



## **Resource-based view & Customers of Islamic Banks: A quantitative study to reflect light on relationship in the presence of CSR activities**

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### **ABSTRACT**

This study is one of the premiers in nature as it studies the indirect association of generic competitive strategies of Michael Porter with customers' attitudes through CSR activities of Islamic Banks. Previously the relationship was tested for the performance of. Studies conducted with reference of full-fledged Islamic Banks are very rare. However, the Islamic Banking sector is the fastest-growing banking sector of Pakistan's economy. Hence studies with the reference of Islamic Banks must be conducted to foster effective research and policy making. Therefore, this study has been conducted specifically with the reference of Islamic Banks from Pakistan and the significance of this study has many folds as it is beneficial for students, academicians, researchers, and policymakers. The findings of the study also signify the use of CSR activities by Islamic banks on customers' attitudes and its mediating presence between Michael Porter's generic strategies and customers' attitudes. The association is found true for direct relations and indirect relationships for one of the selected generic strategies presented by Michael Porter.

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## **1. Background**

Multiple studies explored the association between service quality and customer satisfaction. Most of the studies concluded that service quality has a positive connection with customers' level of satisfaction (Shabbir, 2020). Customer satisfaction is one of the primary tools for companies competing in the modernized world. In fact, customer satisfaction is the tool that pushes the company ahead in the competition and acts as a strategic weapon for dealing effectively with the competition. Studies also stressed the presence of globalized competition that is enforcing the presence of (Auka, 2014). Similar has been found true for banking as well as the Islamic banking industry which is facing intense competition from Islamic as well as conventional banks (Shabbir, 2020). Hence, overall, it is legitimate to declare that customer satisfaction is the key to optimizing business performance (Auka, 2014). Moreover, customer satisfaction is also positively correlated with customer loyalty which actually causes long-term growth of service-based firms. However, in recent times companies are struggling to satisfy and retain their customers. Therefore, the company must position its offerings in a way that these offerings convey value to customers. (Muhammad et al., 2019). On the other hand, studies also declare customer satisfaction as the key to success for every organization. Therefore, marketing is required for every sort of organization (Muhammad et al., 2019).

Therefore, researchers are recommending the banking sector especially Islamic banks develop more aggressive and rigorous strategies for the optimization of customer satisfaction to grab market share. (Rahmayati, 2020).

## **2. Introduction:**

The recent era is the era of fierce competition among organizations. However, the competition is especially dramatic and disastrous for Islamic Financial Institutions. Therefore, in this intensely competitive environment, Islamic Financial Institutions must try to understand & focus on the wants and desires of customers through efficient and quality services. The enhancement of focus on the wants and desires of customers will not only make Islamic banks focus more rigorously on the competition but also on sales, profitability, and market share (Rahmayati, 2020). These statements are especially important in light of Muhammad et al (2019) who highlighted that Islamic Banks are competing as a commodity that requires modern marketing tools and techniques.

Therefore, it is legitimate to use Michael Porter's generic model as a competitive strategy. The model has been under practice for several decades and declared one of the most dominant frameworks for gaining a competitive advantage. Three prime choices are reflected in the generic model of Michael Porter's i.e., cost-leadership strategy, differentiation strategy, and focus strategy. Porter himself nominated generic competitive strategies as one of the most notable models in strategic management. Companies pursuing this model have the option to optimize the level of customer satisfaction either by providing the lowest cost in the industry or by differentiating their offerings from their counterparts. Any organization that does not realize the role of the strategic model presented by Michael Porter may receive a severe hit from rivals (Auka, 2014). Hence, the use of CSR activities in comparison to the other marketing tools seems to be beneficial for the service industries & also for similar natures of businesses (AB Casado-Díaz et al., 2014).



