Pegem Journal of Education and Instruction, Vol. 15, No. 2, 2025 (pp. 338-357)

RESEARCH ARTICLE WWW.PEGEGOG.NET

The Impact of Corporate Social Responsibility on Perceived Firm Performance: The Mediating Role of Employee Commitment and Moderating Effect of Industry Competitiveness

Tariq Jamil[1]
Assistant Professor, National Business School, The University of Faisalabad
tariqjamil.nbs@tuf.edu.pk
Abdullah Hammad[2]
Assistant Professor, National Business School, The University of Faisalabad
Abdullahhammad.nbs@tuf.edu.pk
Muhammad Saeed Ahmad[3]
Assistant Professor, National Business School, The University of Faisalabad
Usman Ali[4]
Assistant Professor, National Business School, The University of Faisalabad **(corresponding author)**
usman.ali.nbs@tuf.edu.pk
Afzal Ahmad[5]
Imperial College of Business Studies Lahore
Akhtar Mahmood[6]
Assistant Professor, National Business School, The University of Faisalabad

Corresponding Author: usman.ali.nbs@tuf.edu.pk

Abstract

This study examines the impact of Corporate Social Responsibility (CSR) initiatives on perceived firm performance, investigating the mediating role of employee commitment and the moderating effect of perceived industry competitiveness within the Pakistani Banking and Financial Services sector. Using a primary, longitudinal research design, data were collected in two waves from 385 employees through a structured questionnaire, employing purposive sampling to ensure respondents' awareness of organizational CSR practices and industry dynamics. Structural Equation Modeling (SEM) results indicate that CSR initiatives significantly enhance perceived firm market performance, with employee commitment acting as a critical mediator. Additionally, perceived industry competitiveness strengthens this indirect relationship, highlighting the contingent role of competitive intensity in shaping CSR effectiveness. Findings support the Resource Based View (RBV), demonstrating how intangible organizational resources, when internalized by employees, contribute to sustainable competitive advantage. The study offers theoretical contributions by integrating internal and external mechanisms in CSR-performance research and extends empirical evidence to an emerging-market context. Practically, the results underscore the importance of strategically designing CSR programs that engage employees and align with competitive industry conditions to maximize market performance outcomes.

Keywords: Corporate social responsibility, employee commitment, perceived firm market performance, industry competitiveness, Resource-Based View, Banking sector, Pakistan

Introduction:

Corporate Social Responsibility (CSR) has evolved from a purely ethical obligation to a strategic priority that shapes how stakeholders assess a firm's legitimacy, competitiveness, and long-term market prospects. Despite the increasing corporate investment in CSR, empirical findings remain inconsistent regarding its impact on firm market performance. Several recent studies (e.g., Singhal, 2024; Yassin, 2024) argue that CSR's benefits depend on internal mechanisms and contextual factors, suggesting that CSR does not automatically lead to improved market perceptions. This inconsistency presents a practical problem for managers seeking clarity on whether CSR initiatives can meaningfully enhance a firm's perceived market position.

CSR initiatives, the independent variable of this study, encompass environmental programs, ethical practices, employee-focused policies, and community engagement. Between 2020 and 2024, scholars have increasingly used primary data to examine how CSR shapes both employee and market-level outcomes. For instance, Chatzopoulou et al. (2022) emphasize that employees' perceptions of CSR strongly influence organizational commitment and attitudes, while Singhal (2024) and similar empirical studies demonstrate that CSR can strengthen market performance when it is perceived as authentic and strategically aligned. These findings highlight the need to explore CSR not merely as a corporate signal but as a multi-layered construct shaping internal and external perceptions.

The first objective of the current study is to examine the direct relationship between CSR initiatives and perceived firm market performance using primary data. Prior research shows mixed results, some report a positive CSR and performance link (Singhal, 2024), while others find weak or insignificant effects due to measurement or contextual issues (Yassin, 2024). Perceived market performance has become a preferred outcome metric in primary data studies because it captures real-time stakeholder judgments. Therefore, investigating whether CSR initiatives positively influence employees' and stakeholders' perceptions of market performance addresses an important empirical and practical gap.

Recent CSR literature highlights the importance of employee-level psychological processes in translating CSR into performance outcomes. Employee commitment has gained particular attention as a key mediator (Chatzopoulou et al., 2022). CSR initiatives that employees perceive as genuine can increase organizational identification, loyalty, and willingness to exert discretionary effort, factors that ultimately enhance service quality and customer perceptions. Yassin's (2024) systematic review reinforces that employee commitment consistently appears as a mediator in CSR i.e. outcome relationships. Thus, the present study proposes employee commitment as a mediating mechanism through which CSR influences perceived market performance.

Industry conditions also shape the strength of CSR's impact. The moderating role of perceived industry competitiveness is grounded in recent findings that CSR tends to yield stronger performance benefits in competitive or high-growth industries, where differentiation through socially responsible practices is more visible (Chang, 2023). Conversely, in highly saturated industries, CSR may become a baseline expectation rather than a source of competitive advantage.

Testing perceived industry competitiveness as a moderator allows this study to explain not only whether CSR improves perceived performance but when its effects become stronger or weaker.

The Resource-Based View (RBV) provides the theoretical foundation for this study. RBV posits that firms gain competitive advantage through valuable, rare, inimitable, and non-substitutable (VRIN) resources. CSR initiatives can become strategic resources by building human capital, strengthening organizational culture, and enhancing reputation (Bhat, 2024). Employee commitment serves as a human-capital-based resource that operationalizes CSR's benefits, while industry competitiveness represents a boundary condition that influences the value of these resources. By integrating RBV with the mediation and moderation framework, this study responds to recent calls for mechanism-focused CSR research (Yassin, 2024) and aims to clarify the inconsistent findings on the CSR–performance link. In doing so, it contributes new empirical insights using fully primary data, addressing theoretical gaps and offering practical guidance to managers.

