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Marketing Strategy of Sharia Bank Products Using a Value-Based Islamic Marketing Approach

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ABSTRACT:

The rise of ethical consumerism presents a compelling challenge for Sharia banks to move beyond conventional marketing approaches and embed Islamic values, specifically Akhlaq (moral character), into their core strategic frameworks. This study develops a Value-Based Islamic Marketing (VBIM) framework that integrates the objectives of Maqasid al-Sharia (Islamic legal goals) with contemporary marketing analytics to better align business practices with spiritual and ethical principles. Employing a mixed-methods approach, qualitative case studies of three leading Islamic banks provide in-depth insights into current organizational practices and challenges, while a quantitative survey involving 400 customers measures the impact of VBIM on customer-related outcomes. Empirical findings reveal that VBIM significantly enhances customer loyalty by 37% and brand trust by 52%, demonstrating the efficacy of value-driven marketing grounded in Islamic ethics. However, successful implementation demands organizational transformation through Tawhidic realignment—reorienting the institution's mindset toward the oneness of God (Tawhid), which integrates spirituality with business objectives. The study proposes a dual-axis model balancing spiritual fulfillment and market competitiveness, illustrating that Islamic banks can achieve sustainable growth by harmonizing ethical commitments with performance metrics. This framework offers practical guidance for Islamic financial institutions seeking to differentiate themselves in increasingly value-conscious markets while strengthening their authenticity and stakeholder engagement. The research contributes to the evolving discourse on Islamic marketing by providing a novel, empirically supported model that bridges traditional Islamic jurisprudence and modern marketing science.

INTRODUCTION

Islamic banking has emerged as a dynamic segment of global finance, boasting a compound annual growth rate (CAGR) consistently measured at 15% or higher across many markets over the past decade. Despite this rapid expansion in assets—projected to approach $9.75 trillion by 2029—the global market share of Islamic banking lingers below 7% of total banking assets, reflecting a persistent gap between potential and realization. Confronted by criticisms of "Sharia-washing"—the superficial application of Islamic branding without internalizing authentic values—Islamic banks face a strategic crossroads. They must embed profound ethical commitments, such as Taqwa (God-consciousness), into the core of their business, transcending a mere profit-driven mindset.

This report examines the paradox of Islamic finance growth amid market share stagnation, scrutinizes the problem of Sharia-washing, and explores whether Islamic banks can genuinely operationalize Taqwa in the age of commercial marketing. Central to this discussion is the Value-Based Islamic Marketing (VBIM) framework, which merges Islamic epistemological pillars with contemporary marketing theory, especially Kotler's customer value model, while drawing upon Ibn Miskawayh's virtue ethics. Through qualitative and quantitative lenses, this analysis outlines how VBIM can influence customer behavior, spiritual perception, acquisition, and retention, proposing a balanced dual-axis model for sustainable, ethically-rooted market competitiveness (*Islamic Finance Market Size & Share Analysis - Growth Trends & Forecasts (2025 - 2030) Source: Https://Www.Mordorintelligence.Com/Industry-Reports/Global-Islamic-Finance-Market*, 2025).

Since the early 2000s, Islamic banking has experienced remarkable growth, with a global compound annual growth rate (CAGR) between 10% and 17% over the past decade—significantly higher than the 4–5% growth seen in conventional banking. This expansion has been driven largely by rapid development in regions such as the Gulf Cooperation Council (GCC), Southeast Asia, and more recently Africa. As of 2024, the value of sharia-compliant financial institutions has reached approximately $5.4 trillion and is projected to nearly double to $9.75 trillion by 2029. Southeast Asia—especially Malaysia and Indonesia—and the Gulf region dominate this market share, supporting the growth of regional halal finance ecosystems and fostering innovation. Key factors propelling this growth include rising Muslim wealth and population, supportive regulatory frameworks in core markets, the emergence of Sukuk and Islamic wealth management, and a growing alignment with sustainable and ethical investments, notably through green Sukuk initiatives (Mondir & Rahma, 2024).

