

Factors Influencing Customer's Choice of Islamic Home Financing in Pakistan

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ABSTRACT

The importance of spirit or "ruh" in a human's existence is contrary to the needs of Maslow's Theory of Human Motivation. Islamic Financial Institutions (IFIs) have developed rapidly since 1982, with total IFI assets reported to be \$200 billion in 2008 and \$2 trillion dollars by 2014. Pakistan started incorporating Islamic principles into its financial framework during the late 1970s, while global Islamic finance liquidity agency formalized in 2010 for issuance of Shari'ah-compliant financial instruments. In 2002, Meezan Bank Limited (MBL) became the first Islamic commercial bank to provide Islamic banking services and products in Pakistan. In 2008, the MBL Home Easy program was announced, using Diminishing Musharakah agreements to finance purchases of homes. Pakistan faces an ever-increasing housing shortage, including an estimated backlog of 6 million units or 30 years, while 270,000 units are built annually in the economy, of which only 60,000 units are termed affordable SHG-assisted housing. It is a severe challenge in the country. Home finance options or resources seem rare and less than expected, as the mortgage-to-finance GDP ratio is at 0.25 percent. There are fundamental challenges that must be overcome to reform the process needed to stimulate the long-term growth of home finance. This article seeks to examine the role of religion, customer awareness, loan repayment, pricing of products and pricing safeguards for consumers acceptance, implementation and results of Diminishing Musharaka in Islamic finance. Understanding religion, customer awareness, loan repayment, pricing of products and customer protection measures are crucial in achieving the true understanding of the practical challenges and consequences of this form of finance. By examining these factors, the goal of this study is to ensure practical and beneficial concepts that are useful to assessing all surrounding factors in the religious beliefs, customer awareness, financing procedures, pricing of products, and customer protection measures of the Islamic finance jurisdiction. The study examines the effects of religion, customer awareness, pricing of products, protection of interest, and loan repayment on Diminishing Musharaka House Finance in Pakistan. A total of 374 people completed a questionnaire survey from Banks and Development Financial Institutions (DFIs) in Khyber Pakhtunkhwa Province. The research tries to explore, analyze and understand what influence the customers have on the declining partnership model in Islamic home financing.

Keywords: Factors; Customer Choice; Islamic; Home Financing; Pakistan; Musharaka.

INTRODUCTION

While Maslow's theory of motivation emphasizes the materialistic evidence of existence; Islam places value on the spirit (ruh) of human existence which influences one's perception of reality. While Shari'ah-compliant financial entities **possess** experienced tremendous growth since the first IFI was established in 1982 (rivaling the development of IFIs in mature economies); IFIs have matured tremendously as evidenced by the \$200 billion of Shari'ah compliant finance in 2005 and an estimated \$2 trillion by 2014. Undoubtedly, Pakistani society is not unlike western society in the late 1950's when Barnard, (1938) noted that knowledge of accounting, guarantees, equity, and teamwork were weak in understanding how to unite them with capitalistic financing. Moreover, Pakistan's development of Shari'ah concepts commenced in the late 1970's when the Pakistani government undertook efforts to integrate the concept of Shari'ah into its legal and financial systems. The International Islamic Liquidity Management Corporation (IILM) agents issued Shari'ah compliant financing instruments in 2010 (Shari'ah Business).

Meezan Bank Limited (MBL) opened its operations as an Islamic commercial bank in 2002 and offered Islamic banking services/products. MBL's Easy Home program represents how home purchases are financed using Diminishing Musharakah. Pakistan is facing a considerable Severe housing deficit, estimated at 6 million units housing units, and a total of approximately 270,000 housing units built each year. Pakistan is also faced with a lack of affordable housing and home finance (Pakistan has a mortgage-to-finance to GDP ratio of about 0.25 percent, that is relatively low compared to other nations). Unless reforms can be undertaken to legislation/constitutionalism, we cannot expect further room growth in the home finance industry. The Housing Finance Reforms In Pakistan (2006) reports challenges facing the banking Sector's prospects to expand its housing finance portfolio; (e.g., exclusive, anti-competitive, inefficient legal frameworks, high tax burdens, unregulated real estate agencies that operate in the informal market) illustrate their impact on the health of bank's balance sheet. Conversely, the housing sector is valued in excess of \$700 billion, which is critical to Pakistan's economy; while also facing a housing shortage of approximately 10 million units (with about 270,000 surplus units approximately being constructed each year).

