

GREEN MARKETING STRATEGIES AS A COMPETITIVE ADVANTAGE: ANALYZING THE IMPACT ON CUSTOMER LOYALTY IN THE ISLAMIC BANKING SECTOR

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Abstract

Green marketing has become an important strategy for Islamic banking in facing changing customer preferences that are increasingly concerned about sustainability. The implementation of this strategy not only increases competitiveness but also strengthens the image and reputation of banks amidst the increasing demands for more responsible business practices. However, Islamic banking faces various challenges in implementing green marketing strategies, including regulatory constraints, investment, and customer awareness levels. This study aims to analyze the impact of green marketing strategies on customer loyalty in the Islamic banking sector and how this strategy can be used as a competitive advantage. This study uses a qualitative approach by analyzing data from various sources, including previous studies, industry reports, and relevant literature. The data collected is then processed and analyzed systematically to identify patterns and factors that influence the effectiveness of green marketing in Islamic banking. The results of the study show that green marketing contributes positively to customer loyalty by increasing trust and emotional attachment to the bank. In addition, this strategy strengthens the competitiveness of Islamic banking compared to banks that still apply conventional approaches. However, to ensure the sustainability of its benefits, banks need to adapt to technological developments, increase transparency, and overcome obstacles that arise in the implementation of green marketing.

Keywords: *Green Marketing, Customer Loyalty, Islamic Banking.*

A. INTRODUCTION

In recent decades, sustainability issues have become a major concern across various industry sectors, including the banking sector. With increasing public awareness of the environmental impacts of economic activities, financial institutions have begun to adopt a more sustainable approach to their operations. The Islamic banking sector, which is based on ethical principles and Sharia values, is facing increasing demands to implement strategies that are aligned with sustainability, one of which is through green marketing (Bätae et al., 2021). This phenomenon is driven by increasing customer expectations regarding the social and environmental responsibilities that financial institutions must carry out. Islamic banking customers

are not only looking for products and services that are following Sharia principles but also expect a greater commitment to environmental sustainability (Bugandwa et al., 2021).

Amidst increasing competition in the banking industry, green marketing strategies are increasingly being seen as a competitive advantage that can enhance the competitiveness of Islamic financial institutions. Islamic banking, which has been based on ethical and sustainable principles from the outset, has a great opportunity to differentiate itself through the implementation of effective green strategies (Amuda & Al-Nasser, 2024). By prioritizing a commitment to sustainability, Islamic banking can attract a more environmentally conscious customer segment and build long-term loyalty. However, implementing green marketing strategies in this industry is not without its challenges. Various barriers, ranging from high implementation costs to a lack of market awareness of green initiatives, remain major obstacles to the widespread adoption of this strategy (Andespa et al., 2024).

On the other hand, increasing regulations related to sustainability in the financial sector are also factors that encourage Islamic banking to adopt green marketing strategies. Governments and financial authorities in various countries have begun to establish policies that require financial institutions to increase transparency in sustainability reports and adopt more environmentally friendly business practices (Jan et al., 2021). In this context, Islamic banks need to ensure that the green marketing strategies they implement are not only symbolic but also have a real impact in reducing the environmental footprint of their financial activities. Failure to meet market and regulatory expectations can risk damaging the institution's reputation and reducing customer loyalty (Miah et al., 2021).

In addition to regulatory factors and market competition, changing consumption patterns also contribute to the importance of green marketing in Islamic banking. The younger generation, especially millennials and Gen Z, are increasingly taking environmental factors into account in their financial decisions (Junaidi et al., 2023). They are more likely to choose financial institutions that have a real commitment to sustainability and transparency in their operations. Therefore, an effective green marketing strategy can be an important tool for Islamic banks to attract and retain this customer segment. By communicating green initiatives clearly and credibly, Islamic banks can build stronger trust with their customers (Elansari et al., 2024).

Although the potential of green marketing in Islamic banking is enormous, the effectiveness of this strategy still depends on the extent to which institutions can integrate sustainability values into their business models. Only with a comprehensive and consistent approach can green marketing have a significant impact on customer loyalty. Therefore, this study aims to analyze how green marketing strategies can be a competitive advantage for Islamic banking and the extent to which these strategies affect customer loyalty. By understanding these dynamics, Islamic banks can formulate more effective strategies for facing the challenges and opportunities that arise in the era of sustainable finance.

