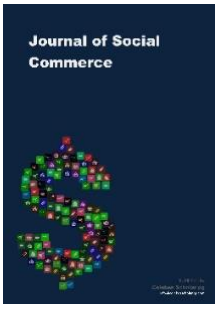


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# Strategic Disconnection in Islamic Mortgage Finance amid Socially Mediated Consumer Expectations

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**Abstract**

This paper carries out a critical analysis of the strategic performance and institutional articulation of the IB Griya mortgage financing product of PT. Bank Indoswara BNI Batam. Partly because the product is structurally sound, based on the Murabahah contract, and entirely compliant with the sharia related legal norms, continuing and inefficient performance in terms of meeting financing objectives illustrates more fundamental institutional morbidity. This study identifies five interlinked weaknesses through a qualitative approach of a case study method by combining in-depth interviews, an analysis of documents, and observations in the field, where five interconnected weaknesses are revealed including product-market inhomogeneity, inflexible and behaviorally inconsistent pricing policy, ineffective promotion communication, socially indifferent service provision, and an extreme lack of strategic planning and partnership building. Instead of blaming the macroeconomic fluctuation or consumer lack of knowledge, the results identify the issue on the epistemic structure and strategic culture within the institution. This paper maintains that Islamic mortgage finance will not perform based on mere juridical legitimation; however, it would be supported by the strategic reflexivity, relationship sense of trust development, emotional consistent service designing, and institutional behaviours run through the communities. So as evidenced by the case of IB Griya, unless it expands the narrative resonance, user-centric programming and multi-actor ecosystems of partnerships, there is a danger that sharia-compliant goods will become morally good, yet behaviorally peripheral.

## Introduction

The Islamic banking has experienced massive growth in the past few decades not just in Muslim-dominant nations but the whole world, providing moral alternatives to financial systems utilizing interest. It has been commended that the industry upholds the practices of transparency, fairness and social justice as part of its principles incorporated within the sharia based types of contract like Murabahah, Ijarah and Musharakah (Alhejaili, 2025; Shahariman et al., 2024; Kunhibava et al., 2024). However, of these tools, Murabahah is the most noticeable

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one in the Islamic retail finance, particularly, in the home mortgage industry, because it is thought to be straightforward in its legality and easy to determine risk (El-Gamal, 2006). The excessive use of such a form of contracts that are sometimes provided to the customers without much-added value in terms of price, program, or strategic delivery, however, have led to a feeling by the scholars as well as practitioners (Asutay, 2012).

Nevertheless, even after its expansion, Islamic banking is still experiencing the incessant complaints of duplicating conventional reasoning in religious phrases. Other researchers like El-Gamal (2006) and Asutay & Yilmaz (2025) have unconcurred arguing that the industry should find a way of giving more emphasis on ethical transformation rather than legal mimicry whereby structurally acceptable, yet economically and socially stagnant products are produced. Incidentally, this can be observed especially in the realms of home financing where the products such as Murabahah-based mortgage mortgages, being interest-free in nature, rarely prove to react to consumer demand in terms of affordability, flexibility, and individual consideration (Laldin & Furqani, 2016). These criticisms are even more felt as one shifts gears to the institutional level performance where the Islamic banks are poor in hitting the financing goal as well as achieving the consumer interaction levels.

This paper takes place exactly at that institutional fault line. It concentrates on strategic performance of IB Griya product provided by PT. Bank Sumut KCP Syariah Simpang Kayu Besar, which is an Islamic banking unit concentrated in a region and whose product is theoretically compliant with the aims of the sharia but its performance outcome is, in fact, poor. There is a drastic dissimilarity between moral motivation and commercial momentum as seen in the context of five years consecutive decrease in the volume of customers and also the upper-limit financing of the IB Griya product. This negative trend is reflected by the annual performance trend of the product as shown in Table 1:

Table 1. IB Griya Customer Trends and Financing Ceilings (2020–2024)

| Year | Number of Customers | Financing Ceiling (in IDR) |
|---|---|---|
| 2020 | 116 | 36,877,000,000 |
| 2021 | 108 | 33,545,000,000 |
| 2022 | 103 | 29,650,000,000 |
| 2023 | 97 | 25,870,000,000 |
| 2024 | 92 | 20,930,000,000 |

These numbers are the subject of such critical debate. It is not a short-term depreciation, nor a mechanism of direct cause and direct fix in terms of macroeconomic insecurity; instead, it is a demonstration of institutionalized stagnation in strategic planning, consumer interaction, product ecosystem, and so on. Even though the religious justification of the product structure is clear, there is a low level of perceived value, lack of market differentiation, and little emotional/relational affect. According to the recent studies, consumers are more willing to make financial products assessment based not only on their legal construct but affective, digital, and social experience attractiveness (Zhang et al., 2020; Law & Van Schaik, 2022).

In theory, the Islamic mortgage retail market is put in a good position to cater to the needs of ethically conscious, risk-aversive consumers wanting to achieve financial stability and soul fitness. However, the study by Dusuki & Abdullah (2007) notes that due to institutional inability to forge the form of sharia and the contextual responsiveness, products usually turn out formally acceptable and insufficiently competitive in functionality. Besides, Muneeb (2023) remark that the satisfaction of customers in the context of Islamic banks would be increased on the part of quality of service, transparency of the process and trust towards institutional delivery and not necessarily customer contract structure. Such insights pose a basic question, how should an Islamic financial institution best fulfill the needs of its market not merely in the eyes of the law but also in a wholesome way?

This paper discusses that challenge under one product at one institution, but with the implications that can be echoed in the field of Islamic finance as a whole. It examines the way that the structural characteristics of IB Griya operate interactively with the institutional strategy, perception, consumer perception and service ecology.

The study reveals the depth at which the performance of products is not a product of being sharia-compliant but rather strategic, emotional, and narrative settings in which the compliance is practiced through the combination of field interviews, process observation, and institutional documentation. Through so doing, the paper further develops the discussion on the need to reposition Islamic finance as an industry that is value-driven and whose focus is on ethics (Awais et al., 2024; Laldin & Furqani, 2018; Iqbal & Mirakhor, 2011). It claims that as long as Islamic banks incorporate their products in the frameworks of social participation, behavioral sensitiveness, and strategic reflexivity, their moral vision will be structurally limited. The plight of IB Griya proves not only an example of poor functioning of the institution but, at the same time, a condensed form of the gap between the spiritual potential and strategic reality of Islamic banking within the modern society.

