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The Legitimacy Theory: Whether CSR Activities Foster Consumers' Intention to Purchase and Pay the Price Premium?

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The Legitimacy Theory: Whether CSR Activities Foster Consumers' Intention to Purchase and Pay the Price Premium?

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Abstract: *Recently, many scholars have been working to investigate the role of Corporate Social Responsibility in enhancing an organization's financial and strategic performance. This paper analyzes the effects of a three-dimensional construct of Corporate Social Responsibility on Corporate Reputation using the legitimacy theory. Also, examine the mediating role of Corporate Reputation on the association of Corporate Social Responsibility with a price premium and purchase intention of consumers. The statistical techniques applied to the dataset were confirmatory factor analysis and partial least square structural equation modeling. The findings indicate that corporate social responsibility positively impacts a firm's cognitive and affective reputation. Further, CSR fosters consumers' intention to purchase but does not want to pay the premium. Therefore, it suggests the need for Pakistani firms to engage in socially responsible activities to develop a corporate reputation, resulting in the potential acceptance of price premiums and higher purchase intentions. This paper contributes to the literature by drawing on the legitimacy theory, studying the impact of CSR on corporate reputation, purchase intention, and price premium from the perspectives of emerging economy consumers. This research evaluates whether consumers of an emerging economy intend to purchase and pay price premiums based on the organizations' CSR activities and corporate reputation. Thus, it will provide an insight to the marketers and scholars regarding CSR activities. So that in upcoming times, firms might practice more CSR activities.*

Keywords: Corporate Social Responsibility; Premium Price; Purchase Intention; Emerging Economy; Smart PLS.

Introduction

For decades, scholars have been investigating the mechanism of Corporate Social Responsibility (CSR) and how it can relate to organizational goals (Adomako & Tran, 2022). Initially, CSR was determined to be just the organization's social and ethical responsibilities concerning controlling corporate externalities. But over time, it has evolved into a more sustainable concept. Several scholars have defined Corporate Social Responsibility in distinct ways. For example, some researchers have characterized CSR into four categories: economic, legal, ethical, and discretionary (Carroll, 1979), while some have elaborated on

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its three-dimensional approach having economic value, social impact, and the consequential environmental effect. These variables are studied for their impact on the reputation of the organization and its influence on stakeholders' behavior.

The literature review provides some theoretical arguments for an organization to engage in CSR activities. For example, Carroll (2016) recommends that CSR add value to organizations by meeting their stakeholders' expectations for appropriate social and corporate behavior, thus introducing new opportunities for growth, improving access to capital investments, developing innovations, and increasing employee and customer engagement. This means that the organization's overall credibility, identity, and brand value are being improved, thereby improving employee motivation, satisfaction, retention and recruiting, leading to financial risks and cost savings, and eventually increasing its overall revenue generation. However, according to Du, Bhattacharya, and Sen (2011), several Chief Financial Officers (CFOs) are uncertain about the actual value that CSR provides, as studies show inconsistent results.

Scholars have researched CSR impacts and found that it positively impacts the organization's financial performance, affective commitment, and job satisfaction. On the other hand, some scholars have also revealed that it negatively impacts (Ghardallou, 2022). According to Flammer (2015), managers may be inclined to increase CSR engagement due to their motivation to build a friendly relationship with the stakeholders. Popular organizations worldwide, such as Nestle, General Motors, and Marks & Spencer, have used CSR for improving the organization's efficiency by building trust, and corporate reputation of the brand (Zhang, Cao, Zhang, Liu, & Li, 2020), by attracting socially and environmentally conscious customers to gain a competitive edge and increase profitability (Flammer, 2015).

The conventional outlook for an organization's commitment to socially and ethically responsible activities through capital funds ultimately reduces its profitability and revenue generation. In contrast, the emerging view of CSR contradicts the conventional view. As per the emerging view, CSR produces the firm's economic and monetary benefits (Carroll, 2016), which is why an organization's pursuit of CSR initiatives targeted towards the betterment of society and the environment.

The existing research is designed to fill the gaps that exist in the literature of CSR and retailing. After reviewing the literature, we notice that no one focused on CSR, corporate reputation, and consumers' intention to purchase and pay premium prices under the same theoretical framework. However, prior studies analyzed CSR's impact on consumers' loyalty by incorporating corporate image as a mediator (Khan & Fatma, 2023). Some researchers examined the impact of CSR on customer loyalty through the mediating effect of a reputation. Another research used the three dimensions of CSR, i.e., economic, ethical and legal, and discretionary, to evaluate customers' satisfaction and loyalty using image and quality as mediators. Also, C.-C. Wang (2020) studied the customers' intention to purchase and pay a premium price, but the author incorporated satisfaction and corporate image as mediators. Therefore, these studies are interlinked and do not analyze CSR's role in forming corporate reputation (cognitive and affective) that might lead to consumer purchase intention and pay premium prices. Secondly, in the present study, the legitimacy theory has been applied to evaluate consumers' perceptions based on organizations' CSR activities. Additionally, it is clear that by participating in CSR, businesses are attempting to achieve a greater degree of credibility in customers' eyes (Aramburu & Pescador, 2019; Liu & He, 2022). In this respect, special attention has been paid to customers, as their views are perceived to substantially affect the nature and efficacy of organizational strategies. Thirdly, many businesses have been struggling to have a competitive edge in the market. Consumers have many options available, so in such situations, organizations have been adapting ethical ways to gain a good position in customers' eyes. Many businesses have been practicing CSR activities in Pakistan, so now the question arises: Do such businesses possess a reputable place in the market? Also, whether it fosters' consumers purchase intention and willingness to pay price premium? These questions are untouched areas and need serious attention.

Therefore, the present study's objective is to analyze the impact of economic, social, and environmental CSR on consumers' intention to purchase and pay price premium through the mediating role of corporate reputation. For this purpose, Marketing sectors has been targeted to explore how does CSR activities performed by business fosters' consumers purchase intention and willingness to pay price premium. Also, how corporate social responsibility positively impacts a firm's cognitive and affective reputation.

This paper is beneficial for corporations by making them realize CSR activities' importance for building up Corporate Reputation. It is considered a valuable strategic resource that defines an organization's sustainable competitive advantage based on its resource-based view (Hossain, Hussain, Kannan, & Nair, 2022; Wasifuddin, Javed, & Mehmood, 2022). Building up a good corporate reputation is a long-term process that makes it a valuable intangible asset and gives an organization's a competitive edge that is hard to gain for emerging competitors. This research helps companies understand CSR activities' positive impact on their overall performance and encourage them to carry out socially responsible activities. Also, organizations will work on creating a good corporate reputation in the eyes of consumers. This would be beneficial to determine their CSR strategies and relate them to their organizational goals and objectives.

