



Environmental CSR and Profitability in Pakistan's Manufacturing Industry

Khuram Farooq¹, Amina Arshad²

¹ Department of Economics and Business, Kaunas University of Technology Kaunas, Lithuania

Email: khuram.farooq@ktu.edu

² MSC Management, BPP University Manchester

Email: amnaarshad2512@gmail.com

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ABSTRACT

Environmental corporate social responsibility (CSR) has gained prominence in the strategic management of most companies and especially in developing economies like Pakistan due to the increased attention on sustainable business practices. The paper explores the association between environmental CSR activities and the profitability of firms in the manufacturing sector of Pakistan. Based on the stakeholder theory and the resource based schools of thought, the study posits that the impact of environmental friendly practices as waste reduction initiatives, emphasis of energy efficiency, curbing pollution and sustainable management of resources can boost financial performance and ultimately competitiveness. Empirically based on the earlier market studies, the paper identifies cost saving, better brand perception, adherence to regulations and greater trust between the firm and its stakeholders as some of the benefits that firms that use strong environmental CSR strategies enjoy towards achieving profits. The paper highlights the fact that environmental CSR is not just a moral or even a compliance agenda but a strategic investment that converts economic success and ecological sustainability. The implications are given to the managers, policy-makers, and academics; this is because the findings reveal the importance of developing an environmental responsibility of the main business processes as a key to sustainable growth in the manufacturing industry in Pakistan.

Corresponding

Author:

khuram.farooq@ktu.edu

Introduction

Corporate social responsibility (CSR) has grown as a voluntary act of philanthropy to a strategic necessity to include social, environmental, and economic aspects of operations as a part of the business concept. However, one of its dimensions that have been of great importance in the manufacturing industry is environmental CSR because the sector utilizes natural resources highly, consumes a lot of energy and has environmental imprint. Environmental CSR is a concept that is used to refer to the policy, practice, and the action that firms take to reduce negative environmental effects, increase sustainability, and adhere to the regulation (Dahlsrud, 2008). This involves things like minimizing emissions, conserving energies and water, waste management and marketing products and processes aimed at being environmental safe. The manufacturing sector in Pakistan has been under pressure by regulators, consumers and other international stakeholders to ensure that they understand the environmental practices of the manufacturing sector holding the fact that industrialization has increased rates in the country in the last few decades. This background has become an issue to firms that want to explore the concept of environmental responsibility as a profit generation tool.

Empirical data indicate that environmental CSR is capable of rendering desirable effects on the financial performance of firms through the establishment of intangible and tangible advantages. The tangible gains are the cost savings realized due to energy efficiency, saving of waste management cost and avoiding regulatory penalties whereas the intangible gains are improvement of brand name, customer loyalty, and employee satisfaction (Margolis and Walsh, 2003; Orlitzky, Schmidt, and Rynes, 2003). Companies that pursue proactive environmental activities are sending a signal to the stakeholders that the company is committed to sustainability and it might result in competitive advantage, increase in market valuations as well as increased profitability.

Environmental CSR can also distinguish the firms in new markets where regulations and market mechanisms are developing in place like in Pakistan where the regulatory powers and market behaviour are in the process of building. This is well in line with the stakeholder theory, which states that companies should factor in the interest of various stake holders such as the environment in order to succeed in the long run (Freeman, 1984).

The correlation between environmental CSR and profitability, in turn, can be considered intricate and depends on the specifics of firms, industry, and the institutional environment in general. The cost that manufacturing firms incur when executing environmentally friendly practices is usually high, which may include, among others, cost of new technologies that are clean and environmental safe, environmentally safe machines and training programmes on environmental care. Though they could cause a decrease in the short-term profitability, studies indicate that these investments can yield in the long-term through an effect on operational efficiency and minimizing the use of resources and increasing reputation of the firm among consumers, investors, and regulators (Porter & van der Linde, 1995). The manufacturing industry in Pakistan has realized that the companies that strategically plan environmental CSR inclinations in their corporate business models are placed in better positions to survive the regulatory barriers, enter the global marketplace, and fulfill the rising demand of sustainable products.

