International Journal of Advanced Multidisciplinary Research and Innovation
E-ISSN: 3107-6157 editor@ijamri.com
Volume 2, Issue 6, November-December 2026

From Strategic Partnership Quality to Performance: The Mediating Role of Partnerships in BRI Islamic Financing

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Abstract

This research investigated the impact of strategic partnership quality in enhancing Belt and Road Initiative (BRI) Islamic financing performance, specifically Chinese banks. It examined the direct linkage between the quality of the partnership and financial performance along with its mediating role between internal capability, partnership traits and performance. The research was conducted with a quantitative and cross-sectional approach, with questionnaires as measurement instruments. The data presented were analysed using descriptive statistics, reliability testing, Pearson correlation, multiple regression and bootstrapping mediation analysis in Microsoft Excel. The findings showed positive relationship between partnership quality and financing performance (β = 0.382), positive indirect effects involving internal capabilities (B = 0.168) and partnership traits (B = 0.143). The research also pointed out the implications for strengthening organisations' capacities, interinstitutional cooperation and strategic financing partnerships for Chinese banks as part of BRI activities.

Keywords: Belt and Road Initiative, Islamic Financing, Chinese Banks, Partnership Quality, Internal Capabilities and Mediation Analysis.

Introduction

China's Belt and Road Initiative (BRI) has facilitated more economic connectivity in the world, creating new avenues for cross-border financing and cooperation involving Islamic financial institutions. The effectiveness of such arrangements relies not only on financial resources, but also on the organisational capabilities of banks, financial partner characteristics, and interorganisational relations [1]. All these factors are considered the foundational elements for examining strategic partnerships in Chinese banks' Islamic financing.

International Journal of Advanced Multidisciplinary Research and Innovation
E-ISSN: 3107-6157 editor@ijamri.com
Volume 2, Issue 6, November-December 2026

Background of Islamic Financing under the Belt and Road Initiative

BRI, launched in 2013, is a well-known Chinese project for advocating the global construction of infrastructure, trade connectivity, and cooperative finance. As stated by the State Council Information Office (2026), China's RMB 23.60 trillion worth of trade with BRI countries in 2025 accounted for 51.9% of the country's total merchandise trade [2]. During this time, global Islamic finance assets increased, totalling US$5.98 trillion in 2024, which underpinned the international significance of the sector [3]. Such developments open further opportunities for Chinese banks to consider Shariah-compliant financing arrangements, especially in Muslim-majority BRI markets. However, growth in trade connectivity is not evident in the actual growth of Chinese banks' Islamic financial activities.