LITERATURE REVIEW

Diminishing Musharka

The Diminishung Musharakah Agreement is home financing technique which applies the decreasing partnership value. The customer first holds 10% of the property and the bank holds 90%. The purchaser buys out the bank's stake until it holds the entire property, and the bank rents out its share to the client and receives rent, which is paid equally by the client and the bank. This technique is appropriate for home machine financing and is valid across all schools of Islamic thought. Diminishing partnership can be applied to acquire money by buying more assets such as cars or taxis. Research across Malaysia and Pakistan indicates extreme variations in attitudes towards these Islamic financial instruments. But both Malaysian and Pakistani consumers consider these products to be ethical and religiously acceptable as they comply with Shari'ah teachings of justice and equality.

Religious Factor

The clients of Islamic banking services choose and prefer all attributes of product and service quality in their choice of a bank. Many uncertainty's exist, however, for respondents, who often do not have a fundamental understanding of concepts of Islamic financing options, regarding their bank staff's capacity to provide reliable information related to religious compliance and their protestantism claims with their

own religious practices in formulating their loan and deposit products. Regional variances exist in client uses of Islamic banking products, with Karachi exhibiting greater levels of religious concerns than that of consumers from Lahore. Findings suggest consumer behavior, consumer attributes, bank attributes, bank attributes (Islamic) play essential roles in consumers changing preferences and product competition in the marketplace. Religion represents the most important factor contributing to the expansion of Islamic banking system. Future studies should test various analytical and consider demographic factors, in order to develop better results and add context to findings based upon quantitative analysis.

Awareness

Islamic banking has experienced considerable development in Pakistan limited by factors like a limited branch network, insufficient information and understanding of Islamic banking services, a lack of education of Faith-based financial literacy, and Skepticism toward interest-free banking, in addition to bank location and staffing concerns. Factors influencing customers' use of lending institutions are return, timely information sharing, and service levels offered by firms. Factors that impact whether or not Pakistani consumers will use Islamic house financing are self-efficacy, awareness, attitude towards, and social influence. Before banks develop further Islamic mortgage products, policy makers and bank managers ought to take into account the self-efficacy and understanding of the customer base. Research conducted by Erol and El-Bdour (1989) shows people select Islamic banks as depository institutions for profit reasons, which are consistent with Islamic legal teachings. The industry should be focused In offering a fair profit on deposits increasing Sustained deposits, and reducing Conventional bank model deposits. Research conducted by Amin and Razak (2014) discusses conceptual factors that affect the adoption of Islamic home financing and finds customers attitudes and subjective norm have a significant part in determining whether someone intends to use Islamic home financing.

Choice of Repayment Process

The Diminishing Musharakah (DM) represents a form of Islamic banking finance that provides convenient ownership transfer that users have found to be easy to use and perform well. Studies have indicated that customers select Islamic banks as they perceive them to be more convenient and have a better level of performance. Abdul Razak et al.'s (2011) study has shown the perception of consumers is different between BBA houses and DM boats. This opens up a huge opportunity for banks to create DM home financing that leads to more satisfied customers regarding their home financing needs while fulfilling Maqasid Al Shariah's requisite. As part of the study, it reflects how clients view debt versus equity funding used in the Islamic Housing Finance (IHF) product type, whilst also giving theoretical knowledge of an equity-based model within Islamic Housing Financing (HF) that has the potential to serve as a more viable substitute to traditional Loan-based avenues. The declining partnership model has increased the awareness and use of the Partnership (Musharakah) concept within Islamic home financing and opens up unique Chances for continued inquiry including strategic alliances or as alternative private equity transactions. Further, the study indicated that in the IHF sector, Shariah-compliant financial products, advice and other value-adding benefits, choice and a choice of home loan repayment products, and knowledgeable Islamic bankers were components of appeal that attracted consumers.