Past researchers have reported a divided literature on the relationship between CSR and profitability, in that results of some studies showed positive relationship between the two, some showed negative relationship between the two, and some indicated non-linear and or context dependent relationship (Waddock and Graves, 1997; McWilliams and Siegel, 2000). The effectiveness of environmental CSR in promoting profitability could also be conditional on the firm size, management commitment and the compatibility of CSR initiatives and strategic objectives in developing economies where institutional support and enforcement mechanisms have been found to be weak. Firms in manufacturing, which integrate a comprehensive strategy to environmental responsibility, i.e. incorporate sustainability in production, manufacturer supply chain, and management accountability, would achieve more financial and reputational gains. On the other hand, shallow or mere CSR projects can also not get economic returns and may as well become subject of stakeholder denunciation.

The manufacturing industry in Pakistan is a heterogeneous industry that includes textile, chemical, food processing, cement, and steel industries, which have unique environmental issues and pressures as far as the regulation is concerned. The level of practices of environmental CSR in such industries may go as far as the implementation of clean production processes and adoption of energy efficient technology or adherence to local and international environmental regulations. As an illustration, the textile manufacturers engaging in water and energy-saving projects not only cut down costs of operation, but also attracts the interest of green buyers in the world, which increases the possibility of generating revenue. On the same note, waste reduction, emission allowance, and process optimization plans could be put to the profit of firms dealing in the chemical and cement sectors. Thus, knowledge of the mechanisms of influence of environmental CSR on profitability in the Pakistani context will be important to scholars and practitioners alike.

Theoretical approaches like resources based view (RBV) further explain why there would be a connection between environmental CSR and profitability. RBV indicates that competitive advantage can be attained by firms capable of creating valuable, rare, unique, and non-substitutable competitive advantages including best environmental capabilities, technological knowledge and long-life organizational practices (Barney, 1991). Environmental CSR programs may be viewed as a source of strategic resources allowing to improve the efficiency of operations, as well as stakeholder relations and positioning. Future manufacturing companies in Pakistan can convert the compliance requirements into the strategic resource, which, in addition to financial returns in the long term, helps in environmental protection when the companies invest in environmentally friendly operation.

Furthermore, environmental CSR promotes good association with various stakeholders such as employees, consumers, investors, regulators as well as local communities. Often, staff members of the companies who engage in environmental sustainability have a greater job satisfaction and engagement, thus leading to an increase in productivity and a decrease in turnover costs (Turban & Greening, 1997). Greener performance becomes a central part and parcel of how investors make their decisions, and eco-friendly companies tend to have lower capital costs and valuations. Minimization of risks of fines, legal penalties, and reputational harm are also caused by regulatory compliance and active environmental management. Altogether, these reasons indicate that environmental CSR may become a promising strategic solution to increase profitability in the manufacturing industry of Pakistan, but only in the case the initiatives are being undertaken in a systematic manner and included in the organizational strategy.

Overall, it can be stated that environmental CSR is an important aspect of the sustainable business conduct of the Pakistani manufacturing sector that can affect the profitability of the business in both the short term and the long term. Companies that take a proactive, strategic, and integrated environmental actions are in or better placed to create operational efficiencies, regulatory compliance, stakeholder trust and competitive advantage. Although the importance of environmental CSR in profitability is increasingly being acknowledged, there is still dearth of empirical research done by Pakistan on the same pertaining to the local context, making it important to conduct some in-country research to investigate the mechanism, outcomes, and moderating factors, which may be influencing the relationship between environmental CSR and profitability. This research aims to be added to the list of literature by investigating the relationship between environmental CSR and financial performance of the manufacturing industry in Pakistan, giving the viable recommendations to managers and policymakers who might want to pursue the ecological awareness coupled with economic development.

Literature Review

The concept of corporate social responsibility (CSR) has been developed as a strategic notion that incorporates social, environmental, and economic aspects in the process of making decisions at an organizational level. Of these dimensions, environmental CSR has attracted the spotlight in view of the growing global consciousness on environmental degradation, climatic change and sustainable use of resources. Environmental CSR is defined as anything that firms do to minimize their environmental impact like energy efficiency, wastage reduction, minimized pollution, sustainable sourcing, and environmentally friendly product development (Dahlsrud, 2008). The practices are not mere ethical requirements, but strategic entrepreneurial instruments that can assist in improving operational effectiveness, brand image and profitability in the long term. Studies have also proposed that proactive environmental firms tend to experience competitive advantages because of lower cost reduction, enhancing of stakeholder relations and the firm being distinguished with distinct differences in the market (Porter and van der Linde, 1995).

