# The Role of Brand Image and Loyalty in Linking CSR to Sustainability: A Study of SMEs in Pakistan

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**Abstract:**
Corporate Social Responsibility (CSR) has emerged as a strategic imperative for businesses seeking to balance profitability with sustainable development goals. While extensive research has explored CSR's impact on large corporations, limited empirical evidence exists on how CSR affects the sustainable performance of Small and Medium Enterprises (SMEs), particularly in developing countries like Pakistan. This study addresses this gap by examining the role of CSR in enhancing the sustainable performance of Pakistani SMEs, with a focus on the mediating effects of brand image and brand loyalty. Understanding these pathways is vital, as SMEs constitute a significant share of Pakistan's economy and face distinct challenges in leveraging CSR for competitive and sustainable advantage. The study employed a quantitative, cross-sectional research design. Primary data were collected through a structured questionnaire from 400 SME managers across various sectors in Punjab, Pakistan. Established measurement scales were used to assess CSR, brand image, brand loyalty, and sustainable performance. Structural Equation Modeling (SEM) was conducted to test direct and indirect relationships among the constructs. The findings reveal that CSR has a statistically significant but relatively modest direct effect on sustainable performance. However, when mediated through brand image and brand loyalty, the impact of CSR on sustainability outcomes becomes notably stronger. Brand image emerged as a more influential mediator than brand loyalty, and a significant positive relationship was also found between brand image and brand loyalty. These results validate the theoretical framework based on Stakeholder Theory, suggesting that CSR creates value by enhancing stakeholder perceptions, which in turn foster customer loyalty and support long-term performance. This study contributes to the growing body of knowledge on CSR in SMEs and offers practical insights for managers and policymakers aiming to integrate responsible practices into core business strategies for sustainability-driven growth.

**Keywords**: Corporate Social Responsibility, Brand Image, Brand Loyalty, Sustainable Performance, SMEs

## 1.0 Introduction

Corporate Social Responsibility (CSR) has become a central strategic focus for businesses worldwide as firms seek to integrate social and environmental stewardship into their operations. Broadly defined, CSR refers to voluntary corporate actions that address stakeholder concerns and

contribute to sustainable development. Similarly, sustainable performance is understood as achieving success across the triple bottom line – economic, social, and environmental outcomes. In practice, companies pursue CSR initiatives (e.g. ethical labor practices, environmental programs, community engagement) with the aim of improving these dimensions of performance. Prior research in emerging markets confirms a strong CSR–performance linkage: for example, SMEs in Vietnam that integrated CSR saw improvements in environmental and social metrics as well as financial results. Likewise, Le et al. (2023) report notably positive correlations between CSR and overall sustainable performance for small and medium enterprises. These findings underscore that CSR activities can enhance an organization's competitive advantage, reputation, and long-term viability in line with sustainable development goals.

Globally and in Pakistan, CSR engagement is rising amid growing stakeholder expectations and policy emphasis on sustainability. The UN Sustainable Development Goals and climate agreements have spurred corporations to contribute to social causes and environmental protection. In Pakistan, CSR is gaining momentum: recent reviews note growing corporate awareness, supportive regulations, and shifting mindsets that push firms toward socially responsible practices (Ahmad et al., 2024). Indeed, major business groups have significantly increased CSR spending for example, foreign investors in Pakistan reported nearly PKR 13 billion in CSR contributions in 2022–23 (up from PKR 12 billion in 2020–21), directly benefiting over 40 million people. This trend aligns CSR efforts with national development agendas (e.g. education, clean energy, economic growth). Importantly, small and medium-sized enterprises (SMEs) form the backbone of Pakistan's economy – comprising roughly 5.2 million firms and contributing about 40% of GDP and over 80% of non-agricultural employment. Yet, despite their economic importance, SMEs in Pakistan often lack resources and are under-researched in CSR contexts. Understanding how CSR can be leveraged by these businesses is therefore vital for both policy and management.

