

Islamic Marketing: A Catalyst In Enhancing Customer Decision-Making In Islamic Banks

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ABSTRACT: This study aims to analyze the influence of Islamic marketing, trust in regulations, and the image of Islamic banks in social activities on customer decisions, as well as the role of financial literacy moderation on these relationships. The sample used consisted of 384 Islamic bank customers who were selected through accidental sampling techniques. Data was collected through questionnaires and analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method with the help of SmartPLS software. The results of the study show that Islamic marketing has a significant influence on customer decisions with the highest coefficient compared to other variables. The image of Islamic banks in social activities also has a significant effect, but trust in regulations does not show a significant influence on customer decisions. Islamic financial literacy has been proven to moderate the relationship between the image of Islamic banks in social activities and customer decisions, while not moderating the relationship between Islamic marketing and trust in regulations on customer decisions. These findings contribute to the development of Islamic bank marketing theory and provide insights for Islamic banks to strengthen their marketing strategies by focusing on the social image and financial literacy of customers.

Keywords: islamic marketing, trust in regulations, image of sharia banks in social activities, sharia financial literacy, customer decisions

INTRODUCTION

The Islamic banking industry in Indonesia continues to experience significant development, both in terms of the number of customers, products, and services offered. It is evident that from 2019 to June 2024, the number of third-party fund customers has increased from 27 million to 46 million. Although there was an increase in the number of customers, in terms of growth in the number of third-party fund customers, there was a significant decrease: (Esaputra, 2024; Iswanaji, 2018)

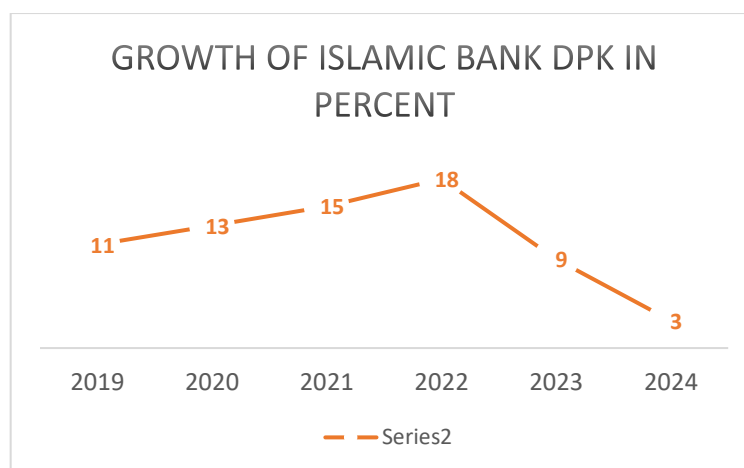


Figure 1 Growth in the Number of Islamic Bank Customers 2019-2024.

Source: Islamic Bank Statistics June 2024.

Based on this phenomenon, special attention is needed to be addressed immediately so that the performance operations of Islamic banks can run effectively and efficiently which can later improve customer decisions to make transactions. Therefore, understanding the factors that influence customer decisions is very important to know. One of the factors that can affect the decision of Islamic bank customers is the implementation of marketing strategies that are in accordance with sharia principles, known as Islamic marketing. Islamic marketing, which involves various elements such as product creation, product communication, product offering, and service, has great potential to differentiate Islamic banks from conventional banks (Ishak et al., 2016; Floren et al., 2020). However, there is still a gap in understanding how these elements of Islamic marketing affect overall customer decisions, especially when viewed from the perspective of the bank's image related to social activities, customer trust in regulations, and the level of Islamic financial literacy possessed by customers (Alserhan & Alserhan, 2012; Alserhan et al., 2016; Dinc, 2020; Floren et al., 2019; Ishak et al., 2016; Uhim & Buang, 2021; Yumna, 2019) (Andespa et al., 2024; As'ad, 2020; Farah Yasser, 2016; Hoque et al., 2018; Kamarulzaman & Madun, 2013; Mohd Thas Thaker et al., 2018; Setyawan et al., 2020) (Awan & Shahzad Bukhari, 2011; Fahrullah et al., 2024; Kusumawardhani & Fahmi, 2024; M. Riaz, 2016; Septiani & Rozikan, 2024; Zeitun & Anam, 2024) (Ahmed et al., 2017; Al-Habil et al., 2017; Ali & Raza, 2017; Al-Shamali et al., 2021; Amin & Isa, 2008; Dandis et al., 2021; Fauzi & Suryani, 2019; Haron et al., 2020; Khan, 2016; Lebdaoui & Chetioui, 2020; Rahma & Sofyani, 2024) (Narteh & Braimah, 2020; Narteh & Owusu-Frimpong, 2011) (Ahmad & Hassan, 2007; Ahmad et al., 2023; Nature, 2022; Alam et al., 2019; Aris et al., 2013; Grassa, 2015; Modan & Hassan, 2018; Moin et al., 2015, 2023; Wasim & Zafar, 2023) (Albaity & Rahman, 2019; Kudhur & Abd Al Salam, 2024; Masrizal et al., 2024; Pala et al., 2024; Widityani et al., 2020).

