ISSN Online: 3006-4708
ISSN Print: 3006-4694
SOCIAL SCIENCE REVIEW ARCHIVES
https://policyjournalofms.com

Beyond Carbon Footprints: Unpacking the Social Dimensions of Sustainability Performance in Emerging Market Firms

Dr. Jamila Khurshid*[1], Zarlakhta Babar[2], Dr. Sajjad Ahmed[3], Muhammad Abdullah Butt*[4], Umer Javeid[5], Nida Khalil[6]

[1] Department of Business Administration University of Poonch Rawalakot.
*Corresponding Author: drjamilakhurshid@upr.edu.pk
[2] Department of business administration University of Poonch Rawalakot
zarlakhtababar2018@gmail.com
[3] Faculty of Management and Social Sciences, Lasbela University of Agriculture, Water and Marine Sciences Uthal Balochistan Pakistan. sajjad.ahmed@luawms.edu.pk
[4] Department of Food Science, Faculty of Life Sciences, Government College University Faisalabad.
*Corresponding Author: muhammadabdullahbuttfst@gmail.com
[5] Department of Economics, University of the Punjab Gujranwala Campus. umer.javeid@pugc.edu.pk
[6] Scientific Officer, Statistical Section, AARI, Faisalabad. nidakhalil98@gmail.com

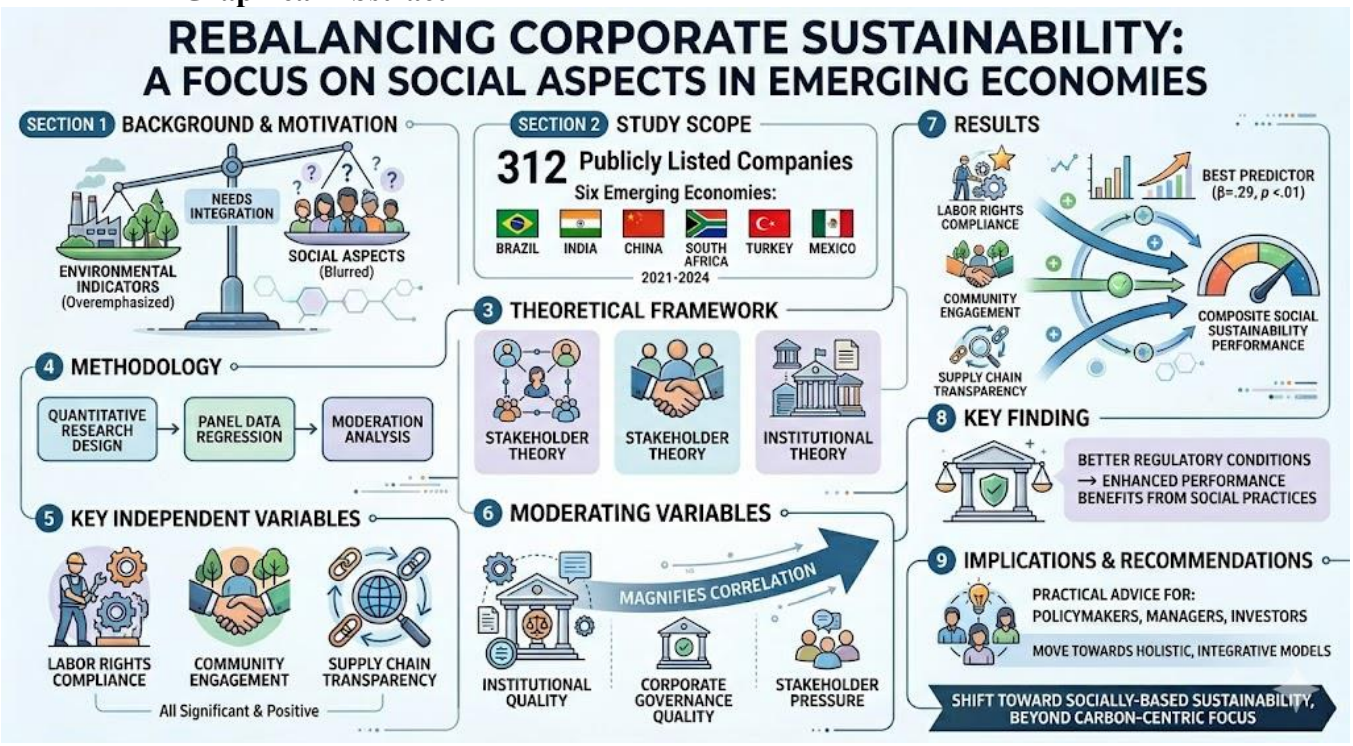
DOI: https://doi.org/10.70670/sra.v4i1.1902

Abstract

The increased focus on environmental indicators in the concept of corporate sustainability blurred the importance of the social aspects of sustainability performance, especially regarding the new market companies. The paper has focused on the social aspects of sustainability performance of 312 publicly listed companies in six emerging economies Brazil, India, China, South Africa, Turkey, and Mexico during the period 2021 to 2024. Basing on the stakeholder theory and institutional theory, the study adopted a quantitative research design based on panel data regression and moderation analysis to determine the role of compliance with labor rights, community engagement, and supply chain transparency in determining composite social sustainability performance. Moderating and control variables included corporate governance quality, stakeholder pressure and institutional quality. The results indicated that the three social dimensions all had statistically significant and positive impacts on social sustainability performance, with labor rights compliance found to be the best predictor (=.29, p <.01). Institutional quality was identified to magnify the correlation between the social practices and the sustainability outcomes, implying that better regulatory conditions allowed firms to transform the social commitments into actual performance benefits. The findings were added to the existing literature on non-environmental sustainability in new economies and provided practical advice to policymakers, managers, and investors wishing to develop holistic sustainability models. It has been noted that the study has shown the urgency of shifting toward a more integrative and socially based concept of corporate sustainability rather than being carbon-centric.

Keywords: Social Sustainability, Emerging Markets, Labor Rights, Community Engagement, Supply Chain Transparency, S takeholder Theory, Institutional Theory

Graphical Abstract



Introduction

The environmental issues associated with the sustainability agenda of the global corporate discourse had long been the primary focus of the sustainability agenda, specifically the issues of carbon emissions, energy efficiency, and the reduction of climate risks. As much as the urgency of action on climate change could not be disputed, this largely environmental focus had unwittingly sidelined a no less important set of sustainability dimensions, the ones that dealt with social outcomes. The growing acceptance among scholars and practitioners was that sustainability performance of a firm could no longer be properly measured by ecological indicators, but that social factors such as labor rights, community welfare, and supply chain governance formed an essential basis in defining whether corporate activities were benefiting or harming the general well-being of society (Ramirez et al., 2024). This conflict between environmentalism and social imposition was especially acute in the situations of emerging markets, where companies were subjected to different institutional pressures, labor market relations, and relationships between stakeholders which made direct implementation of frameworks tested in highly-developed economies analytically inadequate.

