

The Role of Hotel Industry in Improving Social and Environmental Performance with Corporate Social Responsibility Perspective

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Abstract

This study investigates the impact of Corporate Social Responsibility (CSR) on social and environmental performance within the hotel industry of northern Pakistan. Using a quantitative research design, a structured questionnaire was distributed among hotel employees, yielding 250 valid responses. The Partial Least Squares Structural Equation Modeling (PLS-SEM) technique was employed to analyze hypothesized relationships among CSR commitment, environmental management initiatives (EMI), social performance, and environmental performance. Results revealed a strong and significant relationship between CSR commitment and both social and environmental outcomes. CSR initiatives also positively mediated environmental management efforts and enhanced community-oriented performance indicators. The study highlights CSR as a key strategic approach for sustainable hotel operations in emerging economies like Pakistan.

Introduction

The tourism and hospitality sector is recognized as one of the fastest-growing service industries globally, yet its sustainability increasingly depends on how responsibly it interacts with the environment and society (Weerathunga et al., 2020). Corporate Social Responsibility (CSR) has thus become a critical framework for guiding hotels toward ethical, socially responsive, and environmentally sustainable practices. In the context of developing countries such as Pakistan, CSR represents not only voluntary corporate behavior but also a necessary strategic response to social and environmental challenges that threaten both ecological balance and long-term business survival (Sajjad, Jillani & Raziq, 2018).

CSR is defined as an organization's commitment to operate ethically and contribute to economic development while improving the quality of life of its workforce, the local community, and society at large (Carroll, 1979). Within the hotel industry, CSR encompasses initiatives such as resource conservation, waste reduction, energy management, fair labor practices, and contributions to local welfare programs (Úbeda-García et al., 2021). These initiatives enhance the organization's legitimacy, strengthen its reputation, and build trust among stakeholders, ultimately leading to improved performance (Farooq et al., 2014; Serra-Cantallos et al., 2018).

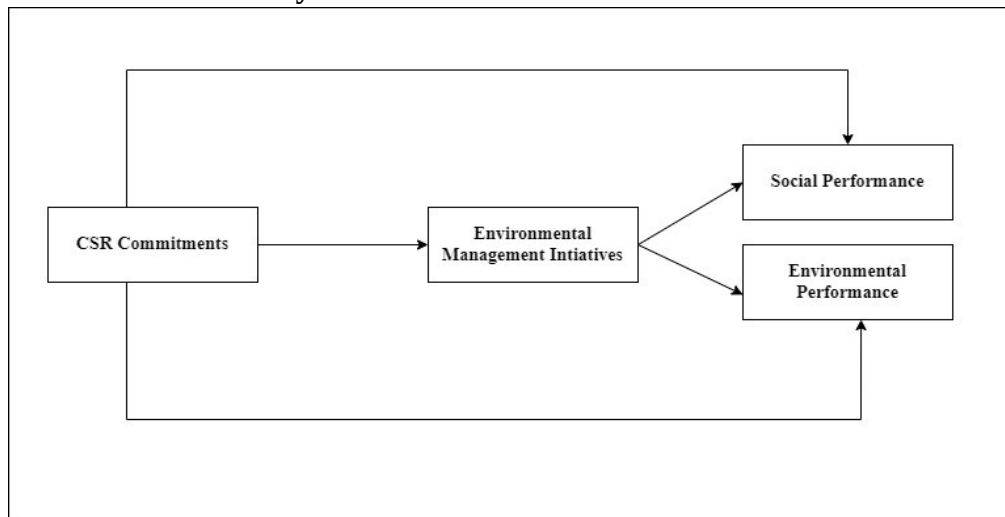
Pakistan's northern areas, known for their natural beauty and tourism potential, face environmental pressures due to unregulated growth in hospitality services, deforestation, waste disposal, and inadequate awareness of sustainability among local businesses (Kasim & Dzakiria, 2009). Consequently, the hotel industry must adopt CSR-based strategies that balance profitability with