Despite such asset growth, Islamic finance's global market share remains relatively modest, consistently staying below 7%. Even in countries where the Organization of Islamic Cooperation (OIC) holds sway, Islamic banks often face challenges in becoming market leaders, as conventional banks continue to dominate due to established networks, broader product ranges, and greater consumer familiarity. Market share stagnation arises from factors like limited international expansion and cross-border integration, slower innovation and product standardization compared to global finance trends, brand confusion due to insufficient differentiation from conventional finance, and credibility issues linked to superficial "Islamic" branding practices.

A critical concern in this landscape is "sharia-washing," which refers to financial institutions presenting an Islamic identity through symbols, terminology, and marketing without deeply embedding Sharia-compliance in their operations or corporate ethos. Such practices often involve tokenistic gestures—like Arabic calligraphy or ethical finance buzzwords—that are not matched by genuine adherence, frequent mislabeling of products, ineffective Sharia supervisory boards, and marketing that disguises conventional financial incentives as Islamic. These gaps lead to consumer distrust and regulatory pressures, especially from educated and ethically minded Muslim customers demanding authentic Islamic values beyond mere branding (Mirza, 2025).

To counter these issues, operationalizing the Islamic concept of Taqwa (God-consciousness) within profit-driven marketing is essential. Taqwa entails mindfulness of God, ethical self-regulation, and sincere virtue striving in all aspects of life, including commerce. For Islamic banks, this means embedding transparency in product structuring and pricing, rigorously avoiding riba both in letter and spirit, aligning with the objectives

of Maqasid al-Sharia (justice, welfare, harm prevention), and demonstrating social and environmental stewardship as manifestations of trust (amanah) and community responsibility (maslahah). Empirical evidence indicates that combining "profit with purpose" enhances brand differentiation and customer loyalty, with Islamic financial institutions integrating Taqwa across the organization reporting higher brand trust and customer satisfaction, as well as fewer reputational crises. Achieving this requires comprehensive organizational transformation that transcends product compliance and instills a unified ethical purpose—from leadership decision-making to frontline interactions (Adha et al., 2025).

This philosophical and practical approach is embodied in the Value-Based Islamic Marketing (VBIM) framework, which integrates core Islamic values such as Akhlaq (moral character), justice, benevolence, and Taqwa into marketing philosophy and analytics. Unlike conventional marketing focused on compliance and short-term gains, VBIM prioritizes holistic customer well-being—spiritual, moral, and psychological—resulting in elevated trust, habitual loyalty, and deeper customer engagement that drives advocacy and repeat business. Banks applying VBIM have recorded up to 37% increases in customer loyalty and 52% gains in brand trust, along with enhanced perceptions of spiritual value derived from their banking relationships.

Rooted in Islamic epistemology—which values multiple knowledge sources such as divine revelation, reason, intuition, experience, and scholarly consensus—VBIM's foundational principles include Tawhid (Divine Unity), ensuring marketing aligns profit with serving God and society; Maqasid al-Sharia, mandating justice and welfare goals; Akhlaq, demanding honest and sincere conduct; and Ijtihad and Ijma, fostering innovation and community consultation within Sharia boundaries. Transparency, justice, and human-centricity further guide all customer interactions, recognizing clients as holistic beings engaged in trust-based partnerships rather than mere transactions (Widyarini & Hadi, 2021).

Quantitative and qualitative studies highlight VBIM's effectiveness in customer acquisition, retention, and perceived spirituality. Banks embracing VBIM attract more young, digitally savvy, and ethically motivated customers, experience reduced churn, and foster repeat business through elevated trust and service quality. Customers report perceiving their banking relationship as fulfilling both material and spiritual needs, often associating it with concepts such as barakah (blessing) and peace of mind. Digital tools that include spiritual education, like zakat reminders and ethical investment notifications, also enhance this engagement.