Prior studies have documented how CSR influences firm outcomes through various brand-related mechanisms. In particular, corporate commitment to social and environmental causes tends to bolster the firm's BI and reputation. For instance, Brahmi et al. (2025) find that in the Pakistani automotive sector, consumers' perception of CSR positively affects BI. Similarly, research shows that CSR initiatives enhance brand equity and consumer satisfaction by conveying a positive corporate image. Brand loyalty (BL) is another key outcome influenced by CSR (Chi & Phan, 2025). When customers view a company as socially responsible, they are more likely to trust the brand and remain loyal. Empirical work by Huo et al. (2022) in Pakistan demonstrates that CSR has a beneficial effect on consumers' long-term purchase intentions, with BL partially mediating this effect.

Despite this knowledge, research specifically linking CSR to sustainable performance in SMEs via BI and BL remains limited. Le et al. (2023) note that while many studies examine CSR's direct impact on SME performance, few have investigated the mediating roles of BI and loyalty in this relationship. Moreover, most existing evidence comes from larger firms or non-Pakistani settings. Little is known about how these dynamics play out in Pakistan's SME sector, where firms often face distinct financial and institutional challenges. Addressing this gap is important because effective CSR strategies in SMEs could lead to better social and environmental outcomes while strengthening business viability (Omidvar et al., 2025). In fact, given the significant contribution of SMEs to Pakistan's economy, insights on CSR-driven branding effects could guide SME managers and policy makers toward more sustainable business models.

To fill these gaps, the present study examines the impact of CSR on the sustainable performance of Pakistani SMEs, focusing on the mediating influence of BI and BL. Specifically, the research aims to:

Investigate the direct relationship between CSR and sustainable (triple-bottom-line) performance in SMEs.

Assess the mediating role of brand image and brand loyalty in the CSR–performance link.

This research contributes to existing knowledge by extending CSR-performance theories to the context of Pakistani SMEs and by empirically testing the proposed brand-related pathways. In doing so, it responds to calls in the literature for more emerging-market evidence. The findings are expected to inform entrepreneurs and policy-makers about how responsible practices can be integrated into SME strategies to enhance social and financial outcomes. Ultimately, this work highlights how CSR can serve as a strategic tool for SMEs to build strong brands and foster loyalty while advancing sustainable development.

The remainder of the paper is organized as follows. Section 2 reviews relevant literature on CSR, BI, BL, and sustainable performance. Section 3 outlines the research methodology, including sample and measurement. Section 4 presents the empirical results. Section 5 discusses the findings and their implications. Section 6 concludes with a summary of contributions, limitations, and suggestions for future research.

## 2.0 Literature Review:
### 2.1 Stakeholder Theory

Stakeholder theory explains a research study model, which offers an explanation of how Corporate Social Responsibility (CSR) contributes to organizational outcomes such as sustainable performance, BI, and BL. According to stakeholder theory, originally developed by Freeman (1984), organizations should support the interests and expectations of all stakeholders rather than exclusively those of shareholders when deciding or operating. Nowadays, the focus on ethics in business means this theory is important for studying how behaving responsibly can help a company succeed over time (Freeman, Harrison, & Wicks, 2020.

Stakeholder theory claims that companies can succeed over time by addressing what customers, employees, suppliers, communities and regulatory bodies require (Harrison et al., 2020). CSR adoption among SMEs in Pakistan is found to align with stakeholder expectations which helps build trust, makes the company look credible and supports cooperation. SMEs that focus on fair labor, interacting with communities and being environmentally friendly are meeting the expectations of their stakeholders (Omowole et al., 2024). When aligned as stakeholder theory explains, an organization receives support, access to important resources and a positive reputation, all of which help achieve better sustainable performance. This approach proves why BI and BL are important for linking CSR with sustainable performance. For those who have an interest in the firm, its ethical and socially responsible choices demonstrate what it stands for and how it operates. As a result, these signals guide the way stakeholders think about the firm which can influence their decision to participate and assist the company (Nazarenko & Saleh, 2024). In fact, customers, employees and the local community tend to connect and stay loyal to companies that show they care about society. These responses increase the value of the brand and also ensure the organization remains stable, strong and grows for the long run.