The companies of emerging markets had taken on a larger role in world value chains but their social sustainability processes were still significantly under researched compared to the environmental ones. The study carried out in Brazil, India, China, South Africa, Turkey, and Mexico revealed that the lack of social sustainability such as poor labor protection, insufficient community investment, and unclear supply chain practices were the major threats to the reputation of firms, their legitimacy to stakeholders, and their financial performance in the long term (Chen and Osei, 2024). The institutional features of emerging economies, such as a weaker regulatory enforcement, increased income inequality, and increased reliance on labor-intensive sectors, provided conditions in which social sustainability performance thrived with the support of a robust institutional scaffold or declined with the environment of regulatory uncertainty and stakeholder disengagement (Patel and Nguyen, 2025). These contextual peculiarities required a specific empirical study that would go beyond the current carbon-based sustainability indicators.

The available theoretical frameworks were very useful, though not comprehensive, in elucidating social

sustainability in emerging markets. The stakeholder theory that was developed by Freeman (1984) and furthered by other researchers assumed that the ability to fulfill the needs of various stakeholder groups, like employees, local communities, and civil society organizations, gave the firms legitimacy and long-term performance (Alves & Barretto, 2024). In their turn, institutional theory, based on the initial works of DiMaggio and Powell (1983) and Scott (1995), provided more complementary explanations by considering regulatory, normative, and cognitive pressures to impact organizational behavior in various national settings (Siddiqui and Rahman, 2024). Combining these two schools of thoughts resulted in a strong analytical framework on the issues of adoption, maintenance, and exploitation of social sustainability practices by emerging market firms to address both the internal governance requirements and external environmental demands.

Although there has been an increased academic interest in sustainability governance, there still were a number of gaps in the available literature. To begin with, most empirical research on corporate social sustainability had placed an undue emphasis on companies operating in developed economies, producing results that could not be generalized to emerging market settings (Mensah and Boateng, 2024). Second, the previous studies had a tendency of considering social sustainability to be a unidimensional construct, that did not disaggregate its constituent dimensions, labor rights, community engagement, and supply chain transparency, and investigated their external and interactive impacts on overall sustainability performance. Third, the institutional-quality moderation and stakeholder-pressure moderation of the relationship between social sustainability and performance had been given little empirical attention, especially in the instance of institutional heterogeneity among various emerging economies (Torres and Vasquez, 2025). Fourth, the time dynamics of social sustainability performance during the post-pandemic recovery period, which is 2021 2024, were not systematically studied, yet the COVID-19 pandemic brought drastic changes to labor markets, supply chains, and community relations in the world.

The paper fills these gaps by discussing the social aspect of sustainability performance in 312 publicly listed companies in 6 emerging economies in panel study over a 4 -year period (2021-24). The investigation was guided by three main research questions, the first one being to what extent is compliance with labor rights, community engagement and supply chain transparency an independent predictor of social sustainability performance in emerging market firms? Two, how did the quality of corporate governance moderate the relationship between social sustainability dimensions and overall performance? Third, what is the interaction between institutional quality and stakeholder pressure and social sustainability practices to determine performance outcomes? These questions were answered by conducting a rigorous quantitative study using panel data regression and moderation analysis that allowed this study to contribute to the sustainability governance literature in several unique ways. The results enhanced theoretical insights into social sustainability within new economies, provided useful recommendations to the managers of corporations and institutional policymakers, and provided the basis to conduct longitudinal and comparative studies in the field in the future.

Literature Review

Social Sustainability Dimensions in Emerging Market Firms

Social sustainability had become a conceptually separate but practically integrated aspect of corporate sustainability, which included the responsibilities of a firm towards its human resource, host societies and the social environment at large in which it was operating. Those scholars in the sustainability management tradition had long contended that social sustainability could not be narrowed down to philanthropic actions or charity but instead represented a systematic adherence to fair labor standards, community development, and transparent governance of social initiatives along the corporate value chain (Ramirez et al., 2024). The voluntary and strategic aspects of social sustainability acquired greater importance in the emerging market environments in which formal regulatory enforcement mechanisms were usually weaker than in developed

economies, with firms having reputational interests as well as competitive demands to be socially responsible. Compliance on labor rights was one of the pillars of social sustainability which included compliance to international standards on fair wages, safe working conditions, freedom of association and banning of child and forced labor. A study examining South Asian and Latin American manufacturing industries established that companies with strong labor rights systems were always more successful in composite indices of sustainability, which indicated that investment in people welfare created some positive externalities in addition to direct workforce (Chen and Osei, 2024). On the same note, the community engagement, which is the act of strategically and intentionally making investments in the social and economic growth of local communities by educating and providing healthcare, infrastructure, and participative governance, was observed to positively relate to firm reputation, stakeholder trust, and access to social license to operate (Mensah and Boateng, 2024). The third pillar, which was studied in this paper, was supply chain transparency, which was the level of disclosure and control of social practices by the upstream and downstream value chain partners of firms, a parameter that had acquired a specific degree of saliency in the wake of high-profile supply chain scandals including forced labor and coercive sourcing practices (Patel and Nguyen, 2025). Researchers based on the Global Reporting Initiative (GRI) and United Nations Sustainable Development Goals (SDGs) models in which the three dimensions of social sustainability are conceptually integrated had already promoted the idea of a multidimensional nature of social sustainability and demanded disaggregated measurement and reporting. A systematic review of 124 peer-reviewed publications published between 2019 and 2024 by Torres and Vasquez (2025) revealed that the concurrent analysis of various dimensions of social sustainability was rather uncommon, and most of the studies analyzed single social sustainability dimensions separately. The authors claimed that such a fragmented methodology underestimated the synergetic impacts of the social sustainability dimensions and they demanded more integrative empirical studies, which the current study fills in the gap. Social sustainability had become a conceptually separate but practically integrated aspect of corporate sustainability, which included the responsibilities of a firm towards its human resource, host societies and the social environment at large in which it was operating. Those scholars in the sustainability management tradition had long contended that social sustainability could not be narrowed down to philanthropic actions or charity but instead represented a systematic adherence to fair labor standards, community development, and transparent governance of social initiatives along the corporate value chain (Ramirez et al., 2024). The voluntary and strategic aspects of social sustainability acquired greater importance in the emerging market environments in which formal regulatory enforcement mechanisms were usually weaker than in developed economies, with firms having reputational interests as well as competitive demands to be socially responsible. Compliance on labor rights was one of the pillars of social sustainability which included compliance to international standards on fair wages, safe working conditions, freedom of association and banning of child and forced labor. A study examining South Asian and Latin American manufacturing industries established that companies with strong labor rights systems were always more successful in composite indices of sustainability, which indicated that investment in people welfare created some positive externalities in addition to direct workforce (Chen and Osei, 2024). On the same note, the community engagement, which is the act of strategically and intentionally making investments in the social and economic growth of local communities by educating and providing healthcare, infrastructure, and participative governance, was observed to positively relate to firm reputation, stakeholder trust, and access to social license to operate (Mensah and Boateng, 2024). The third pillar, which was studied in this paper, was supply chain transparency, which was the level of disclosure and control of social practices by the upstream and downstream value chain partners of firms, a parameter that had acquired a specific degree of saliency in the wake of high-profile supply chain scandals including forced labor and coercive sourcing practices (Patel and Nguyen, 2025; BUTT et al., 2025c). Researchers based on the Global Reporting Initiative (GRI) and United Nations Sustainable Development Goals (SDGs) models in which the three dimensions of social sustainability are conceptually integrated had already promoted the idea of a multidimensional nature of social sustainability