Integrating Islamic ethics and modern customer value theories enriches this framework. Ibn Miskawayh's virtue ethics, centered on love for humanity, justice, rationality, and happiness, emphasizes ethics as habitual character traits cultivated by education and reason, aligned with divine commands. Kotler's customer value theory, meanwhile, stresses the creation and communication of value that balances functional, emotional, and social benefits against costs. Merging these paradigms positions ethical conduct as the core customer benefit and differentiation factor in Islamic banking, with success measured beyond financial returns to include spiritual fulfillment and social welfare (Hadi et al., 2021).

Research involving interviews across top Islamic banks and surveys of hundreds of customers demonstrate that banks embedding Taqwa and VBIM principles see substantial improvements in loyalty, trust, and spiritual

valuation. Customer acquisition costs fall thanks to organic referrals and community endorsement fueled by perceived authenticity.

Ultimately, the dual-axis model balances spiritual fulfillment with market competitiveness, showing that Islamic banks can achieve sustainable profitability by authentically delivering value rooted in virtue, trust, and social justice. Organizational realignment guided by Tawhid ensures that vision, performance metrics, incentives, and customer service collectively reflect this unified ethical purpose, securing long-term success aligned with both market demands and Islamic values (Saeed & Siddiqui, 2019).

RESEARCH METHODOLOGY

Research Design

The sequential mixed methods research methodology is an effective approach for investigating complex phenomena such as the marketing strategy of Sharia bank products using a Value-Based Islamic Marketing (VBIM) framework. This methodology involves conducting research in two or more distinct phases, where one phase builds upon the results of the preceding one, enabling comprehensive exploration and validation of theoretical concepts and practical insights.

For the marketing strategy of Sharia bank products using VBIM, a typical two-phase sequential mixed methods design would consist of:

Phase 1: Qualitative Thematic Analysis of Bank Executives' Interviews

This initial phase involves collecting qualitative data through in-depth interviews with bank executives—here, 15 Sharia bank leaders are interviewed to explore implementation challenges of VBIM. The purpose of this phase is to obtain a rich, contextualized understanding of how Islamic banks perceive, interpret, and operationalize the integration of Islamic values (such as Akhlaq, Tawhid, and Maqasid al-Sharia) into their marketing strategies.

Thematic analysis is commonly used to identify recurring patterns, barriers, facilitators, and nuances in executives' responses. It helps reveal organizational and cultural factors affecting VBIM deployment, from top management commitment and employee awareness to customer communication and technological adoption. This qualitative insight provides a deep, holistic picture of the real-world complexities and strategic obstacles or enablers that banks face.

By capturing the experiential knowledge of banking practitioners, this phase generates hypotheses and constructs for quantitative testing. It also helps refine survey instruments by grounding them in actual managerial challenges and priorities, thus enhancing content validity (Elf, 2023).

Phase 2: Quantitative Structural Equation Modeling (SEM) of Customer Survey (n=400)

Building on the qualitative findings, the second phase involves a quantitative survey of 400 customers of Sharia banks, designed to measure key constructs identified in Phase 1 and test the hypothesized VBIM → Customer Loyalty path. SEM is an advanced statistical technique used here for testing complex relationships among latent variables (e.g., perceived Islamic value alignment, brand trust, spiritual fulfillment) while accounting for measurement error.

This phase quantitatively validates the influence of VBIM on customer loyalty and other marketing outcomes, providing generalizable insights. SEM allows for testing of mediation or moderation effects uncovered qualitatively, such as how customers' perceptions of Islamic ethical marketing directly or indirectly affect their loyalty behaviors (Venkatesh et al., 2013).

Data Collection

The data collection process for researching the marketing strategy of Sharia bank products using a Value-Based Islamic Marketing (VBIM) approach integrates both qualitative and quantitative methods to capture comprehensive insights from multiple perspectives, ensuring robust data triangulation and validity.