Price Factor

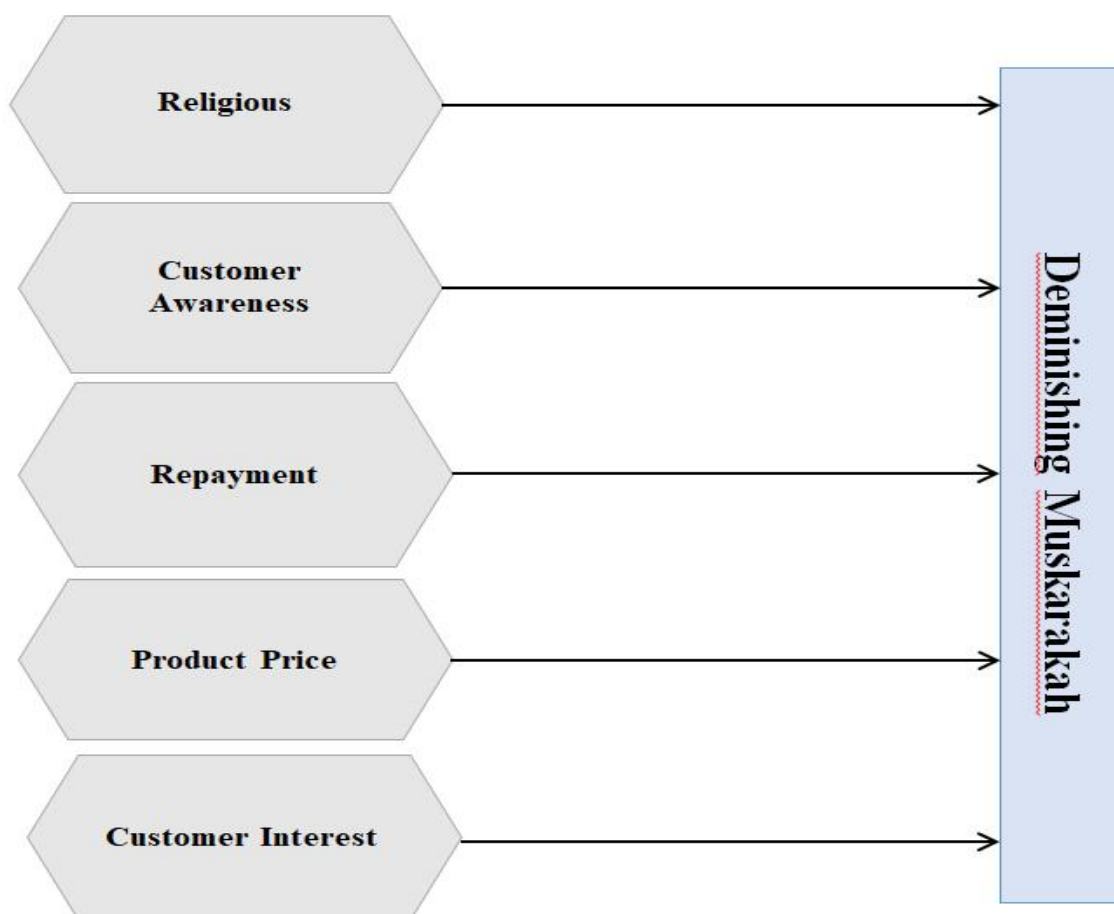
The decreasing number of houses in Musharakah is influenced by factors such as price, demographic background, finance, location, and infrastructure. Islamic house financing is more competitive and attractive to customers due to reduced monthly installments and minimal service fees. Clients of Islamic banks Have greater expertise about sharia'a obedient products and are more likely to use murabaha.

Islamic values have a strong influence on Islamic principles, financial literacy, ethics and ethical business practices, attitude, reputation, and behavioral intention to be a client of Islamic banks. Indonesia has a significant housing shortage, Islamic banks provide financing options for the community to obtain homes. Reasons customers obtain Islamic home financing Feature reduced monthly installments and adaptable financing terms, and cost and benefits. Middle-aged customer were more diligent on the cost and benefits than younger customers.

Protecting the Interests of Clients

Ownership-based funding via Diminishing Partnership Musharakah (DM), is a worldly solution, offering protection and charitable purposes, for Islamic home finance. The mortgage sector is very competitive, so Islamic banks need to create operational distinctiveness and act quickly, as need for shariah-compliant housing finance is more independent. Also, a study in Pakistan showed that adherence to shari'ah and islamic tenets is a crucial factor when selecting Islamic Bank for Islamic home acquisition finance. Islamic banking practitioners need to ensure that they teach clients about Islamic home loans that are Shari'ah compliant and that are not gambling, not about interest, and not speculative.

