

## MAQASHID SHARIA AND CUSTOMER DECISIONS IN ISLAMIC HOUSING FINANCE: EVIDENCE FROM WEST JAVA

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### ABSTRACT

The purpose of this study is to analyze Maqashid Sharia, specifically *dharuriyat* (necessities) proxied by service quality, *hajiat* (complementary needs) proxied by location, and *tahsiniyat* (embellishments) proxied by promotion, on customer decisions within the FLPP program in Islamic banking in West Java. This study adopts a quantitative research approach. Primary data were collected through a structured questionnaire, with the sampling technique employed being purposive sampling. The sample size consists of 100 customers of BJB Syariah and BTN Syariah involved in the FLPP (Housing Financing Liquidity Facility) program in West Java. Data analysis was conducted using Partial Least Squares-Structural Equation Modeling (PLS-SEM). The study concludes that the variables *dharuriyat*, *hajiat*, and *tahsiniyat* significantly influence customer decisions in the FLPP program, accounting for 75.5% of the decision-making process, categorized as strong. Among these, the *dharuriyat* variable, represented by service quality, has the highest impact, contributing 72.5%. The findings imply that customers' decisions to secure a home through the FLPP program are primarily driven by their housing needs rather than investment motives. In contrast, the *tahsiniyat* variable, represented by promotion, exhibits the lowest impact at 21%. This outcome indicates that *tahsiniyat* elements, which enhance the aesthetic and convenience aspects of life, are not critical to fulfilling essential or complementary needs (*dharuriyat* and *hajiat*). Thus, their absence does not pose significant difficulties or threats to these core elements.

## 1 Introduction

Indonesia is the most populous country in Southeast Asia, with a recorded population of 278 million in 2023 (BPS, 2023). This significant population is influenced by Indonesia's vast territory. As an archipelagic nation, Indonesia consists of 17,504 islands, 33 provinces,

and 416 regencies, covering a total area of 1.905 million square kilometers. However, the expansive territory does not guarantee that all citizens have access to adequate and affordable housing. In 2023, it was reported that only 176 million Indonesians, or approximately 63.15%, had access to decent and affordable housing. Conversely, 102 million Indonesians, or around 36.85%, still lacked access to such housing.

According to data released by the Ministry of Public Works and Public Housing in 2023, 12.7 million households in Indonesia were recorded as being without homes, while 29.6 million households were living in uninhabitable conditions, predominantly from the *Masyarakat Berpenghasilan Rendah* (MBR), or Low-Income Communities, category. The table below presents the percentage of Indonesian households with access to decent and affordable housing, highlighting the provinces with the highest and lowest percentages during the 2021–2023 period:

**Table 1 Six Provinces with the Highest and Lowest Percentage of Communities Having Decent and Affordable Housing**

<b>Highest</b>			
<b>Province</b>	<b>Year</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
DI Yogyakarta	85.15	84.94	85.79
Bali	78.47	81.65	84.26
East Kalimantan	70.7	73.18	75.82
Southeast Sulawesi	70.45	72.8	74.01
Riau	70.63	69.43	71.53
North Sulawesi	69.5	69.57	72.39
<b>Lowest</b>			
<b>Province</b>	<b>Year</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Papua	28.92	27.28	29.01
Bangka Belitung Islands	27.6	30.79	32.57
DKI Jakarta	40	36.23	38.8
East Nusa Tenggara	40.41	41.8	42.7
Riau Islands	50.23	46.69	54.21
West Java	53.14	53.37	54.17

Source: BPS, 2024

Based on Table 1, the provinces with the highest percentage of decent and affordable housing in 2023 include the Special Region of Yogyakarta (85.79%), Bali (84.26%), East Kalimantan (75.82%), Southeast Sulawesi (74.01%), North Sulawesi (72.39%), and Riau (71.53%). Conversely, the provinces with the lowest percentage of decent and affordable housing in 2023 are Papua (29.01%), Bangka Belitung Islands (32.57%), DKI Jakarta (38.8%), East Nusa Tenggara (42.7%), Riau Islands (54.21%), and West Java (54.17%).

The lack of decent and affordable housing remains a persistent and challenging issue in Indonesia. For many Indonesians without access to such housing, this situation often

feels insurmountable. Housing suitability is a critical indicator in assessing a nation's poverty level, as housing constitutes one of the primary needs of a community (Mangeswuri, 2016). The Government of the Republic of Indonesia has consistently facilitated housing development through both formal and independent initiatives. However, these efforts have not been sufficient to close the gap between housing needs and availability (housing backlog), which continues to grow each year. One significant measure to address the housing backlog is the enactment of Law No. 1 of 2011 on Housing and Residential Areas. This legislation offers renewed hope, particularly for Low-Income Communities.