## **2.1 RESEARCH QUESTIONS**

**RQ1:** How strategies of Michael Porter are used by Islamic Banking?

**RQ2:** What makes generic competitive strategies by Michael Porter's associated with Customer Attitude?

**RQ3:** What makes CSR activities of Islamic Banks influence customers' attitudes?

**RQ4:** How to measure customers' attitudes toward Islamic Banks?

## **2.2 SPECIFIC RESEARCH QUESTIONS**

**RQ5:** Which strategy can be used more effectively by Islamic Banks for the optimization of customer trust?

**RQ6:** Why use CSR activities as a tool of differentiation by the Islamic Banking sector?

## **2.3 FUTURISTIC RESEARCH QUESTIONS**

**RQ7:** Whether the impact of Michael Porter's studies vary for the time frame of data collection?

**RQ8:** Whether the impact of Michael Porter's studies vary for origin of the Islamic Bank?

## **2.4 STATEMENT OF PROBLEM & THEORETICAL FRAMEWORK**

Competition in the category of Islamic Banking is much stiffer in comparison to the other forms of financial institutions. Hence obtaining customers is also much more difficult. Islamic financial institutions try to foster marketing activities of Islamic financial institutions through using good marketing strategies aligned with Islamic economic values (Rahmayati, 2021). However, there is a substantial need to understand the significance of the promotional strategies of Islamic Banks. Especially strategies that may be investigated from a consumer perspective must be traced purposively (Muhammad et al., 2019).

Although to sustain and grow in the era of intense competition Islamic Banks must also try to use any tools, tactics, or strategy strategies that has have the ability to push institutions towards glory, success, or growth (Rahmayati, 2021). Hence, corporate social responsibility (CSR) must be used to boost a firm's competitive advantage. CSR is not only a tool that make offerings differentiated but also will optimize the level of customer acceptance of a firm's offerings. (Waffaretta et al., 2023). However, the impact of CSR on customers' attitudes was rarely been checked especially in Islamic Banks (McDonald & Hung Lai, 2011). On the other side Islamic Banks are also exposed to challenges that do not apply to conventional banks. Hence optimal to state that customer loyalty in Islamic Banks is based upon modal as well as religious values (Albaity & Rahaman, 2021). Therefore, the use of traditional



marketing strategies may not be fruitful for the Islamic Banking Industry. Hence it is legitimate to use the model of Ali et al (2021) about the customer's attitude to verify the relationship mentioned by Ali et al (2021) and Hussain et al (2019) in terms of Islamic Banks. The postulate is legitimate as the study of Hussain et al (2019) was conducted about the Islamic Banking sector of Pakistan which defines the potential relationship of different strategies along with Michael Porter's Generic strategies on performance and customer satisfaction of Islamic Banks.

On the other hand, study by Ali et al (2021) has also been conducted on the Islamic Banking sector of Pakistan. The study highlighted the use of major two generic strategies used in the strategic framework of Michael Porter on the performance of Islamic Bank with the mediation role of enterprise risk management. However, the study recommended that CSR activities may be used as the mediator for further research work. On the other hand, competition is very tough in the Islamic Banking industry Rahmayati (2021) which signifies the importance of customer satisfaction for Islamic Banks. Similar points were also highlighted by Waffaretta et al. (2023). Hence combining all these points this study will check the impact of the strategic framework given by Michael Porter on customer satisfaction with the mediating role of CSR activities.