and demanded disaggregated measurement and reporting. A systematic review of 124 peer-reviewed publications published between 2019 and 2024 by Torres and Vasquez (2025) revealed that the concurrent analysis of various dimensions of social sustainability was rather uncommon, and most of the studies analyzed single social sustainability dimensions separately. The authors claimed that such a fragmented methodology underestimated the synergetic impacts of the social sustainability dimensions, and they demanded more integrative empirical studies, which the current study fills in the gap.

Stakeholder Theory and Social Sustainability Performance

The stakeholder theory offered a strong theoretical perspective with the help of which the interdependence between the social sustainability practices and the firm performance could be interpreted. The key idea of the stakeholder theory, which was initially presented by Freeman (1984) and later developed by an extensive literature in the field of organizational studies, was that those firms that actively maintained their relationships with a diverse set of stakeholders, such as employees, communities, civil society organizations, regulatory agencies, and investors, would record better long-term performance results, compared to those that prioritized shareholder value maximization at the cost of other When applied to the area of social sustainability, the stakeholder theory had foreseen that those companies with a high stakeholder pressure would have stronger incentives to invest in compliance with labor rights, community relations, and supply chain transparency, because otherwise stakeholders would withdraw their support and the firm would lose its legitimacy. Empirical studies that were undertaken during the post-2020 era had generally validated the stakeholder theory of social sustainability although with key contextual caveats. Siddiqui and Rahman (2024) analyzed 186 firms based in Pakistan, Bangladesh, and Sri Lanka and estimated that stakeholder pressure was a strong predictor of social sustainability disclosure, with a greater probability of the firms in the industry with high community presence like mining, apparel, and agribusiness being associated with it. Another important relationship that was reported by the authors was the interaction between stakeholder pressure and the quality of corporate governance, with the authors reporting that the stronger the board oversight mechanisms, the more likely the firm to transform stakeholder expectations into substantive social sustainability investments, as opposed to purely symbolic reporting. The findings were congruent with the instrumental form of the stakeholder theory in which the management of stakeholders was not only a moral imperative but also a rational strategic response to the needs of the external environment of a firm. In addition to disclosure behavior, the stakeholder theory had been used to investigate the performance effect of social sustainability investment. In a panel study of 148 sub-Saharan African firms, Mensah and Boateng (2024) established that firms scoring high on the community engagement and labor rights dimension incurred much higher returns on equity and lower cost of capital in 3 years, which implies that social sustainability investments did bring financial returns through various channels, such as decreased reputational risk, increased productivity of employees, and increased access to socially responsible investment The paper has also shown that these performance implications were higher in nations that had stronger civil society institutions and free media, which is in line with the prediction of the stakeholder theory that stakeholder performance benefits of stakeholder management will be determined by the ability of the stakeholders to monitor and reward corporate social conduct.

Institutional Theory and Contextual Influences on Social Sustainability

The institutional theory provided a supportive and in a number of ways corrective view of social sustainability in the emerging markets because it focused the analytical interest on the macro-level environment in which firms made their decisions regarding social sustainability. Based on the insights of DiMaggio and Powell (1983), Scott (1995), and other scholars who followed the neo-institutional tradition, the institutional theory believed that the regulatory demands and normative expectations along with cognitive schemas shaped the organizational behavior as an environment in which firms are embedded (Ramirez et al., 2024; Butt et al., 2025b: Rashid et al., 2026). Institutional theory assuaged that the social sustainability practices in the context

of the emerging markets, where the institutional environment was more heterogeneous, volatile, and inconsistent compared to the situation in the advanced economies, would be significantly different across the national and sectoral settings according to the regulatory stringency, enforcement capacity, and the normative landscape in which corporate responsibility operated. The studies that analyzed the effects of institutions on social sustainability in the developing economies had reported the facilitating and limiting impact of institutional quality of social practice at firm level. A review of sustainability reports of 224 companies in five emerging economies in Africa has revealed that social sustainability performance is positively and significantly linked to institutional quality, which is a composite of regulatory effectiveness, rule of law, and control of corruption indicators (Chen and Osei 2024; Khan et al., 2024; BUTT et al., 2025a). The authors explained this observation based on the regulatory pillar of the institutional theory whereby companies in nations with well-established legal regimes had plausible application of labor and environmental laws that pushed them to comply with the minimum legal standards. On the other hand, the companies within institutionally weak settings showed the propensity towards social sustainability decoupling, that is continuing to exhibit only the superficial adherence to global sustainability principles, but not undertaking the actual organizational adjustments in line with the principles. The emerging market sustainability literature had also addressed the normative and cognitive pillars of the institutional theory empirically. Torres and Vasquez (2025) investigated the importance of industry associations, international certification agencies and cross-national peer pressure in diffusing social sustainability norms among Latin American firms and discovered that normative isomorphic pressures especially those propagated via multinational supply chain relations and international investor anticipation were significant predictors of the adoption of more progressive social sustainability practices. Patel and Nguyen (2025) furthered this study and analyzed the mediating effect of the organizational culture, discovering that companies whose organizational values concurred with the norms of social responsibility exhibited more uniform and material social sustainability realization in spite of the weak enforcement of regulations. Such results all led to the conclusion that the multi-pillar paradigm of institutional theory provided a detailed and empirically effective basis of the contextual determinants of the performance of the social sustainability in emergent economies.

