Incorporating Institutional Theory of Corporate Image Towards Customer Loyalty of Islamic banks

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Abstract

The importance of corporate image in any organization is undisputable including those of Islamic banks. Many studies on corporate image have been using metaphorical expression in various contexts. The objective of this paper, apparently, is to examine corporate image in Islamic banks based on the institutional theory which incorporates performative image, institutional image, organizational legitimacy and support. Corporate Character Scale was utilized to determine performative image of Islamic banks, while interviews were conducted to identify institutional image. A survey was then employed to study the relationships of corporate image (performative and institutional) on customer loyalty. Findings indicate that institutional image has an impact on performative image, and both of these images influence organizational legitimacy. Surprisingly, attitudinal loyalty does not have an impact on behavioural loyalty. The implication of the study in relation to corporate image is further discussed.

INTRODUCTION

Islamic banking, unlike the conventional banks, embraces the importance of ethics, moral, spiritual and religious entities in providing quality banking products applicable to all customers, Muslims and non-Muslims. Islamic retail banking in Malaysia has grown tremendously in providing an alternative to customers in conducting their banking transaction. Indeed, the competitiveness in the Islamic banking industry is very vast since the establishment of the first full-fledged Islamic bank, Bank Islam Malaysia Berhad (BIMB) in 1983. The success in implementing Islamic banking in Malaysia is consequently followed by other local conventional banks through the transformation of their operations into Islamic windows, and subsequently, leading to the conversion of these Islamic windows into Islamic subsidiaries of their conventional counterparts.

At present, Islamic banking in Malaysia continues to be the leading power for the sukuk market and represented 51 per cent of the US$396 billion of total global outstanding sukuk for 2017, while securing the global share of Islamic wealth management industry with 36.5 per cent, as of 2017, continuing Malaysia’s dominance as the front-runner in Islamic finance (New Straits Times, 3 October, 2018). Malaysia also fronted a number of ground breaking progress in Islamic finance, with the aim to stimulate the growth of this booming industry, including the issuance of the first Sustainable and Responsible Investment Sukuk (SRI) and Green Sukuk, the launch of the Investment Account Platform (IAP) and the development of

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the cash waqf fund. More importantly, the value-based intermediation (VBI) was initiated to intensify the functions and the potential of Islamic banks towards a viable financial environment (New Straits Times, October 3, 2018).

Accordingly, due to the intense competition from the local, as well as the international market, Islamic banks need to direct their attention to marketing strategies, specifically, in differentiating their products and services with their competitors, which could be achieved through distinctive corporate image, by creating unique positioning in the minds of existing and potential customers (Keller, 1999; Tran, Nguyen, Melewar & Bodoh, 2015). There are few studies (e.g. Amin, Isa and Fontaine, 2013; Amin and Isa, 2008; Aziz, 2018; Saleh, Quazi, Keating & Gaur, 2017) that have focused on corporate image in Islamic banks. However, this study investigates corporate image within the perspective of institutional theory, by integrating performative image and institutional image, as well as organizational legitimacy and its relationship to customer loyalty. Secondly, it seeks to identify whether those images may enhance customer loyalty, indicating “support” (Handelman and Arnold, 1999) towards Islamic banks. Lastly, this study seeks to establish the relationship between attitudinal and behavioural loyalty.

The paper is organized as follows: the next section of this article presents a review of corporate image, followed by the conceptual framework initiated from the institutional theory. Next, related hypotheses are then established and subsequently, further empirical study was conducted to evaluate the model. Lastly, based on the findings, the theoretical and managerial implications are further discussed.

LITERATURE REVIEW

Corporate image

Corporate image is established particularly through a variety of linkages that arise within consumers’ minds, in regards to a specific corporation (Nguyen and Leclerc, 2011), and this usually connected to its business reputation, structural design, arrays of products or services, business models, philosophy, and the branding through integrated marketing communication (Pope, Voges and Brown, 2009). In addition, Dutton et al. (1994) have indicated that a corporate image is the most prominent effect of beliefs, feelings, impressions and communication of stakeholders regarding the corporation. More importantly, corporations can achieve a viable competitive advantage within the business environment through crafting an affirmative corporate image, particularly from the perspectives of as customers, employees, and shareholders, whom they may have distinctive forms of encounters with the firm (Porter ad Kramer, 2006; Leonidou et al., 2013; Price and Gioia, 2008).

