Beyond the Insider-Outsider Divide: Heterogenous Effects of Organizational Identity and

Category Taken-for-grantedness on Conformity

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Categories that become taken-for-granted tend to acquire rule-like standing. That is, people begin to strongly expect certain behaviors from entities that have claimed affiliation with them, and these expectations tend to induce conformity. However, conformity does not always ensue, and we lack an explanation of why the effects of category taken-for-grantedness might diverge. In this paper, we propose that the effects of increasing category taken-for-grantedness hinge upon an organization's identity. We first argue that the relationship between organizational identity and the likelihood of conformity is U-shaped, with insiders and outsiders being more likely to conform relative to those with middling identities. We then propose that greater category taken-for-grantedness should reduce scrutiny for those whose identities mark them as more of insiders, subsequently making them less likely to conform. In contrast, outsiders become more likely to conform as taken-for-grantedness increases. We test our arguments in the empirical context of Islamic banking, using data on 118 Islamic banks worldwide between 2001 and 2014. We examine the likelihood that banks in the sector make what are known as zakat payments as a function of category taken-for-grantedness and the extent to which a bank's identity is Islamic. We discuss implications for the literatures on categories, identity, and religion.

Over the last two decades, recognition and understanding of the significant role that categorization plays in economic life has grown (Hannan, Pólos, and Carroll 2007; Hsu, Hannan, and Koçak 2009; Sharkey 2014; Zuckerman 1999; for reviews see Durand and Paolella 2013). People use categories[1] to identify and make sense of the various entities that they encounter, setting the stage for subsequent action, including important economic outcomes (Hannan et al. 2019). For example, venture capitalists may first try to make sense of a new venture by considering whether and how it fits existing market categories (Pontikes 2012). Securities analysts who are evaluating firms consider them in reference to industry categories (Zuckerman 1999). Consumers use categories to identify products that meet their needs (Hsu, Hannan, and Kocak 2009). Overall, categories are foundational to social and economic life.

When categories are new or unfamiliar, however, people often struggle to make sense of them, and some categories never gain widespread traction. However, over time, if people begin to repeatedly use a category in a similar way, such that a shared understanding develops, the category is said to be taken-for-granted. That is, people will begin to strongly expect certain behaviors from objects or entities that have claimed membership in a given concept (Kovács and Hannan 2015). Extending the example above, a person who has seen an entity that claims to be a bank and who takes for granted the meaning of the "bank" category will tend to expect that if she goes inside the bank, she should be able to engage in various financial transactions, such as opening a savings account or applying for a loan. In contrast, because a relatively young category like "cryptocurrency" might entail different meanings to various people, such that a person cannot be sure what is meant when another person uses the term (i.e., it is not a taken-for-granted category), a person who encounters an entity claiming to be "cryptocurrency" would be less likely have any strong expectations of it (Vergne and Swain 2017).

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[1] Strictly speaking, following Hannan et al (2019), as well as work in cognitive psychology, there is a distinction between concepts and categories. Concepts are mental representations denoting a particular type of thing. Categorization is the process whereby individuals assign an entity to a concept. Categories are the resultant sets of entities to which a concept has been applied. The distinction between concepts and categories is critical in some cases, but it is not essential here. Therefore, in this paper we use the term categories interchangeably to refer to either concepts or categories.

Prior research has referred to this kind of rule-like expectation as a category code, and most studies in this line of work underscore the importance of abiding by these codes (Hsu and Hannan 2005; Navis and Glynn 2010). When people encounter objects or entities that have claimed membership in a category but that do not conform with its codes, they may be confused or view the object as illegitimate, resulting in avoidance or disliking (Hsu, Hannan, and Koçak 2009; Ody-Brasier and Vermeulen 2014; Zuckerman 1999). For example, a restaurant that claims to be a "Thai restaurant" but serves pizza and spaghetti would likely receive low evaluations from customers. These kinds of negative consequences create strong pressures toward conforming with the codes of the category in which one claims membership. Yet, researchers have also documented conditions under which actors nonetheless defy category codes (Paolella and Durand 2016; Phillips and Zuckerman 2001; Pontikes 2012; Rao, Monin, and Durand 2005, Syakhroza, Paolella, and Munir 2019). Further work is needed to specify the conditions under which organizations conform with category codes rather than defying them.

One crucial factor in addressing this question is the extent to which the category is highly taken-for-granted, having achieved widespread understanding and the resultant rule-like status which was described earlier. It seems intuitive that concept taken-for-grantedness should play a key role in shaping the extent to which organizations choose to conform with category codes. For instance, if a category has only a low level of taken-for-grantedness, implying the absence of clear and widely agreed-upon expectations for those claiming affiliation, individuals are unlikely to feel confused when they encounter entities that claim to belong to the category but that have few common characteristics or behaviors. As a result, there are likely to be few external pressures that induce conformity. In contrast, because increasing category taken-for-grantedness entails rule-like expectations, pressures toward conformity should be greater in the case of highly taken-for-granted categories (DiMaggio 1997; DiMaggio and Powell 1983; Hannan, Pólos, and Carroll 2007; Lamont and Molnár 2002; Ruef and Patterson 2009).

Yet, surprisingly little work has exploited variation in concept taken-for-grantedness to examine this question directly. Moreover, what research there is on the link between category taken-for-grantedness and code conformity has produced results that diverge from the aforementioned arguments.

In particular, Hsu and Grodal's (2015) study of the light cigarette industry showed that producers were more likely to engage in code-defying behaviors (i.e., elevating the level of tar and nicotine in products) as the taken-for-grantedness of light cigarettes increased, contrary to what most theoretical arguments would have predicted.

In this paper, we resolve the tension in previous work by acknowledging the possibility of heterogeneous effects of taken-for-grantedness and specifying the conditions that lead to increased versus decreased conformity. We build on research showing that organizations draw upon categories to establish who they are; they claim to be "banks," "manufacturers" or "schools," for example. Organizations vary in terms of whether their claims are accepted by external audiences, such that some are seen as "insiders", others as "outsiders" and some as middling members. For example, Harvard might be seen as an "insider" to the university category, whereas the University of Phoenix-Online might be seen as a "middling member." For a variety of reasons, insiders and outsiders are likely to attract more attention and scrutiny than others. Anticipating such attention and scrutiny, insiders and outsiders will be more likely to engage in conforming behaviors, which we predict will result in a U-shaped relationship between category membership and engagement in costly code-conforming behaviors.

However, drawing upon recent work on concept taken-for-grantedness that also centers around the notion of scrutiny (see, e.g., Hannan, Pólos, and Carroll 2007; Hsu and Grodal 2015), we propose that category taken-for-grantedness will moderate this baseline U-shaped relationship. We argue that in the face of increasing category taken-for-grantedness, audiences will decrease their scrutiny of some actors – namely, insiders or those that are seen as full members of the category – while simultaneously holding outsiders to stricter standards. As a result, increasing taken-for-grantedness is only likely to create strategic opportunities for insiders to resist conforming.

We test these theoretical arguments in the context of Islamic banking using a unique dataset on 118 Islamic banks in 23 countries over the period 2001 to 2014. Islamic banks serve many of the same functions as conventional banks, but they operate according to a distinct set of principles (codes) that are central to the Islamic religion. The taken-for-grantedness of Islamic banking as a concept has varied both

longitudinally and cross-nationally as consumer and investor understanding of Islamic banking has become more widespread (Calder 2019). The recent entry of many secular institutions into the Islamic banking market has created tension among banks that are perceived as having more of an insider identity (i.e., banks owned by Muslim individuals or Islamic institutions), as compared to those perceived as outsiders (i.e., banks owned by secular, often Western, individuals or entities). We exploit this diversity of identity as well as variation in the taken-for-grantedness of the Islamic banking category to examine the likelihood of banks to engage in a costly code-conforming behavior, namely *zakat* payment.

Zakat, an annual 2.5 percent charity donation on the wealth of Muslim individuals for those above a certain threshold, is one of the five most important practices, or pillars, of the religion of Islam. The payment of zakat is widely acknowledged among Muslims as a required part of their religious practice. Many leading Islamic scholars and organizations agree that *businesses* also are expected to pay zakat (see, e.g., statements from the National Zakat Foundation[2] and Islamic Relief Worldwide[3]), although there is somewhat more debate about this question as compared to zakat payment by individuals. Nonetheless, the payment of zakat can be regarded as a code-conforming behavior; when a bank claiming to be Islamic pays zakat, it is more likely to be viewed as a true and abiding member of the category.