Conceptual Framework

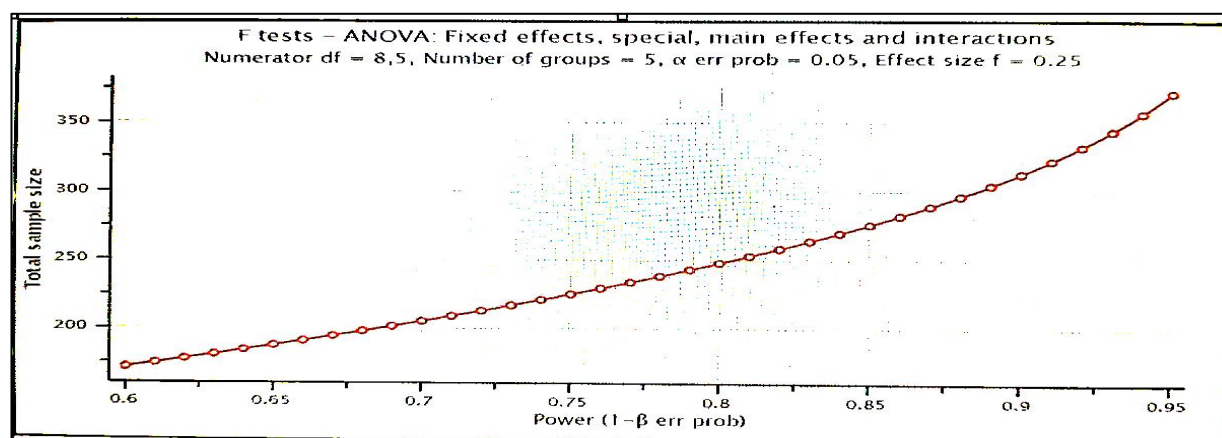


Hypotheses

- H1: Religion has a major impact on Diminishing Musharka.
- H2: Customer awareness has a major impact on diminishing Musharakah.
- H3: Loan repayments have a major impact on Diminishing Musharka.
- H4: Product price has a major impact on Diminishing Musharka.
- H5: Customer interest protection has a major effect on Diminishing Musharka.

RESEARCH METHODOLOGY

GPower is a statistical software that aids researchers in the determination of the sample size required for their study. GPower provides capabilities for the use of many different statistical analyses. You must enter parameters such as effect size, significance level, power, and number of groups. GPower uses formulas and algorithms to calculate the required sample size, and adjusts for covariates and allocation ratios. When I analyzed my data, GPower recommended a sample size of 374.



Data Source

The research draws on survey data from customers borrowing financing obtained from banks and dfis in khyber pakhtunkhwa, pakistan, secured against property assets. The contributors are from several districts, offering a good perspective about the patterns of acquiring loans and mortgaging properties.

Data collection Procedure

Bank/DFI customers in KP were surveyed through questionnaires distributed by branch managers, addressing concerns expressed by customers.

Operational Definition of the Variables

Variable	Operational Definition
Diminishing Musharkah Finance	"Through equity-based financing, the customer's stake in the asset progressively increases with each installment. As the financing is gradually settled, the individual enhances their share in the asset, ultimately attaining complete ownership."

Awareness		Awareness of the Diminishing Musharakah product
Loan repayment		The size of the monthly contribution, including the rent share and the part applied to decrease the remaining principal
Loan Price		Does the bank apply a fixed or floating profit rate on its loans?
Safeguarding the Interest of client	the	Is the mortgaged property with the bank adequately protected and insured against potential risks and damages? "This is due to the fact that Islamic finance operates in accordance with Shariah law and Islamic teachings, which forbid the payment or receipt of interest (riba) and emphasize ethical and moral conduct in financial dealings. Consequently, Islamic home financing solutions are designed to comply with these guidelines, providing a permissible (halal) alternative to traditional financial products for Muslims who wish to uphold these values."
Religious		

RESULTS AND DISCUSSIONS

Overview of Participants' Demographics – Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	291	77.8	77.8	77.8
Valid	Female	83	22.2	22.2	100.0
	Total	374	100.0	100.0	

The data shows a male majority (77.8%) in Pakistan's mortgage finance sector, with a low proportion of females (22.2%). This is due to low education and literacy rates among females, and their preference for house purchases via home loan financing.

Respondents Summary - Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	30	8.0	8.0	8.0
	25-35	68	18.2	18.2	26.2
	35-45	180	48.1	48.1	74.3
	45-55	81	21.7	21.7	96.0
	55 and Above	15	4.0	4.0	100.0
	Total	374	100.0	100.0	

Most of respondents (48.1%) are aged 35-40, with a higher likelihood of obtaining a Home financing based on an extended repayment period. The age group between 45-55 and 25-35 is less likely to have established banking relationships. The age group of 55+ is less likely due to retirement and minimal service.