Many individuals aspire to own a house but are unable to make cash payments upfront. As a result, a mechanism is required to facilitate homeownership through installment-based payments, commonly known as *Kredit Pemilikan Rumah* (KPR) in Indonesian, or *Home Ownership Credit* in English, over a specified period. This installment system makes homeownership more affordable for the public. With the growing demand for housing, banks have increasingly focused on developing and offering financial products tailored to meet this need (Mangeswuri, 2016). One such product is widely known as *Kredit Pemilikan Rumah* (KPR) or *Home Ownership Credit*, which provides financing for individuals seeking to purchase a home.

One of the government's initiatives to address the lack of adequate housing for the Indonesian population is the implementation of the *Fasilitas Likuiditas Pembiayaan Perumahan* (FLPP) program, known in English as the Housing Financing Liquidity Facility. The FLPP serves as a housing financing liquidity support scheme specifically designed for Low-Income Communities and is managed by the Ministry of Public Works and Public Housing. In practice, FLPP funds are combined with third-party funds managed by participating banks in a specific proportion, resulting in a blended interest rate maintained below 10% (single-digit). The FLPP interest rate is fixed throughout the duration of the mortgage tenor. The implementing banks responsible for distributing FLPP mortgages include Bank Jabar and Banten Syariah (BJB Syariah) and Bank Tabungan Nasional Syariah (BTN Syariah). Since initiating the program in 2016, BJB Syariah and BTN Syariah have successfully distributed FLPP financing to 23,247 customers, amounting to a total of IDR 3.2 trillion as of 2022.

In Islam, human needs are diverse and categorized into three levels: primary needs (*daruriyat*), secondary needs (*hajiyyat*), and tertiary needs (*tahsiniiyyat*) (Taufik et al., 2023). Among these levels, the second and third levels vary depending on individual circumstances. However, the first level, or primary needs, has remained consistent from past to present. According to M. Quraish Shihab, primary human needs universally consist of clothing, food, and shelter (Abror, 2021).

In life, individuals cannot fulfill their *ruhiah* (spiritual) and *maliyah* (material) obligations without first addressing their primary needs, such as food, shelter, and security, which are essential elements of human existence. While these basic needs are foundational, human needs are inherently diverse. Generally, once primary needs are satisfied, other needs emerge (Srisusilawati et al., 2022). Expenditures on food, clothing, and other essentials are closely linked to the provision of decent and comfortable housing, which is integral to meeting primary needs.

One of the provinces facing significant challenges in providing decent and affordable housing is West Java. As the most populous province in Indonesia, West Java has a population of 49.9 million, accounting for 17.78% of the total national population. Despite its size, West Java ranks sixth among provinces with the lowest percentage of decent and affordable housing, with only 54.17% of its population having access to such housing—well below the national average of 63.15%. The table below presents the distribution of the percentage of decent and affordable housing across cities and districts within West Java:

**Table 2 Districts and Cities in West Java Province with Percentage of Community Having Decent and Affordable Housing**

<b>Highest</b>			
<b>Regency/City</b>	<b>Year</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Indramayu	76.53	74.49	86.35
Subang	77.31	68.28	80.35
Cirebon	75.91	75.37	78.78
Cirebon City	71.62	75.30	76.49
Banjar City	69.72	75.10	75.21
<b>Lowest</b>			
<b>Regency/City</b>	<b>Year</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Cianjur	32.48	36.57	31.50
Garut	26.60	34.24	36.67
Sukabumi City	30.33	35.15	34.02
Tasikmalaya	35.80	40.54	36.95
Sukabumi	43.50	42.48	30.51

Source: BPS, 2024

Based on Table 2, the regencies and cities in West Java with the highest percentage of decent and affordable housing in 2023 are Indramayu (86.35%), Subang (80.35%), Cirebon (78.78%), Cirebon City (76.49%), and Banjar City (75.21%). In contrast, the regencies and cities in West Java with the lowest percentage of decent and affordable housing in 2023 are Sukabumi (30.51%), Cianjur (31.50%), Sukabumi City (34.02%), Garut (36.67%), and Tasikmalaya (36.95%).

The *PPR iB Mashlahab Sejahtera FLPP* program (*Pembiayaan Pemilikan Rumah iB Mashlahab Sejahtera FLPP*) was introduced by BJB Syariah and BTN Syariah in 2016 and has been implemented across their respective branch offices but serves fewer than 10,000 customers. This indicates that the uptake of the FLPP program among prospective customers in West Java remains relatively low. Customer decision-making involves a process of problem exploration, problem identification, and ultimately reaching a conclusion when a consumer chooses to become a customer at a financial institution deemed to provide solutions to their needs and desires (Syanwani, 2022).