This paper contributes to the literature. Firstly, by drawing on the legitimacy theory, studying the impact of CSR on corporate reputation, purchase intention, and price premium from customers' perspectives in the context of Pakistan's firms. Secondly, CSR has been viewed as a three-dimensional construct, namely, economic, social, and environmental CSR, Thirdly, corporate reputation has also been analyzed for its cognitive and affective nature. Also, the mediation effects of cognitive and affective reputation have been evaluated to analyze CSR's impact on price premium and purchase intentions of customers. Lastly, this research aims to understand whether consumers of Pakistan intend to purchase and pay price premiums based on the organizations' CSR activities and corporate reputation.

This research brings innovation to the field of management sciences by investigating the relationship between Corporate Social Responsibility (CSR) activities and consumers' intention to purchase and pay a price premium. By filling a gap in the literature, understanding the role of CSR in shaping consumer behavior, exploring the influence of price premium, offering practical implications for businesses, and bridging theory and practice, this study provides valuable insights into the impact of CSR on consumer decision-making and contributes to the knowledge and application of CSR strategies in organizations.

Literature Review

Theoretical Background

This research study has employed legitimacy theory that was developed and introduced by Dowling and Pfeffer (1975); they defined it as the existence of a status or a condition that determines the organization's value system's consistency with the more extensive social system's values. Further, Aramburu and Pescador (2019) stated that legitimacy is characterized as the general perception or presumption that an organization's acts are acceptable, suitable, or appropriate within a framework of rules, values, and beliefs constructed socially. It is thus clear that by participating in CSR, businesses attempt to achieve a greater degree of credibility in customers' eyes (Pérez, López-Gutiérrez, García-De Los Salmones, & San-Martín, 2020). In this respect, special attention has been paid to customers, as their views are perceived to substantially affect the nature and efficacy of organizational strategies. Legitimacy theory has remained a conceptual foundation for observing and evaluating the effects of CSR and perceived CSR by many researchers over the years. Thus, organizations aim to engage in CSR to attain a higher degree of legitimacy from stakeholders' perspectives, including customers, employees, suppliers, etc. Hence, specific attention is directed towards the customers because their opinion holds the organization's corporate design and strategies accountable. This paper contributes to the literature by drawing on the legitimacy theory, studying the impact of CSR on corporate reputation, purchase intention, and price premium from the perspectives of emerging economy consumers.

Hypotheses Development

Economic CSR and Corporate Reputation

Economic responsibility is an interrelated concept that aims to balance business, environmental, and philanthropy activities. Economic responsibility is governed by the set standards of ethical and moral legislation. Businesses aim to find a solution to help their business, economy, and society. Economic decisions are taken here in accordance with their ultimate effect on society and companies. Economic responsibility will also boost company efficiency while at the same time investing in sustainable activities.

A crucial element of corporate reputation is stakeholders' views of the organization's CSR activities. Also, it is their opinions of how well the CSR programs and results of the organization satisfy stakeholders' social and environmental values and standards (Kim, Yin, & Lee, 2020). When consumers find that organization meets the standards of economic CSR, it fosters the reputation in consumers' eyes.

Madanaguli, Srivastava, Ferraris, and Dhir (2022) examined the effects of CSR on the sustainable development of the tourism industry. They acknowledged it as a firm's focus towards long-lasting economic activities that provide its stakeholders with socio-economic profits at an equal level. Aramburu and Pescador (2019) tested the influence of economic CSR on Corporate Reputation and revealed that it has a positive relationship. Thus, the authors predict the following hypotheses:

H1a: Economic CSR has a positive influence on Cognitive Corporate Reputation.

H1b: Economic CSR has a positive influence on Affective Corporate Reputation.

Social CSR and Corporate Reputation

The social component of corporate social responsibility encompasses codes of ethics, human rights protections, and participation in humanitarian causes. Companies exhibit the philanthropic spirit by contributing time, money, or resources to national or international charities and organizations. This contribution is primarily focused on supporting people in need, including human rights, disaster aid, and clean water and education initiatives (Shah, Gilani, & Waheed, 2021). When organizations are involved in social CSR activities, it ultimately forms a good reputation in consumers' eyes. Also, when people find that organizations participate in philanthropic activities, it increases their intention to purchase from such organizations (Zhang et al., 2020). Social CSR includes respect due to home society's cultural differences, the safety of its architectural and cultural norms and values, the organization's influence on its intercultural awareness. At the same time, Aramburu and Pescador (2019) say that the social dimension of CSR primarily focuses on the observation of an organization's code of ethics and compliance that determines its outlook towards the safeguard of human rights and engagement in humanitarian and philanthropic activities. Aramburu and Pescador (2019) tested the influence of Social CSR on Corporate Reputation and found that it has a positive relationship. Moreover, Batrancea, Nichita, and Cocis (2022) also found a positive relationship between social CSR and Corporate Reputation. Thus, the authors predict the following hypotheses:

H2a: Social CSR has a positive influence on Cognitive Corporate Reputation.

H2b: Social CSR has a positive influence on Affective Corporate Reputation.

Environmental CSR and Corporate Reputation

Environmental CSR is responsible for covering the environmental effects of a specific organization's activities, goods, and services. Elimination of waste and pollution, maximization of energy efficiency and productivity, and minimization of activities that may negatively impact natural resource usage for future generations are essential environmental CSR elements (J.-Y. Li, Overton, & Bhalla, 2020; Sarwar & Iqbal, 2020). Environmental degradation has severely affected countries across the world. People are becoming conscious of shocking changes; thus, it ultimately forms a good reputation when any organizations practice environmental CSR (Pham & Tran, 2020).

The environmental dimension of CSR is doing business while considering the environmental impacts and policy, the level of investment in socially responsible projects for the safety of the environment (Aramburu & Pescador, 2019), and overall behaving in an environmentally friendly manner; it as the sustainable use and protection of natural resources and biodiversity. Aramburu and Pescador (2019) found a positive relationship between Environmental CSR on Corporate Reputation. Also, Ramayah, Falahat, and Soto-Acosta (2022) founded a positive connection between Environmental CSR and Corporate Reputation. Thus, the authors predict the following hypotheses:

H3a: Environmental CSR has a positive influence on Cognitive Corporate Reputation.

H3b: Environmental CSR has a positive influence on Affective Corporate Reputation.

