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Corporate Image and Innovation as Strategic Drivers of Consumer Decisions in Islamic Banking

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Abstract

This study investigates the simultaneous effects of corporate image and product innovation on customer decision-making in the context of Islamic banking. Focusing on PT Bank Syariah Indonesia, Branch Palangkaraya, the study draws data from 100 respondents using a structured questionnaire and applies Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the relationships among key variables. The results indicate that both corporate image and product innovation have a significant and positive impact on customer decisions, with product innovation exhibiting a slightly stronger effect. Together, these two variables explain 76.8% of the variance in customer decision-making, indicating a robust model. These findings emphasize the strategic role of corporate reputation and continuous product innovation in influencing consumer behavior in the Islamic financial sector. The research provides empirical evidence that integrating reputational elements, such as professionalism, trust, and Shariah compliance, with innovative offerings enhances customer engagement and decision-making. This is particularly relevant in today's competitive banking landscape, where customers are increasingly influenced by the availability of modern financial services and strong brand credibility. The study makes important contributions to both theory and practice. Theoretically, it enriches the strategic management literature by presenting a dual-variable approach that addresses a gap in Islamic banking research, where corporate image and innovation have often been studied in isolation. Practically, the study offers actionable insights for banking practitioners and policymakers aiming to boost customer acquisition and loyalty through integrated branding and innovation strategies. The context of Palangkaraya also adds value by highlighting consumer behavior in a growing yet under-researched regional market.

Keywords: *Islamic Banking, Corporate Image, Product Innovation, Customer Decisions, Strategic Management*

INTRODUCTION

As Islamic banking continues to grow, it has become increasingly interesting for academics, practitioners, and policymakers to understand what drives customer behaviour in this type of financial service delivery. Islamic banks, which operate under the guidelines of Sharia, have specific value-added and can offer different services than their conventional counterparts. But it is difficult to know which strategic factors have the greatest impact on consumer choice as the strategic environment for financial services becomes more competitive and digital-centric.

Previous research has tended to cover only isolated factors related to religiosity (religiosity as an independent variable, service quality (service quality as an independent variable), and customer satisfaction (customer satisfaction as an independent variable) (Rezeki et al., 2023; Zouari & Abdelhedi, 2021). Although these factors are important, they do not give a rounded view of how numerous strategic drivers might work together to influence customer choices. This results in a significant literature gap; scant attention has been paid to combinative efforts of corporate image and product innovation to influence customers' behaviour in the context of Islamic banks. The limitations in the scope of past research handicap the theoretical and practical insight required

for competing in the contemporary world.

Corporate image is an impression left on the customer's mind, based on characteristics like brand, reputation, credibility, professionalism, ethical behaviour, and other aspects. In Islamic banking, corporate image can be generally described as predicated on values such as Sharia compliance, religious credence, and institutional integrity (Najmudin et al., 2021). A strong corporate image is able to communicate to the customers that the bank is a credible and morally bound institution, which has driven customers to make decisions based on signalling theory.

Product innovation, in contrast, refers to the bank's ability to provide new, better, and technology-enhanced services that satisfy changing clients' demands. Islamic banks are increasingly feeling the heat to keep up with fintech and conventional banks in our digitised world. That is where product innovation matters, especially for the younger generation and people who are tech savvy."

Notwithstanding the strategic importance of these two variables, not many researchers have considered them as a coupled driver of consumer decision-making. In the literature, the tendency is to discuss them separately, thus precluding any unified view of the effect of their interaction. For example, research such as Najmudin et al. (2021) was only on corporate image, and Zouadri and Abdelhedi (2021) investigated innovation independently. Our research overcomes such limitations by simultaneously considering a corporation's or product's corporate image and product innovation, providing us with a more holistic view.

The current research is based on the theoretical underpinnings of Signalling Theory and Theory of Planned Behaviour (TPB). According to signalling theory, organisations send important signals about their values and quality through observable characteristics, such as branding and ethics. In contrast, TPB suggests that customer decision-making is influenced by attitudes, subjective norms, and perceived behavioural control, which can be influenced by strategic perceptions of corporate image and innovativeness. Collectively, the theories provide a strong basis for understanding the strategic determinants of customer behaviour.

We empirically examine the simultaneous influence of corporate image and product innovation on customer decisions in Islamic banking by examining the case study of PT Bank Syariah Indonesia (BSI), Palangkaraya City. The city was selected for its increasing importance within the regional banking landscape and the limited academic research resources invested in its banking sector. This neglected setting is crucial in understanding the practice of Islamic banking outside large metropolitan areas.

The Islamic banking industry in Palangkaraya is rapidly growing, as indicated by the increase in assets and the use of digital banking in the local community. But with asset expansion so much more impressive than market share gains, the strategic positioning defies rationality, doesn't it? This study attempts to investigate whether customer decision-making can be explained by the strategic drivers, such as corporate image and product innovation, and whether these drivers can be sources of leverage to help obtain better positioning.

By doing so, our work makes a contribution to the literature on strategic management: the two previously independent predictors, corporate image and innovation, jointly present positive effects on financial performance. It can also offer implications for beneficial advice to the bank managers in managing resources to enhance both brand image and innovation capacity. The results are pertinent to policymakers for facilitating regulation to foster innovation in line with the rules of Islamic finance.

