclusion, elements including authenticity, alignment with consumer values, and effective communication influences how CSR impacts customer happiness and loyalty (Fourati & Dammak, 2021). In conclusion, CSR activities can promote positive customer interactions when they are executed intelligently and honestly; however, errors or perceived insincerity can have the opposite effect (Le, 2023). Finally, to achieve favorable results for customer happiness and loyalty, businesses need to find a balance between fulfilling their social responsibility obligations and satisfying consumer expectations (Ahn et al., 2020). As a result, the following research hypotheses are offered after considering the theoretical framework and a review of the literature: The findings demonstrate how improved financial performance may be achieved through sound corporate governance. This beneficial effect is also seen in the areas of community involvement, environment, and labor relations and conditions (Chakroun et al., 2019). As a result, the following research hypotheses are offered after considering the theoretical framework and a review of the literature:

**H<sub>1</sub>:** CSR significantly influences the corporate financial performance.

**H<sub>2</sub>:** CSR significantly influences the customer satisfaction.

**H<sub>3</sub>:** CSR significantly influences the customer loyalty.

### 2.3. Mediating Role of Customer Satisfaction and Customer Loyalty

Customer satisfaction, customer loyalty, corporate financial performance (CFP), and CSR have a complicated and frequently interconnected relationship (Hichri & Ltifi, 2021). According to this integrated mediation model, increasing satisfaction, encouraging loyalty, and eventually having an impact on financial outcomes are the sequential pathways by which CSR's beneficial impact on financial performance operates (Isnalita & Narsa, 2017). Additionally, a favorable brand image affects client loyalty and satisfaction. Positive feedback loops are created when happy and devoted customers support a positive brand perception. Additionally, a favorable brand image affects client loyalty and satisfaction (He et al., 2023). Positive feedback loops are created when happy and devoted customers support a positive brand perception (Fatma & Chouaibi, 2023). Furthermore, a favorable company reputation influences client happiness, loyalty, and eventually financial performance (Amegbe et al., 2021). According to this sequential mediation model, CSR actions are translated into financial results through the intermediary role of customer happiness (Kumar & Singh, 2022). On the other hand, poor customer satisfaction and loyalty could result in fewer repeat customers and unfavorable word-of-mouth, which would hurt the company's financial performance (Pérez & Rodríguez del Bosque, 2015). Customers who are inspired by a business's generosity are therefore more inclined to act positively, which boosts sales and improves financial success (Martínez & Del Bosque, 2013). In a similar vein, customer loyalty acts as a bridge, converting CSR efforts into profits through long-lasting client connections and higher customer lifetime value (Monferrer Tirado et al., 2023). On the other hand, disgruntled and less devoted clients might decide to do business with rivals, which would hurt sales and financial results. Similarly, improving financial results by strategically combining customer loyalty, customer happiness, and CSR calls for an all-encompassing strategy that combines moral behavior with customer-focused tactics (Tiep Le et al., 2023). On the other hand, if CSR efforts compromise the quality of the main product or service, it may lead to a decline in revenue and client retention (Kajenthiran et al., 2022). Agency expenses had no discernible impact on the performance of the company, and managerial entrenchment causes the performance of the company to decline (Salehi & Moghadam, 2019). However, customer satisfaction, customer loyalty, corporate financial performance (CFP), and CSR have a complicated and frequently interconnected relationship (Hichri & Ltifi, 2021). Additionally, a favorable brand image affects client loyalty and satisfaction. Positive feedback loops are created when happy and devoted customers support a positive brand perception. Additionally, a favorable brand image affects client loyalty and satisfaction (He et al., 2023). On the other hand, poor customer satisfaction and loyalty could result in fewer repeat customers and unfavorable word-of-mouth, which would hurt the company's financial performance (Pérez &

