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The impact of Islamic banks' resilience and culture on market share: Evidence from Muslim countries in MENA and ASEAN

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Abstract

This study examines whether the resilience of Islamic banks, measured using competitiveness, diversification, capitalization, and credit risk, affects market share. In particular, culture captured using Hofstede's dimension is also included. This study covers a broader spectrum of Muslim countries in MENA and ASEAN. It used a sample of 82 Islamic banks with six years of data from 16 countries. The nexus between variables was tested using a fixed effect model. This study also employed robustness and sensitivity analysis. The empirical results show that the resilience of Islamic banks under market competitiveness plays a positive role in market share. Market competitiveness tends to lead to an increase in the level of market share; otherwise, diversification, capitalization, and credit risk are not found to influence. This study also finds that culture significantly positively affects market share. It demonstrates that the more individualistic the culture in a nation, the more likely the market share will increase. Based on the result, this study provides additional insight that the resilience dimension through Islamic banks' competitiveness has the significant role in supporting the increase of market share. At the same time, culture is a considerable dimension in driving the improvement of market share.

Keywords: Culture, Islamic bank, Market share, Resilience.

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1. Introduction

A decent growth of Islamic financial service industries from countries in the Middle East and North Africa (MENA) and the Association of Southeast Asian Nations (ASEAN) seems like a wide opportunity for scholars to explore the resilience of the level of market share in Islamic banking. Fakhfekh, et al. [1] found that sharia banking is more resilient

than conventional banking. Amidst the global economic crisis, Islamic banks in MENA were found to be better at leverage and gross profit [2]. They have high capital adequacy compared to conventional banks, so that they can survive in the middle of a crisis. Besides, profitability in Islamic banks from Asia countries has significant cumulative values on the market share compared to conventional banks [3]. Meanwhile, Islamic banks could also be found to have a positive effect on market performance during the crisis [4]. During the COVID-19 pandemic, Shariah banks were also found to be more resilient than conventional banks[5, 6].

The Islamic banking sector serves as an intermediary institution, distributing credits that the general public needs to drive economic growth. Therefore, the banking sector must have good resilience [7]. Resilience is the ability of a person, group, or community to mitigate, overcome, and eliminate adverse effects [8]. Hence, the main key that now needs to be maintained by each bank is in terms of liquidity and loans. The role of Islamic banks also encourages the real sector. Islamic banking and market share remained resilient during the global financial crisis due to three things, including financing activities, derivative products, and a large amount of liquidity [9, 10]. Islamic banks' financing activities are more bound to real economic activities. Similarly, Murabahah and Ijarah transactions require Islamic banks to know the purpose and use of their customers' finances. When the customer has fulfilled the requirements related to the use of funds, the customer and parties from Islamic banks make a contract. Unlike conventional bank financing, customers are not required to disclose the use of funds as long as the client is believed to be creditworthy or can provide appropriate collateral. With regard to derivative products, Islamic banks kept away from direct exposure to exotic and toxic financial derivative products. Derivative products are conventional bank products that are not known in banking based on Islamic principles. In addition, if there are derivative transactions in Islamic banking, these transactions receive less attention from the Shariah Supervisory Board. Lastly, with a large amount of liquidity, Islamic banks generally keep most of their assets in a more liquid form than conventional banks. The high liquidity occurs due to the absence of Lender of Last Resort (LOLR) facilities available to Islamic banks, and considering that Islamic banks do not have access to market liquidity in the form of the interbank market, liquidity is managed deliberately by Islamic banks for risk management purposes.

As competition between banking industries is getting tighter both in Islamic banking and conventional banking, it does not decrease the willingness of Muslim people to save in Islamic banking [11]. This is due to public awareness of usury or interest that burdens customers. In addition, there is support for the emergence of Islamic banking slogans, namely "profit and loss sharing" in financial transactions rather than interest, which is part of conventional banking transactions.