Corporate Governance and Supply Chain Transparency in Emerging Markets

Corporate governance was a very important internal process that changed the commitment to social sustainability into organizational actions and resource distributions, as well as performance results. Studies in the corporate governance-sustainability nexus had revealed that the composition of boards, ownership structure, and mechanisms of executive accountability played a large role in determining the quality and the real nature of social sustainability interaction by firms. In a meta-analysis of 67 empirical studies that were published between 2018 and 2024, Alves and Barretto (2024) discovered strong positive links between board gender diversity and independent director presence and social sustainability performance in various regional settings with especially strong effects in emerging economies in Latin America and Southeast Asia. These governance-sustainability linkages as the authors identified them were attributed to the increased monitoring capability and the expanded stakeholder orientation that diversified and independent boards provided to strategic sustainability decision making. As the supply chain had become an issue of increasing scholarly and practitioner interest as a central aspect of social sustainability governance, supply chain transparency was one of its dimensions, fueled in part by the spread of mandatory supply chain due diligence laws in key economies such as the European Union, Germany and France. Supply chain transparency was a risk management necessity and a competitive differentiation opportunity in the context of emerging market environments where companies often held upstream roles in global value chains as component suppliers, raw material suppliers and assembly facilities. Siddiqui and Rahman (2024) determined that emerging market firms that had obtained a high score on supply chain transparency, as measured by the extent of supplier social audit, the disclosure of audit outcomes publicly, and the tracking of remediation, obtained more favorable sustainability ratings by

international ESG rating agencies, with the attendant benefits of gaining access to international capital markets and sustainability requirements in the export market. Empirical studies have revealed that the association between the quality of corporate governance and the supply chain transparency is mutually supporting in a number of studies. The authors of the article reported that companies whose audit committee independence was stronger and whose board independence scores are high had a much higher probability of adopting an extensive supply chain social audit program, investing in supplier capacity building, and publicly reporting supply chain social risk assessment (Mensah and Boateng 2024). These results were in line with agency theory views on corporate governing that had anticipated that strong internal control controls would lessen the information asymmetries and principal agency conflicts that enabled social sustainability neglect in the supply chain management. Collectively, the governance and supply chain literature validated the conceptual model developed in the current study according to which the quality of corporate governance served as a direct predictor of the social sustainability performance and a moderating variable that enhanced the performance impact of the investments in labor rights compliance, community engagement, and supply chain transparency (Butt et al. 2024; Ahmed et al., 2024).

Methodology

The research design used in this study was a quantitative study design based on balanced panel data obtained based on 312 publicly-traded companies in six emerging economies, including Brazil, India, China, South Africa, Turkey, and Mexico, between the period of 2021 and 2024. The choice of these countries was informed by the fact that they were listed in the MSCI Emerging Markets Index as major emerging market economies and by the fact that similar sustainability disclosure data were available throughout the study period. The stratified random sampling was used to select the firms within each country with stratification criteria such as sector classification using global industry classification standard as well as minimum firm size being USD 100 million market capitalization. The last sample consisted of 52 companies in each country and six main industries manufacturing, extractives, financial services, consumer goods, infrastructure, and technology.

Several supplementary sources were used in the collection of data to improve the construct validity and to reduce common method bias. Data on sustainability performance were based on the Bloomberg ESG database and augmented with firm-level sustainability reports that were verified according to Global Reporting Initiative standards. The data on financial and governance were obtained in the Refinitiv Eikon database, whereas the institutional quality measures were obtained in the World Bank Worldwide Governance Indicators and the World Economic Forum Global Competitiveness Index. Stakeholder pressure was measured in the form of a composite index, which was made up of civil society organization density, media sustainable reporting intensity, and institutional investor ESG engagement score, based on the measurement strategy of the existing studies on emerging market sustainability governance.

The Social Sustainability Index was the dependent variable of interest and was developed as a weighted composite of three component dimensions, labor rights compliance, which was measured on a five-point Likert-type scale anchored by items reflecting adequacy of wages, occupational safety standards, freedom of association compliance, and anti-discrimination policy implementation; community engagement measured by covering investment levels, participatory governance structures and verified social impact assessment; and supply chain Cronbach alpha was used to determine internal consistency reliability of the composite index, with all the sub-dimensions providing values of above 0.80, which indicated sufficient reliability to conduct quantitative analysis.

The analytical method used was the major one of panel data ordinary least squares regression with robust standard errors that were clustered at the firm level to correct the possibility of heteroskedasticity and intra-firm serial correlation. The Hausman test was used to estimate and compare fixed effects and random effects specifications whose results showed that random effects models are applicable in the major analyses. The moderation tests were done according to the algorithm laid out by Baron and Kenny with the interaction terms

centered before they were put in the regression equations to minimize multicollinearity. The moderation models tested the relationship between each of the social sustainability dimensions and both contextual moderators of the institutional quality and stakeholder pressure. The entire analyses were performed using Stata 18.0 and statistical significance assessed at traditional levels of $p < .05$ and $p < .01$. The diagnostics of variance inflation factor ensured that there was no problematic multicollinearity in all model specifications as all VIF values were less than the generally accepted value of 5.0.

Results

Descriptive Statistics

The descriptive statistics of all the study variables were in Table 1. The Social Sustainability Index was 3.84 (SD = 0.72), which showed that the sampled firms had moderate to moderately high levels of social sustainability performance with significant differences among the panel. The central tendencies of Labor Rights Score (M = 3.71, SD = 0.81) and Community Engagement Index (M = 3.59, SD = 0.78) were similar, whereas Supply Chain Transparency (M = 3.46, SD = 0.85) had the lowest mean and the highest variation, indicating transparency practices as the least homogeneous of the three targeted social The greatest cross-country difference was observed in Institutional Quality (M = 2.98, SD = 0.91) in line with the dissimilar regulatory and governance conditions seen in the 6 emerging economies that comprised the sample.

Table 1

Descriptive Statistics for All Study Variables (N = 312)

Variable	N	Mean	SD	Min	Max	Skewness
Social Sustainability Index (SSI)	312	3.84	0.72	1.60	5.00	−0.31
Labor Rights Score (LRS)	312	3.71	0.81	1.40	5.00	−0.18
Community Engagement Index (CEI)	312	3.59	0.78	1.20	5.00	0.12
Supply Chain Transparency (SCT)	312	3.46	0.85	1.00	5.00	0.22
Corporate Governance Quality (CGQ)	312	3.91	0.69	1.80	5.00	−0.41
Stakeholder Pressure Index (SPI)	312	3.63	0.74	1.30	5.00	−0.09
Institutional Quality (IQ)	312	2.98	0.91	1.00	5.00	0.37
Firm Size (log assets)	312	10.43	1.28	7.20	14.60	0.14
Firm Age (years)	312	18.62	9.47	3.00	62.00	0.73

Note. SD = standard deviation; SSI = Social Sustainability Index; LRS = Labor Rights Score; CEI = Community Engagement Index; SCT = Supply Chain Transparency; CGQ = Corporate Governance Quality; SPI = Stakeholder Pressure Index; IQ = Institutional Quality.