2.0 Literature review

2.1 Resource-Based View theory

The Resource-Based View (RBV) is a dominant theoretical framework explaining how firms achieve and sustain competitive advantage through the strategic deployment of internal resources and capabilities. RBV argues that resources must possess the characteristics of being valuable, rare, imperfectly imitable, and non-substitutable (VRIN) to create long-term competitive benefits (Barney, 1991). Over the past decade, RBV has expanded to include intangible assets such as knowledge, culture, trust, and employee attitudes, which are now considered core drivers of organizational advantage. Recent strategic-management research emphasizes that intangible social and relational resources such as stakeholder trust, employee support, and socially responsible practices serve as high-order capabilities that cannot be easily replicated by competitors (Hitt, Xu, & Carnes, 2016; Lee & Pati, 2021). Thus, RBV provides a robust lens to understand how organizational actions translate into performance by building resource-based strengths that evolve over time.

Within this study's model, RBV helps explain how CSR initiatives, employee commitment, industry competitiveness, and perceived firm market performance interact in a resource capability performance chain. CSR initiatives represent strategic intangible resources that develop legitimacy, trust, and goodwill, which gradually strengthen a firm's internal capabilities (Aguinis & Glavas, 2019; Marqués & del Río, 2020). These CSR driven resources enhance employee commitment, an internal human-capital capability that improves productivity, innovation, and service behaviors attributes that competitors find difficult to imitate (Mory, Wirtz, & Göttel, 2016; Ribeiro, Yücel, & Gomes, 2020). When employees are committed, firms are better positioned to achieve superior perceived market performance, as customers and stakeholders evaluate firms positively due to improved service quality and organizational reputation. Moreover, perceived industry competitiveness acts as a boundary condition that shapes the value of these internal resources. In highly competitive environments, CSR-based differentiation and strong employee commitment become even more valuable for sustaining performance advantages (Galbreath, 2020;

Ganter & Hecker, 2020). Therefore, RBV supports the proposition that CSR enhances firm performance through internal capability building, moderated by external competitive conditions.

2.2 Corporate Social Responsibility and Perceived Firm Market Performance

CSR initiatives refer to a firm's voluntary actions aimed at creating social, environmental, and ethical value beyond regulatory requirements. CSR encompasses a wide range of practices, including environmental sustainability, employee-centered programs, community engagement, ethical governance, and philanthropic activities. Recent studies (2020–2024) increasingly distinguish between substantive CSR (authentic, integrated into core strategy) and symbolic CSR (surface-level or reputation-driven), noting that only substantive CSR consistently enhances firm-related outcomes (Nguyen & Adalikwu, 2023; Akbari et al., 2022; Ahmad et al., 2021). Perceived firm market performance captures stakeholders' judgments of competitive position, customer demand, market growth, and brand strength. Emerging research using perceptual measures suggests that CSR can shape these market perceptions by influencing customer trust, employee engagement, and brand legitimacy (Wang & Wei, 2022; Al-Shammari & Rasheed, 2021). However, recent reviews highlight critical gaps: many studies rely on secondary CSR disclosures, few use primary employee-level data, and results remain inconsistent across contexts and industries (Kim & Lyon, 2024). Thus, there is a need for empirical research that investigates how and when CSR initiatives translate into perceived market performance using primary, context-specific, and employee-informed data precisely what your model aims to address.

Grounded in the RBV, CSR initiatives can be treated as strategic intangible resources that build goodwill, legitimacy, and relational capital attributes that are valuable, rare, and difficult for competitors to imitate. These CSR-driven resources can enhance a firm's perceived market performance by improving reputation, stakeholder trust, and customer loyalty (Ullah & Rahman, 2021; Rashid & Javed, 2022). In Pakistan's competitive and institutionally complex market environment, CSR plays an even more critical role because consumers and employees increasingly view socially responsible organizations as more credible and trustworthy. Local evidence shows that Pakistani firms engaging in authentic CSR gain stronger employee support, greater customer acceptance, and enhanced competitive standing, especially in service and manufacturing sectors (Khan, Imran, & Fatima, 2023; Ahmad et al., 2023). From an RBV standpoint, CSR becomes a capability that strengthens a firm's relational assets, which, in turn, positively shapes market perceptions. Moreover, the cultural context characterized by collectivism, social solidarity, and high value placed on community welfare amplifies the positive reception of CSR efforts. Thus, CSR initiatives in Pakistan create both moral legitimacy and strategic advantage, positioning firms more favorably in the eyes of customers and employees, ultimately elevating perceived market performance.

H1: CSR initiatives have a positive effect on perceived firm market performance.

2.3 Mediating Role of Employee Commitment

Employee commitment refers to an employee's psychological attachment, emotional bond, and willingness to exert extra effort for their organization (Meyer & Allen, 2020). It is widely conceptualized through affective, continuance, and normative dimensions, but recent research emphasizes affective commitment as the most influential for performance-related outcomes. In CSR literature, employee commitment has emerged as a central mechanism through which CSR influences organizational outputs, as employees interpret socially responsible practices as signals of organizational care, ethical conduct, and shared values (Zhao et al., 2021; Farooq & Salam, 2023). Empirical studies confirm that CSR improves stronger employee identification, loyalty, and work engagement, which subsequently enhance customer satisfaction, innovation, and firm performance (Köhne & Paço, 2022). Despite this progress, researchers highlight a persistent gap: most studies examine CSR–performance relationships directly, while only a limited number rigorously test commitment as a mediator, especially using primary data from employees. Moreover, contextual variations across industries and countries remain underexplored, with scholars calling for studies that unpack *how* employee attitudes serve as internal pathways that convert CSR initiatives into perceived market performance (Sharma & Bansal, 2024). This gap underscores the need for further evidence-based analysis of employee commitment as a mediating variable in CSR–performance frameworks.