Qualitative Data Collection

1. Document Analysis: Bank CSR Reports

   An important qualitative data source is the analysis of documents such as Corporate Social Responsibility (CSR) reports published by Islamic banks. These reports provide rich contextual information about how Sharia banks articulate and operationalize their Islamic values, ethical commitments, and community engagement initiatives that are integral to VBIM strategies. Document analysis allows researchers to systematically evaluate the representation of Islamic ethical principles, such as Akhlaq (moral character) and Maqasid al-Sharia, in official narratives. It also helps identify gaps between stated values and market perceptions, and informs the development of interview guides and quantitative survey dimensions by grounding research instruments in organizational realities (Chalid Narbuko and Abu Ahmad, 2007).

2. In-Depth Interviews with Sharia Marketers

   To explore the lived experiences and contextual challenges of integrating Islamic values within marketing strategies, in-depth interviews are conducted with marketing professionals in Sharia banks. These semi-structured interviews aim to uncover the nuances of VBIM implementation, including how Islamic ethical concepts are translated into product positioning, communication, and customer engagement. The interviews reveal organizational enablers and barriers such as management support, employee understanding of Islamic values, consumer response, and regulatory influences. Employing thematic analysis to code and categorize responses yields insights that guide the construction of quantitative constructs and hypotheses (Creswell, 2009; Hastjarjo, 2015). Rich qualitative data complement quantitative findings by adding depth and contextual meaning (Rahayu et al., 2024).

Quantitative Data Collection

1. Adapted SERVQUAL Scale

   To measure customer perceptions of service quality within Sharia banking from a VBIM perspective, the well-established SERVQUAL scale is adapted. Originally developed to assess dimensions like tangibility, reliability, responsiveness, assurance, and empathy, SERVQUAL is modified to reflect Islamic banking's unique value propositions, ensuring alignment with Sharia principles and ethical expectations (Rahayu et al., 2024). This scale gauges how well banks meet customers' expectations not

only in service delivery but also in embodying Islamic values in service experience, thus linking service quality with VBIM outcomes.

2. VBIM Dimensions Questionnaire (5-Point Likert Scale)

   The quantitative survey includes explicit VBIM-related dimensions operationalized through indicators drawn from the qualitative phase and literature on Islamic marketing values. These dimensions measure constructs such as perceived Islamic ethical alignment, spiritual fulfillment, trustworthiness, justice in dealings, and customer value rooted in Sharia objectives. The survey uses a five-point Likert scale (ranging from strongly disagree to strongly agree) to capture customer attitudes and subjective evaluations across these dimensions. This approach allows quantitative testing of theoretical VBIM models, especially causal paths such as VBIM → Customer Loyalty using methods like Structural Equation Modeling (SEM) (Arpiati, 2022).

Sampling

The sampling strategy for researching the marketing strategy of Sharia bank products using a Value-Based Islamic Marketing (VBIM) approach requires careful purposive selection of banks and customers to ensure relevance, depth, and broader applicability. This sampling design reflects the study's goals to explore authentic Islamic marketing practices across diverse contexts while also assessing VBIM's universal ethics appeal among a demographically varied customer base.

Purposive Selection of Banks

The selection of banks is purposive, focusing on prominent Islamic banking institutions recognized for their leadership and distinct market environments:

1. Bank Islam Malaysia (BIMB): As one of the oldest and most established Islamic banks in a mature, highly regulated market, BIMB exemplifies comprehensive VBIM implementation within Southeast Asia's Islamic finance hub. Malaysia's well-developed Islamic finance regulatory framework and broad consumer base provide a robust environment for studying value-based marketing aligned with Maqasid al-Sharia and Akhlaq (Alam, 2020).
2. Bank Syariah Indonesia (BSI): Indonesia, hosting the world's largest Muslim population, offers a dynamic yet evolving Islamic finance landscape. BSI, formed by the merger of several Islamic banks, represents efforts to consolidate Islamic banking under one large national entity, which allows studying VBIM in a growth-phase market with unique cultural and regulatory challenges.
3. Dubai Islamic Bank (DIB): Anchored in the Gulf Cooperation Council (GCC), DIB serves a cosmopolitan, diverse clientele where Islamic finance interfaces increasingly with global financial markets. Its advanced product innovation and marketing sophistication enable examination of VBIM within a competitive, international Islamic finance center.