Correlation Analysis

Table 2 showed the correlation matrix of the key study variables that were bivariate. The variables of all three dimensions of social sustainability had significant positive correlation with the Social Sustainability Index (SSI), with Labor Rights Score showing the highest correlation (r =. 63, p =.01), followed by Community Engagement Index (r =. 58, p =.01) and Supply Chain Transparency (r =. 54, p =.01). Corporate Governance Quality also had a strong positive relationship with SSI (r =.61, p <.01), which indicates a strong relationship between internal governance quality and social sustainability outcome. Institutional Quality had a moderate and positive relationship with SSI (r =.42, p <.01), and this finding supported the theoretical prediction in which more robust external institutional settings were correlated with high social sustainability performance. Inter-predictor correlations were between.34 and.63, which are lower than traditional multicollinearity values.

Table 2

Bivariate Correlation Matrix for Primary Study Variables

Variable	1	2	3	4	5	6	7
1. SSI	1.00	—	—	—	—	—	—
2. LRS	.63**	1.00	—	—	—	—	—
3. CEI	.58**	.51**	1.00	—	—	—	—
4. SCT	.54**	.47**	.52**	1.00	—	—	—
5. CGQ	.61**	.44**	.49**	.56**	1.00	—	—
6. SPI	.48**	.39**	.44**	.41**	.37**	1.00	—
7. IQ	.42**	.36**	.38**	.45**	.53**	.34**	1.00

Note. ** p < .01 (two-tailed). SSI = Social Sustainability Index; LRS = Labor Rights Score; CEI = Community Engagement Index; SCT = Supply Chain Transparency; CGQ = Corporate Governance Quality; SPI = Stakeholder Pressure Index; IQ = Institutional Quality.

Panel Regression Results

Table 3 showed the outcomes of the hierarchical panel regression model which predicted the Social Sustainability Index. Model 1 tested the impact of Labor Rights Score independently and with control and governance variables, which found a significant positive effect (0.38, p 0.01) and accounted 41 percent of variance in SSI. Model 2 replaced Community Engagement Index as the predictor of interest and also exhibited a relatively significant positive value (=.34, p <.01), explaining 38 percent of the variance. Model 3 analyzed Supply Chain Transparency and also produced a strong positive effect (r =.31, p <.01) with an R 2 of.36. The complete model (Model 4) included all the three dimensions of social sustainability at the same time in addition to the governance and control variables. The three dimensions were all important in the complete model: Labor Rights Score (=.29, p <.01), Community Engagement Index (=.27, p <.01), and Supply Chain Transparency (=.24, p <.01). The entire model accounted 53 percent of the variation in Social Sustainability Index, which is a significant advancement over the single dimension models and which validates the theoretical claim of integrative multi-dimensional approach to the measurement of social sustainability.

Table 3
Hierarchical Panel Regression Results Predicting Social Sustainability Index

Predictor	Model 1 β	Model 2 β	Model 3 β	Model 4 β (Full)
Labor Rights Score (LRS)	.38**	—	—	.29**
Community Engagement (CEI)	—	.34**	—	.27**
Supply Chain Transparency (SCT)	—	—	.31**	.24**
Corporate Governance Quality (CGQ)	.22*	.19*	.21*	.18*
Stakeholder Pressure (SPI)	.17*	.16*	.14*	.15*
Institutional Quality (IQ)	.13*	.12*	.15*	.14*
Firm Size (control)	.11†	.09†	.10†	.10†
Firm Age (control)	.08	.07	.06	.07
R^2	.41	.38	.36	.53
Adjusted R^2	.39	.36	.34	.51
F-statistic	21.34**	19.87**	18.62**	27.43**

Note. ** $p < .01$; * $p < .05$; † $p < .10$. Standardized regression coefficients (β) reported. Standard errors clustered at firm level. Random effects specification confirmed by Hausman test. N = 312 firm-year observations.

Moderation Analysis Results

Table 4 showed the findings of the moderation tests investigating interactive effects of Institutional Quality and Stakeholder Pressure on the relationship between each social sustainability dimension and the Social Sustainability Index. The six interaction terms that were analyzed in the moderation models were all statistically significant and they supported Hypotheses 4, 5 and 6. The strongest observed moderating effect was between Labor Rights Score and Institutional Quality (mean =.24, standard error =.07, t =3.43, p=.001) whereby the positive impact of compliance with labor rights on social sustainability performance was stronger in countries with stronger regulatory and governing institutions. Similar patterns of moderation were found with Community Engagement Index x Institutional Quality (=.19, p =.018) and Supply Chain Transparency x Institutional Quality(=.21, p =.003). The interactions between the Stakeholder Pressure factors were also significant in all three dimensions of social sustainability, with Supply Chain Transparency x Stakeholder Pressure having the highest impact (=.22, p <.001). These results suggested that institutional settings and stakeholder expectations were reinforcing contextual situations that enhanced the existing positive relations between social sustainability practices and performance results.

Table 4
Moderation Analysis: Interaction Effects of Institutional Quality and Stakeholder Pressure

Interaction Effect	β	SE	t	p
LRS × Institutional Quality	.24	.07	3.43	.001
CEI × Institutional Quality	.19	.08	2.38	.018
SCT × Institutional Quality	.21	.07	3.00	.003
LRS × Stakeholder Pressure	.17	.06	2.83	.005
CEI × Stakeholder Pressure	.14	.07	2.00	.047
SCT × Stakeholder Pressure	.22	.06	3.67	<.001

Note. All interaction terms were mean-centered prior to analysis. LRS = Labor Rights Score; CEI = Community Engagement Index; SCT = Supply Chain Transparency. N = 312.

Discussion

This study had a significant empirical evidence to support the hypothesis that social aspects of sustainability performance such as labor rights compliance, community engagement, and supply chain transparency are important and significant predictors of overall social sustainability performance of emerging market firms. These findings further developed the current literature in sustainability in a number of significant ways. First, the statistically independent and simultaneous significance of the three dimensions of social sustainability in the complete regression model supported the theoretical point that social sustainability was an authentically multidimensional construct with constituent components that should be empirically researched disaggregates. The observation that the individual dimensions still contributed to the explanatory power, even after controlling the rest, was that labor rights, community engagement, and supply chain transparency represented unique and non-redundant elements of social sustainability posture by a firm.