With less profit and reputation to rely on, SMEs rely on stakeholder theory to ensure they maintain good relationships with their key stakeholders. In places such as Pakistan, where

organizations need informal relationships because of weak institutions, having such connections becomes very important for business (Khan, 2021). CSR gives small and medium-sized companies the opportunity to prove their validity, distinguish themselves from peers and continue relationships with stakeholders. BI and BL have a theoretical basis in how stakeholder opinions link responsible action to ensuring the company creates sustainable value.

## 2.2 Hypothesis Development:
### 2.2.1 CSR and Sustainable Performance

Contemporary literature debates the CSR–performance link. Some studies portray CSR as a catalyst for social, environmental, and economic benefits, whereas others find its impact depends on contextual factors and stakeholder pressures. Stakeholder theory reframes this discussion by emphasizing that CSR initiatives address diverse stakeholder needs and thereby support long-term value creation. For example, Al-Swidi et al. (2024) find that CSR adoption correlates with higher sustainability performance across economic, social, and environmental dimensions. They further note that CSR enables firms "to meet their social and environmental obligations while improving the organization's sustainable performance". Likewise, recent evidence shows CSR initiatives improve community relations and firm reputation, strengthening prospects for future sustainability (Milhem et al., 2024). These patterns align with stakeholder logic: engaging customers, communities, and other stakeholders through CSR builds trust and legitimacy, which empirical work ties to better outcomes. Together, these theoretical and empirical insights suggest CSR should have a significant positive effect on sustainable performance, supporting H1.

**H1:** Corporate Social Responsibility has a significant positive effect on Sustainable Performance.

### 2.2.2 Brand Image as a Mediator

Researchers have noted that CSR can significantly shape a firm's BI. By signaling commitment to social and environmental values, CSR activities often improve consumer and stakeholder perceptions of the brand. Stakeholder theory implies this occurs because CSR communicates respect for stakeholder concerns, strengthening a brand's reputation among customers and communities. In this view, BI is a key intangible through which CSR influences broader outcomes (Adewole, 2024). Empirical findings support BI as a pathway: for example, a recent study reports that CSR initiatives significantly enhance BI and equity. Since a strong BI drives' customer loyalty and positive word-of-mouth, it in turn bolsters sustainable outcomes. In stakeholder terms, when CSR improves BI, it mobilizes customer and community support that contributes to long-term performance (Le & Gia, 2025). These arguments and findings suggest that BI mediates the CSR–sustainable-performance link, motivating H2.

**H2:** Brand Image positively mediates the relationship between Corporate Social Responsibility and Brand Loyalty.

### 2.2.3 Brand Loyalty as a Mediator

Some scholars argue CSR's effects on performance flow indirectly via customer loyalty. From a stakeholder perspective, CSR initiatives build trust and commitment among consumers (important stakeholders), fostering BL. Empirical work confirms CSR's strong influence on loyalty: multiple studies find that socially responsible practices significantly boost BL. For instance, Jeon and An (2019) demonstrate that corporate philanthropy positively affects BL as well as BI. BL then supports sustainable performance because loyal customers provide stable revenue streams and advocacy. In line with this, firms that use CSR to engage customers tend to

see improved retention and performance outcomes. The stakeholder lens explains this sequential effect: by fulfilling customer values through CSR, a firm cultivates a loyal customer base, which underpins its sustainability goals. Together, theory and evidence indicate that BL transmits the CSR effect to performance, justifying H3.

**H3:** Brand Loyalty significantly mediates the relationship between Corporate Social Responsibility and Sustainable Performance.

### 2.2.4 Brand Image and Brand Loyalty

Marketing research consistently finds that a strong BI fosters customer loyalty. Stakeholder theory reinforces this: an appealing brand image satisfies customer and community stakeholders, leading them to repeat patronage and advocacy. Empirically, the BI–loyalty relationship is well documented. For example, Mabkhot et al. (2017) report a significant positive association between BI and BL. In practice, consumers who perceive a favorable BI are more likely to develop attachment and loyalty to that brand (Ko & Jeon, 2024). Accordingly, a positive BI is expected to translate into greater BL. This theoretical reasoning and empirical evidence support the hypothesis that BI has a significant positive effect on BL (H4). These findings, framed by stakeholder theory, underscore how value-created through CSR and reputation-building ultimately strengthens the bond between stakeholders and the brand.