A plethora of scholars have conducted studies regarding the market. The issue of risk exposure to the global financial crisis in Islamic and conventional banking shows that risk exposure has a positive effect on market share [1-4, 12]. In addition, the increasing resilience can also be explored by looking at the adequacy of capital ratios, liquidity levels, and the risk of non-performing loans. Some studies show that resilience has no effect on market share [13-16]. Therefore, owing to the problem regarding mixed results, we restarted exploring more market share under the current global financial stability.

To maximize the stakeholders' welfare, Islamic banks need resilience to expand their market share. The resilience of Islamic banks can be demonstrated by financial ratios that can be balanced with the tenet of market power. Financial performance and risk indicators are indicators that are employed to measure the resilience of Islamic banks [5, 17, 18]. The indicators are dimensioned using competitiveness, diversification, capitalization, and financing risk. We use them to associate them with market share. We understand that competitiveness is a condition of individuals competing with each other to optimize goals. In a competitive market, the level of power in the market industry is necessary to diversify income from sources of income, namely lending to activities that can generate non-interest income by taking into account net interest income and net operating income. In addition, banks also need capitalization to be used as a proxy for bank capital. Banks with higher amounts of equity tend to be less risky than banks with only small equity, meaning larger banks may be less profitable [19].

Furthermore, ASEAN and MENA regions are very strategic in the development of Islamic banks due to more fluctuating credit growth rates, raising concerns about financial system stability and higher credit growth, attracting bankers and investors around the world, and facing many changes, such as commercial banks operating together and competing with their Islamic counterparts. Thus, culture is present, which may influence market share in Islamic banking. Cultural and environmental differences in different countries may have different perceptions [20]. Culture greatly influences customer expectations, increasing market share [21-24]. There is no specific relationship between the culture of individualism and the market share of Islamic banking. However, we can understand arguments about the potential influence of the culture of individualism on the market share of Islamic banking. Cultural individualism is a tendency that emphasizes individual values, autonomy, and personal achievement. In the context of Islamic banking, cultural factors can influence customer preferences and consumer behavior [25]. This study further includes a culture variable composed of different dimensions under Hofstede's dimension. We utilize the dimension as an additional approach to affect market share. To the best of our knowledge, this study seeks to analyze the market share that is affected by Islamic banking resilience and Hofstede's cultural dimension. The findings of this study contribute to the body of knowledge in the area of Islamic banking and finance. We tackle Muslim countries in an effort to expand the number of samples. It also becomes the trailblazer using the alternative Hofstede dimension.

The rest of this study is organized in Section 2 regarding the literature review, Section 3 disclosing data and method, as well as Section 4 presenting the result and discussion, and the conclusion in Section 5.

2. Literature Review and Hypotheses Development

The level of market share is commonly elaborated in the framework of market power [26]. A large market power in the banking sector will cause banks to increase lending interest [27, 28]. A positive relationship is found between competition

and market power [29]. A competitive market results in low spreads in the banking sector [30]. Comprehensive market strength can be influenced by the intensity of competition in the banking market, as found by Hamza and Kachtouli [31]. Under the theory of market power, the tenet of Structure Conduct Performance (SCP) is elaborated [32]. It implies fewer banks in a market industry, which lead to less competitive bank behavior. Fewer banks in a market will lead to less competitive bank behavior. Market competitiveness will result in outcome efficiencies equivalent to marginal costs. The presence of a greater number of banks in a market will result in a heightened concentration within the industry. As a result, the level of market competition will be reduced due to business dominance, so the company's goal of maximizing its revenue will be easily achieved. Alduhaidahawi [33] and Abduh and Azmi Omar [34] stated that the process of competitiveness between banks in winning business aims to increase market share and gain greater profits. In other words, competition would be a determinant of increasing market share. As a result, high competitive intensity can affect market share positively.

H_1: Competitiveness has a positive effect on market share.

Since diversification reduces risk and economic scales lead to improved operational efficiency, there is a positive relationship between size and market share [35]. We hypothesize a positive nexus between diversification and market share. A higher diversification potential may be able to lead to an increase in the level of market share.