### **3. Literature review**

The lack of literature pertaining to the competitive strategies of services is one of the vivid examples of lesser attention given to the service firms as well as to the models that are required to formulate an effective strategic framework for services. Therefore, recently it is much more difficult to explain competitive strategies used by different sets of companies operating in different segments and service-based industries. Service firms also differ with respect to their opinion about themselves for e.g., some of the firms may observe themselves as selling experience and some may observe themselves as service destination. Service destination is based upon selling goods while the selling experience is traditionally associated with selling services. However, in both cases, firms that are able to lure their internal capabilities with the desired outcomes or imaginations will be able to enjoy better performance of the firm (Miles et al., 2012). Although one of the studies e.g., Collett Miles (2013) indicated that perception of the quality for the firms that are using cost-leadership strategy and strategic manure is low in customer's mind to the firms that are using differentiation strategy. Although an experimentation-based study from the USA by Powers and Hahn (2004) indicated that the use of a cost-leadership strategy is beneficial for the banks to attain superior performance in the long run. Similarly, has also been indicated by Cohen et al (2006) that blend of generic competitive strategies given by Michael Porters is fruitful to attract customers. In fact, the implications are also true for the banking sector and through using generic strategies banks may able to attract more customers compared to the competition (Auka, 2014)

#### **3.1 Cost-Leadership Strategy and Customer Attitude:**

The cost-leadership strategy means the same as its name implies i.e., to produce goods that have the lowest cost in the industry. Hence, in order to follow this strategy company has to control effectively the scale of production & overhead costs etc. Hence company becomes able to offer the lowest prices to the customers in the sense that the lowest level of prices will optimize the overall level of profit (Collett



Miles, 2013). Hence some of the prerequisites of this strategy are efficient product design for production and use, economies of sales, and state-of-the-art technologies (Collett Miles, 2013).

Similar is true for the bank that is following a cost-leadership strategy as the bank that is following a cost-leadership strategy tends to be a low-cost service provider in diverse segments (Hussain et al., 2019). However, companies that are pursuing a cost-leadership strategy are less inclined towards service quality as well as towards the attractiveness of aesthetics. In fact, décor and aesthetics seem to be less important for attaining customer satisfaction when the firm is using the cost-leadership strategy as the competitive strategy (Miles et al., 2012). The study of Hussain et al (2019) uses the reference of Powers and Hahn (2004) that banks in the USA are also following cost-leadership strategies. Hence study suggested the use of a cost-leadership strategy through diminished pricing as compared to Islamic as well as conventional banks in order to produce a positive impact on the customer's thinking.

### **3.2 Differentiation Strategies and Customer Attitude:**

Differentiation strategies make the company make its offering unique within the industry. In fact, there are three different ways to differentiate a company's offerings e.g., differentiation in offerings, differentiation in customer linkages, and differentiation in partner linkages. However, in order to deal with stiff competition, the best way is to focus on branding strategies and directing active promotional campaigns towards customers. Hence the strategy is best applicable in banking strategy where the competition is severe due to the similarity of offerings (Auka, 2014). The differentiation strategy is much different from to cost-leadership strategy as this strategy is striving to have a better brand image, technology, customer service, and features. These elements will make firms differentiated and unique with respect to service scape, product uniqueness or service quality, etc. Hence the prerequisite of the strategy is expensive elements like investment in research and development, training, product design, and features, etc (Collett Miles, 2013). Similarly, has been highlighted by Auka (2014) that the use of a differentiation strategy is to make a company's offerings differentiated across the industry which makes firms invest in functions and activities that may induce the value of the firm's offerings. Therefore, the main purpose of following this strategy is to boost the level of customer loyalty, make the price of the company's offerings inelastic, and diminish the power of buyers in order to increase sales and optimize the level of profitability (Collett Miles, 2013). Service firms that are using the differentiation strategy as a competitive weapon are required to generate uniqueness in their offerings. In fact, the gist of differentiation strategies is to sell at premium prices. However, pursuing a differentiation strategy as the base of a competitive manure company must also emphasize critically cleanliness and all the other elements related to aesthetics (Miles et al., 2012).