Respondents Summary - Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Muslim	368	98.4	98.4	98.4
	Hindu	2	.5	.5	98.9
	Christian	1	.3	.3	99.2
	Others	3	.8	.8	100.0
	Total	374	100.0	100.0	

"The table indicates that 98.4% of the population in Khyber Pakhtunkhwa adheres to Islam, with Sunnis forming the majority and a notable presence of Shia and Ismaili minorities. Smaller communities of Hindus, Christians, and Sikhs also reside in the region."

Respondents Summary - Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	73	19.5	19.5	19.5
	Professional	83	22.2	22.2	41.7
	Matric	36	9.6	9.6	51.3
	Bachelor	78	20.9	20.9	72.2
	Postgraduate	104	27.8	27.8	100.0
	Total	374	100.0	100.0	

"The demographic data shows that postgraduate borrowers constitute the largest segment in Khyber Pakhtunkhwa, Pakistan, making up 27.8% of the respondents. This is followed by professionals at 22.2%, bachelor's degree holders at 20.9%, and those with primary-level education at 19.5%."

Respondents Summary - Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Salaried Government	203	54.3	54.3	54.3
	Salaried Private	72	19.3	19.3	73.5
	Business Man	51	13.6	13.6	87.2
	Professional (Doctor, Engineer etc)	19	5.1	5.1	92.2
	Retired	15	4.0	4.0	96.3
	House Wife	14	3.7	3.7	100.0
	Total	374	100.0	100.0	

The government and private salaried class, comprising 73.6% of the market, has a higher knowledge and tendency towards house finance, indicating a stronger requirement for residential loans because of their capability to manage steady outlays and long-duration borrowing.

Respondents Summary - Financer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bank	291	77.8	77.8	77.8
	DFI/NBFC other than bank	63	16.8	16.8	94.7
	Government such as (NAPHDA etc)	20	5.3	5.3	100.0
	Total	374	100.0	100.0	

The majority of respondents (77.8%) obtained house finance from banks, with 16.8% from DFI/NBFCs and 5.3% from government projects. This preference is due to their competitive rates, wide branch network, and high marketing budgets, which increase public awareness.

Frequency Analysis of Question 7: To what extent does the religious factor influence your decision to choose Islamic home financing?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Important at all	45	12.0	12.0	12.0
	Not Important	5	1.3	1.3	13.4
	Neutral	12	3.2	3.2	16.6
	Important	221	59.1	59.1	75.7
	Very Important	91	24.3	24.3	100.0
	Total	374	100.0	100.0	

"Out of the respondents, 221 (59.1%) consider religious factors to be important in making decisions about housing finance. Among them, 91 (24.3%) regard them as extremely significant, 45 (12%) view them as completely irrelevant, 12 (3.2%) remain neutral, and 5 (1.3%) consider them unimportant."

"Frequency Analysis of Question 7: How does the structure of monthly installments impact your preference for Islamic housing finance?"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Important at all	17	4.5	4.5	4.5
	Not Important	29	7.8	7.8	12.3
	Neutral	16	4.3	4.3	16.6
	Important	220	58.8	58.8	75.4
	Very Important	92	24.6	24.6	100.0
	Total	374	100.0	100.0	

"According to the data, 220 respondents (58.8%) view the monthly repayment schedule as a key consideration in selecting housing finance. Of these, 92 (24.5%) consider it highly important, 17 (4.5%) believe it holds no relevance, 16 (4.3%) expressed neutrality, and 29 (7.8%) deemed it of little importance."

"Frequency Analysis of Question 7: How does the cost of the financing product impact your selection of Islamic housing finance?"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Important at all	18	4.8	4.8	4.8
	Not Important	22	5.9	5.9	10.7
	Neutral	24	6.4	6.4	17.1
	Important	242	64.7	64.7	81.8
	Very Important	68	18.2	18.2	100.0
	Total	374	100.0	100.0	

"A total of 242 respondents (64.7%) consider product pricing to be a crucial factor in their housing finance decisions. Among them, 68 (18.2%) regard it as extremely important, 18 (4.8%) find it entirely irrelevant, 24 (6.4%) remain neutral, and 22 (5.9%) view it as unimportant."