B. LITERATURE REVIEW

1. Green Marketing

Green Marketing commonly called green marketing is defined as a consistency of the entire series of activities manifested in services and facilities for the needs, satisfaction, and desires of the general public while maintaining the sustainability of the surrounding environment (Jannah et al., 2024). Green marketing has developed into a new topic related to the motivation of society as consumers who are interconnected with effectiveness, cooperative behavior, and strategic alliances where green marketing is a marketing program that covers a wide range of environmental-based marketing that includes company policies, practices and marketing procedures that explicitly focus on environmental friendliness with the aim of generating income and providing exchanges or transactions that satisfy organizational and individual goals (Prieto-Sandoval et al., 2022).

The American Marketing Association provides an understanding that green marketing is divided into three meanings, namely:

a. Retail definition

Marketing in terms of the environment of products that are considered safe.

b. Social marketing definition

Development and marketing of products designed to minimize negative impacts on the physical environment or to improve its quality.

c. Environmental definition

Efforts by organizations to produce, promote, package, and reclaim products in a way that is sensitive or responsive to ecological issues (Gustavo Jr et al., 2021).

According to Widodo, green marketing is a marketing mix planning process that utilizes changing consumer awareness of more environmentally friendly products/services by changing products, manufacturing methods, and packaging to be more environmentally friendly in order to satisfy and meet consumer needs and reduce negative impacts on the environment and also invite consumers to care more about the environment. Green marketing plays an important role in meeting consumer needs and corporate responsibilities for the long term and increasing the effectiveness of green marketing (Giantari & Sukaatmadja, 2021).

Green marketing or environmental marketing has begun to develop in line with the increasing number of people who are aware of the declining quality of the environment so people have begun to demand accountability from business actors, especially those who produce products that can damage the environment. Green marketing is the consistency of all activities that design services and facilities for the satisfaction of human needs and desires, without causing an impact on the natural environment (Limaho et al., 2022).

The American Marketing Association (AMA) states that the green marketing approach is product marketing that primarily focuses on environmental safety, combining business activities consisting of packaging modifications, production processes, and green promotion (Esmaelnezhad et al., 2023). Polonsky states that green marketing not only markets products in an environmentally friendly manner, but also demands environmental reorientation and responsibility from all areas, activities, and departments of an organization, so it can be said that green marketing

is a concept that refers to meeting consumer needs by trying to minimize the impact of damage to the environment. The marketing mix is a strategy used by companies to win the competition (Reddy et al., 2023).

Green marketing indicators according to the Article are as follows:

- a. Green Products with the sub-dimensions used are environmentally friendly and recyclable.
- b. Premium price (Green Price) with the sub-dimensions used are the price of similar products, price according to performance, and price according to design.
- c. Green Place distribution channels with the sub-dimensions used are easy to reach and completeness of the product.
- d. Green Promotion with the sub-dimensions used are environmental messages and motivating consumers (Oduro & Matarazzo, 2024).

2. Customer Loyalty

According to Gibson, customer loyalty is a behavioral drive to make repeated purchases, and building customer loyalty to a product/service produced by the business entity requires a long time through a process of repeated purchases.

Customers are different from consumers, a person can be said to be a customer if the person starts to get used to buying the products or services offered. This habit can be built through repeated purchases within a certain period of time without making repeat purchases, then the person cannot be said to be a customer but a buyer or consumer (Ridwan, 2022).

Furthermore, Griffin argues that a customer is said to be loyal if the customer shows regular purchasing behavior or there is a condition that requires the customer to buy at least twice within a certain time interval. Efforts to provide satisfaction are made to influence customer attitudes, while the concept of customer loyalty is more related to behavior than to the attitude of the customer (Gu et al., 2021).

According to Maulana, a consumer is said to be loyal if the consumer has a strong commitment to use or buy again regularly for a product or service. Therefore, always focusing on customers is to create customer loyalty. Loyal customers are expected not only to make repeat purchases but also to be able to tell others about the advantages of a product or provide recommendations to others to buy the product (Prihatna & Irfan, 2022).

Customer loyalty will also be the key to success, not only in the short term but also in sustainable competitive advantage. This is because customer loyalty has strategic value for the company. Customer loyalty to a brand is one of the assets of the brand. This is certainly very expensive because to build it there are many challenges that must be faced and it takes a very long time (Hajar et al., 2022).