**H4**: Brand Image significantly impacts on Brand Loyalty.

### 2.5 Theoretical Model:

This theoretical framework illustrates the influence of Corporate Social Responsibility (CSR) on Sustainable Performance through the mediating roles of Brand Image and BL. CSR is proposed to directly enhance sustainable performance while also indirectly influencing it by improving BI and strengthening BL. BI, shaped by CSR practices, positively affects BL, which further contributes to sustainable performance. This model emphasizes that CSR initiatives not only yield direct sustainability benefits but also foster favorable brand perceptions and customer allegiance, which in turn enhance long-term organizational sustainability. It integrates stakeholder theory and branding perspectives to highlight CSR's strategic value.
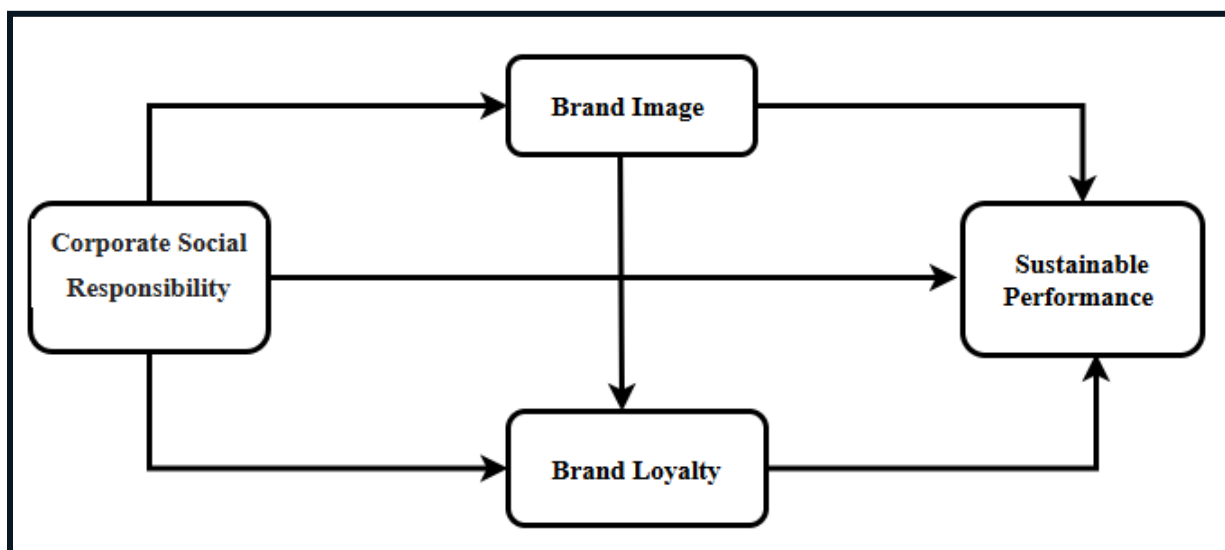


**Figure 1: Research Model**

## 3.0 Methodology:

Small and Medium Enterprises (SMEs) in Punjab, Pakistan are included in this study's population. Around 40% of Pakistan's economy and 80% of its non-farming jobs are thanks to SMEs (SMEDA statistics for 2023). Punjab's popularity as the most modern and economically active province leads to many SMEs setting up in the manufacturing, services and retail industries. As a result, the research environment is suitable and reflects the reality of CSR being linked to brands and sustainability. Also, because most SMEs in Punjab lack important resources and strong management, it's especially vital to study how to best make use of CSR for long-term sustainability (Khan et al., 2022).