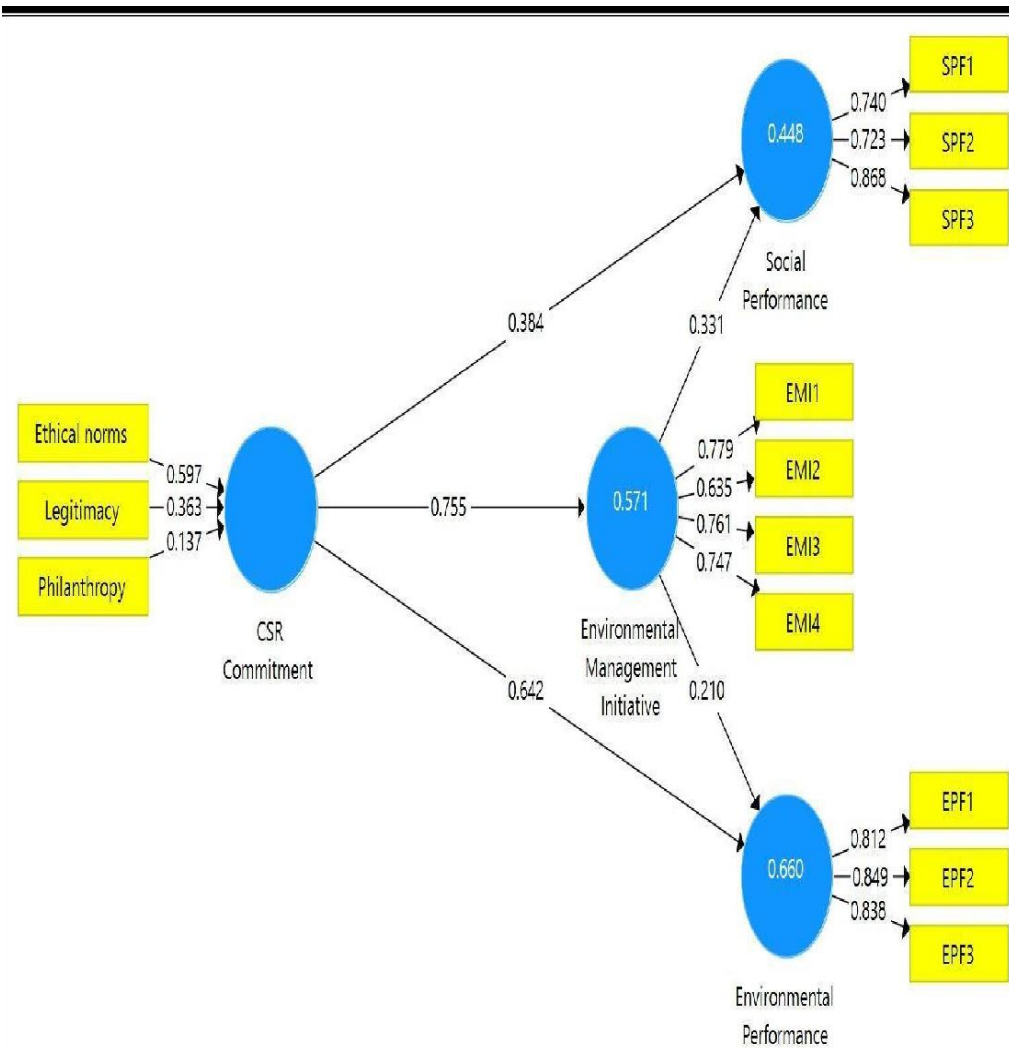
social and ecological responsibilities. Past studies in Pakistan (Yunis, Durrani & Khan, 2017; Majid et al., 2019) have largely remained descriptive, focusing on CSR perceptions rather than quantifying its direct effects on performance outcomes.

This research bridges that gap by employing a quantitative design to assess how CSR commitments affect both social performance (e.g., employee welfare, community engagement) and environmental performance (e.g., waste management, resource conservation) within the hotel industry. It also examines the mediating role of Environmental Management Initiatives (EMI), which operationalize CSR strategies into measurable sustainability outcomes (Melnik, Sroufe & Calantone, 2003).

Conceptual Framework

Path Coefficient of the study Framework





Objectives

1. To determine the impact of CSR commitment on the social performance of hotels.
2. To evaluate the effect of CSR commitment on environmental performance.
3. To examine the mediating role of Environmental Management Initiatives (EMI) between CSR commitment and performance outcomes.

Research Questions

1. Does CSR commitment significantly influence social performance in the hotel industry?
2. Does CSR commitment positively impact environmental performance?
3. Do Environmental Management Initiatives mediate the relationship between CSR commitment and social/environmental performance?

Methodology

A quantitative research design was adopted following Hair et al. (2019a). Data were collected through a self-administered questionnaire distributed among hotel employees and managers in Pakistan's northern regions via online platforms such as Facebook, Instagram, and WhatsApp. A total of 250 valid responses were received.

The survey instrument consisted of items adapted from established CSR, EMI, and sustainability studies (Choi et al., 2019a; Melnyk et al., 2003; Úbeda-García et al., 2021). All items were rated on a five-point Likert scale.

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM),

an appropriate method for exploratory studies involving latent constructs (Dash & Paul, 2021). Model reliability and validity were confirmed through Cronbach's alpha (>0.7), composite reliability (>0.8), and AVE (>0.5). Discriminant validity was ensured using the Fornell–Larcker criterion (Ab Hamid, Sami & Mohmad Sidek, 2017).

Results

Table 1: Fornell and Larcker's Criterion for Discriminant Validity

Construct	1	2	3	4	5	6
Environmental Performance	0.830					
Environmental Management Initiative	0.590	0.730				
Ethical Norms	0.680	0.620	0.780			
Legitimacy	0.630	0.710	0.710	0.820		
Philanthropy	0.510	0.500	0.530	0.520	0.762	
Social Performance	0.610	0.620	0.620	0.580	0.390	0.780

(Source: Author's Data Analysis, 2023)