Research on the importance of the Housing Financing Liquidity Facility program has been extensively conducted by various scholars. For instance, a study by Azis & Mariskha

(2023), concluded that the implementation of subsidized housing credit (FLPP) at Bank Tabungan Negara Syariah Karanganyar supports and facilitates low-income communities in owning a home as a place of residence. Homeownership enables low-income individuals to improve their welfare by fulfilling their primary needs.

Additionally, research by Sarayar et al., (2022), found that the COVID-19 pandemic did not have a significant negative impact on the distribution of subsidized housing credit. On the contrary, the distribution increased significantly during the pandemic. This growth was attributed to the ability to process *Home Ownership Credit* applications online, making the process more effective and efficient. Finally, a study by Astrid et al., (2021), revealed that subsidized housing in the study did not meet livable standards, as the infrastructure, facilities, and public utilities required by relevant regulations were not adequately provided. The study emphasized that housing developers must address these deficiencies to ensure that the rights of low-income communities to access livable subsidized housing are fulfilled.

Research on *Maqasid Sharia* has been widely conducted by various scholars. Fanshurna et al. (2022) highlighted that *Maqasid al-Shariah* serves as a relevant framework for the development of Islamic financial systems, operations, and products. The holistic structure of *Maqasid al-Shariah* provides valuable insights for advancing the Islamic financial system, particularly in addressing dynamic questions related to welfare by Fanshurna et al., (2022). Tarique et al., (2021), explained that fulfilling *Maqasid* principles contributes to building a positive brand image for Islamic banks, attracting more customers, including both Muslims and non-Muslims. This, in turn, creates broader opportunities for increased income generation. Similarly, Zainuri et al. (2023) found a positive and significant relationship between the *Maqasid Sharia* index and profit growth in Islamic commercial banks. Their findings indicate that the more Islamic commercial banks adhere to the principles outlined in the *Maqasid Sharia* index, the more significantly their profit growth improves (Zainuri et al., 2023). Furthermore, Srisusilawati et al. (2022) concluded that *Maqasid Sharia* represents the ultimate objectives of Islamic law, aiming to achieve human welfare and prosperity. These studies collectively emphasize the critical role of *Maqasid Sharia* in shaping and driving the development of the Islamic financial system.

*Maqasid Shariah* (the objectives of Sharia) is a fundamental concept in Islamic law that encompasses the primary objectives of Sharia, which must be fulfilled in all aspects of life, including economic and financial transactions. In Sharia-based housing financing, such as the FLPP program, *Maqasid Shariah* plays a critical role in influencing customer decisions when selecting and accessing these financial products. Customer choices regarding Sharia-based FLPP housing financing are significantly shaped by how well the product aligns with the objectives of *Maqasid Shariah*. This alignment is perceived as being more consistent with the principles of life that prioritize individual and community welfare while adhering to religious teachings.

Despite the extensive research conducted on FLPP and *Maqasid Shariah*, no studies have been identified that specifically examine customer decisions in the FLPP program using *Maqasid Shariah* as an independent variable. This presents a unique and compelling opportunity for researchers to investigate customer decisions in the FLPP program as a dependent variable influenced by the independent variable of *Maqasid Shariah*, encompassing the dimensions of primary (*daruriyat*), secondary (*hajiyat*), and tertiary (*tahsiniiyat*) needs. The incorporation of *Maqasid Shariah* in this context provides a clear and

significant novelty to the study, offering valuable insights into the interplay between Sharia principles and customer decision-making in housing financing.

## **2 Literature Review**

Research on the urgency of subsidized housing programs has been widely conducted by various scholars. Azis & Mariskha (2023), concluded that the implementation of subsidized housing credit at Bank Tabungan Negara Syariah Karanganyar significantly aids and facilitates low-income communities in owning a home as a place of residence. Homeownership enables low-income individuals to improve their welfare by meeting their primary needs. Sarayar et al., (2022), found that the COVID-19 pandemic did not have a significant negative impact on the distribution of subsidized housing credit. On the contrary, during the pandemic, the distribution of such credit increased significantly due to the availability of online home ownership credit application processes, which made the procedure more effective and efficient. However, Astrid et al., (2021) revealed that the subsidized housing studied did not meet livable standards due to inadequate infrastructure, facilities, and public utilities, failing to comply with the requirements outlined in relevant regulations. The study emphasized that housing developers must address these deficiencies to uphold the rights of low-income communities to access habitable subsidized housing.

Research on the implementation of *Maqasid Sharia* has provided significant insights into its relevance as a foundation for Islamic financial systems, operations, and products. Fanshurna et al., (2022) stated that *Maqasid al-Shariah* serves as a holistic framework for the development of Islamic economic systems, offering valuable guidance, particularly in addressing welfare-based questions and dynamics. Tarique et al., (2021) highlighted that fulfilling the objectives of *Maqasid Sharia* enhances the brand image of Islamic banks, making them more appealing to both Muslim and non-Muslim customers. This, in turn, opens wider opportunities for generating increased income.