## Methods

The proposed research is going to use a qualitative research design in order to understand and assess IB Griya mortgage financing products marketing strategies of PT. Bank Sumut KCP Syariah Simpang Kayu besar. The qualitative method was chosen because of the need to gain a better insight on the strategies employed especially in their conceptualizations and actions by the key players at the bank. Contrary to the quantitative research designs that attempt to generalize their findings by means of the numerical analysis, the qualitative research is interested in the catchiness of the human performance and the processes inside the institutions in the environment. In this regard, the paper will dwell on the way marketing activities are devised and performed in the working environment of the bank and the impact of the activities on customer interaction and meeting the financing targets. The study was done on location at PT. Bank Sumut KCP Syariah Simpang Kayu besar. This branch was selected since it has recorded a significant decrease in the numbers of customers as well as financing caps within the last five years. The fall is substantiated by the internal financial data and is a good reason to find out whether current marketing measures have been productive or the major changes are to be introduced. The key population to this research are the people who handle the marketing activities in banks especially the Account Officers who are directly involved in marketing of IB Griya mortgage products. These people will have operational and strategic knowledge that is necessary in order to comprehend the practice of marketing at the branch level.

Three main methods of data gathering were applied, namely observation, interviews and documentation. The day-to-day marketing activities, customer Capturing procedures as well as service delivery procedures were observed. It gave a real-life perspective of how strategies can be implemented in actual real-time customer and other stakeholder interactions. On the go interaction using the structured and semi structured in-depth interviews with the key staff such as the branch manager and the marketing personnel. These interviews were meant to provide in-depth responses on objectives, threats or issues, and the rationale of the present marketing strategies. The interview format made it flexible to be able to explore the emerging themes so that the researcher could be able to introduce new themes in order to explore fully and also to be able to address some core areas; including pricing, promotion, customer segmentation and partnerships were also addressed in almost all interviews.

Next to primary data, documentation analysis was used in collection of secondary data. Financial reports and marketing strategies provided by the bank as well as some customer acquisition reports, financing performance in 2020-2024 were studied. It was in these documentations that objective evidence was obtained to justify or refute assertions made at the time of the interviews and observations. They also made the chronological interpretation of the marketing results possible and contributed to the discovering of the trend or inconsistencies in the marketing process realization.

Qualitative data analysis was posed on the basis of the model described by Miles and Huberman, included three principal parts which are reduction of data, data display, and conclusion creation and testing. During data reduction, the filtering was used to sort all data acquired and only the relevant information concerning the research aims was considered. Related or redundant information was eliminated to make the analysis more focused. The rest of the data was divided depending on the arising themes, which included product strategy, competitive prices, running experiments, customer communication, and relationships with institutions.

Data displaying stage included revising the abridged data into thematic matrices, graphic tables and recount summaries. This enabled the researcher to analytically examine tendencies and correlations of the various aspects of the marketing strategy of the bank. In this particular case, the 9P marketing mix that has product, price, place, promotion, people, process, physical evidence, programming, and partnership as the main elements of the matrix was employed in structuring the analysis. Every component was checked against the degree to which it promoted or detracted the success of marketing campaigns as well as the meeting of financing goals.

The last stage of analysis was to make conclusions and check how correct they could be. The early interpretations were formulated through the observed patterns and were subsequently juxtaposed relative to theoretical concepts and literature findings on the Islamic and Sharia banking marketing, and customer involvement in the financial institutions. In the quest to increase the validity of the results, member checks were also carried out by restoring to some key informants in order to establish the correctness of the interpretations. This step of validation guaranteed that these conclusions would be based on more than just theoretical consideration but also on real life of individuals that would be engaged in marketing of IB Griya mortgage products.

## Results and Discussion

### Product-Market Fit and Sharia Value Proposition

This structural robustness of IB Griya mortgage product deriving its rationale in the Murabahah contract is an indication of the doctrinal adherence to Islamic banking. It is interest free, clearly marked as far as cost is concerned and it is founded based on ethical finance which is celebrated in classical juris prudence. However, in the modern financial environment, where the notions of relational consumption, social validation, and an artificial creation of trust are becoming more and more defining factors, the theological consistency of the product does not seem to be enough to guarantee its relevance to the market. The result of this research is a rather strong point: the compliance with sharia is no longer the goal at the end of the rope but it is the minimum. The battlefield is the field of relational legitimacy and experience resonance.

Qualitative data from field interviews makes this tension unmistakable. One account officer candidly notes:

> *"Even when the product is fully explained—how the margin is fixed, how it's not interest—customers still hesitate. They say they'll ask friends or wait to hear from others who've tried it."*

This reluctance has no relation either to financial illiteracy or to the distrust of sharia contracts, but to a paradigmatic change of how trust is constructed in the modern banking consumer. The profession of financial decision-making is no longer an individual rationalized practice within the confines of formal logic in a society that is slowly becoming awash with some digital discourse. Instead, it is a shared, recursive undertaking informed by the communal story, peer conformation and socially constructed authority (Belk, 2014; Schau et al., 2009). Products which do not go into the discourse of ordinary networks, those of WhatsApp groups, community forums, TikTok explainers, are effectively vetoed by consumers in their field of evaluation, no matter how technically valid they may be. To speak more exactly, what we are seeing is the emergence of relationally based economy of trust, where the reliability of a financial product is not established via institutional broadcast, but is mediated through interpersonal communication concerning trust and emotionally sensitive narrative. According to Charles et al. (2008), the increasing disembedding of trust in late modernity consists in its refashioning under reflexive practices. At this site of reflexivity, customers do not wholly trust institutional claims, but have instead turned to observed or retold experiences to make buying decisions, particularly on larger items like the ownership of homes. The IB Griya product is performing poorly as it is, not due to the lack of compliance but due to the shortcoming on lack of participation in these relational economies. More importantly, the constraints of design in the product only derail it further in the consumer stories of possibility. Internal policy records substantiate for a restricted eligibility universe-funding is generally limited to ready-stock housing and projects with affiliation with developers. Land-first, incremental building as well as self-building houses are barely supported, or not supported at all. Such a rigidness is not only something that is rooted in design but is an overall systematic neglect of the socio-economic heterogeneity of bank customers, especially low-income or semi-formal earners. No wonder, as a marketing officer added:

> *"We had a couple that owned land and wanted to build gradually. But because their developer wasn't in our partner list, we had to say no."*

The irony involved is sharp indeed: a product defined within the Islamic ideals of maslahah (public benefit) and adl (justice) bans those exact same clients which form the most basic pillars of Islamic finance. In fact, the dangers of excessive aping of the traditional models of finance, including so-called sharia wrappers, have been raised in the literature long. In fact, El-Gamal (2006) talks of what he refers to as financial engineering of form over substance products, products that in technical terms may claim to have avoided riba, but are not products that mirror the holistic value view that is the vision of Islamic economics. What is more this not being able to integrate the product within digitally intermediated customer ecosystems is an example of an institutional myopia. The contemporary consumers, particularly those in the housing sector, no longer evaluate the costing model or contractual morality, but evaluate their reputation, relatability, and social approval. Burdon & Sorour (2020) suggests that such an intersection of digital environments and finance has changed the standards of product legitimacy: user-created content, testimonials and platform-driven trust indicators are no longer competing with institutional legitimacy in terms of consumer confidence. The fact that IB Griya is practically not in these social circuits is not just a lost chance but a kind of strategic omission. In fact, the intuitions in this paper suggest that there is an ontological rethinking shift that ought to be had in the Islamic financial products: beyond a world of static product-sets, there is a world of live value propositions, integrated in life worlds of customers. This needs a redesign paradigm since one which presents the contentment of the legal scholars to a presentation that makes people happy, make them empowered and makes them tell their stories. It does not only require flexibility of the structure of contracts, but also requires the establishment of what Arnould & Thompson (2005) term as marketplace cultures, areas where value co-creation as well as narratives are co-authored by users and produces meaning in the common worldviews. The product also contains the inert religious messages. Using the terms halal or being interest-free to advertise a product is becoming performative unless the narrative behind these words is brought to life through the story of transformation, aspiration and empowerment. A respondent said:

> *"People ask if we have videos or stories of successful customers, especially people like them. They want proof, not preaching."*

It is not a cry out to find out more information: it is a cry out to find something humanized to support it. It captures the transformation of the subjectivity towards consumers in Islamic finance: a consumer is no longer passive receiver of the discourse but an active inquirer of identity, confirmation, and meaning. The Islamic financial consumers continue to become both morally committed and pragmatically oriented (Asutay, 2007). They need to be ethically aligning without impairing their individual efficacy and social dignity. Overall, this research shows that the product IB Griya does not match the modern shape of trust, community, and meaning construction. Its analytical structural integrity is overshadowed by the fact that it is unable to be involved in the aesthetic, relationship, and emotional frameworks of contemporary financial existence. So long as Islamic banking is to be more than merely compliant, it needs to give up adherence to structural orthodoxy and open itself to those plural, contested, and narrative-led consumer value landscapes. This involves re-designing the products through lenses at which they are no longer objects in a vacuum but connections in more extended networks of relations- their social discussion, online authentication, and experiential experience.

This is not an accessory readjustment; it is a paradigmatic demand. Unless Islamic banks accept that their business edge is not their legal specialty but their capability to inspire communal confidence, evoke powerful narratives and visualize diverse lived lives, their products will continue to be perfectly legal but, tried and tested, socially dormant. And in the trust economy of today invisibility equals irrelevance.

**Competitive positioning and Pricing Strategy**

The IB Griya pricing model of mortgage financing lies on the fixed-margin model of Murabahah - a traditional and sharia-compliant sale-based contract that attributes to provision of asset purchase by the master bank and subsequent resale at a proclaimed profit. Superficially, such a model offers predictability, equity, and ethical openness, as opposed to interest-varying plans of the normal banking. Factual evidence collected in this research however shows that there is an increasingly disproportionate gap between technology openness and competitiveness as seen through the eyes of the consumer particularly in an economic landscape influenced by comparative digital visibility and resistance to price.

In the five years, 2020-2024, the financing records of PT. The situation with Bank Sumut KCP Syariah Simpang Kayu Besar is even more troubling: the customer base of IB Griya mortgage customers has dropped to 92 customers (as compared to 116 customers before), as well as financing ceilings decreased to IDR 20.9 billion (as compared to 36.8 billion). This is confirmed through the interview data as one of the most common reasons given by the prospective clients is that the IB Griya product seems to be not so affordable:

> *"Customers often tell us the monthly installments here are higher than in other banks. They ask, 'Why is this more expensive when it's supposed to be religious?' Some walk away after checking rates online."* (Interview with Account Officer, February 2024)

It is an indication of fundamental inappropriateness in value communication. Although the overall effect of the fixed Murabahah margin should be ideally secure and simple, it renders itself to be perceptively burdensome in an environment in which promotion interest rates and a price-driven market prevail, where the marketplace expects fluidity of prices in the market. The concept of being flat in profit margins at around 8-10 percent, based on internal records, is a liability in comparison to the tradition institutions with introductory fixed interest rates as low as 3.25 percent on the first five years. Although the long run efficient price might be equivalent, the heuristic impact of front loaded pricing comparisons makes the sharia model undesirable in the short run by the price sensitive consumer. This becomes particularly important given the greater digital literacy of the mortgage seekers. As observed by the staff, a significant number of clients come to the branch with the comparison rates already in their possession, having been tapped on aggregator websites, WhatsApp group, or even social media property influencers:

> *"People no longer come asking what the margin is. They already know. They want to negotiate, or they ask if we can match another bank's offer. When we say no, the conversation usually ends."* (Interview with Marketing Staff)

The developments of prices within such his interactions reveal that the pricing power is no longer held at the institutional level but at the consumer level. Mortgage customers do not approach the mortgage process any more as more or less passive partners in the mortgage information transaction but as contending bargaining partners decked out with bench mark tools and peer reviews. This is the same behaviour as identified by Korhonen & Markovich (2021), who indicate that the constant assessment of financial services over the digitally-enabling reputation economy supports the notion that numerical comparisons are no longer distinguishable based on user narratives.