Cognitive Corporate Reputation, Purchase Intention, and Price Premium

Damberg, Schwaiger, and Ringle (2022) defines Cognitive Corporate Reputation as the firm's competence, relating to the customer's perceived knowledge and understanding of the organization's ability after rational observation and evaluation. It can be measured by looking at several factors that include awareness, positioning, fame, and even managerial abilities (Zhang et al., 2020). The parameter of evaluating organizations' ability varies from consumer to consumer as people possess different mindsets. Therefore, when any company meets consumers' criteria, it forms a cognitive reputation. People make decisions based on their experience, knowledge, and feelings (Fu et al., 2020). So, in cutthroat competition, it is crucial to form a good reputation to gain a competitive advantage. Also, it fosters consumers' intention to purchase from that company or brand and boosts consumers' willingness to pay a price premium.

As the name implies, the price premium is "the excess price paid over and above the 'fair' price justified by the true value of the product" (A. R. Rao & Bergen, 1992). Many people are attracted to the CSR activities practiced by organizations. Human intellectual tends to prefer such organizations that focus on consumers and society's well-being (Zhang et al., 2020). Hence, it creates a reputable position when organizations prioritize employees, consumers, ethical and societal CSR activities. Additionally, this cognitive reputation encourages consumers to purchase from the company. Also, ready to pay a premium to those organizations that are reputable and practice CSR. Based on the discussion, if an organization has a cognitive corporate reputation, it will determine a higher purchase intention among customers. The higher the organization's cognitive corporate reputation, the greater its customers' chances of buying products at premium prices. Thus, the authors predict the following hypotheses:

H4a: Cognitive Corporate Reputation has a positive influence on Purchase Intention.

H4b: Cognitive Corporate Reputation has a positive influence on Price Premium.

Affective Corporate Reputation, Purchase Intention, and Price Premium

Schwaiger (2004) defines affective corporate reputation as the sympathetic feelings of a customer towards the firm, relating to the customer's subjective feelings. It can be calculated by looking at the organization's degree of support, favoritism, or hatred because of its involvement in socially responsible or irresponsible activities (Zhang et al., 2020). Therefore, an affective reputation is likely to form based on an individuals' emotions. Scholars also stated that once organizations successfully portray their CSR activities, they are expected to have a reputable position in the market.

According to Zhang et al. (2020), CSR activities such as CSR for society, customers, employees, public welfare, the environment, and the economy tend to shape an individual's feelings of respect or disgust for an organization's affective reputation. When consumers are emotionally connected with an organization, it holds a significant position to encourage them to purchase products (Singh, Crisafulli, & Xue, 2020). Similarly, if an organization has a high affective corporate reputation, it will determine a higher price premium acceptance among customers and vice versa. Based on the above discussion, we develop the following hypotheses:

H5a: Affective Corporate Reputation has a positive influence on Purchase Intention.

H5b: Affective Corporate Reputation has a positive influence on Price Premium.

Corporate Social Responsibility and Corporate Reputation

Researchers have studied corporate Social Responsibility (CSR) for many years. Zhang et al. (2020) say that the financial requirements of profit-making within the legal framework are required for every corporation, while the ethical and philanthropic responsibilities for contributing to society's welfare are expected. Therefore, as Carroll (2016) suggests that any corporation claiming to be involved in CSR will make money in compliance with state law, engage in ethical practices, and, ultimately, become a morally upright business citizen. However, scholars have also argued that a corporation's economic responsibility should be distinct from other goals, as profit-making is the primary goal of every established business. This suggests that a corporation's ethical behaviors should be considered the sole factor that impacts the perceived social responsibility of customers. Hence, according to the literature, CSR can be defined as a multi-dimensional paradigm that holds profitable concerns (Zhang et al., 2020). Graafland, Eijffinger, and SmidJohan (2004) proposed a three-dimensional CSR model that includes economic, social, and environmental dimensions. Several researchers have used this triple-dimension framework to investigate the relationship between variables. CSR is defined as a context-specific philosophy that determines a business's proactive and strategic involvement in economic, social, and environmental issues aimed for sustainable human development for the current and future generations. In light of these arguments, this paper's authors interpreted CSR as a three-dimensional construct, including cultural, social, and environmental welfare, leading to sustainable social and economic growth. After reviewing the existing literature, it was revealed that perceived CSR has a significant positive effect on Corporate Reputation

(Khan & Fatma, 2023). Thus, the authors predict the following hypothesis:

H6a: Corporate Social Responsibility has a positive influence on Cognitive Corporate Reputation.

H6b: Corporate Social Responsibility has a positive influence on Affective Corporate Reputation.

Corporate Reputation:

Corporate reputation evolves over time by high efficiency, standard practices, and a customer-centered approach to business and development. Reputation is the image of a company in the public mind. In the literature, corporate reputation is an intangible asset that gives corporate companies numerous benefits, such as gaining customer loyalty, charging high premium prices, competitive advantage, and customer satisfaction (Islam et al., 2021). In addition, corporate reputation is a management tactic used to accomplish the organization's strategic goals. Researchers have studied corporate Reputation (CR) since the 1950s, when corporate evolution began. Several scholars have regarded corporate reputation as one of the essential intangible assets for any corporation (Batrancea et al., 2022), represented as a collection of the firm's earlier actions that resulted in positive outcomes and enabled the company to deliver to multiple stakeholders. As Damberg et al. (2022) says that Corporate Reputation cannot be defined with a single dimension; therefore, the authors of this paper have used the two-dimensional model of CR, which effectively explores cognitive and affective aspects of Corporate Reputation. According to Zhang et al. (2020), the customer's perceived understanding and judgment after rational observation and evaluation are cognitive corporate reputation. CCR can be measured using several indicators, including awareness, competitive positioning, managerial abilities, fame, etc. The customer's subjective feelings, including respect and favoritism, or hate and disgust towards the corporation, are called its Affective Corporate Reputation. ACR can be assessed through the customer's favorites, sense of identity, and regret upon a firm's bad experience.

H7a: Cognitive Corporate Reputation has a positive influence on Purchase Intention.

H7b: Cognitive Corporate Reputation has a positive influence on Purchase Premium.

H8a: Affective Corporate Reputation has a positive influence on Purchase Intention.

H8b: Affective Corporate Reputation has a positive influence on Purchase Premium.

