

FACTORS INFLUENCING CUSTOMER DECISIONS IN MORTGAGE FINANCING iB: A PERSPECTIVE ANALYSIS OF SHARIA ECONOMIC LAW

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Abstract

Islamic mortgage financing (KPR iB) is one of the flagship products of Islamic banking in Indonesia, designed to facilitate home ownership in accordance with Sharia principles. However, customer participation in KPR iB remains suboptimal compared to conventional mortgage products. This study aims to examine the factors influencing customer decisions in choosing KPR iB, particularly from the perspective of Islamic Economic Law. The study specifically analyzes: (1) the influence of Sharia compliance, product innovation diffusion, promotion, and product quality on customer decisions to choose KPR iB in Bogor; and (2) the mediating role of customer decisions in the relationship between those variables and the increase of Islamic bank market share. This research employs a Mixed Methods approach, with an Explanatory Sequential Design combining quantitative and qualitative analyses. The theoretical framework includes Rational Choice Theory (Gary Becker) as the Grand Theory, Islamic Consumer Behavior Theory (Umer Chapra) as the Middle Theory, and Sharia Compliance Theory (Monzer Kahf) as the Application Theory. Data were collected through questionnaires, observations, interviews, and document analysis. The data were analyzed using Structural Equation Modeling (SEM) with SmartPLS 3.0. The findings indicate that: (1) Sharia compliance does not significantly influence customer decisions; (2) product innovation, promotion, and product quality have a significant positive effect on customer decisions; and (3) customer decision does not mediate the relationship between Sharia compliance and market share, but effectively mediates the impact of product innovation, promotion, and product quality on increasing Islamic bank market share.

Keywords: Islamic mortgage, customer decision, Sharia compliance, innovation, promotion, market share, Islamic economic law.

Abstrak

Pembiayaan KPR iB merupakan salah satu produk unggulan perbankan syariah di Indonesia yang dirancang untuk memfasilitasi kepemilikan rumah sesuai dengan prinsip-prinsip syariah. Namun demikian, partisipasi nasabah dalam produk KPR iB masih belum optimal dibandingkan dengan produk KPR konvensional. Penelitian ini bertujuan untuk mengkaji faktor-faktor yang memengaruhi keputusan nasabah dalam memilih KPR iB, khususnya dalam perspektif Hukum Ekonomi Syariah. Secara spesifik, penelitian ini menganalisis: (1) pengaruh kepatuhan syariah, difusi inovasi produk, promosi, dan kualitas produk terhadap keputusan nasabah dalam memilih KPR iB di Bogor; dan (2) peran mediasi keputusan nasabah dalam hubungan antara variabel-variabel tersebut dengan peningkatan pangsa pasar bank syariah. Penelitian ini menggunakan pendekatan Mixed Methods dengan desain *Explanatory Sequential*, yang menggabungkan analisis kuantitatif dan kualitatif. Kerangka teori yang digunakan meliputi *Rational Choice Theory* (Gary Becker) sebagai teori besar (*Grand Theory*), *Islamic Consumer Behavior Theory* (Umer Chapra) sebagai teori menengah (*Middle Theory*), dan *Sharia Compliance Theory* (Monzer Kahf) sebagai teori aplikasi (*Applied Theory*). Data dikumpulkan melalui kuesioner, observasi, wawancara, dan analisis dokumen. Analisis data dilakukan dengan menggunakan Structural Equation Modeling (SEM) melalui aplikasi SmartPLS 3.0.

Hasil penelitian menunjukkan bahwa: (1) kepatuhan syariah tidak berpengaruh signifikan terhadap keputusan nasabah; (2) inovasi produk, promosi, dan kualitas produk berpengaruh positif signifikan terhadap keputusan nasabah; dan (3) keputusan nasabah tidak memediasi hubungan antara kepatuhan syariah dan pangsa pasar, namun efektif memediasi pengaruh inovasi produk, promosi, dan kualitas produk terhadap peningkatan pangsa pasar bank syariah.

Kata Kunci: KPR syariah, keputusan nasabah, kepatuhan syariah, inovasi, promosi, pangsa pasar, hukum ekonomi syariah.

INTRODUCTION

The Islamic banking and finance industry has experienced remarkable growth in recent years, both globally and in Indonesia. This trend is driven by the increasing awareness of Muslims to adhere to Islamic principles in their financial transactions, including in housing ownership through Islamic mortgage financing or Kredit Pemilikan Rumah iB (KPR iB). According to the Financial Services Authority of Indonesia (OJK), Islamic banking assets grew by 13.98% in 2023, with the financing sector particularly KPR iB contributing significantly to this increase (OJK, 2024). This positive trend reflects a growing interest in sharia-compliant financial products, especially among urban Muslim communities who seek ethical financing alternatives free from *riba*, *gharar*, and *maysir*.