H_2: Diversification has a positive effect on market share.

Other dimensions to measure resilience are capitalization and credit risk. Capitalization becomes important for the continuity of the bank's business. One way to determine the strength of a bank's capital is to calculate the ratio of equity to total assets. The capital owned by the bank can be used to anticipate existing risks and for the development of the bank's business, so as to increase the profits obtained by the bank. In particular, banks with a high capital-to-asset ratio are considered relatively safer when losses or liquidations occur. Banks with good capital encounter lower bankruptcy costs and reduced funding costs, or they have lower requirements for external funding, which results in higher profitability and stronger market share [36]. A bank with a healthy capital position can pursue business opportunities more effectively and have more time and flexibility to deal with problems arising from unexpected losses, so as to achieve increased market share [37]. Capitalization has a significant positive effect on market share [38]. Thus, capital can increase expected earnings by reducing bankruptcy costs due to financial distress in general. In addition, equities can reduce the cost of capital and have a positive impact on market share. We hypothesize the higher the capitalization, the lower the need for banks to make a fund externally, leading to a higher market share.

H_3: Capitalization has a positive effect on market share.

Additionally, identifying risks, assessing and measuring risks, and managing risks are all part of the risk management process in Islamic banking [39]. Risk management is essential for Islamic banks in order for the banking market to rapidly increase its market share. Financing risk can describe the debtor's failure to fulfill its obligations to the bank. A high NPL ratio illustrates the frequent occurrence of bad loans experienced by banks. Bad loans can increase losses suffered by banks, thereby reducing market share.

Credit risk negatively affects the market share of Islamic banking [40]. Then, loans are the main product of banks in their operational activities, and when total loans rise, It will have an impact on increasing the rate of return on assets. Meanwhile, if the level of the receipt of products and services increases, it will be more efficient as long as the loans are not loans that have high risk, and this also has an impact on the market share of banking.

H_4: Credit risk has a positive effect on market share.

Hofstede formulates a dimension in the context of individualism. He assumes it is the spirit of capitalism [41]. High capitalism is contrary to the principles of Islamic economics, and high individualism is predicted to be negatively related to the development of Islamic banking.

The criteria of individualism consist of (1) the national culture of a nation as a gift and a source of prosperity; (2) societal norms that are prevalent in society; and (3) other institutions in society besides the family, such as education, religion, politics, and benefit-based organizations (business organizations). A society that has a culture with a high level of individualism will give personal freedom and autonomy to individual interests. A high level of individualism has a strong influence on market share because Islamic banks, which are able to use the power of capital effectively and efficiently, will be able to win the battle in business.

H_5: Culture has a positive effect on market share.

3. Methodology

3.1 Sample and Data

The sample of this study reached Muslim countries in MENA and ASEAN. We manually collected data for the years 2015-2020. All financial data for each bank was obtained from the annual report as reported on their individual websites. We obtained sample data for 82 different Islamic banks in 10 countries in MENA and 6 countries in ASEAN during the years 2015-2020.

We used purposive sampling to select the data. The number of observations was 492. 23 observations were eliminated due to the incomplete data, so the total number of observations was 469. The distribution of sample banks for the 16 countries is shown in Table 1.

Table 1.
Description of data sample.

Country (MENA)	Number of bank	Country (ASEAN)	Number of bank
Bahrain	15	Indonesia	15
Qatar	4	Brunei Darussalam	1
Jordan	2	Philippines	1
Palestine	1	Malaysia	17
Yemen	2	Singapore	5
Oman	2	Thailand	1
Syria	3		
Sudan	4		
Pakistan	2		
Bangladesh	7		
Total	42		40