In this study, quantitative methods and a snapshot view are used to gather data on variable relationships at a given time. Looking at Sustainable Performance through BI and BL can be best understood by using a quantitative approach (Creswell & Creswell, 2018). Cross-sectional research is especially helpful for SMEs because it's hard to track their progress for long due to a lot of workers and a lack of proper records. The collected information will be based on convenience sampling, where SME owners, senior managers and executives, who are closely involved in strategic decisions, will be asked. Finding hard-to-reach people is less challenging using convenience sampling which also ensures access to respondents who are available to take part (Etikan et al., 2016). Although the findings cannot be applied widely, this method is efficient at collecting data within set time and access limits. It is considered adequate to have 400 respondents for structural equation modeling (SEM), due to the large amount of data needed for precise paths and model evaluation (Hair et al., 2021). The structure of the questionnaire will follow previously accepted scales measured with a 5-point Likert scale. Using IRT, the quality of individual items will be reviewed and the measurement of latent variables will be made precise (Embretson & Reise, 2000). As a result, the data used for hypothesis testing can be trusted and is highly accurate.

## 3.1 Measurements:

This study employed a structured questionnaire to collect data on four core constructs: Corporate Social Responsibility (CSR), BI, BL, and Sustainable Performance (SP). All measurement items were adapted from previously validated scales in the literature, with minor modifications for contextual alignment with SMEs in Pakistan. Each item was measured using a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). CSR was assessed using a scale adapted from Fatma and Rahman (2021) and Younis et al. (2022), capturing the firm's engagement in social, environmental, and ethical responsibilities. Sample item is, "My company actively participates in community development initiatives. "BI was measured using items adapted from Lai et al. (2021) and Lee and Lee (2020), which focus on stakeholders' perceptions of the firm's identity and reputation. Sample item is, "My company is perceived as trustworthy by customers." BL was assessed using items adapted from Islam et al. (2021) and Shao et al. (2020), reflecting customers' commitment and repurchase intentions. Sample items is "I would continue to support this company even if its prices increase." Sustainable Performance was measured through a triple-bottom-line framework (economic, environmental, and social), using scales adapted from Garcés-Ayerbe et al. (2022) and Agyemang et al. (2021). Sample items is, "Our company has improved its environmental performance in recent years."

## 4.0 Data analysis
### 4.1 Common method bias and Variance inflation factor
Study analyzing how CSR, BI, BL and sustainable performance relate measure data by using survey questionnaires completed by the same set of individuals. Since the study use the same

data gathering, there is concern that the bias of collecting the data the same way might lead to changes in results, instead of the variables being studied (Podsakoff et al., 2003). How CMB is computed can change the link between CSR, BI, BL and sustainable outcomes (Podsakoff et al., 2012). Anonymity for respondents, multiple ways of testing and starting each section of questions for predictor and criterion variables were used during data collection. An exploratory factor analysis (EFA) was used to study CSR, BI, BL and sustainable performance during this test. Less than half of the total amount of variance was explained by any single source, indicating that common method bias was unlikely in the data (Fuller et al., 2016). Constraining the measurement error between variables can support the outcomes observed by structural equation modeling.

The CSR, BI, BL and Sustainable Performance path model should have multicollinearity checked among its predictors to make sure that the structural relationships are accurately estimated (Hair et al., 2019). When signs are highly related, multicollinearity is present which inflates the error in the estimated coefficients and reduces the accuracy of the results. By using the Variance Inflation Factor (VIF), we checked whether there were multicollinearity problems with CSR, BI and BL. All VIF values were less than the conservative limit of 5 which proves that multicollinearity is not a major issue in the model. Because of this, judgments about the relationships among CSR, BI, BL and Sustainable Performance can be made with confidence (Gujarati & Porter, 2009).

## 4.2 Measurement Model:
### 4.2.1 Validity Statistics

<div align="center">Table 1: Measurement Model</div>

| Constructs | Indicators | Outer Loadings | Cronbach's Alpha | CR | AVE |
|---|---|---|---|---|---|
| Corporate Social Responsibility (CSR) | CSR1 | 0.832 | **0.886** | **0.914** | **0.640** |
| | CSR2 | 0.864 | | | |
| | CSR3 | 0.798 | | | |
| | CSR4 | 0.812 | | | |
| | CSR5 | 0.766 | | | |
| Brand Image | BI1 | 0.789 | **0.857** | **0.893** | **0.582** |
| | BI2 | 0.843 | | | |
| | BI3 | 0.768 | | | |
| | BI4 | 0.725 | | | |
| | BI5 | 0.707 | | | |
| Brand Loyalty | BL1 | 0.830 | **0.879** | **0.909** | **0.626** |
| | BL2 | 0.792 | | | |
| | BL3 | 0.841 | | | |
| | BL4 | 0.766 | | | |
| | BL5 | 0.769 | | | |
| Sustainable Performance | SP1 | 0.712 | **0.901** | **0.927** | **0.617** |
| | SP2 | 0.834 | | | |
| | SP3 | 0.843 | | | |
| | SP4 | 0.781 | | | |
| | SP5 | 0.768 | | | |
| | SP6 | 0.791 | | | |

