-RESEARCH ARTICLE-

THE ROLE OF CUSTOMER SELECTION CRITERIA, BANKING OBJECTIVE, CSR AND SERVICE QUALITY IN ENHANCING POSITIVE CUSTOMER PERCEPTION: AN ISLAMIC BANKING PERSPECTIVE

Riyad Moosa

University of Johannesburg Corner Kingsway and
University Roads, Auckland Park, Johannesburg, South Africa
Email; rmoosa@uj.ac.za

─**Abstract**─

The study aims to develop a model to understand customer perceptions of Islamic banks concerning Corporate Social Responsibility (CSR) and service quality in South Africa. Notably, the correlations are identified between the following constructs: objectives of Islamic banking, customers' criteria when selecting an Islamic bank, CSR, and service quality. After that, the correlations between CSR and service quality are identified with customer perceptions measured by their satisfaction and loyalty. 163 respondents participated in this study and were selected based on purposive and snowball sampling techniques. The data was collected using an online survey, and the analysis was carried out using structural equation modeling. The results show that the objectives driving Islamic banking have a significant positive link with CSR and service quality. A customer's decision to select an Islamic bank is found to have a significant positive link with Islamic banking and CSR objectives. However, the relationship between a customer's decision to select an Islamic bank and service quality was insignificant. The results also show that CSR is a significant predictor of service quality. In addition, CSR and service quality – whether separately or in combination – were found to significantly predict customer perception, as measured by the customer's satisfaction and loyalty. Further, the results demonstrate the critical role of CSR and service quality at Islamic banks in meeting customer expectations. Finally, the results assist management at Islamic banks in designing policies supported by empirical evidence.

Keywords: Islamic banking, corporate social responsibility, consumer perception, service quality

1. INTRODUCTION

An ethical identity and expanded scope of morality stemming from religion are associated explicitly with Islamic banks (Haniffa et al., 2007; Saqib et al., 2016). This ethical identity has spawned the rise of the Islamic finance industry in the modern era. Islamic financial institutions comply with Sharia (Islamic law) when engaging in business practice (Meisamy et al., 2020). The Sharia does not distinguish between spiritual and worldly matters and places moral and ethical constraints on all business dealings (Bira, 2022). The Sharia worldview relies on revelation and reason to encourage economic activity (Aydin, 2015). In the economic realm, initiatives toward social responsibility must be by theory derived from Sharia (Javed et al., 2020). Ang et al. (2018) propagate that Sharia promotes humankind's welfare. Therefore, attaining social goals equals making profits for Islamic banks (Zafar et al., 2020).

The most widely known and important principle related to the Islamic finance industry is the prohibition of interest-based transactions (Meisamy et al., 2020). Biancone et al. (2020) state that other principles, such as promoting social and economic development, are equally important. However, evidence in the literature suggests that the Islamic banking industry has avoided its responsibility regarding its concerns with the welfare of society (Shifa, 2012). Further contemplation is needed to align the current profit motives with the Islamic bank's social responsibilities (Ali Aribi et al., 2015; Javed et al., 2020). Therefore, Islamic banks must participate in CSR programs that improve society (Saba et al., 2021).

CSR from the worldview of Islam is wide-ranging despite the need for Sharia compliance, which makes it different from CSR practiced by conventional institutions (Budi, 2021; Di Bella et al., 2016; Franzoni et al., 2018; Ismail et al., 2017). Despite this difference, several similarities exist, for example, concepts of CSR related to ethical and sustainability issues for Islamic and non-Islamic institutions (Franzoni et al., 2018). To this end, several lessons can be learned and shared by both Islamic banks and conventional institutions in their CSR practices, as there is alignment concerning meeting similar CSR objectives (Budi, 2021).

Models are required to support the development of Islamic banking in line with the industry's original socio-economic objectives, as current research on CSR is scant (Ali et al., 2018; Aydin, 2015; Shinkafi et al., 2017). Islamic banks must re-examine their CSR goals to ensure congruency with Islamic practice (Aliyu et al., 2017; Mansour et al., 2015). Weede (2022) opine that this incongruence is due to the failure of Islamic economics to develop a worldview that gives prominence to CSR.

Research has been undertaken amongst conventional institutions concerning the relationship between CSR and service quality. However, little is known about this relationship with Islamic banks (M. M. D. Alam et al., 2020; Goyal et al., 2017; Seo et al., 2015). Given the emerging role that CSR has come to play and its importance for

Islamic banking, it becomes relevant to examine the relationship by focusing on customer perceptions in a South African context. In particular, the total assets of banks in South Africa are valued at R6.5 trillion, of which Islamic banking assets account for 0.16 percent of the total assets (Businesstech, 2021; Mahlaba, 2021). 'The period2019 to 2021 saw Islamic banking deposits outgrow conventional banking deposits by almost 30 percent in South Africa (Mahlaba, 2021). Given the preceding discussion, a general need exists for more research to cover theories on Islamic marketing in non-Muslim countries, while a specific need exists for research on CSR to address the local needs and demands in South Africa (Mamun et al., 2021; Roberts-Lombard, 2020). The social structures worldwide are not similar, so understanding how different social dynamics influence CSR and its impact on customers becomes imperative (Butt et al., 2018). Against this backdrop, this paper aims to develop a model for Islamic banks that considers customers' perceptions of the interrelationships between CSR and service quality in South Africa.

The results of this study are significant as it addresses the calls in the literature discussed above for models to support the Islamic banking industry. In so doing, the results lend empirical support to the theory underpinning Islamic economics derived from a Sharia worldview concerning the interrelationships between CSR and service quality and their influence on customer perceptions. This study is also valuable as it provides the first attempt at addressing the standing call by Roberts-Lombard (2020) for research on CSR related to Islamic banks in South Africa. Finally, this study provides management at Islamic banks with empirical support concerning CSR and service quality's role in influencing customer perceptions.

2. LITERATURE REVIEW

2.1 Islamic Banking Objectives

Islamic banking is defined as banking that complies with Sharia precepts (Aziz et al., 2018). This definition encompasses the responsibility assigned to the Islamic bank regarding its duty to actively engage in CSR (Abdul Rehman, 2012; Sikorska, 2020). One of the primary objectives of an Islamic bank is to create economic prosperity by reducing socio-economic inequality and increasing social welfare programs (N. Alam et al., 2017). Islamic banks should therefore design and implement a wide-ranging and proactive CSR program because the tenets that define an effective CSR strategy support the Islamic bank in its duty to be Sharia-compliant (El Hussein, 2018). Additionally, Franzoni et al. (2018) conducted a narrative literature review on the theoretical constructs of Islam and CSR. They concluded that CSR, as practiced by Islamic banks, is embedded in Sharia. Another primary objective of the Islamic bank is to ensure high levels of service quality per the Sharia. Ahmed et al. (2022) conducted a quantitative investigation in Bangladesh to determine if service quality is mediating between Sharia compliance and customer satisfaction. Data was collected from 334 customers using a questionnaire, and after that, the data were analyzed using structural equation modeling.