From a RBV perspective, employee commitment represents a strategic human-capital capability that strengthens the value of CSR initiatives. CSR functions as an intangible resource that generates trust, moral legitimacy, and positive employee perceptions—resources that are valuable, rare, and difficult to imitate. When employees perceive CSR as genuine, they reciprocate with heightened commitment, which enhances service quality, innovation, and customer responsiveness, ultimately improving perceived firm market performance (Yasir & Majid, 2022; Qureshi & Sajjad, 2023). In Pakistan's collectivist socio-cultural environment, employees place strong emphasis on organizational morality, social contribution, and community-oriented values. Therefore, CSR activities resonate more deeply, triggering stronger affective commitment and greater willingness to support organizational goals (Habib & Aslam, 2021). Pakistani firms also face intense market competition and institutional pressures, making employee commitment a crucial internal capability that amplifies the performance benefits of CSR initiatives. As RBV suggests, committed employees transform CSR investments into competitive advantage by acting as internal champions who enhance brand image and stakeholder satisfaction. Thus, the mediating effect of employee commitment reflects a critical internal mechanism through which CSR influences perceived market performance within Pakistan's unique cultural and competitive landscape.

H2: Employee commitment mediates the relationship between CSR initiatives and perceived firm market performance.

2.4 Moderating Role of Perceived Industry Competitiveness

Perceived industry competitiveness refers to employees' and managers' assessment of the intensity of rivalry, market dynamism, and competitive pressures within the sector in which a firm operates (Kwon & Lee, 2023). Highly competitive industries demand greater innovation, responsiveness, and customer-focused strategies, making resource utilization and organizational capabilities far more critical than in stable environments (Zhang et al., 2022; Ahmad et al., 2021b). Prior research indicates that industry competitiveness shapes the degree to which CSR translates into performance outcomes; for example, firms in intensely competitive environments often rely on CSR to differentiate their image, enhance legitimacy, and attract both consumers and talent

(Rahman & Idris, 2021). However, existing studies especially those in emerging economies remain inconclusive regarding how competitiveness strengthens or weakens the CSR i.e performance linkage. Some studies show that high competitiveness amplifies the strategic value of CSR (Lu & Liu, 2024), while others report that excessive rivalry restricts the financial returns of CSR because firms prioritize cost control (Martínez-García et al., 2023). Moreover, although industry competitiveness has been examined as a contextual factor, very few studies have positioned it as a boundary condition affecting the mediating mechanism of employee commitment, especially in South Asian or Pakistani settings. This creates a clear gap, as competitive pressures may shape employees' responses to CSR differently, influencing whether their enhanced commitment ultimately strengthens perceived market performance.

Drawing on the Resource-Based View (RBV), industry competitiveness acts as an external force that determines the strategic value and rarity of internal resources such as employee commitment, organizational reputation, and CSR-driven capabilities (Agyekum & Boateng, 2024). When competition is high, CSR initiatives are more likely to be viewed as unique and valuable strategic assets that differentiate a firm from rivals, thereby enhancing the commitment of employees who perceive their organization as socially responsible and strategically forward-looking (Nasir & Khan, 2022). This committed workforce becomes a performance-enhancing resource that strengthens the firm's market position aligning directly with RBV logic that intangible capabilities drive competitive advantage. In Pakistan, where industries such as telecom, banking, textile, and FMCGs experience intense market rivalry and rapid shifts in consumer expectations, competitiveness acts as a crucial contextual amplifier for CSR effectiveness. Employees in highly competitive sectors are more sensitive to organizational values and external pressures, meaning CSR signals can either heighten or weaken their loyalty depending on perceived competitive threats (Ahmad & Saleem, 2023). Thus, industry competitiveness is not only a contextual background factor but a strategic moderator that shapes the strength of the relationship between CSR, employee commitment, and perceived market performance, making its examination essential for firms operating in emerging markets such as Pakistan.

H3: Perceived industry competitiveness moderates the relationship between CSR initiatives and employee commitment, such that the relationship is stronger under higher perceived competitiveness.

H4: Perceived industry competitiveness moderates the indirect effect of CSR initiatives on perceived firm market performance through employee commitment, such that the mediated relationship is stronger in highly competitive industries.

3.0 Methodology

3.1 Research Design and Approach

This study employed a longitudinal, primary data-based research design, aimed at minimizing common method bias and capturing the temporal sequence between the predictor, mediator, and outcome variables. Data were collected in two waves (Time 1 and Time 2) from employees working in the Banking and Financial Services industry, a highly competitive sector in Pakistan. This industry was selected because of its prominent CSR initiatives, large employee base, and measurable market performance outcomes. A time-lagged approach is widely recommended in organizational behavior research to strengthen causal inferences and reduce perceptual inflation of relationships (Ployhart & Vandenberg, 2010). In the first wave (Time 1), data on CSR perceptions and the moderator, perceived industry competitiveness, were collected. After a gap of six weeks, the second wave (Time 2) captured responses on employee commitment and perceived firm market performance (Ahmad et al., 2023b). The time separation helped reduce immediate recall effects and improved the reliability of causal interpretations.

The population comprised full-time employees working in the Banking and Financial Services sector in Pakistan, including commercial banks and financial institutions. A purposive sampling technique was employed to ensure that respondents possessed adequate awareness of their organization's CSR initiatives and competitive dynamics. This technique is appropriate when respondents must meet specific inclusion criteria relevant to the study context (Etikan, 2016). A total of 385 employees completed valid questionnaires across both time waves, meeting the sample size threshold recommended by Krejcie and Morgan (1970) for populations exceeding 10,000. Attrition between waves was minimized through follow-up reminders and organizational coordination.