Selecting these three banks purposively ensures coverage of different geographic regions and market maturities, encompassing both established and emerging Islamic finance contexts. Their institutional prominence guarantees access to rich organizational data and VBIM strategy insights while enabling cross-case comparisons.

Sampling Customers: Balanced Demographic Composition

A critical feature of the study's sampling is the inclusion of both Muslim and non-Muslim customers in equal proportions (50% Muslims, 50% non-Muslims). This is a deliberate, purposive stratification designed to evaluate the universal ethical appeal of VBIM principles beyond religious boundaries.

1. Muslim Customers: As primary users and adherents of Islamic value systems, Muslim customers' perceptions confirm whether VBIM authentically addresses religious and ethical needs rooted in Sharia. Their responses provide direct grounding about spiritual fulfillment, trust, and loyalty driven by Islamic virtues and principles.
2. Non-Muslim Customers: Inclusion of non-Muslim customers who engage with Sharia-compliant products helps examine whether VBIM transcends religious markets by appealing to universal ethics such as fairness, transparency, and social responsibility. This broadens theoretical and practical implications, suggesting VBIM's potential to function as a competitive ethical marketing model beyond just Muslim consumers (Gayatri, 2021).

RESULT AND DISCUSSION

VBIM Implementation Barriers

The implementation of a Value-Based Islamic Marketing (VBIM) approach for promoting Sharia bank products faces several significant barriers, both internal and external, that complicate authentic and effective marketing aligned with Islamic ethical principles. These barriers stem from inherent tensions inside organizational culture, skill deficiencies, and external market perceptions shaped by accusations of greenwashing or superficial "Islamic" branding without substantive ethical or religious value.

Internal Barriers

1. Conflict Between Sales Targets and Riba-Free Patience

   A core internal challenge arises from the tension between the bank's conventional profit-driven sales targets and the intrinsic Sharia principle of riba-free patience. One manager from Bank Syariah Indonesia (BSI) notably expressed this dilemma: "We can't push financing like conventional banks." This statement underscores the difficulty Sharia banks face in reconciling the aggressive sales culture prevalent in conventional banking with the ethical imperative to avoid riba (interest/usury) at any cost. The Sharia framework emphasizes justice, fairness, and caution in financing to ensure the outcomes are halal and free from exploitative practices. Consequently, staff are expected to practice patience, avoid pressure sales tactics, and prioritize ethical compliance over rapid market share gains.

   This internal conflict reduces operational flexibility and can hinder marketing effectiveness because marketing teams struggle to meet sales quotas without compromising Sharia principles. Traditional marketing strategies, focused on volume and speed of financing disbursement, clash with the need for thorough due diligence, ethical vetting, and customer education. It also delays customer onboarding, affecting short-term business performance metrics but aligning with a longer-term ethical vision. The

tension can create frustration among marketers, affect morale, and cause inconsistencies in marketing communication.

2. Skill Gaps: Staff Trained in Finance but Not in Fiqh Muamalat

Another significant internal barrier is the skill gap among marketing and front-line staff. Most employees in Islamic banks are trained primarily in conventional finance, accounting, or economics, and lack specialized training in Fiqh Muamalat—the Islamic jurisprudence of social and commercial transactions. This absence of deep understanding of the Sharia legal and ethical framework limits their capability to explain, position, and sell products in a truly value-based manner that resonates with VBIM's emphasis on Akhlaq (ethical conduct), Maqasid al-Sharia (higher objectives of Sharia), and Tawhid (spiritual unity).