Similarly, research by Zainuri et al., (2023) revealed a positive and significant relationship between the *Maqasid Sharia* index and profit growth in Islamic commercial banks. Their findings suggest that the more Islamic banks implement the principles outlined in the *Maqasid Sharia* index, the greater their profit growth. Furthermore, Srisusilawati et al., (2022) concluded that *Maqasid Sharia* represents the ultimate objectives of Islamic law, aiming to achieve human welfare and prosperity. Collectively, these studies emphasize the critical role of *Maqasid Sharia* in advancing Islamic financial systems and promoting sustainable growth.

The concept of welfare in this context encompasses all aspects of human life, including the economic sector. *Maqasid Sharia* serves as a foundational framework for Islamic banking practices, product development, and system design, as it aims to achieve human welfare and well-being. This ensures that the services and products offered by Islamic banking institutions provide tangible benefits to customers, making the implementation of *Maqasid Sharia* in banking products highly advantageous for customers.

In another dimension, research by Prasojo et al., (2023) investigates the relationship between intellectual capital, Sharia governance, and the performance of Islamic banks based on the *Maqasid Sharia* index. The study also examines the moderating role of Sharia governance in the relationship between intellectual capital and the *Maqasid Sharia* index.

The findings reveal that higher intellectual capital efficiency significantly enhances the performance of Islamic banks when assessed through the lens of *Maqasid Sharia*. Additionally, a larger board size positively influences the performance of Islamic banks.

However, the study found that a higher-quality Sharia supervisory board and a larger independent board could negatively impact the performance of Islamic banks. Furthermore, the moderation analysis demonstrates that Sharia governance effectively moderates the relationship between intellectual capital and the performance of Islamic banks, underscoring its critical role in aligning banking practices with *Maqasid Sharia*.

The implementation of *Maqasid Sharia* has also been explored in further research by As-Salafiyah et al., (2022) whose study aimed to develop a formula for the Mosque Empowerment Index based on *Maqasid Sharia* as a tool to measure the level of mosque empowerment. The findings indicate that mosques play a multifaceted role across various domains, including worship, society, education, politics, economy, and culture. The study produced a Mosque Empowerment Index grounded in the principles of *Maqasid Sharia*, which include the protection of religion, life, intellect, lineage, property, and the environment.

The criteria weighting revealed that protecting religion is the primary criterion, with a weighting value of 0.209. Each criterion consists of five indicators, among which environmental safety emerged as the highest priority, with a weighted value of 0.056. In terms of the relationship between *Maqasid Sharia* and Islamic marketing, research by Nasuka (2023) conceptualized the Islamic marketing mix based on the theory of *Maqasid Sharia*, drawing its foundation from the Qur'an and *as-Sunnah*. The Islamic marketing mix comprises elements such as products, prices, promotions, distribution, and people. This approach to marketing is distinctly different from the conventional economic marketing mix, emphasizing principles rooted in Sharia values.

In the context of Islamic economics, the production process incorporates both moral and intangible considerations in decision-making. Pricing of products must adhere to specific principles outlined in Islamic teachings, ensuring fairness and avoiding exploitation. Promotional activities must refrain from exaggerating product quality, aligning with the Islamic principle of honesty. Similarly, distribution channels in Islam are prohibited from imposing additional charges on end consumers that would inflate prices. Regarding consumer relations, Islamic principles emphasize the importance of preserving consumer autonomy and freedom in decision-making.

A study by Hayati et al., (2023) explored the influence of e-Service Quality and e-WOM (electronic word-of-mouth) on consumer behavior through the lens of the *Maqasid Sharia* approach. The findings revealed that selecting appropriate electronic service quality and leveraging e-WOM can generate positive responses from e-commerce users, enhancing their perception of service quality. From an Islamic economic perspective, the principles of *Maqasid Sharia*—aimed at achieving human welfare—play a vital role. These principles ensure that the provision of goods and services benefits human needs across the categories of *dharuriyyah* (necessities), *hajjiyyah* (complementary needs), and *tahsiniiyyah* (embellishments). The study provides valuable insights for policymakers, suggesting that improving the services of electronic system organizers could significantly enhance e-commerce service delivery.