Accordingly, corporate image plays vital functions. One of the most important role of corporate image is to engage customers with feelings and emotions, especially prior to the consumption of products or services. This can be done through incorporating personality within the brand with the use of advertisements, by portraying the image of the company and by involving user imagery or endorsers (Syed Alwi & da Silva, 2007). Secondly, it assists in value creation, where the values amalgamated in a corporation is perceived as an assurance towards quality of products and services (Balmer & Gray, 2003), as well as the key element of differentiation strategies (Hatch
& Schultz, 2003). Thirdly, corporate image is “the tangible and intangible associations interlinked with the notion of reputation. It is the sum of feelings, ideas, beliefs, knowledge, impressions and values towards a corporation. From a variety of interactions and experiences, corporate image is created to influence stakeholders’ perspective (Tran et al, 2015)

It is important to note that one of the methods in developing corporate image is through corporate personality. Eventually, corporate personality is developed through metaphors, and they are “the recognition of human features to non-human things and events” (Freling & Forbes, 2005 : 152). They are often used to describe a brand, product, an organization or even retailers to facilitate better understanding of those entities (Davies et al., 2001). Furthermore, metaphors can be utilized to form mental pictures to replace thousands of words (Sackmann, 1989), assist in the process of enhancing the likelihood of achieving new insights of problem-solving (Proctor, 1989), and translate subjective matters into new meanings which are explicable by bringing in alternative paradigms (Arndt, 1985). More importantly, metaphors have been successfully developed to explain employees’ and customers’ views of organizations (Slaughter et al., 2004, Davies et al., 2004), which obviously reflect corporate image. Interestingly Tran et al. (2015) mentioned that corporate image and corporate personality interact with each other in a manner that corporate image describes the aspects of corporate personality and vice versa.

Corporate image in Islamic banks has currently gained attention from many researches and indeed they have demonstrated very interesting findings. For example, Aziz (2018) discovered that corporate image has an impact on both commitment and attitudinal loyalty. In addition, Anouze et al. (2018), Asshisht and Kavita (2016), Kant and Jaiswal (2017), Wellyan (2016) and Zameer et al. (2015), consistently found that corporate image has an influence on customer satisfaction. Accordingly, the way Saudi customers perceive bank image is largely determined by financial prospects, corporate management and corporate communication (Anouze et al., 2018). Apparently, this study denotes corporate image as consumers’ emotional responses (McEnally and De Chernatony, 1999) as well as values (Aaker, 1991; Hofstede et al., 2007) towards their most preferred Islamic bank, through attributing some form of human personalities with the brand (Aaker, 1997) that leads to the characterization of brand attributes, which would inevitably differentiate the preferred brand from those of the competitors’ brands (Patterson, 1999).

**Institutional theory**

The institutional theory suggests that firms operate within a heavily institutionalized environment where business undertakings are bound by rules, regulations and policies (Lawrence and Suddaby, 2006). Conventional organizational theory has viewed organizations as predominantly production and exchange system (Handelman and Arnold, 1999). Scott (1987) emphasized that organizations are regarded as controlling forces of the task environment which consists of limited stocks of resources, competitors and exchange partners. Noticeably, they tend to meet short-term demands, including maximizing return on investment or providing quality products and services, established from the task environment, which is basically deemed as insufficient and imperfect by institutional theorists (Handelman and Arnold, 1999). Therefore, the institutional theory is established to complement
the focus of the contingency theory in an organizational task environment of production efficiency, which has to comply with social norms of agreeable behaviour (Al-Ajmi et al., 2009), as well as considering institutional context (Hekkila and Isett, 2004).

Apparently, the institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) is indeed important in this study since it embraces the idea that the institutional environment has an impact on the firm’s strategy, customer relationships and organizational performance within social perspectives (Luo, Hsu, and Liu, 2008). Consequently, quite a number of studies have used this concept (e.g. Al-Ajmi, Hussain, and Al-Saleh, 2009; Grayson et al., 2008; Handelman and Arnold, 1999; Homburg et al., 1999; Luo et al., 2008; Martin and Johnson, 2008; Mi-Young and Keun-Young, 2006; Shi et al., 2008). The institutional theory conjectures that the beliefs, attitudes and behaviours of individuals and groups are strongly influenced by various networks and interactions (Scott, 2001).

In consequence, the institutional theories focus on the role of institutions, which persistently mould the beliefs, attitudes and behaviours of social actors (Burkhardt, 1994; North, 1989). Consequently, the organization’s survival depends highly on the conformity to social norms of acceptable behaviour, to the extent of achieving levels of production efficiency (Al-Ajmi et al., 2009). Eventually, Handelman and Arnold (1999) incorporate four important dimensions in the institutional theory; performative actions, institutional actions, organizational legitimacy and organizational support.

Accordingly, there is a need to understand the components of these dimensions. Firstly, institutional action denotes organizational actions that are parallel with the community’s social and cultural norms, thus, indicating the organizations’ legitimacy or proper behaviour (Meyer and Rowan, 1977). Handelman and Arnold (1999, p. 36) stated that institutional actions are more likely to be “unwritten but powerful normative rules of acceptable social conduct such as becoming involved with the community and promoting national pride”. DiMaggio (1998) elaborated that the institutional theory has much to contribute to the study of religious organizations, focusing on the idea of ritual, symbolic understandings and cultural legitimacy. He further argued that this theory is pertinent and parallel with the objectives of the religious organizations as normal business organizations tend to concentrate more on “rational actors”, an image focusing on profit maximization. Eventually, for religious organizations, DiMaggio (1998: 4) stated that “symbolic processes helps to constitute the institution”. Hence, this study renders institutional image as one of the components of corporate image that constitutes institutional environment that emphasize both social and cultural norms (Handelman & Arnold, 1999).