Data were collected using a structured self-administered questionnaire, distributed both physically and through secure digital links. Participation was voluntary, and confidentiality was assured to mitigate social desirability bias. At Time 1, respondents provided information about CSR perceptions and perceived industry competitiveness within the Banking and Financial Services industry. At Time 2, the same respondents completed measures of employee commitment and perceived firm market performance. Unique identification codes were used to match responses from both waves without revealing personal identities, following ethical guidelines for longitudinal workplace research (Aguinis & Solarino, 2019). The overall response rate remained robust due to organizational support and consistent follow-up.

3.2 Measurement Scales

All constructs were measured using validated and widely used five-point Likert-type scales, which were carefully adapted to the Pakistani context. CSR initiatives were measured using a revised version of Turker's (2009) CSR scale, frequently adopted in CSR performance studies. Employee commitment was assessed through the affective commitment scale developed by Meyer and Allen (1997), which has demonstrated strong reliability in cross-cultural contexts. Perceived industry competitiveness was measured using the competitive intensity scale developed by Jaworski and Kohli (1993), updated and validated in recent studies. Perceived firm market performance was assessed using the subjective performance scale by Morgan, Kaleka, and Katsikeas (2004), suitable for employee-level perceptions of market competitiveness. All scales demonstrated acceptable psychometric properties in recent studies across emerging economies (e.g., Khan & Rasheed, 2022; Lee & Ha, 2023). Minor contextual adjustments were made to reflect the Banking and Financial Services industry in Pakistan, and a pilot test was conducted to confirm clarity and reliability before the main data collection.

4.0 Data analysis

4.1 Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) was conducted to assess the validity and reliability of the measurement model for all study constructs: CSR initiatives, employee commitment, perceived firm market performance, and perceived industry competitiveness. All factor loadings were above the recommended threshold of 0.60, demonstrating strong indicator reliability (Hair et al., 2021). Composite reliability (CR) values ranged from 0.88 to 0.91, exceeding the recommended cutoff of 0.70, indicating high internal consistency. Average variance extracted (AVE) values ranged from 0.57 to 0.62, confirming adequate convergent validity for all constructs.

The overall measurement model demonstrated good fit with the data: $\chi^2/df = 2.15$ (<3), CFI = 0.95, TLI = 0.94, RMSEA = 0.054, and SRMR = 0.045, meeting commonly accepted thresholds for CFA (Hu & Bentler, 1999; Kline, 2016). These results confirm that the observed indicators reliably and validly represent the latent constructs in this study, supporting the subsequent structural model analyses to test mediation, moderation, and moderated mediation hypotheses. The CFA results provide strong empirical support for using these constructs in a primary-data-based investigation in the context of the Pakistani Banking and Financial Services sector.

Table 1: Confirmatory Factor Analysis (CFA)

Construct	Factor Loadings	Cronbach's α	Composite Reliability (CR)	Average Variance Extracted (AVE)
CSR Initiatives (IV)	0.72–0.88	0.89	0.91	0.62
Employee Commitment (Mediator)	0.70–0.86	0.88	0.90	0.60
Perceived Firm Market Performance (DV)	0.68–0.84	0.87	0.89	0.57
Perceived Industry Competitiveness (Moderator)	0.71–0.85	0.85	0.88	0.61

Table 2: Model Fit Indices

Fit Index	Value	Recommended Threshold
χ^2/df	2.15	<3
CFI	0.95	≥0.90

TLI	0.94	≥0.90
RMSEA	0.054	≤0.08
SRMR	0.045	≤0.08

4.2 Descriptive statistics

The descriptive statistics indicate that all constructs were rated above the mid-point of the five-point Likert scale, suggesting generally high levels of CSR initiatives, employee commitment, perceived firm market performance, and industry competitiveness among respondents in the Banking and Financial Services sector. Standard deviations (0.58–0.65) indicate moderate variability, reflecting heterogeneity in employees' perceptions while maintaining a stable central tendency.

Multicollinearity was assessed using tolerance and variance inflation factor (VIF) values. Tolerance values ranged from 0.69 to 0.74, and VIF values ranged from 1.35 to 1.45, well below the commonly accepted thresholds (tolerance >0.20; VIF <5), indicating that multicollinearity is not a concern for the proposed structural model. These statistics confirm the appropriateness of the data for conducting mediation, moderation, and moderated mediation analyses using primary survey data.

Table 3: Descriptive Statistics and Multicollinearity

Variable	Mean	SD	Tolerance	VIF
CSR Initiatives	4.12	0.58	0.72	1.39
Employee Commitment	4.05	0.62	0.69	1.45
Perceived Firm Market Performance	4.08	0.60	0.71	1.41
Perceived Industry Competitiveness	3.98	0.65	0.74	1.35

4.3 Correlation Analysis

The correlation analysis shows significant positive relationships among all study variables, providing preliminary support for the hypothesized associations. CSR initiatives are strongly correlated with employee commitment ($r = 0.62$, $p < 0.01$) and perceived firm market performance ($r = 0.58$, $p < 0.01$), suggesting that firms with active CSR programs are perceived more favorably by employees and are associated with higher market performance evaluations. Employee commitment also demonstrates a strong positive correlation with perceived market performance ($r = 0.64$, $p < 0.01$), supporting the mediating role of commitment in translating CSR initiatives into performance outcomes. Perceived industry competitiveness is moderately correlated with all constructs, indicating that employees' perceptions of competitive intensity are associated with both

CSR initiatives ($r = 0.47$, $p < 0.01$) and employee responses, as well as perceived firm performance ($r = 0.50$, $p < 0.01$).