In fact, Hussain et al (2019) suggested that Islamic Banks in Pakistan must adopt differentiation strategies from a generic set of strategies given by Michael Porters in order to increase their impact on customers. In fact, differentiation strategies are also opted for by banks from developed countries like the USA as mentioned by Hussain et al (2019). However, the use of these strategies is not limited to developed countries only and has also been opted for by banks operating in Iran (Taghipour et al., 2020); Iraq (Ali & Anwar), and also in Pakistan Ali et al (2021)



### **3.3 CSR Activities by Islamic Banks and Customer's Attitude:**

There are limited numbers of studies that gauge the relationship of CSR activities with customers' attitudes. However, the relationship seems to be positive on most occasions. Although when it comes to research in terms of customers of the banking sector then the investigation is very rear. In fact, few of the studies evaluated the impact of CSR activities on customer loyalty but not on customer attitude (McDonald & Hung Lai, 2011). However, CSR activities tend to produce a positive impact on customers' perceived level of quality. A few studies like Boccia and Sarnacchiaro (2017) and Luffarelli and Awaysheh (2018), etc also indicated that CSR can produce a substantial impact on customer attitudes in terms of brand choice and brand recommendations, etc. Therefore, it is optimal to use CSR activities as a strategic tool to optimize the level of perceived quality which ultimately resulted in a positive attitude from the customer (AB Casado-Díaz et al., 2014).

The study of Goby and Nickerson (2016) tries to understand the response of residents of the Emirate to the increasing number of CSR activities by Islamic Banks. Studies indicated that CSR activities by Islamic banks of the Emirates are rarely related to Islamic Philanthropy but customers portrayed positive attitudes towards CSR due to the ability of these activities especially for the enhancement of economic benefits. However, the findings of the study indicated that there is a positive relationship between CSR activities by Islamic banks with customers' attitudes (McDonald & Hung Lai, 2011). On the other side attitude towards Islamic Banks is determined as the more influential tool for enhancement of customer loyalty. Hence, managers must try to convince customers about the religious and moral values delivered by the company's offerings in order to induce a level of loyalty. This signifies that the right attitude towards the Islamic Banking and Islamic Bank is the key to customer loyalty, especially in Islamic Banking Industry (Albaity & Rahaman, 2021).

### **3.4 Cost-Leadership Strategy, CSR activities, and Customer Attitude:**

Study of indicated that the use of CSR activities along with cost-leadership strategies may not produce a better impact on customers' minds. In fact, it is perceived that through using CSR activities the company is sacrificing the image and impact that has been created by the use of cost leadership strategy. The point has been proven when the CSR activities used by low-cost hotels could not produce the anticipated results (Yuen et al., 2017). However, in the persuasion of cost leadership, the firm has lesser resources to focus on CSR initiatives and therefore there is found to be a negative association between the cost-leadership strategy and CSR initiatives (Banker et al., 2022).

However, CSR activities are positively correlated with customers' product evaluation & intention to purchase. Similarly, was indicated by the experimental study of Mohr and Webb (2005), that customers are found to be more inclined towards the products of those companies that show responsibility towards philanthropic & societal domains

### **3.5 Differentiation Strategy, CSR Activities, and Customer Attitude:**

A differentiation strategy seems to be an effective way to influence customers' mindsets as well as attitudes by coupling the strategy with CSR activities. The use of the strategy with CSR activities has



been a proven relationship that has been used by expensive hotels (Yuen et al., 2017). Similarly, the use of the differentiation strategy by Michael Porter tends to hold a positive relationship with CSR activities (Banker et al., 2022), and in-service industry CSR activities are always fruitful for the enhancement of the perceived level of quality (AB Casado-Díaz et al., 2014)

**H<sub>1A</sub>:** Cost leadership strategies used by Islamic Banks do have a significant association with the CSR activities of Islamic Banks

**H<sub>2A</sub>:** Differentiation leadership strategies used by Islamic Banks do have a significant association with the CSR activities of Islamic Banks

**H<sub>3A</sub>:** CSR activities used by Islamic Banks do have a significant association with customers' attitudes.

**H<sub>4A</sub>:** Mediation of CSR activities by Islamic banks does affect the association between cost-leadership strategies and customers' attitudes.