The selection of variables in this study is based on the importance of each element of Islamic marketing in shaping the decision of Islamic bank customers. The dimension of product creation is the first aspect that needs to be considered because products that are in accordance with sharia values are very important to attract the attention of customers who care about halal and thayyib principles. In addition, product communication is crucial in conveying sharia messages to consumers through various communication channels, so that the image of Islamic bank products can be built strongly. Product offerings are related to how Islamic banks offer products that suit customer needs, and can adapt to the development of increasingly dynamic consumer trends. Service, which includes the quality aspect of the service provided to

customers, is also an important factor in maintaining customer loyalty and increasing their satisfaction. (Ishak et al., 2016) (Andespa et al., 2024; Setyawan et al., 2020) (Fahrullah et al., 2024; Riaz et al., 2017) (Amen & Isa, 2008; Fauzi & Suryani, 2019)

On the other hand, the image of Islamic banks towards social activities and customer trust in existing regulations and policies, also shapes customer perception of the integrity and credibility of Islamic banks. The addition of the Islamic financial literacy moderating variable provides a new perspective in this study, because the level of customer understanding of Islamic bank products and services can strengthen the relationship between Islamic marketing and customers' decision to choose Islamic banks as a place for them to store funds and transact. (Moin et al., 2015, 2023; Narteh & Braimah, 2020; Narteh & Owusu-Frimpong, 2011) (Farah Yasser, 2016; Hassan et al., 2008)

While there has been a lot of research on Islamic marketing and its influence on customer decisions, most research tends to be limited to one or two aspects of marketing without discussing the integration between these elements in the context of Islamic banking. Previous research has also focused more on products or product communication only, without paying attention to the interaction between other factors such as bank image, trust in regulations, and Islamic financial literacy. Some studies have also not explored in depth how Islamic financial literacy as a moderation variable can strengthen the relationship between Islamic marketing elements and customer decisions. Therefore, this study aims to fill this gap by combining various variables in one comprehensive model to analyze the decisions of Islamic bank customers.

The uniqueness of this study lies in its holistic approach, by including all elements of Islamic marketing, as well as introducing Islamic financial literacy as a moderation variable in the relationship between Islamic marketing and customer decisions. This provides new insights into how a better understanding of sharia principles can influence customers' decisions in choosing an Islamic bank. This study is also different because it explores the relationship between the image of Islamic banks that focus on social activities, customer trust in regulations and policies, and the level of Islamic financial literacy in one comprehensive model. This research contributes to enriching Islamic marketing literature, especially in the context of Islamic banking in Indonesia, which is growing rapidly.

Theoretical background

Customer Decision

Customers' decisions in using Islamic banking products are influenced by various psychological and external factors that interact with each other, which can be explained through several main theories. First, customer trust is a key element in the decision to use Islamic banking services. Ashraf et al. (2015) showed that consumers' trust in banks' compliance with sharia principles, including transparency and service integrity, largely determines their decisions. Customers are more likely to choose banks that they believe are consistent in implementing sharia principles. Second, attitude plays an important role in customer decisions. emphasized that a positive attitude towards sharia values applied by banks improves customer decisions. Customers who feel comfortable with products that are in line with their religious values tend to maintain long-term relationships with Islamic banks. Third, consumer behavior theory underlines the importance of customer understanding of the products and services offered. Customer decisions are influenced by external factors such as information received, perception of product quality, and social references. He added that social factors and customer perception of economic benefits and bank sharia compliance play

a role in the decision to use Islamic banking services. All of these factors are interconnected and influence the overall customer decision. Albaity & Rahman, (2021) Hoque et al., (2018)