Rodríguez del Bosque, 2015). Customers who are inspired by a business's generosity are therefore more inclined to act positively, which boosts sales and improves financial success (Martínez & Del Bosque, 2013). In a similar vein, customer loyalty acts as a bridge, converting CSR efforts into profits through long-lasting client connections and higher customer lifetime value (Monferrer Tirado et al., 2023). On the other hand, disgruntled and less devoted clients might decide to do business with rivals, which would hurt sales and financial results. Similarly, improving financial results by strategically combining customer loyalty, customer happiness, and CSR calls for an all-encompassing strategy that combines moral behavior with customer-focused tactics (Tiep Le et al., 2023). Thus, following a review of the literature and the theoretical framework, the following research hypotheses are put forth:

**H<sub>4</sub>:** The relationship between CSR and corporate financial performance is significantly mediated by the customer satisfaction and customer loyalty.

#### **2.4. Moderating Role of CSR Information Quality**

In fact, the relationship between CSR and consumer happiness may be moderated by the quality of the information available about CSR (Bello et al., 2021). The moderating role suggests that the degree to which CSR influences customer happiness may differ according to the caliber, veracity, and openness of the information provided to consumers (Tiep Le et al., 2023). The perception of transparency and accuracy in the information offered by the firm favorably influences customer satisfaction by bolstering their faith and confidence in its CSR initiatives (Yim et al., 2019). On the other hand, contradicting facts could cause misunderstandings or mistrust. Maintaining a consistent message improves the legitimacy of CSR initiatives and has a beneficial effect on customer satisfaction (Behl & Dutta, 2020). Customers may become dissatisfied and perceive opacity if they find it difficult to obtain comprehensive information on CSR procedures. In a similar vein, consistent updates show a continued dedication to CSR. Prompt communication enhances client satisfaction by keeping them informed and involved (Javed et al., 2021). Additionally, trust can be damaged and consumer satisfaction negatively impacted if they believe information is being twisted or concealed. Contrarily, clients may become less satisfied and develop mistrust if they come across contradicting facts or messaging inconsistencies (Monferrer Tirado et al., 2023). In conclusion, the quality of the data on CSR functions as a moderating element that can increase or decrease the effect of CSR on customer satisfaction. In order to guarantee that consumers recognize and value CSR initiatives, businesses should place a high priority on clear, accurate, and interesting communication. This will eventually lead to increased customer satisfaction and loyalty (Ali et al., 2023). Furthermore, as measured by future changes in operating cash flows scaled by total assets, as well as future changes in return on assets, the results validate a positive and significant correlation between CSR spending and corporate financial performance (Salehi et al., 2018). According to Salehi and Moghadam's (2019) findings, two managerial traits—manageability and overconfidence—are positively correlated with a company's performance and raise its degree of performance.

The relationship between business Social Responsibility (CSR) and business financial success can, in fact, be moderated by the quality of the information available about CSR (Behl & Dutta, 2020). The degree to which CSR activities affect financial results might vary depending on how internal and external stakeholders are informed about and react to these initiatives (Dakhli, 2022). On the other hand, truthful and open communication improves the company's reputation, drawing in socially conscious clients and regulating the link between CSR and profitability in a favorable way (Fatma & Chouaibi, 2023). Furthermore, investors may be more inclined to fund the business after receiving thorough and trustworthy information regarding CSR, which would enhance financial success (Naqvi et al., 2021). Similarly, attracting investors who share the company's commitment to CSR can boost earnings by drawing in more capital and support (Galant & Cadez, 2017). Furthermore, in sectors where CSR is a differentiator, effective communication can enhance financial success by drawing in clients who value socially conscious businesses (Hill & Alexander, 2017). However, a company's reputation could be damaged by perceived insincerity, which would moderate the positive correlation between CSR and financial performance (Bokhari et al., 2023). The influence of CSR on financial performance may be adversely moderated by investors who are reluctant to make investments due to doubts about the veracity of the information (Boulhaga et al., 2023). The potential financial benefits of CSR initiatives, however, may be adversely