Table 4: Correlation Analysis

Variable	1	2	3	4
1. CSR Initiatives	1			
2. Employee Commitment	0.62**	1		
3. Perceived Firm Market Performance	0.58**	0.64**	1	
4. Perceived Industry Competitiveness	0.47**	0.52**	0.50**	1

Note: $p < 0.01$ (2-tailed)

4.4 Regression and Mediation Analysis

The regression and mediation results demonstrate strong empirical support for the hypothesized relationships in the proposed model. CSR initiatives have a significant direct effect on perceived firm market performance ($\beta = 0.42$, $p < 0.001$), supporting H1 and indicating that socially responsible practices positively shape employees' and customers' perceptions of market outcomes. CSR also significantly predicts employee commitment ($\beta = 0.62$, $p < 0.001$), and employee commitment, in turn, significantly predicts perceived market performance ($\beta = 0.48$, $p < 0.001$), confirming the theoretical mediating pathway proposed in H2.

The mediation analysis, using bootstrap procedures with 5000 resamples, revealed that the indirect effect of CSR on perceived firm market performance through employee commitment is significant ($\beta = 0.30$, $p < 0.001$), while the direct effect remains significant but reduced ($\beta = 0.12$, $p = 0.017$), indicating partial mediation. These findings are consistent with Resource-Based View (RBV) theory, suggesting that CSR functions as an intangible organizational resource that is internalized by employees, enhancing commitment and translating into improved market performance. The results validate the mediating role of employee commitment as a mechanism through which CSR initiatives generate strategic advantage, confirming the importance of internal human-capital processes in emerging-market contexts such as the Pakistani Banking and Financial Services sector.

Table 5: Regression and Mediation Analysis

Path	β	SE	t-value	p-value	Decision

CSR → Perceived Firm Market Performance	0.42	0.05	8.40	<0.001	Supported
CSR → Employee Commitment	0.62	0.04	15.50	<0.001	Supported
Employee Commitment → Perceived Firm Market Performance	0.48	0.05	9.60	<0.001	Supported
CSR → Perceived Firm Market Performance	0.12	0.05	2.40	0.017	Partial Mediation
Indirect effect (CSR → Employee Commitment → Perceived Market Performance)	0.30	0.04	7.50	<0.001	Significant

Note: Bootstrap 5000 samples used for indirect effect significance

4.5 Moderation Analysis

The moderation analysis indicates that perceived industry competitiveness significantly strengthens the relationship between CSR initiatives and employee commitment ($\beta = 0.18$, $p < 0.001$), supporting H3. This suggests that in highly competitive industries, employees are more responsive to CSR initiatives, likely because such initiatives signal organizational differentiation and strategic positioning. The positive interaction implies that CSR's effectiveness in enhancing employee commitment is contingent on the perceived intensity of industry competition, which is consistent with the Resource-Based View (RBV) emphasizing the importance of environmental context in realizing the value of intangible organizational resources.

A simple slope analysis further confirms that the relationship between CSR and employee commitment is stronger when perceived industry competitiveness is high compared to low. This highlights that managers should consider competitive pressures when designing and implementing CSR programs, ensuring that employee engagement strategies are tailored to maximize commitment and, ultimately, firm market performance. These findings also provide empirical support for integrating both internal (employee commitment) and external (industry competitiveness) mechanisms in CSR-performance research, especially in emerging-market contexts such as Pakistan.

Table 6: Moderation Analysis: Perceived Industry Competitiveness

Path	β	SE	t-value	p-value	Decision
CSR → Employee Commitment (Direct)	0.62	0.04	15.50	<0.001	Supported
CSR × Industry Competitiveness → Employee Commitment	0.18	0.05	3.60	<0.001	Supported

4.6 Moderated Mediation Analysis

The moderated mediation analysis examined whether perceived industry competitiveness moderates the indirect effect of CSR initiatives on perceived firm market performance through employee commitment. Results indicate that the indirect effect is significantly stronger under high industry competitiveness (β = 0.38, 95% CI [0.29, 0.48]) compared to low industry competitiveness (β = 0.22, 95% CI [0.12, 0.33]), confirming the hypothesized moderated mediation (H5). The index of moderated mediation (β = 0.08, 95% CI [0.03, 0.15], p = 0.002) further supports the conclusion that the mediating effect of employee commitment is contingent upon the perceived competitive intensity of the industry.

These findings suggest that CSR initiatives not only build employee commitment and enhance perceived market performance but also that their effectiveness is amplified in highly competitive environments. From a Resource-Based View (RBV) perspective, CSR acts as a strategic, intangible resource whose value is realized when employees internalize its principles, particularly under competitive pressures that heighten the importance of differentiation and human capital. Practically, this emphasizes that managers in Pakistan's Banking and Financial Services sector should align CSR strategies with industry competitiveness to maximize employee engagement and market performance outcomes.

Table 7: Moderated Mediation Analysis

Indirect Path	Effect (β)	SE	95% CI	p-value	Decision
CSR → Employee Commitment → Perceived Market Performance (Low Industry Competitiveness)	0.22	0.05	[0.12, 0.33]	<0.001	Significant
CSR → Employee Commitment →	0.38	0.04	[0.29, 0.48]	<0.001	Significant

Perceived Market Performance (High Industry Competitiveness)					
Index of Moderated Mediation	0.08	0.03	[0.03, 0.15]	0.002	Supported

5.0 Discussion

The findings of this study indicate that corporate social responsibility (CSR) initiatives have a significant positive impact on perceived firm market performance, confirming prior research in emerging economies (Singh & Kumar, 2022; Ahmad & Rashid, 2023). Employees perceive CSR activities not only as ethical obligations but also as strategic investments that enhance organizational legitimacy, reputation, and competitive positioning. Consistent with the Resource-Based View (RBV), CSR functions as an intangible, inimitable resource that strengthens the firm's relational and social capital, enabling superior market outcomes (Bhat et al., 2024). These results align with previous studies showing that organizations implementing substantive CSR strategies gain stakeholder trust, improve brand recognition, and achieve enhanced market evaluations, particularly in high-visibility sectors such as Banking and Financial Services (Habib & Aslam, 2021; Lu & Liu, 2024).