Islamic Marketing

Islamic marketing in Islamic banking focuses on creating a mutually beneficial, fair, and transparent relationship between banks and customers by adhering to sharia principles. These basic marketing concepts include theories such as justice, values, social responsibility, sharia compliance, long-term relationships, sustainability, and ethical communication, which aim to create shared values that are not only financially beneficial, but also bring social and moral benefits to all parties involved. emphasized the importance of creating long-term relationships based on fairness and transparency, which are in line with Islamic marketing principles. In addition, it identifies that Islamic banks must integrate the values of fairness and social responsibility in each of their marketing strategies to strengthen relationships with customers. The theory of sharia compliance is also a very important basis in Islamic marketing, where Islamic banks must ensure that all products and services offered are fully compliant with Islamic laws. With this approach, marketing in Islamic banking not only aims to achieve profits, but also to provide wider benefits for society and Muslims in general. Kotler & Armstrong, (2018) Abuznaid, (2020); Alserhan et al., (2016); Arham, (2010); Hussnain, (2011) (Ahmed et al., 2017; Grassa, 2015)

Product Creation

Islamic marketing plays a major role in the process of creating Islamic banking products that are in accordance with sharia principles, which is the main factor in attracting Muslim consumers. The creation of products that are in accordance with halal perceptions and meet the financial and spiritual needs of consumers will create products that are more relevant and trusted by the market. It shows that halal perception affects consumer decisions in choosing Islamic bank products. In Islamic marketing, this means the importance of ensuring that the products developed not only meet financial needs, but also conform to Islamic values. shows that innovative products in Islamic banking, which are based on sharia principles, will be more accepted in the market, considering that consumers prioritize halal aspects and blessings in their financial management. Therefore, Islamic marketing supports this process by putting Islamic values first, which helps to create products that are not only profitable but also provide spiritual added value to consumers. Ishak et al., (2016) Dinc, (2020) and Uhim & Buang, (2021)

Product Communication

Islamic marketing also plays an important role in communicating products to consumers in a way that is in accordance with Islamic values. Effective communication can build awareness and a positive image of Islamic banking products, which in turn can increase consumer interest and trust. highlighting the importance of communication based on Islamic values in influencing consumer behavior. Islamic marketing must be able to convey a message that emphasizes that the product is not only economically profitable but also in accordance with sharia principles. In addition, it added that clear and open communication related to the sharia aspect of a product will help change consumer attitudes and increase their intention to buy sharia bank products. Farah Yasser, (2016) Hoque et al., (2018)

Product Offering

Offering products that are in accordance with sharia principles includes not only the development of the product itself but also strategies to make the product more attractive to consumers. Islamic marketing assists Islamic banks in creating a strong value proposition that emphasizes on halal aspects and in accordance with market demands. shows that Islamic

branding and religiosity greatly influence consumers' decisions in buying Islamic fashion products. This can be applied to Islamic banking by emphasizing product offerings that prioritize sharia and halal principles in banking services. In addition, it shows that brand image and Islamic branding play an important role in purchasing decisions. In Islamic banking, product offerings that are communicated with a strong Islamic brand image can improve customer decisions. Fahrullah et al., (2024) (Septiani & Rozikan, 2024)

Service Delivery

The quality of service in Islamic banks is greatly influenced by Islamic work ethics and moral values contained in sharia principles. Islamic marketing can direct service strategies to ensure that all interactions between banks and consumers reflect integrity, trust, and sustainability. emphasizing that good service quality is essential for customer satisfaction, which in turn can increase loyalty. In the context of Islamic banks, Islamic marketing encourages the importance of services that are not only technically efficient but also prioritize the values of honesty and integrity that are highly valued by Muslim consumers. In addition, it shows that consumer loyalty can be obtained through high service quality and meets consumer expectations for transparency and fairness in every transaction. Islamic marketing supports the development of a service model based on sharia principles, which makes consumers feel valued and trusted. Haron et al., (2020) Dandis et al., (2021)