moderated if CSR efforts are not appropriately communicated. This can result in missed partnerships or collaborations (Bello et al., 2021). In conclusion, the relationship between CSR and financial performance is significantly moderated by the caliber of the information available concerning CSR (Hichri & Ltfi, 2021). This relationship is positively moderated by accurate, open, and sincere communication, which also attracts investors and consumers and improves reputation and trust (Sadaa et al., 2023). On the other hand, low-quality data may cause mistrust, harm one's reputation, and result in lost opportunities, all of which would mitigate the beneficial effects of CSR on financial success (Gallego- Álvarez & Pucheta- Martínez, 2022). It does not, however, relate to consumer issues, fair business practices, or human rights because there is no significant correlation found between these factors and financial performance (Chakroun et al., 2019). According to Salehi et al. (2018), the results imply that investing in CSR efforts has a strong and positive relationship with changes in return on assets, which serve as a proxy for corporate financial performance. As a result, this study is taking into account the following hypotheses, which are founded on previous research.

**H<sub>5</sub>:** The relationship between CSR and customer satisfaction is significantly moderated by CSR Information quality

**H<sub>6</sub>:** The relationship between CSR and corporate financial performance is significantly moderated by CSR Information quality

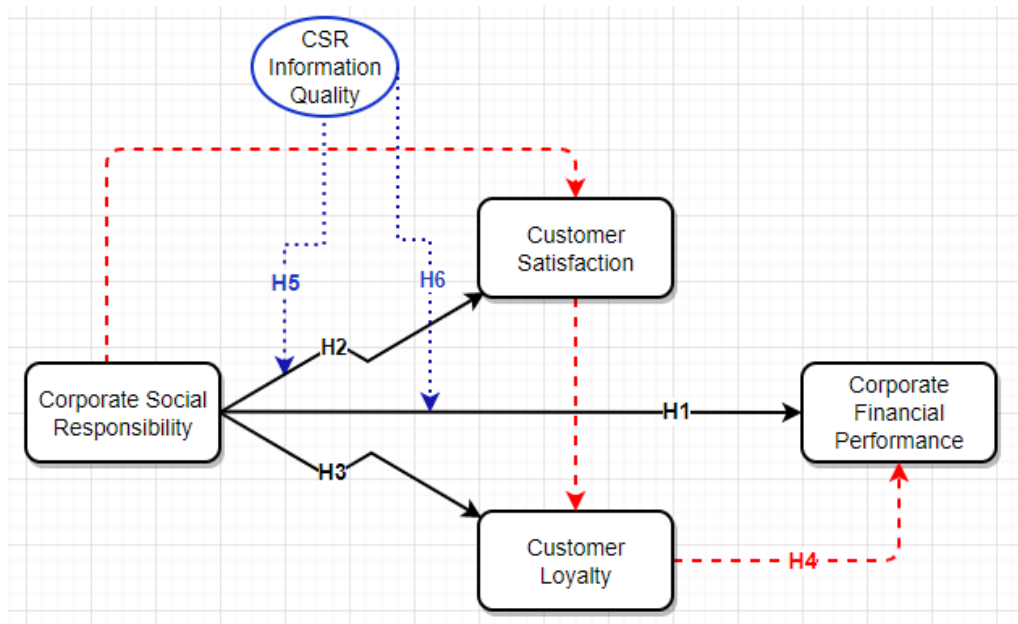


Fig. 1. Conceptual Framework

### 3. Research Methodology

#### 3.1. Measures

In this study, a five-point Likert scale was employed based on prior studies conducted by well-known scholars. This survey is built around five concepts. Financial success of the company is measured using six elements taken from the research conducted by Galant and Cadez (2017). In contrast, customer happiness and loyalty are determined by using four and seven questions that were taken from Hayes (2008), and Hill and Alexander (2017). Similarly, based on four factors, CSR was adopted from the research by Galant and Cadez (2017). Finally, the CSR Information quality, which is based on four items, is extracted from the study conducted by Hąbek and Wolniak (2016). However, further details pertaining to the construct and their items has been presented in Table II.