Employee commitment was found to significantly mediate the relationship between CSR initiatives and perceived firm market performance. This is consistent with prior evidence suggesting that CSR enhances employees' affective attachment and loyalty, which in turn improves organizational performance (Zhao et al., 2021; Farooq & Salam, 2023). From an RBV perspective, committed employees act as valuable human-capital resources that are rare and difficult for competitors to imitate, reinforcing the firm's market advantage. These results highlight that CSR alone is insufficient to fully leverage market performance; it is the internalization of CSR values by employees that creates the capability for sustained competitive outcomes. In the Pakistani context, where collectivist cultural values emphasize organizational morality and community welfare, employee responses to CSR are particularly strong, amplifying the mediating effect of commitment (Khan et al., 2023).

Perceived industry competitiveness also played a significant moderating role, indicating that the strength of the CSR–employee commitment–perceived market performance relationship is contingent upon competitive intensity. This aligns with research suggesting that in highly competitive sectors, CSR initiatives gain strategic significance by differentiating the firm and enhancing stakeholder perceptions, while in less competitive environments, their relative impact may be muted (Rahman & Idris, 2021; Zhang et al., 2022). Within the Pakistani Banking and Financial Services industry, intense market rivalry heightens employees' sensitivity to CSR efforts, making them more likely to internalize organizational values and translate them into enhanced market performance. These results underscore the importance of considering external industry dynamics when evaluating the effectiveness of CSR-driven human-capital mechanisms.

Overall, the study confirms the RBV proposition that CSR initiatives act as strategic, intangible resources that, through employee commitment, improve perceived firm market performance, with industry competitiveness shaping the strength of these effects. The findings provide robust empirical evidence that CSR, when supported by committed employees and contextualized within competitive industries, serves as a sustainable driver of organizational success. In practice, this suggests that managers in the Pakistani Banking and Financial Services sector should invest in CSR initiatives strategically, while simultaneously improving the employee engagement and awareness, particularly in environments characterized by highly competitive pressure.

5.1 Theoretical Contributions

This study makes several important theoretical contributions to the literature on corporate social responsibility (CSR), employee commitment, and firm market performance. First, by integrating CSR initiatives, employee commitment, and perceived firm market performance into a single framework, this research provides empirical support for the Resource-Based View (RBV) in an emerging market context. Specifically, it demonstrates that CSR functions as a strategic, intangible resource that enhances relational and human-capital assets, which in turn improve market performance outcomes. By empirically validating the mediating role of employee commitment, the study extends RBV theory by showing how internal human resources act as mechanisms through which organizational capabilities are translated into competitive advantage, addressing a key gap in prior CSR–performance research (Bhat et al., 2024; Zhao et al., 2021).

Second, the study advances theory by highlighting the contingent role of perceived industry competitiveness, thereby integrating internal and external perspectives into CSR research. While prior studies have largely examined CSR and performance in isolation, this study shows that the competitive intensity of the industry shapes the strength of CSR's impact on employee attitudes and perceived market performance. This contribution emphasizes the importance of contextualizing RBV-based resources within dynamic environments, illustrating how intangible organizational capabilities interact with external market forces to produce superior outcomes. By situating the model in the Pakistani Banking and Financial Services sector, the study also extends cross-cultural understanding of CSR mechanisms, providing evidence that employee commitment is a culturally salient mediator in collectivist, emerging-market contexts (Khan et al., 2023; Rahman & Idris, 2021).

5.2 Practical implications

The findings of this study offer several important practical implications for managers and policymakers, particularly in the Pakistani Banking and Financial Services industry. First, the study highlights the strategic importance of CSR initiatives as more than a compliance or philanthropic activity. By demonstrating that CSR positively influences perceived firm market performance through employee commitment, managers are encouraged to design CSR programs that actively engage employees, foster organizational identification, and align with core business objectives. Initiatives that resonate with employees' values and emphasize community, ethical behavior, and social responsibility are more likely to strengthen commitment and, consequently, enhance firm performance outcomes. This approach ensures that CSR is leveraged not only for external stakeholder legitimacy but also as a tool for internal capability development.

Second, the moderating role of perceived industry competitiveness underscores the need for managers to tailor CSR strategies to the competitive dynamics of their sector. In highly competitive industries like banking, CSR programs that differentiate the organization and signal ethical and socially responsible practices can provide a competitive advantage by motivating employees and improving market perceptions. Managers should therefore integrate CSR communication with internal engagement strategies, ensuring that employees are aware of CSR efforts and understand their contribution to organizational goals. Additionally, these findings suggest that investment in CSR should be continuous and strategically aligned with both employee expectations and market pressures, reinforcing the dual benefits of employee engagement and competitive positioning. By operationalizing CSR as a strategic human-capital investment, firms can achieve sustainable performance improvements in emerging-market contexts such as Pakistan.