Despite the extensive research on *Maqashid Sharia*, no prior studies have examined its relationship with customer decisions in accessing subsidized housing programs, such as the Housing Financing Liquidity Facility (FLPP). This presents a unique and significant research opportunity. In this study, *Maqashid Sharia* is represented by the variables *dharuriyyat*, *hajjiyyat*, and *tahsiniyyat*, which are hypothesized to influence customer decisions in choosing the FLPP program offered by Islamic banking institutions in West Java. Based on this premise, the hypothesis of this study is:

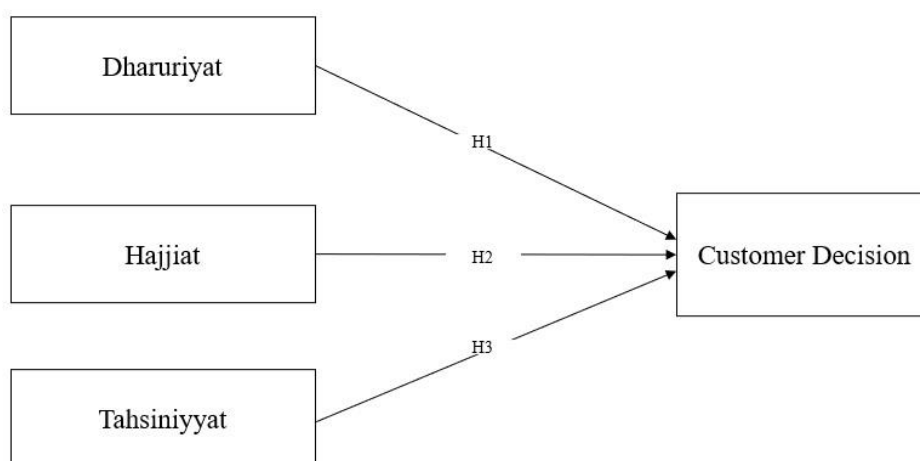
- H<sub>1</sub>: The *dharuriyyat* variable significantly influences customer decision-making in the FLPP program at Islamic banks in West Java;
- H<sub>2</sub>: The *hajjiyyat* variable significantly influences customer decision-making in the FLPP program at Islamic banks in West Java;
- H<sub>3</sub>: The *tahsiniyyat* variable significantly influences customer decision-making in the FLPP program at Islamic banks in West Java.

### 3 Research Methods

This section outlines the research methodology employed in this study, encompassing the research design, measurement of variables, and data collection procedures. The methodology is designed to ensure the systematic investigation of the relationship between *Maqashid Sharia* variables (*dharuriyyat*, *hajjiyyat*, and *tahsiniyyat*) and customer decisions in selecting the FLPP program provided by Islamic banking institutions in West Java.

#### 3.1. Research Design

This study uses a quantitative approach with Partial Least Square-Structural Equation Modeling (PLS-SEM) to analyze the influence of *dharuriyyat*, *hajjiyyat*, and *tahsiniyyat* on customer decisions. PLS-SEM is chosen for its suitability in handling complex relationships and when distributional assumptions are unmet, focusing on prediction and theory development (Hair et al., 2017a; Husaeni & Ayoob, 2024 ). The analysis includes three steps: assessing reliability and validity, testing convergent validity, and evaluating path coefficients and hypotheses (Gefen et al., 2011). Figure 1 shows the framework of this study.



**Figure 1 Research Model**  
Source: Figure by the Author (2024)



### 3.2. Measurement of Variables

This study aims to analyze the dharuriyat, hajiati, and tahsiniyat variables on customer decisions in the FLPP program in Islamic Banking in West Java. The questionnaire was compiled to obtain primary data. The questionnaire consisted of 45 statements from each variable using a Likert scale of 1 to 5. The dharuriyat variable was proxied by the service quality variable composed of 15 statements sourced from Erlinda et al., (2021); and Fahrudin & Yulianti (2015). The hajiati variable was proxied by the location variable consisting of 9 statements sourced from Alfian & Hermawan (2023); and Permana et al., (2022). The tahsiniyat variable was proxied by the promotion variable composed of 11 statements sourced from Handayani et al., (2022); and Ramadani (2019). Meanwhile, the customer decision variables comprised 10 statements sourced from Alfian & Hermawan (2023); and Handayani et al., (2022).

### 3.3. Data Collection

This study utilized a questionnaire distributed directly to customers of the FLPP program, with a total of 100 respondents from various districts and cities in West Java Province. Respondents were selected using purposive sampling, adhering to the following criteria: (a) respondents were FLPP program customers, and (b) respondents were domiciled in West Java.

**Table 3 Respondent Characteristics**

Variable	Category	Frequently	Percentage (%)
Gender	Male	49	49
	Female	51	51
Ages	20-31 year	60	60
	32-43 year	22	22
	44-55 year	18	18
Bank Customer	BJB Syariah	65	65
	BTN Syariah	35	35
Jobs	Teacher	9	9
	Health Workers	6	6
	Employee	77	77
	Civil Servant	8	8
Education Status	High School/Equivalent	28	28
	Diploma	10	10
	Bachelor's Degree	62	62
Income	IDR 1.000.000-3.000.000	15	15
	IDR 3.000.001-5.000.000	54	54
	IDR 5.000.001-7.000.000	6	6
	IDR 7.000.001-9.000.000	5	5
	IDR 9.000.000 and above	20	20
Domicile	Bogor	13	13
	Sukabumi	36	36
	Cianjur	30	30
	Bandung City	8	8