Overall, this paper fills and extends the literature gap by testing both corporate image and product innovation on customer decisions in Islamic banking. The study juxtaposes theory and practice and helps toward better comprehension of how Islamic banks can develop a continuous competitive advantage through marketing their reputation and innovation in tandem. This twofold

agenda is an original contribution, which has relevance for future scholarly research and the design of policy measures.

LITERATURE REVIEW
Corporate Image and Customer Decisions

The corporate image embodies how customers perceive an organization's reliability, ethical integrity, and professional reputation. A positive corporate image enhances customer trust and loyalty, which is critical for decision-making in highly competitive sectors such as Islamic banking. Research highlights that a favorable corporate image fosters stronger customer loyalty and plays a vital role in influencing their banking choices (Hamid et al., 2018; Pasaribu et al., 2021).

Previous research, such as Aslam et al. (2023), has shown a significant relationship between corporate image and customer decisions; a strong corporate image positively affects customers' willingness to engage with Islamic banks, especially in markets where ethical considerations are crucial. These findings underline the importance of maintaining a consistent and trustworthy brand image.

While prior studies have investigated the general role of corporate image in Islamic banking, few have focused on its interaction with other strategic variables, such as product innovation. By investigating how innovation and company image affect consumer choices, this study seeks to close that gap.

Product Innovation and Customer Decisions

Product innovation refers to introducing new or improved products and services that address evolving customer needs and market demands (Aydin, 2020; Sudarsono et al., 2022). In banking, product innovation involves introducing novel or enhanced financial solutions tailored to meet dynamic customer demands. Such innovations are strongly linked to increased customer satisfaction and long-term loyalty (Asnawi & Setyaningsih, 2021; Chin, 1998).

Studies by Antanegoro et al. (2017) and Diatmika and Anggitha (2023) highlight the role of product innovation in enhancing customer satisfaction and retention. Similarly, Anami (2024) argues that customers prioritize convenience and digital accessibility, making innovation a key determinant of their banking choices.

Most studies focus on the standalone impact of product innovation on customer behavior without considering its interplay with corporate image (Yi & Zhan, 2024). This research examines these two factors simultaneously, providing a more holistic understanding.

Simultaneous Effects of Corporate Image and Product Innovation

When corporate image and product innovation are analyzed simultaneously, their combined impact can create a synergistic effect, amplifying their influence on customer decision-making. Firms with a robust corporate image and innovative offerings are more likely to secure customer loyalty and competitive advantage (Melewar et al., 2017). On the other hand, product innovation, characterized by introducing new or significantly improved products and services, directly addresses evolving customer needs and expectations (Ardiansyah et al., 2023; Rayi & Aras, 2021). The interplay of these variables highlights the importance of aligning strategic branding efforts with cutting-edge innovations to create a cohesive value proposition for customers. Such alignment differentiates organizations from competitors and enhances their ability to capture and retain a loyal customer base.

Theoretical frameworks suggest that corporate image and product innovation may complement each other to create a synergistic effect on customer decisions (Kock & Lynn, 2012).

For example, a robust corporate image has the potential to enhance the perceived worth of novel offerings, thereby increasing their appeal to consumers through the association with a reliable and esteemed brand. Similarly, innovative products can enhance corporate image by demonstrating the organization's commitment to progress and customer-centricity. This mutual reinforcement indicates that organizations should adopt an integrated approach, leveraging the strengths of both corporate image and product innovation to maximize their impact on customer decisions and achieve sustained competitive advantage (Setordzi & Asante, 2017).

Several international studies highlight the strategic importance of corporate image and product innovation in shaping customer decision-making across Islamic banking contexts. For instance, a study in the United Arab Emirates by Albaity and Rahman (2021) demonstrated that customer satisfaction and trust play a significant mediating role, mediating 64% of loyalty variance between corporate image and loyalty in Islamic banks. Additionally, research in Saudi Arabia and Malaysia supports these findings, noting that strong and consistent brand identity enhances customer engagement and retention in Islamic financial institutions. These insights show that reputation management serves as a universal strategic driver, transcending national boundaries.

Additionally, empirical data emphasize how important product innovation is to sustaining competitiveness in global Islamic banking, especially in digital financial services. According to a Pakistani study that extended the Diffusion of Innovation (DOI) theory, perceived complexity, technology self-efficacy, and relative benefit are important elements influencing Islamic bank consumers' adoption of digital banking (Shaikh et al., 2023). According to another Tunisian research, customer satisfaction in Islamic banking is greatly increased by digitization as a component of service quality (Zouari & Abdelhedi, 2021). All of these global findings support the idea that Islamic banks must strategically align their branding and innovation in order to satisfy changing customer demands and stay relevant in the market.

Theoretical Foundation

In order to achieve a strong theoretical grounding, the study builds on two of the most accepted theories that explain the reason behind the behavior of consumers on the Islamic banking front: Signaling Theory and Theory of Planned Behavior (TPB). These theories underlie the development of research hypotheses and the interpretation of empirical findings. Combining the models together allows for a more complete view of the simultaneous effects of exogenous signals (such as corporate image) and internal decision-making processes (i.e., behavioral intention) on customer decision making.