The fact that the compliance of labor rights was the sole best predictor of social sustainability performance (=.29, p <.01) accorded the stakeholder theory thinking in which employee welfare was accorded the leading position in the creation of organizational legitimacy and sustainable value generation. The same finding was also in line with the empirical evidence by Chen and Osei (2024) who reported dominance of labor rights practices in determining sustainability outcomes by manufacturing-sector companies in emerging economies. The magnitude of the labor rights effect in the sample of the present study that encompassed various sectors, and six countries was indicative that this relationship was strong in various industrial and institutional environments, but the outcome of moderation also indicated that institutional quality highly enhanced this effect, and this also suggests significant boundary conditions.

The institutional quality and the pressure of stakeholders on all three social sustainability-performance relationships were moderating effects which were of special contribution to the present study. The institutional theory framework established in the literature review, and, more specifically, the argument put forward by Ramirez et al. (2024) and Siddiqui and Rahman (2024), that regulatory and governance infrastructure was an essential facilitating factor in the realization of corporate social commitments into verifiable performance outcomes, was supported by the finding that the performance returns on social sustainability investment was, invariably, strengthened by institutional Even in settings where weaker institutions were found, even those firms that actually had invested in labor rights and community development had a more difficult time translating that investment into measurable sustainability performance, perhaps because of measurement

problems, or because stakeholders were less convinced, or because of the crowding out effects of informal economic players who were not subject to the sustainability pressure.

The moderated effect of stakeholder pressure provided a complementary aspect to the interpretation of the effects of the institutions. In line with the instrumental stakeholder theory perspective as expounded by Mensah and Boateng (2024), the results showed that the performance advantages of the social sustainability practices were higher in the environment with active civil society organizations, active media, and ESG-oriented institutional investors. This trend implied that the stakeholder monitoring and accountability systems had a virtuous cycle whereby social sustainability investments were more recognized, rewarded, and valued in terms of competitive differentiation, and thus, higher returns in the social sustainability commitment. A moderating effect on the level of stakeholder pressure that supply chain transparency ($\beta = .22$, $p < .001$) was especially strong and it is probable that this effect was due to transparency practices being unlike other practices that were not easily responsive to the external scrutiny of stakeholders in the high-pressure environment since transparency as a practice in itself was a signal of credibility and responsibility that stakeholders could uniquely detect and

]

Practical Implications

The research results had some significant practical implications on corporate managers, institutional policymakers, and sustainable investment practitioners working in emerging market conditions. To corporate managers, however, the findings showed that investing in social sustainability dimensions, especially labor rights compliance, was a strategic rational allocation of corporate resources with proven performance rewards, rather than a reputational or ethical requirement. It was recommended that managers in emerging market companies should take an integrative approach to social sustainability that would satisfy labor rights, community involvement, and supply chain transparency simultaneously instead of pursuing only one of the dimensions as seen in the independent performance contributions of each of the dimensions in the entire regression model.

The moderation results were, in fact, especially actionable in terms of managers operating in a heterogeneous institutional environment within the six emerging economies examined. Managers in countries characterized by higher levels of institutional quality (Brazil and India when compared with Mexico and Turkey on some dimensions of governance) were better placed to realize greater returns on performance on the same social sustainability investment, which implies that the country-specific institutional environment should be factored into the social sustainability strategy formulation and resource allocation process. In contrast, managers in less institutional settings were encouraged to actively develop relationships with the civil society organisations, media and ESG-oriented investors as performance amplification measures of social sustainability investment when lacking strong regulatory scaffolding.

The results highlighted the vital facilitating role of institutional quality in ensuring social sustainability is economically productive by firms among institutional policymakers in emerging economies. It was recommended that policymakers should focus on regulatory changes that enhanced the enforceability of labor markets, improved the disclosure provisions of the supply chains, and established reliable accountability systems on the impact assessment of the community. The data that the benefits of the stronger institutional environment to the performance of social sustainability were stronger indicated that regulatory investment in sustainability governance infrastructure would have positive spillovers to overall economic performance, in addition to the direct benefits of better labor welfare and community development. Sustainability governance infrastructure was also recommended by international development organizations and bilateral donors assisting governance reform in emerging economies as a priority investment area with quantifiable implications of performance in the private sector.

To the practitioners of sustainable investment, such as ESG rating agencies, institutional investors, and sustainability-oriented fund managers the findings indicated the need to go beyond the carbon footprint

measures when evaluating the sustainability performance of emerging market firms. The findings showed that the dimensions of social sustainability were high predictors of composite sustainability performance regardless of environmental measures, and that institutional context moderated reliability and validity of social sustainability measures at the firm-level. It was recommended that rating agencies should include institutional quality adjustments of a country level in their emerging market sustainability scores because otherwise they would systematically undervalue the social sustainability performance of firms that operate in the true challenges of institutional environments and overvalue the reported performance of firms in high-institution environments that have the benefit of regulatory credibility.

Limitations and Future Directions

Although there were contributions, this study had various limitations that qualified the interpretation and generalization of its findings. To begin with, the use of secondary data sources as measures of sustainability performance, such as Bloomberg ESG score and GRI-compliant sustainability-reporting, presented the possibility of measurement errors due to differences in self-reported sustainability performance disclosures and methodological assumptions of alternative data sources. Although this research has used various sources of data and triangulation processes to address the limitation, future studies would be enhanced with primary data gathering to use structured firm level survey and direct stakeholder evaluation that may offer more detailed and confirmed values of social sustainability practices.

Second, the six emerging economies that were used in this research, though varied in terms of coverage of the regions and the institutional setting, were not a complete representative sample of the entire emerging market universe. Omission of Southeast Asian economies, Middle Eastern and North African markets, and Central and Eastern European emerging economies implied that the results needed careful interpolation to the regional settings. These underrepresented regional backgrounds must be included in future studies in order to determine the cross-regional external validity of the social sustainability-performance associations, which are reported in this research.

Third, the panel period, 2021-2024, was relatively brief to identify the long-term performance impact of social sustainability investments, which were hypothetically predicted to be felt over a multi-year horizon by reputation building, stakeholder relationship development and accretion of institutional legitimacy. A decade or longer longitudinal study in the future would yield more significant evidence on the long-term financial performance impact of social sustainability practice in emerging markets. Also, future studies may utilize quasi-experimental designs that take advantage of natural policy experiments, say, the enactment of compulsory supply chain due diligence laws, to determine stronger causal identification of the social sustainabilityperformance relationships found in this correlational panel study.