The reported results showed that Sharia compliance predicts both service quality and satisfaction. The results also showed that service quality played a role in partially mediating the hypothesized relationships. The preceding discussion demonstrates the overarching objective of an Islamic bank that is to offer Sharia-compliant banking, which entails the provision of both CSR and high levels of service quality; as such, we hypothesize the following:

H1: Islamic banking objectives are positively related to CSR.

H2: Islamic banking objectives are positively related to service quality.

2.2 Customer Selection Criteria

Literature indicates that 'religion' is a significant factor influencing customer choices when selecting an Islamic bank (Basheer et al., 2018; Usman et al., 2017). Ullah et al. (2016) conducted a quantitative study to determine if sharia compliance influences a customer's decision to use Islamic banking. Survey data was collected from 357 customers. The reported results based on factor analysis and mean ranking indicates that Islamic banks attract Muslim customers by demonstrating their commitment to Sharia compliance. In this regard, the use of religious cues in advertisements was found to communicate reverence to God; in particular, religious cues significantly affected Muslim customers and how they evaluate business (Zehra et al., 2020). Other studies using a mixed method approach were conducted in Malaysia and Pakistan to determine consumer preferences for Islamic banking and report that non-religious factors also play a critical role in a customer's decision when selecting an Islamic bank (Butt et al., 2018). In Al-Ajmi et al. (2009) studied the motives that drive customers to patronize a conventional or Islamic bank. Data was collected from 655 customers using a questionnaire and analyzed using descriptive and non-parametric statistics. The results indicate that religious beliefs and CSR are critical factors when choosing an Islamic bank.

Conversely, Awan et al. (2011) collected data from 223 customers in Pakistan using questionnaires that were analyzed using quantitative statistical techniques. They report that customers place more emphasis when selecting an Islamic bank on factors such as service quality rather than religious beliefs. Furthermore, other studies conducted in Pakistan, Malaysia, and South Africa using a variety of statistical techniques, such as descriptive statistics, factor analysis, and inferential statistics, report that enhanced levels of service quality play a positive role in influencing a customers decision to select an Islamic bank (Butt et al., 2018). In conclusion, customers choose Islamic banks for religious reasons or non-religious reasons, thus based on this discussion, we hypothesize that:

H3: The customer's selection criteria positively relate to Islamic banking objectives.

H4: The customer's selection criteria positively relate to corporate social responsibility.

H5: The customer's selection criteria are positively related to service quality.

2.3 Corporate Social Responsibility

Several studies using the SERVQUAL instrument have found that service quality, measured by empathy, tangibles, reliability, responsiveness, and assurance, contributes to the overall service quality of Islamic banks (Aziz et al., 2018). For instance, using structural equation modeling, Saleh et al. (2017) surveyed 225 customers of Islamic banks and 229 customers of conventional banks in Bangladesh. They reported that service quality dimensions related to reliability, responsiveness, and reputation were perceived better for Islamic banks when compared to conventional banks. The Carter Model, also known as the Islamic SERVQUAL, extends the SERVQUAL instrument by adding a dimension dealing with Sharia compliance (Janahi et al., 2017). The research conducted by Fauzi et al. (2019) in Indonesia on the Carter Model used structural equation modeling and reported that the dimension related to Sharia compliance had been found to contribute to the overall service quality of Islamic banks. Furthermore, providing excellent service quality to customers is also a recommended practice that forms part of the CSR of the Islamic bank (Javed et al., 2020) and is another non-religious factor that attracts customers to these banks.

Islamic banks that practice CSR as understood by a conventional western business are deemed Sharia-compliant as they share similar principles (Amran et al., 2017; El Hussein, 2018). This is supported by the research undertaken by Williams et al. (2010), who performed a narrative literature review to assess the compatibility between the tenets of Islam about CSR and the United Nations Global Compact. The researchers report that the only difference relates to Islam focusing more on personal responsibility and not recognizing a corporation as a legal person. Furthermore, Shu et al. (2021) studied the concept of Islam about CSR in Malaysia. Data were collected from 40 Managers of listed organizations and analyzed using quantitative techniques. The findings show a correlation between Islam and CSR, as several similarities exist between the two concepts. CSR is important for Islamic banks as it reduces pressure from stakeholder expectations, reduces reputational damage, generates goodwill, provides access to projects, and complements the ethical business principles espoused by the Sharia (Jaiyeoba et al., 2018; Migdad, 2017; Platonova et al., 2018). Despite this, Islamic banks do not actively engage in CSR, as current efforts have not made any substantial impact or allowed for differentiation from competitors (Nor et al., 2015). Islamic banks that take CSR seriously and provide high service quality could also positively impact a customer's perception.

For this study, customer perception is measured by considering the satisfaction and loyalty of customers arising from the CSR and service quality initiatives at the Islamic bank. In general, customers were satisfied with the service quality offered by the Islamic bank (Awan et al., 2011; Saqib et al., 2016). Amin et al. (2013) used structural equation

modeling to investigate customer satisfaction drivers from Muslim and non-Muslim customers of Islamic banks in Malaysia. The research found that Muslim customers are more willing to deal with a certain level of dissatisfaction if they have an optimistic view of their Islamic bank. In contrast, the loyalty of non-Muslim customers declined if they were not satisfied. Fauzi et al. (2019) also narrated that if an Islamic bank is reliable in the Indonesian context, it improves customer satisfaction and loyalty. They also found that if an Islamic bank gains a customer's trust, it enhances customer loyalty. Thus, based on the discussion mentioned above, we hypothesize the following:

H6: CSR is positively related to service quality.

H7: CSR is positively related to customer perception.

H8: Service quality is positively related to customer perception.