Aaker and Tatik stated that customer loyalty has strategic value for the company, including:

- a. Reducing marketing costs

The company's application has a fairly large number of loyal customers, so this can reduce marketing costs. Several studies have shown that the cost of acquiring new customers is six times greater than the cost of retaining existing customers (Rane et al., 2023).

b. Trade leverage

Brand loyalty provides trade leverage for the company. A product with a brand that has loyal customers will attract distributors to provide more space than other brands in their stores. Because they know that consumers or customers will repeatedly buy the brand and even invite others to buy the brand (Escamilla et al., 2021).

c. Attracting new customers

Customers who are satisfied with the brand they buy can influence other consumers. Dissatisfied customers will convey their dissatisfaction to 8 to 10 people. Conversely, if they are satisfied, they will tell or recommend to others to choose products/services that have provided satisfaction (Azizah et al., 2022).

d. Time to respond to competitor threats

Brand loyalty allows the company to have time to respond to actions taken by competitors. If competitors develop superior products, the company has the opportunity to make better products in a certain period of time because it is relatively difficult for competitors to influence our loyal customers. They need a relatively long time (Agustian et al., 2023).

C. METHOD

This research will be conducted using a qualitative approach to analyze green marketing strategies in Islamic banking and their impact on customer loyalty. This approach allows the researcher to gain an in-depth understanding of how Islamic banking implements sustainability principles in its marketing strategies and how this affects customer perceptions and behaviors. The research data will be collected from various sources, including previous research results, and relevant literature, to ensure that the analysis has a strong empirical basis. Once the research data has been collected, the analysis process will be carried out systematically to identify patterns, trends, and factors that contribute to the effectiveness of green marketing in the Islamic banking sector. The data obtained will be processed and synthesized to produce findings that can provide comprehensive insights into the competitive advantages gained through green marketing strategies. With this approach, the research is expected to contribute to the development of academic literature and offer practical recommendations for the Islamic banking industry in adopting sustainability strategies (Pahleviannur et al., 2022).

D. RESULT AND DISCUSSION

1. Implementation of Green Marketing Strategy in Islamic Banking

Islamic banking continues to evolve in the face of global demands for more sustainable business practices. As institutions that operate under the principles of ethics and Islamic finance, Islamic banks have a great opportunity to lead the way in implementing green marketing strategies. However, as environmental awareness increases among the public, Islamic banks must adapt their marketing policies and practices to better align with sustainability principles. This transformation involves not only changes in how banks promote their products and services but also in how they operate as a whole. Changing regulations and international standards on

sustainability are putting increasing pressure on financial institutions to be more transparent in their environmental policies. Islamic banks are also adopting stricter policies on funding projects that have an impact on the environment, as well as prioritizing funding for environmentally friendly sectors.

In the context of marketing, green strategies are no longer limited to promotional campaigns but also include a shift towards more efficient and low-emission technology-based operations. Digitalization has become a critical element in supporting the implementation of green marketing in the Islamic banking sector. The use of technologies such as mobile banking applications, paperless transactions, and digital payment systems have helped banks reduce the environmental impact of their operations. In addition, the use of artificial intelligence and data analytics has enabled Islamic banks to adapt their marketing strategies to be more effective and targeted. Through this technology, banks can provide a more personalized customer experience, reduce energy consumption in physical branch operations, and reduce waste generated from the use of printed documents and conventional communications. Thus, the adoption of digitalization not only improves business efficiency but also supports Islamic banks in achieving their sustainability goals.

In addition to changes in policy and digitalization, innovation in sustainability-based products and services is also an important aspect of green marketing in Islamic banking. Several banks have started to offer financial products specifically designed to support environmentally friendly projects, such as renewable energy financing, ESG (Environmental, Social, and Governance)-based investments, and green savings that allocate customer funds to sustainable projects. However, although these innovations offer great opportunities to attract environmentally conscious customer segments, their implementation still faces various challenges. One of the main obstacles is the high cost of developing and managing green products, which can impact short-term profitability. In addition, the lack of customer understanding and awareness of the benefits of green products is often an obstacle to increasing the adoption of sustainable financial products. Therefore, effective education and communication strategies are essential to ensure that innovations in green marketing can be widely accepted and adopted by the community.