Moreover, the fact that IB Griya has a uniform pricing model, meaning that it offers the same margin regardless of what income level or what kind of property it is, indicates its inability to carry out strategic price segmentation, which is one of the most important mechanisms in the modern retail finance. One of the account officers put it this way:

> *"There's no package for young families, no first-time buyer scheme, no partnership margin for certain developers. Everyone is treated the same. But not everyone has the same sensitivity."*

This lack of differentiation goes against the recent trends with respect to retail banking in the Islamic world, i.e. consumers based on their lifecycle, risk perceptions, and loyalty potential are being increasingly price differentiated (Gonen et al., 2024; Pratas et al., 2025). Without these strategies, the IB Griya product will not meet the affordability of price-sensitive customer segments due to the lack of conversion of the product to high-capacity resultant customer profiles. It turns to being generic as well. The issue gets worse when considering the fact that there is no active pricing storyboard to premiumize the margin. The rate is made known to the customers, yet no attempt to place the cost in relational terms of ethical reinvestment, community support, and risk insulation is made. The absence of a narrative of price enables consumers to construct the margin as a matter of cost only, thus rejecting the Islamic banking value proposition of an ethical excess. Like it has been argued by Dusuki & Abozaid (2007), pricing in Islamic Finance needs to be discursively explained rather than just be revealed especially in the case of competing with interest-based products. What further complicates the crisis is the lack of the mechanisms of pricing innovations by the bank with the help of bundling, rewards or loyalty levels. During interviews, employees would confess that staffers do not have a season of the year, time-limited offers, or packages, which were sponsored by the developer, as it happens in the case of their more common counterparts:

> *"We don't offer promotional margins or seasonal rates. Our margin is fixed, year-round. The only incentive we give is maybe free admin or faster processing."*

Such pricing inertness cannot be written off as a market deficiency: it is part of a deeper antagonism towards behavioural financial engineering, that in the contemporary banking sector need not include any deceivingness but rather an induction of ethical sensitivity. Experience with behavioral economics (Thaler & Sunstein, 2008) has demonstrated that highly designed nudges, including slightly smaller rates for people making an early decision or apps available solely through digital files, can have a very meaningful impact on consumer conversion without compromising the integrity of prices. Lastly, the empirical reality, which undermines the above-mentioned opting to sharia-compliance forever, however, even within the range of clients who demand sharia-compliance, pricing acts as a tipping factor. As one of the senior officers has confessed:

> *"Some Muslim customers tell us they love the idea of Islamic financing. But in the end, they say, 'I'll go with the cheaper one. God will understand.'"*

This open and frank confession shows that Islamic finance cannot count only on the normative loyalty. The consumer even, at least in about competitive and urban marketplaces are deciding on the vector that finds its point at religious observation, cost-effectiveness and state of being perceptually reasonable- and value is becoming ever more encroached upon by the digital discourse than it is by the implications of institutional command. To place IB Griya on a competitive position. Bank Sumut has to move beyond margin control. It needs to develop a story-telling, psychologically sensitive, and digitally enhanced preference in terms of the pricing policy, where pricing as a variable is not a variable anymore but a communicative, experiential, and relational flagship. As long as the product is not only ethically priced, but also socially relevant and emotionally perceptive, it will remain to lose track, not because it is not right, but because it remains silent in the mediums where decisional rights are actually occurring.

### Promotion, Literacy, and Customer Communication

The nature of financial services promotion should not only aim at informing but also seeking the trust and inspire emotional closeness and composition of social discourse about institutional reliability. In the case of PT. The IB Griya product of Bank Sumut, in any case, the marketing activities are still confined within the old paradigms of delivering information, that is brochures, banners and occasional direct selling, whereas the epistemogy of information has radically changed. As this research finds, there is a deep promotional excess of incongruence arising: the institution speaks the language of unilateral logic, and consumers exist in participatory, dialogic, and digitally-mediated ecosystems created by the meaning-making of finances. The presence of the gap is evident with the help of field data. Speaking about the existing promotional approaches, one of the employees said:

> *"We distribute flyers, hold product briefings at housing expos, and sometimes visit offices to offer group explanations. But even then, people often just nod and later say they'll check with someone they trust before deciding."*

Such seemingly harmless practice encompasses a fundamental virtue change in the design of financial trust. In a marketplace where horizontal knowledge transfers and peer to peer learning plays a greater part, institutional monologue no longer sells. Consumer seeking authority in selection are being replaced with familiarity, shared experience and online second opinion. According to Thompson & Coskuner-Balli (2007), brand meaning is now not built downwards anymore; instead they are bargained in community spaces of co- consumption. In such a way, a promotion strategy that fails to penetrate the forums, platforms and communal knowledge spheres that the potential clients congregate into, will be practically invisible. Besides, the analysis indicates an important gap in the alignment between the promotional messages and the financial knowledge of the target audience. An officer of marketing stated that:

> *"We explain Murabahah, fixed margins, and admin waivers, but people still ask: 'How is this different from interest?' Some think we're just calling it another name."*

This is not a literacy loss, this is an act of communication failure. The bank advertising discourse is set in the theological language (riba, akad, ujrah), though the customer only perceives it through the prism of comparative heuristics and also the lived affordability. According to Al-Daghistani (2017), Islamic finance communication is a frequent subject or victim of what they term as a sort of semantic alienation by which the moral virtuosities are conveyed in modalities that do not correspond to financial thought organizations of the people. In this case, the advertising machine presupposes a rational-legal persuasion mode whereas the customer is a responder to the appeal to narrative and believability of the testimony.