KPR iB, as a product of Islamic banking, offers an alternative to conventional mortgage financing by adopting contracts such as *Murabahah*, *Ijarah Muntahiyah Bittamlik*, and *Musyarakah Mutanaqisah*. These contracts are structured to align with the principles of Sharia economic law (*fiqh muamalah*), which emphasize justice (*al-'adl*), transparency (*al-bayan*), and mutual consent (*taradhi*). However, despite the availability of these syariah-based alternatives, the penetration rate of KPR iB products remains relatively low compared to conventional mortgage products. This phenomenon raises a critical question: what factors influence customer decisions to choose KPR iB products, and how do these factors interact within the framework of Sharia economic law?

Previous research has highlighted several determinants of consumer behavior in Islamic financial products, such as religiosity (Amin et al., 2017), product knowledge (Hassan & Lewis, 2009), marketing effectiveness, and institutional trust (Lestari & Gunawan, 2021). However, these studies often lack integration with the normative legal framework of Islamic economics, particularly concerning the legitimacy of contracts and the level of sharia compliance perceived by customers. The gap between legal conformity and customer perception has become a significant challenge in the implementation of Islamic financial products, including KPR iB.

The decision-making process of customers in selecting Islamic mortgage financing is not only influenced by economic rationality but also by ethical, religious, and legal considerations. According to the Rational Choice Theory (Becker, 1976), individuals make choices that maximize their utility. However, in the context of Islamic economics, utility is not only measured in material terms but also in spiritual and moral dimensions (Chapra, 2000). Hence, understanding customer behavior requires a multidimensional approach that combines economic logic with Islamic legal principles.

Furthermore, the presence of regulatory frameworks, such as the Undang-Undang No. 21 Tahun 2008 tentang Perbankan Syariah and the fatwas issued by the Dewan Syariah Nasional – Majelis Ulama Indonesia (DSN-MUI), provide legal legitimacy and guidance for Islamic financial institutions in offering KPR iB. However, the extent to which these

regulations influence customer decisions is still underexplored. It is imperative to examine whether the awareness and trust in Sharia compliance standards, as regulated by DSN-MUI Fatwas (e.g., Fatwa No. 04/DSN-MUI/IV/2000 on Murabahah), play a decisive role in shaping consumer preferences.

This study aims to investigate the factors that influence customer decisions in choosing KPR iB products by integrating economic behavior theories with the normative legal framework of Sharia economic law. It seeks to examine the role of key variables such as perceived Sharia compliance, product innovation, promotional effectiveness, and trust in Islamic banking institutions. By doing so, this research contributes to a more comprehensive understanding of consumer decision-making in Islamic mortgage financing, which is essential for enhancing the effectiveness, competitiveness, and ethical grounding of Islamic banking in Indonesia.

The significance of this research lies in its interdisciplinary approach, bridging Islamic jurisprudence (fiqh muamalah), consumer behavior theory, and empirical evidence from the Islamic finance industry. The findings are expected to provide valuable insights for Islamic banks, policymakers, and regulatory bodies to improve their strategies and ensure that KPR iB products not only comply with Sharia law but also resonate with the values and expectations of Muslim consumers. Ultimately, this study supports the broader vision of Islamic economics as a value-based, inclusive, and just system that offers viable alternatives to conventional financial practices.

LITERATURE REVIEW

Islamic Mortgage Financing (KPR iB) Islamic mortgage products are typically structured using contracts like Murabahah (cost-plus sale), Ijarah Muntahia Bittamlik (lease-to-own), or Musharakah Mutanaqisah (diminishing partnership). These contracts offer mechanisms that comply with Islamic principles, promoting ethical financing alternatives that foster justice and transparency

Sharia Compliance According to Monzer Kahf (2006), Sharia compliance entails adherence to Islamic legal norms in financial transactions, ensuring the exclusion of impermissible elements. The perception of Sharia compliance influences consumer trust and willingness to engage with Islamic financial products.

Innovation and Promotion Product innovation and effective promotion are vital in enhancing consumer awareness and competitiveness. Diffusion of innovation theory (Rogers, 2003) highlights how innovations spread within a social system, while promotional strategies help shape brand image and influence purchase behavior.

This study integrates three levels of theoretical perspective: Rational Choice Theory (Gary Becker), which explains that individuals make decisions based on cost-benefit analysis.

Islamic Consumer Behavior Theory (Umer Chapra), which emphasizes that Muslim consumer behavior is shaped by religious values and ethical considerations.

Sharia Compliance Theory (Monzer Kahf), which posits that Sharia-compliant products must align with Islamic legal principles such as the prohibition of riba (interest), gharar (uncertainty), and maysir (gambling).