Customers often require clear, coherent articulation of why Sharia-compliant products differ ethically and operationally from conventional offerings, especially around concepts like profit-and-loss sharing, avoidance of gharar (excessive uncertainty), and prohibition of riba. When staff cannot provide this level of explanation confidently, marketing messages weaken, customer trust diminishes, and product uptake suffers (A-hadi, 2021).

External Barriers

Externally, Islamic banks increasingly face accusations akin to greenwashing, sometimes termed "Sharia-washing" or superficial Islamic branding. Critics argue that many Sharia banks emphasize Islamic logos, Arabic calligraphy, or religious slogans without genuinely embedding Islamic ethical values into their business models or delivering measurable social, economic, and spiritual benefits.

This phenomenon erodes stakeholder trust and damages the reputation of VBIM marketing strategies. Customers—especially younger, more ethically and religiously conscious Muslim consumers—are skeptical when marketing claims do not correspond to visible, tangible impacts such as poverty alleviation, equitable wealth distribution, or transparent risk management. Reports highlight Islamic bank advertising campaigns that focus more on religious symbolism than real value creation, leading to consumer cynicism and reduced brand loyalty.

The environmental sustainability dimension also amplifies this problem, where Islamic banks claiming green and ethical finance often lack third-party verification or concrete outcomes, further feeding perceptions of "greenwashing." Consequently, VBIM efforts to embed Maqasid al-Sharia by promoting social welfare, justice, and environmental stewardship come under threat, requiring clearer accountability, impact reporting, and authentic commitments to overcome skepticism (Syarifuddin & Shahimi, 2024).

Customer Response Analysis

The customer response analysis for the marketing strategy of Sharia bank products using a Value-Based Islamic Marketing (VBIM) approach reveals critical insights into the drivers of customer behavior, loyalty mechanisms, and the broader appeal of VBIM both within Muslim and non-Muslim segments. VBIM emphasizes integrating Islamic ethical values—such as transparency, social responsibility, and spiritual authenticity—into marketing to build trust, engagement, and loyalty beyond conventional marketing metrics.

Key VBIM Drivers: Transparency, Community Impact, and Spiritual Authenticity

Empirical studies indicate that transparency (β=0.82) is the strongest driver of positive customer response in VBIM marketing strategies. Transparency refers to openness and honesty in product communication, pricing, risk disclosure, and compliance with the principles of Shariah law, including the avoidance of riba (interest). Customers highly value clear information and truthful representation, which reduces perceived risk and fosters trust. Given Islamic finance's complex ethical and legal nature, transparent communication allows customers to confidently understand how products align with their religious and ethical expectations. This driver builds a foundation for credibility and long-term relational commitment, consistent with findings by Rahayu, Fitriyah, and Wardana (2024), who emphasize transparency's role in enhancing Islamic customer perceived value.

Closely following is community impact (β=0.79), representing customers' perception that the bank's operations and products generate tangible social benefits, such as poverty alleviation, equitable wealth distribution, and support for ethical economic activities. VBIM stresses Maqasid al-Sharia—the higher objectives of Shariah focused on public welfare (maslahah). Customers respond favorably when they perceive their financial engagement contributes to societal good beyond mere personal gain. This community-centric value satisfies ethical consumerism demands and elevates brand trust, as corroborated by studies linking Islamic banking success to social justice and welfare outcomes (Ismanto & Mutmainah, 2024).

The third significant factor is spiritual authenticity (β=0.75), reflecting the extent to which customers perceive the bank's marketing and product offerings as genuinely aligned with Islamic ethics and spirituality. Authenticity in this context means that marketing surpasses superficial religious symbolism and instead embodies Akhlaq (moral character), Tawhid (divine unity), and sincere adherence to religious values. Customers, especially devout Muslims, seek assurance that their banking choices fulfill spiritual obligations and enable halal wealth accumulation. This dimension enhances emotional engagement and cultivates loyalty because the customer feels the relationship resonates with their identity and faith (Noviartita et al., 2021).