The preceding discussion of literature informed the development of the hypothesized relationships shown in Figure 1. The novelty of this study lies in the fact that it provides several substantive findings regarding customer perceptions towards the Islamic banking industry, particularly towards CSR and service quality, thus reconciling the hypothesized relationships that show the interrelated theoretical dimensions supporting the sector with its practical reality in South Africa.
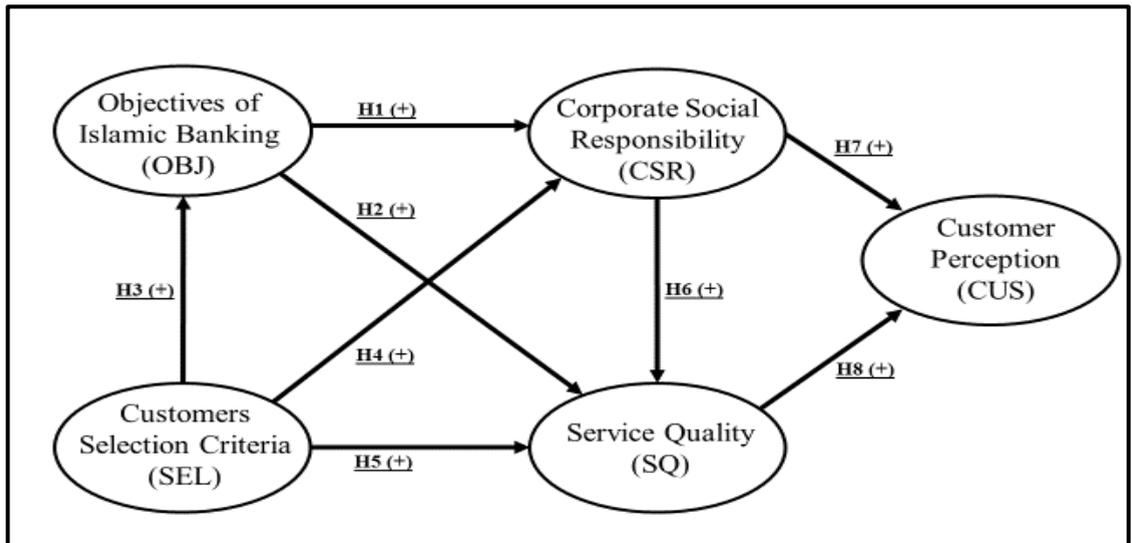

Figure 1. Conceptual Model

3. METHODOLOGY

3.1 Research Design and sampling

The research is quantitative and follows a deductive approach. This research design was chosen to meet the aim of this study which is to develop and test the conceptual model.

Furthermore, a cross-sectional online survey was administered to collect the research data. The target population consisted of all Muslim customers in South Africa who use Islamic banking. Respondents were identified using non-probability sampling techniques, specifically purposive and snowball sampling. A final sample of 163 respondents took part in the study and was included for data analysis. The sample size used in the study is justified as it exceeds the recommended sample size of 160 respondents according to the guidance given when using WarpPLS software to conduct structural equation modelling (Kock, 2020).

3.2 Research Instrument

The survey instrument is comprised of two parts. The first part of the survey collected information about the respondent's socio-demographic profile, such as age, gender, educational level, employment status, marital status, and monthly income. The second part was developed after considering the relevant literature and questionnaires for similar studies. It measured each construct on a 4-point Likert scale ranging from Strongly Disagree to Agree Strongly. A total of 56 items were used to measure the constructs, namely, four items for the objectives of Islamic banking (OBJ) adapted from Dusuki (2005) and Shifa (2012). Nine items for the selection criteria of customers (SEL) adapted from Iqbal et al. (2018), and ten items for corporate social responsibility (CSR) adapted from Dusuki (2005), Haniffa et al. (2007), and Shifa (2012). After that, 18 items for service quality (SQ) were adapted from Fauzi et al. (2019) and Islam et al. (2015). Also, eight items for customer perception (CUS), namely, customer satisfaction adapted from Amin et al. (2008) and customer loyalty adapted from Hoq et al. (2010), were used.

OBJ refers to banking based on Islamic teachings derived from the Sharia. SEL refers to the criteria used before engaging with an Islamic bank as a customer. CSR refers to the actions undertaken and the public disclosures provided by the Islamic bank. SQ refers to the process of providing a quality banking service that is influenced by the social responsibility obligations of the Islamic bank by taking into account the difference between the expectations and perceptions of customers for services received. Finally, CUS refers to both customer satisfaction as well as customer loyalty. The reliability of the survey instrument was tested using Cronbach's alpha coefficient; the results for each construct, that is, OBJ (0.90), SEL (0.89), CSR (0.88), SQ (0.97), and CUS (0.91), exceeded the recommended threshold of 0.70 indicating high reliability (Saunders et al., 2009).

3.3 Data collection and analysis

The research was advertised between June and August 2020 on radio stations located in South Africa that broadcast primarily Islamic content. The advertisements took the form of both on-air and social media advertisements using the radio stations' and the researcher's social media accounts. This strategy for data collection was chosen as the audience of the radio stations is primarily Muslim, thus increasing the chances of

receiving responses from the target population. An online survey administered through Google forms was used to collect the data.

Structural equation modeling (SEM) based on the Partial Least Square (PLS) method was used to analyze the relationships in the model. SEM has been used by several researchers, for example, Mbawuni et al. and Aziz et al. (2018), to analyze data related to the Islamic finance industry. SEM assists with the analysis of data to uncover linkages between constructs (Hair Jr et al., 2021). The PLS method simultaneously analyses the measurement and structural model before conclusions are made on linkages between constructs (Kock, 2020; Moqbel et al., 2018). The data were analyzed using SEM software, WarpPLS (Version 7.0). The results of the data analysis are presented in the subsequent section.

4.   RESULTS AND DISCUSSION

4.1 Socio-Demographic Profile Analysis

Most respondents fell within a category that typically represents the working class, 42 percent and 37 percent between the ages of 26 to 40 years and 41 to 55 years, respectively. Regarding gender, the respondents were evenly distributed, with 50 percent representation from males and females. The respondents' education level is considered high, as 73 percent indicated that they have a post-school qualification. The respondents showed a high employment rate, as 73 percent indicated that they are employed, while 19 percent indicated that they are self-employed. Regarding marital status, 77 percent were married, while those not married represented 15 percent of the sample. The monthly income of those participating in the sample above R5 000 represents 91 percent of the sample. The results of the socio-demographic profile of respondents are summarized and shown in Table 1.

4.2 The Measurement Model

The conceptual model results are discussed in a two-step process: assessing the measurement model and then assessing the structural model. This two-step process ensures that the measurement model is reliable and valid before making conclusions about the links in the structural model (Hair Jr et al., 2021).

The measurement model was evaluated using multiple criteria to determine its reliability and validity. Reliability was determined using Cronbach's alpha and composite reliability tests. As shown in Table 2, the results indicate that acceptable levels of reliability were present for all of the constructs, as the test results exceeded the suggested threshold of 0.70 (Hair Jr et al., 2021). Convergent validity determines if the items for a construct converge and were evaluated based on the indicators' outer loadings and average variance extracted (AVE). In Table 2, the outer loadings for all items were higher than 0.5, significant at the P<0.001 level, and ranged from 0.550 to 0.940 (Hair Jr et al., 2021). The AVE for each construct either equaled or exceeded the threshold of

0.50, as shown in Table 2 (Ab Hamid et al., 2017). Therefore, the results confirm that reliability has been established, including the convergent validity of the measurement model.