Tasikmalaya	4	4
Pangandaran	3	3
Bekasi	3	3
Subang	3	3

Source: Author Calculation (2024)

The sample consisted of 49% male and 51% female respondents, indicating gender inclusivity in the program, with eligibility determined by FLPP criteria rather than gender. Most respondents were in the productive age range, with 60% aged 20–31 years and 22% aged 32–43 years. Customers were primarily from Bank BJB Syariah (65%) and BTN Syariah (35%), with 77% employed as workers, demonstrating the program's effectiveness in targeting this demographic. Regarding educational background, 62% were bachelor's degree holders, and 54% reported an average monthly income between IDR 3,000,001 and 5,000,000. Geographically, most respondents were from Sukabumi Regency (36%), with the remainder distributed across seven other regencies and cities in West Java.

#### 4 Results and Discussion

This section presents the findings of the study and provides an in-depth analysis of the results in relation to the research objectives. The discussion focuses on examining the influence of the *Maqasid Sharia* variables (*dharuriyyat*, *hajiyyat*, and *tahsiniyyat*) on customer decisions in accessing the FLPP program offered by Islamic banking institutions in West Java. The results are analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) to evaluate the structural relationships and hypotheses. Additionally, the findings are interpreted within the broader context of Islamic economic principles and previous research to provide meaningful insights into how *Maqasid Sharia* principles guide customer behavior and decision-making in housing financing.

##### 4.1. Result

Construct validity (CV) is proof of how well the results obtained from using a measure are in accordance with the theory used to design the test. CV can be assessed through convergent and discriminant validity. According to Hair et al., (2017), the proposed significant limit value for loading is 0.5. In this study, all items measuring a particular construct had a loading higher than 0.5 on the construct, which confirmed construct validity, factor loading, composite reliability, and average variance extracted to assess convergent validity with a recommended value of 0.5 for all indicators (Hair et al., 2017b).

The composite reliability values in Table 4 illustrate the extent to which the construct indicators reveal the latent construct, ranging from 0.726 to 0.828. The average variance extracted (AVE) measures the variance captured by the indicator relative to measurement error. AVE ranges from 0.604 to 0.730. These three indicators confirm convergent validity.

**Table 4 Measurement Model Assessment**

<b>Model constructs</b>	<b>Measurement Items</b>	<b>Loadings</b>	<b>Composite Reliability (CR)</b>	<b>AVE</b>
Dharuriyat	D1	0.833	0.828	0.730
	D3	0.818		
	D4	0.886		
	D6	0.824		
	D7	0.856		
	D8	0.827		
	D10	0.858		
	D11	0.824		
	D13	0.845		
Hajiat	D15	0.812	0.772	0.696
	H1	0.842		
	H2	0.850		
	H3	0.822		
	H4	0.836		
	H5	0.774		
	H8	0.766		
Tahsiniyat	H9	0.786	0.726	0.604
	T1	0.732		
	T4	0.712		
	T5	0.745		
	T6	0.742		
	T7	0.726		
	T9	0.742		
Customer Decision	T10	0.732	0.754	0.712
	CD2	0.844		
	CD3	0.810		
	CD5	0.816		
	CD7	0.794		
	CD8	0.760		
	CD9	0.782		
CD10	0.802			

Source: Author Calculation (2024)

Criteria: Composite reliability > 0.708 (Hair et al., 2017b), AVE > 0.5 (Hair et al., 2017b)

Discriminant validity reflects the extent to which the items differentiate between constructs. Table 5 shows the heterotrait-monotrait (HTMT), and as suggested by Hair et al., (2017), the HTMT value for each construct is lower than 0.9, indicating no discriminant validity issues were found. In summary, all reliability and validity tests have been confirmed, which implies that the measurement model for this study is valid and appropriate to estimate the parameters in the model structure.

**Table 5 Heterotrait-monotrait (HTMT) Criterion**

Variable	Dharuriyat	Hajiat	Tahsiniyat	Customer Decision
Dharuriyat	0.626			
Hajiat	0.672	0.658		
Tahsiniyat	0.722	0.758	0.790	
Customer Decision	0.736	0.764	0.740	0.750

Source: Author Calculation (2024)

Next, path coefficients are measured between constructs to see the significance and strength of the relationship and also to test the hypothesis. The path coefficients range from -1 to +1. The closer to +1, the stronger the relationship between the two constructs. A relationship that is closer to -1 indicates that the relationship is negative (Hair et al., 2017b). The results of the analysis at the inner level are as follows:

**Table 6 Output Path Coefficient**

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics ( O/STDEV)	P-Values	Conclusion
D -> CD	0.725	0.798	0.198	9.515	0.000	Accepted
H -> CD	0.622	0.784	0.181	7.026	0.000	Accepted
T -> CD	0.210	0.617	0.164	2.918	0.000	Accepted

Source: Author Calculation (2024)

Note:

D = Dharuriyat, H = Hajiat, T = Tahsiniyat, CD = Customer Decision; t-value significant at: 1.656 ( $p \leq 0.05$ ).