Indeed, institutional image is an important element of the institutional theory. Institutional image is stated as the outcome of the interactions among person’s impression, prevailing beliefs, thoughts, and feelings about an entity (Lin and Lu, 2010). In addition, institutional image is described as stereotype-driven attribute that links the organization to positive and/or negative emotional associations with its institutions (Chattalas, Kramer, & Takada, 2008). Correspondingly, the institutional image is also identified by the ideas expressed by a society that has asymmetries and that is subject to the perception of the individuals, to the interest of each one of them, and to the roles that each person plays with regard to a specific organization (Brown & Mazzarol, 2012).
In the context of Islamic banking, apparently based on the interviews conducted, many of the interviewees namely the Syari’ah scholars, academicians, customers as well as the practitioners express the importance of having “institutional image” to be the main concern in the Islamic banks. Most importantly, Islam, as a way of life, manifests the importance of the fundamentals of Islamic elements including aqidah (belief and faith), ibadah (worship) and akhlaq (morality and ethics). They can be incorporated within the “worldly activities” such as economic and business, particularly aqidah (believe and faith) and akhlaq (values) which serve as a set of values and principles which are permanent, making Islam resilient and all-embracing (Dusuki, 2008). Indeed, Yusoff (2002) mentioned that Muslim businessmen need to carry a heavier burden since the sense of god-consciousness must be observed in their overall business conduct. He further stated that they should continuously ensure that there is a proper balance between material and spiritual profit to ensure that business becomes both, an act of piety, as well as an economic activity.

Performance actions, from the institutional perspective, indicate institutional factors that establish the interest embraced by organizations (Scott, 1987). Meyer and Zucker (1989) emphasized that performance actions highlight the importance of technical functions which are measurable. It appears that Handelman and Arnold (1999) pointed out that actions representing the norms of task environment may signify their role as performative actions. Thus, with reference to the Islamic banking context, the task environment or performative actions which refer to “tangible actions to accomplish specific measurable objectives” (Handelman & Arnold, 1999 : 35) can be possibly be regarded as performative image.

Accordingly, Handelman and Arnold (1999) conducted a study where they utilized the store image attributes which they argued “can be defined as performative” (p. 36). The reason being was that they provided consumers with economic gain by means of making shopping at a particular retailer physically convenient and low priced with a large range of products. Jiyoung and Stoel (2010), on the other hand, included price, product assortment, location and promotion as some of the indicators of performative actions which they exploited in their study pertaining to the shopping behaviors of rural consumers. However, they found that price and product assortment affects consumer decisions to support the local retailer, while location did not have an important impact on support.

The incorporation of the institutional environment denotes organization as an organic, inseparable part of a complex environmental system that includes both “hardware economics” and “sociocultural norms” (Dacin, 1997; Scott, 1987). “Hardware economics” or performance indicators may well be evaluated using the Corporate Character Scale, which emphasizes the dimension of agreeableness, competence and entrepreneurship (Davies et al., 2004). The justification for adopting those dimensions in this study is due to the fact that Handelman and Arnold (1999) utilized the store image attributes (Keaveney and Hunt, 1992) and they were presumed as performative actions (Handelman and Arnold, 1999). Agreeableness denotes the key dimension of human personality embedded within the employees in offering better services to customers (Davies et. al. 2003); entrepreneurship is defined as the human personality of extroversion (Davies et al., 2003); while competence indicates conscientiousness, drive and technocracy (Davies et. al. 2003).
Theoretical framework and hypothesis development

It is important to consider that the underpinning theory for this study is based on institutional theory. As a result, the conceptual framework established involves the main elements of the theory, which include performative actions, institutional actions, organizational legitimacy and organizational support (Handelman and Arnold, 1999). Institution theory is the preferred guiding theory in this research since it has been widely applied in organizational performance (Dolcinar et al., 2008; Mi-Young and Keun-Young, 2006; Ogawa, 1992; Oliver, 1997), marketing strategy (Grayson et al., 2008; Grewal and Dharwadkar, 2002; Homburg et al., 1999; Luo et al., 2008), retail patronage (Arnold et al., 1996; Varman and Costa, 2009) and corporate social responsibility (Campbell, 2007; Handelman and Arnold, 1999).

More importantly, corporate image could be developed from corporate personality (Trans et al. 2015), established primarily through anthropomorphism or metaphors, which characterize brands with human characteristics Davies et al. (2001). Eventually, few significant attempt has been made to study corporate image from Islamic perspectives, specifically, through the use of metaphors. Undoubtedly, a distinctive contribution of this study is to the field of Islamic banking and corporate image, in particular, as well as the identification of its relationships to customer loyalty towards their most preferred Islamic bank in Malaysia. In spite of the abundant amount of study in corporate image, it is most likely that no significant attempt has been made to study corporate image from the perspective of Islam, in particular, the incorporation of metaphors, as well as the institutional theory, as the conceptual model.