The results of our analyses are consistent with our theoretical arguments. We find that firms that are insiders to the Islamic banking category (i.e., they are more Islamic-owned), can take advantage of increasing category taken-for-grantedness to reduce their engagement in the costly practice of paying zakat. On the other hand, banks that are outsiders are unable to do so, and a higher level of taken-for-grantedness increases their likelihood of conformity. Overall, these findings demonstrate that a firm's identity is an important driver of how firms respond to increases in an audience's taken-for-granted understandings of a product or market.

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[2] https://www.nzf.org.uk/Knowledge/Calculation_Rules/Business_assets
[3] https://www.islamic-relief.org/zakat/zakat-on-businesses/

IDENTITY, CATEGORY TAKEN-FOR-GRANTEDNESS AND CODE CONFORMITY

We begin our theoretical arguments by outlining how we expect an organization's identity to affect the likelihood of engaging in code-conforming behaviors. Then, we turn to the central focus of our theorizing: specifying how category taken-for-grantedness moderates this relationship.

The Role of Organizational Identity in Conformity

According to Whetten and Mackey (2002, 397), "organizational identity is appropriately conceived as a set of categorical identity claims (who or what we claim to be, categorically) in reference to a specified set of institutionally standardized social categories." For example, a firm might claim to be a "tech company," "car manufacturer" or an "Islamic bank." Yet, firms may claim membership in multiple categories and there may be variation in the extent to which any of their claims are widely accepted. As a result, a firm's identity can be fuzzy or partial (Hannan 2010). For example, Ford Motor Company started identifying as a "tech company" when it began development of autonomous vehicles (Roose 2017). While some would agree that Ford is indeed a "tech company," many would consider it to be primarily an "automaker" or at the very least not as much of a "tech company" as a firm like Google.

We draw upon this notion of partial and fuzzy identities to conceptualize firms as having identities that range from insiders, to middling/partial members, to outsiders with respect to the category. If organizational identity consists in part of claiming affiliation with a category and having those claims accepted, then organizations are perceived as more of insiders when relevant parties judge the firm's claims to be believable. This is more likely to occur when organizations that have made an identity claim then display characteristics and engage in behaviors that are most central to collective understandings of the category. On the other hand, organizations may be perceived as outsiders to the extent they claim affiliation with a category and yet lack the central characteristics that delineate the category from others.

Organizations might lie in between these extremes of insider and outsider if they display some relevant characteristics but not others; we refer to these as having a middling identity.[4]

Following a long line of research that has emphasized the important role of identity in shaping an organization's actions (for a review, see, e.g., Gioia, Parvardhan, Hamilton, and Corley 2013), we believe that a firm's identity will shape its likelihood of engaging in code-conforming activities. Prior work has shown that identity frequently guides the identification of courses of possible action that are considered appropriate and worthy (Dutton and Dukerich 1991). Thus, a firm's standing as more of an insider, an outsider, or a firm that occupies a position somewhere in the middle by virtue of its key identity characteristics should differentially affect its likelihood of engaging in behaviors that conform with category codes. First, we consider insiders, who we believe should be especially inclined to engage in code-conforming behaviors. They may do so for a variety of reasons. They may hold category-related values more deeply than outsiders and therefore have greater intrinsic motivation to engage in code-conforming behaviors. Alternatively, from a more strategic perspective, insiders may be highly motivated by the desire to bolster the category with which they have claimed affiliation; doing so often requires boundary work, such as engaging in a specific set of practices that distinguish the category from others. Finally, and most relevant to our theoretical arguments, insiders are often viewed as models or prominent exemplars of the category (Adut 2009; Hannan, Pólos, and Carroll 2007). As such, they may attract heightened attention. In anticipation of such attention, they should be especially likely to conform with category codes, lest they face devaluation (Zuckerman 1999).

In contrast, organizations that have claimed affiliation with a category but are nonetheless seen as more of outsiders face somewhat different motivations and constraints. Outsiders are often perceived as lacking commitment, a factor which is important for evaluation in markets (Kovács, Carroll, and, Lehman

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[4] Following much recent literature (e.g., Hannan 2010), we view identity as fuzzy such that firms can be more or less insiders, as opposed to identity involving a clear line of demarcation where a firm either is or is not a member of the category. Therefore, our use of the three categories of insider, outsider, and middling firms is a simplification or shorthand which we use only for the purpose of theoretical exposition. We use a continuous measure of identity in our empirical analyses, although results also hold if we view identity as corresponding to these three categories.

2014; Phillips, Turco, and Zuckerman 2013). Likewise, as Goffman (1959) noted, outsiders are regarded with distrust and are subject to perpetual scrutiny. If leadership at outsider organizations anticipates these challenges, they may be especially inclined to engage in code-conforming activities to convey their commitment and indicate that they truly should be considered members. Such impression management activities encompass both the claims that firms make as well as the actions they undertake in an effort to cultivate positive audience perceptions (Dutton and Dukerich 1991; Elsbach 1994). Jourdan, Durand and Thornton's (2017) study showed evidence of such a process in the French film industry, where financing entities were perceived as outsiders and thus engaged in costly deference acts, namely funding art films that had little commercial potential, in an effort to increase their social capital in the network of producers.

In summary, we have argued that firms with either strong insider or outsider identities will be particularly likely to engage in code-conforming behaviors, though we suspect they may be driven by different motives. Having focused thus far on insiders and outsiders as occupying the ends of an identity continuum, we now turn to the firms that occupy positions somewhere in between these two ends of the spectrum.

What of these firms? In general, we have no reason to believe they will have as strong of motivation or interest in engaging in code-conforming behaviors. Compared to clear outsiders, they often lack the obvious or prominent markers indicating their lack of fit with the category (e.g., outsider names and other visible characteristics). Thus, they likely do not face such intense pressures to convince others that they are indeed worthy of affiliation with the category. At the same time, compared to insiders, middling firms may lack the commitment that drives those with insider identities. As a result, we expect them to have a lower likelihood of engaging in costly code-conforming behaviors.

Overall, this leads us to expect a U-shaped relationship between extent of insider identity and the likelihood of engaging in code-conforming behavior. Thus, we offer the following prediction to set the stage for our subsequent examination of the moderating role of category taken-for-grantedness:

Hypothesis 1 (H1). *Among organizations that have claimed membership in a category, there will be a U-shaped relationship between the extent to which an organization has an insider identity and the likelihood of engaging in code-conforming behaviors.*

Our prediction of a U-shaped relationship between identity and the likelihood of engaging in code-conforming behaviors may, for some readers, bring to mind the theory of middle-status conformity, which posits an inverse U-shaped relationship between status and likelihood of engaging in conforming behaviors (Phillips and Zuckerman 2001). However, an important scope condition that is required in order for middle-status conformity to arise: there must be "greater identification with the interface among middle- and high- vs. low-status actors" (Phillips and Zuckerman 2001, 388). This scope condition does not apply universally; there are many settings where peripheral organizations that have claimed membership devote a great deal of resources to entering the category and exhibit a strong degree of identification with the audience interface (evidenced, e.g., by marketing activities). Secondly, middle-status conformity hinges on the effects of status, which may or may not strongly correlate with insider identity. In this setting, as we will show later, status and insider identity do not strongly align.

THE MODERATING ROLE OF CATEGORY TAKEN-FOR-GRANTEDNESS

We now turn to the question of how category taken-for-grantedness interacts with organizational identity to shape the likelihood of engaging in code-conforming behaviors.