In adopting a green marketing strategy, Islamic banking must also consider various internal and external factors that influence its success. From the internal side, management support and organizational readiness in implementing sustainable strategies are crucial factors. Islamic banks need to ensure that their entire business lines are aligned with the sustainability vision, from investment policies to operational practices in each branch. In addition, employee involvement in understanding and implementing sustainability values also plays a significant role in the success of a green marketing strategy. From the external side, pressure from regulators, changing customer preferences, and industry competition also determine the extent to which banks can develop their green marketing strategies. With increasing competition between Islamic and conventional banks in attracting increasingly environmentally conscious customers, Islamic banking institutions must be able to build strong differentiation through real sustainability commitments and not just symbolic marketing strategies.

The implementation of a green marketing strategy in Islamic banking is a step that is not only necessary to increase competitiveness but also as part of the financial institution's responsibility to maintain environmental sustainability. By adapting more environmentally friendly marketing policies, utilizing digital technology to reduce carbon footprints, developing sustainability-based products, and understanding the internal and external dynamics that influence the success of this strategy, Islamic banks can leverage green marketing as a long-term competitive advantage. Success in implementing this strategy will not only have an impact on increasing customer loyalty but also strengthen the role of Islamic banking in building a more sustainable and responsible financial ecosystem.

2. Competitive Advantage through Green Marketing Strategy

Green marketing strategies have become an important factor in shaping the competitive advantage of Islamic banking amidst increasing public awareness of environmental and sustainability issues. Customers today consider not only the financial aspect in choosing banking services but also the ethical values adopted by the financial institution. Green marketing allows Islamic banks to offer added value beyond just Shariah-compliant financial services. By implementing sustainability principles in their operations and products, Islamic banks can build positive perceptions among customers, which ultimately increases customer loyalty and satisfaction. When banks are able to demonstrate a real commitment to sustainability practices, such as funding green projects or reducing the carbon footprint of their operations, customers will feel that they are contributing to protecting the environment through their financial choices. This creates a stronger relationship between the bank and its customers, where they are not just users of the service but also part of a larger sustainability mission.

From a competitiveness perspective, Islamic banks that adopt green marketing strategies have an advantage over banks that still apply conventional marketing approaches. While conventional banks focus more on pricing strategies, interest rates, and general promotion of financial products, Islamic banks can rely on value-based differentiation, where they not only offer *riba*-free products but also sustainability-oriented ones. This provides a unique competitive advantage, as Islamic banks can appeal to a wider market segment, including individuals who care about sustainability but have not previously considered Islamic banking as their primary option. In the long term, green marketing strategies can also increase the attractiveness of Islamic banks to ESG (Environmental, Social, and Governance) investors, thereby strengthening their position in a global financial ecosystem that is increasingly prioritizing sustainability as a key indicator of corporate performance.

Another advantage of implementing green marketing in Islamic banking is the improvement of the image, reputation, and credibility of the institution in the eyes of the public. Banks that actively promote green initiatives and demonstrate the real impact of their sustainability policies will gain greater trust from the public. This positive image can increase the bank's appeal to new customers, expand market reach, and strengthen long-term relationships with existing customers. Banks' credibility also increases when they are able to demonstrate a long-term commitment to sustainability practices, for example by publishing environmental transparency

reports, participating in carbon emission reduction programs, or collaborating with environmental organizations to support sustainability projects. With increasing public expectations for corporate social responsibility, banks that are able to prove their integrity in implementing green strategies will have a superior reputation compared to competitors who have not taken similar steps.

However, although green marketing offers many opportunities, its implementation in Islamic banking is not without various obstacles. One of the main challenges is the high costs required to develop and implement sustainability strategies. Banks must invest in digital infrastructure that supports carbon emission reduction, improve operational efficiency, and develop environmentally-based financial products. In addition, different regulations in different countries can also be an obstacle, especially for Islamic banks that operate internationally. They must adapt their green marketing policies to local standards that often have different requirements for compliance with sustainability principles. In addition to regulatory challenges, customers' lack of awareness and understanding of the benefits of green marketing can also hinder the success of this strategy. If customers do not understand how sustainable banking practices can provide long-term benefits for both them and the environment, the effectiveness of green marketing strategies will be reduced. Therefore, banks need to develop more effective communication strategies to educate customers and raise their awareness of the value offered by green banking.