Apparently, the principle of business transaction (mua‘malah) in Islam as a kind of worship can be manifested within the whole system of Islamic banking, which pertains to man-to-man social and economic relationships (Yusoff, 2002). In terms of Islamic banking, the need to adhere to the rules and principles of mua‘malah is very crucial in order to seek the pleasure of Allah as Allah has mentioned the disallowance of riba’ (interest) and its replacement with transactions, for the sake of al-ta’awun (cooperation among members of the society for a good cause) (Yusoff, 2002), and these values constitute institutional image.

Hence, it is predicted that institutional image will have a positive impact on the performative image of an Islamic bank. This is due to the fact that Islam encourages its adherents to seek holistic growth in both the physical and spiritual domains (Jafari, 1993). However, Islam urges its followers to relate their worldly activities that does not contradict from the teachings of Islam, as a form of worship (ibadah) since the creation of human beings is ultimately to submit to God (al-Qur’an, 51 : 56).

Undoubtedly, Islam encourages positive attributes in conducting business and they can be in the form of performative image. Yusoff (2002) highlighted some guidelines which Muslims should adhere to by upholding and practicing them, which include innovativeness towards improvement of products and methods of production, a strong desire to increase efficiency, entrepreneurial ability to implement new ideas, resourcefulness towards business survival, the resilience to face business risks, as well as maintaining human values with customers through honesty, sincerity and concern, all for the sake of excellence in the business world. Most importantly,
Islamic banks need to adhere to the principles of Shari’ah in order to operate side by side with their conventional counterparts. Therefore,

H1: Customers’ evaluation of institutional image has a positive impact on performative image

Accordingly, it is believed that corporate image (performative image and institutional image) has positive impact on organizational legitimacy. Organizational legitimacy, denotes an implicit social contract between a company and its society (Shocker and Sethi, 1973). Subsequently, Suchman (1995) stated that compliance with the terms of the social contract is generally based on the perception that the activities of the organization are desirable, proper and appropriate. Moreover, Deegan and Rankin (1996) warned that failure to appear legitimate can lead to imposition of greater regulations on corporate practices, reduced access to product markets, or other issues that can affect the survival of the organization.

In consequence, the existence of those corporate images will probably lead to customers’ acceptance and acknowledgment of their preferred Islamic banks. Specifically, performative image and institutional image would be considered important in determining the success of Islamic banks. A particular Islamic bank would not be recognized as an Islamic bank if the bank practices usury or does not act according to the principles of Shari’ah. Nevertheless, elements of Islamic images which signify its philosophy, values, ethics and Shari’ah goals should be embedded within the structure of any Islamic banks (Ghani, 1999). In addition, Islamic banks should also be based on a system which is innovative and progressive, parallel with the conventional banks in all aspects (Ghani, 1999). Hence, it appears that an Islamic bank can achieve its legitimacy and survival in the complex environment through positive corporate image (Dimaggio and Powell, 1983), in particular performative image and institutional image. Therefore,

H2 : consumer perception of institutional image has a direct positive impact on organizational legitimacy

H3 : consumer perception of performative image has a direct positive impact on organizational legitimacy

Handelman and Arnold (1999) pointed out that legitimacy that has been achieved by an organization would lead to further substantiation of the existing constituents, through their willingness to support that particular organization. In due course, support can be realized through word-of-mouth as it tends to have some verification from other customers to buy the product or services (Blodgett et al., 1993). Nevertheless, the impact of performative and institutional actions on organizational support, mediated through organizational legitimacy were partially confirmed (Handelman and Arnold, 1999). Consequently, for this study, attitudinal loyalty and behavioural loyalty would be the parameters of an important dependent variable, which works as a support for the organization as indicated by the institutional theory (Handelman and Arnold, 1999).

Handelman and Arnold (1999) had tested a model pertaining to the constructs based on the institutional theory which includes performative actions, institutional actions and support for the organization, using an experimental design. They discovered that higher levels of performative actions as well as institutional actions would increase the consumers’ support for the organization. Ultimately, corporate images
(both performative images and institutional images) are anticipated to have an effect on loyalty (attitudinal loyalty and behavioural loyalty). Indeed, customers tend to give support, in the sense that they would be more loyal particularly with regards to their self-image that aligns with the corporate image (brand image congruity) (Sirgy and Samli, 1985). Furthermore, corporate image was found to have an effect on loyalty (Anisimova, 2007; Da Silva and Alwi, 2006; Fournier, 1998; Mengxia, 2007). This is due to the fact that a brand with the right image and personality may influence the consumers' feelings that the brand is important and thus, they should remain loyal to that brand. Consequently,

\[ H4: \] customers' evaluation of institutional image has a positive impact on attitudinal loyalty

\[ H5: \] customers' evaluation of institutional image has a positive impact on behavioural loyalty

\[ H6: \] customers' evaluation of performative image has a positive impact on attitudinal loyalty

\[ H7: \] customers' evaluation of performative image has a positive impact on behavioural loyalty