5.3 Limitations, Recommendations, and Future Research

Despite the contributions of this study, several limitations should be acknowledged. First, the research focused exclusively on the Banking and Financial Services industry in Pakistan, which may limit the generalizability of the findings to other sectors or countries. Second, although a two-wave longitudinal design was employed, the six-week time lag may not fully capture long-term effects of CSR initiatives on employee commitment and perceived market performance. Third, the study relied on self-reported measures for all constructs, which, despite careful survey design, may introduce perceptual biases. Finally, while the study examined employee commitment as a mediator and industry competitiveness as a moderator, other potentially influential variables, such as organizational culture, leadership style, or external stakeholder pressures, were not included.

Based on these limitations, several practical recommendations emerge. Managers should continue to design CSR initiatives that align with employees' values and organizational goals while actively communicating their purpose to enhance engagement and commitment. Additionally, firms operating in highly competitive industries should consider tailoring CSR strategies to both internal human-capital development and external differentiation to maximize market impact. Policymakers and industry associations may also encourage CSR best practices that integrate employee involvement and stakeholder engagement, ensuring a wider and more sustained organizational impact.

For future research, scholars are encouraged to extend this study by including multiple industries or cross-country comparisons to enhance external validity and cultural generalizability. Longitudinal studies with longer time horizons could provide deeper insights into the sustained effects of CSR on employee attitudes and firm performance. Moreover, integrating additional mediators (e.g., job satisfaction, organizational trust) and moderators (e.g., leadership support, regulatory pressures) could offer a more comprehensive understanding of the CSR-performance mechanism. Finally, employing objective firm performance metrics alongside perceptual measures can help validate and strengthen empirical findings, contributing to a more robust evidence base in emerging-market contexts.

5.4 Conclusion

This study provides evidence that corporate social responsibility (CSR) enhances perceived firm market performance in the Pakistani Banking and Financial Services sector, with employee commitment mediating this relationship and perceived industry competitiveness strengthening it. Findings support the Resource-Based View, showing how CSR as an intangible resource, when internalized by employees, drives competitive advantage. Managers should strategically design and communicate CSR programs to engage employees and align with industry dynamics. Limitations include single-industry focus, self-reported measures, and short time lag, suggesting future research could adopt multi-industry, longitudinal, and objective-performance designs. Overall, CSR is a strategic tool that fosters employee engagement, market performance, and sustainable competitive advantage in emerging markets.

References

Aguinis, H., & Glavas, A. (2019). On corporate social responsibility, sensemaking, and the search for meaningfulness through work. *Journal of Management, 45*(3), 1057–1086.

Agyekum, N., & Boateng, S. (2024). Resource-based determinants of responsible management and firm competitiveness. *Journal of Business Research, 169*, 114–129.

Ahmad, F., & Rashid, M. (2023). Corporate social responsibility and employee-driven performance: Evidence from emerging economies. *Journal of Business Research, 163*, 113–125.

Ahmad, F., & Saleem, M. (2023). Competitive pressures and employee responses in emerging markets. *Asia-Pacific Journal of Business Administration, 15*(4), 512–529.

Ahmad, M. S., Khan, M. M., & Iqbal, N. (2021b). Career satisfaction and innovative behavior. Journal of ISOSS, 7(2), 99-124.

Ahmad, M. S., Khan, M. M., Mehmood, A., Ali, U., & Iqbal, M. N. (2021). Impact of employee perception shaped by despotic leadership on the job performance of employees: investigating the mediating role of work engagement and the moderating role of social climate of friendship groups. Journal of Management and Research, 8(2), 62-97.

Ahmad, S., Ashraf, H. A., Iqbal, J., Munir, W., Iqbal, Y., & Ali, U. (2023). Silenced by despotic leadership: investigating the mediating effect of job tensions and moderating influence of PsyCap on employee silence. Russian Law Journal, 11(1), 173-193.

Ahmad, S., Ashraf, H. A., Islam, A., Ahmad, A., & Ali, U. (2023b). Understanding Workplace Dehumanization: Combined Effects of Tyrannical Leadership and Trait anxiety on

Employee Ostracism and Burnout. International Research Journal of Management and Social Sciences, 4(4), 517-547.

Akbari, M., Nazarian, A., Foroudi, P., & Abbas, R. (2022). How corporate social responsibility contributes to firm performance: The mediating role of customer loyalty and brand authenticity. *Journal of Business Research, 139*, 547–556.

Al-Shammari, M., & Rasheed, A. (2021). Corporate social responsibility and firm performance: The moderating role of reputation and institutional environment. *Journal of Cleaner Production, 297*, 126–133.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17*(1), 99–120.

Bhat, A. A., Mir, A. A., Al-Adwan, A. S., & Jamali, D. (2024). Unlocking CSR and competitive advantage: An RBV perspective. *Innovation and Green Development, 3*(2), 100112.

Bhat, A. A., Mir, A. A., Al-Adwan, A. S., & Jamali, D. (2024). Unlocking CSR and competitive advantage: An RBV perspective. *Innovation and Green Development, 3*(2), 100112.

Bhat, A. A., Mir, A. A., Allie, A. H., Lone, M. A., Al-Adwan, A. S., Jamali, D., & Riyaz, I. (2024). Unlocking corporate social responsibility and environmental performance: Mediating role of green strategy, innovation, and leadership. *Innovation and Green Development, 3*(2), 267-288.

Chang, Y.-J. (2023). When CSR matters: The moderating effect of industrial growth rate on the relationship between CSR and firm performance. *Sustainability, 15*(18), 13677.

Chatzopoulou, E.-C., Manolopoulos, D., & Agapitou, V. (2022). Corporate social responsibility and employee outcomes: Interrelations of external and internal orientations with job satisfaction and organizational commitment. *Journal of Business Ethics, 179*(3), 795–817.

Farooq, O., & Salam, M. A. (2023). CSR perceptions and employee attitudes: The role of affective commitment and moral identity. *Social Responsibility Journal, 19*(2), 331–348.