Table 1. Socio-Demographic Profile

Variable	Frequency	Percentage
Age		
18 to 25 years	20	12
26 to 40 years	69	42
41 to 55 years	61	37
56 and older	13	8
Gender		
Male	81	50
Female	82	50
Education		
No formal education	9	6
Grade 12	35	21
Certificate and Diploma	22	14
Bachelor's degree	36	22
Postgraduate degree	61	37
Employment Status N %		
Yes	119	73
No	13	8
Self-employed	31	19
Years of Employmentn %		
Less than 1 year	11	7
Between 1-5 years	31	19
More than 5 years	121	74
Marital Status N %		
Never married	25	15
Married	126	77
Separate/ Divorced	12	7
Monthly Income N %		
Less than R5 000	15	9
R5 001 – R10 000	18	11
R10 001 – R20 000	44	27
R20 001 and above	86	53

Table 2. Reliability and Convergent Validity of the Measurement Model

Construct and Statements	Reliability		Convergent Validity	
	Cronbach's Alpha	Composite Reliability	AVE	Loadings
Objectives of Islamic Banking	**0.906**	**0.935**	**0.782**	
OBJ1: To provide Sharia-compliant products				(0.901)
OBJ2: To provide banking without the charging of interest				(0.940)
OBJ3: To encourage Islamic values at all levels (justice)				(0.905)
OBJ4: To contribute to the social welfare of the community				(0.784)
Selection Criteria of Customers	**0.898**	**0.917**	**0.552**	
SEL1: Pricing of products				(0.726)
SEL2: Family use this type of bank				(0.732)
SEL3: Friends use this type of bank				(0.720)
SEL4: Higher rates of return offered				(0.723)
SEL5: Wide range of facilities offered by the bank				(0.783)
SEL6: Economic and financial reputation of the bank				(0.733)
SEL7: Islamic reputation and image of the bank				(0.713)
SEL8: Involvement in the community				(0.802)
SEL9: Environmental practice and impact				(0.750)
Corporate Social Responsibility	**0.887**	**0.908**	**0.500**	
CSR1: Provides charity to the community				(0.675)
CSR2: Being proactive in caring for the environment				(0.629)
CSR3: Provides bursaries and scholarships to students				(0.714)
CSR4: Investing in ethical and Sharia-compliant products				(0.690)
CSR5: It provides disclosures about employee information				(0.550)
CSR6: It provides disclosures about community information				(0.744)
CSR7: It provides disclosures about environmental information.				(0.761)
CSR8: It provides disclosures about the Sharia Supervisory Board.				(0.753)
CSR9: It provides disclosures about their Islamic values.				(0.799)
CSR10: It provides disclosures about unlawful transactions.				(0.724)
Service Quality	**0.971**	**0.974**	**0.675**	
SQ1: It has up-to-date/modern equipment				(0.726)
SQ2: It has convenient operating times for customers				(0.795)
SQ3: The staff at the Islamic bank is well-dressed and neat				(0.585)
SQ4: Staff at the Islamic bank inform customers exactly when services will be performed				(0.841)
SQ5: It provides prompt service to customers				(0.885)

Table 2. Continued

SQ6: It always keeps customers informed			(0.892)
SQ7: Staff at the Islamic bank keep to timeframes for promises made for services to be complete			(0.850)
SQ8: Staff at the Islamic bank perform services right the first time			(0.819)
SQ9: It has records that are accurate and error-free			(0.846)
SQ10: Customers feel safe in their transactions with the Islamic bank			(0.875)
SQ11: Staff at the Islamic bank have the knowledge to answer questions			(0.882)
SQ12: It keeps customer information confidential			(0.828)
SQ13: It gives customers individual attention			(0.823)
SQ14: It has staff that understands the specific needs of customers			(0.873)
SQ15: It has the best interests of customers in mind			(0.874)
SQ16: It implements Islamic laws			(0.800)
SQ17: It does not take interest on loans			(0.839)
SQ18: It contributes a portion of its profits toward social welfare			(0.689)
Customer Perception	**0.915**	**0.931**	**0.629**	
CUS1: The service quality provided by the Islamic bank to its customers is excellent			(0.736)
CUS2: I am satisfied with the products and services provided by the Islamic bank			(0.788)
CUS3: I am satisfied with the financial services advice given by the Islamic bank			(0.766)
CUS4: I am satisfied that the Islamic bank takes its duty toward social responsibility seriously			(0.757)
CUS5: I will say positive things about the Islamic bank to others			(0.864)
CUS6: I will recommend family and friends transact with the Islamic bank			(0.814)
CUS7: I will recommend Islamic banks to someone who seeks advice			(0.837)
CUS8: I will continue banking with the Islamic bank			(0.773)

Discriminant validity determines if a construct used in the measurement model differs from other constructs in the same model. The evaluation was based on the Fornell/Larcker criterion and the Heterotrait-Monotrait ratio. The results from the Fornell/Larcker criterion (as shown in Table 3) indicates that the square root of the AVE for a construct is more significant than other constructs for the same column and row (Hair Jr et al., 2021). In addition, the results from the Heterotrait-Monotrait ratio show that discriminant validity is present in the measurement model as the suggested threshold of 0.85 between the constructs has not been exceeded (Henseler et al., 2015).

Table 3: Discriminant Validity of the Measurement Model

Construct	Fornell/Larcker Criterion					Heterotrait-Monotrait Ratio			
	OBJ	SEL	CSR	SQ	CUS	OBJ	SEL	CSR	SQ
OBJ	(0.885)								
SEL	0.340	(0.743)				0.382			
CSR	0.518	0.331	(0.707)			0.581	0.376		
SQ	0.494	0.268	0.643	(0.821)		0.529	0.293	0.693	
CUS	0.277	0.558	0.290	0.362	(0.793)	0.305	0.617	0.323	0.385

(OBJ: Objectives of Islamic Banking, SEL: Selection Criteria of Customers, CSR: Corporate Social Responsibility, SQ: Service Quality, CUS: Customer Perception)