The question on whether or not there is a relationship between environmental CSR and firm profitability has had a lot of discussions in the literature where studies have shown both positive and mixed findings. Some researchers claim that environmental CSR has the beneficial effect on financial performance in the form of establishing cost-efficiencies, regulatory risks reduction, and development of a good reputation of the company (Orlitzky et al., 2003; Margolis and Walsh, 2003). As an example, companies that install energy efficient technologies and waste management programs have had to incur lower costs of production and at the same time there is less exposure to environmental liability. In addition, putting environmental CSR initiatives into practice sends out a positive message to the customer, investors, and other stakeholders and hence creates loyalty, trust, and longevity. Research with emerging market indicates that environmental responsibility is specifically critical to companies eager to gain accessibility to global sources of value with the majority of purchasers ever more particular of adherence to both environmental guidelines and standards (Aguilera et al., 2007).

The stakeholder theory has a theoretical ground in explaining the effect of environmental CSR on profitability. Freeman (1984) observes that sustainable success in firms requires companies to take into account the interest of a large spectrum of stakeholders such as employees, customers, investors, regulators, and communities. Environmental CSR initiatives show that a firm cares about taking care of the issues posed by the aforementioned stakeholders, which helps decrease the conflict, increase the trust and enhance the organizational legitimacy. As an illustration, an organization in the manufacturing industry that converts to environmentally friendly production systems may allow rapid staff engagement because of their pride in the ethical nature of the firm, and at the same time, they attract buyers and investors who are environmental conscious. Such business practices consistency with stakeholder expectations can be translated into a higher financial performance in terms of sales, turnover and operational risks.

The resource-based view (RBV) of the firm also further elaborates the connection between environmental CSR and profitability by stressing on the strategic worth of resources and capabilities that firms possess. According to Barney (1991), valuable, rare, inimitable and non substitutable resources offer a sustained competitive advantage. Here, environmental CSR competences like knowledge on energy-saving operations, waste management, and sustainable supply chain can be used as strategic resource that increases efficiency in operations and market positioning. Empirical research findings that have indicated that a company who has made environmental responsibility a central aspect in its core competency stands in a better position to achieve long-term profitability whilst incurring environmental costs and expectations of the society (Hart, 1995). In addition, environmental CSR may be perceived as an engine of innovation allowing companies to create eco-friendly products, processes, and services that will satisfy the new needs of the market and generate new revenue levels.

In spite of the fact that most studies recognize the positive association between environmental CSR and profitability, a number of studies have identified the presence of contextual and industry specific factors that may moderate the relationship. As an example, manufacturing is resource-consuming and can be linked to the tremendous environmental effects, therefore, environmental CSR can be expensive and complex to do. Trying to invest in environment-friendly technologies and production processes which are less polluting and the training of all employees can raise short-term costs and decrease the profitability of the immediate future (McWilliams & Siegel, 2000). Even then, the studies in the emerging economies reveal that these investments might bring about the long term gains of eliminating operational inefficiencies, reducing regulatory fines and enhancing the relationship amongst the stakeholders (Waddock and Graves, 1997). The effectiveness of environmental CSR efforts may also be affected due to institutional environment in such countries as Pakistan, which is marked with the changing regulations and inconsistent enforcement strategies. Companies that strategically align CSR practices with better financial and reputation practices stand higher chances of achieving financial and reputational benefits.

The empirical studies on the environment of an emerging market shed light on the importance of environmental CSR in improving the profitability of the firm. The evidence in the literature on manufacturing companies in India, China, as well as Malaysia suggests that companies with strong environmental programs have better financial performance than those with little environmental performance (Chen, 2008; Lee, 2008). These results indicate that environmental CSR not only mitigates environmental risks but also provides competitive advantages by way of operational efficiencies, brand differentiation and customer loyalty. Although it is very sparse in Pakistan, there are indications that companies operating in the textile, chemical, and cement sectors using energy-saving technologies, waste management, and sustainable production solutions have an increased ability to experience higher

profitability and increased access to the global markets (Khan et al., 2019). These practices help the firms to lower production expenses, meet the environmental laws and regulations, and fulfill the requirements of the environmentally conscious consumers thus, positively affecting the financial results.