Galbreath, J. (2020). Do boards of directors influence corporate sustainable development? An RBV-based perspective. *Business Strategy and the Environment, 29*(1), 175–187.

Ganter, A., & Hecker, A. (2020). Configurational paths to organizational innovation: How industry competition and internal resources matter. *Long Range Planning, 53*(4), 101859.

Habib, S., & Aslam, M. (2021). CSR, employee outcomes, and organizational performance: Evidence from Pakistani service firms. *Asia-Pacific Journal of Business Administration, 13*(4), 547–567.

Hitt, M. A., Xu, K., & Carnes, C. (2016). Resource-based theory in operations management research. *Journal of Operations Management, 41*(1), 77–94.

Khan, M. A., Imran, M., & Fatima, T. (2023). CSR involvement and organizational competitiveness in Pakistan: The role of employee responses. *Social Responsibility Journal, 19*(1), 45–62.

Kim, E., & Lyon, T. (2024). CSR research reconsidered: A systematic review of symbolic versus substantive CSR. *Business & Society, 63*(2), 345–370.

Köhne, S., & Paço, A. (2022). CSR, organizational identification, and employee commitment: A meta-analytic review. *Journal of Business Research, 148*, 325–338.

Kwon, H., & Lee, J. (2023). Perceived competitiveness and strategic decision-making in turbulent markets. *Management Decision, 61*(2), 402–421.

Lee, E., & Pati, N. (2021). Strategic CSR as a resource: RBV and employee-related outcomes. *Corporate Social Responsibility and Environmental Management, 28*(4), 1284–1296.

Lu, X., & Liu, Z. (2024). Market competition, CSR engagement, and firm differentiation strategies. *Sustainability, 16*(1), 1029.

Lu, X., & Liu, Z. (2024). Market competition, CSR engagement, and firm differentiation strategies. *Sustainability, 16*(1), 1029.

Marqués, P., & del Río, A. (2020). The impact of CSR on competitiveness: RBV-based evidence from European firms. *Sustainability, 12*(7), 2712.

Martínez-García, M., López, J., & Ortega, A. (2023). Competitive rivalry and the financial value of CSR investments. *Journal of Cleaner Production, 415*, 137–156.

Meyer, J. P., & Allen, N. J. (2020). Commitment in the workplace: New directions for theory and research. *Annual Review of Organizational Psychology and Organizational Behavior, 7*, 23–48.

Mory, L., Wirtz, B. W., & Göttel, V. (2016). Factors of internal CSR and their effect on organizational commitment. *Corporate Governance: The International Journal of Business in Society, 16*(4), 629–647.

Nasir, R., & Khan, M. (2022). Strategic CSR and workforce outcomes in competitive industries. *Journal of Human Values, 28*(3), 245–259.

Nguyen, L., & Adalikwu, C. (2023). Substantive versus symbolic CSR and firm outcomes: A stakeholder-based assessment. *Sustainability, 15*(5), 4211.

Qureshi, I., & Sajjad, A. (2023). Linking CSR to employee engagement and performance through commitment: Evidence from emerging markets. *Management Research Review, 46*(5), 1002–1021.

Rahman, M., & Idris, S. (2021). Industry competitiveness as a driver of CSR adoption in emerging economies. *Social Responsibility Journal, 17*(6), 780–799.

Rahman, M., & Idris, S. (2021). Industry competitiveness as a driver of CSR adoption in emerging economies. *Social Responsibility Journal, 17*(6), 780–799.

Rashid, M., & Javed, B. (2022). CSR as a strategic resource: Evidence from emerging markets. *Management Decision, 60*(8), 2142–2161.

Ribeiro, N., Yücel, İ., & Gomes, D. R. (2020). How CSR strengthens employee commitment: Evidence from RBV perspectives. *Social Responsibility Journal, 16*(3), 403–417.

Sharma, N., & Bansal, S. (2024). CSR–performance paradox: Revisiting mechanisms and contextual boundaries. *Journal of Cleaner Production, 435*, 140872.

Singh, R., & Kumar, A. (2022). Corporate social responsibility and firm market performance in emerging markets: A resource-based approach. *Journal of Business Ethics, 177*(3), 815–833.

Singhal, N., Paul, P., Giri, S., & Taneja, S. (2024). Corporate Social Responsibility: Impact on firm performance for an emerging economy. *Journal of Risk and Financial Management, 17*(4), 171.

Ullah, Z., & Rahman, M. S. (2021). CSR and competitive advantage: A resource-based perspective from South Asia. *Corporate Governance: The International Journal of Business in Society, 21*(7), 1265–1281.

Wang, R., & Wei, X. (2022). Linking CSR to marketing and financial performance: A meta-analytical review. *Journal of International Marketing, 30*(4), 65–87.

Yasir, M., & Majid, A. (2022). Human capital as a mediator in CSR–performance relationships: An RBV perspective from South Asia. *Corporate Governance, 22*(7), 1375–1390.

Yassin, Y., & Beckmann, M. (2024). CSR and employee outcomes: A systematic literature review. *Management Review Quarterly, 75*(1), 595–641.

Zhang, T., Li, P., & Xu, Y. (2022). Industry competition and firm-level strategic adaptation. *Journal of Strategic Marketing, 30*(8), 734–750.

Zhang, T., Li, P., & Xu, Y. (2022). Industry competition and firm-level strategic adaptation. *Journal of Strategic Marketing, 30*(8), 734–750.

Zhao, H., Zhou, Q., & Li, C. (2021). CSR and employee behavior: The mediating role of organizational commitment. *Sustainability, 13*(12), 6542.

Zhao, H., Zhou, Q., & Li, C. (2021). CSR and employee behavior: The mediating role of organizational commitment. *Sustainability, 13*(12), 6542.