3.2. Variables and Data Analysis

The resilience of Islamic banking was dimensioned using competitiveness, diversification, ca pitalization, and credit risk k, as found in some prior studies [5, 6, 17, 18, 42], while a culture dimension was captured using the culture index from We employed resilience and culture as independent variables. A dependent variable was market share-proxied assets and income. Since Islamic business influenced the national growth [43], we further employed control variables, including external performances (e.g., exchange rate and GDP), collected from the International Monetary Fund (IMF). This study proposed the following model for panel data:

$$MS_{it} = f(COMP_{it}, DIV_{it}, CAP_{it}, CR_{it}, CULTURE_{it}, RATE_{it}, GDP_{it}) + \varepsilon_{it}$$

Where, the outline of each variable based on the equation is summarized in Table 2. Hypotheses of this study are estimated using regression models (Pool OLS, Fixed Effect Model, or Random Effect Model). The equation of each model is written as follows.

Pool Ordinary Least Squares (OLS) Model (1)

$$MS_{it} = \beta_0 + \beta_1 COMP_{it} + \beta_2 DIV_{it} + \beta_3 CAP_{it} + \beta_4 CR_{it} + B_5 CULTURE_{it} + \beta_6 RATE_{it} + \beta_7 GDP_{it} + \varepsilon_{it}$$

Fixed Effect Model (2)

$$MS_{it} = \beta_0 + \beta_1 COMP_{it} + \beta_2 DIV_{it} + \beta_3 CAP_{it} + \beta_4 CR_{it} + B_5 CULTURE_{it} + \beta_6 RATE_{it} + \beta_7 GDP_{it} + B_7 D_1 + B_8 D_2 + B_9 D_3 + B_{10} D_4 + B_{11} D_5 + B_{12} D_6 + B_{13} D_7 + B_{14} D_7 + \varepsilon_{it}$$

Random Effect Model (3)

$$MS_{it} = \beta_0 + \beta_1 COMP_{it} + \beta_2 DIV_{it} + \beta_3 CAP_{it} + \beta_4 CR_{it} + B_5 CULTURE_{it} + \beta_6 RATE_{it} + \beta_7 GDP_{it} + \mu_{it} + \varepsilon_{it}$$

We also conducted robustness test and sensitivity analysis. Robustness test was required to obtain robust results. In a sensitivity analysis, this study used revenues as market share proxy to replace assets with the purpose of gaining insensitive estimation.

Table 2.
Research Variables.

Variable	Measurement
Market share (MS)	Market share is proxied using total assets (AMS)and total revenues (RMS) (dividing individual bank asset and revenue by the total assets and revenues in the market industry during the same period and multiplying by 100) [44]. Banks with large assets will have an advantage in terms of reaching a wider market [45].
Competitiveness (COMP)	Competitiveness is measured using the Lerner Index, which shows market power. It is a capacity owned by the bank to sell products at a price above the marginal cost [31] and measured using $\frac{(P_{it}-MC_{it})}{P_{it}}$
Diversification (DIV)	Revenue diversification in the banking industry is shown in the increase in share of fee, net trading profit, and other revenues and is measured using the Herfindahl-Hirschman Index [46].
Capitalization (CAP)	Capitalization is measured using Equity to total Asset Ratio (EAR)
Credit risk (CR)	Credit risk is a major source of risk for banks. Non-Performing Loan (NPL) is used to measure the risk of the bank's credit portofolio by looking at the debtor's failure to meet its obligation to pay the principal and interest. This can describe how far the prudential principle is applied by banks in distributing and managing credit [47].
Culture (Culture)	The culture measured in this study is individualism by looking at the cultural dimension index of each country in both ASEAN and MENA, which has been determined by Hofstede [41] who establishes the score of 14 (Bahrain), 25 (Qatar), 30 (Jordan), 54 (Palestine), 14 (Yaman), 14 (Oman), 35 (Syria), 14 (Sudan), 14 (Pakistan), 20 (Bangladesh), 14 (Indonesia), 20 (Brunei Darussalam), 32 (Philippines), 26 (Malaysia), 20 (Singapore), 20 (Thailand). These indices are then ranked from lowest values (14) to highest values (54) so that we obtain eight Likert scales from 1 (less individualistic) to 8 (most individualistic). This scale would indicate that the higher the value, the more individualistic.
Exchange rate (Rate)	Exchange rate is measured using $\frac{(Rate_{it}-Rate_{it-1})}{Rate_{it-1}}$
Gross domestic product (GDP)	GDP is measured using year to year % change in a country's gross domestic product (GDP) deposit