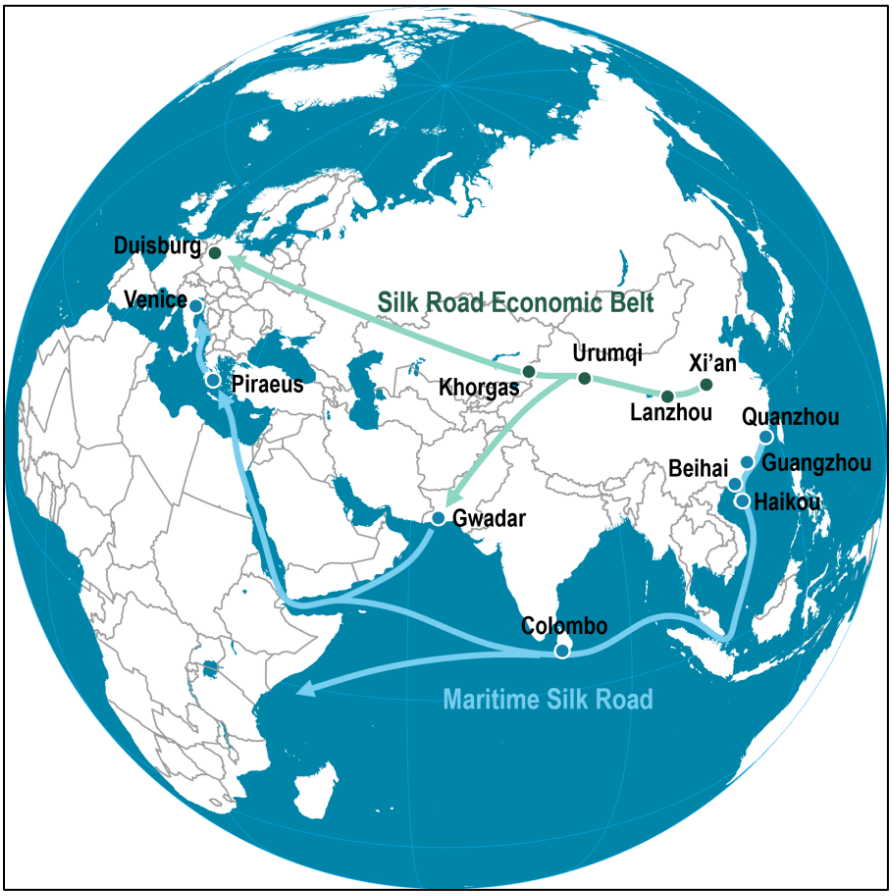


Figure 1: The Belt and Road Initiative (BRI) [14]

Strategic Partnerships in BRI Islamic Financing

Strategic partnerships play a critical role in facilitating Islamic finance expertise, local market knowledge, and accessibility of cross-border financing networks by Chinese banks. The Islamic Development Bank and Bank of China have also discussed cooperating on sukuk investment and Islamic capital markets in January 2024 [4]. Such engagement does not reflect actual financing outcomes, but instead an emerging opportunity. Partnership effectiveness might rely on organisational skills, capabilities, trust, commitment and

International Journal of Advanced Multidisciplinary Research and Innovation
E-ISSN: 3107-6157 editor@ijamri.com
Volume 2, Issue 6, November-December 2026

complementary resources. As a result, partnership quality becomes an important mechanism through which institutional relationships could help to enhance financing outcomes.

Research Aim and Objectives

The research aims to investigate how partnership quality affects Chinese banks' BRI Islamic financing performance, along with examining the mediating relationship between internal capabilities and partnership traits among Chinese banks. Here, the study objectives are:

- To investigate the relationship between partnership quality and BRI Islamic financing performance.
- To determine the mediating role of partnership quality between internal capabilities and financing performance.
- To demonstrate the mediating influence of partnership quality between partnership traits and financing performance.

Literature Review

Internal Capabilities and Strategic Financing Partnerships

Internal capabilities heavily influence the ability of Chinese banks to form and sustain strategic international financing partnerships. These capabilities mainly include financial knowledge, organisational resources, employee competencies, and cross-border operational experience. In this regard, Chen et al. (2022) have shed light on a higher level of financing by Chinese policy banks to BRI countries after the launch, especially for infrastructure [5]. Likewise, Cai et al. (2023) pointed out that customer relationships and geopolitical factors were significant factors shaping the overseas expansion of Chinese banks [6]. These findings indicate that integrated organisational capabilities with market knowledge can strengthen sound partnerships in Islamic finance in BRI markets.

Partnership Traits and Interorganisational Cooperation

Relations between financial institutions operating across different countries are influenced by partnership characteristics, especially trust, commitment, and resource complementarity. Zou et al. (2023) pinpointed interorganisational trust as a key determinant of relationships and outcomes in business contexts [7]. Moreover, Schilke and Lumineau (2023) stressed that trust is found at both individual and organizational levels, influencing collaborative interactions [8]. Complementary Shariah expertise and continued commitment may facilitate cooperative efforts between Chinese banks and Islamic banks. Hence, it becomes challenging due to differences in regulatory practices, organisational expectations, and financing requirements, which can complicate associations.