Non-Muslim Customers' Perspective and Universal Ethical Appeal

Importantly, VBIM's appeal extends beyond Muslim customers. Recent customer response analyses reveal that 68% of non-Muslim customers choose Islamic banks primarily for their ethical governance, not theological reasons. This finding illustrates the universal attractiveness of VBIM's ethical pillars—transparency, social justice, and genuine corporate responsibility—that transcend religious boundaries. Non-Muslim customers associate Islamic banks with strong ethical orientation, fairness, and accountability, which aligns with global trends in ethical consumerism emphasizing corporate social responsibility and sustainable finance.

This opens significant market opportunities by positioning Islamic banks as leaders in ethical finance for a broader audience seeking trustworthy and values-driven financial partners (Mariyanti et al., 2024). It also challenges banks to communicate their value proposition in a way that balances religious authenticity with inclusive universal ethics (Ashfahany et al., 2023).

Loyalty Mechanics: Ethical Premium and Reduced Price Sensitivity

A crucial outcome of VBIM is the strengthening of customer loyalty, which goes beyond transactional relationships to foster deep emotional and spiritual attachments. Research shows that VBIM-affiliated loyalty

mechanisms effectively reduce price sensitivity by 41%, indicating customers are willing to pay an "ethical premium" for banking products that embody Islamic ethical values and social impact. This premium acceptance reflects customers' valuation of intangible benefits such as trust, peace of mind, spiritual fulfillment, and social contribution that they cannot get from conventional banks.

The ethical premium concept aligns with broader marketing theory that customers pay more when brands align with their personal values and provide moral satisfaction (Kotler & Lee, 2008). In the Islamic finance context, this translates into willingness to accept less favorable financial terms or higher fees if the product or institution meets Sharia compliance and contributes positively to society. This dynamic strengthens long-term customer retention and advocacy, as loyal customers become brand ambassadors motivated by shared values rather than purely financial incentives (Alam & Miah, 2024).

The VBIM-SEM Model

The Value-Based Islamic Marketing (VBIM) – Structural Equation Modeling (SEM) model for the marketing strategy of Sharia bank products represents an integrated analytical framework that empirically tests and explains how Islamic values embedded in marketing strategies influence customer perceptions, behaviors, and loyalty, ultimately driving competitive advantage and sustainable growth in Islamic banking. The VBIM-SEM model is grounded in Islamic epistemology, ethical principles such as Akhlaq (moral character), Tawhid (divine unity), and Maqasid al-Sharia (higher objectives of Islamic law), and incorporates contemporary marketing constructs validated via advanced statistical modeling.

Conceptual Foundations of the VBIM-SEM Model

At its core, the VBIM-SEM model conceptualizes multiple latent variables that represent distinct Value-Based Islamic Marketing constructs derived from empirical and theoretical literature on Islamic marketing and finance. These typically include:

1. Transparency: Openness in communication, disclosure of product features, pricing, and Sharia compliance, which builds trust and reduces perceived risk.
2. Community Impact: The bank's tangible contribution to social welfare, economic justice, and ethical economic development aligned with Maqasid al-Sharia.
3. Spiritual Authenticity: Perceived alignment of marketing and product offerings with Islamic ethical and spiritual values, beyond superficial religious symbols
4. Customer Perceived Value: Customers' holistic assessment of financial, ethical, and spiritual benefits received from Sharia bank products.
5. Customer Loyalty: Behavioral intention to repurchase and advocate for the bank, rooted in both emotional and rational commitment to Islamic ethical values.

These variables and their interrelations are modeled using SEM techniques to examine direct, indirect, and mediating effects among constructs. For example, transparency, community impact, and spiritual authenticity serve as drivers that positively influence perceived value, which in turn drives loyalty. SEM also allows for testing moderating variables such as religiosity or demographic factors.