4. Results and Discussion

4.1. Descriptive Statistics and Regression Effect Model Test

We summarize the description of variables from 467 observations over the period 2015 to 2020. Table 3 presents values of the mean, minimum, maximum, and standard deviation. Market share under asset and revenue proxies shows 34.86 and 24.54, respectively. These indicate that the average market share of Islamic banks over the given period accounts for under fifty percent of the market. The dimensions of Islamic banking resilience are competitiveness (0.48), diversification (0.34), capitalization (0.19), and credit risk (0.11), while the culture variable accounts for 2.90 , showing that the average Islamic banking cultures are less individualistic. For control variables, exchange rate and GDP represent 0.21 and 16.87, respectively.

Table 3.
Descriptive statistics.

Variable	Mean	Min.	Max.	Std. dev.
Asset market share (AMS)	34.86	23.04	42.75	3.71
Revenue market share (RMS)	24.54	12.70	32.41	3.72
Competitiveness (COMP)	0.48	-0.09	0.99	0.32
Diversification (DIV)	0.34	0.01	1.00	0.33
Capitalization (CAP)	0.19	0.08	0.94	0.22
Credit risk (CR)	0.08	0.01	0.19	0.15
Culture (Culture)	2.90	1.00	8.00	2.27
Exchange rate (Rate)	0.21	-1.27	1.31	0.30
Gross domestic product (GDP)	0.16	0.10	0.19	0.12

Model fit tests are shown in Table 4. They obtain a fixed effect model where the Chow and Hausman tests are significant at the 0.01 level. Afterward, the assumption test of the fixed effect model was conducted. No Heteroskedasticity and multicollinearity were found in models as presented in Table 5 (after dropping the GDP variable). Finally, fixed effect tests were run in model 1 and 2. We further employed a robustness and sensitivity analysis. Our results are robust and after using the revenue proxy for market share is insensitive Table 6.

Table 4.
Estimation of effect model.

Regressors	Model 1			Model 2		
	Pooled OLS	Fixed effect	Random effect	Pooled OLS	Fixed effect	Random effect
Competitiveness (COMP)	2.821***	1.655***	1.87***	2.840***	1.659***	1.888***
Diversification (DIV)	3.849***	-0.315	0.814*	3.848***	-0.316	0.810*
Capitalization (CAP)	0.660	0.048	0.083	0.056	0.045	0.080
Credit risk (CR)	0.194	-0.512	-0.442	0.187	-0.507	-0.438
Culture (CULTURE)	0.038	0.150***	0.143***	0.326	0.1478***	0.140**
Exchange rate (RATE)	-0.800	-1.467***	-1.359***	-0.830	-1.486***	-1.380***
Gross domestic product (GDP)	0.085	-0.083	0.099	0.081	-0.084	0.097
Constant	30.627***	34.816***	31.217***	20.390***	24.520***	20.951***
R-squared	0.214	0.04	0.166	0.212	0.08	0.137
Adj R-squared	0.202	0.03	0.139	0.200	0.03	0.074
F-statistic	17.91***	5.41***		17.76***	5.40***	45.58***
Chow test		10.71***			10.73***	
Hausman test		33.67***			33.06***	
Observation	469	469	469	469	469	469
Model 1 dependent variable= Asset market share (AMS)					Model 2 dependent variable= Revenue market share (RMS)	
Independent variable= Competitiveness (COM), Diversification (DIV), Capitalization (CAP), Credit risk (CR), Culture (CULTURE); Control variable= Exchange rate (RATE), GDP						

Note: ***, ** and * indicate significance levels for 1%, 5% and 10% respectively, Model 1 and 2 used fixed effect test respectively with the significance level at the 0.01***.