Customer Trust

Customer trust in Islamic financial institutions is greatly influenced by the regulations implemented by various related parties. In the Indonesian context, such as Bank Indonesia (BI), OJK, and the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). Regulators who have an important role in maintaining and supervising compliance with sharia principles can increase the level of customer trust in the Islamic banking system. For example, it shows that clear and consistent regulations related to Islamic banking products can mitigate legal problems and provide clarity to customers regarding the sharia compliance of financial institutions. It also added that the sharia supervision system implemented by financial institutions in the member countries of the Organization of the Islamic Conference (OIC) can affect how much customers feel safe and secure about the sharia compliance of the products they choose. who emphasized that economic sustainability and transparency in Islamic banking regulations will contribute to increasing customer trust, especially in countries that are newly developing Islamic banking systems. (Moin et al., 2015, 2023) Aris et al., (2013) Grassa, (2015) Modan & Hassan, (2018)

Furthermore, DSN-MUI has an equally important role in creating customer trust. Propose the importance of a centralized sharia governance framework to ensure that every decision taken by Islamic banks is always in accordance with sharia principles. This supports the customer's belief that the products offered are completely free from haram elements and in accordance with religious provisions. It also revealed that an effective sharia governance framework will increase the credibility of Islamic banks in the eyes of customers and provide a sense of security for customers in using Islamic banking services. This trust is also strengthened by good supervision by the OJK, which is tasked with ensuring that the operations of Islamic banks are in accordance with regulations and do not violate applicable legal provisions, as explained by their study on the role of Bangladesh Banks in regulating Islamic banking. Nature, (2022) Wasim & Zafar, (2023) Ahmad & Hassan, (2007)

Image of Sharia Bank

The image of an Islamic bank reflects customers' perception of the bank based on service quality, compliance with sharia principles, and its social contribution. emphasized that

Corporate Social Responsibility (CSR) plays an important role in shaping the positive image of Islamic banks, especially through activities that support sustainability and social welfare. In addition, service quality is also a key factor in building a bank's image, including how the bank provides services that are in accordance with sharia principles such as fairness and transparency. Islamic banks that are committed to environmentally friendly and social projects can improve their image in the eyes of customers, given the importance of their role in supporting sustainability. In this context, responsible CSR can increase customer loyalty, which in turn strengthens long-term relationships with banks (. Therefore, the image of Islamic banks is greatly influenced by sharia compliance, as well as the social and environmental contributions made by banks. Narteh & Braimah, (2020) (Narteh & Owusu-Frimpong, 2011) (Narteh & Braimah, 2020) (Narteh & Owusu-Frimpong, 2011)

Financial Literacy

The concept of financial literacy, which refers to the knowledge and skills of individuals in managing personal finances, including investment and risk management. Based on research conducted by, Islamic financial literacy has proven to play an important role in increasing the intention and adoption of Islamic banking products. In this case, customers who have more knowledge about sharia principles will be more likely to choose services that are in accordance with sharia values. In addition, social characteristics, such as age and education level, also affect customers' understanding and acceptance of Islamic financial products, as expressed by . Therefore, Islamic financial literacy serves as a key driver in increasing Islamic financial inclusion, which in turn will have an impact on business performance, as researched by . Islamic financial literacy highlights the importance of increasing Islamic financial literacy to strengthen the Islamic banking system as a whole which can later strengthen Islamic marketing, the image of Islamic banks and customer trust in improving customer decisions. Kudhur & Abd Al Salam, (2024) and Pala et al., (2024) Widityani et al., (2020) Masrizal et al., (2024)

RESEARCH METHODOLOGY

This study uses a quantitative approach with a descriptive-analytical research type, which aims to analyze the relationship between Islamic marketing variables and the decisions of Islamic bank customers in Central Java. The research sample consisted of 384 Islamic bank customers who were selected using *the accidental sampling technique*, namely selecting respondents who happened to be met during the data collection period. Data collection was carried out by distributing questionnaires using a Likert scale of 1-7, which allowed the researcher to measure the extent to which respondents agreed or disagreed with statements related to variables such as Islamic marketing, customer trust in regulations and policies, the image of Islamic banks towards social activities, Islamic financial literacy, and customer decisions. The data were analyzed using descriptive and inferential statistics. The measurement model and the influence between variables are evaluated through the evaluation of the measurement model (outer model) and the structural model (inner model) with SEM-PLS (Structural Equation Modeling, Partial Least Square) with a second (Moin et al., 2023) (Hair et al., 2019) *order embedded two-stage approach* (Sarstedt et al., 2019) . The use of this analysis is based on the consideration that PLS-SEM has become an important approach in various management and marketing research contexts. (Nasyiah et al., 2024; Wang et al., 2021) (Sarstedt & Liu, 2024).