The need for attitude on loyalty is indeed very significant, as derived by many researchers (Baldinger and Rubinson, 1996; Chaudhuri and Holbrook, 2001; Day, 1969; Dick and Basu, 1994). Attitudinal loyalty is established due to the inadequacy of having only behavioural loyalty to explain brand loyal purchase behaviour (Amine, 1998; Dick and Basu, 1994). Thus, attitudinal loyalty is important in ensuring that the previous purchase behaviour will prevail continuously (Bandyopadhyay and Martell, 2007).

Allen and Rao (2000) discussed the process of loyalty where it should involve the two dimensions of loyalty, namely, attitudinal and behavioural. They indicate that there is a possibility that attitudinal loyalty will have an impact on behavioural or vice versa. Furthermore, Gounaris and Stathakopoulos (2004) stated that an increase in attitudinal loyalty would lead to an increase in behavioural loyalty. Hence,

\[ H8: \] Attitudinal loyalty has a direct effect on behavioural loyalty

The institutional environment consists of the norms, rules and requirements that individual organizations must agree with in order to ensure support and legitimacy (Scott, 1987). Organizational legitimacy is “a generalized perception or assumption that the actions of an entity (channel member) are desirable, proper or appropriate within some socially constructed system or norms, values, beliefs and definitions” (Suchman, 1995 : 574). Hence, organizations must maintain coherence between their performance and institutional norms (Arnold et al., 1996), which is possibly viable through organizational legitimacy (Anderson, 1982).

Anderson (1982) viewed that “survival” is crucial to any organization and successively, the organization needs to retain an association of groups willing to “legitimize” its existence which can be established through customers, the public and other stakeholders. This includes customer loyalty as it creates a long-term relationship with customers, the key to survival and growth of organizations (Griffin, 1995; Reichheld, 1996a). Thus, customer loyalty which can be considered as one of the means toward organizational survival is very important, and depends highly on its legitimacy (Arnold et al., 1996). Therefore,
H9: Organizational legitimacy has an impact on attitudinal loyalty
H10: Organizational legitimacy has an impact on behavioral loyalty

RESEARCH METHODOLOGY

Six hundred questionnaires were distributed to six hundred customers of Islamic banks in Kuala Lumpur. The reason Kuala Lumpur was selected was basically due to the fact that a lot of decision-makings pertaining to corporate branding is focused on this city, since all of the banks’ headquarters are located within this area. Consequently, Kuala Lumpur is generally known to have a high number of customers using Islamic banking, based on the availability of Islamic banks, as well as its banking facilities. More importantly, it has been strongly justified that Kuala Lumpur has far more branches than other states in Malaysia.

In this study, purposive sampling was employed since the unit of analysis being used or the population of interest would be individuals, specifically the customers of Islamic banking, have an active account by using the bank’s products and services, and have been with the bank for at least a year. This type of technique is often believed to serve the research purpose, and they were selected based on the belief that “they are representative of the population of interest” (Churchill and Iacobucci, 2005: 327). Questionnaires were prepared in English and translated to the Malay Language following the double-translation principles (Adler, 1983). They were administered at various places or locations with varying interview times, within the stipulated target location – some Islamic banks, stations of public transportation and shopping malls. This strategy was purposely adopted in the effort to minimise potential biases, in response to the suggestions made by Silver (1997).

Eventually, only 420 complete questionnaires were analyzed, resulting in a response rate of 70%. The final sample consists of men and women, 37% and 63% respectively and almost 50% of them were married. The age of the overall majority of respondents were between 25 to 34 years (36%) and most of them earned a monthly income of between RM1501 and RM2500, and worked in the private sector. The majority (50%) of the respondents had opened only one account with a particular Islamic bank of their preference. Most of them (33%) had opened an account with Bank Islam Malaysia Berhad (BIMB), the pioneer bank in Islamic banking, 17% of them had an account with Bank Muamalat, while 21% patronized Maybank Islamic Berhad. The majority of them (36%) had been patronizing their most preferred Islamic bank for more than 5 years, while 30% had an account spanning 2 to 4 years with their respective Islamic bank.

The majority of the respondents (95%) had a saving account with their preferred Islamic bank. They also sought car financing (26%), had credit cards (16%) and paid-bills (16%) at their most preferred Islamic bank. In addition, their preference for a particular Islamic bank was due to ATM facilities (50%), network of branches (41%), as well as ethical values enhanced within the Islamic banking system (40%).