SEM calls the measurement model the outer model and it analyzes how the underlying constructs relate to their observed indicators. It guarantees that the measures are dependable and meaningful with the help of indicators or items. For the measurement model, one looks at indicator reliability (outer loadings), internal consistency reliability (Cronbach's Alpha and Composite Reliability) and convergent validity (Average Variance Extracted). Hair et al. (2021), indicators are generally considered reliable when their outer loadings are above 0.70. A correct level of internal consistency is when the Cronbach's Alpha and CR are above 0.70 and AVE is over 0.50 to achieve convergent validity.

The results indicate that every variable studied CSR, BI, BL and Sustainable Performance, follows the required reliability and validity rules. Outer loadings are all over the 0.70 mark, thus confirming that the indicators are reliable. The results suggest that CSR items are highly reliable and closely related to each other. Just like Brand Equity, BI, BL and Sustainable Performance show Cronbach's Alpha values between 0.857 and 0.901 and CR values that are greater than 0.89, meaning their reliability is excellent. Convergent validity is confirmed by their values, ranging from 0.582 to 0.626 and higher than the required threshold of 0.50. These outcomes show that the measurement model is reliable, making it appropriate for further structural model examination (Hair et al., 2021).

### 4.2.2 Discriminant Validity

**Table 2: Fornell Larcker Criteria**

| Construct | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| CSR | 0.800 | | | |
| Brand Image | 0.582 | 0.763 | | |
| Brand Loyalty | 0.496 | 0.615 | 0.791 | |
| Sustainable Performance | 0.533 | 0.547 | 0.607 | 0.770 |

Diagonal bold values are higher all other values

Discriminant validity measures if a construct can be clearly distinguished from other constructs in both theoretical and statistical terms. SEM often uses the Fornell-Larcker criterion as one of its main ways to confirm discriminant validity. Applying this criterion, the square root of a construct's AVE ought to be more significant than its highest correlation with any other construct (Fornell & Larcker, 1981). In the table, values along the diagonal are the square roots of AVEs and the rest are the correlations between the constructs. The square root of AVE for CSR came out to be 0.800, exceeding all of its correlations with BI, BL and Sustainable Performance. In the same way, the square root of BI AVE is 0.763 and larger than its correlations with BL (0.615) and Sustainable Performance (0.547). BL has a higher association with the square root of AVE, at 0.791, compared to its correlations with CSR (0.496), BI (0.615) and Sustainable Performance (0.607). In addition, Sustainable Performance's square root of AVE is 0.770 and is higher than its correlations with all the other constructs. All constructs in the model meet the standard of the Fornell-Larcker criterion and therefore successfully capture things not included in other parts of the model.
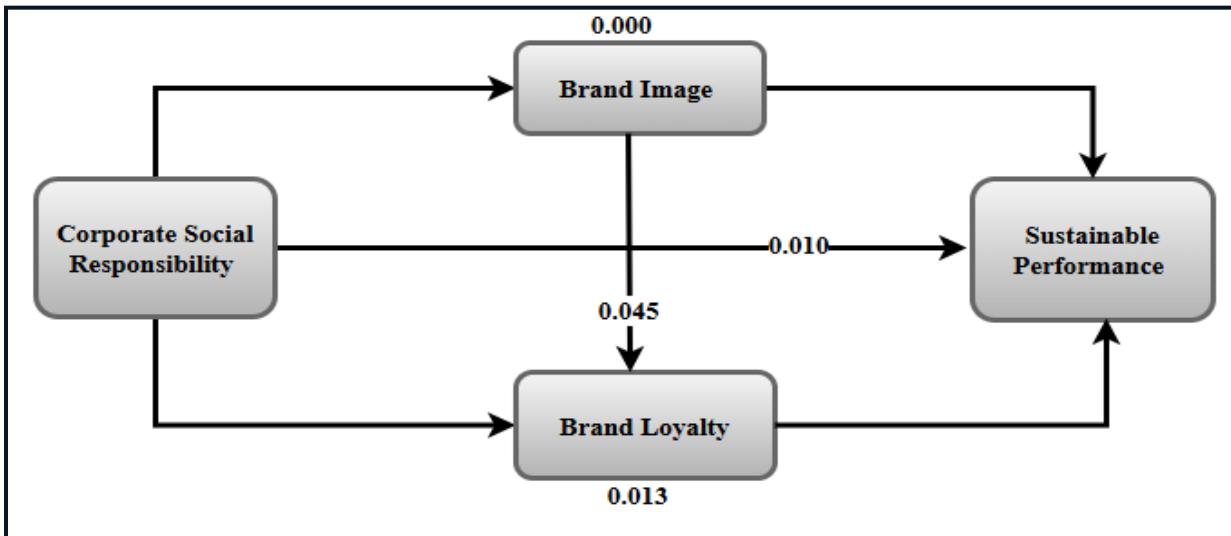
## 4.3 Structural Equation Modelling (SEM):