Those issues which even sharpen this problem are the fact that the institution is not occupied in the space of digital and socially networked promotions. Although PT. Bank Sumut has an Instagram account, employees acknowledged that their activity there is quite low:

> *"Our posts reach a few hundred people, mostly internal staff or friends. We don't have a digital promotion team. We don't boost posts or use influencers. We're still focused on offline events."*

This is a strategic gap on a deep level. In the modern environment of money-spending, lack of virality is invisibility. The online customer is the one who is not perceived unless he/she is made to be shown by someone who is trustworthy. Decision making such as financial choices is becoming complicated with social streams, video tutorials, bloggers about personal money management, and testimonial loops (Hajli, 2015). The inability to incorporate into these circuits the promotional materials of IB Griya not only reduces the levels of publicity but removes the product out of the societal structure of monetary consideration. More importantly, the bank does not do experience-driven storytelling, which is indeed the strongest promotional currency in the world of financial services. The pricing table or the lists of products cannot convince the customers any more they need the stories of the people resembling them that took the journey, succeeded, struggled and triumphed. One of the respondents astutely observed:

> *"We get asked a lot: do you have testimonials? Has someone like me used this before? They want to see it before they believe it."*

This is not a cosmetic desire but ontological desire. It mirrors an indication of the value propositions embodied into narrative in the mind of the consumer. Several studies on consumer-brand relationships tend to confirm that the use of emotional stories, particularly, culturally close ones, is more likely to create more affective trust and conversion than a bare rational argument (Escalas & Bettman, 2005; Fournier, 1998). The lack of such narration in the marketing campaign of IB Griya brings the product to the level of an inanimate product, without feeling and social life. To be compounded on this is the absence of a two- way communication network on the promotional ecosystem of the bank. Feedback is based on script formats with very minimal signature of questioning and responding channels, live chatter as well as education webinars to guide customers. At a time where users demand two-way interaction, such inability to create conversational involvement turns what would be the possibility of relational promotion into transactional monologue. Feeling detached, the consumer returns the favor.

In addition to this, institutional defensiveness further holds the promotional narrative in its limits. In their oral accounts, the staff members often referred of this practice as a clarification of the misunderstandings or as an education of the customers on the actual meaning of sharia. Although these are good intentions, such a pedagogical positioning sets the bank not as a bright and inquisitive co-learner in the learning process of the consumer, but as an epistemic superior. In this regard, according to Taneja & Toombs (2014), contemporary brand communication can be successful only when the posture of expertise is dropped, and empathetic co-creation is adopted by institutions, in particular, in culturally entrenched service markets, such as Islamic finance.

Such theme reveals not a weak point in promotion, but a promotion anachronism. Outmoded assumptions of IB Griya communication architecture are twofold: information is a synonym of persuasion, visibility entails legitimisation and institutional logic will trump relational knowledge. These expectations are non-existent. Promotion is no longer about telling, it is more about entering into the story of the consumer, circulating through the networks of the consumer, and being present in their epistemic environments. To become communicatively relevant once again, IB Griya would need to engage PT. Bank Sumut has to reorganize its promotional paradigm. It has to shift to communal affirmation, digital-community interaction, emotionally sensitive communication. Only so, can it regain a voice in a marketplace in which the products will no longer be judged simply by what they deliver, but regarding how, where and by whom their value may be declared.

**Process Quality, Human Capital, and Physical Environment as Financial Trust**

In retail Islamic banking, the financial product does not only attain its value in the contract characteristics and margin structure. It is also material and affective acted through deliverance procedures, the human being in who it is animated, and the sites where and through which it is experienced. Results of this research indicates that the IB Griya product at PT. Bank Sumut KCP Syariah Simpang Kayu Besar in theory is structurally sharia-compliant and competitive, its institutional embodiment however is largely fragmented, impersonal and operationally thin, compromizing customer retention and trust. Procedurally, it can be noted that the mortgage process is linear in nature; submission of documents, administrative due diligence, site visit, and margin commitment. Observations show that it is not the case because staff claim that the average turnaround time stands at five working days. Verification may be delayed, usually at the time when the developer documentation is poor in quality or when informal employment records are submitted by clients. This flow bottleneck was pointed out in an interview with an officer:

> *"We say five days, but that's only if the documents are perfect. If there's any problem with the income proof or land certificate, it takes much longer. Customers get frustrated and sometimes disappear."*

This delay in procedure is not just a temporal inconvenience, it is an indication that there is a crevice in institutional dependability. Perceived service quality is an add-on of the what with how as is asserted by Gronroos (1984). In mortgage financing the process is included as a product. In the event that the process does not convey the sense of responsiveness, dexterity and persistence, trust is jeopardized regardless of the ethical uprightness of the product. What is more worrying is the lack of a feedback loop or customer communications vessel at the processing stage. Most clients are forced to make the first enquiry on the status of their own application and then face staff turnover, irregular reporting and bureaucratic lack of clarity. This is against one of the cardinal principles in service delivery the transparency of experience not transparency of prices. In case of high involvement services such as housing finance, there should be a continuous effort of reassurance, which should be proactive rather than reactive as Carmona et al. (2003) suggest. There is yet another facet of this landscape, as the human aspect makes it complicated. The PT. staff meanwhile Bank Sumut are reported to be polite and willing to cooperate, their level of financial literacy, sharia communication skills and consultative ability is rather different. One of the customers taking IB Griya financing said:

> *"The officer was kind but couldn't explain clearly why the margin was fixed or how the contract differed from a regular loan. I had to look it up myself later."*

This confession plops into a larger institutional supervision the assumption that knowledge of Islamic finance is something that can be intuitive, or that being nice in Islam compensates in depth. The account officer in the Islamic retail banking, notwithstanding, represents more than a service mediator: he/she is a knowledge broker, a pedagogical agent, and a relational mooring. Researchers such as Kamarruddin (2021) show that customer trust in Islamic financial products is highly correlated with the capacity of the staff to generalize the principles of sharia to the familiar sense of life-world stories. Lack of this ability forces the bank to go back on its perch as a collaborator in religiously-informed financial empowerment to a service provider with transactional relationships a lethal demotion in a sector of the virtue-based trust. The question of deployment of staff and staff training is also structural. It is noted that account officers tend to multitask between the different types of financing being capitalized on; e.g. shift between IB Griya, SME credit as well as even deposit products. Such generalization of product expertise translates to superficiality of promotional delivery, incoherent client servicing, and the institutional fragmentation. This will be more bureaucratic instead of relational when each customer is transferred to other employees who do not have vivid knowledge concerning the lifecycle of the products. With the growing number of challenges of service quality in financial institutions Lahiri & Kedia (2009) maintain that consistency, ownership, and relational continuity disclose the service quality, and none of those elements is strategically encouraged by the present human resource model of PT. Bank Sumut. Physical environment of the branch offers its own opportunities as well as its missed opportunities. On the one hand, the banking hall is nice and cool, with comfortable seats, and on that note, enjoyed by more than a few of the respondents. However, the graphics, skeuomorphism, the flow of space and its layout, do not resonate with the vision of being aspirational, ethical, and building the brand identity behind IB Griya products. The promotional available materials are scarce, generic and used inadequately in customer journey. According to one of the staff members:

> *"Most people wait and look at their phones. The banners are there, but no one reads them. We don't really have videos or interactive content to engage them."*

This highlights a general inability to utilize the physical environment as a technology of storytelling. Instead of being an experience-based curated space, the branch turns into a passive wait area. Within the contemporary Islamic banking environment, the branch should be the service point, but also the location of symbolic performance, the place where the ethical promise of the institution is to be available through the spatial semiotics, visual clues, and the sensorial design. Regarding the original servicescape framework by Bitner (1992), physical evidence performs the role of a silent salesman (expanding expectations, supporting the quality signal and exerting a trust boosting effect). Such an absence is particularly harmful to the

Islamic finance sphere, as its customer experience departs heavily on the emotional security, ethical stability, and formality of their procedures. The absence of a prayer-friendly corner, employees who are not fluent in both the legal and spiritual aspects of financing, and the absenteeism of community-building programs in the branch setting all signal the fact that the bank has not completely found ways to extend its Islamic identity into its flesh and blood.

The results of this theme demonstrate more profound institutional sickness: lost the connection between the ethics of the product and service embodiment. The IB Griya mortgage is a contractually reflexive mortgage procedure, disjointed communication and under-imaginative space. It meets regulatory checklists and does not provide relational assurance, emotional literacy and sensory coherence. To this extent, the bank is not just mis-servicing, not just giving poor service, it is failing at trust and that is the currency of Islamic finance. In order to correct this, PT. Bank Sumut would be forced to invest in process redesigns that make service more human, in human capital that increases its level of ethical and financial literacy, and in the physical spaces that it curates, where it turns the branch into a place of trust rather than a location of counter-run transactions. The process, people and place will hang on as soulless projections of a product whose dreams of ethical aspiration are not realized in practice until such transformations are made.

**Strategic Planning, Programming, and Partnership Development**

Islamic banking establishes the validity of a product as both juridically compliant and institutional ecosystem; both form the necessary validation of its moral economy. These also imply strategic vision, programmatic sensibility, and nesting in the partner network that is not ensconced in the institutional confines. The IB Griya case at PT. As told by the Bank Sumut KCP Syariah Simpang Kayu Besar, the judgment is grim indeed: though the product passes the formal sharia threshold, it is technologically left out by the strategic gee-whiz of productizing such a commodity in the socially compounded, economically competitive, digitally facilitated market. The empirical facts of this paper give more than anecdotal discontent; they provide the outline of a systemic incapacity to manage the strategic life cycle of the product. In part, this can be confirmed by the fact that the institution has a non-reflexive and inert tradition of planning. The performance of the IB Griya decreased gradually as internal monthly reports monitored between 2020 and 2024 report that total financing was reduced by 43.24%, and customer enrollment was more than 20%. However, there are no correlative strategic responses found in interviews and notes of internal meetings as they only promise to be more outreaching or attend more housing expos.

As one officer admitted:

> *"There is no formal space to discuss the numbers beyond target pressure. If financing drops, the assumption is that we need more visits, not different strategies."*

Such an attitude implies the lack of what James (2018) refer to as an emergent strategy or the capacity to adjust by patterning, reflexive learning, and that very rapid recalibration. The bank does not run based on strategic intentions; rather it runs by mechanical repetition. There is no segmentation analysis, not customer behaviour modelling, no we can adjust the budget on low performing campaigns. Here the Islamic finance as theoretically being an attempt to blend the spiritual guidance and economic efficiency (Jan, 2013) functions as an administrative exercise de-contextualized of the element of episteme or social imagination. Such tactical emptiness is further accentuated by the undifferentiated, programmatic scaffolding absence, which is present within the institution. According to the data, IB Griya offers only one package of tools, without taking into consideration the profile of a client. There are no specifically designed programs on first-time homebuyers, young Muslim professionals, female-headed households, and the workers in the informal sector. However, there is actual demand of such targeting as displayed in interviews. As one of the staff members said:

> *"Younger customers often ask, 'Is there anything special for first-time buyers?' We have to say no. It's just the same margin and same steps."*

Not only a market opportunity lost, the lack of differentiation in the programming contradicts the values of the Islamic economy which is based on justice (adl), social responsiveness (maslahah) and dignity of an individual (karamah insaniyah). According to Laldin and Furqani (2018), the higher objectives (maqasid) of sharia are never realized when any design of Islamic finance overlooks the diverse nature of both its social and economic customers. and failing to take into consideration the financial positionality of its various customers, the company deals with the aspect of fraud the bank does theology of equality and practices indifference. This lack of programming runs into the bank lacks designing relationally embedded consumer experiences. It does not have any lifecycle-centered customer journeys, zero milestones incentives, zero story-based onboarding processes. IB Griya is not a living experience but a stand-still business in transaction. One of the customers remembered:

> *"There was no follow-up after the application. I wasn't asked how it went, or if I had any questions. It was very cold."*

This is indicative to the lack of affective infrastructure specifically the scaffold of the emotion that brings long term confidence in Islamic finance (Bacha & Mirakhor, 2019; Awan & Shahzad Bukhari, 2011). Finance according to the Islamic tradition is legal, ethical, relational, as well as community-infused. A delivery model based on transactions, with no narrative customization or pastoral follow-up, turns off a portion of the ethical promise of the product so it becomes little more than a financial instrument with a wrap-of-sharia. The worst structural weakness perhaps is the institutional partnership development. This paper has concluded that the bank has a limited active developer network of only three partners that are yet to be expanded strategically since 2022. It has no affiliate relationships with local mosques, does not do any tie-ins with Islamic schools or preachers and does not partner with housing influencers or property tech platforms. Asking those questions was sort of like the way that officer described it, you know, having to buy a cow when you are not a cow person.