Signaling Theory

Signaling Theory, originally developed by Spence (1975), provides an explanation of how stronger-informed parties (the senders) send valuable signals or "cues" to weaker-informed parties (the receivers) in information asymmetry. In business and marketing senses, organizations frequently signal consumers by way of branding, certifications, advertising, or innovation activities as a means to lessen uncertainty and establish trust. In this case, corporate image acts as a strategic signal that presents a bank's trustworthiness, ethical behavior, and obe- dient to Sharia principles, essential principles for Islamic banking (Connelly et al., 2011).

This theoretical perspective has been shown to be successful in previous studies that have investigated consumer behaviour in financial contexts, such as Islamic and digital banking. For instance, Yadav and Pathak (2017) emphasized the role of perceived ethicality and trust signals on the attitude of the Muslim consumers towards Islamic financial products. Likewise, Han et al. (2010) supported that brand reputation as a signal in the market has a significant impact on perceived value and loyalty of consumers in service industries, particularly where direct quality

evaluations are complicated.

Corporate image, in this study, is perceived as a strategic signal through which banks transmit their reputation and values to customers. Similarly, product innovation – particularly around digital services – serves as a clear indicator of a bank's ability to respond to marketplace dynamics and customer demands. These signals serve as essential inputs into consumer confidence building and the decision-making process in artificial service settings.

Theory of Planned Behavior (TPB)

Ajzen's (2020) Theory of Planned Behavior (TPB) suggests that an individual's behavioral intention is determined by three primary antecedents: attitude toward the behavior; subjective norms; and perceived behavioral control. Because it is able to predict rational, reasonable behavior, this model has been commonly used to explain consumer decision-making in financial services, among other industries.

From the perspective of Islamic banking, TPB offers a solid framework to explore the extent to which consumers consider product attributes (attitudes), are influenced by social pressures or religious beliefs (subjective norms), and believe that they possess the skills to deal with innovative financial products (perceived behavioral control). Kalafatis et al. (1999) noted that brand trust, as well as product features, concepts that are closely related to corporate image and innovation, substantially affect behavioral intention in service adoption. Putit and Johan (2015), meanwhile, expanded TPB by integrating the dimensions of marketing and religiousness, attesting that this model is suitable for the Islamic market environment.

This research employs the TPB to elucidate how the perceived value of corporate image and innovation leads to customer intentions and final purchasing decisions. Whereas Signaling Theory guides us on how banks signal trust and innovation to the market, TPB elucidates how consumers process such signals cognitively and behaviorally. Collectively, these models offer a comprehensive understanding of customer decision-making in Islamic banking.

Hypotheses Development
- H1: The corporate image exerts a significant positive influence on consumer decision-making within the realm of Islamic banking.
- H2: Product innovation exerts a significant positive influence on customer decision-making within Islamic banking.
- H3: The simultaneous effects of corporate image and product innovation have a positive and significant impact on customer decision-making in Islamic banking.
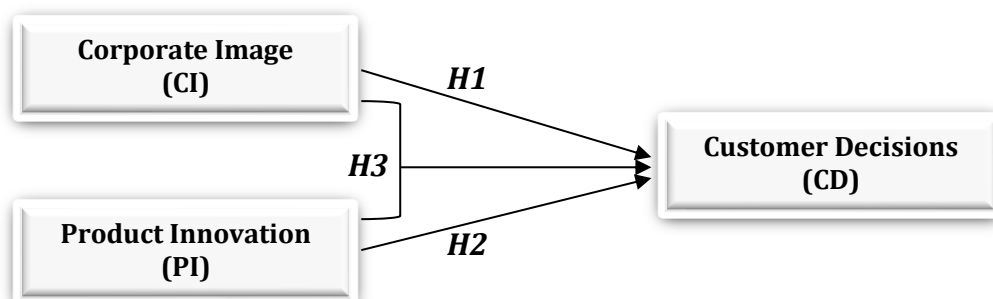

Figure 2. Conceptual Model

METHODOLOGY

Islamic banking, the study takes a quantitative methodology in order to discuss the impact of

corporate image and product innovation on customers' decision-making processes in the case of Islamic banking. The population in this study was 47,022 customers of PT Bank Syariah Indonesia, in the branch of Palangkaraya City. Evaluating the estimated sample size by using the Slovin formula with a 10% margin of error, a total sample size of approximately 99.8 respondents is needed; hence, 100 respondents were used for practical and theoretical adequacy.

The simple random sampling was used so that each member of the population had an equal chance of being selected; the bias and representativeness of our sample were reduced. In implementation, the sampling process was done by disseminating the questionnaire link to the frontliner staff at PT Bank Syariah Indonesia, who directly shared the online form directly to customers. The inclusion criteria used in sampling were 'to be a presently customer of the bank'.

The data was collected during three months (from January to March 2025). The structured questionnaire was disseminated through Google Forms in order to reach a broader sample and in view of logistic constraints for face-to-face data collection. The measure was intended to capture reactions to three different constructs: customer decisions, corporate image, and product innovation. As a precondition to partaking in this survey, all participants were informed about the study and were assured that their answers were anonymous.

The primary parameters observed in this study included the following:

- Corporate Image (CI): Measured by customers' perception regarding the bank's reputation, trustworthiness, and professionalism, and represented by factors such as the bank's reputation, alignment with Sharia principles, and perception of professionalism.
- Product Innovation (PI): Evaluated based on the bank's ability to provide new or significantly improved products and services, including digital banking innovations, the development of new financial products, and adaptability to customer needs
- Customer Decisions (CD): These are assessed by analyzing factors influencing customers' choices and continued relationships with the bank. They are measured by customer preferences and the choice to engage with the bank's services.