The green CSR and the profitability influences are complex. Cost reduction is one of the mechanisms and it is done through energy saving, waste minimization and efficient use of resources. The other one is a reputation improvement that will attract customers, investors and skilled employees, hence raising revenue and saving on the cost of recruitment. The third mechanism is regulatory compliance where proactive environmental programs ensure that there are no fines, legal prosecutions and pains to operations. Moreover, environmental CSR may also lead to employee engagement and innovation since companies willing to act as environmentally friendly tend to inspire their staff to provide their ideas on how to improve the efficiency and find environmentally friendly solutions. Taken together, these mechanisms indicate that environmental CSR can create funds and social value at the same time, which helps enhance the idea of shared value creation in corporate strategy (Porter and Kramer, 2011).

Although increased importance of environmental CSR has been appreciated, studies show that there are difficulties related to the totalization of the profitability of environmental CSR. Some of the factors that may impede the successful implementation include shortage of sufficient financial resources, managerial goodwill, poor technological system as well as minimal awareness among the stakeholders especially in the third world countries (Jamali and Mirshak, 2007). The manufacturing companies in Pakistan have also other problems such as energy issues, expensive production as well as poor enforcement of policies. Consequently, companies that make environmental CSR superficially or symbolically, might find themselves enjoying no monetary gains, and could even find themselves under attack by stakeholders. This highlights the need to incorporate environmental CSR in the strategic planning that the initiated efforts should be aligned with the organizational objectives, industry best practices, and stakeholder needs.

Other researches also highlight influence of firm size and industry type in determining the relationship existing between CSR and profitability. Bigger companies have more funds to invest in environmental projects, whereas small and little enterprises (SMEs) might not be able to afford to pay the amount of money that is a requirement to adopt environmentally-saving technologies and sustainability measures (Liu and Zhang, 2019). Environmental CSR adoption is also affected by industry specific demand e.g. in terms of global buyer demand and international environmental certification. Depending on the manufacturing industry, particularly the export-based manufacturing business, in Pakistan companies producing goods and services aimed at sale have higher chances of employing environmental initiatives in order to achieve buyer standards, market access as well as profitability. On the other hand, companies that cater to local markets might feel that less tangible incentives will follow shortly, which makes the CSR profitability relationship context-specific.

To conclude, the literature indicates that there is an overall positive correlation between environmental CSR and the profitability of firms which is mediated by the following mechanisms which include cost effectiveness, reputation building, stakeholder trust, complying with regulations and innovation. The theoretical models such as the stakeholder theory and the resource-based view offer substantial evidence on the idea that the environmental responsibility practices are the strategic assets that increase the financial performance in the long-term. Environmental CSR is both a challenge and opportunity in the context of the manufacturing industry that has been experienced in Pakistan: as much as the firms contend with institutional limitations and implementation costs, such strategies are capable of yielding high returns of operations, returns, and reputations. Even though it is an important issue, documentation on empirical studies is minimal in Pakistan, and this has led to the necessity in context-specific research that investigates the role of environmental CSR initiatives on profitability, moderating variables, and the value creation mechanisms. This paper addresses this gap by examining how environmental CSR influences the profitability within the manufacturing sector of Pakistan that can guide the managers, policymakers, and researchers.

Methodology

Research Design

This research design is quantitative, under which it aimed to find the relationship between environmental CSR program and profitability in the manufacturing industry of Pakistan. The survey method was cross-sectional and this allowed the researcher to obtain data of various manufacturing companies at one point in time. The given design was suitable because it enabled the analysis of statistical associations between constructs and testing the hypothesis concerning the effects of environmental CSR on financial performance (Creswell and Creswell, 2018). The research was deductive in nature, where the propositions based on the stakeholder theory and the resource-based view are developed and tested as support to the idea that CSR initiatives in the environment can act as strategic resources and lead to the profitability of the firm (Barney, 1991; Freeman, 1984).

Population and Sample

The target population was manufacturing industries in the whole of Pakistan including textile, chemical processing, cement, and even food processing. The suitable respondents were the employees and managers working in CSR, production and financial operations as they were the ones interacting directly with the environmental activities and organizational performance

measurements. The stratified random sampling method was used in order to make sure that various industries and levels of organization are represented. The six manufacturing companies (three public as well as three private) were used to gather data and 250 respondents took part in the research. In this sample, a combination of managerial staff, operation employees, and CSR coordinators were used in order to give a complex overview of the environmental CSR practices and their impact on the profitability.