Table 2: Hypothesis Testing Using Path Coefficients

Hypothesis	Path	β	t-value	p-value	Result
H1	CSR Commitment $\rightarrow$ Social Performance	0.380	4.650	0.000	Accepted
H2	CSR Commitment $\rightarrow$ Environmental Performance	0.640	10.750	0.000	Accepted
H3	CSR Commitment $\rightarrow$ Environmental Management Initiative	0.760	20.820	0.000	Accepted
H4	EMI $\rightarrow$ Social Performance	0.330	4.190	0.000	Accepted
H5	EMI $\rightarrow$ Environmental Performance	0.210	3.660	0.000	Accepted
H6	CSR Commitment $\rightarrow$ EMI $\rightarrow$ Social Performance	0.250	4.130	0.000	Accepted
H7	CSR Commitment $\rightarrow$ EMI $\rightarrow$ Environmental Performance	0.160	3.440	0.000	Accepted

Summary:

All hypothesized relationships were statistically significant, indicating CSR commitment directly and indirectly enhances both environmental and social outcomes through Environmental Management Initiatives.

Table 3: Testing Hypothesis

Hypothesis	Path	β	t-value	p-value	Result
H1	CSR Commitment $\rightarrow$ Social Performance	0.380	4.650	0.000	Supported
H2	CSR Commitment $\rightarrow$ Environmental Performance	0.640	10.750	0.000	Supported
H3	CSR Commitment $\rightarrow$ Environmental Management Initiative	0.760	20.820	0.000	Supported
H4	Environmental Management Initiative $\rightarrow$ Social Performance	0.330	4.190	0.000	Supported
H5	Environmental Management Initiative $\rightarrow$ Environmental Performance	0.210	3.660	0.000	Supported
H6	CSR Commitment $\rightarrow$ EMI $\rightarrow$ Social Performance	0.250	4.130	0.000	Supported
H7	CSR Commitment $\rightarrow$ EMI $\rightarrow$ Environmental Performance	0.160	3.440	0.000	Supported

A survey of 250 respondents was analyzed using the conceptual and path coefficient framework. The empirical findings confirmed significant and positive relationships among the study variables.

CSR Commitment had a strong positive effect on Social Performance ($\beta = 0.380$, $t = 4.650$, $p = 0.000$) and Environmental Performance ($\beta = 0.640$, $t = 10.750$, $p = 0.000$), supporting Hypotheses H1 and H2. It also showed a significant impact on Environmental Management Initiatives ($\beta = 0.760$, $t = 20.820$, $p = 0.000$), confirming H3.

Environmental Management Initiatives significantly improved both Social ($\beta = 0.330$, $t = 4.190$, $p = 0.000$) and Environmental Performance ($\beta = 0.210$, $t = 3.660$, $p = 0.000$), supporting H4 and H5. Mediation analysis further revealed that CSR Commitment indirectly influenced Social ($\beta = 0.250$, $t = 4.130$, $p = 0.000$) and Environmental Performance ($\beta = 0.160$, $t = 3.440$, $p = 0.000$) through Environmental Management Initiatives, confirming Hypotheses H6 and H7.

All proposed hypotheses (H1–H7) were thus supported, indicating a consistent and positive relationship among CSR Commitment, Environmental Management Initiatives, and performance outcomes.

Discussion

The findings reaffirm the crucial role of CSR in promoting sustainable performance in the hotel industry. CSR commitment demonstrated a substantial positive impact on social performance, reflecting improvements in employee welfare, ethical conduct, and community engagement. This outcome supports the propositions of Social Identity Theory (Tajfel & Turner, 1979), which suggests that employees identify more strongly with socially responsible organizations, leading to improved cooperation and motivation (Farooq et al., 2014).

Moreover, the significant effect of CSR on environmental performance validates the argument that environmental consciousness within corporate culture drives operational efficiency and sustainability (Green et al., 2012; Tang & Tang, 2012). This finding is consistent with global evidence that CSR not only mitigates environmental harm but also improves brand legitimacy and competitiveness (Serra-Cantalops et al., 2018; Sajjad et al., 2018).

The mediating role of Environmental Management Initiatives indicates that CSR policies must be translated into actionable environmental practices such as waste segregation, energy conservation, and staff training programs (Melnyk et al., 2003). Without such operational mechanisms, CSR may remain a symbolic gesture rather than a driver of measurable performance.

This study also highlights contextual factors specific to Pakistan's northern hospitality sector. Many hotels are small-scale, family-owned enterprises with limited CSR literacy. Yet, the quantitative evidence demonstrates that even basic CSR commitments—such as fair employee treatment, community donations, and energy efficiency—yield measurable improvements in social harmony and environmental quality.

The findings thus contribute both theoretically and practically. Theoretically, they validate CSR's multidimensional influence within emerging economies. Practically, they provide a framework for policymakers and hotel managers to institutionalize CSR as an integral component of tourism development, aligning with Sustainable Development Goals (SDGs) related to responsible consumption and climate action.

Conclusion

The study concludes that CSR commitment significantly enhances both social and environmental performance in the hotel industry of northern Pakistan. Environmental Management Initiatives serve as a vital mediating mechanism, converting CSR intentions into measurable sustainability outcomes. The research provides empirical support for integrating CSR within hotel management strategies to achieve long-term competitiveness and community well-being. Future studies should replicate this model across other service industries and include longitudinal data to observe causal trends over time.

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