#### 3.2. Sampling and Data Collection

In this study, data was obtained from the employee's different corporation by breaking them into four groups, including Public Limited Companies, Private Limited Companies, Single Member Companies (SMC), and Small & Medium Enterprises (SMEs). Furthermore, the target population was divided into

first line management, middle level management, and top-level management, using the stratified sampling technique. However, the details regarding target population of the studies have been depicted in Table I. According to the standard sample size, 250 questionnaires were distributed; 240 of them were returned, and 237 (94.8%) of them were deemed accurate enough to be used in the study. To collect the necessary data, a standardized questionnaire was administered to the respondents. The questionnaire's details are also displayed in Table II.

### 3.3. Partial Least Square Structural Equation Modeling (PLS-SEM)

In this study, the PLS-SEM was coupled with two-stage structural equation modelling techniques for additional data analysis. This strategy would employ two distinct methodologies: the measuring model (outer model) and the structural model (inner model). The measurement model is used to ascertain the validity and reliability of the survey. Conversely, structural models are used to assess the relationship between the underpinning variables (Hair et al., 2019; Henseler et al., 2014; Hair et al., 2014; Sepahvand & Bagherzadeh Khodashahri, 2021).

## 4. Results

The demographics and socio-economic characteristics are shown in Table 1.

**Table 1. Demographic and Socio-Economic Characteristics of the Target Population**

Demographics	Characteristics	Frequency	Percent	Cumulative Percent
Gender	Male	160	68	68
	Female	77	32	32
	Transgender	0	0	0
	Total	237	100	
Age	18-25	28	12	12
	26-35	65	27	39
	36-45	55	23	62
	46-55	75	32	94
	Above 55	14	6	100
	Total	237	100	
Corporate Level	Public Ltd. Co.	91	38	38
	Private Ltd. Co.	48	20	59
	Single Member Company (SMC)	28	12	70
	Small & Medium Enterprises (SMEs)	70	30	100
	TOTAL	237	100	
Level of Management	1st Line Management	110	46	46
	Middle Level Management	80	34	80
	Top-Level Management	47	20	100
	TOTAL	237	100	
Experience in Years	1-2	17	7	7
	3-4	20	8	16
	5-6	50	21	37
	7-8	80	34	70
	Above 8	70	30	100
	TOTAL	237	100	

### 4.1. Measurement Model

Table II indicates that the indicator reliability criteria was met, since each item in the underpinning construct had a factor loading of more than 0.50 (Oke et al., 2022; Hair Jr et al., 2021; Hair et al., 2014). Table II indicates that requirement of internal consistency reliability was fulfilled as the value of Cronbach's alpha and composite reliability (CR) are higher than the value of threshold of 0.70 (Burns & Bursn, 2000; Lai, 2021; Kline, 2016; Oke et al., 2022; Hair Jr et al., 2021; Iqbal & Rao, 2022). The validity of the measure is assessed after the structures' reliability has been established using a number of measurements. Table II presents that all underlying constructs demonstrate convergence validity, with the average variance extracted (AVE) values exceeding the minimum threshold value of 0.5 (Hair Jr et al., 2021; Shafie et al., 2021; Iqbal & Rao, 2022). HTMT ratio, presented in Table III, was used to test the underpinning constructs' discriminant validity. All of the values are below the



standard of 0.85, indicating that the discriminant validity, as proposed by Oke et al. (2022); Kumar et al. (2021); Roemer et al. (2021); Hair et al. (2019); Iqbal and Rao (2022), is verified. In addition, variance inflation factor (VIF) was used to detect the problem of multicollinearity (Table 2). Since the values of each item of underpinning constructs were less than the recommended threshold of 3.30, it indicates that no issues of multicollinearity were found in this study (Iqbal & Rao, 2022; Ahmed & Ishtiaq, 2021; Hair, 2019).