4.3 The Structural Model

As a result of establishing the reliability and validity of the measurement model, the next step involved examining the hypothesized relationships in the structural model. The results, which include the hypothesized links, path coefficients, and statistical significance levels, are presented and summarized in Figure 2 and Table 4:
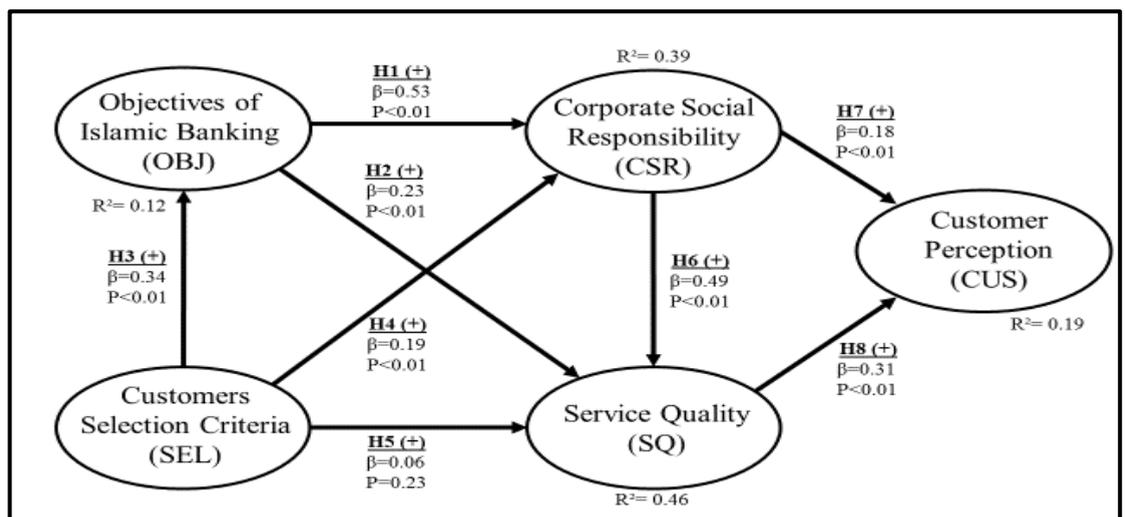

Figure 2. Results of the Structural Model

Table 4. Results from the Hypothesized Relationships

Hypothesized Link	Path Coefficient	Significance	Supported
H1: OBJ→CSR	β= 0.53	P<0.01*	**Yes**
H2: OBJ→SQ	β= 0.23	P<0.01*	**Yes**
H3: SEL→OBJ	β= 0.34	P<0.01*	**Yes**
H4:SEL→CSR	β= 0.19	P<0.01*	**Yes**
H5:SEL→SQ	β= 0.06	P =0.23	**No**
H6:CSR→SQ	β= 0.49	P<0.01*	**Yes**
H7:CSR→CUS	β= 0.18	P<0.01*	**Yes**
H8: SQ→CUS	β= 0.31	P<0.01*	**Yes**

***Significant at P≤0.05

The results in Table 4 show that H1 and H2 relating to Islamic banking objectives, have a positive and significant correlation with CSR (β= 0.53; P<0.01) and service quality (β= 0.23; P<0.01). The results for H3 and H4 establish that the selection criteria of customers have a significant positive association with the objectives of Islamic banking (β= 0.34; P<0.01) and CSR (β= 0.19; P<0.01).

However, the results for H5 indicate that while a positive correlation exists between the selection criteria of customers and service quality (β= 0.06; P=0.23), the relationship has an insignificant association. The results for H6 show a significant positive relationship between CSR and service quality (β= 0.49; P<0.01). Finally, the results for H7 and H8 show that both CSR (β= 0.18; P<0.01) and service quality (β= 0.31; P<0.01) have a significant and positive link with customer perception.

The model fit and quality indices are also considered as they allow for an assessment of the fit of the implied model with the data (Kock, 2020). In Table 5, the results based on four fit indices are shown. They include the Average Path Coefficient (APC), the regression values representing the strength of the hypothesized relationships for the exogenous and endogenous constructs. The Average R-squared (ARS) is the variance explained in the endogenous construct by the exogenous construct. The Average full collinearity variance inflation factor (AFVIF) assesses the model for multicollinearity issues, while the Tenenhaus goodness-of-fit (GOF) index measures the model's explanatory power.

The P values for the APC and ARS of (β=0.292, P<0.001) and (β=0.288, P<0.001) are statically vital as they were lower than 0.05 (Kock, 2022). The model did not have problems related to collinearity, as the AFVIF of 1.697 was lower than the acceptance criteria of 3.3 (Kock, 2022). The model was also deemed to have high explanatory power as the GOF results of 0.425 are above the criteria of 0.36 for a large fit (Kock, 2022).

Table 5: Model Fit Indices

Fit Index	Acceptance Criteria	Value
APC	P<0.05	0.292; P<0.001
ARS	P<0.05	0.288; P<0.001
AFVIF	acceptable if <= 5, ideally <= 3.3	1.697
GoF	small >= 0.1, medium >= 0.25, large >= 0.36	0.425

The analysis of results shows that the Islamic banking objectives predict CSR (β= 0.53; P<0.01) and service quality (β= 0.23; P<0.01). The CSR undertaken and service quality provided by Islamic banks is because of the objectives that drive Islamic banking. This indicates that an Islamic bank that practices and promotes CSR and provides services of high quality increases its chances of conducting its business according to its stated objectives, which conform to the requirements of the Sharia. These findings are supported in the literature as Islamic banks that practice CSR are deemed Sharia-compliant (Amran et al., 2017). The findings for service quality provide empirical evidence to support Tabash et al. (2022) assert that Islamic banks should compete based on the quality of their service instead of price as this is more aligned with its ethical nature.

The construct related to customers selection criteria (SEL) was found to have a positive and statistically significant relationship with the objectives of Islamic banking (β= 0.34; P<0.01). As corroborated by previous research, this finding shows that customers in South Africa select an Islamic bank primarily for religious reasons as this conforms to the bank's stated objectives, which are derived from the Sharia (Abdullahi & Shaharuddin, 2016). The results for the relationship between SEL and CSR indicate a statistically significant relationship (β= 0.19; P<0.01) and support the findings in the literature, which shows the importance of CSR as an additional factor that influences customers when choosing to bank with an Islamic bank (Al-Ajmi et al., 2009). Others, such as Asif (2016), found that in Pakistan, the practice of CSR by Islamic banks did not influence a customer's selection criteria; instead, considerations related to service quality were given more importance. However, in contrast to these findings, the results show that customer selection criteria in a South African context tend to have a positive but statistically insignificant relationship with service quality (β= 0.06; P =0.23).

The construct CSR was found to have a positive and significant relation with service quality (β= 0.49; P<0.01) and provides empirical evidence to support several conceptual studies that have posited the idea of a possible relationship between these constructs (Budi, 2021). These results indicate that Islamic banks that practice CSR should also be conscious of their duty toward service quality when dealing with their customers. This is important as the results indicate that both CSR (β= 0.18; P<0.01) and service quality ((β= 0.31; P<0.01) have a positive and significant relationship with customer perception

as measured by a combination of their satisfaction and loyalty. This finding indicates that customers feel a greater sense of satisfaction and loyalty when service quality is provided at a high level and when the Islamic bank practices CSR. The findings for CSR can be validated when compared to research undertaken that focused on conventional businesses, as CSR was found to positively affect the satisfaction and loyalty of customers in China (Chung et al., 2015). In addition, other studies on Islamic banking report that service quality can improve the satisfaction of customers and their loyalty (Kashif et al., 2015).