The instrument for collecting data for this study is a highly structured questionnaire. A 6-point Likert scale, ranging from strongly disagree (1) to strongly agree (6), was adopted to measure most of the variables as illustrated in Table 1. However, interviews were conducted with Syari’ah supervisors, as well as lecturers and practioners of Islamic banking to determine the image of institutional image since
research on corporate image of Islamic banks was scant.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Adapted from</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional image</td>
<td>Interviews that have been conducted</td>
</tr>
<tr>
<td>Performative image</td>
<td>Davies et al. (2004)</td>
</tr>
<tr>
<td>Organizational legitimacy</td>
<td>Handelman and Arnold (1999)</td>
</tr>
<tr>
<td>Attitudinal loyalty</td>
<td>Mitra &amp; Lynch (1995); Zeithaml et al. (1996); Ganesh et al. (2000) and Kumar et al. (2006) and Jones &amp; Taylor (2007)</td>
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<tr>
<td>Behavioral loyalty</td>
<td>Jones et al. (2000); Bansal &amp; Taylor (1999) and Jones &amp; Taylor (2007)</td>
</tr>
</tbody>
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**DATA ANALYSIS**

The analysis was then conducted through firstly, exploratory factor analysis and secondly, confirmatory factor analysis. Therefore, the sequence of analysis took the following order: firstly, exploratory factor analysis (EFA) was performed on each measurement model to assess unidimensionality in terms of the parameter estimates, the statistical significance of the parameter estimates and overall fit (Byrne, 2001). Upon inspecting the results, at this point the researcher then decided whether to retain or delete any ill-fitting item. Secondly, CFA was performed on those measurement models that comprised purified measures derived from the first step. Finally, all pertinent results on the measurement models were reported in Table 2.

Consequently, convergent validity was examined and achieved when the following criteria were fulfilled: a) all factor loads are significantly over 0.50 threshold (Fornell & Larcker, 1981), b) the average variance extracted is greater than the variance unexplained (Bagozzi & Yi, 1988) and c) factor composite reliability is equal to or greater than 0.60 (Fornell & Larcker, 1981). As a result, all indicators have achieved convergent validity as illustrated in Table 2.

On the other hand, discriminant validity is established as the average of variance extracted (AVE) is larger than the square of the correlation estimates (Fornell & Larcker, 1981; Hair et al., 2006). From the Table, it is clear that the AVE’s of all variables are higher than the squared correlations of any pairs of variables, which supports the discriminant validity of all measures.

The effect of corporate image on organizational legitimacy, attitudinal loyalty and behavioural loyalty and other constructs were then performed in the full structural model as illustrated in Figure 2. Table 3 shows the result of the hypotheses. In addition, this study also evaluates the effect of corporate image (institutional image and performative) on customer loyalty (attitudinal and behavioural) via organizational legitimacy.
**Table 2: Measurement model of construct**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Factor loading</th>
<th>Composite reliability</th>
<th>AVE</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional image</td>
<td>God3</td>
<td>0.75</td>
<td></td>
<td>0.89</td>
<td>0.63</td>
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<tr>
<td></td>
<td>God4</td>
<td>0.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>God5</td>
<td>0.87</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Performative image</td>
<td>Agree1</td>
<td>0.81</td>
<td></td>
<td>0.91</td>
<td>0.67</td>
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<td></td>
<td>Agree2</td>
<td>0.88</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Agree3</td>
<td>0.84</td>
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<td></td>
<td>Agree4</td>
<td>0.77</td>
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<td></td>
<td>Agree5</td>
<td>0.78</td>
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<td></td>
<td>Agree6</td>
<td>0.79</td>
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<tr>
<td>Attitudinal loyalty</td>
<td>Str1</td>
<td>0.94</td>
<td></td>
<td>0.93</td>
<td>0.66</td>
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<tr>
<td></td>
<td>Str2</td>
<td>0.93</td>
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<tr>
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<td>Str3</td>
<td>0.77</td>
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<tr>
<td></td>
<td>Str4</td>
<td>0.94</td>
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<td></td>
<td>Str5</td>
<td>0.85</td>
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<td></td>
<td>Str6</td>
<td>0.87</td>
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<tr>
<td>Behavioural loyalty</td>
<td>Rep1</td>
<td>0.87</td>
<td></td>
<td>0.81</td>
<td>0.68</td>
</tr>
<tr>
<td></td>
<td>Rep2</td>
<td>0.77</td>
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<td></td>
<td>Rep3</td>
<td>0.78</td>
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<td></td>
<td>Rep4</td>
<td>0.68</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational legitimacy</td>
<td>Org1</td>
<td>0.92</td>
<td></td>
<td>0.94</td>
<td>0.79</td>
</tr>
<tr>
<td></td>
<td>Org2</td>
<td>0.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Org3</td>
<td>0.86</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Org4</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overall CFA: $\chi^2 = 105.43, df=78; \text{RMSEA}=0.045; \text{SRMR}=0.047; \text{CFI}=0.940; \text{TLI}=0.965$