"Frequency Analysis of Question 7: When comparing Islamic housing finance with conventional options, which criterion mattered most to you? [Ability to Protect Customer Interests / Safeguarding Client Rights]"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Important at all	17	4.5	4.5	4.5
	Not Important	15	4.0	4.0	8.6
	Neutral	24	6.4	6.4	15.0
	Important	254	67.9	67.9	82.9
	Very Important	64	17.1	17.1	100.0
	Total	374	100.0	100.0	

"A total of 254 respondents (67.9%) consider the protection of customer interests to be a crucial factor in choosing housing finance. Among them, 64 (17.1%) rated it as extremely important, 17 (4.5%) viewed it as entirely irrelevant, 24 (6.4%) remained neutral, and 15 (4.0%) regarded it as unimportant."

Cronbach's Alpha Test for Selected Survey Questionnaire

No of Questions	Variable	Nature	Cronbach's Alpha
1	Spiritual	I.V	0.743
1	Consumer Knowledge	I.V	0.856
4	Monthly Installment	I.V	0.833
4	Item Price	I.V	0.865
2	Customer Benefit	I.V	0.700
3	Diminishing Musharkah	D.V	0.704

Extraction Method: Principal Component Analysis

Variable	Initial	Extraction
Spiritual	1.000	0.875
Client Knowledge	1.000	0.852
Monthly Repayment	1.000	0.805
Product Price	1.000	0.865
Customer Interest	1.000	0.801
Declining Partnership	1.000	0.786

PCA's commonalities indicate the preserved or explained variance in original variables, with higher commonalities indicating well-representation and lower commonalities indicating loss of original variance during dimensionality reduction.

**Overall
Captured**

Variance

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.155	83.109	83.109	4.155	83.109	83.109
2	.287	5.745	88.854			
3	.255	5.105	93.959			
4	.193	3.858	97.816			
5	.109	2.184	100.000			

Extraction Method: Principal Component Analysis.

83.109% of the variance is captured by the first principal component of data variance, while the second accounts for 5.745%, resulting in 88.854% variance explanation.

Descriptive Statistic Analysis:

	N	Minimum	Maximum	Mean	Std. Deviation
Religious	374	1.00	5.00	3.8235	1.17657
Monthly Repayment	374	1.13	4.38	3.2604	.63890
Product Price	374	1.25	5.00	3.8302	.75584
Convenient Repayment	374	1.00	5.00	3.7687	.78010
Customer Interest	374	1.00	5.00	3.8583	.80212
Diminishing Musharakah	374	1.00	5.00	3.8249	.94384
Valid N (listwise)	374				

Descriptive statistics, employed to assess central tendency and variability, revealed that respondents exhibited a moderate level of religiosity, with a mean score of 3.8235. The standard deviation of 1.17657 reflected a moderate degree of variation in responses, suggesting a mix of individuals with both lower and higher levels of religious commitment. This spread may be attributed to differences in personal beliefs, cultural influences, or individual experiences. Similarly, moderate variability was observed in responses related to monthly installments, ease of repayment, protection of customer interests, and Diminishing Musharakah, though the latter showed higher variation. Overall, the data suggests that respondents, on average, demonstrate a moderate degree of religious adherence.

Correlation

		Religious	Monthly	Product	Convenient	Customer	Diminishing
Religious	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	374					
Monthly	Pearson Correlation	.742**	1				
	Sig. (2-tailed)	.000					
	N	374	374				
Product	Pearson Correlation	.678**	.786**	1			
	Sig. (2-tailed)	.000	.000				
	N	374	374	374			
Convenient	Pearson Correlation	.748**	.841**	.880**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	374	374	374	374		
Customer	Pearson Correlation	.630**	.725**	.797**	.805**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	374	374	374	374	374	
Diminishing	Pearson Correlation	.693**	.739**	.770**	.784**	.755**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	374	374	374	374	374	

** . Correlation is significant at the 0.01 level (2-tailed).

The study reveals a significant correlation in relation to the dependent variable "Diminishing Musharakah" and multiple predictor variables, including religious beliefs, monthly repayment, product price, convenient repayment, and customer awareness. The results show moderate positive correlations between these variables, with some being strong, providing insights into the relationships between these factors.