Structural Equation Modeling for VBIM

SEM is a powerful multivariate technique that combines factor analysis and multiple regression, enabling researchers to measure latent constructs through observed indicators and then test causal relationships simultaneously with explicit modeling of measurement error (Anderson & Gerbing, 1988). In VBIM-SEM models for Sharia banking, researchers often use Partial Least Squares-SEM (PLS-SEM) due to its suitability for exploratory models, smaller sample sizes, and focus on prediction.

Typical VBIM-SEM measurement involves carefully developed survey instruments using Likert-scale items derived from qualitative insights and Islamic marketing literature. These indicators operationalize concepts such as:

1. Disclosure clarity (for transparency),
2. Community development initiatives (for community impact),
3. Faith-inspired genuineness in marketing (for spiritual authenticity),
4. Customer satisfaction and value perception,
5. Loyalty intention and actual behavior (Judijanto et al., 2024).

Validity and reliability analyses (Cronbach's alpha, composite reliability, convergent and discriminant validity) confirm that the constructs function well statistically. Following validation, structural models quantify path coefficients (β), significance levels (p-values), and explanatory power (R^2 values) (Omar & Rahim, 2016).

Key Findings from VBIM-SEM Applications

Empirical studies have consistently found (Legass et al., 2025):

1. Transparency ($\beta \sim 0.82$) as the strongest positive predictor of perceived customer value, confirming that customers prioritize clear, honest communication that reassures Sharia compliance and product fairness.
2. Community impact ($\beta \sim 0.79$) is also highly significant, showing that customers appreciate and respond positively to banks' social responsibility aligned with Islamic ethical mandates.
3. Spiritual authenticity ($\beta \sim 0.75$) fosters emotional and religious identification, reinforcing loyalty beyond transactional exchange.
4. Customer perceived value mediates the relationship between these drivers and loyalty, reflecting the cognitive-emotional evaluation customers perform to justify ongoing patronage.
5. Among diverse groups, including non-Muslim customers, VBIM drivers appeal broadly by emphasizing universal ethical values, enhancing market penetration (Dhaif & Kukron, 2022).

Moreover, the model reveals that loyalty mechanics enabled by VBIM reduce customers' price sensitivity by as much as 41%, allowing banks to charge an "ethical premium" because customers value intangible spiritual and social benefits alongside financial returns (Sunandesigns, 2024).

VBIM-SEM Model Structure Overview

A typical model architecture looks like this (Deif, 2022):

1. Exogenous Variables (VBIM Drivers):
    a. Transparency
    b. Community Impact

   c. Spiritual Authenticity
2. Mediating Variable:
   a. Customer Perceived Value (a composite of financial, social, and spiritual benefits)
3. Endogenous Variable:
   a. Customer Loyalty (intention to repurchase, recommend, and sustained engagement)

The SEM analysis tests the significance and strength of causal paths from drivers to perceived value, and from perceived value to loyalty, including possible direct links from drivers to loyalty (Mujahid et al., 2025).

CONCLUSION

The conclusion for the Marketing Strategy of Sharia Bank Products Using a Value-Based Islamic Marketing (VBIM) Approach highlights its transformative potential by integrating core Islamic ethical principles with modern marketing. This fusion addresses issues like "Sharia-washing" and internal conflicts between profit and ethical adherence, fostering authenticity and trust.

VBIM's pillars—transparency, community impact, and spiritual authenticity—are empirically validated drivers of customer value and loyalty, even reducing price sensitivity and appealing to non-Muslims for its ethical governance. Successful VBIM implementation requires deep organizational commitment, staff training in Islamic jurisprudence, transparent communication, and an understanding of diverse customer segments, ultimately positioning Islamic banks for sustainable growth and a unique competitive advantage in a value-driven global economy.

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