Profit, Perception, and the Planet: Selection Bias-Corrected Evidence from Pakistani Textile Sector

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ABSTRACT

This study examines the impact of Corporate Sustainability Disclosure (CSD) on the performance of Pakistani textile firms. CSD is measured by analyzing the word count of sustainability-related disclosures in annual reports of firms listed on the Pakistan Stock Exchange (PSX) from 2012 to 2023. Given the potential for selection bias in firms' disclosure decisions, the study applies the Heckman selection model to ensure robust estimation. The findings highlight that sustainability disclosure is positively associated with profitability. Firms that engage in CSD experience an increase in profitability, demonstrating that responsible business practices can translate into real financial gains. These results emphasize the role of sustainability initiatives in enhancing industry competitiveness and long-term financial stability. The study draws valuable insights for businesses, investors, and policymakers, emphasizing the need for stronger corporate disclosure practices and regulatory incentives to promote sustainability-driven growth in Pakistan's textile industry.

Keywords: Corporate Sustainability Disclosure, Firm performance, Market valuation, Pakistan stock exchange, Heckman selection model, Textile sector

JEL Classification: C33, G32, L67, M14, Q56

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