Partial Least Squares Structural Equation Modeling (PLS-SEM), a reliable statistical method frequently employed in social science research, was used to examine the dataset gathered for this study. PLS-SEM was selected because it can efficiently estimate complicated structural models, especially when the goal of the study is theory creation and prediction, and the data does not strictly fit the normality assumptions. This approach works particularly well for models that include latent components that are assessed by a variety of indicators, like the one used in this study to look at the connections between consumer decision-making, product innovation, and corporate image. In order to ensure the validity and reliability of the model evaluation and hypothesis testing, the analysis was carried out using SmartPLS 4.0 software in accordance with the recommendations and instructions provided by Hair et al. (2020). The analysis involved several steps:

- Reliability and Validity Assessment: Confirmed the instrument's reliability by Cronbach's Alpha and Composite Reliability and evaluated construct validity using Average Variance Extracted (AVE).
- Collinearity Diagnostics: Evaluated Variance Inflation Factor (VIF) values to detect multicollinearity among variables.
- Hypothesis Testing: Conducted path analysis to determine the significance and strength of the relationships between corporate image, product innovation, and customer decisions.

This methodological approach ensured the research was conducted systematically and provided reliable insights into the factors influencing customer decisions in Islamic banking.

Table 1. Measurement Item

Construct	Item	Code	Factor Loading	Source
Corporate Image (CI)	1. Bank Syariah Indonesia has a good reputation in the community.	CI_1	0.789	(Kencana, 2023)
	2. Bank Syariah Indonesia is known as a trusted financial institution.	CI_2	0.835	
	3. Bank Syariah Indonesia provides services that are based on Sharia values.	CI_3	0.846	
	4. Bank Syariah Indonesia's image reflects professionalism and innovation.	CI_4	0.868	
Product Innovation (PI)	1. Bank Syariah Indonesia consistently offers innovative products and services.	PI_1	0.889	(Wahono & Masykuroh, 2022)
	2. Digital features like Bank Syariah Indonesia's mobile banking fulfill my needs.	PI_2	0.925	
	3. The Islamic financial products offered by Bank Syariah Indonesia are superior to those offered by other banks.	PI_3	0.893	
	4. Bank Syariah Indonesia continues to adapt to technological developments.	PI_4	0.928	
Customer Decisions (CD)	1. I chose Bank Syariah Indonesia because the products and services offered are innovative.	CD_1	0.933	(Seftiani, 2017)
	2. Innovation in Bank Syariah Indonesia's products and services influenced my decision to become a customer.	CD_2	0.966	
	3. I feel that Bank Syariah Indonesia's professional and trusted image supports my decision to become a customer.	CD_3	0.963	

Source: Processed Primary Data, 2025

The data table reveals that all constructs, Corporate Image (CI), Product Innovation (PI), and Customer Decisions (CD), are strongly supported by their respective items, as indicated by factor loadings exceeding 0.7. This demonstrates high reliability and validity for the constructs. For Corporate Image, the strongest item (CI_4, 0.868) highlights the importance of professionalism and innovation in shaping the company's reputation. Similarly, Product Innovation shows remarkable strength, with the highest loading on PI_4 (0.928), indicating that technological adaptation plays a critical role in customer perception. Customer Decisions are most influenced by innovation (CD_2, 0.966), emphasizing the importance of innovative products and services in decision-making.

Strategically, these findings suggest that Bank Syariah Indonesia should focus on leveraging its professionalism and technological advancements to enhance its corporate image and product offerings. Investments in the realm of digital banking, including mobile banking, are paramount for addressing consumer requirements and sustaining a competitive edge. Overall, the results affirm that innovation and corporate image are pivotal in driving consumer decisions, making them key components of strategic management in Islamic banking.

FINDINGS AND DISCUSSION
Findings
Descriptive Results
The demographic profile of the respondents yields significant insights into the characteristics of the clientele engaged in this research endeavor. This profile encompasses essential attributes such as age, gender, profession, and educational qualifications, which facilitate the contextualization of the findings and enhance the comprehension of the diversity present within the sample. By analyzing these demographic factors, the study aims to identify patterns and trends that may influence customer decisions when choosing and engaging with PT Bank Syariah Indonesia, Branch Palangkaraya City. The following table summarizes the demographic distribution of the 100 respondents surveyed.

Table 2. Demography of respondents.

Characteristic	Category	Frequency	Percentage
Gender	Male	40	40%
	Female	60	60%
Age	Under 20 years	13	13%
	20 - 39 years	52	52%
	Above 39 years	35	35%
Occupation	Student	8	8%
	Public Servant	31	31%
	Private Employee	14	14%
	Entrepreneurship	27	27%
	Other	20	20%

Source: Processed Primary Data, 2025

The demographic information offers an extensive analysis of the attributes of the participants, classified by gender, age, and profession. Gender distribution reveals that 60% of the respondents are female, while 40% are male, indicating a slight majority of female participation in the survey. The age distribution shows that most respondents (52%) fall within the 20-39 age bracket, highlighting the active involvement of young to middle-aged adults. A smaller proportion of respondents are under 20 (13%), and 35% are above 39, suggesting a well-rounded representation across different age groups. Occupation categories reflect diverse professional backgrounds among respondents. Public servants comprise the largest group at 31%, followed by entrepreneurs at 27%, highlighting a significant entrepreneurial presence. Private employees constitute 14%, while students account for 8%. Additionally, 20% of respondents fall into the "other" category, which could represent a variety of less common occupations. The data demonstrates balanced participation across key demographic categories, providing a robust basis for further analysis and interpretation.
Assessment Of Measurement Model
To evaluate the structural relationships among the latent constructs in this study, Partial