Green marketing strategies provide a significant opportunity for Islamic banks to build a sustainable competitive advantage. By integrating sustainability principles into their marketing and operations, Islamic banks can strengthen their image as responsible financial institutions, attract more environmentally conscious customers, and increase their competitiveness in an increasingly competitive market. Despite the challenges in implementation, banks that can overcome these obstacles with the right strategies will reap long-term benefits in the form of higher customer loyalty, improved reputation, and more sustainable business growth.

3. The Impact of Green Marketing Strategies on Customer Loyalty

Green marketing strategies in Islamic banking have had a significant impact on customer loyalty, especially amidst increasing public awareness of the importance of sustainability and environmental responsibility. Customers now not only consider the financial benefits aspect in choosing banking services but also see the extent to which the bank they choose contributes to the environment and social welfare. When Islamic banks implement green marketing strategies clearly and consistently, customer responses tend to be more positive because they feel that their banking choices are aligned with their values. Many customers are more interested in transacting with banks that implement environmentally friendly policies, such as financing sustainable projects, using renewable energy in their operations, and providing financial products that support green investment. The stronger the link between the sustainability principles carried out by the bank and the customer's concern for the environment, the more likely the customer is to remain loyal to using the banking service in the long term.

Customer loyalty in Islamic banking that implements green marketing strategies is also influenced by various factors that increase emotional attachment and

trust in the bank. One of the main factors is the extent to which the green marketing strategy is implemented in real terms in the products and services provided. Banks that not only use green marketing as a promotional strategy but truly integrate it into their operations will find it easier to gain the trust of customers. In addition, consistency in implementing sustainability policies also plays an important role. If banks continue to demonstrate their commitment to green practices through environmentally friendly product innovations, such as recycled debit cards, green project financing, or paperless banking policies, customers will be more convinced that the bank truly cares about sustainability. The higher the level of bank involvement in green initiatives, the more likely customers are to remain loyal and even recommend the bank to others.

Transparency and communication in green marketing strategies also have a significant impact on customer trust and retention in Islamic banking. Customers want to see concrete evidence of the sustainability claims made by banks, so providing clear, structured, and data-driven information is essential. Banks that actively communicate their green initiatives through various channels, such as annual sustainability reports, social media, and educational campaigns, are more likely to gain customer trust. This trust is further strengthened when banks provide open information on how customer funds are used to support green projects or how their banking policies have a positive impact on the environment. Customers who feel they have access to clear and reliable information tend to have a stronger relationship with the bank, which ultimately increases customer retention. In addition, banks that involve customers in sustainability programs, such as tree planting initiatives every time a customer opens a new account or reward schemes for customers who use digital services to reduce their carbon footprint, can further strengthen customer loyalty to green banking.

In addition to building loyalty, green marketing strategies also contribute to changing customer preference patterns in choosing Islamic banking services. As awareness of environmental issues increases, customers are becoming more selective in choosing banks that align with their sustainability values. If previously the decision to choose Islamic banking was more based on compliance with sharia principles and economic benefits, now the sustainability aspect is becoming an increasingly determining factor. Customers are starting to be more interested in banks that not only offer usury-free products, but also have policies that support the environment, such as funding renewable energy projects, reducing the use of plastic in bank operations, or implementing responsible financial policies. This shift in preferences encourages Islamic banks to continue to innovate in their marketing strategies to remain relevant and able to compete with conventional banks that are also starting to adopt green policies.

Green marketing strategies in Islamic banking have a positive impact on customer loyalty by increasing emotional involvement, trust, and customer satisfaction with the services provided. The increasingly positive customer response to green policies, supported by transparency and good communication, strengthens the long-term relationship between banks and customers. With the continuing development of sustainability trends in the banking industry, the adoption of green

marketing strategies is not only a competitive advantage for Islamic banking but also a factor that can drive long-term customer growth and stability.