International Journal of Advanced Multidisciplinary Research and Innovation
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Figure 2: The Belt and Road Initiative Advancing China's Interest [15]

Partnership Quality and BRI Islamic Financing Performance

The partnership quality is indicated by the degree of effectiveness of coordination, information sharing, decision-making, and satisfaction levels of the financing institutions. In this regard, Chen et al. (2022) found that the policy banks of China were linked to better financing conditions such as lower spreads and longer financing terms when providing loans for China's Belt and Road initiative [5]. On the contrary, Shabani (2024) highlighted the use of Shariah-compliant infrastructure financing mechanisms as a possible solution to overcome banking challenges in financing infrastructure and the associated risks [9]. While these studies discussed various forms of finance, they imply the importance of effective institutional arrangements for achieving positive financing outcomes. As a result, the quality of banking partnerships could lead to better banking performance by Islamic banks in the BRI.

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The Mediating Role of Partnership Quality

Partnership quality may serve as an intermediary mechanism between organisational and relational resources and financing performance. Zou et al. (2023) defined the impact of interorganisational trust on relational processes and strategic outcomes in international business [7]. More specifically, in business banking, van der Merwe et al. (2024) explored the connection with trust, commitment, and relationship satisfaction [10]. Chinese banks could similarly benefit from extending these perspectives, in terms of internal capability and the nature of partnerships, to further improve coordination, information sharing, and collaborative effectiveness. Such enhancements will reinforce outcomes of BRI Islamic financing in the future. However, the proposed mediation must be directly tested and cannot assume existing causality.