Least Squares Structural Equation Modeling (PLS-SEM) was employed. This approach enables the simultaneous analysis of measurement and structural models, providing a comprehensive view of the relationships between variables. The structural model assesses the direct effects of Corporate Image and Product Innovation on Customer Decisions in the context of Islamic banking. Figure 1 below illustrates the results of the PLS-SEM analysis, including standardized path coefficients, indicator loadings, and the R^2 value for the endogenous variable.
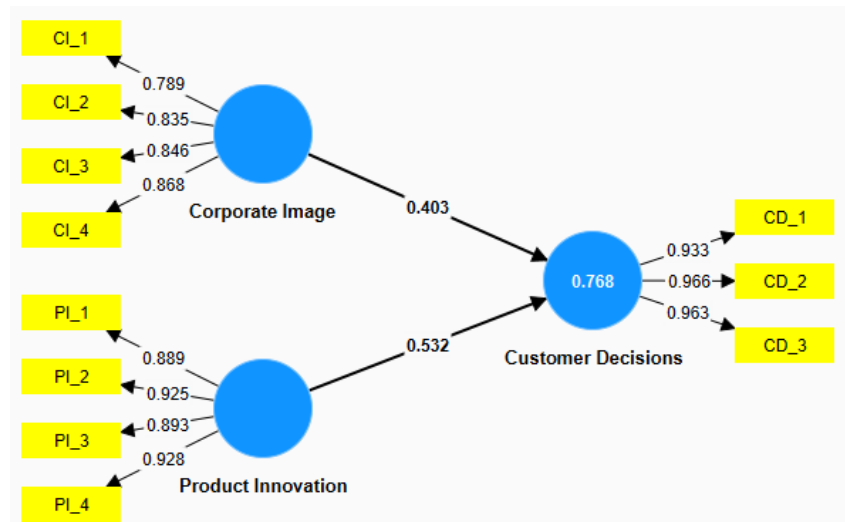

Figure 3. Structural model diagram illustrating the path coefficients and R^2 values for the endogenous variable

The structural model obtained from the PLS-SEM analysis is shown in Figure 1, which also illustrates the connections between the latent variables: Customer Decisions, Product Innovation, and Corporate Image. With a path coefficient of 0.403, the model shows that Corporate Image significantly and favorably affects customer decisions, while Product Innovation also has a favorable impact, with a larger path coefficient of 0.532. The endogenous variable Customer Decisions has a coefficient of determination (R2) of 0.768, meaning that the combined effects of Corporate Image and Product Innovation account for around 76.8% of the variance in Customer Decisions. This figure indicates that the model has a high capacity for prediction.

Multiple indicators with high loading values, each beyond the suggested threshold of 0.70, are used to test each latent variable, indicating good indicator reliability. Product Innovation and Corporate Image, for example, have loading values between 0.889 and 0.928 and 0.789 and 0.868, respectively, whereas the Customer Decisions indicators have loadings between 0.933 and 0.966 that are unusually strong. These findings bolster the internal consistency of the model and offer compelling empirical support for the strategic role that innovation and corporate image play in influencing customer choices in the Islamic banking industry.

The evaluation of the measurement model guarantees that the constructs employed in this research are both valid and reliable. Convergent validity was evaluated through factor loadings (≥ 0.7 acceptable, ≥ 0.5 for exploratory studies) and Average Variance Extracted (AVE ≥ 0.5), indicating that each construct explains more than 50% of its indicators' variance. Discriminant validity was established through the assessment of the square root of the Average Variance Extracted (AVE) for each construct in relation to the inter-construct correlations, thereby confirming the distinctiveness of the constructs. Composite Reliability (CR ≥ 0.7) and Cronbach's Alpha (≥ 0.7) were used to test for reliability, showing that the constructs were internally consistent. These criteria, as supported by Hair et al. (2020) and reinforced in studies by Henseler et al. (2014),

provide confidence in the robustness of the measurement model for further analysis.

Table 3. Validity and Reliability Results

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Corporate Image	0.856	0.863	0.902	0.698
Customer Decisions	0.951	0.951	0.968	0.910
Product Innovation	0.930	0.933	0.950	0.827

Source: Processed Primary Data, 2025

The data provides an analysis of validity and reliability for Corporate Image, Customer Decisions, and Product Innovation constructs. Cronbach's alpha, Composite Reliability (rho_a), and Composite Reliability (rho_c) are used to evaluate reliability, while the Average Variance Extracted (AVE) is used to measure validity. Average Variance Extracted (AVE): The AVE values for all constructs exceed the recommended minimum of 0.5, which signifies good convergent validity (Fornell & Larcker, 2012). Corporate Image achieves 0.698, Customer Decisions 0.910, and Product Innovation 0.827, indicating that the constructs explain substantial variance in the indicators. Cronbach's Alpha: All constructs exceed the threshold of 0.7, indicating good internal consistency (Hair et al., 2020). Corporate Image has an alpha of 0.856, Customer Decisions 0.951, and Product Innovation 0.930, showing reliable measures for all constructs. Composite Reliability (rho_c): A rho_c value above 0.7 confirms strong construct reliability (Chin, 1998). Corporate Image (0.902), Customer Decisions (0.968), and Product Innovation (0.950) all demonstrate excellent reliability. According to the findings presented, the constructs exhibit significant reliability and substantial convergent validity. This substantiates the robustness of the measurement model, rendering it appropriate for structural equation modeling (SEM) analysis.