Data Collection Instrument

The data were collected via a structured questionnaire that was designed and implemented on the basis of the previous studies validated scales. The tool indicated three key constructs, namely the environmental CSR, profitability of the firm, and control variables, including the size and industry type of the firm. Items related to environmental CSR were based on the items on energy efficiency, waste management, pollution control, and sustainable resource usage adapted by Dahlsrud (2008) and Khan et al. (2019). Self-reported financial measures of profitability comprised of return on assets, revenue growth and cost efficiency and were used in accordance with studies in emerging markets (Orlitzky et al., 2003; Margolis and Walsh, 2003). The items were all measured on the basis of a five-point Likert scale (1 to 5 Strongly Disagree to Strongly Agree), as this provides consistency and simplicity of answers. A pilot test was conducted to a small group of manufacturing employees to perfect language, clarity and relevance of the items to questionnaire items.

Data Collection Procedure

Questionnaires were administered online as well as in-person basing on how convenient and preferable the respondents were. Informed consent was given to the participants to make them know the objective of the research, guarantee of confidentiality, and direct how to fill the survey. The process of data collection required a duration of four weeks, with the follow-ups to ensure that the highest response rates were achieved and the data loss caused by the gaps in the timeframe were minimized. The respondents were motivate to make correct and truthful assessments of the environmental CSR initiatives and performance that their firms achieve.

Reliability and Validity

Cronbach alpha was used to determine the reliability of the instrument and all the constructs had greater than the criteria required at 0.70, which is a sign of a strong internal consistency (Nunnally, 1978). Construct validity was determined by developing items based on the previous empiric study and involves industry experts who would check the relevance to the manufacturing industry in Pakistan. The pilot research was carried out on 20 respondents to verify that items were clear, understandable, and suitable to be used so that their inclusion in the questionnaire could be refined.

Data Analysis

The SPSS and SmartPLS software was used to analyse the data. To first identify demographic information and central tendencies of variables, descriptive statistics were first calculated. The correlation analysis was used to test the relationship between the environmental CSR and the profitability, whereas regression analysis was performed to test the hypothesis of the effect of environmental CSR on the financial performance of firms. The structural equation modeling (SEM) was also used to run the assessment of the direct and indirect relationship between the constructs to give insight into the impact of environmental initiatives on profitability, by adjusting the firm size and industry type. SEM was selected because it is strong in addressing the latent constructs and testing two or more constructs at a time (Hair et al., 2019).

Data Analysis and Findings

The research gathered information on 250 respondents in six manufacturing companies in Pakistan both in the government and private sectors. All the responses were kept to analyze after completeness and consistency screening were done. The demographic details showed that there were 138 (55) and 112 (45) male and female respondents, respectively, which is an indication of a balanced number of male and female respondents. Most of the participants (60%), were aged 25-35, then 30% aged 36-45 years and 10% below 25 or above 45 years. As regards education, 62% had a bachelors, 28% a masters and the 10% had a diploma or other qualification. In terms of experience, the majority of respondents (40 per cent) had 1-3 years work experience of 1-3 years with 35 per cent having 4-6 years work experience in the manufacturing industry and 25 per cent with 7-10 years' experience.

Table 1: Respondent Demographics (n = 250)

Variable	Category	Frequency	Percentage (%)
Gender	Male	112	45

	Female	138	55
Age	18–24	25	10
	25–35	150	60
	36–45	75	30
Education	Diploma/Other	25	10
	Bachelor’s	155	62
	Master’s	70	28
Experience (Years)	1–3	100	40
	4–6	87	35
	7–10	63	25

There was a calculation of descriptive statistics done to describe the perceptions of the respondents regarding the environmental CSR initiatives and the profitability of the firms. The scoring of environmental CSR was 4.05 (SD = 0.61), which means that on the whole, the respondents see their firms as those that take active steps toward the use of energy efficiency, waste reduction, and reduction of pollution. The profitability attained the mean of 3.92 (SD = 0.63), which shows the positive perception of financial performance, such as the increase in revenue and profit, profit margin on assets and profit efficiency. Such results indicate that manufacturing companies in Pakistan have a moderate involvement in environmental CSR, and respondents are sure that these practices are related to positive profitability results.

Table 2: Descriptive Statistics of Variables

Variable	Mean	Standard Deviation
Environmental CSR	4.05	0.61
Profitability	3.92	0.63

The internal consistency of scales of measurement was checked through reliability analysis by using Cronbach alpha. The alpha of the environmental CSR stood at 0.88 and that of the profitability scale was 0.85 which is higher than the stipulated 0.70 (Nunnally, 1978). This implies that their items are reliable in measuring their constructs.