**Table 2. Reliability and Validity**

Definition of Construct	Source	Item Code & Descriptions	Factor Loading	VIF
<i>Corporate Financial Performance (Cronbach's Alpha = 0.19, CR = 0.870, AVE = 0.530)</i>				
Corporate Financial Performance (CFP) refers to the evaluation of a company's financial health and effectiveness in generating profits and returns for its stakeholders.	(Galant & Cadez, 2017)	CFPR-1: I think the corporation has a solid financial standing.	0.599	1.32
		CFPR-2: The business exhibits efficient cost control procedures.	0.816	1.92
		CFPR-3: I think corporation is making adequate earnings.	0.706	1.59
		CFPR-4: I have faith in the organization financial decision making.	0.771	2.05
		CFPR-5: I have high hopes for the company financial results in the future.	0.819	2.30
		CFPR-6: The company financial growth strategy is transparent.	0.625	1.47
<i>Customer Loyalty (Cronbach's Alpha = 0.905, CR = 0.933, AVE = 0.788)</i>				
Customer loyalty refers to the inclination and commitment of customers to repeatedly choose a particular product, service, or brand over alternatives available in the market.	(Hayes, 2008; Hill & Alexander, 2017)	CLTY-1: I have a great sense of devotion to your business.	0.829	2.09
		CLTY-2: My loyalty is positively impacted by the customer service teams.	0.919	3.39
		CLTY-3: The incentives or reward motivate you to maintain loyalty.	0.862	2.85
		CLTY-4: Are you inclined to suggest company products or services to others.		
			0.915	3.39
<i>Customer Satisfaction (Cronbach's Alpha = 0.957, CR = 0.964, AVE = 0.794)</i>				
Customer satisfaction refers to the extent to which a customer's expectations, needs, and desires are met or exceeded by a product, service, or overall experience provided by a business.	(Hayes, 2008; Hill & Alexander, 2017)	CSAT-1: In general, how pleased are you with our offering?	0.870	3.17
		CSAT-2: To what extent are you pleased with the products or services?	0.892	3.96
		CSAT-3: To what extent do our offerings fulfil your unique needs?	0.894	3.97
		CSAT-4: To what extent are you pleased with our customer services?	0.913	4.74
		CSAT-5: To what extent was placing an order with us simple?	0.869	3.31
		CSAT-6: To what extent do you find our products and services to be value for money?	0.905	4.28
		CSAT-7: To what extent are you happy with our pricing fairness?		
			0.892	3.83
<i>CSR (Cronbach's Alpha = 0.949, CR = 0.957, AVE = 0.737)</i>				
CSR(CSR) refers to a business approach that goes beyond profit maximization and includes the consideration of a company's impact on society and the environment.	(Galant & Cadez, 2017)	CSRY-1: The company promote community related activities.	0.850	2.92
		CSRY-2: The company actively participate in charitable contributions.	0.856	3.41
		CSRY-3: The corporation operates according to moral and ethical standards.	0.869	3.65
		CSRY-4: The organization exhibits a dedication to ecological sustainability		
			0.881	3.75
<i>CSR Information Quality (Cronbach's Alpha = 0.885, CR = 0.921, AVE = 0.745)</i>				
The quality of information refers to the characteristics and attributes that determine the reliability, accuracy, relevance, completeness, and timeliness of data or content pertaining to CSR.	(Hąbek & Wolniak, 2016)	CSRI-1: The company CSR data offered is easily understandable.	0.781	1.65
		CSRI-2: Company CSR information fairly depicts its real outcomes.	0.896	3.63
		CSRI-3: The CSR information of company is relevant to activities and industry.	0.928	4.97
		CSRI-4: I think the CSR data is current, and updated on a frequent basis.		
			0.841	2.54