> *"We only work with developers who have already worked with us. There's no initiative to explore new ones or build community outreach."*

This is no play on conservatism; it is simply a misunderstanding of the social architecture of the market place. The theological and historical fabric very much dictates that the Islamic finance prospers in intermediated moral economies, which is founded on chains of trust, scholar legitimization, communal reference, and co-production (Iqbal & Mirakhor, 2011). Removing the product out of these networks, the bank places it in a state of strategic muteness that cannot access the circuits of meaning, credibility and endorsement that characterize the consumer behaviour in modern Muslim worlds.

Even in the current partnership the lack of narrative activation is severe. There is no provision of tools to enable the developer partners to co-market the product, or even participation in the creation of testimonials or co-designing of the content. It does not provide a referral reward scheme, a storytelling platform, or co-hosted events. It is a passive strategy, which portrays the linear vision of collaboration, where partnerships are formalities of bureaucracy rather than the co-generative eco-systems of creating value (Vargo & Lusch, 2004). This way, IB Griya will be structurally sound yet symbolically adrift. It can therefore be the finding of this study that the institutional structure of IB Griya is institutionally short sighted in regard to the ontological requirement of Islamic banking of the modern times. Lack of diagnostic planning, the rejection of programming diversity, and inability to develop narratively embedded partnerships do not only represent operational missteps. These are a moral amputation, a separating of the spiritual claims on the product and the thing that lives, is related to and enacted.

For PT. In order to reposition IB Griya as a bona fide Hassan-cum-Muslim financial product, Bank Sumut will have to pass through not an administrative move, but a strategic reconstruction. It also has to come up with intelligence systems that turn reporting into insight. It has to invest in the customer programming innovation, which includes cultural, generational, and spiritual subtlety. It has to build a networked model of alliance, the kind where developers, scholars, civil society and media are recruited in the co-creation of financial dignity. Islamic finance was not supposed to be a sterile substitute of capitalism. It set out to be a morally wanton, institutionally responsible and spiritually coherent moral economy. This is the key logic that IB Griya needs to come to terms with until then you will look at a company with a fatal contradiction, a product which is supposed to be ethical but in a system it is impossible to think in an ethical way.

**Repositioning Islamic Home Financing**

The empirical observations derived out of this study show that there is a multidimensional crisis in operationalization and positioning of the Islamic mortgage products in modern retail financial set up. Unsuccessful performance of the IB Griya product in PT. Bank Sumut KCP Syariah Simpang Kayu Besar cannot be narrowed to one weakness of structure, nor the result of exogenous economic conditions. Rather, it reveals a messy and interlocking network of shortfalls that may be highlighted as concerning product conceptualization, the logic behind its pricing, the engagement of other promotional channels, service delivery, and institutional strategy. All these shortcomings leave no doubt that Islamic financial products, despite being doctrinally sound, tend to be strategically poorly developed, emotionally inaccessible, and epistemically detached with regards to actual experiences of consumers.

The first important lesson that this research teaches is that the existence of a sharia compliant contract like Murabahah is not enough to generate market confidence or market traction in the form of behavior. Although Murabahah structures can be built to offer a high level of transparency, stability, and forego the use of interest in the field of financing (Usmani, 2002), the statistics have proved that the modern consumers do not assess any financial proposal on the level of conformity with the laws. Instead, they evaluate goods in the lens of cost-effectiveness, emotional appeal, pre-emptive peer approval, and perceived institutional compassion. Customers in the same study made it clear that they doubted, were confused or unsure on how to compare the IB Griya margin to interest rates charged by conventional banks even when they had knowledge of the religious differences. This will stress that in its practice, ethical finance should be defined not necessarily as a legal phenomenon but a communicative, relational and performative one (Omarova, 2017; El-Gamal, 2006).

This fact justifies a reconsideration of Islamic banks value definition. Although there are a lot of Islamic financial institutions that still market products as being free of riba and halal, this language is increasingly becoming irrelevant and losing its ability to create distinction and interest in an increasingly competitive, pluralistic and digitally-mediated market. According to the recent academic currents, consumers no longer attach their understanding of Islamic finance to the theological level but deal with it as the social, economic and even emotional enterprise (Asutay, 2012; Laldin & Furqani, 2016). This movement indicates the wider changes that are happening in consumer consciousness as the effect that influences decision-making includes affective perception, narrative plausibility, and legitimacy that is peer-validated (Escalas & Bettman, 2005; Hajli, 2015). Financial products that fail to find a way to insert themselves inside these epistemic and affective circuits are not simply forgotten: they are made invisible.

Price marking also demonstrates a gap between conceptual design and consumer desire. The application of the flat-margin model of the IB Griya product, the given technique suggested as the virtue transparency, predictability inevitably turns into the element of the perceived disadvantage when the buyers are offered with lower and dynamic promotional rates performed by the traditional vendors. The fact that the bank does not differentiate pricing on a customer basis as per their segmentation, risk and life-cycle considerations illustrates a non-differentiated pricing logic that is not at par with the behavioral theory of pricing. Researchers in modern-day behavioural economics know that price is relative judged by the consumers in ways that are relative in perception, fairness heuristic, and contextual interpretation (Baddeley, 2017). As in the case of making a flat compliant with sharia margin that seems to impose more monthly obligations than the marketed interest bearing loan, consumers would internalize the gist of the product as that is less affordable and less adaptive.

The moral purpose of fixed margin would have no moral value unless it is situated and presented as a narrative. Islamic finance research has helped to focus on the significance of communicating not only what the product itself does not do (riba) but also what it does do (financial dignity, community empowerment and long-term security) (Dusuki & Abdullah 2007; Chapra 2008). However, the results of the present study indicate that the promotional materials produced by the bank are still deprived of such narrative framing. The customers are not stimulated by the prospects but the rules are communicated. There is a lack of engaging the so-called value storytelling, which according to the words of Chauhan & Gulati (2025) is the ability to use storytelling morality and user-based examples and illustrations to win the hearts of the consumers.