Purchase Intention and Price Premium

According to Creyer (1997), consumers expect companies to carry out CSR activities and recognize their level of participation in CSR when making purchasing decisions, and buy their products and services, even though they cost more than their competitive companies, simply by motivating the company to engage more in socially responsible activities. Customer behavioral intentions are also influenced by their perceived value. This indicates that if a business engages in CSR activities, consumers' perceived value can be enhanced, leading to better purchase intentions. Previous research has confirmed that CSR influences consumers' purchase intention. Furthermore, a positive link was found between corporate reputation and customers' purchase intentions. According to these studies, consumers will have a higher purchase intention towards socially responsible brands. Thus, the authors predict the following hypothesis:

H9a: Corporate Social Responsibility has a positive influence on Purchase Intention.

The additional price charged over and above the acceptable price because of the products' value is the price premium (Casado-Díaz, Sellers-Rubio, Rodriguez-Sanchez, & Sancho-Esper, 2020). Customers expect firms to engage in socially responsible activities, which ultimately influence their purchase decisions. customers would agree to buy products at premium prices if they view the organization as fulfilling its social responsibilities. Recent studies have shown that the perceived importance of the business's CSR activities is a critical factor in affecting consumers' behavioral intentions as it can be improved not only by the eco-friendly quality of their goods but also by their conduct towards the social welfare of society and the environment (C.-C. Wang, 2020). Graham and Bansal (2007) concluded that there is a significant positive relationship between corporate reputation and the price consumers are willing to pay for the products and services in the Airline industry. Further, it is concluded that there is a significant positive relationship between corporate reputation and the price consumers are willing to pay for the products and services for the green environment and sustainability. Thus, endorsing customers' support for the company's meaningful involvement in CSR and leading them to accept price premiums. Additionally, Casado-Díaz et al. (2020) conducted research to determine consumers' willingness to pay premium prices to support hotel management in starting water-saving initiatives. The results reveal that when employees consider that the hotel is practicing eco-friendly activities, it motivates them to pay the premium. Based on the discussion, the authors predict the following hypothesis:

H9b: Corporate Social Responsibility has a positive influence on Price Premium.

Mediating Analysis

When consumers have a positive perception of a company's CSR efforts, it can enhance their cognitive corporate reputation (Batrancea et al., 2022). This positive reputation, in turn, influences consumers' purchase intentions. Consumers who view a company as socially responsible are more likely to develop a favorable attitude towards the company, trust its products or services, and be more willing to purchase from that company. Moreover, Cognitive Corporate Reputation also plays a role in mediating the relationship between CSR and price premium. When consumers perceive a company as socially responsible, they may attribute higher value to its products or services due to the positive reputation associated with the company's CSR efforts. This increased perceived value can lead consumers to be more willing to pay a premium price for products or services from that company.

The engagement of a company in socially responsible activities can evoke positive emotions and feelings among consumers. This positive affective corporate reputation can influence consumers' purchase intentions by creating a favorable emotional connection with the company. Consumers who experience positive emotions towards a company's CSR efforts are more likely to develop a stronger affinity for the company, leading to increased purchase intentions (Zhang et al., 2020).

Affective Corporate Reputation also plays a role in mediating the relationship between CSR and price premium. When consumers have positive emotional responses towards a company's CSR initiatives, it can contribute to a favorable affective corporate reputation (Aramburu & Pescador, 2019). This positive emotional connection enhances consumers' perception of the company and its products or services, making them more willing to pay a premium price. Consumers may associate the positive emotions they feel towards a socially responsible company with higher value, leading to an increased willingness to pay more for its offerings. Based on the reviewed literature, we propose the following mediating hypotheses:

H10a: Cognitive Corporate Reputation mediates the relationship between CSR and Purchase Intention.

H10b: Cognitive Corporate Reputation mediates the relationship between CSR and Price Premium.

H11a: Affective Corporate Reputation mediates the relationship between CSR and Purchase Intention.

H11b: Affective Corporate Reputation mediates the relationship between CSR and Price Premium.

Research Methodology

Research Model

To investigate the association between variables, the developed research model has been illustrated in figure 1, which is relevant to the assumptions developed as hypotheses by the authors of this study. The model is based on the three-dimensional model of CSR proposed by Graafland et al. (2004) and on the two-dimensional model or CR proposed by Schwaiger (2004).

The integrated conceptual model tests the impact of a three-dimensional CSR, including economic, social, and environmental CSR, on corporate reputation and the effect of cognitive and affective reputation on customer behaviors, including price premium and purchase intentions. Moreover, this research model also looks into the mediating role of corporate reputation in determining the relationship between CSR and price premium and customers' purchase intentions. The association between variables is tested using the quantitative approach. Figure 1 (A) illustrates the first-order model, and figure 2 (A) illustrates the figure 2 (A) model.

Figure 1A
Conceptual Framework

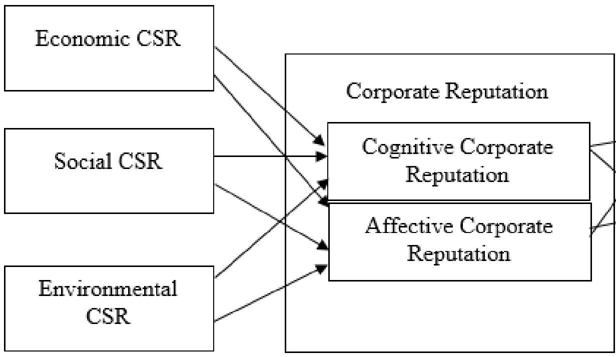
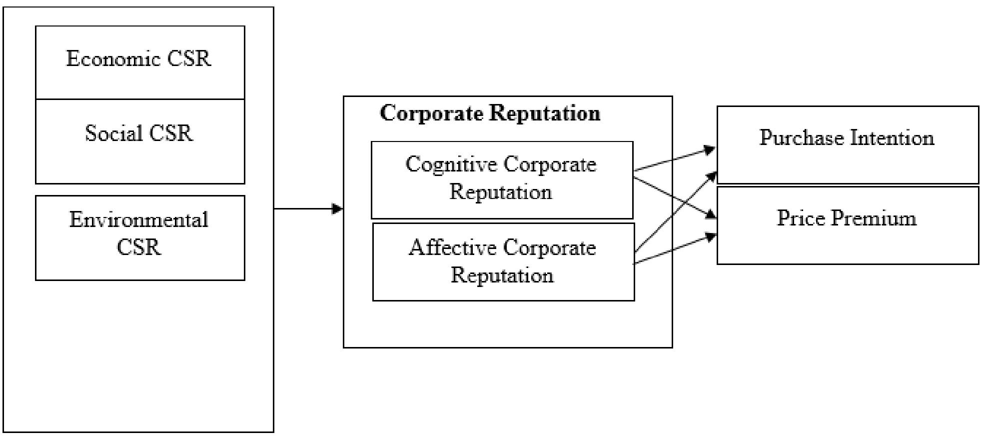