Table 3. HTMT Ratio

Constructs	(1)	(2)	(3)	(4)	(5)
(1) Corporate Financial Performance					
(2) Customer Loyalty	0.614				
(3) Customer Satisfaction	0.645	0.536			
(4) Corporate Social Responsibility	0.239	0.275	0.348		
(5) CSR Quality Information	0.325	0.592	0.606	0.273	

#### 4.2. Structural Model

The measurement model was assessed and determined to be valid and reliable. As a result, path analysis was performed to evaluate the structural model linkages between the constructs using PLS-SEM, focusing on the model's significance, coefficient of determination ( $R^2$ ), and path coefficients. The production of t-values and p-values as a result of the bootstrapping process allowed researchers to evaluate the significance level of the route coefficient ( $\beta$ ). In this investigation, a subsample size of 5000 was used, and the traditional approach of bootstrapping was employed to obtain the significant level of path coefficient ( $\beta$ ). At a significance level of ( $\alpha$ ) = 10%, the threshold for p-values was set to p0.01, and the threshold for t-values was set to 1.96 (Henseler, Ringle, and Sarstedt, 2014). Table IV displays the model's predictive ability, indicating that CSR creates 39.8% variance in corporate financial performance, 28.9% variance in customer satisfaction, and 12.7% variance in customer loyalty. However, Table V indicates the decisions pertaining to the underpinning variables in the context of acceptance or rejection of the proposed hypotheses.

$H_1$  arguing that CSR significantly influences the corporate financial performance, is accepted. According to the outcomes of the path analysis, CSR significantly and positively enhances the financial performance of corporation in Pakistan ( $\beta = 0.137$ ;  $t = 3.948$ ;  $p < 0.000$ ). Similarly,  $H_2$  tested whether CSR significantly affect the customer satisfaction or not. The outcomes revealed that CSR significantly affects customer satisfaction ( $\beta = 0.456$ ;  $t = 11.85$ ;  $p < 0.000$ ). Therefore,  $H_2$  is accepted. Likewise,  $H_3$  tested whether CSR significantly affects the customer loyalty or not. According to the results ( $\beta = 0.359$ ;  $t = 9.523$ ;  $p < 0.000$ ), it was found that CSR play a significant role in enhancing the customer loyalty in the context of corporate sector of Pakistan. Thus, it leads to acceptance of  $H_3$ . Furthermore,  $H_4$  argued that the relationship between CSR and corporate financial performance is significantly mediated by the customer satisfaction and customer loyalty. According to path analysis ( $\beta = 0.062$ ;  $t = 3.937$ ;  $p < 0.000$ ), it was confirmed that customer satisfaction and customer loyalty played mediating roles between the CSR and corporate financial performance, leading to the acceptance of  $H_4$ . On the other hand,  $H_5$  tested whether the relationship between CSR and customer satisfaction is significantly moderated by CSR Information quality. According to the path analysis results ( $\beta = 0.075$ ;  $t = 2.929$ ;  $p < 0.003$ ), it was confirmed that CSR information quality play a moderate role in the relationships between CSR and customer satisfaction, which leads to the acceptance of  $H_5$ . Lastly,  $H_6$  tested whether the relationship between CSR and corporate financial performance is significantly moderated by CSR Information quality. According to the path analysis outcomes,  $H_6$  was rejected ( $\beta = 0.028$ ;  $t = 1.028$ ;  $p < 0.304$ ). Thus, it was found that CSR information quality fail to play a moderating role in the relationship between CSR and corporate financial performance in the context of corporate sector of Pakistan.