The Output Path Coefficient, as shown in Table 6, shows the magnitude of the direct influence of each independent variable (exogenous) on the dependent variable (endogenous). The magnitude of the parameter coefficient for the dharuriyat variable on customer decisions is 0.725, which means that there is a positive influence of dharuriyat on customer decisions. Or it can be interpreted that the better the value of dharuriyat, the customer's decision will increase. An increase of one unit of dharuriyat will increase customer decisions by 72.5%. Based on the results of the hypothesis test using t-statistics, where the dharuriyat variable on customer decisions has a t-count of 9.515, the p-value is  $0.000 < 0.05$  so that  $H_1$  is accepted, which means that the direct influence of dharuriyat on customer decisions is statistically significant.

The magnitude of the parameter coefficient for the hajiat variable on customer decisions is 0.622, which means that there is a positive influence of hajiat on customer decisions. Or it can be interpreted that the better the value of hajiat, the customer's decision will increase. An increase of one unit of hajiat will increase customer decisions by 62.2%.

Based on the results of the hypothesis test using t-statistics, the calculated t value is 7.026, then the p-value is  $0.000 < 0.05$  so  $H_2$  is accepted, which means that the direct influence of hajiati on customer decisions is statistically significant. So, in these two models, hajiati has a considerable influence on customer decisions because the p-value is  $< 0.05$ .

The magnitude of the parameter coefficient for the tahsiniyat variable on customer decisions is 0.210, which means that there is a positive influence of tahsiniyat on customer decisions. Or it can be interpreted that the better the tahsiniyat value, the more customer decisions will increase. An increase of one unit of tahsiniyat will increase customer decisions by 21%. Based on the results of the hypothesis test using t-statistics, the calculated t value is 2.918, then the p-value is  $0.000 < 0.05$  so  $H_3$  is accepted, which means that the direct influence of tahsiniyat on customer decisions is statistically significant. So, in these three models, tahsiniyat has a considerable influence on customer decisions because the p-value  $< 0.05$ .

Other test outputs on the model are carried out by looking at the R-squared value. The coefficient of determination ( $R^2$ ) is a way to assess how much the exogenous construct can explain the endogenous construct. The coefficient of determination ( $R^2$ ) value is expected to be between 0 and 1.  $R^2$  values of 0.75, 0.50, and 0.25 indicate that the model is strong, moderate, and weak. Chin provides criteria for  $R^2$  values of 0.67, 0.33, and 0.19 as strong, moderate, and weak.

**Table 7 R-Square**

Variable	R Square	R Square Adjusted
Customer Decision	0.755	0.735

Source: Author Calculation (2024)

The R Square value is 0.755 with an adjusted r square value of 0.735, so it can be explained that the variables dharuriyat, hajiati, and tahsiniyat simultaneously influence customer decisions by 75.5%. Therefore, r square is 75.5%, so the influence of exogenous constructs influences endogenous constructs in the strong category.

Cross-validated redundancy ( $Q^2$ ) or Q-square test is used to assess predictive relevance. A  $Q^2$  value  $> 0.05$  indicates that the model has accurate predictive relevance to a particular construct, while a  $Q^2$  value  $< 0.05$  suggests that the model lacks predictive relevance. Predictive relevance is to assess whether the prediction obtained is relevant or not. The calculation in PLS-SEM uses Q Square. So, based on the Q Square value, the prediction of the customer decision variable is appropriate or accurate because the Q Square value ( $0.680 > 0.05$ ). Based on the calculation results, the  $Q^2$  value obtained was 0.680, meaning that the magnitude of the diversity of data from the research obtained was explained by the designed structural model, which was 68%.

**Table 8 Construct Cross-Validated Redundancy ( $Q^2$  test)**

Variable	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Dharuriyat	932.000	932.000	
Hajiati	880.000	880.000	

Tahsiniyat	730.000	730.000	
Customer Decision	850.000	849.822	0.680

Source: Author Calculation (2024)