The Rise of Category Taken-for-Grantedness

Researchers have long posited that highly taken-for-granted categories represent a powerful cultural influence that structures human behavior (Berger and Luckmann 1967; DiMaggio and Powell 1983; Zerubavel 1997). DiMaggio (1997) proposed that this stems from the role of taken-for-granted categories in automatic cognition. Past work by Hannan, Pólos and Carroll (2007: 78) explicates this link by specifying how taken-for-grantedness shapes individuals' likelihood of making inferences based on the mere application of a category label. They write, "What it means to us for a concept/category to be taken for granted is that members of the audience generally treat as a default the idea that full-fledged members of the concept/category fit their schemata. Default standing means that agents do not fully inspect or

scrutinize each alleged member but instead fill in the feature values that fit their schemata, unless they see evidence to the contrary." Thus, one key way in which highly taken-for-granted categories derive their power is by providing a set of baseline assumptions and expectations that structure perceptions and subsequent interaction patterns. In contrast, when taken-for-grantedness of a category is lower, "organizations adopting a new label have not yet converged on a particular configuration of elements recognizable as the content of a legitimate organizational form" (King, Clemens, and Fry 2011, 554). As a result, there are no expectations with regard to a category, and we can make few predictions in terms of how those claiming affiliation with the category will behave.

This theoretical argument suggests two possibilities for how a high level of category taken-for-grantedness may shape the tendency for those claiming affiliation with the category to engage in code-conforming behaviors. On the one hand, when a category is highly taken-for-granted, expectations for those affiliating with the category are clear and widely held, and those producers claiming membership can reasonably anticipate sanctions if they are found to have deviated from them (Zuckerman 1999; Ruef and Patterson 2009). Anticipation of those penalties can serve as a powerful disciplining mechanism, causing organizations to avoid deviating from category codes in the first place or taking actions to bring themselves into compliance with prevailing codes (e.g., Zuckerman 2000).

At the same time, however, audience members are more likely to rely on their default expectations for highly taken-for-granted categories and to presume that those expectations are satisfied unless they see direct evidence to the contrary – at least for full-fledged members. Thus, deviance with respect to the codes of a highly taken-for-granted category may be more likely to go unnoticed unless audience members closely inspect category members. Organizations may in turn view this as a strategic opportunity for non-conformity, either in terms of engaging in code-defying behaviors or failing to engage in code-conforming behaviors.

Overall, then, the consequences of deviating from the codes entailed by a highly taken-for-granted category, and in turn the likelihood of organizations engaging in such behaviors, would seem to hinge on whether non-compliance is likely to be uncovered. If a failure to abide by the codes of a highly

taken-for-granted category is revealed, there should be greater penalties as compared to defying less taken-for-granted categories. However, this may be a moot point, as increased category taken-for-grantedness may reduce the likelihood of code-defying behaviors being detected in the first place.

In some sense, this observation helps reconcile the findings of Hsu and Grodal (2015) mentioned earlier with the longstanding and intuitive theoretical arguments that greater taken-for-grantedness should lead to an increasing likelihood of engaging in code-conforming behaviors and avoiding code-defying ones. The code-defying behaviors that Hsu and Grodal (2015) studied – i.e., raising the level of tar and nicotine in light cigarettes – were highly surreptitious. Thus, increasing taken-for-grantedness of the light cigarette category enabled producers to engage in such actions with impunity because they were unlikely to be caught. In short, the relatively low salience of deviant behaviors may explain why increased taken-for-grantedness provided a strategic opportunity for code-defiance in the case of the light cigarette industry.

Organizational Identity and the Moderating Effects of Category Taken-for-grantedness

The arguments above suggest that category taken-for-grantedness may moderate the effects of identity on engagement in code-conforming behaviors. In particular, it seems likely that, under conditions of high category taken-for-grantedness, participants will increasingly rely on their default expectations to make sense of firms that have insider identities – those that carry with them the presumption of commitment to enacting the codes associated with the category. As a result, ironically, the increasing taken-for-grantedness of a category may create a strategic opportunity for insiders to avoid engaging in costly code-conforming behaviors.

For high levels of taken-for-grantedness of a category to change the behaviors of insider organizations, it would have to be the case that they recognize this strategic opportunity and are willing to take the (albeit smaller) risk of getting caught. They may be particularly willing to do so if they also believe that their identities will shield them from negative consequences in case they are caught (Kovács, Carroll and Lehman 2014).

Of course, whether insiders choose to take advantage of this reduced scrutiny is an open question, and certainly not all insiders will choose to do so. Whether insiders opt to defy category codes likely depends on a number of factors. For example, if insiders are deeply committed to the codes of the category, they may abide by those tenets even if they have the opportunity not to do so. Moreover, if the codes associated with a category are not particularly costly, we suspect that firms would be less likely to resist complying with them. However, when compliance is costly and when organizations are faced with multiple and conflicting pressures (e.g., to be committed to the ideals of Islamic banking but also to be profitable), the prevalence of non-conforming behaviors among insiders will increase as the taken-for-grantedness of the category grows. This will be the case, even if not all insiders opt to defy category codes.

We now consider how increasing taken-for-grantedness might affect those with more of outsider identities. Increasing category taken-for-grantedness entails the typification of members and the establishment of social distinctions (Zerubavel 1997). As a result, firms with outsider identities may stand out more when category taken-for-grantedness is higher and they may face an even greater risk of becoming marginalized or discounted if they are found to have engaged in non-conformity (Durand, Rao, and Monin 2007). For these organizations, then, increasing category taken-for-grantedness should translate into heightened constraints, inducing greater conformity. In a sense, as the category becomes more established, code-conforming action becomes a higher "price of admission" that outsiders must pay to gain acceptance (Jourdan, Durand, and Thornton 2017).

In comparison, we expect that category taken-for-grantedness does little to alter the relationship between identity and conformity for organizations in the middle. On the one hand, they are not as concerned that their identities will subject them to greater scrutiny, and so they do not have the vigilant and compliant response to the solidification of the category that outsider organizations do. On the other hand, they are likely aware that their middling identities do not afford them the wide ability to deviate that fully insider firms receive. As such, we expect them to change their behavior very little. Overall, we make the following prediction:

Hypothesis 2. *Category taken-for-grantedness will moderate the U-shaped relationship between identity and code-conforming behaviors, with the relationship weakening for firms with more of insider identities and strengthening for firms with more of outsider identities.*

Before testing our theoretical arguments, it is important to highlight a few clear scope conditions. First, our arguments pertain to category codes about which there is at least some ambiguity. This ambiguity is necessary in order to observe any variation on engaging in such behaviors; if a behavior is compulsory, there is little room for identity to play a role. Second, our arguments are relevant to category codes that are costly. If a behavior is not costly but nonetheless enhances perceptions of membership in the category, then there is little in the way of a strategic trade-off for organizations to make; it is easy to simply engage in the behavior.

DATA AND METHODOLOGY

We tested our theoretical arguments in the empirical context of zakat payment within the Islamic banking industry. To gain a deep understanding of this setting, we conducted 23 interviews with Islamic bankers and sharia scholars, examined bank annual reports, attended conferences, and also studied the Islamic finance literature. These interviews and background research revealed several pertinent features of the industry, which we highlight below.

Empirical Context: Islamic Banking

Islamic banks provide customers with many of the same financial services that traditional banks offer, but they do so while operating in accordance with the principles of the Islamic religion. The first Islamic bank was established as a profit-sharing experiment in Egypt in the 1960s, but it took several more decades before the industry began to coalesce in other countries (Calder 2019). Today, however, assets under management have reached a total of $2.5 trillion worldwide according to the 2019 ICD-Refinitiv Islamic Finance Development Report. Yet, there is a great deal of cross-national variation on how widespread Islamic banking is, and this variation does not necessarily correspond to whether a country has a Muslim majority. For example, even in majority-Muslim Indonesia, the first Islamic banks in the late 1990s were met with skepticism. Thirty years later, Islamic banking in Indonesia, a country

whose population is more than 80 percent Muslim, accounts for less than 5 percent of the total banking sector, and much cynicism remains towards Islamic banks (Ismal 2013). Thus, we leverage both cross-national and longitudinal variation in the taken-for-grantedness of Islamic banking for our study.

A key feature of the industry, which we exploit in our analyses of the role of identity, is the fact that the rapid growth of the industry as compared to that of conventional banking, has attracted entry by a wide variety of players, including firms whose roots are in conventional finance.

Data

In order to test our hypotheses, we gathered annual data on 118 Islamic banks that were active at any time between 2001 and 2014; collectively, our data encompass banks operating in 23 countries. We identified these banks through the extensive Bankscope database, which designates a bank as Islamic if the bank states that its products and operations abide by sharia law. Our main data sources were the banks' annual reports and websites, as well as Bankscope.