Previous studies (e.g., Nidyanti & Siswanto, 2022; Syarvina & Sugianto, 2023) have found that high levels of Sharia compliance, innovation, and effective promotion increase

consumer trust and satisfaction. This study seeks to verify and expand those findings within the context of Bogor's Islamic banking market.

METHODOLOGY

This study employs a Mixed Methods approach using the Explanatory Sequential Design, which begins with the collection and analysis of quantitative data followed by qualitative data to explain the quantitative results in more depth. This methodology is particularly suited for research questions that require both statistical generalization and in-depth understanding from participant perspectives.

The quantitative phase utilized a structured questionnaire distributed to 310 respondents who were either current or potential customers of Islamic mortgage products (KPR iB) in Bogor. The sample was selected using purposive sampling, targeting individuals familiar with or involved in Islamic banking. Variables measured included Sharia compliance, product innovation diffusion, promotion, product quality, and customer decision-making. Each item was measured using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The qualitative phase involved semi-structured interviews with 30 informants comprising Islamic bank managers, Sharia scholars, and selected customers. These interviews aimed to gain a deeper understanding of factors influencing customer decisions and validate or explain patterns found in the quantitative data. Observations and document analyses (including promotional materials and bank reports) were also conducted to triangulate the findings.

Data from the quantitative phase were analyzed using Structural Equation Modeling (SEM) with SmartPLS 3.0 to assess the relationships between the variables and test the hypotheses. Meanwhile, qualitative data were analyzed using thematic content analysis, enabling the extraction of key themes and interpretations that support or challenge the quantitative findings.

Ethical considerations were observed throughout the research, ensuring voluntary participation, confidentiality, and informed consent from all participants.

RESULT AND DISCUSSION

This study investigates the factors influencing customer decisions to choose Islamic mortgage financing (KPR iB) in Bogor, Indonesia, with a specific focus on the perspective of Islamic Economic Law. Using a mixed-methods approach, the quantitative data were analyzed using Structural Equation Modeling (SEM) via SmartPLS 3.0, while qualitative data were gathered through interviews and documentation.

Descriptive Analysis reveals that respondents generally possess a moderate to high level of awareness regarding Islamic banking principles. While many participants value Sharia compliance, other factors like product innovation, promotional efforts, and product quality play a more decisive role in their selection of KPR iB products.

Measurement Model Analysis shows that all constructs met the reliability and validity requirements. Composite Reliability (CR) and Cronbach's Alpha values exceeded 0.70, and the Average Variance Extracted (AVE) surpassed the 0.50 threshold, confirming internal consistency and convergent validity. Discriminant validity was confirmed through the Fornell-Larcker criterion.

Structural Model Analysis indicates that Sharia compliance does not have a statistically significant effect on customer decision ($p > 0.05$), contrary to the expectations

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from Islamic Consumer Behavior Theory. However, product innovation ($\beta = 0.294$, $p < 0.01$), promotion ($\beta = 0.352$, $p < 0.01$), and product quality ($\beta = 0.287$, $p < 0.01$) significantly influence customer decision-making, supporting Rational Choice Theory.

Mediation Analysis demonstrates that customer decision fully mediates the effects of product innovation, promotion, and product quality on Islamic bank market share, but does not mediate the effect of Sharia compliance. This suggests that although customers recognize the importance of Sharia compliance, their decisions are more influenced by tangible attributes and marketing efforts.

These findings highlight the practical implications for Islamic banks. While maintaining Sharia compliance remains essential to uphold the integrity of Islamic finance, more focus should be placed on improving product design, marketing strategies, and service quality to attract customers. Aligning these strategies with ethical Islamic principles can enhance competitiveness and expand market share without compromising Sharia values.

One of the key novelties of this study is the discovery of a shift in the characteristics of Islamic mortgage (KPR iB) customers from being emotionally and symbolically attached to the "sharia" label, to becoming more rational and utilitarian in considering pragmatic factors such as financing margin, loan tenor, ease of process, and quality of service. This finding is evident from the insignificant influence of the sharia compliance variable on customer decisions, indicating that sharia is not yet understood substantively by some customers and is instead positioned more as a complementary or symbolic legitimization. This suggests that the economic decision-making orientation of sharia-based customers has undergone a paradigm shift from a value-based orientation to a benefit-based orientation which has not been widely explored in contemporary studies of Islamic economic law.

CONCLUSION

The study concludes that while Sharia compliance remains essential, it is not sufficient alone to influence customer decisions or expand market share. Instead, product innovation, promotion strategies, and product quality are more influential in shaping customer preferences and enhancing competitiveness.

From the perspective of Islamic Economic Law, this study highlights the importance of integrating Sharia compliance with strategic market approaches to ensure sustainability and growth in the Islamic finance sector.

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