Pearson Correlation Assessment of the Outcome Variable – Relationship of Diminishing Musharakah with:

Independent Variable	Pearson Correlation	Relationship
Religious	0.693	Moderate –Positive
Monthly installment	0.739	Strong-Positive
Product Price	0.770	Strong-Positive
Convenient repayment	0.784	Strong-Positive
Customer Awareness	0.755	Strong-Positive

Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833 ^a	.694	.690	.52556

a. Predictors: (Constant), Customer Interest, Religious, Monthly Repayment, Product Price, Convenient Repayment, Customer Awareness.

The study demonstrates a strong correlation between the dependent variable 'Diminishing Musharakah' and various independent factors such as religious values, scheduled repayments, pricing, repayment convenience, and customer knowledge.. The results reported moderate positive correlation between these variables and also some were strong correlation indicating to elaborate reasonable conclusions about the relationships.

Regression Analysis “Coefficients” test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.205	.155		-1.323	.187
	Religious	.147	.037	.184	4.008	.000
	Monthly Repayment	.186	.084	.126	2.203	.028
	Product Price	.265	.081	.212	3.286	.001
	Convenient Repayment	.167	.092	.138	1.825	.056
	Customer Interest	.315	.061	.268	5.203	.000

a. Dependent Variable: Diminishing Musharkah

A linear regression analysis, p-values serve to evaluate the statistical relevance of the relationships between independent and dependent variables. Religious beliefs, customer interest, monthly installments, and product pricing emerge as statistically significant predictors, each having p-values equal to or below 0.05. In contrast, convenient repayment lacks statistical significance, as its p-value exceeds the 0.05 threshold. These insights assist researchers in identifying which factors have a substantial impact on the dependent variable.

CONCLUSION AND DISCUSSION

This study investigated the reasons customers opted for Islamic banks when receiving home financing in Khyber Pakhtunkhwa, Pakistan. A closed-ended a survey instrument was employed to gather information from 374 customers who used local banks and financial institutions. The study determined that clients selected Islamic banks primarily on basis of religious beliefs, the assurance of protecting the customer's

interests, and the competitive pricing of the products across Islamic financial institutions. Scheduled payment conditions and client profit margins had the strongest Factors affecting customer choices when selecting Islamic home financing from Islamic banks. More educated and informed customers were most likely to select Islamic banks for shariah-compliant home financing. The study recommends Islamic financial institution managers take steps to inform and counsel customers regarding their services, as traditional commercial banks and Islamic banks are competing against each other. Customers prioritize Islamic house finance in their home finance research because they feel it is Shariah compliant. Islamic banking professionals should continue to educate consumers about the economic and social advantages of Islamic home finance. Islamic financial methodologies do not practice gambling, interest, or speculation that can have harmful social and economic influences on society. Another study reviewed customer characteristics impacting the customers' willingness to use Islamic home finance. The main constructs that influenced customers in making the decision included: attitudes, social pressure, and religious obligation. Fauzia (2022) reviewed the Islamic house finance product and the benefits it provided its users. Some suggested solutions were lowering documentation, educational practice and ethics practices, and developing Islamic-based eligibility criteria when lending. In conclusion, the key considerations for customers' decisions to choose Islamic banks for home financing included: religious belief, compliance with Shariah, previously knowledgeable about Islamic banking and finance, competition for their product's pricing, and repayment methodology.

RECOMMENDATIONS

The research investigates influences for customer decisions on using Islamic home funding, specifically religious beliefs, monthly repayment terms, interest rates, financial literacy, and Shariah compatibility. The research proposes that Islamic Financial Institutions (IFI) consider proactive engagement processes, Shariah compatibility communication approaches, and customer perceptions. From a managerial capacity, Islamic Financial Institutions (IFIs) can tailor products, services, processes, and experiences to suit customer preferences on gamble, interest, or speculation. Policy decisions that differentiate Islamic finance from conventional banks would include Islamic-based lending criteria and potentially imposing penalties regarding unauthorized construction on property.

FUTURE DIRECTIONS FOR RESEARCH

To gain further insight into customer decisions on Islamic house finance, there is a need to conduct wider engagement studies, particularly with geographical considerations, as well as cultural, economic, and social influences, buyer motivations, and advertising through media channels and advertising channels, feedback and decision-making processes, and comparative analysis between Declining partnership and alternative Shariah-compliant financing methods that could ultimately enhance and shape product offerings, assess effectiveness over the long term, and the environmental behavior of consumers within other regulatory environments. The research highlighted the need for further development in consideration of customer accessibility and product offerings in the Islamic financial space.

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