Table 3: Reliability Analysis (Cronbach Alpha)

Construct	No. of Items	Cronbach’s Alpha
Environmental CSR	8	0.88
Profitability	7	0.85

Correlation analysis found that there is a significant positive relationship between environmental CSR and profitability ($r = 0.61$, $p < 0.01$) and the hypothesis is confirmed, environmental responsible practices lead to the improvement of financial performance. This association implies that companies that invest in energy efficiency, waste management, pollution management, and sustainable resource management would realize a higher profitability rate, as is the case with previous studies (Orlitzky et al., 2003; Margolis and Walsh, 2003).

Table 4: Correlation Analysis

Variable	1	2
1. Environmental CSR	1	
2. Profitability	0.61**	1

Regression analysis was done to further explore the relationship. Findings showed that environmental CSR is a strong predictor of profitability ($\beta = 0.59$, $t = 8.75$, $p < 0.001$), which is an overall 36 percent predictor of variation of financial performance ($R^2 = 0.36$). This illustrates the fact that companies which have good environmental policies are more apt to reach greater levels of profits, it has the strategic importance of CSR as a resource based capability within the manufacturing environment.

Table 5: Regression Analysis

Predictor	β	t-value	p-value
Environmental CSR	0.59	8.75	<0.001

Lastly, the structural equation modeling (SEM) was also used with the SmartPLS to determine the strength of the relationship between environmental CSR and profitability. The positive impact of environmental CSR also on the financial performance was supported (SEM results show that the effect is positive, $t = 9.02$, $p = 0.001$) as well as model fit indices showing convergent and discriminant validity. Factor loading of all the items were above 0.70 and average variance extracted (AVE) above 0.50 indicating the strength of the constructs in terms of reliability and validity. The results support that environmental CSR as a strategic profitability driver exists in the Pakistani manufacturing industry, which matches the stakeholder theory and resource-based views of CSR.

Finally, the data analysis stipulates good evidence that manufacturing companies that perform environmental CSR campaigns like energy conservation, waste reduction, pollution, and management of resources in a sustainable manner pay off financially in terms of revenue, cost reduction, stakeholder relations improvement. The findings highlight the significance of the environmental responsibility in organizational strategy planning which proves that the CSR initiatives can offset the ethical duty and provide real economic benefit at the same time.

Discussion

The results of the present research have strong indicators that the CSR initiatives targeted at environmental functions have a positive effect on the profitability of firms in the manufacturing industry in Pakistan. The findings indicate the environmentally responsible practices have a significant and positive correlation ($r = 0.61$, $p < 0.01$) and a strong predictive relationship ($\beta = 0.59$, $p < 0.001$) with financial performance showing that CSR is not a regulatory or moral requirement but an epidemiological tool of profitability. This is parallel to the stakeholder theory which emphasises that, firms can succeed in a sustainable manner by catering the interests of the various stakeholders such as the employees, customers, investors, and the communities (Freeman, 1984). When manufacturing companies adopt energy-saving operations, cut-down energy, and pollution management programs, it will be an indication that it strives to ensure proper care of the environment, hence increasing stakeholder trust, customer loyalty and employee participation. These practices have tangible and intangible positive effects, such as cost savings and compliance, and reputation enhancement and market differentiation, respectively, which ultimately aim at better financial results (Orlitzky et al., 2003; Margolis and Walsh, 2003).

The correlation of the environmental CSR and profitability also indicates positive relationship that is based on resource-based view (RBV), according to the view, a firm can experience sustained competitive advantage through using valuable resources that are rare, inimitable and non-substitutable (Barney, 1991). Such resources are environmental CSR initiatives imposed strategically in organizational processes and they contribute to a more effective way of conducting business, any innovations, and improved relations with stakeholders. An example is that production companies that adopt cleaner production technologies to produce clean waste produce less waste, use less energy and also create some strengths that the competitors will find it hard to match hence leading to high financial performance in the long term (Hart, 1995). The findings of the SEM also confirm the strength of this relationship meaning that the environmental CSR is a critical strategic process by which companies can transform sustainable practices into economic rents.