Figure 2A
Conceptual Framework



Data collection and Instrumentation

Data collection was done through an online survey that was distributed to the consumers based on a convenient sampling approach. Therefore, 550 questionnaires were distributed online to consumer in marketing sector of Pakistani firms and after eliminating the observations with missing values, 522 questionnaires were found usable. Therefore, sample size of the study is 522 consumers. According to Nguyen (2022) convergence criteria for a sample size of 100 is sufficient. Anderson and Gerbing (1984) recommended a sample size of 150 for data analysis. As a result, the sample size in this study is adequate for the estimation. Moreover, the respondents were requested to rate their level of agreement with the questionnaire items. Further, the questionnaire was developed by using a 5-point Likert-type scale. Finally, the developed questionnaire was distributed online in Pakistan to gather quantitative data to analyze the research model. For developing the instrument of data collection, we have adopted items from the existing literature. The details are displayed in the appendix.

Demographics

The data collected was analyzed for its demographic statistics, which are displayed in table 1. The table shows that the gender ratio was 84.1 percent Male to 15.9 percent Female. Furthermore, considering the age groups, 40.4 percent of respondents were less than 25 years old, 39.5 percent of respondents were 26-30, 17.0 percent of respondents were 31-35, 1.7 percent respondents were 36-40, and lastly, 1.3 percent of respondents were above 40 years. Finally, concerning the respondents' level of education, it was found that 56.7 percent were undergraduate, 41.4 percent were graduate, and the remaining 1.9 percent were postgraduate.

Data Analysis and Results

The collected data has been analyzed using Structural Equation Modeling (SEM), a statistical technique used to assess the theory's validity using statistical facts and figures (Ringle, Wende, & Will, 2015). In this study, the variance-based method has been used by employing the Partial Least Square (PLS) for analyzing the proposed hypothetical model. PLS-SEM is known to be a suitable method for analyzing several contexts and integrated models (Ringle et al., 2015); therefore, it has been executed in the study to get the results using Smart-PLS 3.2.9 software.

Table 1
Descriptive Statistics and Correlation Matrix

Demographic Items	Frequency	Percentile
Gender		
Male	439	84.10%
Female	83	15.90%
Age		
Less than 25	206	39.50%
26-30	211	40.40%
31-35	89	17.00%
36-40	9	1.70%
Above 40 years	7	1.30%
Education		
Undergraduate	296	56.70%
Graduate	216	41.40%
Post Graduates	10	1.90%

Source: Author's Estimations

Measurement Model

The convergent validity has been determined by following the standards of Fornell and Larcker (1981). Convergent validity includes the following four steps: loadings, Cronbach's alpha, composite reliability, and average variance extracted.

Table 2 (Measurement Model) represents the results of convergent validity. The results of individual loadings depict that all values are higher than the proposed benchmark of 0.7, thus fulfilling the criteria (Churchill Jr, 1979). The Cronbach's alpha values fulfill the criteria and are according to the suggested benchmark of greater than 0.7. While measuring Composite reliability, it can be seen that the values are higher than 0.7 that meet the criteria given by Straub (1989). Other than that, the individual reliability criteria are 0.7 as per Churchill Jr (1979), which has also been met; hence the individual reliability of items has been validated. Lastly, for analyzing the instrument's convergent validity, Fornell and Larcker (1981) suggest using Average Variance Extract (AVE). Its criteria are determined as the value of AVE should be 0.5 or above, and it can be seen in Table 2 that the values of AVE are more than 0.5; thus, the convergent validity of the measurement model is confirmed.

Table 2
Descriptive Statistics and Correlation Matrix

	Items	Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
	ACR1	0.864			
ACR	ACR2	0.824	0.758	0.861	0.674
	ACR3	0.773			
	CCR1	0.831			
CCR	CCR2	0.892	0.816	0.891	0.731
	CCR3	0.841			
	EC_CSR1	0.949			
EC_CSR	EC_CSR2	0.952	0.918	0.949	0.860
	EC_CSR3	0.88			
	ENV_CSR1	0.729			
	ENV_CSR2	0.93			
ENV_CSR	ENV_CSR3	0.933	0.947	0.958	0.794
	ENV_CSR4	0.918			
	ENV_CSR5	0.916			
	ENV_CSR6	0.904			
	PI1	0.895			
PI	PI2	0.756	0.833	0.893	0.737
	PI3	0.915			
	PP1	0.863			
PP	PP2	0.802	0.800	0.881	0.712
	PP3	0.865			
	S_CSR1	0.745			
S_CSR	S_CSR2	0.871	0.811	0.890	0.731
	S_CSR3	0.937			

Notes: ACR=Affective Corporate Reputation, CCR=Cognitive Corporate Reputation, EC_CSR=Economic Corporate Social Responsibility, S_CSR=Social Corporate Social Responsibility, ENV_CSR: Environmental Corporate Social Responsibility, PI=Price Intention, PP= Price Premium.

Discriminant validity is determined by the following: square root of AVE, cross-loadings, and Hetrotrait-monotrait (HTMT) ratio of correlations. It can be seen in Table 3 that the values of the square root of AVE in the diagonal form meet the criteria given by Fornell and Larcker (1981), which according to them, should be higher than the correlation of the variables. Table 4 depicts the values of individual items that are loaded higher than their relevant constructs compared with the others. This is due to their cross-loading difference. Thus, the model's discriminant validity is confirmed. Also, the heterotrait-monotrait ratio of correlations (HTMT) confirms the validity because the values shown in table 4 meet the criteria of being less than 0.9.

Table 3
Descriptive Statistics and Correlation Matrix

	ACR	CCR	EC_CSR	ENV_CSR	PI	PP	S_CSR
ACR	**0.821**						
CCR	0.683	**0.855**					
EC_CSR	0.593	0.492	**0.927**				
ENV_CSR	0.488	0.546	0.285	**0.891**			
PI	-0.003	0.187	0.094	0.230	**0.858**		
PP	0.162	-0.002	-0.004	0.063	0.050	**0.844**	
S_CSR	0.529	0.583	0.349	0.692	0.110	-0.028	**0.855**

As the convergent and discriminant validity of the measurement model is established, the model's variable distinctiveness has also been confirmed. Hence, this model is deemed perfect for analyzing the structural model.