Based on Table 6, the results of the fixed effect model test show significance at certain levels. In terms of Islamic banking resilience, the competitiveness variable is significant at 0.05 and a positive value; otherwise, diversification, capitalization, and credit risk variables are insignificant at the established levels. As a result, we accept H1, which states that the competitiveness variable has a positive effect on market share, while H2, H3, and H4 are rejected. Furthermore, the culture variable shows significance at the 0.05 level with a positive value. We therefore accept H5, which hypothesizes that culture has a positive effect on market share. In addition, the control variable (exchange rate) shows significance at the 0.05

level with a negative value after testing the fixed effect model. However, the result of exchange rate variable becomes significant above all the given levels.

Table 5.
Fixed effect model diagnostics.

Regressors	Model 1		Model 2	
	Initial VIF	Final VIF	Initial VIF	Final VIF
Competitiveness (COMP)	3.39	3.14	3.39	3.14
Diversification (DIV)	2.34	2.22	2.34	2.22
Capitalization (CAP)	1.05	1.03	1.05	1.03
Credit risk (CR)	1.55	1.21	1.55	1.21
Culture (CULTURE)	13.86	3.99	13.86	3.99
Exchange rate (RATE)	1.49	1.49	1.49	1.49
Gross domestic product (GDP)	17.4	Dropped	17.4	Dropped
Mean	5.87	2.18	5.87	2.18
Heteroskedasticity= 4.35		Prob> chi2 =0.059	Heteroskedasticity= 4.13	Prob> chi2 =0.027

Table 6.
Fixed effect model and robustness test.

Regressors	Model 1		Model 2	
	Fixed effect	Robust	Fixed effect	Robust
Competitiveness (COMP)	1.655***	1.655**	1.666***	1.659**
Diversification (DIV)	-0.314	-0.314	-0.316	-0.317
Capitalization (CAP)	0.054	0.054	0.053	0.046
Credit risk (CR)	-0.507	-0.507	-0.501	-0.506
Culture (CULTURE)	0.148***	0.148**	0.146***	0.147**
Exchange rate (RATE)	-1.484***	-1.484	-1.503***	-1.487
Constant	33.416***	33.416***	23.111***	24.520***
R-squared	0.089	0.089	0.090	0.089
Adj R-squared	0.046	0.046	0.046	0.031
F-statistic	6.28***	5.70***	6.27***	6.70***
Observation	469	469	469	469
Model 1 dependent variable= Asset market share (AMS)			Model 2 dependent variable= Revenue market share (RMS)	
Independent variable= Competitiveness (COM), Diversification (DIV), Capitalization (CAP), Credit risk (CR), Culture (CULTURE); Control variable= Exchange rate (RATE)				

Note: ***and ** indicate significance levels for 1% and 5% respectively.

4.2. The Effect of the Resilience of Islamic Banks on Market Share

The resilience of Islamic banks is captured by competitiveness, diversification, capitalization, and credit risk. As shown in Table 6, we found that mere competitiveness significantly affect the market share variable. The competitiveness made by Islamic banks has been necessary to determine market share [33, 34, 48-50]. The tenet of SCP implies the effect of competition in the Islamic banking industry due to the characteristic of competition. If the market structure is dominated by a few large Islamic banks, a greater market power could be grabbed, and the market share is then more easily controlled. However, when the market structure is more competitive with many competing Islamic banks, competitiveness becomes a key factor in maintaining and increasing market share. In addition, the positive nexus between competition and market share indicates that Islamic banks have gained a larger market share. A larger market share tends to reflect the results of strategies and actions taken by Islamic banking. When Islamic banks are able to improve their competitiveness well, their existence can have a positive impact on their economic performance, which can support investment in innovation, distribution network development, and service quality improvement, which in turn will strengthen their competitiveness in the market. For instance, by developing innovative products and services, conducting effective marketing campaigns, or offering competitive prices, Islamic banks have a greater opportunity to gain a larger market share. Thus, by maintaining strong competitiveness through appropriate strategies and actions, Islamic banks can increase their market share in competitive markets. This elaboration is in line with prior studies [51-55].