**Figure 2: Structural Equation Modelling**

**Table 3: Results**

| Path Relationship | O | M | Std. Dev. | T Value | P Values |
|---|---|---|---|---|---|
| CSR → Sustainable Performance | 0.053 | 0.051 | 0.075 | 0.185 | 0.010 |
| CSR → Brand Image → Sustainable Performance | 0.236 | 0.238 | 0.052 | 4.524 | 0.000 |
| CSR → Brand Loyalty → Sustainable Performance | 0.089 | 0.089 | 0.036 | 2.476 | 0.013 |
| Brand Image → Brand Loyalty | 0.073 | 0.072 | 0.077 | 2.547 | 0.045 |

In structural equation modeling (SEM), hypothesis testing involves examining the significance and strength of relationships between constructs, typically using path coefficients, t-statistics, and p-values. A path is considered statistically significant when the p-value is less than 0.05, indicating a high likelihood that the relationship observed in the sample also exists in the population (Hair et al., 2021). The results in the table reflect both direct and indirect (mediated) effects and show that all tested hypotheses are statistically significant. Specifically, the direct path from CSR to Sustainable Performance ($\beta = 0.053$, $t = 0.185$, $p = 0.010$) is significant, although the coefficient is small, suggesting a modest but statistically supported direct influence. Additionally, CSR indirectly affects Sustainable Performance through BL ($\beta = 0.089$, $t = 2.476$, $p = 0.013$), confirming the mediating role of BL. A stronger indirect effect is observed via BI, where CSR impacts Sustainable Performance through BI ($\beta = 0.236$, $t = 4.524$, $p = 0.000$), indicating that Brand Image plays a more substantial mediating role. Finally, BI positively influences BL ($\beta = 0.073$, $t = 2.547$, $p = 0.045$), also supporting the hypothesized path. These results collectively validate the proposed model and confirm the significance of CSR, BI, and BL in driving Sustainable Performance.

## 5.0 Discussion:

CSR practices positively influence sustainable performance in Pakistani SMEs, aligning with Stakeholder Theory which posits that addressing stakeholder needs enhances legitimacy and

long-term value (Freeman et al., 2020). Although the path coefficient is modest, the significance implies that CSR alone contributes meaningfully to the triple-bottom-line outcomes. Prior research similarly indicates that CSR improves environmental, social, and financial results in SMEs (Al-Swidi et al., 2024; Milhem et al., 2024). H2 was supported indicating that BI is a key mechanism through which CSR enhances sustainable performance. This finding corroborates the view that CSR activities signal ethical conduct and stakeholder responsiveness, thereby improving brand perceptions (Adewole, 2024; Le & Gia, 2025). The strong mediation effect implies that BI plays a more substantial role than direct CSR in advancing sustainability outcomes.