Table 4. Coefficient of Determination ( $R^2$ )

Constructs	R Square	R Square Adjusted
Corporate Financial Performance	0.404	0.398
Customer Satisfaction	0.293	0.289
Customer Loyalty	0.129	0.127

Table 5. Hypothesis Testing Results (Bootstrapping @5000 subsamples)

Hypothesis	Coefficient ( $\beta$ )	SD	T-Stat	P-Values	Decision
<b>Direct Effects</b>					
H1: CSR → Corporate Financial Performance	0.137	0.035	3.948	0.000***	Accepted
H2: CSR → Customer Satisfaction	0.456	0.038	11.85	0.000***	Accepted
H3: Customer Satisfaction → Customer Loyalty	0.359	0.038	9.523	0.000***	Accepted
<b>Mediating Effects</b>					
H4: CSR → Customer Satisfaction → Customer Loyalty → Corporate Financial Performance	0.062	0.016	3.937	0.000***	Accepted
<b>Moderating Effects</b>					
H5: Moderating Effect 1 → Customer Satisfaction	0.075	0.026	2.929	0.003***	Accepted
H6: Moderating Effect 3 → Corporate Financial Performance	0.028	0.027	1.028	0.304	Rejected

Note: \*\*\*, \*\*, \* Denotes significance Levels of 1%, 5% and 10%

## 5. Discussion and Conclusion

This study aims to quantify the direct impact of CSR on consumer loyalty, satisfaction, and corporate financial performance. Additionally, the relationship between company financial performance and CSR is deemed to be mediated by customer loyalty and satisfaction (Baharin et al., 2020). Moreover, the study takes into account the moderating effect that the quality of CSR information has on the relationships between CSR and both consumer happiness and corporate financial performance. In this study, a structured questionnaire was used for data collection from the first-line management, middle-level management and top-level management of Pakistani companies (Public limited companies, private limited companies, single man companies, and small & medium enterprise). Furthermore, a two-stage structural equation modelling technique was used in this investigation. Measurement model was used to determine the instrument's validity and dependability. On the other hand, a structural model was used to determine the strength of the association between the study's foundational variables.

This study's suggested that CSR improves financial performance. This indicates that encouraging community-focused events, denoting to charitable organizations, and conducting business in accordance with moral principles all have a positive effect on a company's financial performance in terms of stability, sufficient revenue, financial growth, and long-term profitability (Kaimal & Uzma, 2024; Fatma & Chouaibi, 2023). In a similar vein, it was found that CSR improves customer satisfaction. It indicated that CSR (Promotion of community related activities, contribution to the charitable institutions, and following ethical standards in their business operations) enhances the customer satisfaction (satisfying needs, providing value for price, ease of order delivery, after-sale services, and fairness of prices). In addition, the client feels satisfied because they now know that the company has completely fulfilled its social responsibility through its CSR service (Mohammadi et al., 2023). Similarly, it was acknowledged that CSR improves customer loyalty. It was demonstrated that CSR—the promotion of community-related activities, donations to charity organizations, and adherence to moral corporate practices—influences consumers to keep up their degree of loyalty through frequent use of the company's goods and services. In addition, these CSR initiatives by firms compel their clientele to recommend their goods or services to others. Customer loyalty increases as customers believe that a firm that upholds its social responsibility also fulfills its obligation to provide them with high-quality goods and services (Konalingam et al., 2022).

However, this study shows that customer loyalty and satisfaction play a mediating role in the relationship between CSR and business financial performance. It denotes that CSR (promotion of community-related activities, donation to charitable organizations, and adherence to ethical standards in business operations) is improving customer satisfaction and customer loyalty as a result of this company's improved financial performance (Isnailita & Narsa, 2017). On the other hand, this study suggested that the quality of CSR information has a moderating effect on the association between CSR and customer happiness. It suggests that easily comprehensible, approachable, and up-to-date CSR quality information appeals to customers' satisfaction levels in terms of meeting their specific needs, fair pricing, after-sale services, ease of order delivery, and price fairness (Ali et al., 2023; Javed et al., 2021). Concurrently, this study's hypothesis regarding that the quality of CSR information had a moderating effect on the association between CSR and company financial success, was likewise disregarded. This indicates that there is no moderating effect of CSR information quality on the connection between CSR and corporate financial performance. The company's financial success, including its strength, profitability, and potential earnings, is not dependent on the accuracy of the data related to its corporate social responsibility (Bello et al., 2021; Fatma & Chouaibi, 2023; Gallego-Álvarez & Pucheta-Martínez, 2022). Ultimately, we draw the conclusion that CSR improves customer loyalty, customer satisfaction, and business financial performance. Stated differently, firms in Pakistan's corporate sector can improve their financial performance by fulfilling their social responsibility through CSR initiatives.