Dependent variable. We tested our theoretical argument about a bank's likelihood of engaging in code-conforming behaviors by focusing on the practice of paying zakat, an annual 2.5 percent charity donation based on the wealth of Muslim *individuals* above a certain threshold (*nisab*). Although there is no doubt as to whether Islamic *individuals* must abide by this code, there is somewhat more ambiguity as to the obligations of *organizations*, including banks (Hasan 2013). Numerous Islamic organizations specify that businesses are under obligation to pay zakat, but at the same time it is less *de rigeur*. As such, our interviewees tended to speak of zakat payment as something an "ideal" Islamic bank would do.

For each firm-year in our dataset, we created a dummy variable coded as "1" if the bank indicated in its annual report that it paid zakat and "0" otherwise. As these reports are audited, we are confident that they accurately capture whether a bank paid zakat. However, to further confirm that banks paying zakat would indeed indicate this in their annual reports, we asked Islamic bankers directly. They confirmed that banks paying zakat would report it; the main reasoning was that if there were to be a 2.5 percent reduction in earnings due to zakat payment (or anything else), banks would have to account for this fact. In our data, banks paid zakat approximately 42 percent of the time, reflecting the fact that it is an expected and

desirable but not necessarily mandatory behavior and allowing for the possibility that such variation

aligns with identity levels and taken-for-grantedness of the category.

   Independent variable. A key independent variable in our study is the extent to which a bank that

has entered the Islamic banking category has an Islamic identity and therefore is perceived as more of an

insider. In our interviews with industry participants, informants repeatedly told us that ownership

structure plays a key role in the social identity of Islamic banks and that they inferred the motives of

different banks based on the extent to which their ownership was Islamic.[5] Many Islamic bankers

expressed doubt that banks owned by non-Muslims would have the zeal to follow Islamic rules. For

example, when asked his opinion about the United Kingdom's goal to be a hub for Islamic banking, an

Islamic banker in Asia whom we interviewed posited, *"That's very nice for our name recognition, but we*

all know they [Western bankers] only want money from the Arabs." This sentiment has been echoed

widely in both the Arab and Western media covering Islamic finance (see, e.g., Wright 2015).

   We measured the extent of insider identity by calculating the percentage of the bank's ownership

that is Islamic. To create the Islamic identity variable, we first compiled all yearly ownership data for

each Islamic bank and then coded for Islamic ownership. We denoted Islamic ownership for the

following: 1) if the bank is owned by a government or government body (for example, a pilgrimage fund

or national asset management fund) of an Islamic country per its Constitution; 2) if the bank is owned by

another Islamic organization (e.g., an Islamic bank or an Islamic fund); 3) if the bank is owned by a

Muslim individual (individual owners are typically members of royal families, sheikhs, or conglomerate

owners). For the limited number of individuals about whom we were uncertain, we relied on our

judgment to code their religion. For example, if their names were of Arabic origin (e.g., Muhammad,

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[5] We do not presume that consumers know the precise level of a bank's Islamic ownership. Rather, in our setting, ownership patterns tend to be revealed through naming patterns; most Islamic banks that are majority-owned by non-Muslims carry blatant markers of their ownership. For example, Islamic banks owned by conventional banks tend to carry names such "HSBC Amanah" or "Standard Chartered Saadiq." The mean Islamic ownership of those with a conventional bank name is 0.041 (4.1 percent Islamic ownership), whereas the mean for those that do not have a conventional bank name is 0.37 (37 percent Islamic ownership). This difference is statistically significant (p (|T| > |t|) = 0.00), which supports our assertion that banks with low level of ownership are indeed likely to be readily recognized as outsiders, due to naming.

Abdullah, Ahmad, etc.), we denoted them as Muslim. These judgments were made for less than 5 percent of our data and we confirm that our results are robust against potential misjudgment (i.e., results are the same when we drop the banks where we inferred the religion of any individual owners). We then calculated the percentage of owners who were Islamic. For example, if a bank has an Islamic owner who holds a 50 percent stake and a second Islamic owner who has a 25 percent stake, total *Islamic ownership* would be 75 percent. Figure 1 shows a histogram of Islamic ownership for banks in our dataset. As the figure shows, banks are distributed evenly enough across different levels of Islamic ownership to minimize the probability that outliers drive our results.

Insert Figure 1 about here

Moderator variable. Our key moderator variable is category taken-for-grantedness, in this case, the extent to which the Islamic banking category is taken-for-granted. A large body of prior work in this area has most commonly measured category taken-for-grantedness by using density measures (i.e., counts of a particular type of firm or product) (see, e.g., Dobrev, Ozdemir, and Teo 2006; Rossman 2014). This practice is based on the argument that the prevalence of a category increases individuals' exposure to and familiarity with it. This in turn increases understanding of the category's meaning and solidifies the expectations people have of those claiming membership in the category.

In this study, we captured the taken-for-grantedness of Islamic banking by calculating the total assets of all Islamic banks divided by the total assets of conventional banks and Islamic banks in country c in year t. We view this measure as preferable to the traditional density measure in this setting because it adjusts for the fact that the same level of assets held by Islamic banks in different countries might not denote the same level of taken-for-grantedness, due to differences in the size of the overall banking market (i.e., including conventional and Islamic banks). When a greater proportion of assets are allocated to Islamic banks, it suggests these banks receive greater consumer attention, which Kennedy (2008) argues is a contributor to cognitive legitimation or taken-for-grantedness.

We lagged our moderator variable by a year to enhance causal inference. We include representative examples of Islamic banking taken-for-grantedness over time for three countries in Figure 2. As the figure suggests, there is generally greater variation in category taken-for-grantedness between countries than within them; our measure, of course, captures both of these sources of variation. Later, to check the robustness of our results, we use an alternative measure of taken-for-grantedness: the count of Islamic banks in country c in year t.

Insert Figure 2 about here

Control variables. We created variables to control for factors that may both affect the likelihood of an Islamic bank adopting zakat and be correlated with either Islamic ownership or category taken-for-grantedness. The set of firm-specific control variables include *Size* as measured by natural log of assets, the natural log of *Age*, and *Profitability* by standardized net income excluding zakat and taxes. We also controlled for various factors that may affect the actions of the bank, such as *Public listing* (coded as "1" if the firm is listed on a stock exchange and "0" otherwise), and *Sharia Supervisory Board* (coded as "1" if the firm institutes a Sharia Supervisory Board (SSB), which is an executive board consisting of sharia scholars who ensure that the products and practices of the bank are in line with sharia law, and "0" otherwise). Further, we added the dummy variable *Derivative use* (coded as "1" if the firm adopts financial derivatives and "0" otherwise). We included this variable as financial derivatives are noticeably considered controversial in the Islamic finance sector (Syakhroza et al. 2019). Thus, there might be a relationship between the types of banks which would engage in controversial practices and whether or not they choose to adopt a code-conforming practice.

We also included a peer-related control variable *Count of zakat payers*, which is the total count of zakat payers in country c and year t, excluding the focal firm and lagged by a year. We also controlled for ownership-related variables, such as *Government ownership* (coded as "1" if the firm is owned by a governmental entity and "0" otherwise), the *Independence* of the management of the bank from its owners, measured by an ordinal variable from the Bankscope database, which ranges from 1 (most

dependent) to 12 (most independent), and the natural log *Count of owners* of the bank to account for the potential explanation that conflict between different owners affects the likelihood of paying zakat.

Furthermore, to account for environmental factors and competition, we controlled for the natural log of *Muslim population* of the country divided by 100,000 and *GDP growth* of the country. We also accounted for the general development of the country's banking sector. We used *Bank density* from The World Bank database, which is the total number of commercial bank branches in a country divided by 100,000 adults. We included year and country fixed effects to account for macroeconomic conditions and country-specific regulations. Table 1 shows means, standard deviations, and correlations amongst variables.

Insert Table 1 about here

Model specifications

To model a bank's likelihood of paying zakat, we used a multilevel mixed effects logistic regression model, where we specify fixed effects at the country-level of analysis and random effects at the individual bank-level. We wanted to examine variation between banks i nested within a country c, with a moderator variable that is at the country c level. Further, our panel data is unbalanced due to banks entering the category at different points in time. These considerations led us to opt for a mixed-effects specification, which is appropriate when there is potential non-independence amongst multiple levels. We checked for potential issues of multicollinearity by using a regression collinearity diagnostic procedure (Belsley, Kuh, and Welsch 2005). The test on our independent variables yielded a score of 14.23, well below the acceptable threshold of 30.