## 4.2. Discussion

Based on the first hypothesis states that the dharuriyat variable proxied by service quality influences customer decisions in the FLPP program. Quality is a dynamic state related to products, people, services, processes, and environments that meet expectations. Service is the entire process of forming a company's image through news media, creating a corporate culture internally, and communicating the company's views to government leaders and the public. Service quality is positively related to customer decisions, including in the FLPP program; this happens because the efforts made by bank marketing in the FLPP program provide the best service for customers so that customers feel comfortable and safe in taking the program. According to Handayani et al., (2022), the definition of service is the totality of features and characteristics of a product or service that depends on its ability to satisfy stated or implied needs. Service is the behavior of producers to meet the needs and desires of consumers to achieve satisfaction for the consumers themselves. Service is the spearhead of all bank efforts in increasing the number of customers who will take their products; with better service, customers will feel comfortable, and later, it will have an impact on improving customer participation in various programs. The results of this study are in line with research conducted by Erlinda et al., (2021); Fahrudin & Yulianti (2015); Handayani et al., (2022); Permana et al., (2022); Siti et al., (2024); and Zahara (2020) which proves that service quality has a significant effect on customer decisions. This is different from Ramadani (2019) who stated that service quality does not affect customer decisions.

Based on the second hypothesis states that the hajiati variable proxied by location affects customer decisions in the FLPP program. The location in the FLPP program will affect the customer's decision to take the program. Determining the location of the FLPP program is a very important policy. The strategic location of FLPP makes it very easy for customers to meet their needs. By determining a strategic location and by customer desires, the number of customers in the FLPP program will increase. A non-strategic FLPP location will reduce customer interest in taking the program. This happens because customers will have difficulty accessing all their needs. Location is a factor that has the most influence on customers because the distance between the house and the center of the crowd and shopping or other public facilities in meeting their life needs will make customers comfortable. For this reason, the selection of the FLPP location has a strategic function because it can help determine the achievement of a bank's goals. The FLPP location is one of the factors that influences customer decisions. This study is by research conducted by Alfian & Hermawan (2023); Permana et al., (2022); and Ramadani (2019), which proves that location has a significant effect on saving decisions. Meanwhile, the results of this study differ from research conducted by Fahrudin & Yulianti (2015) which states that location does not affect customer decisions.

Based on the third hypothesis states that the tahsiniyat variable proxied by promotion has an effect on customer decisions in the FLPP program. Promotional activities are notifications about the news of orders, goods and services intended to persuade and encourage the general public to be interested in the goods and services sold and usually posted in public places such as newspapers and magazines. Promotion is a bank strategy in informing all types of products offered and trying to attract new potential customers including the FLPP program. Then, promotion functions to remind customers of the product, promotion also influences customers to buy and finally promotion will also improve the bank's image in the eyes of its customers. Promotion and customer decisions are related because if a bank can promote its products well, customers will be interested in the product. Promotion is one of the variables in the marketing mix that is very important for banks to implement in marketing products and services. Promotional activities not only function as a means of communication between banks and customers but also as a tool to influence customers. The results of this study are in line with research conducted by Alfian & Hermawan (2023); Erlinda et al., (2021); Handayani et al., (2022); Permana et al., (2022); Siti et al., (2024); and Zahara, (2020), where promotions have a significant effect on customer decisions. This is different from Fahrudin & Yulianti (2015); and Ramadani (2019), who stated that promotions do not have a significant effect on customer decisions.

## **5 Conclusion**

Based on the results of hypothesis testing in this study show that the variables dharuriyat, haji, and tahsiniyat simultaneously have a significant effect on customer decisions in the FLPP program in Islamic Banking in West Java. The magnitude of the influence of these variables simultaneously on customer decisions in the FLPP program is 75.5 percent. Partially, the dharuriyat variable proxied by service quality has a positive and significant effect on customer decisions in the FLPP program, with an impact of 72.5 percent. Likewise, the haji variable proxied by location partially has a positive and significant impact on customer decisions in the FLPP program, with an effect of 62.2 percent. While the tahsiniyat variable, proxied by promotion, partially has a positive and significant impact on customer decisions in the FLPP program with an effect of 21 percent.

The implications of this study are expected to be a consideration for Islamic banking, especially BJB Syariah and BTN Syariah, which have FLPP programs to improve their services further so that FLPP program customers will continue to grow. The same thing also needs to be fixed in the selection of housing locations in the FLPP program so that all forms of customer needs can be met. The FLPP location is in a strategic area and close to the center of activities or community centers. Promotion of the FLPP program also needs to be increased massively so that the problem of decent housing for the community in West Java, in particular, can be resolved.

This study has limitations, including 1) The respondents in this study only numbered 100 customers, while the population is almost 10,000 customers; 2) The distribution of respondents is only concentrated in the western part of West Java, namely the Sukabumi, Cianjur, and Bogor Regencies; 3) some respondents are less serious in filling out the questionnaire. Therefore, for further researchers, it is hoped that the research area will be increased evenly in the West Java region or other provinces so that they can obtain a

broader picture of the research. To get more optimal results, it is recommended for further researchers to take a larger number of respondents and add the number of independent variables. In conducting the distribution of the questionnaire, it is hoped that when filling out the questionnaire, respondents will get assistance and it will be more evenly distributed to all age groups of respondents.

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