5. CONCLUSION

The study aimed to develop a model that considers the perceptions of customers relating to the interrelationships between CSR and service quality, thereby adding to the academic literature on Islamic banking. In so doing, this study provides several substantive findings that contribute to knowledge. Regarding the contributions made to theory, the model developed for this study suggests that the Islamic banks' Sharia objectives are observed to be correlated with two other constructs, namely 'CSR' and 'service quality. The selection decision of customers was observed to be correlated with the objectives and CSR of the Islamic bank. However, the construct service quality was an insignificant predictor of a customer's decision when selecting an Islamic bank. The construct of CSR was found to be a significant predictor of 'service quality. In turn, these constructs were observed to correlate with a customer's perception of the Islamic bank, whether separately or in combination. Therefore this research contributes a model demonstrating the interrelationships between theoretical aspects of Islamic banking from a South African perspective. In terms of practical implications, the study found that the Sharia-derived objectives, as followed by the Islamic bank, contribute positively towards CSR and service quality, which positively influences customer expectations. These findings are expected to assist the management of Islamic banks in designing policies that are supported by empirical evidence.

6. RESEARCH LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Some limitations were present for this study. The study only included Muslim customers; any insights and opinions from other stakeholders were not included. It is recommended that this study be repeated by including respondents from other groups, resulting in a sample representing the entire stakeholder base within South Africa. The study used non-probability sampling techniques; as such, the findings could not be generalized; hence we recommend that this study be repeated by incorporating probability-sampling techniques. This study followed a quantitative approach to data analysis; therefore, we recommend that a follow-up study be conducted using a qualitative approach, and the findings corroborate with the results of this study. Finally, this study was only confined to the South African context; therefore, we recommend that similar studies be conducted in non-Muslim and Muslim-majority countries.

REFERENCES

Ab Hamid, M., Sami, W., & Sidek, M. M. (2017). *Discriminant validity assessment: Use of Fornell & Larcker criterion versus HTMT criterion.* Paper presented at the Journal of Physics: Conference Series: IOP Publishing *890*(1), 012163. doi: https://doi.org/10.1088/1742-6596/890/1/012163

Abdul Rehman, A. (2012). Customer satisfaction and service quality in Islamic banking. *Qualitative Research in Financial Markets, 4*(2/3), 165-175. doi: https://doi.org/10.1108/17554171211252501

Ahmed, S., Mohiuddin, M., Rahman, M., Tarique, K. M., & Azim, M. (2022). The impact of Islamic Shariah compliance on customer satisfaction in Islamic banking services: mediating role of service quality. *Journal of Islamic Marketing, 13*(9), 1829-1842. doi: https://doi.org/10.1108/JIMA-11-2020-0346

Al-Ajmi, J., Abo Hussain, H., & Al-Saleh, N. (2009). Clients of conventional and Islamic banks in Bahrain. *International Journal of Social Economics, 36*(11), 1086-1112. doi: https://doi.org/10.1108/03068290910992642

Alam, M. M. D., & Noor, N. A. M. (2020). The relationship between service quality, corporate image, and customer loyalty of Generation Y: An application of SOR paradigm in the context of superstores in Bangladesh. *Sage Open, 10*(2), 2158244020924405. doi: https://doi.org/10.1177/2158244020924405

Alam, N., Gupta, L., & Shanmugam, B. (2017). *Islamic finance: A practical perspective*: Springer. Retrieved from https://books.google.ae/books?hl=en&lr=&id=gr5DDwAAQBAJ&oi=fnd&pg=PR5&dq=Alam,+N.,+Gupta

Ali Aribi, Z., & Arun, T. (2015). Corporate social responsibility and Islamic financial institutions (IFIs): Management perceptions from IFIs in Bahrain. *Journal of Business Ethics, 129*(4), 785-794. doi: https://doi.org/10.1007/s10551-014-2132-9

Ali, S. A., Hassan, A., Juhdi, N., & Razali, S. S. (2018). Employees' attitude towards Islamic banking: measurement development and validation. *International Journal of Ethics and Systems, 34*(1), 78-100. doi: https://doi.org/10.1108/IJOES-05-2017-0070

Aliyu, S., Hassan, M. K., Mohd Yusof, R., & Naiimi, N. (2017). Islamic banking sustainability: A review of literature and directions for future research. *Emerging Markets Finance and Trade, 53*(2), 440-470. doi: https://doi.org/10.1080/1540496X.2016.1262761

Amin, M., & Isa, Z. (2008). An examination of the relationship between service quality perception and customer satisfaction. *International Journal of Islamic and Middle Eastern Finance and Management, 1*(3), 191-209. doi: https://doi.org/10.1108/17538390810901131

Amin, M., Isa, Z., & Fontaine, R. (2013). Islamic banks: Contrasting the drivers of customer satisfaction on image, trust, and loyalty of Muslim and non-Muslim

customers in Malaysia. *International Journal of Bank Marketing, 31*(2), 79-97. doi: https://doi.org/10.1108/02652321311298627

Amran, A., Fauzi, H., Purwanto, Y., et al. (2017). Social responsibility disclosure in Islamic banks: a comparative study of Indonesia and Malaysia. *Journal of Financial Reporting and Accounting, 15*(1), 99-115. doi: https://doi.org/10.1108/JFRA-01-2015-0016

Ang, J. B., & Fredriksson, P. G. (2018). State history, legal adaptability and financial development. *Journal of Banking & Finance, 89*, 169-191. doi: https://doi.org/10.1016/j.jbankfin.2018.02.009

Asif, M. (2016). Growth and sustainability trends in the buildings sector in the GCC region with particular reference to the KSA and UAE. *Renewable and Sustainable Energy Reviews, 55*, 1267-1273. doi: https://doi.org/10.1016/j.rser.2015.05.042

Awan, H. M., & Shahzad Bukhari, K. (2011). Customer's criteria for selecting an Islamic bank: evidence from Pakistan. *Journal of Islamic Marketing, 2*(1), 14-27. doi: https://doi.org/10.1108/17590831111115213

Aydin, N. (2015). Islamic economics as a new economic paradigm. In El-Karanshawy, H.A. et al. (Ed.), Islamic economics: Theory, policy and social justice, Bloomsbury. 41-64.