Research Gap and Conceptual Framework

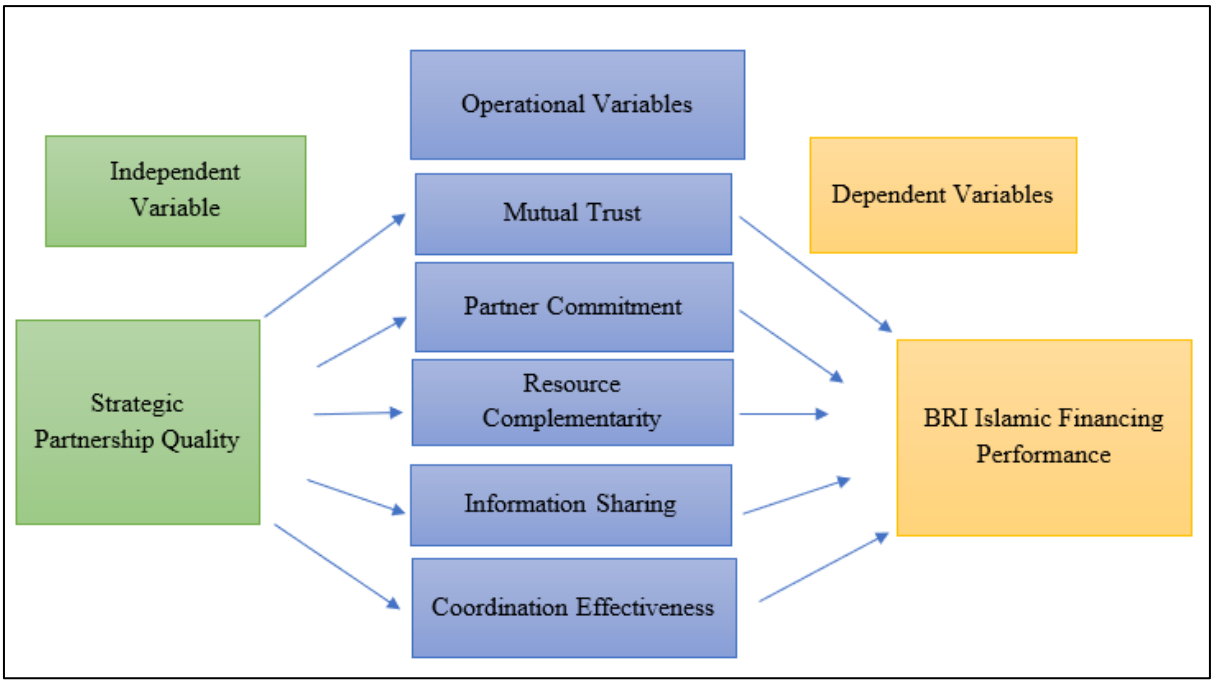


Figure 3: Conceptual Framework

Previous research has explored the cross-border development capabilities of Chinese banks, BRI finance and cooperation among financial institutions, and the significance of the institutional supports and strategic relationships enabling Chinese financial institutions to engage in international development [5,6,7]. In contrast, little empirical research has focused on the impact of partnership quality on the performance of Shariah-compliant financing in the context of the BRI in China. In addition, the linkage between the internal capabilities and partnership characteristics and financing outcomes is not significantly captured by the partnership quality variable. This study addresses these gaps by reviewing the strategic mechanism of partnership quality between organisational resources and inter-organisational relationships and BRI Islamic financing performance of Chinese banks.

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Identified Hypothesis

H1: Partnership quality has a positive effect on the performance of BRI Islamic financing.

H2a: Partnership quality mediates the relationship between internal capabilities and performance.

H2b: Partnership quality mediates the relationship between partnership traits and performance.

Methodology

The appropriate design of this research was quantitative descriptive research, further guided by the positivism research philosophy as well as deductive approach. Positivism becomes significant in supporting objective measurement across relationships between internal capabilities, characteristics of partnerships, relationship level, and the performance of BRI. The deductive method helped to examine hypotheses based on theory-established relationships. These variables were investigated using a cross-sectional survey design in research settings examined by Chinese banks that engage in BRI-related Islamic financing activity.

The target population comprised banking professionals from China with expertise in cross-border Islamic financing and BRI-related strategic partnerships. For this, the respondents were selected using purposive and non-probability sampling techniques so that respondents could share their meaningful professional experiences. The study specifies a sample size of 351 respondents. A structured questionnaire with 20 statements that consists of four constructs, including internal capabilities, partnership traits, partnership quality, and financing performance, was used to collect primary quantitative data. The answers are rated on a five-point Likert scale, from strongly disagree (1) to strongly agree (5).

The collected data were organised and statistically analysed using MS Excel. Descriptive statistics such as means, standard deviations, frequencies and percentages were summarised for underpinning characteristics of the respondents and their responses to the questionnaire items. The reliability of the questionnaires was determined using Cronbach's alpha, where 0.70 was set as the minimum threshold for reliability. Pearson correlation was also used to identify relationships between variables, and multiple linear regression models direct relationships between variables. Mediation analysis using regression was used to test H2(a) and H2(b) and was supported with 5000 bootstrapped replications and the 95% CI. Results with zero error rejection were assessed at the 5% level with regression coefficients, effect size, and model fit.

Findings and Analysis

Respondent Demographic Profile

The sample of 351 respondent profiles concerning Chinese banking-related data was used. The Islamic Finance Professionals were the largest group (25.4%) and 40.5% had at least 6-10 years of banking experience. Joint-stock commercial banks (32.5%) were the next biggest group, followed by the state-owned banks with 39.9%. The major activity on the BRIs was infrastructure financing (38.5%).

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Table 1: Demographic Characteristics of Respondents (N = 351)

Characteristic	Category	Frequency	Percentage
Professional role	Islamic finance specialist	89	25.4%
	Partnership/relationship manager	63	17.9%
	Risk/compliance professional	65	18.5%
	Banking management	65	18.5%
	International financing officer	69	19.7%
Banking experience	Less than 3 years	29	8.3%
	3–5 years	88	25.1%
	6–10 years	142	40.5%
	More than 10 years	92	26.2%
Bank ownership	State-owned bank	140	39.9%
	Joint-stock commercial bank	114	32.5%
	Other commercial bank	82	23.4%
	Other/Undisclosed	15	4.3%
BRI financing activity	Infrastructure financing	135	38.5%
	Trade financing	102	29.1%
	Energy financing	72	20.5%
	Other financing activities	42	12.0%

Descriptive Statistics and Reliability Analysis

Four constructs, including internal capabilities (IC), partnership traits (PT), partnership quality (PQ), and financing performance (PERF), were evaluated using descriptive statistics. Average responses across the constructs were on a 5-point Likert scale with the mean values from 2.990 to 3.022. Internal capabilities scored the highest on average (3.022), whereas partnership quality had the lowest score (2.990). The standard deviations ranged from 0.995 to 1.020, which implies the variation was similar in both cases. The alpha value

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exhibited a very high range of 0.892 and 0.897, which is higher than the suggested threshold of reliability at 0.70. Partnership traits demonstrated the highest internal consistency (α = 0.897), followed by internal capabilities (α = 0.894). These results confirm good measurement scores, but they do not demonstrate construct validity.