FINDINGS

Table 2 display results of the multilevel mixed effects logistic regression models. In Table 2, we use a continuous measure of identity, where we include first- and second-order variables *Islamic ownership* and *Islamic ownership squared*. In Table 3, we present an alternative specification of the identity variable. We categorized the variable into three splines: 0-33% *Islamic ownership*, 34-66%

Islamic ownership, and 67-100% *Islamic ownership*. Results are consistent across models, although we view the continuous measure as more theoretically in line with the idea that identities can be fuzzy and partial. We thus focus our interpretation on the models in Table 2 and elaborate on Table 3 in the robustness checks. We start from models with only controls (model 1) and progressively add variables to test our core theoretical argument, ending with the full model (model 3).

Insert Table 2 about here

Model 2 examines hypothesis 1 regarding the relationship between identity and the tendency to engage in code-conforming behavior by including first- and second-order variables *Islamic ownership* and *Islamic ownership squared*. We find the expected U-shaped relationship between the level of Islamic ownership and the likelihood of a bank in the Islamic banking category paying zakat; at lower and higher levels of Islamic ownership, as opposed to middling levels, banks were more likely to adopt the practice of zakat payment. We conducted a post-estimation test of the hypothesis that the joint significance of the Islamic ownership and Islamic ownership squared were simultaneously equal to 0. The test confirms that we can strongly reject this possibility ($p < 0.05$). Further, we confirmed through a Hosmer and Lemeshow's goodness-of-fit test that our U-shape model improved fit as compared to a linear-only model. We also conducted the three checks of ensuring a U-shape (Lind and Mehlum 2010). First, there is a significant positive coefficient for the quadratic variable ($\beta = 13.70$; $p = 0.04$). Second, there is a negative slope on the lower bound (-14.93) and a positive slope on the upper bound (13.96). The turning point of the U-shape was 0.52. Third, we graph our results in Figure 3. Overall, these findings are consistent with hypothesis 1.

Insert Figure 3 about here

A second result worth commenting on in model 2 is the observed effect of category taken-for-grantedness. We find that the coefficient associated with *Islamic banking taken-for-grantedness* is not statistically different from zero. The non-effect may result from an averaging of effects that are heterogeneous across banks with different identities, consistent with our main argument.

In model 3, to test our core theoretical argument, in which we proposed that higher taken-for-grantedness of a category would reduce the likelihood of engaging in code-conforming behaviors for organizations with more of insider identities but would increase the likelihood for ones with lower levels of ownership, we interacted *Islamic ownership* and *Islamic ownership squared* with the moderating variable, *Islamic banking taken-for-grantedness*. Although we include both first- and second-order interactions, the coefficient of the second-order term interaction is what determines change in curvature, which is what we hypothesize (Haans, Pieters, and He 2016; Aiken and West 1991). We found this coefficient to be negative (β = -25.25; p = 0.09). We recognize that the significance of our interaction coefficient is marginal. However, as our models are nonlinear, this interaction coefficient and its corresponding significance level do not necessarily provide much insight into the underlying effects of our predictions (Mize, 2019). We took additional steps to confirm that our results are indeed consistent with our hypotheses.

First we calculated the turning points of the U-shape at two levels of the moderator (mean – 1 S.D and mean + 1 S.D of *Islamic banking taken-for-grantedness*) and the corresponding slopes of the U-shape one standard deviation before and after each turning point (Haans et al. 2016). We then used the *lincom* command in Stata to test the differences in the slopes. The test indicates that at both points (turning point – 1 S.D and turning point + 1 S.D), the differences in slopes are significantly different between the two U-shapes (β = 1.2, p = 0.01, β = 6.2, p = 0.05). Second, we follow the recommendation of Mize (2019) and graphed our results in two ways, the first on the predicted probabilities (Figure 4) and the second on the marginal effect on the mean probabilities (Figure 5). In Figure 4, we graph at the median level of the moderator (*Islamic banking taken-for-grantedness*) and 1 standard deviation above and below. The solid line depicts the effects of ownership at low levels of taken-for-grantedness (TFG). Results are similar to those reported earlier; when category taken-for-grantedness is low, there is a U-shaped relationship between Islamic ownership and the likelihood of paying zakat. The dotted and dashed lines, respectively, show the effects of ownership on zakat payment under conditions of moderate and high taken-for-grantedness of the Islamic banking category, respectively. In line with our hypothesis 2, the dotted line

indicates that under conditions of high taken-for-grantedness of the Islamic banking category, banks with both lower and higher levels of Islamic ownership change their behaviors. Banks with lower levels of Islamic ownership are more likely to pay zakat as taken-for-grantedness of the Islamic banking category increases, whereas banks with higher levels become less likely. Figure 4 also indicates that banks with moderate levels of Islamic ownership behave similarly under conditions of high category taken-for-grantedness as they do under low taken-for-grantedness. Figure 5 shows these same relationships with marginal effects. In line with our hypothesis 2, under higher levels of Islamic ownership, the marginal effect for high taken-for-grantedness is lower than for low taken-for-grantedness. The opposite holds under low levels of Islamic ownership. In all, we are confident that our second hypothesis is supported despite the marginal significance of the interaction term in the model.

Insert Figures 4 & 5 about here

Robustness Checks

We conducted several robustness checks to further validate our findings. First, we further probed the existence of a U-shaped relationship and its moderation by running two additional models, shown in Table 3. We first created three splines of *Islamic ownership* at 0.33, 0.66, and 1 (0-33%, 34-66%, and 67-100% *Islamic ownership*) and then replicated model 2 with the splines instead of with the first- and second-order terms. We show results in model 4. As shown, the probability of zakat payment is lower (β = -8.18; p = 0.10) when Islamic ownership is between 0 to 33%. At moderate levels of Islamic ownership (between 33 to 66%), we see a negative but insignificant relationship (β = -7.55; p = 0.19). At high levels, the relationship is positive and significant (β = 19.71; p = 0.03). We then interacted each of these splines with *Islamic banking taken-for-grantedness* in model 5. We find a positive significant interaction when Islamic ownership is low (β = 31.32; p = 0.03), and a negative significant interaction when it is high (β = -25.22; p = 0.10). The interaction is not significant at moderate levels of Islamic ownership (β = -26.37; p = 0.11). In all, the results with these piecewise models are in line with our main models.

Second, we split our sample at 0.50 (50% *Islamic ownership*) and ran conditional logit models on the probability of zakat payment on each sub-sample. Not only is this value close to the turning point of the U-shape (in line with the suggestion of Haans and colleagues (2016)), which is at 0.52 (52% *Islamic ownership*), this also aligns with Fiss and Zajac's (2006) benchmark for a controlling ownership portion. As a large proportion of the banks in our data have low levels of Islamic ownership (as can be seen in Figure 1), we have a higher number of observations for the sample below 50% *Islamic ownership* as compared to the sample above. Moreover, because the sample is split, a few countries have become perfect-predictors and 10 banks in total are thus dropped from the models. In models 6 and 7, we show that *Islamic ownership* moderated with *Islamic banking taken-for-grantedness*. Results in both specifications of the independent variable support all our main findings.

Insert Table 3 about here

Third, we ensured the veracity of our *Islamic banking taken-for-grantedness* variable using an alternative measure. Because prior research has used density to capture category taken-for-grantedness, we tested whether our findings were robust to using the *count of Islamic banks* in country *c* in year *t.* As can be seen in model 8 of Table 4, results are consistent with hypotheses 2.

Fourth, we accounted for the possibility that bank status, rather than identity, drives our results. In particular, it could be the case that our measure of identity (i.e., level of Islamic ownership) captures not only the extent to which an organization is perceived as an insider but also a bank's social status. Thus, we undertook analyses to disentangle these two constructs. Based on our background research and interviews, we learned that an Islamic bank's status is at least partially determined by its Sharia Supervisory Board (SSB) composition, which usually comprise of Sharia scholars who are charged with ensuring a bank's compliance with the principles of the Islamic faith. Although having a SSB is common, Islamic banks face a shortage of human resources with knowledge in both sharia law and finance. As a consequence, the relatively small number of expert sharia scholars tend to sit on multiple boards of Islamic banks worldwide, and their decisions regarding the permissibility of products or practices are

highly influential. Accordingly, having a high-status sharia scholar on one's board both indicates a bank's status, in the sense that such banks were able to attract the most in-demand scholars, and endows a bank with higher status, because these scholars represent a visible symbolic endorsement of the bank.