**H<sub>5A</sub>:** Mediation of CSR activities by Islamic banks does affect the association between differentiation strategies and customers' attitudes.

## **4. Research Methodology**

### **4.1 Research Design:**

This study is the investigation of the model of Ali et al (2021) with reference to the customer's attitude that has rarely been investigated with reference to the Islamic Banking industry. Thus, in accordance with Saunders et al (2007), the philosophy of research is Epistemology which is perceived as the philosophy of knowledge and tries to investigate what is knowledge (Hofer & Pintrich, 1997). However, the work of Saunders et al (2015) also indicates the use of a philosophical stance to relate research philosophy with research approach and methodological choices. Similar has also been legitimized by Žukauskas et al (2018) to relate research philosophy with research approaches and methodological choices. Therefore, post-positivism has been used as the philosophical stance of this study which is also indicated by Saunders et al (2015) and as the stance that is relatable to qualitative as well as quantitative designs (Žukauskas et al., 2018). Hence the purpose of the research is correlational (Sekaran & Bougie, 2016) as it tries to investigate the impact of Michael Porter's generic strategies indirectly on customer's attitudes.

Therefore, it is optimal to indicate the researcher's interference is moderate, the nature of the experiment is a field experiment and the study setting is non-contrive as indicated by Sekaran and Bougie (2016). Although the study is conducted on managerial employees of full-flashed Islamic banks during the time period of six months to understand the phenomenon raised by Ali et al (2021); Hussain et al (2019); Muhammad et al. (2019) and Waffaretta et al., (2023). Thus, in the light of these parameters, the time horizon is cross-sectional, the research approach is deductive, the methodological choice is mono-method and the research strategy is a survey (Saunders et al., 2015).



#### **4.2 Sampling Design:**

The sampling technique and method used to conduct research on the effect of Michael Porter's Generic strategies on customer attitude follows the work of Auka (2014). Hence the technique is non-probability sampling and the method is quota sampling in order to collect data from middle and top-level managers of Islamic banking sectors. However, there are some differences in terms of data collection as the study of Auqa (2014) is based on employees of 12 commercial banks. Contrary to that this study is based on data collection from employees of the Islamic Banking industry. Hence the population includes all the Islamic Banks from Pakistan. However, instead of collecting data from every bank, this study focuses on full-fledged & top-tier Islamic Banks. Therefore the data has been collected from Meezan Bank, Bank Islami, Dubai Bank Islami, Faysal Bank, Al-Baraka Bank & Bank Alfalah. Moreover, this study is based on assessment of Michael Porter's strategies therefore the optimal population for this study is employees of leading Islamic Banks rather than customers. Similar form of sampling frame was used by the studies like Ali et al (2021) and Valos et al (2007) as studies are trying to figure out the impact of Porter's strategies for which customers are not the adequate frame of sampling.

#### **4.3 Research Instrument:**

The research instrument used in this study is an adapted closed-ended questionnaire that has been based on variables and their elements indicated by Islami et al (2020) and Panwar et al (2016).