RESULT AND DISCUSSION

Measurement model

The focus of the assessment of the measurement model is to evaluate the relationship between the Indicator/item and the validation of the theoretical construction based on reliability (Hair et al., 2019). The validity of the measurement model is assessed by examining discrimination and convergent validity. The reliability of the model is by looking at the results of the loading factor and composite reliability. In addition, the validity of discrimination is assessed using the Fornell Larcker and HTMT criteria. The extracted mean variance (AVE) compared to the Fornell and Larcker indices shows that the average variance divided between the constructions has a greater value than the other constructions in the model and the HTMT < 1. The convergent validity of the measurement model, the loading factor of the indicator should exceed 0.70, the reliability of the composite should also exceed 0.70 and the AVE of each construction should exceed 0.50. (Hair et al., 2021) (Chin, 2010) (Fornell & Larcker, 1981) (Henseler & Sarstedt, 2013) (Bagozzi & Youjae Yi, 1988; Chin, 2010)

Table 1, illustrates that the values of loading, AVE and composite reliability factors for IM, PCE, PCO, PO, SD, RT, IFL and CD are greater than 0.70, 0.50 and 0.70. This indicates that the validity of convergence in this study is met, meaning that the measurement used to measure each variable can be said to meet to be used as a measuring tool or in other words it can be said to be reliable and consistent as a measuring tool. Furthermore, as shown in Table 2, it is known that the Fornell Larcker criterion shows that the diagonal value (in bold numbers) is greater than the correlation value with respect to other constructs indicating that the validity of the discrimination has been achieved. In addition, no HTMT value does not exceed the cutoff point of HTMT 0.90 and HTMT 0.85. The highest HTMT value for the entire model is 0.799 and the HTMT conclusion shows that the confidence interval does not show a value of 1 for any of the constructions, which means that there is sufficient discrimination of validity across the model.

The use of SRMR (standardized root mean square residual) is a model fit measure used with the aim of finding out the difference between the data correlation matrix and the model estimated correlation matrix. The rule of thumb SRMR value below 0.08 indicates a fit model. However, another opinion is that it states that SRMR less than 0.10 is still acceptable fit. Table 3 shows the SRMR value of the generated model both with SRMR (0.043 < 0.10), meaning that the resulting model matches the empirical data and is in accordance with the built model. (Henseler & Sarstedt, 2013) (Schermelleh-Engel, K. et al., 2003)

Table 1. Measurement Model

Constructs and Items	VIF	FL	CR	AVE
Islamic Marketing	2,963		0,892	0,674
Product Creation	1,734		0,921	0,794
Products in accordance with Islamic values	2,572	0,900		
The product is not only profitable for me, but also for the community	2,314	0,883		
The product provides more benefits	2,480	0,890		
Product Communication	2,147		0,920	0,793
Halal information in products	2,367	0,891		
The information on the product is easy to understand	2,516	0,905		
Product benefits and risks information	2,085	0,875		
Product Offering	1,747		0,924	0,802
Products have more value with sharia basics	2,367	0,894		

Products according to my needs	2,571	0,896		
There is a blessing in the products given	2,406	0,897		
Service Delivery	2,040		0,929	0,812
Transparency in every transaction	2,674	0,898		
Service as promised	2,825	0,909		
Providing friendly service	2,410	0,897		
Regulatory Trust	3,312		0,950	0,759
BI's policy in maintaining stability	2,718	0,865		
BI policies related to supervision and restrictions	3,127	0,878		
OJK's effectiveness in supervising the compliance of Islamic banks	2,867	0,867		
Transparency of information provided by OJK	3,171	0,875		
Credibility of DSN-MUI in giving fatwas	3,032	0,869		
Clarity of DSN-MUI fatwa in assessing products	3,019	0,874		
Activities Social	2,360		0,946	0,778
Contribute to solving social problems	2,889	0,878		
The use of social justice principles by supporting social activities	3,006	0,879		
Responding to the needs of the community	2,912	0,883		
Actively participate in communities that support social welfare	3,306	0,899		
Committed to contributing to social welfare	2,755	0,871		
Islamic Financial Literacy	2,485		0,922	0,797
Customer understanding of the basic principles of Islamic banking	2,202	0,892		
Customers' understanding of the regulations governing Islamic finance	2,393	0,888		
Ability to manage funds with sharia principles	2,448	0,898		
Customer Decisions			0,941	0,760
I receive services and products of Islamic banks	2,453	0,859		
I would consider the services of an Islamic bank	2,760	0,870		
I receive Islamic banking services	3,276	0,896		
I will use the product in the future	2,712	0,871		
I am happy to use the services of an Islamic bank	2,624	0,861		