To measure bank status, we created a Bonacich centrality score for each scholar in a bank's SSB. This was done by creating a symmetrical matrix of all 380 scholars in our dataset per year to account for overlaps in bank directorship between any two scholars. We first calculated the centrality scores and then summed the normalized score of SSB members for each bank-year. We found that the correlation between bank status and Islamic ownership was 0.16 among the banks that had a SSB; having a higher level of Islamic ownership only weakly correlates with having higher status. This may be due to the fact that some outsider (i.e., lower Islamic ownership) banks are widely respected as conventional banks and are able to attract Sharia scholars that are central in the network.

In order to examine the effect of status, we ran a Heckman two-step procedure to account for self-selection bias (e.g., a bank with no SSB might already be less committed to Islamic principles and thus less likely to pay zakat), as there are a few banks that do not have a SSB. We first used the variables from model 2 to run a first-step logistic regression model predicting the likelihood of a bank having a SSB (with a dummy of 1 if the bank has a SSB and 0 otherwise). Based on the results, we then generated for each bank-year an inverse Mill's ratio. In the second step, we replicated model 3 and additionally included both the inverse Mill's ratio and the variable *Bank status*, shown in model 9 of Table 4. The inverse Mills Ratio of the first step model was not significant in the second stage, which suggests that there is no evidence of self-selection bias in our results. As can be seen in model 9, the U-shaped relationship between Islamic ownership and zakat payment remains, and the interaction with category taken-for-grantedness operates as predicated.

Insert Table 4 about here

CONCLUSION

A long line of research in organizational and economic sociology has emphasized that highly taken-for-granted categories constrain organizations by proscribing codes that must be followed (DiMaggio and Powell 1983; Hannan, Pólos, and Carroll 2007; Paolella and Sharkey 2017, Zuckerman 1999). However, recent work has suggested counterintuitively that an increase in the extent to which a category is widely understood may create an opportunity for firms to strategically maneuver, including adopting practices that defy category codes or opting not to engage in activities that are considered de rigueur for category members (Hsu and Grodal 2015). The possibility for greater non-conformity is thought to arise because high levels of taken-for-grantedness of a category increased the likelihood that audiences will draw inferences about the organizations on the basis of their having claimed affiliation with the category, rather than scrutinizing them in detail. Prior work has not specified the conditions that determine whether category taken-for-grantedness will heighten conformity or reduce it, prompting Hsu and Grodal (2015: 54) to call for researchers to "better unify ideas regarding categorical constraint and producers' strategic manipulation of category expectations."

Our study responds to this call by suggesting that the effect of organizational identity is contingent on the level of category taken-for-grantedness. We argued and found that a high level of category taken-for-grantedness enabled insider firms to deviate from category codes, while pressure toward conformity remained for outsider firms. Ironically, this meant that the insider banks that audiences tend to view as committed or driven by pure (rather than profit-making) motives were actually most likely to respond to strategic opportunities for deviance that arose when Islamic banking gained traction.

While the idea that banks with a high level of Islamic ownership nonetheless shifted their behavior strategically is surprising in one sense, we note that these banks are hybrid organizations operating in an institutional environment pervaded by the competing logics of religious values and a profit-driven mentality. Their shifting behaviors are likely just one manifestation of this fact. Boone and Özcan (2016) found a similarly strategic form of behavior in their examination of the likelihood of Islamic banks to hire branch managers whose backgrounds were in conventional banking – an action that

they characterized as undermining the ideological purity of the banks. We do not claim that insiders will always take advantage of the reduction in scrutiny associated with category taken-for-grantedness. Instead, we merely point out that increasing category taken-for-grantedness creates the opportunity for them to do so, and in some cases, such as when code conformity is costly and when firms face conflicting pressures, firms will opt to act on that opportunity.

One important and relatively distinctive feature of our study is that we focus on non-conformity that entails failing to engage in a practice that is an established part of the category code (i.e., not paying zakat). Other work has examined non-conformity that consists of organizations adopting novel practices that go against the existing category code (Mathias, Huyghe, and Williams in press; Rao, Durand and Monin 2005). For example, Syakhroza, Paolella and Munir (2019) examined the drivers of derivative use among insider Islamic banks. These two types of non-conformity are qualitatively different and seem to arise through different processes. That is, non-conformity which involves the adoption of novel practices that go against the existing code seems to originate from outsiders and then perhaps diffuse to insiders. In contrast, non-conformity which involves failing to engage in practices that are a part of the category code seems to be something that insiders may do with impunity in certain cases but which outsiders can never do if they wish to be accepted. We believe that the distinction between these two forms of non-conformity could further refine our understanding of the antecedents and consequences of non-conforming behaviors.

Theoretically, it is worth emphasizing that our focus on organizational identity was motivated by the observation that the mechanism through which greater category taken-for-grantedness has been argued to increase non-conformity involves scrutiny and attention reduction, which allows non-conformity to go unnoticed. Identity is one factor determining the extent to which an organization's actions will be met with scrutiny, but a more general unifying framework could be built by considering other factors that might affect likelihood of detection of non-conformity and subsequent audience responses. As we noted earlier, the salience of the code violation is likely another factor that would fit within such a framework. Another factor would also be the adoption of conflicting codes. For example, a restaurant might serve "authentic" cuisine yet violate local health laws (Lehman, Kovacs, and Carroll,

2014). In the case at hand, it is worth noting that zakat payment and financial derivative adoption are positively correlated. The choice for organizations to selectively apply conflicting codes may vary contingent on the level of category taken-for-grantedness. We leave it to future work to further explicate and test other factors that could explain when taken-for-grantedness of a category acts as a constraint and when it presents a strategic opportunity for non-compliance.

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TABLE 1. Descriptive Statistics and Pairwise Correlations

	Variable	Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Zakat payment	0.42	0.49	0	1																
2	Islamic ownership	0.30	0.36	0	1	-0.11															
3	Islamic bank TFG	0.35	0.34	0	1	-0.24	0.18														
4	Count of total Islamic banks (alt. TFG)	9.81	4.98	1	17	-0.01	0.01	0.38													
5	Size, ln	7.00	2.12	-7.86	11.22	0.11	0.15	0.18	0.17												
6	Age, ln	2.55	0.84	0.69	4.62	0.00	0.32	0.29	-0.02	0.36											
7	Profitability, std	0.00	1.06	-4.08	10.42	0.05	0.00	0.08	-0.05	0.40	0.27										
8	Publicly listed	0.47	0.50	0	1	0.12	-0.04	-0.08	-0.34	0.12	0.19	0.16									
9	Sharia Supervisory Board	0.80	0.40	0	1	0.29	-0.19	-0.67	-0.27	-0.13	-0.18	-0.07	0.09								
10	Derivative use	0.14	0.34	0	1	0.25	-0.11	-0.21	0.29	0.24	-0.14	0.03	-0.22	0.20							
11	Count of zakat payers	1.44	2.36	0	13	0.26	0.05	-0.04	0.22	-0.07	-0.08	-0.12	-0.05	0.18	0.15						
12	Government owned	0.19	0.39	0	1	0.06	0.16	0.09	0.13	0.04	0.09	-0.04	-0.25	-0.16	0.08	-0.03					
13	Independence	5.20	4.22	0	11	-0.05	-0.17	0.07	-0.23	-0.01	0.05	0.14	0.45	-0.08	-0.30	-0.10	-0.54				
14	Count of owners, ln	1.06	0.52	0	2.40	-0.07	0.20	0.16	-0.13	0.06	0.13	0.06	-0.02	0.04	-0.13	-0.01	-0.16	0.23			
15	Muslim population, ln	5.02	1.77	1.55	7.71	0.11	0.09	0.17	-0.13	-0.12	0.03	0.02	-0.07	-0.33	-0.04	-0.03	0.22	-0.15	0.08		
16	GDP growth	4.69	4.11	-15.09	26.17	-0.03	-0.03	-0.14	-0.18	-0.10	-0.02	0.01	0.07	0.09	-0.02	-0.13	-0.02	0.05	-0.14	-0.13	
17	Bank density (branches per 100,000 pop.)	11.00	7.87	1.50	29.22	-0.17	0.05	0.37	0.22	0.36	0.13	0.20	-0.10	-0.54	0.01	-0.17	0.20	0.01	-0.15	0.17	0.00