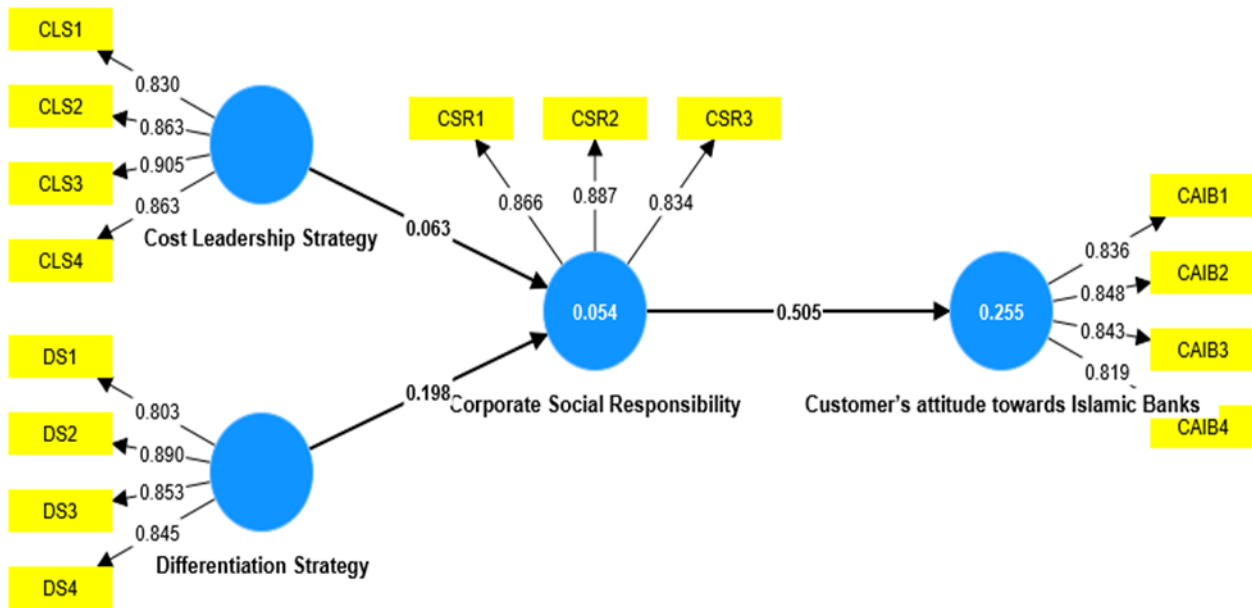
However, in order to devise elements for CSR activities study also considered Di Bella and Al-Fayoumi (2016). Statistical analysis has been made on 384 responses that were collected from middle and top-level employees of Islamic Banks which is similar as compared to the study of Auka (2014). However, initially, 450 questionnaires were circulated. Thus, the response rate for this study is around 85%.

There is an abundance of work in assessing the issue of Microfinance in the rest of the world, only limited studies have focused the issue for Pakistan. Some of the studies about the empirical evidence relating to the issue of Microfinance in Pakistan are mentioned below.

### **5. Statistical Analysis**

Research indicated that using structural equation modeling (SEM) instead of regression may produce more rigorous and better results (Gunzler et al., 2013). The tool may become more effective when it is implemented using SMART-PLS. In fact, the incorporation of the tool through SMART-PLS resulted in the formation of outer & inner models that are used to reflect the relationship between elements and latent variables as well as the relationship between variables of interest (Wong, 2013). These models are actually providing statistical results associated with descriptive statistics and inferential statistics (Khoshmaram et al., 2017 & Ogwiji & Lasisi, 2022). In addition to all these outcomes use of SMART-PLS also aids in reflecting and understanding potent paths as well as related and interrelated effects formulated by the SEM (Vijayabanu & Arunkumar, 2018).





**Figure 1:** Outer Loading and CFA

Figure 1 has purposively been used to reflect outer loading that is identical to factor loading and reflect the appropriateness of indicators used in the research process (Afthanorhan, 2013). However, the range of acceptable values for any indicator is 0.70 or above. Although if the researcher may include any of the elements with lower outer loading, then it must be considered that the value must not be lower than 0.60 and its inclusion will not harm the overall convergent criteria (Sander & Teh, 2014). Hence by these criteria, no element is required to be deleted from the model as the minimum value for any indicator is 0.803 which is well above the criteria mentioned by esteemed researchers and scholars.