Table 2. Criterion Fornell lacker & HTMT

	AXLE	CD	ILF	PCO	PCE	PO	RT	SD
AXLE	0,882	0,645	0,668	0,555	0,474	0,684	0,768	0,600
CD	0,598	0,872	0,655	0,612	0,491	0,607	0,671	0,657
ILF	0,603	0,591	0,893	0,563	0,413	0,604	0,799	0,642
PCO	0,499	0,548	0,489	0,890	0,713	0,644	0,598	0,711
PCE	0,426	0,441	0,359	0,620	0,891	0,503	0,522	0,612
PO	0,618	0,546	0,529	0,562	0,440	0,895	0,646	0,693
RT	0,717	0,626	0,723	0,540	0,471	0,586	0,871	0,682
SD	0,544	0,594	0,565	0,624	0,537	0,610	0,621	0,901

Table 3. Values for Stone-Geisser's Q2, adjusted R-squared your Model Fit

Construct	R2	R2 Adjusted	Q2	SRMR
Customer				0,043
Decisions	0,553	0,544	0,408	

Structural model

Before evaluating the structural model, multicollinearity needs to be examined by the variance inflation factor (VIF). Table 1 shows that all VIF values range from 1 to 3,306 (inner and outer VIF), which are below 5, this observation shows that there is no multicollinearity problem. (Hair et al., 2019)

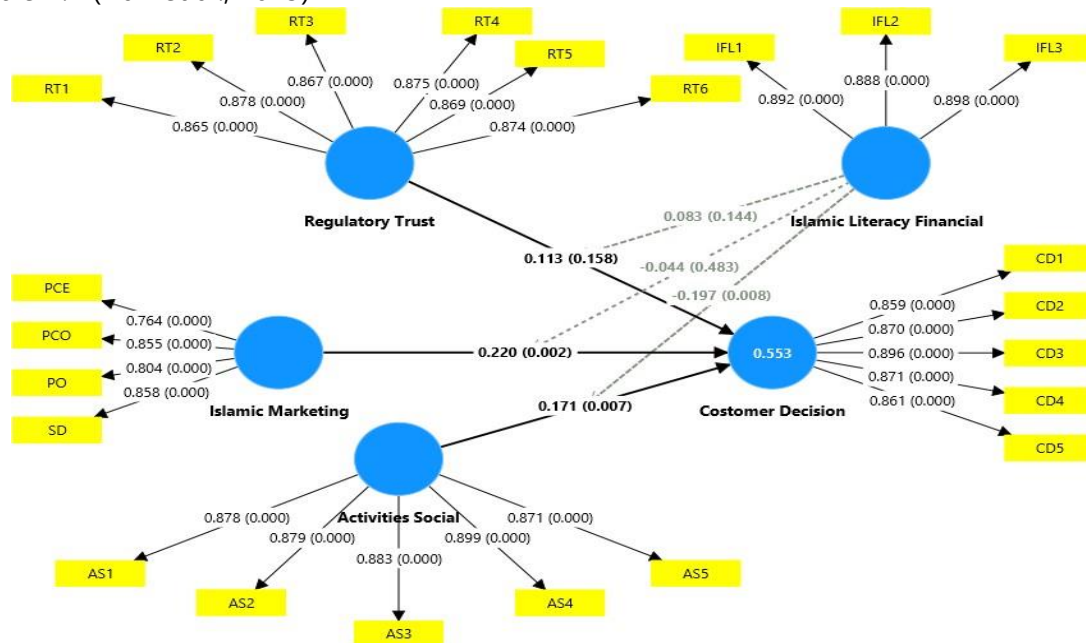


Figure 2. Structural model

The use of 5000 bootstrapping PLS results in a structural second order model shown in Figure 3. Islamic marketing yields ($\beta = 0.220, 0.002 < 0.01$) shows that Islamic marketing has a significant impact on customer decisions. The regulatory trust variable ($\beta = 0.113, 0.158 > 0.05$), shows that regulatory trust does not have a significant effect on customer decisions. The variable of the image of Islamic banks on social activities ($\beta = 0.171, 0.007 < 0.01$) shows that it has a significant effect on customer decisions. Furthermore, in table 4, it can be seen that the Islamic literacy financial variable ($\beta = 0.200, 0.003 < 0.01$), shows that there is a significant influence on customer decisions, but the moderation role of the Islamic literacy financial variable is only able to moderate the social activities variable in strengthening customer decisions.