**Table 3: Discriminant validity**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Institutional image</th>
<th>Performative image</th>
<th>Attitudinal loyalty</th>
<th>Behavioural loyalty</th>
<th>Organizational legitimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional image</td>
<td>0.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performative image</td>
<td>0.68</td>
<td>0.65</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudinal loyalty</td>
<td>0.64</td>
<td>0.61</td>
<td>0.68</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behavioural loyalty</td>
<td>0.72</td>
<td>0.58</td>
<td>0.64</td>
<td>0.72</td>
<td></td>
</tr>
<tr>
<td>Organizational legitimacy</td>
<td>0.69</td>
<td>0.62</td>
<td>0.61</td>
<td>0.70</td>
<td>0.67</td>
</tr>
</tbody>
</table>

**HYPOTHESES TESTING**

The analysis moves to the structural model, upon establishing the measurement model. An inspection of the overall model reveals a satisfactory model fit ($\chi^2$ (106) = 146.892; $p < 0.001$; $\text{CFI}=0.962$; $\text{TLI} = 0.943$, $\text{SRMR} = 0.045$; $\text{RMSEA} = 0.048$). The standardized coefficients of the structural model are presented in Fig. 1. In line with the hypotheses, the direct effect of institutional image on performative image is significant ($b = 0.73; p < 0.01$), thus supported H1. Accordingly, the direct effect of performative image on organizational legitimacy ($b=0.62; p<0.001$) is also significant, as well as the direct effect of institutional image on organizational legitimacy is significant ($b=0.14;p<0.01$), and therefore H2 and H3 is also supported.
However, the direct effect of performative image on attitudinal loyalty is not significant ($b = -0.17, p > 0.1$) and the direct effect of institutional image on attitudinal loyalty is also not significant ($b = -0.20, p > 0.1$), which indicate that both H4 and H6 is not supported. Similarly, the direct effect of performative image on behavioral loyalty is not significant ($b = 0.08, p > 0.1$) and the direct effect of institutional image on behavioral loyalty is not significant ($b = -0.08, p > 0.1$), thus, both H5 and H7 is not supported. Additionally, the direct effect of attitudinal loyalty on behavioral loyalty is not significant ($b = 0.10, p > 0.1$) indicating that H8 is not supported. Finally, the direct effect of organizational legitimacy has an effect on attitudinal loyalty ($b = 0.21, p < 0.1$) and behavioral loyalty is significant ($b = 0.87, p < 0.001$) indicating both H9 and H10 is supported.

**Figure 1 : Structural equation modeling**

**p<0.001, *p<0.01
n.s = not significant (p>0.1)**
Table 3: Summary of the results of the hypothesis testing

<table>
<thead>
<tr>
<th>Hypothesized path</th>
<th>Hypotheses testing</th>
<th>Critical ratio</th>
<th>Standardized Co-efficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 institutional image → performative image</td>
<td>Supported</td>
<td>10.591***</td>
<td>0.74</td>
</tr>
<tr>
<td>H2 Performative image → organizational legitimacy</td>
<td>Supported</td>
<td>8.175***</td>
<td>0.62</td>
</tr>
<tr>
<td>H3 institutional image → organizational legitimacy</td>
<td>Supported</td>
<td>1.965</td>
<td>0.14</td>
</tr>
<tr>
<td>H4 Performative image → attitudinal loyalty</td>
<td>Not supported</td>
<td>-1.377</td>
<td>-0.18</td>
</tr>
<tr>
<td>H5 Performative image → behavioural loyalty</td>
<td>Not supported</td>
<td>0.996</td>
<td>0.08</td>
</tr>
<tr>
<td>H6 institutional image → attitudinal loyalty</td>
<td>Not supported</td>
<td>-1.59</td>
<td>-0.018</td>
</tr>
<tr>
<td>H7 institutional image → behavioural loyalty</td>
<td>Not supported</td>
<td>-0.779</td>
<td>-0.080</td>
</tr>
<tr>
<td>H8 attitudinal loyalty → behavioural loyalty</td>
<td>Not supported</td>
<td>0.849</td>
<td>0.10</td>
</tr>
<tr>
<td>H9 organizational legitimacy → behavioural loyalty</td>
<td>Supported</td>
<td>8.131***</td>
<td>0.87</td>
</tr>
<tr>
<td>H10 organizational legitimacy → attitudinal loyalty</td>
<td>Supported</td>
<td>2.090</td>
<td>0.21</td>
</tr>
</tbody>
</table>

DISCUSSION AND CONCLUSION

First, corporate image of Islamic banks can be explained from two dimensions, performative image and institutional image which is based on the institutional theory (Handelman and Arnold, 1999). The components of institutional image of Islamic bank is Islamic, fair and trustworthy. Consequently, the facets of performative image incorporates agreeableness, competence and entrepreneurship (Davies et al., 2004).