	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Corporate Social Responsibility	0.828	0.831	0.897	0.744
Cost Leadership Strategy	0.893	0.941	0.923	0.750
Customer's attitude towards Islamic Banks	0.858	0.864	0.903	0.700
Differentiation Strategy	0.871	0.887	0.911	0.720

**Table 1:** Construct Reliability & Convergent Validity

Table 1 has significantly plotted to reflect construct reliability and convergent validity. Construct reliability is based upon reliability indicators like Cronbach's Alpha and Composite reliability etc. The threshold value for Cronbach's Alpha is 0.4 or above while for composite reliability the threshold value is 0.60 and above (Vijayabanu & Arunkumar, 2018). On the other side, convergent validity can easily be reflected by using average variance extracted (AVE) with values of 0.50 or above (Yacob et al., 2021). The table assures that the minimum value for Cronbach's alpha is more than 0.40 and 0.60 in the case of



composite reliability. Therefore, the model is appropriate enough and has all the forms of reliabilities as well as convergent validity.

	Corporate Social Responsibility	Cost Leadership Strategy	Customer's attitude towards Islamic Banks	Differentiation Strategy
Corporate Social Responsibility				
Cost Leadership Strategy	0.166			
Customer's attitude towards Islamic Banks	0.589	0.187		
Differentiation Strategy	0.259	0.521	0.253	

**Table 2:** Discriminant Validity

Table 2 is based to reflect Discriminant validity. Discriminant validity can be reflected through three measures i.e., Heterotrait-Monotrait ratio, Cross-Loading & Fornell, and Larker criterion (Panigrahi et al., 2023). Although the most preferred tool to implement discriminant validity as indicated by Iqbal et al (2021). Therefore, there is a need to follow the scale mentioned by Hair et al (2019) to assure discriminant validity which reflected that values lesser than or equal to 0.85 are substantial to reflect discriminant validity.

However, higher values are not able to assure the existence of discriminant validity in the model. However, in Table 2 there is no value that is higher than 0.589, and therefore table assures the presence of discriminant validity.

	R-square	R-square adjusted
Corporate Social Responsibility	0.540	0.526
Customer's attitude towards Islamic Banks	0.255	0.251

**Table 3:** Quality Criteria (Predictive Accuracy)

Table 3 is used as the measure of quality criteria on the base of predictive accuracy that is highlighted through R-Square. This is also known as the coefficient of determination that is required to assure the inner (measurement) model & outer (structural) model (Purwanto et al., 2020). The aim of this tool is to assess the change that would be created by 1% change in the independent variable. Scholars like Wong (2013) also bifurcated the impact in three different categories 0.25 reflects low impact, 0.50 reflects moderate effect and 0.75 reflects substantial effect. Therefore, in light of these criteria, the table affirms the presence of predictive accuracy for direct as well as indirect relationships. However, the use of a mediator seems to be valid as the predictive value for the mediator is much higher than the dependent variable.



	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
Corporate Social Responsibility -> Customer's attitude towards Islamic Banks	0.505	0.506	0.064	7.842	0.000
Cost Leadership Strategy -> Corporate Social Responsibility	0.063	0.069	0.091	0.695	0.487
Differentiation Strategy -> Corporate Social Responsibility	0.198	0.202	0.088	2.252	0.024

**Table 4:** Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
Cost Leadership Strategy -> Corporate Social Responsibility -> Customer's attitude towards Islamic Banks	0.032	0.035	0.046	0.690	0.490
Differentiation Strategy -> Corporate Social Responsibility -> Customer's attitude towards Islamic Banks	0.100	0.104	0.050	1.991	0.047

**Table 5:** Specific Indirect Effect

Table 4 has the prime purpose to reflect the path-coefficient which is the tool to analyze the impact of variables on each other. The table is part of inferential statistics and is hence used to elaborate on the effects of the measurement model (Silaparaasetti, Rao & Khan, 2017). Although there is a defined criterion that is always used to legitimize the relationship, i.e., the value of t-statistics will always remain greater than or equal to 1.97 and the p-value must always be lesser than or equal to 0.05 (Hair *et al.*, 2017). Hence in light of these criteria, table 4 confirms the relationship of CSR activities by Islamic Banks and customers' attitudes towards Islamic Banks. Similarly, there is also a positive association between the use of differentiation strategy by Islamic banks and CSR activities by Islamic Banks. However, the values are higher in the case of association between cost leadership strategy and CSR activities of Islamic banks. Therefore, is no relationship between the use of a cost-leadership strategy by Islamic Banks and the CSR activities of Islamic banks.