Table 4. Hypotheses and path coefficient

Path/hypothesis	Coefficient	T statistic	P value	Decision	f2
AS ==> CD	0,171	2,697	0,007	Supported	0.028 (small)
ILF ==> CD	0,200	2,943	0,003	Supported	0.036 (small)
IM ==> CD	0,220	3,059	0,002	Supported	0.037 (small)
RT ==> CD	0,113	1,412	0,158	Not Supported	0.009 (small)
ILF*RT ==> CD	0,083	1,463	0,144	Not Supported	0.009 (small)
ILF*IM ==> CD	-0,044	0,702	0,483	Not Supported	0.003 (small)
ILF*AS ==> CD	-0,197	2,662	0,008	Supported	0.042 (small)

Source: Summary of data results, 2024.

Discussion

The image of Islamic banks in social activities on customer decisions

The image of Islamic banks in social activities can have a significant influence on customers' decisions in choosing a bank. Narteh (2011) emphasized that Islamic banks that are active in social activities can build a positive image in the eyes of the public, which in turn increases the level of customer trust. Involvement in charitable activities, social assistance, and community-based programs demonstrates the bank's commitment to social and humanitarian values, which resonates strongly with the principles of ethics and justice in Islamic banking. This gives customers confidence that Islamic banks are not only seeking financial benefits, but also contributing to broader social welfare. Furthermore, Narteh (2020) strengthens this argument by showing that a positive social image also plays a role in increasing customer loyalty. In his research, he found that customers tend to choose banks that not only offer products that are in accordance with sharia principles, but also those that are involved in efforts to improve the quality of life of the community, such as education, health, and poverty alleviation. The social activities carried out by Islamic banks help to create emotional bonds with customers, which strengthens long-term relationships and increases customer satisfaction and trust in the bank. Therefore, Islamic banks that show a positive image through social activities tend to be preferred by customers, because they feel that the bank has social responsibility that is in accordance with their personal and religious values. Thus, the strong image of Islamic banks in social activities has indeed proven to have a significant influence on customer decisions in choosing and maintaining relationships with the bank, because this strengthens the sense of trust and customer satisfaction.

Islamic financial literacy on customer decisions

The results show that Islamic financial literacy has a significant effect on customers' decisions to use Islamic bank products and services in Central Java, meaning that Islamic financial literacy (ILF) plays a very important role in shaping customer decisions (CDs), especially in the context of using Islamic banking services. Islamic financial literacy refers to the customer's understanding of the basic principles of Islamic banking, the products offered, and how these products differ from conventional products. The higher the level of sharia financial literacy of customers, the more likely they are to make more informed decisions and choose banking services that are in accordance with the sharia values they adhere to. He further added that a higher level of Islamic financial literacy can improve customers' decision to use Islamic banking. They argued that better knowledge of the Islamic banking system leads to more positive decision-making in choosing Islamic bank products and services, as customers feel more confident that the products are in accordance with their religious and ethical teachings. These results show that in order to increase the adoption of Islamic banking, it is crucial for banks to provide clear and easy-to-understand information regarding the Islamic principles in their products. (Kudhur & Abd Al Salam, 2024) Albaity & Rahman, (2019)

Islamic marketing on customer decisions

Islamic marketing has a significant influence on customer decisions in using Islamic bank products in Central Java. The key elements in Islamic marketing, such as product creation, product communication, product offering, and service, play a crucial role in shaping customer decisions. In terms of product creation, Islamic bank products must be in accordance with sharia principles and meet customer needs. Ishak et al. (2016) revealed that products that meet halal perceptions tend to be more accepted by customers, while Rahim and Buang (2021) added that product innovations that are relevant to customer needs will increase their

attractiveness. For product communication, the way of conveying clear information about the advantages of sharia products greatly affects customer perception. Yasser (2016) stated that communication that prioritizes sharia values such as transparency and justice will build customer trust. Andespa et al. (2024) also emphasized the importance of Islamic branding in increasing brand awareness and customer trust. In addition, when it comes to product offerings, it is important for banks to offer products that suit customer needs and have competitive prices. Fahrullah et al. (2024) showed that Islamic brand image and religiosity can influence customers' purchasing decisions, demonstrating the importance of offering products that are relevant to Islamic values. All of these elements play a big role in influencing customers' decisions in choosing Islamic banking products.