Aziz, S., & Afaq, Z. (2018). Adoption of Islamic banking in Pakistan an empirical investigation. *Cogent Business & Management, 5*(1), 1548050. doi: https://doi.org/10.1080/23311975.2018.1548050

Basheer, M. F., KhorramI, A. A. A., & Hassan, S. G. (2018). Patronage factors of Islamic banking system in Pakistan. *Academy of Accounting and Financial Studies Journal, 22*, 1-9. Retrieved from https://www.researchgate.net/profile/Muhammad-Basheer/publication/324826908

Biancone, P. P., Saiti, B., Petricean, D., & Chmet, F. (2020). The bibliometric analysis of Islamic banking and finance. *Journal of Islamic Accounting and Business Research, 11*(9), 2069-2086. doi: https://doi.org/10.1108/JIABR-08-2020-0235

Bira, N. K. (2022). International Accounting Standards For Presentation And Disclosure And Their Consistency With Islamic Accounting Standards In Islamic Banks. *Journal of Positive School Psychology, 6*(6), 6918-6937. Retrieved from https://www.journalppw.com/index.php/jpsp/article/view/8731

Budi, I. S. (2021). Islamic Corporate Social Responsibility (ICSR) disclosure and Islamic Banks (IBs) performance: The application of stakeholder theory from Islamic perspective. *Jurnal Akuntansi dan Auditing Indonesia, 25*(1), 76-86. doi: https://doi.org/10.20885/jaai.vol25.iss1.art8

Businesstech. (2021). How South Africa's 5 biggest banks continue to dominate. Retrieved from https://businesstech.co.za/news/banking/506740/how-south-africas-5-biggest-banks-continue-to-dominate/

Butt, I., Ahmad, N., Naveed, A., & Ahmed, Z. (2018). Determinants of low adoption of Islamic banking in Pakistan. *Journal of Islamic Marketing, 9*(3), 655-672. doi: https://doi.org/10.1108/JIMA-01-2017-0002

Chung, K.-H., Yu, J.-E., Choi, M.-G., & Shin, J.-I. (2015). The effects of CSR on customer satisfaction and loyalty in China: the moderating role of corporate image. *Journal of Economics, Business and Management, 3*(5), 542-547. doi: https://doi.org/10.7763/JOEBM.2015.V3.243

Di Bella, V., & Al-Fayoumi, N. (2016). Perception of stakeholders on corporate social responsibility of Islamic Banks in Jordan. *EuroMed Journal of Business, 11*(1), 30-56. doi: https://doi.org/10.1108/EMJB-01-2015-0003

Dusuki, A. W. (2005). *Corporate social responsibility of Islamic banks in Malaysia: a synthesis of Islamic and stakeholders' perspectives.* © Asyraf Wajdi Dusuki, Retrieved from https://core.ac.uk/download/pdf/288390147.pdf

El Hussein, N. H. A. (2018). The sharia supervisory board: does it influence corporate social responsibility disclosure by Islamic banks? A review. *Journal of Islamic Studies and Culture, 6*(1), 121-132. doi: https://doi.org/10.15640/jisc.v6n1a13

Fauzi, A. A., & Suryani, T. (2019). Measuring the effects of service quality by using CARTER model towards customer satisfaction, trust and loyalty in Indonesian Islamic banking. *Journal of Islamic Marketing, 10*(1), 269-289. doi: https://doi.org/10.1108/JIMA-04-2017-0048

Franzoni, S., & Ait Allali, A. (2018). Principles of Islamic finance and principles of corporate social responsibility: what convergence? *Sustainability, 10*(3), 637. doi: https://doi.org/10.3390/su10030637

Goyal, P., & Chanda, U. (2017). A Bayesian Network Model on the association between CSR, perceived service quality and customer loyalty in Indian Banking Industry. *Sustainable Production and Consumption, 10*, 50-65. doi: https://doi.org/10.1016/j.spc.2016.12.001

Hair Jr, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2021). *A primer on partial least squares structural equation modeling (PLS-SEM)*: Sage publications. Retrieved from https://us.sagepub.com/en-us/nam/a-primer-on-partial-least-squares-structural-equation-modeling-pls-sem/book244583

Haniffa, R., & Hudaib, M. (2007). Exploring the ethical identity of Islamic banks via communication in annual reports. *Journal of Business Ethics, 76*(1), 97-116. doi: https://doi.org/10.1007/s10551-006-9272-5

Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the academy of marketing science, 43*(1), 115-135. doi: https://doi.org/10.1007/s11747-014-0403-8

Hoq, M. Z., Sultana, N., & Amin, M. (2010). The effect of trust, customer satisfaction and image on customers' loyalty in islamic banking sector. *South asian Journal of Management, 17*(1), 70. Retrieved from

https://www.proquest.com/openview/3a13bbdffbbf26bfaaf2a077ec7373d9/1?pq-origsite=gscholar&cbl=46967

Iqbal, M., Nisha, N., & Rashid, M. (2018). Bank selection criteria and satisfaction of retail customers of Islamic banks in Bangladesh. *International Journal of Bank Marketing, 36*(5), 931-946. doi: https://doi.org/10.1108/IJBM-01-2017-0007

Islam, R., Ahmed, S., & Razak, D. A. (2015). Identifying the gaps between customer expectations and perceptions on service quality dimensions of Islamic banks in Malaysia. *International Journal of Quality and Service Sciences, 7*(4), 424-441. doi: https://doi.org/10.1108/IJQSS-12-2014-0053

Ismail, N., & Muqorobin, A. (2017). Implementation of Corporate Social Responsibility (CSR) On Islamic Banking: Maqasid Sy ariah's Approach. *Islamic Economics Journal, 3*(1), 75-91. doi: http://dx.doi.org/10.21111/iej.v3i1.1384

Jaiyeoba, H. B., Adewale, A. A., & Quadry, M. O. (2018). Are Malaysian Islamic banks' corporate social responsibilities effective? A stakeholders' view. *International Journal of Bank Marketing, 36*(1), 111-125. doi: https://doi.org/10.1108/IJBM-10-2016-0146

Janahi, M. A., & Al Mubarak, M. M. S. (2017). The impact of customer service quality on customer satisfaction in Islamic banking. *Journal of Islamic Marketing, 8*(4), 595-604. doi: https://doi.org/10.1108/JIMA-07-2015-0049

Javed, M., Rashid, M. A., Hussain, G., & Ali, H. Y. (2020). The effects of corporate social responsibility on corporate reputation and firm financial performance: Moderating role of responsible leadership. *Corporate Social Responsibility and Environmental Management, 27*(3), 1395-1409. doi: https://doi.org/10.1002/csr.1892

Kashif, M., Wan Shukran, S. S., Rehman, M. A., & Sarifuddin, S. (2015). Customer satisfaction and loyalty in Malaysian Islamic banks:a PAKSERV investigation. *International Journal of Bank Marketing, 33*(1), 23-40. doi: https://doi.org/10.1108/IJBM-08-2013-0084

Kock, N. (2020). WarpPLS user manual: version 7.0. ScriptWarp Systems.