Table 5 is used to reflect specific indirect effects. The table is actually reflecting mediation analysis for the inferential section of the analysis. However, the table also uses the same criteria of t-values and p-values as used by Table 4 to reflect the relationship(s). Hence it is effective to reflect that criterion developed by Hair et al (2017) is not only valid for path coefficients but also for specific indirect effects as indicated by Hair et al (2019). Hence in light of the criteria mentioned by Hair et al



(2017) CSR activities of Islamic banks only mediate with the differentiation strategies used by Islamic banks for creating a positive impact on customer's attitudes. Now, the table 6 is used to provide readers an objective summary of hypotheses rejection or acceptance

## **6. Conclusion and Discussion**

The findings of the study clarify that there is a significant association between CSR activities from Islamic Banks and customer's attitude. Similar was postulated previously by McDonald and Hung Lai (2011) and Waffaretta et al. (2023) for the enhancement of the company's image in the market and especially for influencing customer attitudes in an adequate manner. In fact, studies like AB Casado-Díaz et al. (2014); Boccia and Sarnacchiaro (2017), and Luffarelli and Awaysheh (2018) also found a positive association. Moreover, findings also proved that the differentiation strategies used by Islamic Banks are consistent and favorable for CSR activities performed by Islamic banks. Similar was highlighted by (Banker et al., (2022) and Yuen et al. (2017).

Although findings of the study also reflected that the use of cost-leadership strategies is not consistent with CSR activities performed by Islamic Banks and was mentioned previously by Banker et al. (2022) and Yuen et al., (2017). However, the major purpose of the study is to check the indirect relationship of generic competitive strategies by Michael Porter's by Islamic Banks over the customer's attitude through using CSR activities as the mediator. Therefore, the specific indirect effects were used by the study, and through incorporating indications of Hair et al (2017), it has been observed that differentiation strategies used by Islamic Banks are found to have a positive indirect impact on customers' attitudes. Hence consistent with Yuen et al., (2017) and proves this association use of CSR activities as the mediator between generic strategies of Michael Porter's and customer attitude has also been found true as postulated and determined by McDonald and Hung Lai (2011).

## **7. Recommendations**

On the bases of the detailed conclusion, it has been recommended that Islamic Banks must use differentiation strategies in order to create a positive impact on CSR activities as well as on customer satisfaction Use of above-mentioned linkage will not only innovate firm's offerings but will also provide competitive advantage in management of severe competition. Similar points were also been mentioned by the research work conducted by previously indicated by Hussain et al (2019) as this form of strategies found to be fruitful for banking sector amid COVID-19 (Khan, 2022). Hence, the recommendations provided by this study are legitimate and focus intensively towards the betterment of Islamic Banking sector through optimization of offerings through applying differentiation strategies by Michael porter's for long lasting competitive advantage.

### **7.1 Area for Future Research**

More research is required to be conducted in order to understand the impact of generic competitive strategies of Michael Porter's over the customer's attitude and preference of Islamic banks and therefore there is a need to conduct studies with control variables like gender time of data collection (month and year) and origin of the bank etc., or with any other mediator than CSR.



## **7.2 Policy Implications**

This study produces a significant increase in knowledge and may also foster further research work. However, the major gist of the research is to enhance the use of differentiation strategies in Islamic Banks that must be endorsed in association with environmental and philanthropic views in order to create a positive impact on customers' attitudes. In fact, similar has been highlighted by the previous studies that CSR activities that may reflect philanthropic or social welfare will produce a significant positive impact on the customer's attitude

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