Table 4. Discriminant Validity (HTMT Ratio)

	Heterotrait-monotrait ratio (HTMT)
Customer Decisions <-> Corporate Image	0.883
Product Innovation <-> Corporate Image	0.831
Product Innovation <-> Customer Decisions	0.883

Source: Processed Primary Data, 2025

The Heterotrait-Monotrait Ratio of Correlations (HTMT), a more exacting and trustworthy technique than the Fornell-Larcker criterion for determining the distinctiveness of latent variables, was used to evaluate discriminant validity (Hair et al., 2020; Henseler et al., 2014). Table 4 demonstrates that all HTMT values are below the conservative cutoff of 0.90, with the highest value between Corporate Image and Customer Decisions being 0.883. In particular, the ratio of Product Innovation to Customer Decisions is 0.883, and the HTMT value between Product Innovation and Corporate Image is 0.831. The categories measured, Corporate Image, Product Innovation, and Customer Decisions, are empirically unique and do not overlap in capturing various conceptual domains, according to these results, which validate appropriate discriminant validity.

Table 5. Variance Inflation Factors (VIF) Results

Variables	VIF

Customer Decisions	CD_1	3.664
	CD_2	7.650
	CD_3	7.347
Corporate Image	CI_1	1.747
	CI_2	2.099
	CI_3	2.145
	CI_4	2.230
Product Innovation	PI_1	2.868
	PI_2	5.048
	PI_3	2.731
	PI_4	5.099

Source: Processed Primary Data, 2025

The Variance Inflation Factor (VIF) values presented in the data are used to assess multicollinearity among the indicators for the constructs of Customer Decisions (CD), Corporate Image (CI), and Product Innovation (PI). Multicollinearity occurs when independent variables are highly correlated, which can distort regression estimates. Multicollinearity, which happens when independent variables in a regression model have a high degree of correlation, is detected by VIF. A commonly accepted threshold for VIF is 5, although values up to 10 are considered acceptable in some contexts (Hair et al., 2020; Kock & Lynn, 2012).

For Customer Decisions (CD), the VIF values for CD_2 (7.650) and CD_3 (7.347) suggest moderate multicollinearity, although they remain below the stricter threshold of 10. CD_1 (3.664) is within the acceptable range, indicating minimal multicollinearity. The Corporate Image (CI) indicators show low multicollinearity, with VIF values ranging from 1.747 to 2.230, comfortably below 5. This suggests that the CI items are robust and exhibit little overlap. For Product Innovation (PI), PI_2 (5.048) and PI_4 (5.099) slightly exceed the threshold of 5, indicating moderate multicollinearity, while PI_1 (2.868) and PI_3 (2.731) fall well within the acceptable range. The VIF analysis confirms that the constructs demonstrate low to moderate multicollinearity. While certain items, such as CD_2, CD_3, PI_2, and PI_4, exhibit moderate multicollinearity, the values are acceptable for Partial Least Squares Structural Equation Modeling (PLS-SEM).

After finalizing the assessment of the measurement model, the subsequent step involves evaluating the structural model, also known as the inner model. This assessment examines the interrelations among latent constructs within a Structural Equation Model (SEM). A crucial metric in this context is the coefficient of determination, denoted as R^2, which quantifies the fraction of variance in the endogenous latent variables elucidated by the model. Elevated R^2 values signify that the model accounts for a larger share of the variance in the dependent variables, reflecting a superior fit to the observed data.

Hair et al. (2020) contend that, in social scientific research, R^2 values of 0.75, 0.50, and 0.25 are considered substantial, moderate, and weak, respectively. These standards establish a framework for evaluating the model's explanatory power of endogenous constructs.

Table 6. The R-squared and R-squared Adjusted Result

Variable	R-square	R-square adjusted
Customer Decisions	0.768	0.763

Source: Processed Primary Data, 2025

The R-squared and R-squared adjusted values for the construct Customer Decisions provide insights into the model's explanatory power. The R-square value of 0.768 indicates that 76.8% of

the variance in Customer Decisions can be explained by the independent variables included in the model. This is considered a high level of explanatory power, particularly in social sciences research, where R-square values above 0.75 are deemed substantial (Chin, 1998; Hair et al., 2020). The R-square adjusted value of 0.763 accounts for the number of predictors in the model, changing the R-square to avoid overestimation when additional predictors are included. The minimal difference between R-square and R-square adjusted (0.005) suggests that the model is stable, and the predictors explain the variance in Customer Decisions meaningfully.

These results indicate that the independent variables used in the model, such as Corporate Image and Product Innovation, significantly and meaningfully impact Customer Decisions. This level of explanatory power supports the model's robustness and suitability for further interpretation and practical application.