TABLE 2. Mixed-Effects Logistic Estimations: Likelihood of Zakat Payment

VARIABLES	Model 1 Controls	Model 2 Hypothesis 1	Model 3 Hypothesis 2
Islamic ownership		-14.13*	-18.92*
		(6.153)	(7.955)
Islamic ownership squared		13.70*	20.68*
		(6.810)	(8.498)
Islamic banking taken-for-grantedness		-0.38	0.49
		(1.552)	(3.424)
Islamic ownership x Islamic banking TFG			15.95
			(14.476)
Islamic ownership squared x Islamic banking TFG			-25.25+
			(14.881)
Size	0.35	0.31	0.32
	(0.229)	(0.235)	(0.249)
Age	0.60	0.60	0.60
	(0.632)	(0.676)	(0.710)
Profitability	0.19	0.22	0.17
	(0.303)	(0.294)	(0.306)
Publicly listed	2.86*	3.26*	3.57*
	(1.320)	(1.428)	(1.580)
Sharia Supervisory Board	1.89	2.08	2.36
	(2.519)	(2.951)	(3.156)
Derivative use	-0.53	-0.50	-0.61
	(0.704)	(0.720)	(0.746)
Count of zakat payers	-0.25	-0.28	-0.27
	(0.175)	(0.184)	(0.193)
Government owned	2.28	2.54	3.32+
	(1.683)	(1.798)	(1.980)
Independence	0.27	0.35	0.30
	(0.191)	(0.221)	(0.234)
Count of owners (ln)	0.86	1.48*	1.52*
	(0.644)	(0.710)	(0.735)
Muslim population in country (ln)	3.32	3.14	3.22
	(2.674)	(2.734)	(2.915)
GDP growth	0.01	0.00	0.00
	(0.047)	(0.047)	(0.048)
Bank density	0.02	0.02	0.03
	(0.148)	(0.151)	(0.157)
Constant	-30.45**	-29.31*	-30.43*
	(11.803)	(12.161)	(13.165)
Year and country dummies	Y	Y	Y
Log pseudolikelihood	-266.59	-263.24	-260.30
χ^2 (df)	92.89 (40)	89.72 (43)	82.63 (45)
Observations (bank-years)	1,076	1,076	1,076
Number of banks	118	118	118

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

TABLE 3. Alternative Specifications

VARIABLES	Model 4 Spline Model	Model 5 Spline with Moderation	Model 6 <50% Islamic ownership	Model 7 >50% Islamic ownership
Islamic ownership			-26.34**	78.06***
			(8.916)	(22.623)
Low Islamic ownership (0-33%)	-8.18+	-16.90*		
	(4.977)	(7.080)		
Moderate Islamic ownership (33-66%)	-7.55	1.00		
	(5.820)	(6.987)		
High Islamic ownership (66-100%)	19.71*	23.63*		
	(9.051)	(10.159)		
Islamic banking taken-for-grantedness	-0.21	-3.32	3.50	65.36*
	(1.536)	(2.940)	(5.233)	(31.712)
Islamic ownership x Islamic banking TFG			44.58**	-98.96*
			(16.899)	(40.846)
Low Islamic ownership (0-33%) x Islamic banking TFG		31.32*		
		(14.521)		
Moderate Islamic ownership (33-66%) x Islamic banking TFG		-26.37		
		(16.484)		
High Islamic ownership (66-100%) x Islamic banking TFG		-25.22+		
		(15.177)		
Size	0.31	0.11	1.76***	0.05
	(0.240)	(0.227)	(0.465)	(0.712)
Age	0.63	0.42	-1.41	7.14**
	(0.686)	(0.706)	(1.068)	(2.283)
Profitability	0.29	0.15	-0.32	0.27
	(0.292)	(0.298)	(0.435)	(0.533)
Publicly listed	3.48*	4.92**	2.90	3.94
	(1.485)	(1.718)	(2.416)	(2.394)
Sharia Supervisory Board	2.42	6.34*	-0.67	0.75
	(2.733)	(2.911)	(4.404)	(2.142)
Derivative use	-0.41	-0.51	-1.77+	0.22
	(0.742)	(0.767)	(1.012)	(1.646)
Count of zakat payers	-0.32+	-0.11	-0.01	-1.40**
	(0.190)	(0.199)	(0.296)	(0.520)
Government owned	2.76	3.88+	4.65	1.54
	(1.876)	(2.011)	(2.885)	(2.722)
Independence	0.40+	0.20	0.34	4.00**
	(0.233)	(0.235)	(0.283)	(1.523)
Count of owners (ln)	1.40+	1.24	1.52	-1.11
	(0.740)	(0.756)	(1.042)	(1.688)
Muslim population in country (ln)	3.07	1.42	4.45	-0.29
	(2.801)	(0.906)	(3.831)	(9.253)
GDP growth	-0.00	0.00	-0.01	-0.07
	(0.047)	(0.048)	(0.061)	(0.148)
Bank density	0.02	-0.19+	0.23	-0.51
	(0.154)	(0.099)	(0.235)	(0.538)
Constant	-30.25*	-25.84***	-37.51*	-73.15+
	(12.540)	(7.637)	(17.435)	(41.573)
Year and country dummies	Y	Y	Y	Y
Observations (bank-years)	1,076	1,076	663	237
Number of banks	118	118	77	31

Standard errors in parentheses

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

TABLE 4. Robustness Checks

VARIABLES	Model 8 Alt. TFG	Model 9 Status
Islamic ownership	-24.13*	-22.07+
	(10.976)	(11.500)
Islamic ownership squared	28.56*	23.72*
	(12.460)	(12.075)
Islamic banking taken-for-grantedness		0.74
		(5.173)
Islamic ownership x Islamic banking TFG		41.71
		(30.540)
Islamic ownership squared x Islamic banking TFG		-57.13+
		(33.903)
Count of total Islamic banks (alternative TFG)	-0.18	
	(0.141)	
Islamic ownership x Islamic banking taken-for-grantedness (alternative TFG)	1.42	
	(0.935)	
Islamic ownership squared x Islamic banking taken-for-grantedness (alternative TFG)	-1.99+	
	(1.055)	
Bank status		-0.01**
		(0.003)
Size	0.40	0.40
	(0.271)	(0.286)
Age	0.35	1.97*
	(0.775)	(0.842)
Profitability	0.10	0.38
	(0.316)	(0.410)
Publicly listed	4.62**	2.27
	(1.730)	(1.831)
Sharia Supervisory Board	8.14*	
	(3.320)	
Derivative use	-0.27	-0.43
	(0.792)	(0.807)
Count of zakat payers	-0.04	0.18
	(0.224)	(0.215)
Government owned	3.49	1.77
	(2.259)	(1.878)
Independence	0.20	0.28
	(0.236)	(0.222)
Count of owners (ln)	1.51+	0.36
	(0.834)	(0.756)
Muslim population in country (ln)	1.69+	-1.62
	(1.022)	(1.310)
GDP growth	0.00	0.03
	(0.048)	(0.060)
Bank density	-0.13	0.03
	(0.115)	(0.197)
Inverse Mills Ratio		1.35
		(4.395)
Constant	-32.63***	-1.00
	(9.348)	(8.129)
Year and country dummies	Y	Y
Observations (bank-years)	1,076	608
Number of banks	118	92