Table 2: Descriptive Statistics and Cronbach's Alpha

Construct	N	Mean	SD	Cronbach's α
Internal Capabilities (IC)	351	3.022	1.020	0.894
Partnership Traits (PT)	351	2.998	0.998	0.897
Partnership Quality (PQ)	351	2.990	0.995	0.892
Financing Performance (PERF)	351	3.012	1.001	0.894

Correlation Analysis

There were positive relationships observed across all constructs, as obtained through Pearson correlation analysis. Partnership quality exhibited the strongest association with financing performance (r = 0.503), followed by internal capabilities (r = 0.387) and partnership traits (r = 0.287). Internal capabilities were found to have a positive correlation with the quality of the partnership (r = 0.535), and partnership traits were positively related to the quality of the partnership (r = 0.477). There was a comparatively low correlation between the independent variables (r = 0.229), which indicated limited overlap in the predictability of the variables. The relationships offer a strong basis for assessing the potential regression and mediation pathways.

Table 3: Pearson Correlation Matrix

Variable	IC	PT	PQ	PERF
IC	1.000	0.229	0.535	0.387
PT	0.229	1.000	0.477	0.287
PQ	0.535	0.477	1.000	0.503
PERF	0.387	0.287	0.503	1.000

Regression Analysis: Partnership Quality and Financing Performance

Multiple regression analysis was used to explore the determinants of partnership quality and financing performance. In Model 1, internal capabilities and partnership traits were found to have significant positive associations, showcasing (β = 0.449, p < 0.001) for internal capabilities and (β = 0.374, p < 0.001) for

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partnership traits with partnership quality. The model explained 41.8% of partnership quality variance (R^2 = 0.418; F = 125.153). On the other hand, Model 2 explained 27.6% of financing performance variance (R^2 = 0.276; F = 44.059). As confirmed by evaluating the research hypothesis, the quality of partnerships had a positive relationship with performance (β = 0.382; p < 0.001), supporting H1 in the study. It had a meaningful incremental contribution with its partial effect size (f^2 = 0.117). There were also significant internal capacities (p = 0.002) but not partnership capacities (p = 0.204). No serious multicollinearity problem was observed due to variance inflation factors that were less than 1.72.

Table 4: Multiple Regression Results for Partnership Quality and Financing Performance

Model / Predictor	**B**	**SE**	**β**	**t**	**p-value**	**95% CI**	**f^2**
Model 1: Partnership Quality							
Internal Capabilities	0.438	0.041	0.449	10.686	<0.001	[0.357, 0.519]	0.328
Partnership Traits	0.373	0.042	0.374	8.907	<0.001	[0.291, 0.455]	0.228
Model 2: Financing Performance							
Internal Capabilities	0.165	0.053	0.168	3.106	0.002	[0.061, 0.269]	0.028
Partnership Traits	0.066	0.052	0.066	1.272	0.204	[-0.036, 0.169]	0.005
Partnership Quality (H1)	0.384	0.060	0.382	6.369	<0.001	[0.265, 0.502]	0.117