Hypotheses Testing

The relationship between two or more variables is predicted by a testable hypothesis. It serves as the foundation for scientific research, guiding the design and methodology of studies. A well-formulated hypothesis should be specific, measurable, and grounded in existing literature or theoretical frameworks. Hypotheses can be categorized into null hypotheses (H_0), which state no relationship between variables, and alternative hypotheses (H_1), which suggest a significant relationship. Hypothesis testing uses statistical methods to determine whether the evidence supports the alternative hypothesis or fails to reject the null hypothesis. In the structural equation modeling (SEM) context, hypotheses are often tested using path coefficients, t-statistics, and p-values to establish the significance and direction of relationships among constructs (Hair et al., 2020).

Table 7. Hypothesis Result

Hypothesis	Sample mean (M)	Standard deviation (STDEV)	T statistics	P values	Result
H1: Corporate Image → Customer Decisions	0.403	0.103	3.922	0.000	Hypothesis Confirmed
H2: Product Innovation → Customer Decisions	0.536	0.099	5.402	0.000	Hypothesis Confirmed
H3: Corporate Image & Product Innovation → Customer Decisions (Simultaneous Effect)	R^2 = 0.768 (Adjusted R^2 = 0.763)	-	-	-	Hypothesis Confirmed

Source: Processed Primary Data, 2025

The hypothesis testing results for the relationships between Corporate Image (CI) and Customer Decisions (CD), as well as Product Innovation (PI) and Customer Decisions (CD), demonstrate significant findings based on the values of the original sample (O), t-statistics, and p-values.

For the relationship between Corporate Image and Customer Decisions, the path coefficient (O) is 0.403, signifying a favorable impact of Corporate Image on Customer Decisions. The t-statistic value of 3.922 exceeds the critical threshold of 1.96 (for a 95% confidence level), and the p-value of 0.000 is below 0.05, confirming the relationship is statistically significant. The correlation between product innovation and customer decisions exhibits a more pronounced positive impact, evidenced

by a path coefficient (O) of 0.532. The t-statistic value of 5.402 also exceeds the critical threshold, and the p-value of 0.000 establishes statistical significance. This suggests that Product Innovation has a slightly more significant impact on Customer Decisions than Corporate Image.

Both hypotheses are supported, indicating that Corporate Image and Product Innovation significantly and positively influence Customer Decisions. These results emphasize the importance of maintaining a strong corporate reputation and continually innovating products to enhance customer decision-making processes.

The simultaneous effect of corporate image and product innovation on customer decisions was analyzed using the coefficient of determination (R^2). The result showed that the combined influence of these two variables accounted for 76.8% of the variance in customer decisions, with an adjusted R^2 value of 0.763. This indicates a strong explanatory power of the model, suggesting that when both a favorable corporate image and innovative product offerings are present, they significantly and jointly enhance customer decision-making in the context of Islamic banking. These findings confirm that integrating strategic branding and innovation initiatives can lead to a more compelling value proposition and stronger customer engagement.

Discussion

This research investigated the impact of corporate identity and product innovation on consumer decision-making processes within the realm of Islamic banking. By focusing on these critical factors, the research sought to provide insights into how banks can effectively attract and retain customers in a competitive financial market.

The study contributes to strategic management by demonstrating the interplay between corporate image and product innovation in shaping customer decisions (Tirdasari et al., 2024). It underscores the increasing significance of harmonizing conventional banking principles with contemporary consumer expectations and provides pragmatic suggestions for Islamic financial institutions to improve their competitive stature.

The findings reveal that corporate image and product innovation significantly influence customer decisions. Product innovation has a stronger impact (path coefficient = 0.532) than the corporate image (path coefficient = 0.403), emphasizing the critical role of technological advancements and innovative service offerings. Additionally, the combined influence of these factors explains 76.8% of the variance in customer decisions, underscoring their importance in driving customer behavior.

The results align with existing studies that emphasize the importance of corporate image in building customer trust and loyalty (Fornell & Larcker, 2012; Hair et al., 2020). Similarly, the significant role of product innovation resonates with Chin (1998) findings on innovation as a driver of competitive advantage. These findings extend the literature by highlighting the greater relative importance of product innovation in the Islamic banking sector, particularly in the context of technological advancements and evolving customer preferences.

The findings of this study underscore the simultaneous and significant roles of corporate image and product innovation in influencing customer decisions in the Islamic banking context. From the perspective of Signaling Theory (Connelly et al., 2011; Spence, 1975); corporate image serves as a crucial signal that communicates the bank's credibility, ethical integrity, and professionalism to potential customers. A strong corporate image sends positive cues that reduce perceived uncertainty, thereby reinforcing customer trust and confidence. Product innovation, on the other hand, acts as a complementary signal that reflects the bank's responsiveness to evolving customer expectations. The integration of these two signals creates a synergistic effect, which, according to the results, enhances consumer decisions more effectively than analyzing either variable independently. This synergy affirms that customers in the Islamic banking sector interpret

both reputational cues and innovative service delivery as interconnected markers of institutional reliability and relevance.

Simultaneously, the results support the Theory of Planned Behavior (TPB) (Ajzen, 2020) by confirming that attitudes shaped by favorable perceptions of corporate image and innovative banking services significantly influence customer behavioral intentions. In this context, corporate image strengthens positive attitudes and perceived behavioral control, while product innovation increases the perceived usefulness and convenience of banking services, thereby facilitating intention formation and ultimately, customer decisions. These findings refine TPB in the context of Islamic banking by demonstrating how two organizational-level variables can shape individual customer behaviors through their influence on psychological drivers. Thus, this study extends the application of both Signaling Theory and TPB to the strategic domain of consumer behavior in Islamic financial institutions.