Lack of scope and monologic structure is another flaw of promotional efforts. Instead of being developed in a dialogic form, trust-based communication, or co-created discussion, the communication of the bank activity is based on the traditional advertising techniques like flyers, banners, and one way information sessions. Such approaches are becoming ineffective nowadays in times where trust can be built by peer-to-peer recommendation, online reviews, and an experiential account of a story (Schau et al., 2009; Hajli, 2015). Consumers do not want to be talked to anymore, but together with people like them; they want their spoken voice to be heard and taken into consideration by their institutions. Lack of testimonial mechanism, community-based involvement strategies, and educational materials that are facing the community denies the IB Griya product the discursive presence. Financial institutions that cannot design interactive trust ecosystems fail to meet the brand of legitimacy needed in the contemporary world because, as Vargo & Lusch (2004) have reasoned, the process of value creation has ceased to occur during production but, rather, in the interaction process.

This gap is even compounded by the inability to animate the product using the process and interacting with the people. Mortgage financing customer experience is one of the most delicate and emotionally charged customer journeys within the retail banking sector. Consumers have not just got into long term financial burden but are handing over to institutions the future of their families, their own security and their socio-economic destinies. However the research findings revealed that the service delivery model at PT. Bank Sumut does not have the human and emotional infrastructure to hold up this type of trust. Policemen lack adequate levels of financial literacy, sharia articulation, and empathetic consultation. Follow-ups are not frequent and the physical place does not provide any carefully designed experience that could convey a sense of institutional care, hospitality, or spiritual integrity. These results find support in the current literature and indicate that service embodiment can be regarded as an essential aspect of Islamic finance since relational performance may prove more important than structural characteristics (Osman et al., 2022; Laallam et al., 2022).

The third and last structural damage that is most harmful is the extreme strategic inertia of the bank. No adaptive planning has been evidenced, no programming based on segmentation and no serious strategy to institutional partnership has been used. It would seem that the institution is involved in a closed circle of target pursuing, administrative reporting and mechanistic outreach. It does not work on strategic intelligence, does not follow behavior to find the insights and does not look upon customer feedback to use it as a source of innovation. It is not an epistemic incompetence but a matter of epistemic poverty. Islamic finance cannot stand on the rule-based replacement of ideology of capitalism. It has to be an active, knowledge-creating, morally imaginative market intervention system (Iqbal & Mirakhor, 2011; Laldin & Furqani, 2018).

The inability to construct and enliven alliances is all the more disturbing, since in the Islamic tradition interdependence, risk-sharing, and fraternity were historically attached to Islamic finance. A refusal to make co-branding with developers, a lack of partnership with Islamic educators, inability to incorporate mosque-based or community channels can be regarded as a rejection of the logic of Islamic economics. Quranic recommendation of ta awun (mutual assistance) and shura (consultation) is not a ceremonial, it is strategic. Based on the argument by Dusuki & Abozaid (2007), Islamic financial institutions have the obligation to not only provide services to the markets, but to contribute towards the development of ethical economic systems through networked trust and co-creative institutional design. Thus the concluding implication of the study is that the Islamic mortgage based products are not likely to be successful using the doctrine as sufficient condition. They can only work when they find a strategic imagination, emotional literacy, and relational infrastructure. Such findings call upon researchers and practitioners to shed off the discourse on legality and start talking about the institutional pathologies that jeopardize the performance of products and the interaction with consumers. The Islamic finance needs reimagination as a strategic, behavioral, and moral economy, which is customer-centered in a co-created, networked legitimacy as well as perpetual innovation. As long as Islamic banks fail to acknowledge that the market trust no longer depends on the compliance statements but the coherence gained through experience, social embeddedness, and institutional modesty, their products should be morally applaudable yet functionally peripheral.

## Conclusion

In this paper, the performance of the IB Griya home financing product (strategically and in the market) was critically analyzed at PT. Bank Simpang Syariah Kayu Sumut KCP KBC. Due to an in-depth approach to the field data and contextualized collection of qualitative data, the investigation established that the problems that Islamic mortgage finance faces currently are not only technical but not just the problems in the structure of sharia. Instead, they are created out of more fundamental institutional crises crises of strategic imagination, consumer literacy, emotional resonance, and ecosystemic integration.

The results highlight that IB Griya is contractually sound and structurally integrated but not generating any momentum in the competitive mortgage environment through its conceptual insulation of the pricing reasoning, name-like narratives in promotion, anaffective dullness of service and an inability to have flexible planning or partnership dynamism. All these failures can be explained not as a point of breakdown, but as an institutional context as such: the endurance of administrative Islamization instead of a more comprehensive, responsive to markets and ethically reformatory, Islamic finance. By bringing out these tendencies, this paper will add to works of literature urging a change of form-based to substance- based Islamic banking practices. It improves the body of knowledge since the study reveals that product ethics should be integrated into service systems, strategy planning, human capital, and community-oriented stories. When ethical compliance is isolated of contextual relevancy and institutional responsiveness, the creation of legal but behaviorally dormant products will be the result.

The Islamic financial institutions, especially those that practice in more digitized, socially mediated, and demographically complex markets, need to redefine their role as more than just providers of the alternative types of contracts, but on those of relational trust, sourcers of financial dignity, and servants of plural value ecology. That will demand a paradigm shift, the shift in the paradigm of procedural compliance to the paradigm of strategic empathy, the shift in the paradigm of theological abstraction to the paradigm of experiential empowerment, and the shift in the paradigm of institutional isolation to the paradigm of co-producing the communities. The example of IB Griya shows that the future of the Islamic mortgage finance is nothing to do with contract form exclusively. It is quite dependent on whether institutions can become post-modern, intellectually reflexive, socially embedded, emotionally intelligent. Then do the Islamic finance only that which its laws require it to do, but what it must do, and what it should do as well, to bring to pass the moral and economic potential that this finance embodies, to become to the world not merely an alternative to interest, but the alternative to exclusion, opacity, and institutional irrelevance.

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