Regulatory trust in customer decisions

The results of the study show that trust in regulations does not affect the behavior of customers using Islamic bank products and services in Central Java. Although trust in regulations is often considered important in influencing customer decisions, some studies have shown that trust in regulations does not always have a significant effect on customer decisions in choosing banking products. Moin (2015) revealed that although clear and transparent regulation is important, customers do not always consider regulation to be the main factor in their decision-making. Other factors such as the bank's reputation, service quality, and products that suit personal needs are more influential in customer decisions. Trust in financial institutions, which is built through direct experience and interaction with banks, is often more dominant than trust in existing regulations. Furthermore, Moin (2023) also noted that although regulations governing the Islamic banking industry can increase a sense of security, the reality is that these regulations are not always accepted as a determining factor in customer decisions. This is due to the fact that many customers prioritize convenience, convenience, and the lure of direct financial benefits, rather than legal and regulatory aspects. In fact, some customers may not fully understand the details of the applicable regulations, so the impact on their decisions is limited. In addition, other external factors such as economic conditions, recommendations from third parties, or loyalty to a brand can further influence customer choices, without paying much attention to the regulations that govern the product. Therefore, although good regulation provides legal guarantees, its influence on customer decisions is often not as strong as other factors that are more directly related to the customer's personal experience and needs.

Islamic financial literacy in moderating Islamic marketing, customer trust in regulations and the image of Islamic banks in social activities

In the context of Islamic marketing, trust in regulations, the image of Islamic banks in social activities, and Islamic financial literacy play an important role in influencing customer decisions. However, based on the findings of the study, Islamic financial literacy is only proven to moderate the relationship between the image of Islamic banks in social activities and customer decisions, while not moderating Islamic marketing and trust in regulations on customer decisions. The strong image of Islamic banks in social activities is indeed a key factor in attracting customer interest. Banks that are actively involved in social programs such as education, economic empowerment, and social welfare are often seen as more trusted and valued by customers, because they feel that the bank is not only pursuing profits, but also making a real contribution to society. This is in line with the findings of Narteh (2020), which states that Islamic banks that participate in social activities can create a closer emotional relationship with customers, thus influencing customers' decisions in choosing the bank. Meanwhile, Islamic financial literacy plays a moderation factor that strengthens the influence

of the image of Islamic banks in social activities on customer decisions. Customers with a higher level of Islamic financial literacy can understand and appreciate more deeply the social activities carried out by Islamic banks, which in turn increases their loyalty. In contrast, Islamic financial literacy does not moderate Islamic marketing and trust in regulations on customer decisions, as explained by Moin (2015) and Moin (2023), which shows that while both factors are important, they do not have a significant enough influence in the context of customer decisions when supported by financial literacy. Thus, it can be concluded that Islamic financial literacy has an important role in strengthening the influence of the image of Islamic banks in social activities on customer decisions, but does not moderate Islamic marketing or trust in regulations in the same context.

CONCLUSION

Based on the findings of this study, it can be concluded that Islamic marketing, the image of Islamic banks in social activities, and financial literacy have a significant influence on customer decisions. Islamic marketing shows the strongest influence with the highest coefficient among other variables. The image of Islamic banks in social activities also has a significant effect on customer decisions, with financial literacy as a moderation variable that only moderates the relationship between the image of Islamic banks and customer decisions, but does not moderate Islamic marketing and trust in regulations. Trust in regulation does not have a significant effect on customer decisions, suggesting that other factors, such as the bank's social image and proper marketing, influence customer decisions more than the regulations themselves.

The findings suggest that Islamic banks focus on more intensive Islamic marketing strategies and strengthen their image in social activities as a way to improve customer decisions. It is important for banks to engage in social activities that are in line with Islamic values, which can strengthen customer trust. In addition, banks need to improve Islamic financial literacy among customers to maximize the positive impact of their social image on customer decisions. Further research can expand the scope of the sample and consider other external factors, such as economic and cultural perceptions, to better understand how these elements interact in client decision-making. The research can also delve deeper into the role of financial literacy in moderating other variables that affect customer decisions, including Islamic regulation and marketing.

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