This study makes a significant theoretical and practical contribution by integrating corporate image and product innovation into a single predictive model, rather than examining each construct in isolation. For example, Najmudin et al. (2021) investigated the role of corporate image and found a direct influence on customer loyalty in Indonesian Islamic banks. However, their study did not account for the potential combined effect of innovation. In contrast, our findings demonstrate that when corporate image and product innovation are analyzed simultaneously, they explain 76.8% of the variance in customer decisions, a considerably stronger explanatory power than single-variable approaches. These results suggest that Islamic banks can achieve a more substantial strategic impact by aligning brand reputation efforts with innovation initiatives to better influence consumer behavior.

The generalizability of these findings is further supported by recent international literature. Zouari & Abdelhedi (2021) in Tunisia demonstrated that digitalization as a service quality dimension significantly improves customer satisfaction in Islamic banking, affirming the strategic importance of innovation in diverse cultural environments. Complementing this, Rahman et al. (2023) in Bangladesh found that customer perceptions, shaped by trust, ethical responsibility, and security- have a direct impact on satisfaction and word-of-mouth behaviors in Islamic banking. Taken together, these studies corroborate our findings and emphasize that the strategic combination of corporate image and innovation is applicable across different regions, reinforcing its value for global Islamic financial institutions.

The findings offer several actionable insights for managers. First, Islamic banks should prioritize investments in innovative digital products and services to meet evolving customer expectations. Second, while maintaining a strong corporate image is essential, banks should integrate innovation into their branding strategies to position themselves as forward-thinking and customer-centric. For example, highlighting technological advancements alongside ethical and professional standards can create a compelling value proposition.

This study has several limitations that should be acknowledged. The sample was geographically restricted, which may limit the generalizability of the findings. Additionally, the cross-sectional design precludes analysis of changes over time. Furthermore, the study focused on only two independent variables, excluding other potential factors such as service quality, customer trust, or religiosity, which may also influence customer decisions.

Future research should address these limitations by incorporating a more diverse sample across different regions and cultures to enhance generalizability. Longitudinal studies may elucidate the evolution of relationships between variables. Furthermore, examining additional variables, such as service quality or customer trust, may provide a more thorough comprehension of customer decision-making. Research on the interplay between digital transformation and traditional banking values in Islamic banking could also yield valuable insights for the industry

(Zouari & Abdelhedi, 2021).

CONCLUSION

The research analysed the effect of corporate image and product innovation on the customer in the decision-making of Islamic banking customers that Specialist Branch of PT Bank Syariah Indonesia, Palangkaraya City. The results reveal that both corporate image and product innovation have a significant and positive effect on purchase decision, while product innovation plays a greater role. This highlights a consumer behavioural strategic change in seeing technology and service innovation as important as brand reputation.

In principle, the combination of Signaling Theory and Theory of Planned Behavior (TPB) has furnished a good model for perceiving how institutional perceived credibility and intentional attitudes determine customer decisions. In this way, this research contributes to the knowledge and understanding of both corporate image and product innovation by simultaneously incorporating both strategic constructs into a single predictive model. This two-tiered approach provides a more in-depth perception of the decision-making process in Islamic banking, rather than solely emphasizing one variable in a way that dominated the earlier research.

Introducing a new reality: This research provides potential practical insights that can be used by Islamic banks to grow consumer involvement and loyalty. As reported by Junaedi et al. (2024) should enable banks to put in place integrated strategies that meld innovation, reputation management, and other variables to remain relevant in a digital golden age. A clear reputation for an Islamic bank can be based on transparency, ethical behavior, and Shariah compliance, supplemented with digital product offerings to keep ahead of the competition in terms of customer satisfaction and retention.

In addition, this study has implications for management decision-making in terms of the need to see both a focus and a second focus in a company's strategic process. The findings in this paper may also help policymakers and financial regulators consider the right policies that encourage both innovation and the preservation of reputation in the industry of Islamic finance. The only way for the industry to progress is to promote innovation that does not prejudice the moral validity of Sharia stipulations and, at the same time, to discharge its duties to the market and spiritual obligations as they are framed in light of Sharia.

LIMITATION AND FUTURE RESEARCH RECOMMENDATION

Although this study has made some contributions, there are some limitations. First, the research was performed in a specific geographic area, namely a branch of PT Bank Syariah Indonesia in Palangkaraya, which may limit the generalizability of the results to other locations or other institutions. Second, the quantitative survey methodology used provides little in the way of depth into the psychological and sociocultural complications that shape the consumer's attitudes towards a brand-new item. Finally, while the sample size was statistically sufficient, it may not completely represent the entire customer base.

The limitations of this study may be addressed in future research by adopting a more comprehensive, multi-location sample from various regions and bank establishments. Further use of qualitative methods (eg, interviews or focus group discussions) may also reflect customer motivations more completely. Additionally, it is possible for future studies to further cross-examine and deliberate the combined use of Signaling Theory and TPB within the domain of Islamic finance, which may expand the model to incorporate such variables as trust, religiosity, pricing, and service availability with a view to coming up with a more holistic decision-making model.

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