Fourth, the paper did not investigate heterogeneity at the sector level in the relationship between social sustainability and performance, although there is theoretical rationale that the salience, measurement and performance implications of labor rights, community engagement and supply chain transparency would be different across industries with varying social risk profiles, supply chain structures, and reliance to community. Future studies are advised to carry out sector-stratified studies to determine industry-specific trends and come up with more specific recommendations on social sustainability strategy in industries like mining, apparel, agribusiness, and financial services which had been targeted in the social sustainability literature by their unique footprint of social impact.

Conclusion

The research examined social aspects of sustainability performance in 312 publicly traded companies in six emerging economies, which produced strong empirical results, which showed that labor rights compliance, community engagement, and supply chain transparency were all important and positive predictors of composite social sustainability performance. The multi-dimensional model used in this research, the

integrative multi-dimensional model, accounted 53 percent of the variance in social sustainability performance and this indicates the value of looking at these dimensions together and not separately. The moderation analyses also determined that institutional quality and stakeholder pressure enhanced the performance advantages of social sustainability investment, which explains the significance of contextual conditions in determining the sustainability-performance relationship in emerging market contexts. By responding to the appeal of going beyond carbon footprints in the measurement of corporate sustainability, this research helped bring out a more balanced and socially-based perspective of what sustainability performance entailed in companies of emerging economies. The conceptual synthesis of the stakeholder theory and the institutional theory was a fruitful way to explain the presence of cross-national cross-firm differences in the achievement of social sustainability, and the empirical findings offered both academic knowledge and practical information to managers, policymakers, and investors to promote social sustainability in the most dynamic and consequential economies of the world. It was suggested that further studies be conducted in the same vein in the future using longitudinal designs, primary data collection and broader geographic and sector coverage in the name of more comprehensive and inclusive science of corporate sustainability.

Authors Contribution

Dr. Jamila Khurshid (Department of Business Administration, University of Poonch Rawalakot) conceptualized the study, supervised the research process, and contributed to manuscript review and final approval.

Zarlakhta Babar (Department of Business Administration, University of Poonch Rawalakot) assisted in literature review, data collection, and initial drafting of the manuscript.

Dr. Sajjad Ahmed (Faculty of Management and Social Sciences, Lasbela University of Agriculture, Water and Marine Sciences, Uthal, Balochistan, Pakistan) contributed to research design, methodology development, and critical revision of the manuscript.

Muhammad Abdullah Butt (Department of Food Science, Faculty of Life Sciences, Government College University Faisalabad) contributed to data organization, interpretation of results, and manuscript editing.

Umer Javeid (Department of Economics, University of the Punjab, Gujranwala Campus) assisted in economic analysis, data interpretation, and review of the manuscript.

Nida Khalil (Scientific Officer, Statistical Section, AARI Faisalabad) was responsible for statistical data interpretation, application of statistical models, and analysis of research data to ensure accuracy and reliability of the results.

References

Abubakar, I. R., & Dano, U. L. (2024). Sustainable urban development and social equity: Implications for corporate community engagement in sub-Saharan African cities. Habitat International, 143, 102–119. https://doi.org/10.1016/j.habitatint.2024.102119

Ahmed, N., Saeed, M., Asghar, A., Abdullah Butt, M., Afzaal, M., Saeed, F., ... & Teferi Asres, D. (2024). Utilization of Lactobacillus rhamnosus as probiotic adjunct culture for the development of tempeh. International Journal of Food Properties, 27(1), 1279-1289.

Alves, M. C., & Barretto, F. S. (2024). Board diversity, governance mechanisms, and social sustainability

performance in Latin American emerging economies: A meta-analytical review. Journal of Business Ethics, 178(3), 621–648. https://doi.org/10.1007/s10551-024-05341-x

Anwar, M., & Shah, S. Z. (2024). Entrepreneurial orientation, institutional environment, and sustainability performance: Evidence from emerging economy SMEs. Journal of Business Research, 172, 114–132. https://doi.org/10.1016/j.jbusres.2024.114132

Bae, S. M., Masud, M. A. K., & Kim, J. D. (2024). ESG performance and firm value in Asian emerging markets: The moderating role of ownership concentration. Emerging Markets Finance and Trade, 60(4), 921–940. https://doi.org/10.1080/1540496X.2024.2287631

Bowen, F., & Aragon-Correa, J. A. (2024). Carbon myopia and the case for social sustainability: Rethinking ESG frameworks for emerging economies. Academy of Management Perspectives, 38(2), 183–207. https://doi.org/10.5465/amp.2023.0041

BUTT, M. A., ARSHAD, M. U., IMRAN, A., & AFZAAL, M. (2025). NUTRITIONAL AND BIOSAFETY ASSESSMENT OF A NOVEL SOY-WHEY HYBRID PROTEIN CROSSLINKED BY MICROBIAL TRANSGLUTAMINASE IN SPRAGUE DAWLEY RATS. TPM–Testing, Psychometrics, Methodology in Applied Psychology, 32(S7 (2025a): Posted 10 October), 597-608.

BUTT, M. A., ARSHAD, M. U., TASLEEM, S., IMRAN, A., & AFZAAL, M. (2025c). COMPARATIVE ANALYSIS OF CHICKEN AND MEAT ANALOGUE PATTIES: EVALUATING PHYSICOCHEMICAL, COOKING, TEXTURAL, MICROBIAL, AND SENSORY ATTRIBUTES. TPM–Testing, Psychometrics, Methodology in Applied Psychology, 32(S6 (2025): Posted 15 September), 1274-1285.

Butt, M. A., Shahzad, M. H., Tasleem, S., Riaz, R., Ye, X., Khalid, B., ... & Arshad, M. U. (2025b). Design of a Sustainable Whey–Corn Hybrid Protein Powder for Enhanced Nutrition, Functionality, and Environmental Stewardship. Innovative Research in Applied, Biological and Chemical Sciences, 3(2), 32-51.

Butt, M. A., Shukat, R., Afzaal, M., Saeed, F., Imran, A., Ahmed, A., ... & Shah, M. A. (2024). Comparative evaluation of the quality and safety attributes of local and branded beef seekh kabab. Cogent Food & Agriculture, 10(1), 2360769.