Secondly, the current research finding demonstrates the impact of institutional image on performative image. This substantiates evidence that having values and institutional image is likely to encourage positive attributes in the business environment. Without doubt, this coincides with Parapak’s statement (cited from Kartajaya and Sula, 2006), who believed that spiritual values may contribute to the development of worldly affairs. Hence, institutional image such as being Islamic, humble and trustworthy will lead towards other values and images of performance including agreeableness, competence and entrepreneurship.

Thirdly, this study further strengthens previous findings regarding the relationships between institutional image and organizational legitimacy, where it appears to support the notion that institutional image has an impact on organizational legitimacy. This study renders similar results as Kim and Stoel (2010), where they discovered that when retailers are perceived as holding fast to community social norms, they may gain legitimacy from the consumers within the local community. Indeed, having an institutional image such as god-consciousness is one of the most crucial factors in determining the establishment of Islamic banks as they need to adhere to the principles of Shariah, the most significant justification of its formation.

Fourth, the results also indicate that performative image has a very significant impact on organizational legitimacy, as studies which looked into these relationships are scarce. This may possibly occur due to the fact that performative image is needed in any organizations (Hearit, 1995). Thus, an organization’s response to environmental standards for acceptability and legitimacy will lead to persistence (Patel et al., 2005) as audiences are most likely to supply resources to organizations that appear appropriate (Parsons, 1960). Notably, based on cognitive belief systems, stakeholders would judge organizations based on their consistency particularly with rules for appropriate structures or procedures (Lounsubury and Glynn, 2001; Ruef and Scott, 1998). In the case of Islamic bank, undoubtedly, customers perceive them
as having images of a leading bank, coupled with some other images including concern, honesty, friendliness and secure. This, in turn, leads to the perception that what Islamic banks are currently doing are desirable, proper and appropriate (Suchman, 1995). Therefore, organizational legitimacy is also influenced by performative image.

Fifth, neither institutional image nor performative image has an impact on loyalty (attitudinal and behavioural). It is conceivable that some other determinants may play an important role in determining the use of Islamic banking, in particular, exceptional quality of services rendered by the banks as indicated by some researchers (e.g. Erol and El-Bdour, 1989; Gerrard and Cunningham, 1997; Haron et al., 1994; Naser et al., 1999; Othman and Owen, 2002).

Sixth, organizational legitimacy, on the other hand, has an impact on attitudinal loyalty and behavioural loyalty. This study seems consistent with other studies like Handelman and Arnold (1999), and Kim and Stoel (2010), in which it was stated that when an organization gains legitimacy, the organization can then justify its existence to the community members, directing them as to offer their support to the organization. Consequently, customers will support Islamic banking through its legitimacy, having to confine themselves within the principles of Shari’ah, and thus, customers will then render their support through their loyalty to the bank of their preference.

Seventh, the fact that attitudinal loyalty does not lead to behavioural loyalty is quite an astounding finding, since Rundle-Thiele and Bennett (2001) stated that behavioural measures alone is not adequate in the service context. One possible reason for this finding could stem from the nature of the banking services which does not require a customer to regularly purchase their products or services. Most probably, this coincides with Bandyopadhyay and Martell’s (2007) view stating that attitudinal loyalty is established to understand customers’ purchasing behaviour of a particular brand and therefore, the concept of behavioural loyalty is not really relevant in the banking sector.

LIMITATIONS AND FUTURE RESEARCH

Despite some progress in providing information, specifically, conceptualizing corporate from an Islamic perspective, the research has its limitations. The fact that existing conceptualization of corporate image and its dimensions were imposed on respondents represents the first limitation of the study. Respondents need to rate the level of importance of corporate image that had been defined and classified earlier, which was taken from literature, as well as interviews. Hence, the meaning of corporate image from the respondents’ point of view may not be correctly represented, since a certain pre-defined corporate image was underlined. Respondents might have their own differing views pertaining to corporate image in Islamic banks. This limitation, therefore, calls for qualitative studies concerning: firstly, corporate image from Islamic perspectives and secondly, the areas of corporate image relevant and significant to Islamic banking practices.

It has also been voiced out by Handelman and Arnold (1999) to look at some perspectives of integrating institutional actions within the scope of strategic planning. Perhaps, future research will look into the concept of market orientation as compared
to institutional orientation (Handelman and Arnold, 1999) in Islamic banks. In a way, this would better enhance the understanding of the institutional theory, in particular, within the scope of Islamic banking.

Notwithstanding the many caveats that have been highlighted, this study has yielded preliminary evidence, divulging the importance of corporate image in Islamic banks towards customer loyalty, through organizational legitimacy, based on the institutional theory. Indeed, this study has some limitations since it represents a preliminary endeavor into the Islamic perspectives of corporate image, specifically from an empirical viewpoint. However, as one of the first studies in this area, substantial opportunities for further research have been put forward based on some of the suggestions that have been discussed earlier.

ACKNOWLEDGEMENT

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REFERENCE