Table 4
Descriptive Statistics and Correlation Matrix

	ACR	CCR	EC_CSR	ENV_CSR	PI	PP	S_CSR
ACR1	**0.864**	0.676	0.426	0.577	0.004	0.133	0.604
ACR2	**0.824**	0.447	0.564	0.255	-0.042	0.071	0.286
ACR3	**0.773**	0.539	0.486	0.338	0.027	0.192	0.38
CCR1	0.652	**0.831**	0.27	0.628	0.055	0.043	0.629
CCR2	0.556	**0.892**	0.452	0.402	0.21	-0.088	0.451
CCR3	0.539	**0.841**	0.545	0.363	0.218	0.037	0.409
EC_CSR1	0.536	0.524	**0.949**	0.282	0.158	-0.02	0.345
EC_CSR2	0.517	0.499	**0.952**	0.251	0.178	-0.044	0.349
EC_CSR3	0.6	0.337	**0.88**	0.26	-0.086	0.057	0.275
ENV_CSR1	0.441	0.507	0.278	**0.729**	0.175	-0.009	0.757
ENV_CSR2	0.472	0.519	0.284	**0.93**	0.188	0.048	0.775
ENV_CSR3	0.518	0.54	0.32	**0.933**	0.131	0.072	0.728
ENV_CSR4	0.382	0.445	0.198	**0.918**	0.246	0.076	0.444
ENV_CSR5	0.387	0.446	0.204	**0.916**	0.248	0.078	0.452
ENV_CSR6	0.365	0.426	0.206	**0.904**	0.265	0.08	0.44
PI1	0.014	0.18	0.047	0.237	**0.895**	0.064	0.08
PI2	0.001	0.073	0.101	0.143	**0.756**	-0.01	0.085
PI3	-0.019	0.185	0.108	0.194	**0.915**	0.046	0.116
PP1	0.163	0.004	-0.018	0.037	0.069	**0.863**	-0.023
PP2	0.105	-0.012	0.022	0.02	0.022	**0.802**	-0.036
PP3	0.133	0.001	-0.007	0.101	0.026	**0.865**	-0.013
S_CSR1	0.403	0.402	0.278	0.307	-0.048	-0.03	**0.745**
S_CSR2	0.428	0.508	0.289	0.654	0.154	-0.032	**0.871**
S_CSR3	0.516	0.571	0.328	0.757	0.149	-0.012	**0.937**

Table 5
Descriptive Statistics and Correlation Matrix

	ACR	CCR	EC_CSR	ENV_CSR	PI	PP	S_CSR
ACR							
CCR	0.856						
EC_CSR	0.721	0.568					
ENV_CSR	0.552	0.612	0.300				
PI	0.052	0.217	0.164	0.255			
PP	0.202	0.078	0.054	0.079	0.061		
S_CSR	0.656	0.709	0.404	0.747	0.169	0.037	

Structural Model

The structural model is used to get the results by analyzing the standardized paths. Each path corresponds to the hypothesized relationships among variables that are being evaluated in this research. The first-order analysis results are shown in Table 6; the higher-order analysis results are shown in Table 7. Additionally, the results of the mediation analysis are shown in table 8. Further, regression results can be seen in figures 1(B) and 2(B).

Table 6
Descriptive Statistics and Correlation Matrix

Hypothesis	Regression Path	Effect type	β-Coeff	P-Value	Remarks
H1a	EC_CSR ->CCR	Direct Effect	0.319	0.000	Supported
H1b	EC_CSR ->ACR	Direct Effect	0.454	0.000	Supported
H2a	S_CSR ->CCR	Direct Effect	0.298	0.000	Supported
H2b	S_CSR ->ACR	Direct Effect	0.231	0.000	Supported
H3a	ENV_CSR ->CCR	Direct Effect	0.248	0.000	Supported
H3b	ENV_CSR ->ACR	Direct Effect	0.199	0.000	Supported
H4a	CCR ->PI	Direct Effect	0.362	0.000	Supported
H4b	CCR ->PP	Direct Effect	-0.215	0.000	Not Supported
H5a	ACR ->PI	Direct Effect	-0.245	0.001	Not Supported
H5b	ACR ->PP	Direct Effect	0.313	0.000	Supported

Table 7
Descriptive Statistics and Correlation Matrix

Hypothesis	Regression Path	Effect type	β-Coeff	P-Value	Remarks
H6a	CSR ->CCR	Direct Effect	0.673	0.000	Supported
H6b	CSR ->ACR	Direct Effect	0.658	0.000	Supported
H7a	CCR ->PI	Direct Effect	0.229	0.001	Supported
H7b	CCR ->PP	Direct Effect	-0.195	0.001	Not Supported
H8a	ACR ->PI	Direct Effect	-0.348	0.000	Not Supported
H8b	ACR ->PP	Direct Effect	0.351	0.000	Supported
H9a	CSR ->PI	Direct Effect	0.286	0.000	Supported
H9b	CSR ->PP	Direct Effect	-0.072	0.359	Not Supported

Table 8
Descriptive Statistics and Correlation Matrix

Hypothesis	Regression Path	Effect type	β-Coeff	P-Value	Remarks
H10a	CSR ->CCR ->PI	Indirect Effect	0.154	0.002	Partial Mediation
H10b	CSR ->CCR ->PP	Indirect Effect	-0.132	0.001	Full Mediation
H11a	CSR ->ACR ->PI	Indirect Effect	-0.230	0.000	Partial Mediation
H11b	CSR ->ACR ->PP	Indirect Effect	0.231	0.000	Full Mediation