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

FIGURE 1
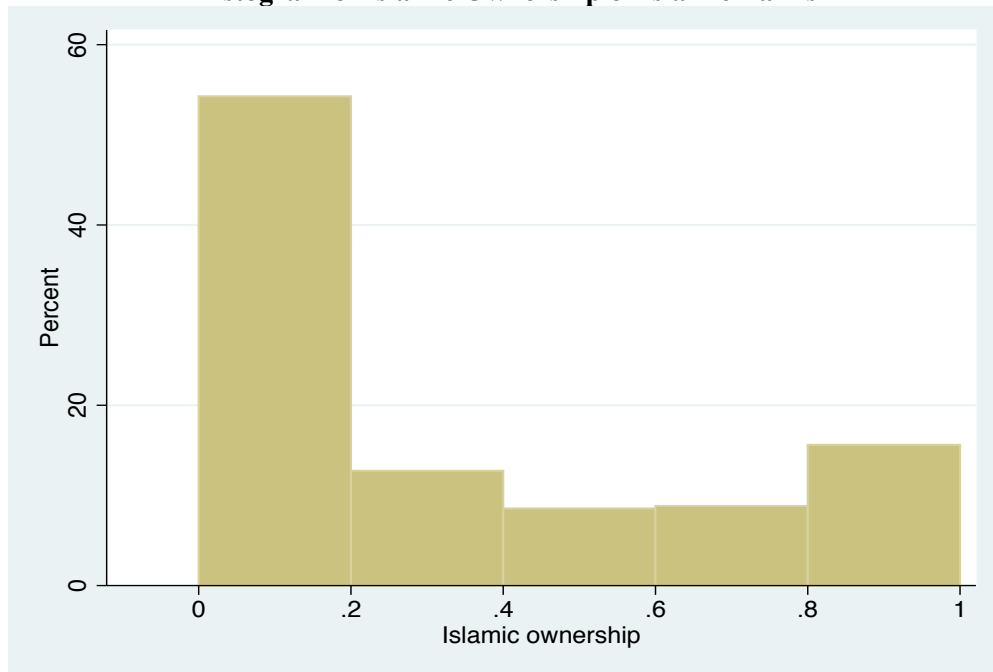**Histogram of Islamic Ownership of Islamic Banks**

FIGURE 2
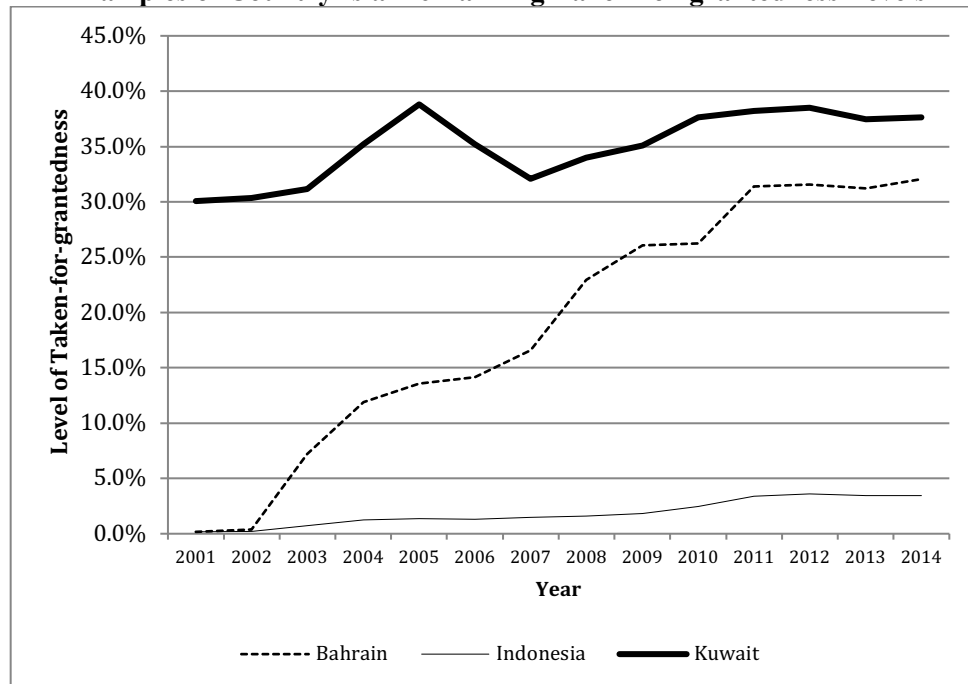**Examples of Country Islamic Banking Taken-for-grantedness Levels**

FIGURE 3
Relationship between Islamic Ownership and Probability of Zakat Payment with 95% Confidence Interval
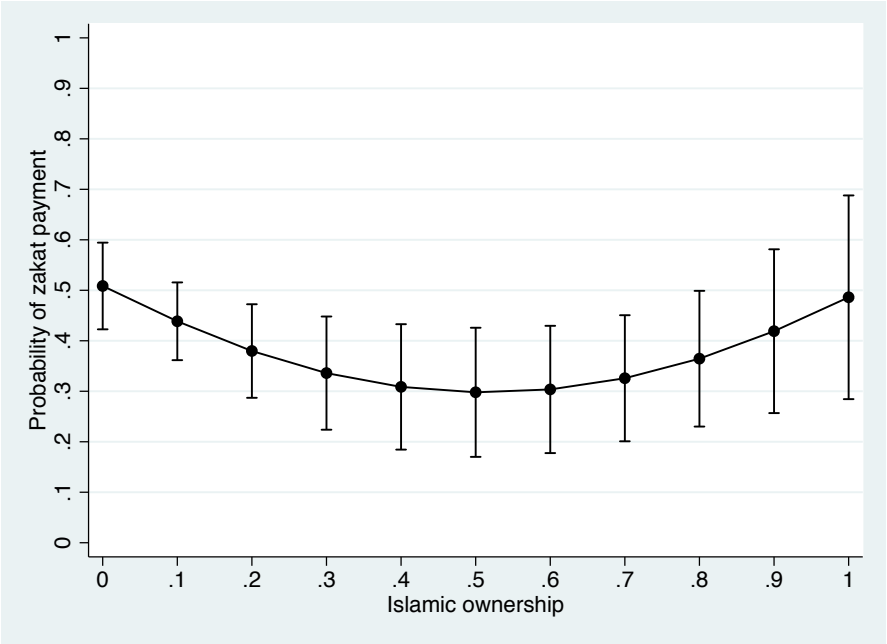

FIGURE 4
Interaction between Islamic Ownership and Islamic Banking Taken-for-Grantedness on Probability of Zakat Payment
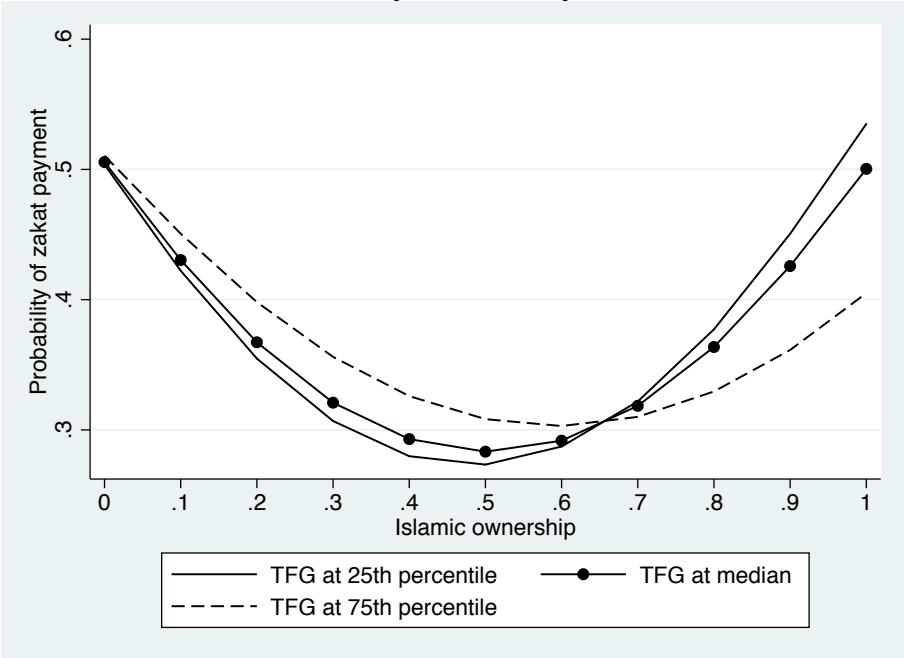
FIGURE 5
Interaction between Islamic Ownership and Islamic Banking Taken-for-Grantedness on
Probability of Zakat Payment (Marginal Effects)