Mediation Analysis: Internal Capabilities, Partnership Traits and Performance

The regression-based mediation analysis was used to investigate whether partnership quality functioned as a mediator between the internal capabilities, partnership traits, and financial performance. There were 10,000 resamples used for bootstrap estimation of 95% confidence intervals (CIs) of indirect effects. H2(a) was supported as the indirect effect of internal capabilities through partnership quality was positive (B = 0.168; 95% CI [0.110, 0.230]). Likewise, when testing the partnership traits-performance relationship, the effect of partnership quality was found between pairing partnership traits and performance (B = 0.143; 95% CI [0.089, 0.204]), which also supported H2(b). The two CIs were not zero. There was a relatively low association between internal capabilities and performance (approx. 50% compared to 68.3% for partnership traits). The adjusted direct effect of partnership traits was not significant, but the direct effect of internal capabilities was still statistically significant. Therefore, these results suggested an illustrative partial mediation pattern for internal capabilities and an indirect association pattern for partnership traits.

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Table 5: Bootstrap Mediation Analysis with 95% Confidence Intervals

Hypothesis	Indirect pathway	Indirect effect	95% CI lower	95% CI upper	Total effect	Proportion mediated
H2(a)	IC → PQ → PERF	0.168	0.110	0.230	0.333	50.5%
H2(b)	PT → PQ → PERF	0.143	0.089	0.204	0.209	68.3%

Summary of Hypothesis Testing

The results effectively supported H1, H2(a) and H2(b). The partnership quality, as a predictor of financing performance, showcased some positive indirect effects involving both the independent variables. The results here show the theorised relationships that are proposed, pending further validation with responses obtained through the cultural survey.

Table 6: Summary of Hypothesis Testing Results

Hypothesis	Relationship	Effect (B)	95% Confidence Interval	Result
H1	PQ → Financing Performance	0.384	[0.265, 0.502]	Supported
H2(a)	IC → PQ → Performance	0.168	[0.110, 0.230]	Supported
H2(b)	PT → PQ → Performance	0.143	[0.089, 0.204]	Supported

Discussion

Partnership Quality and Financing Performance: Interpretation of H1

Results of the regression analysis showed a positive correlation between partnership quality and financing performance ($\beta = 0.382$), which confirmed H1 in the dataset. It implies that improving the coordination of firms, transmission of information, and decision-making through collaboration can contribute to the improvement of Chinese banks' Islamic financing of the BRI. These factors are important to researchers of BRI economies for understanding financial development, banking efficiency, and institutional quality, as noted by Shah et al. (2023) [11]. Likewise, Tham (2024) investigated the various commercial and institutional attributes of Chinese investments in Malaysia [12]. The studies suggest that the cost-effectiveness of financing might require cooperation in financing through financial resources.

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Mediating Role of Partnership Quality: Interpretation of H2

The positive indirect effects for internal capabilities (B = 0.168) and partnership traits (B = 0.143) suggest that partnership quality may connect organisational and relational resources with financing performance. In this regard, Li et al. (2024) identified different impacts of financial development on BRI economies, which indicated geographic and economic institutional heterogeneity [13]. Financial skills could complement Chinese banks' trust and commitment in their partners, as well as a coordinated governance framework. The correlation of the indirect association of the internal capabilities also indicates the significance of organisational preparedness. However, these interpretations can only be theoretical, as mediation results do not demonstrate actual relationships or causality.

Conclusion

The linkage between partnership quality and the BRI Islamic financing performance was explored in this study, specifically in the context of Chinese banks. The analysis showed positive correlations between partnership quality and financing performance, with indirect links to other factors such as the capabilities of the partners and the characteristics of the partnership. The results demonstrated the potential role that effective coordination, mutual trust, and organisational expertise play in enhancing cross-border Islamic financing partnerships. The suggested framework provided a foundation for interpreting financing outcomes of partnerships, although empirical validation is required before generalising about the Chinese banks.

Limitations and Future Scope

Limitations of the proposed research design included being a cross-sectional study and sampling bias, which could present limitations in causal interpretation and generalisability. Analytical model's relationships need to be verified with empirically collected information data independently collected. Chinese banks' contracts and Islamic financial institutions' involvement in BRI projects in various host countries in different financing sectors should be studied in the future. Overall, longitudinal research, comparative institutional study, and structural equation modelling may serve to deepen the understanding of partnership quality and financing performance.

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