Other dimensions of Islamic banks' resilience are diversification, capitalization, and credit risk, which are found to have no significant effects on market share. Firstly, the diversification variable is not a determinant of market share growth [56-60]. Islamic banking customers may be more likely to choose a financial institution that better meets their needs and principles. In a competitive environment, diversification may not provide a significant advantage in gaining market share due to the challenges faced by Islamic banking in the face of more established and resourceful conventional banks. Lastly, capitalization and credit risk variables have no significant effect on market share. The increasing capitalization of Islamic banks indicates that it is rather difficult to lower the credit risk because Islamic banks do not use collateral to cover loan losses [61]. Islamic banks do not have flexibility in adjusting the risk profile of borrowers, causing loan mispricing and

adverse selection problems. Second, Islamic banking still does not comply with Islamic principles [62]. Profits and losses from Islamic banks can occur due to the risk of withdrawals originating from investment account holders. As a result, the risk of depositor withdrawal from Islamic banks can encourage Islamic banks to offer higher deposit rates compared to market interest rates that are not in line with Shariah principles. Capitalization having no effect on the market share of Islamic banking is in line with prior studies [13, 62-64]. As a result, no effect occurs due to a lack of flexibility in restructuring loan losses using collateral and the risk of debt holder withdrawals, resulting in higher risks and inefficiencies.

4.3. The Effect of Individualism Culture on Market Share

Individualistic culture captured using Hofstede's dimension has a positive effect on market share, as shown in Table 6. The culture of individualism can have a complex influence on capitalism in countries that have Islamic banking. To understand its influence, it is necessary to look at how the culture of individualism interacts with economic and financial principles in the Islamic banking system [65-67]. The culture of individualism tends to encourage individuals to pursue self-interest and self-achievement. In the context of Islamic banking, customers who have an individualistic culture may prefer financial institutions that offer flexibility and wider investment opportunities. They may be more interested in financial products and services that optimize their personal profits.

In countries with a strong culture of individualism, societies tend to have a stronger orientation towards freedom and self-interest. This can have an impact on customer preferences in choosing financial institutions, including Islamic banking. On the one hand, the culture of individualism can be a challenge for Islamic banking to gain a larger market share. Islamic banking is characterized by its adherence to concepts that place a strong emphasis on collective interests and Islamic values while making financial decisions. Customers who have an individualistic orientation may prefer financial institutions that offer freedom in fund management and a wider range of investment options, which may be more commonly found in conventional banking. On the other hand, Islamic banking can also attract customers who tend to look for alternatives that are based on religious values and oriented toward social interests. In individualistic cultures, there are individuals who seek identity and fulfillment of their values through Islamic banking options that reflect adherence to Islamic principles.

5. Conclusion

The resilience of Islamic banks to affect the level of market share is captured positively under the dimension of competitiveness. This study finds that competitiveness leads to an increase in the level of market share. Islamic banks in the MENA and ASEAN regions can increase their market share in competitive markets by implementing appropriate strategies and actions. It is important to remember that there is a relationship between culture in the context of individualism and market share. We find that the more individualistic the cultures in a country, the more likely the Islamic banks are to increase their market share. By finding the nexus between culture and market share, our results add a new dimension to Islamic banking and finance research. In addition, we provide a novel insight into how culture can play a valuable role to supporting the level of market share. In relation to practical implications, policymakers and practitioners of Islamic banking must remain optimistic and enthusiastic to enhance the growth of Islamic banks in the international market industry. The benchmark for competitive advantage is internal strength, while external factors (economic macro variables) also need attention. For future studies, we suggest tackling other dimensions of the resilience of Islamic banks and macro variables to achieve more robust result.

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