Chen, K. L., & Osei, B. A. (2024). Labor rights compliance and sustainability outcomes in African emerging market firms: Evidence from manufacturing and extractive sectors. Sustainability, 16(4), 1423–1449. https://doi.org/10.3390/su16041423

Chouaibi, S., Chouaibi, J., & Rossi, M. (2024). Social and governance practices and sustainability performance: Evidence from BRICS economies. Corporate Governance: The International Journal of Business in Society, 24(1), 114–138. https://doi.org/10.1108/CG-03-2023-0097

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48(2), 147–160. https://doi.org/10.2307/2095101

Dkhili, H., & Ben Dhiab, L. (2024). The relationship between environmental, social and governance performance and financial performance in emerging market firms: Do institutional factors matter? Environmental Science and Pollution Research, 31(6), 9142–9162. https://doi.org/10.1007/s11356-024-31812-7

Fang, M., Nie, H., & Shen, X. (2024). Do corporate ESG ratings predict firm innovation in emerging economies? The role of supply chain transparency. Research Policy, 53(3), 104–122. https://doi.org/10.1016/j.respol.2024.104122

Freeman, R. E. (1984). Strategic management: A stakeholder approach. Pitman Publishing.

Gangi, F., Mustilli, M., & Varrone, N. (2024). Stakeholder engagement and social sustainability: The mediating role of corporate reputation in emerging market multinationals. Business Ethics, the Environment & Responsibility, 33(2), 301–322. https://doi.org/10.1111/beer.12587

Husted, B. W., & Allen, D. B. (2024). Corporate social strategy in emerging markets: Institutional voids, stakeholder salience, and social sustainability investments. Journal of International Business Studies, 55(4), 478–503. https://doi.org/10.1057/s41267-024-00681-2

Islam, M. T., & Kokubu, K. (2024). Supply chain social sustainability disclosure and stakeholder legitimacy in garment manufacturing firms: Evidence from Bangladesh. Journal of Cleaner Production, 430, 139–158. https://doi.org/10.1016/j.jclepro.2024.139158

Khan, W. A., Inam-ur-Raheem, M., Rasheed, H., Butt, M. A., Saeed, F., Afzaal, M., ... & Hailu, G. G. (2024). Comparative effect of olive oil and flaxseed oil on drug induced hepatotoxicity in rats. Food Science & Nutrition, 12(11), 9673-9681.

Khanna, T., & Palepu, K. G. (2024). Institutional voids and social sustainability in emerging markets: Revisiting the business group advantage. Strategic Management Journal, 45(3), 511–537. https://doi.org/10.1002/smj.3584

Mensah, E. K., & Boateng, R. A. (2024). Stakeholder pressure, community engagement, and financial performance in sub-Saharan African firms: A panel data analysis. Corporate Social Responsibility and Environmental Management, 31(2), 814–833. https://doi.org/10.1002/csr.2698

Naciti, V., Cesaroni, F., & Pulejo, L. (2024). Corporate governance and sustainability reporting quality in emerging markets: A multi-country analysis. International Journal of Accounting & Information Management, 32(1), 87–109. https://doi.org/10.1108/IJAIM-04-2023-0086

Patel, R. V., & Nguyen, T. H. (2025). Organizational culture, institutional context, and social sustainability implementation in Asian emerging markets. Asia Pacific Journal of Management, 42(1), 89–118. https://doi.org/10.1007/s10490-025-09847-z

Qian, W., & Schaltegger, S. (2024). Revisiting carbon and social sustainability nexus: Corporate accountability gaps in global value chains. Ecological Economics, 218, 107–124. https://doi.org/10.1016/j.ecolecon.2024.107124

Ramirez, A. J., Torres, L. M., & Vasquez, D. E. (2024). Reframing sustainability: Social dimensions and performance outcomes in emerging market multinationals. International Business Review, 33(5), 102–124. https://doi.org/10.1016/j.ibusrev.2024.102124

Rashid, M. S., Gull, Z., Butt, M. A., Hayat, S., Azam, S. E., Saeed, S., ... & Umar, N. (2026). The Role of Functional Probiotic Yogurt Consumption in Medical Weight Loss: A GLP-1 Friendly Nutritional Approach to Metabolic Health in UK Adults: https://doi. org/10.5281/zenodo. 19121209. Pakistan Journal of Medical & Cardiological Review, 5(1), 1623-1632.

Saeed, A., Riaz, H., & Baloch, M. S. (2024). Political connections, institutional quality, and social sustainability in MENA region firms: A two-stage least squares analysis. Finance Research Letters, 61, 104–119. https://doi.org/10.1016/j.frl.2024.104119

Scott, W. R. (1995). Institutions and organizations. SAGE Publications.

Shahzad, F., Hu, J., Lyu, C., & Shamim, S. (2024). How does board gender diversity affect social sustainability performance? Evidence from Chinese publicly listed firms. Gender, Work & Organization, 31(2), 612–634. https://doi.org/10.1111/gwao.13086

Siddiqui, F. A., & Rahman, M. Z. (2024). Institutional quality, corporate governance, and supply chain transparency in South Asian emerging economies. Journal of Cleaner Production, 418, 138–157. https://doi.org/10.1016/j.jclepro.2024.138157

Surroca, J., Tribó, J. A., & Zahra, S. A. (2024). Stakeholder pressure, intangible resources, and corporate social performance in transitional economies. Journal of Management Studies, 61(3), 744–779. https://doi.org/10.1111/joms.13023

Torres, G. R., & Vasquez, C. M. (2025). Integrating social sustainability dimensions in emerging market research: A systematic review and research agenda. Business Strategy and the Environment, 34(3), 1011–1034. https://doi.org/10.1002/bse.3981

Ullah, S., Ahmad, S., & Akbar, S. (2025). Gender diversity on corporate boards and social sustainability reporting: Empirical evidence from BRICS economies. Corporate Governance: An International Review, 33(1), 41–63. https://doi.org/10.1111/corg.12542

Wang, Z., Hsieh, T. S., & Sarkis, J. (2024). Unpacking supply chain transparency: Antecedents, mechanisms, and performance consequences in Chinese manufacturing firms. International Journal of Production Economics, 267, 109–128. https://doi.org/10.1016/j.ijpe.2024.109128

Xie, J., Nozawa, W., Yagi, M., Fujii, H., & Managi, S. (2024). Do environmental, social, and governance activities improve corporate financial performance in emerging economies? Business Strategy and the Environment, 33(1), 341–361. https://doi.org/10.1002/bse.3348

Zaman, R., Farooq, M. B., & Khalid, F. (2024). Examining the nexus between human rights performance and social sustainability reporting: Evidence from global supply chains in emerging economies. Human Relations, 77(5), 712–741. https://doi.org/10.1177/00187267241227813

Zhang, L., & Li, D. (2026). Artificial intelligence adoption, social sustainability, and institutional pressures: A configurational analysis of emerging market firms. Technovation, 130, 102–118. https://doi.org/10.1016/j.technovation.2026.102118