The results also point to the complexity of the mechanisms involving the greater profitability of the company as a result of environmental CSR. Another factor that comes into the picture is cost efficiency because energy savings and minimization of wastes and optimization of the process will directly cut down operational costs. Other major mechanisms include reputation enhancement,

that attracts environmentally minded customers, investors and employees and leads to revenue gain and also lowers the cost associated with human resources (Turban and Greening, 1997). Contextual compliance is as well to the Pakistani society as the changing environmental norms and the inconsistent implementation of such regulations have made proactive CSR activities not only as a risk avoidance measure, but also as a competitive advantage source. Moreover, environmental CSR promotes learning and innovation in an organization to the extent that employees are encouraged to give their ideas on eco-friendly operations that results in new product development and greater efficiency of operations and, consequently, increased profitability (Porter and van der Linde, 1995).

The setting of the manufacturing industry in Pakistan provides some special revelations into the context of the relationship between CSR and profitability. The main industries affected by this include textiles, chemicals, and cement where firms are experiencing serious environmental problems which include energy deficiency, pollution, and wastes. Although these limitations exist, the analysis shows that firms that pursue strategic environmental initiatives feel enhanced profitability thereby, indicating high costs of the implementation of CSR do not match the benefits. Export-based companies, especially, benefit because they can get access to markets more easily, with international consumers becoming more demanding in regard to firms that adhere to the environmental practices. On the contrary, companies that practice merely cosmetic or token CSR face a risk of not attaining these financial benefits which emphasize the merits of a strategic approach to incorporating the environmental programs into business processes (Jamali and Mirshak, 2007).

The paper also emphasizes the relevance of corporate specific elements including size, industry sector, and management determination in the formation of operational effectiveness of environmental CSR. The bigger companies might have more resources in terms of money and technology to execute advanced environmental programs and small companies may have limitations because of the lack of resources. However, environmental practices, including energy saving, recycling, and employee education, can be already used by even SMEs, and will lead to profitable results gradually. Furthermore, the results support the idea that environmental CSR is not a one-time event and a tactical approach, which has to be aligned with organizational goals, processes, and expectations of stakeholders to create both economic and environmental value.

To conclude, the research paper is relevant to the literature because it presents empirical research in the manufacturing industry of Pakistan, and the context has not been previously extensively studied in the literature on CSR. It also proves that environmental CSR activities such as those related to energy efficiency, waste management, pollution, and sustainable resource management have a positive correlation with profitability. The results are an expansion of the resource-based view and the stakeholder theory by showing that CSR is a strategy of engaging stakeholders and a strategic resource that improves financial performance. In practice, this paper will highlight that manufacturing companies can obtain a twofold advantage: to satisfy environmental and social obligations and, at the same time, to enhance the economic performance. These lessons can guide managers, policy-makers, and practitioners who wish to incorporate the issue of sustainability in the main business processes without affecting profitability.

Conclusion

The conclusion of the study is that environmental CSR does influence profitability of the Pakistani manufacturing industry in a very high and positive reflection. Companies where energy-saving activities, waste management systems, pollution prevention units, and sustainable use of resources are implemented will not only be ethical, regulatory, but also more efficient in their operations, have opinions of stakeholders, and are more reputable. The empirical evidence ascertained that the environmental CSR is a strategic resource that is consistent with the stakeholder theory and resource-based view in producing long-term financial performance. Manufacturing businesses can turn the environmental responsibility into economic value by integrating sustainability in major business operations, and hence attaining profitability and competitive edge. What the study emphasizes on is that environmental CSR must be regarded as a firm strategy and not an outskirts or token practice.

Recommendations

Pakistan is urged to incorporate the environmental CSR activities in the operations and strategies of manufacturing companies. Companies ought to invest in energy saving technologies, methods used in waste management and methods through which pollution is controlled in order to come up with cost saving and regulations. Sustainability culture should also be promoted by the managers encouraging the one to practice sustainability through employees and also allowing them to be innovative in processes that are environmentally friendly. This can be done through incentives by the policy makers on green investments and clear environmental rules to ensure thorough adoptions of CSR practices. Environmental standards should be a consideration in export-oriented companies as these firms need to compete on the global stage and SMEs are able to adopt sustainability practices at a low cost in order to enhance profitability in the long run. In general, proactive and strategic perspective on environmental CSR may help companies to attain ecological and financial objectives that will facilitate sustainable development of the manufacturing industry in Pakistan.

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