### 5.1. Theoretical Implications

Social Exchange Theory (SET) provides a helpful perspective through which to evaluate the interactions between organizations and their stakeholders, particularly in the context of CSR (Gaudencio et al., 2021). Social Exchange Theory has several important theoretical implications in the

proposed paradigm, where CSR influences business financial performance through customer satisfaction and loyalty, and CSR information quality moderates this relationship (George et al., 2020; Kumar et al., 2024). A strong theoretical foundation for comprehending the complex interactions between CSR, consumer happiness, loyalty, the quality of CSR information, and business financial performance is provided by social exchange theory (Ong et al., 2024; Ghaderi et al., 2024). It emphasizes how crucial social norms, information quality, cost-benefit analysis, trust, and long-term relationship building are in determining the outcomes of CSR activities in the business world (Zhou et al., 2024; Sánchez-Iglesias et al., 2024).

### **5.2. Practical Implications**

There are numerous administrative and operational ramifications for this study. First, consumer satisfaction and loyalty are more likely to increase when CSR initiatives are perceived sincere and in line with customer concerns. The financial success of the company is positively impacted by this alignment. In a similar vein, this study emphasizes how critical it is to disseminate CSR information in a clear, accurate, and timely manner in order to foster trust and enhance customer happiness, loyalty, and perceptions—all of which have a beneficial effect on financial success. Similarly, businesses should evaluate consumer input, modify their CSR strategies in response, and maintain flexibility when responding to changing social norms. In the meantime, emphasizing CSR initiatives in marketing collateral, advertisements, and client contacts strengthens their positive influence on consumer views. Increased consumer happiness and loyalty may result from this integration, which will ultimately affect financial performance. Furthermore, raising the caliber and regularity of CSR disclosures helps stakeholders understand each other better, establishes confidence, and positively modifies the relationship between CSR, financial performance, customer loyalty, and satisfaction.

However, the real-world ramifications highlight how crucial it is to establish enduring relationships with customers, as client loyalty and satisfaction function as a moderating factor. This reflects a consistent dedication to CSR and ongoing attempts to meet and surpass customer expectations. Building long-lasting relationships helps businesses achieve long-term financial success by increasing consumer happiness and loyalty. Furthermore, the results of this study imply that exchanging best practices and learning from the industry's successful CSR initiatives promote group development. Working together can improve industry standards, which will benefit the sector's financial success, as well as customer perceptions. The practical implications, which emphasize the alignment of programs with customer values, effective communication, continual adaptation, staff engagement, and cooperative industry efforts, conclude by highlighting the necessity of adopting a comprehensive and strategic approach to CSR. Businesses can maximize the benefits of CSR on customer-related metrics and overall financial success by attending to these pragmatic issues.

### **5.3. Limitations and Future Avenues**

This study has a number of issues despite its broad implications. First, the study's findings were exclusively gathered from the personnel of the participating companies; the insightful opinions of the concerned public were not taken into account. Second, the structured questionnaire was utilized in this study to collect data; no interviews with respondents were done to examine behavioral variations over time. However, in light of prospective future directions, comparative studies of SMEs, sole proprietorships, private limited companies, and public limited corporations were advised. Furthermore, the same study may be carried out by gathering information from the clients of the businesses. Additionally, research can be done on how CSR affects the outreach and social performance of nonprofit organizations. Furthermore, as longitudinal studies would enable the researcher to track changes in corporate financial performance and social responsibility, they were also suggested for additional investigation.

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