Kock, N. (2022). WarpPLS user manual: version 8.0. ScriptWarp Systems.

Mahlaba, A. (2021). Islamic banking in South Africa. (Report). The Banking Association of South Africa. Retrieved from https://www.banking.org.za/wp-content/uploads/2021/11/Islamic-Banking-Paper-05112021.pdf

Mamun, M. A. A., Strong, C. A., & Azad, M. A. K. (2021). Islamic marketing: A literature review and research agenda. *International Journal of Consumer Studies, 45*(5), 964-984. doi: https://doi.org/10.1111/ijcs.12625

Mansour, W., Ben Jedidia, K., & Majdoub, J. (2015). How Ethical is I slamic Banking in the Light of the Objectives of I slamic Law? *Journal of Religious Ethics, 43*(1), 51-77. doi: https://doi.org/10.1111/jore.12086

Mbawuni, J., & Nimako, S. G. International Journal of Islamic and Middle Eastern Finance and Management. *International Journal of Islamic and Middle Eastern*

Finance and Management, 10(2), 264-288. doi: http://dx.doi.org/10.1108/IMEFM-04-2016-0056

Meisamy, H., & Gholipour, H. F. (2020). Challenges facing Islamic banking in Iran: evaluation and policy implications. *Journal of Islamic Monetary Economics and Finance, 6*(3), 621-640. Retrieved from www.jimf-bi.org/index.php/JIMF/article/download/1241/820

Migdad, A. M. (2017). CSR practices of Palestinian Islamic banks: contribution to socio-economic development. *ISRA International Journal of Islamic Finance, 9*(2), 133-147. doi: https://doi.org/10.1108/IJIF-06-2017-0001

Moqbel, M., & Kock, N. (2018). Unveiling the dark side of social networking sites: Personal and work-related consequences of social networking site addiction. *Information & Management, 55*(1), 109-119. doi: https://doi.org/10.1016/j.im.2017.05.001

Nor, S. M., & Hashim, N. A. (2015). CSR and sustainability of Islamic banking: The bankers view. *Jurnal Pengurusan, 45*, 73 - 81. Retrieved from https://www.researchgate.net/profile/Shifa-Mohd-Nor/publication/330410686

Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2018). The impact of corporate social responsibility disclosure on financial performance: Evidence from the GCC Islamic banking sector. *Journal of Business Ethics, 151*(2), 451-471. doi: https://doi.org/10.1007/s10551-016-3229-0

Roberts-Lombard, M. (2020). Antecedents and outcome of commitment in Islamic banking relationships – an emerging African market perspective. *Journal of Islamic Marketing, 11*(6), 1851-1871. doi: https://doi.org/10.1108/JIMA-09-2018-0164

Saba, I., Khan, A., & Jawed, H. (2021). Islamic Finance and SDGs: Connecting Dots. In *Islamic Finance and Sustainable Development* (pp. 55-76): Springer, 55-76. doi: https://doi.org/10.1007/978-3-030-76016-8_4.

Saleh, M. A., Quazi, A., Keating, B., & Gaur, S. S. (2017). Quality and image of banking services: a comparative study of conventional and Islamic banks. *International Journal of Bank Marketing, 35*(6), 878-902. doi: https://doi.org/10.1108/IJBM-08-2016-0111

Saqib, L., Farooq, M. A., & Zafar, A. M. (2016). Customer perception regarding Sharīʿah compliance of Islamic banking sector of Pakistan. *Journal of Islamic Accounting and Business Research, 7*(4), 282-303. doi: https://doi.org/10.1108/JIABR-08-2013-0031

Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students*: Pearson education

Seo, K., Moon, J., & Lee, S. (2015). Synergy of corporate social responsibility and service quality for airlines: The moderating role of carrier type. *Journal of Air Transport Management, 47*, 126-134. doi: https://doi.org/10.1016/j.jairtraman.2015.05.011

Shifa, M. (2012). *Exploring CSR and sustainable development practices of Islamic banks in Malaysia: An empirical analysis.* Doctoral dissertation, Durham University, Retrieved from http://etheses.dur.ac.uk/5933/

Shinkafi, A. A., & Ali, N. A. (2017). Contemporary Islamic economic studies on Maqasid Shari'ah: a systematic literature review. *Humanomics, 33*(3), 315-334. doi: https://doi.org/10.1108/H-03-2017-0041

Shu, C., Hashmi, H. B. A., Xiao, Z., Haider, S. W., & Nasir, M. (2021). How Do Islamic Values Influence CSR? A Systematic Literature Review of Studies from 1995–2020. *Journal of Business Ethics, 181*, 1-24. doi: https://doi.org/10.1007/s10551-021-04964-4

Sikorska, M. (2020). Corporate social responsibility in Islamic banks. *Prace Naukowe Uniwersytetu Ekonomicznego We Wrocławiu, 64*(12), 113-123. doi: http://dx.doi.org/10.15611/pn.2020.12.09

Tabash, M. I., Alam, M. K., & Rahman, M. M. (2022). Ethical legitimacy of Islamic banks and Shariah governance: evidence from Bangladesh. *Journal of Public Affairs, 22*(2), e2487. doi: https://doi.org/10.1002/pa.2487

Ullah, S., & Lee, K.-h. (2016). Do customers patronize Islamic banks for Shari'a compliance? In *Islamic Finance* (pp. 32-45): Springer, 32-45. doi: https://doi.org/10.1007/978-3-319-30918-7_3.

Usman, H., Tjiptoherijanto, P., Balqiah, T. E., & Agung, I. G. N. (2017). The role of religious norms, trust, importance of attributes and information sources in the relationship between religiosity and selection of the Islamic bank. *Journal of Islamic Marketing, 8*(2), 158-186. doi: https://doi.org/10.1108/JIMA-01-2015-0004

Weede, E. (2022). Economic development, social order, and world politics. In *Economic Development, Social Order, and World Politics*: Lynne Rienner Publishers. doi: https://doi.org/10.1515/9780585172422.

Williams, G., & Zinkin, J. (2010). Islam and CSR: A study of the compatibility between the tenets of Islam and the UN Global Compact. *Journal of Business Ethics, 91*(4), 519-533. doi: https://doi.org/10.1007/s10551-009-0097-x

Zafar, M. B., & Sulaiman, A. A. (2020). CSR narrative under Islamic banking paradigm. *Social Responsibility Journal, 17*(1), 15-29. doi: https://doi.org/10.1108/SRJ-09-2018-0230

Zehra, S., & Minton, E. (2020). Should businesses use religious cues in advertising? A comparison of consumer perceptions across Christianity and Islam. *International Journal of Consumer Studies, 44*(5), 393-406. doi: https://doi.org/10.1111/ijcs.12512