Figure 1B
Results of Path Analysis-First Order

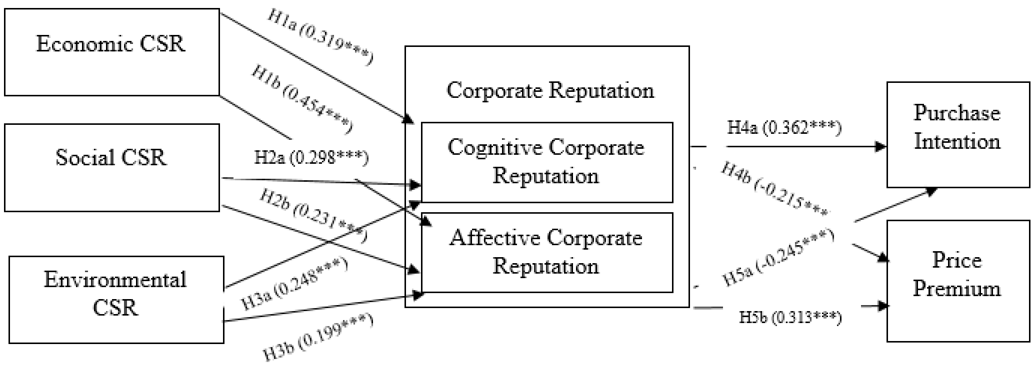
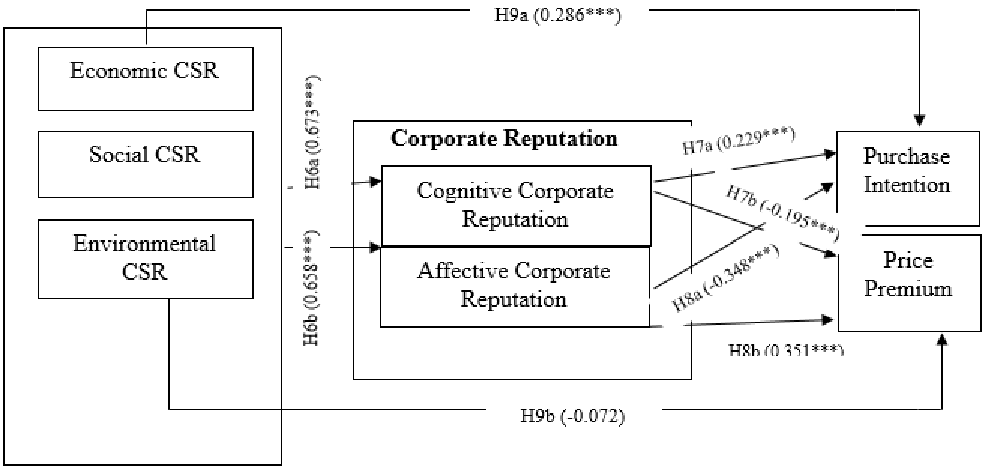


Figure 2B
Results of Path Analysis-Higher Order



Discussion

According to the results shown in table 6, the influence of Economic CSR on Cognitive CR (β=0.319 p<0.01) and Economic CSR on Affective CR (β =0.454 p<0.01) is found to be significant and positive. It means that the assumption made by the authors in H1a and H1b has been accepted. The results are consistent with the study of Aramburu and Pescador (2019) who revealed that a firm's economically responsible activities have a positive link with CR. This suggests that an organization in Pakistan must engage in Economic CSR activities to increase its Cognitive and Affective CR. This would help them to attract customers and adapt ethical ways to gain a good position in customers' eyes.

Likewise, the effect of Social CSR on Cognitive CR (β =0.298 p<0.01) and Affective CR (β =0.231 p<0.01) is found to be significant and positive. Thus, H2a and H2b have also been accepted. The results are consistent with the existing literature that tested the influence of Social CSR on Corporate Reputation and found a positive relationship (Aramburu & Pescador, 2019). This result could mean that Social CSR appeals to the emotional and sympathetic side of consumers of Pakistan and their perception of Social CSR benefiting the abilities of the organizations rationally, thus having a positive effect on the customer's affective and cognitive CR. By doing such things would help a firm to foster customers to pay a premium price and perceived a firm with good corporate reputation.

Meanwhile, a significant positive effect of Environmental CSR on Cognitive CR (β =0.248 p<0.01) and of Environmental CSR on Affective CR (β =0.199 p<0.01) has been found, supporting H3a and H3b. The results are consistent with the existing literature that tested the influence of Environmental CSR on Corporate Reputation and found a positive relationship (Aramburu & Pescador, 2019). This means that customers in Pakistan perceive the environmentally responsible activities of an organization to build up an organization's CR, both Cognitive and Affective. By doing such things would help a firm to foster customers to pay a premium price and maintain loyalty.

The results of H4a depict that Cognitive CR and Purchase Intention are positively and significantly linked with each other (β =0.362 p<0.01). In contrast, concerning H4b, a negative and significant association is found between Cognitive CR and Price Premium (β =-0.215 p<0.01). These results are inconsistent with the prior results (Graham & Bansal, 2007). This means that the organizations in Pakistan that have a high Cognitive CR will influence the customers' intention to purchase goods, but it cannot compel consumers to pay premium prices. It is revealed that despite the cognitive corporate reputation, consumers do not prefer to pay premium prices. The study revealed a significant positive relationship between corporate reputation and the price consumers are willing to pay for the products and services in the context of the Airline Industry. However, the results are not the same in our context because consumers do not want to pay a premium. The reason might be the quality, services, or inflation. Pakistan has been facing high inflation for many years, which is why consumers are price sensitive.

The next hypothesis, i.e., H5a, shows a negative and significant association between Affective CR and Purchase Intention (β = -0.245 p<0.01). In contrast, H5b is accepted as the results show a positive and significant link of Affective CR on Price Premium (β =0.313 p<0.01). It means that the higher affective corporate reputation might not increase the purchase intention among consumers, but it does foster consumers' willingness to pay premium prices. The results are somewhat consistent with past literature (Graham & Bansal, 2007). The affective corporate reputation is associated with consumers' emotions; thus, when consumers perceive that organization is involved in CSR and fulfill all the obligations, it develops an emotion that compels them to pay the premium.

Results of Higher-Order Analysis

Table 7 represents the higher-order factor results, where the analysis has been made by collectively analyzing the variable's dimensions. The results of hypotheses H7a, H7b, H8a, and H8b are similar to the results of the first-order analysis.

CSR, which has been taken as a three-dimensional construct with economic, social, and environmental CSR, is positively linked with Cognitive CR (β=0.673 p<0.01) and also Affective CR (β = 0.658 p<0.01). Hence, H6a and H6b have been accepted. The results depict that organizations in Pakistan can positively influence customer's Cognitive and Affective CR by partaking in CSR activities, whether economic, social, or environmental. Based on the results, we can state that consumers appreciate organizations' CSR activities, and they do not want them to focus on any specific dimension. Thus, if organizations focus on any CSR dimension, it will help them form a reputable position.

The hypotheses H7a (CCR and PI), H8b (ACR and PP), and H9a (CSR and PI) are accepted, but H7b (CCR and PP), H8a (ACR and PI), and H9b (CSR and PP) depict rejection. It implies that cognitive corporate reputation fosters consumers' purchase intention but does not encourage them to pay a premium. Customers are price sensitive, and the cognitive reputation of a corporation does not result in paying high prices. On the other hand, an affective corporate reputation does motivate consumers to pay premium prices but decreases their intention to purchase. Moreover, CSR strengthens consumers' purchase intentions but does not compel them to pay a premium. As per the outcomes, consumers are not ready to pay premiums based on CSR.