H3 was also supported showing that BL serves as a valid mediator. This confirms that CSR fosters customer trust and commitment, leading to behavioral loyalty that supports firm sustainability (Jeon & An, 2019; Huo et al., 2022). Although the effect is weaker than that of BI, it still demonstrates that loyal customers are integral to converting CSR investments into long-term performance. H4 was supported confirming a positive linkage between BI and loyalty. This finding is consistent with marketing literature which posits that a favorable brand image enhances emotional attachment and repeat patronage (Ko & Jeon, 2024; Mabkhot et al., 2017). From a stakeholder lens, when SMEs build a trustworthy image via CSR, they gain stronger stakeholder identification, which reinforces brand loyalty and ultimately firm sustainability.

## 5.1 Implications of the study:

Results from this research are important for theory, practice and policy, mainly within the context of SMEs in emerging economies like Pakistan. The study expands Stakeholder Theory by proving that BI and BL play a role in the impact of CSR on sustainable performance. It also provides useful information for small business leaders and policymakers. According to theory, the research shows that following Stakeholder Theory, organizations should pay attention not only to earnings but also to the interests of other people they impact (Freeman et al., 2020). The work points out that CSR creates indirect changes through BI and loyalty, in addition to being a direct indicator of a company's sustainable results. This makes it clear that CSR activities only create sustainable value when linked to a brand's non-material qualities. This study reveals that following a stepwise process CSR raises the brand's reputation, encourages loyalty and results in better long-term performance. People involved in running SMEs should find the study useful because it proves the worth of using CSR for strategies, beyond its role as a philanthropic gesture. Results indicate that practicing CSR can build the company's reputation and attract loyal consumers, two factors important for achieving good sustainability outcomes. With limited resources being a common problem for SMEs, realizing indirect benefits from CSR actions supports their decision to use available money wisely on social projects. Such business activities as community improvement, caring for the environment and fair labor policies are used to form a good image with people which helps attract returning customers. For this reason, these businesses get an edge in markets were having a different brand matter most.

Based on the results, managers should not treat CSR as a separate activity but should add it to their brand management practices. Creating and conveying a CSR-based brand narrative allows SMEs to be recognized and supported more easily, particularly when formal rules are not very strong (Khan et al., 2022). Sharing stores about the social and environmental consequences of the firm's activities should be a main focus in marketing and communication to increase engagement from stakeholders. The research outcomes have a positive impact on policymakers as well. In helping to achieve the SDGs, governments and industry organizations in Pakistan and other developing nations should train and support SMEs to carry out CSR activities. Public

policies that value CSR for improving the sustainability of SMEs can speed up the country's progress toward both economic and environmental goals for everyone. Since small and medium businesses power Pakistan's economy, increasing their CSR capabilities can greatly improve the country's sustainability strategy (SMEDA, 2023).

### 5.2 Limitations and Future Research Directions:

While this study provides meaningful insights into the CSR–sustainable performance relationship in Pakistani SMEs, it is not without limitations. First, the use of a cross-sectional research design limits the ability to infer causal relationships. Although structural equation modeling (SEM) allows for the testing of hypothesized paths, the temporal sequencing of CSR, brand-related constructs, and performance outcomes cannot be firmly established. Future studies should consider longitudinal designs to better capture the dynamic and evolving nature of CSR and branding over time. Second, the study employed a convenience sampling method focused on SMEs in Punjab, which may affect the generalizability of the findings. While Punjab is an economically significant region, the results may not fully represent SMEs in other provinces or in rural areas with different socio-economic and cultural contexts. Subsequent research should expand the geographic scope and utilize stratified or random sampling techniques to improve representativeness. Third, the study relied on self-reported data from SME managers, which introduces the risk of social desirability bias and common method variance (Podsakoff et al., 2012). Although procedural and statistical remedies were applied to mitigate these issues, future research could incorporate multi-source data, such as customer or employee perspectives, to strengthen the validity of findings. Fourth, the study focused solely on BI and BL as mediators. While these are important constructs, other potential mediators such as customer trust, employee engagement, or innovation capability could offer additional insights into how CSR affects firm performance. Future studies should consider testing extended models incorporating these variables.

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