4. Challenges and Opportunities in Developing Green Marketing in Islamic Banking

The development of green marketing strategies in Islamic banking faces various challenges related to regulations, costs, and customer awareness levels. One of the main obstacles faced is the uncertainty of regulations related to the application of sustainability principles in the Islamic banking industry. Although many countries have begun to adopt green policies in the financial sector, the standards used still vary and are not fully integrated with Sharia principles. Islamic banks must ensure that their green marketing strategies not only meet global sustainability standards but also remain following the sharia principles that govern this sector. The absence of uniform regulations often creates ambiguity in the implementation of green marketing policies, so banks must be more proactive in designing strategies that can meet both aspects without violating applicable provisions.

In addition to regulatory challenges, the costs and investments required to implement green marketing strategies are also factors that must be carefully considered. Adopting a green marketing approach is not just about running promotional campaigns that emphasize sustainability, but also requires significant changes in banking operations, including digitizing services, using environmentally friendly technology, and investing in sustainability-based products. All of this requires a significant allocation of funds, especially for banks that want to carry out a complete transformation in their business practices. One of the challenges often faced is how to balance commitment to sustainability with profitability goals. If not planned properly, the high costs of implementing green marketing can burden the bank's finances and potentially reduce its competitiveness in the market. Therefore, a mature strategy is needed in adjusting the green marketing budget so that it continues to have a positive impact on the environment without sacrificing the bank's financial stability.

On the other hand, the level of customer awareness and education regarding green marketing in Islamic banking is still a challenge that must be overcome. Although awareness of the importance of sustainability is increasing among the public, not all customers understand how green marketing practices in Islamic banking can benefit them. Many customers still focus on the financial benefits and sharia compliance aspects in choosing banking services, without considering sustainability factors as part of their decisions. Therefore, banks must take an active role in educating customers about the importance of green marketing practices and how these policies can have a positive impact, both for them as individuals and for the environment as a whole. Continuous education campaigns, transparency in the delivery of information, and customer involvement in sustainability programs can be effective steps to increase awareness and strengthen their loyalty to banks that implement green marketing.

Although there are various challenges in developing green marketing in Islamic banking, there are also great opportunities that can be utilized by this industry to grow and create added value for customers. One of the main opportunities is innovation in sustainability-based products and services. Islamic banking has the

opportunity to develop various financial instruments that are not only compliant with Sharia principles but also support sustainability goals, such as green sukuk, renewable energy financing, and investment programs that are oriented towards social and environmental impacts. With the increasing global demand for sustainability-based financial products, Islamic banking has the potential to become a major player in providing financial solutions that comply with sharia principles while contributing to the achievement of sustainable development goals.

In addition, changing market trends and customer expectations regarding sustainability also provide opportunities for Islamic banks to adjust their marketing strategies to remain relevant and competitive. The younger generation, who are increasingly aware of the importance of sustainability, is a potential market segment for Islamic banks implementing green marketing. With a digital and innovative approach, banks can attract this generation by providing more environmentally friendly services, such as digital banking that reduces paper usage, incentives for customers who choose sustainability-based services, and loyalty programs that are linked to environmental contributions. Banks that can adapt to these trends can not only expand their customer base but also strengthen their image as institutions that care about sustainability.

While there are challenges in developing a green marketing strategy in Islamic banking, the opportunities available are much greater if managed properly. With the right approach, banks can overcome regulatory constraints, optimize investments in green marketing, increase customer awareness, and leverage innovation to strengthen their competitiveness in the Islamic finance industry. Implementing an effective green marketing strategy will not only provide long-term benefits for banks in terms of customer loyalty and business growth but also contribute to the broader sustainability goals of the global financial sector.

E. CONCLUSION

The implementation of green marketing strategies in Islamic banking has become one of the main approaches to increasing competitiveness and customer loyalty. With the increasing awareness of sustainability, Islamic banks must adjust their marketing policies and practices to align with Sharia principles and evolving environmental standards. The implementation of green marketing not only contributes to the image and reputation of banks in the public eye but also strengthens long-term relationships with customers who are increasingly considering ethical and environmentally responsible aspects in choosing financial services. However, despite the opportunities available, the challenges in developing green marketing strategies are still quite significant, especially related to regulations, investments, and customer awareness levels. Nevertheless, banks that can overcome these obstacles with the right innovation and strategies will have a sustainable competitive advantage. By continuously adapting to market changes and customer expectations, Islamic banks can utilize green marketing strategies as a tool to create added value that will not only have a positive impact on profitability but also on the sustainability of the financial industry as a whole.

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