The results also show that CSR is positively associated with Purchase intention (β= 0.286 p<0.01); however, a negative relationship is found between CSR and Price Premium (β= -0.072 p>0.1). Thus, H9a has been accepted, while H9b is not supported through higher-order analysis. The findings reveal that if the organization practices CSR, it will foster consumers' intention to purchase from that company when a brand or company does CSR, so in this case, consumers believe that they should help them more for the humanitarian cause by buying products. Also, Pakistanis get emotionally connected with the organization that fosters their intention. However, it has a contrasting influence on their willingness to pay premium prices as Pakistanis are price conscious, so they prefer reasonable prices. Additionally, Pakistan's consumers believe that if the organization is doing CSR, it is respectable, and we should purchase from them; they should not charge additional prices because of inflation. However, to some extent, buyers are ready to pay a premium based on the organization's reputation and name.

Results of Mediation Analysis

The hypotheses concerning the mediating role of the variables show that Cognitive Corporate Reputation partially mediates the relationship between CSR and Purchase Intention. The results are consistent with the findings of X. G. Li, Wang, and Cai (2011); K. S. Rao, Rao, and Acharyulu (2021). Thus, H10a has been accepted as (β= 0.154 p<0.01). Similarly, H10b is also accepted as cognitive corporate reputation fully mediates the relationship between CSR and price premium (β=-0.132 p<0.01). The findings suggest that cognitive corporate reputation plays a dominating role in establishing a connection between CSR and purchase intention and between CSR and price premium. The results (H9b) show that CSR does not positively affect price premium, but when there is cognitive CR, it fully mediates the association and fosters consumers' willingness to pay premium prices. The results are consistent with the findings of Nardi (2022). It means that if businesses want consumers to pay premium prices, they should develop a cognitive corporate reputation in the eyes of consumers through CSR. Consumers of Pakistan are price-conscious, and they think a lot before making buying decisions, and pricing is the crucial factor. Hence, when the cognitive corporate reputation is strong, consumers are more likely to pay premium prices based on CSR activities.

On the other hand, H11a i.e., affective corporate reputation partially mediates CSR and purchase intention (β=-0.230 $p<0.01$). The results are consistent with the findings of S. Wang, Liao, Wu, and Le (2021). The customers' sympathetic feelings towards the firm, because of CSR activities they do, are essential in establishing purchase intention. Also, H11b i.e., full mediation of affective corporate reputation is found between CSR and the purchase premium (β=0.231 $p<0.01$). It reveals that when consumers are emotionally concerned about any organization and have developed an affective corporate reputation based on its CSR activities, it becomes easy for consumers to pay premium prices. Moreover, CSR activities individually do not influence the price premium. Still, if that organization's affective corporate reputation is right in the eyes of consumers, they will pay premium prices. Hence, in Pakistan, organizations should work on developing affective and cognitive corporate reputation by doing CSR.

Conclusion, Recommendations, and Limitations

Conclusion

Reviewing the existing literature, it was found that many scholars have been paying attention to CSR's influence on customer behaviors and corporate attractiveness. However, minimal research was found investigating the link of CSR on Corporate Reputation in Pakistan. Therefore, this study developed an integrated model using the legitimacy theory to address the influence of three-dimensional CSR on CR's two dimensions, including cognitive and affective. This examines how the three dimensions of CSR impact Corporate Reputation and influence customer purchase intentions and price premium acceptance in Pakistani Organizations. Using the two-dimensional corporate reputation model, the variables were analyzed to determine how they affect cognitive and affective CR. The findings indicate that companies in Pakistan need to up their engagement in socially responsible activities for having a higher cognitive and affective reputation. However, the findings do not support the authors' conclusion that CSR activities positively affect the customer's adoption of Premium prices. At the same time, they influence their purchasing intentions when selecting brands selling the same goods and services. Still, their cognitive and effective corporate reputation enhances their intent to pay premium prices.

Practical Implications

This research provides insights for Pakistani businesses to develop and enhance their Corporate Reputation by generating value through engaging in a dimension-by-dimension basis of CSR. These insights are beneficial for the researchers to understand the mechanism behind CSR and CR by also enabling managers to understand the importance of increasing CR by engaging in socially responsible activities. Furthermore, it would provide the guidelines to develop new and improve existing organization strategies and contribute to their competitive edge over other organizations. Therefore, it is recommended that organizations should emphasize on CSR activities that include social CSR, environmental CSR, and economic CSR. More significantly, CSR activities often build a positive corporate reputation in customers' eyes, resulting in a positive intention to buy and willingness to pay premiums. Therefore, organizations can attract and retain consumers by spreading their CSR activities and promoting those activities. This research helps companies understand CSR activities' positive impact on their overall performance and encourage them to carry out socially responsible activities. Also, organizations will work on creating a good corporate reputation in the eyes of consumers. This would be beneficial to determine their CSR strategies and relate them to their organizational goals and objectives.

Theoretical Implications

The theoretical implication of this study is the following. Firstly, this paper contributes to the literature by drawing on the legitimacy theory, studying the impact of CSR on corporate reputation, purchase intention, and price premium from customers' perspectives in the context of Pakistan's firms. Secondly, CSR has been viewed as a three-dimensional construct, namely, economic, social, and environmental CSR. Moreover, corporate reputation has also been analyzed for its cognitive and affective nature. Also, the mediation effects of cognitive and affective reputation have been evaluated to analyze CSR's impact on price premium and purchase intentions of customers. Lastly, this research aims to understand whether consumers of Pakistan intend to purchase and pay price premiums based on the organizations' CSR activities and corporate reputation. Thus, it will contribute to the literature and market as well.

Limitations and Recommendations

Researches are subject to several limitations that must be addressed to identify possible future research directions; therefore, this study's authors have provided certain limitations they had to face. Firstly, targeted consumers are the residents of Karachi city only. Hence, in the future, other cities should be targeted to understand the impact of CSR on CR that might result in purchase intention and price premium. Secondly, in this research, we have not targeted any specific brand, organization, or sector. Therefore, future scholars can study the model in terms of specific sectors that could provide a comparative analysis of CSR influence among different industrial sectors in an economy. Thirdly, this study deals with the consumers of developing states, i.e., Pakistan; thus, it is recommended to conduct similar research in other developing or developed nations. Also, authors can do a comparative analysis as well.

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