Digital transformation: The role of AI, social dynamics, and political support on the quality of strategic decisions and their implications for the progress of Islamic banking in Malaysia and Indonesia

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C H R O N I C L E	A B S T R A C T
	The research design uses a quantitative approach, especially correlational, verification or hypothesis testing based on empirical data in the field. The population of this research is all Islamic banking customers, totaling around 33,600,000 people. The sample size for this study was 178 people, which was determined using the Joseph F. Hair formula. The research sample was selected randomly using stratified random sampling techniques to represent the relevant population. Data was collected using a questionnaire which was distributed to selected samples using a Google form. Primary data was analyzed using SMART PLS. The results indicate that the role of AI has an impact on the Quality of Strategic Decisions; Social Dynamics have an impact on the Quality of Strategic Decisions; Political Support has an impact on the Quality of Strategic Decisions; The role of AI has an impact on the Progress of Islamic Banking, Social Dynamics has an impact on the Progress of Islamic Banking; Political Support has an impact on the Progress of Islamic Banking; The quality of strategic decisions has an impact on the progress of Islamic banking; Quality of Strategic Decisions mediates the relationship between the Role of AI and the Progress of Islamic Banking; Quality of Strategic Decisions mediates the relationship between Social Dynamics and Islamic Banking Progress; and finally, Quality of Strategic Decisions mediates the relationship between Political Support and Islamic Banking Progress.

1. Introduction

Digital transformation has completely changed the global business landscape. The role of artificial intelligence (AI) is increasingly becoming an important element in changing the way companies operate and make strategic decisions (Wulandari & Indriastuti, 2023). In the banking sector, AI helps in analyzing big data quickly and accurately, enabling banks to make smarter and timely decisions (Almunawar et al., 2022). Additionally, AI can also improve operational efficiency by automating processes, which in turn can increase productivity and reduce costs (Ali et al., 2019). Social dynamics also have a significant impact on digital transformation and the use of AI (Zuhroh, 2021). An increasingly digitally connected society demands a more personalized experience and more responsive service from financial institutions (Rabbani et al., 2021). On the other hand, people are also increasingly concerned about data security and privacy, demanding greater transparency and protection from banks (Abdullah et al., 2022). Therefore, banks need to pay attention to these trends in designing their digital strategies to remain relevant and meet consumer expectations (Setyowati & Rahayu, 2023).

Political support is also an important factor in driving digital transformation in the banking sector (Tsindeliani et al., 2022). Regulations that support innovation and adoption of new technology can accelerate the development of digital financial systems (Al-Faihani & Al-Alawi, 2020). In addition, collaboration between government, regulators and the banking industry can create a conducive environment for the development of innovative and inclusive technology-based financial solutions (Mavlutova et al., 2022). In the context of strategic decisions, digital transformation supported by AI, social dynamics and political support can have a positive impact on the quality of strategic decisions in the banking sector in Malaysia and Indonesia (Yuliansyah et al., 2016). The use of AI in analyzing market data, consumer behavior and financial risk can help banks make more timely and accurate decisions (Mogaji et al., 2020). Additionally, the integration of data from multiple sources, including social media and e-commerce platforms, can provide deeper insights into consumer preferences and needs (Hassan et al., 2023). The implications of improving the quality of these strategic decisions are very significant for the progress of Islamic banking in both countries (Naser & Moutinho, 1997). Islamic banks can leverage technology and data to provide products and services that are more in line with sharia principles and the needs of Muslim consumers (Hassan & Aliyu, 2018). Thus, digital transformation can help increase the competitiveness and growth of the Islamic banking sector, as well as support financial inclusion for the wider community (Panjwani & Shili, 2020). However, there are several challenges that need to be overcome in implementing digital transformation in the Islamic banking sector. One of them is the need for skilled human resources in the fields of technology and data analysis (Mazurchenko & Maršíková, 2019). Banks need to train and recruit workers who have skills in developing and implementing AI solutions and understand the principles of Islamic banking (Alhamdi et al., 2022). Apart from that, issues related to data security and privacy also need to be taken seriously. Banks must ensure that their systems comply with high security standards and that consumer data is properly protected from cyber security threats (Boobier, 2020).

Overall, digital transformation has great potential to improve the quality of strategic decisions and progress of Islamic banking in Malaysia and Indonesia. However, to optimize its benefits, cooperation between the public and private sectors, investment in human resources and technology, and commitment to ethical principles and sharia compliance are required. With a holistic and sustainable approach, the Islamic banking sector can continue to develop and make a significant contribution to the economy and society as a whole.

2. Literature Review and Hypothesis Development

2.1 The Role of AI, Quality of Strategic Decisions

Artificial intelligence (AI) has great potential to revolutionize the banking industry, including Islamic banking. AI can automate a variety of time-consuming manual tasks, such as loan application processing, customer service, and risk management. This can increase bank efficiency and productivity, as well as allow staff to focus on more complex tasks (Choithani et al., 2024). The quality of strategic decisions in Islamic banking companies is very important to achieve the goals and objectives that have been set. that the decision maker will choose the alternative that is believed to provide the best results. In the context of Islamic banking, this theory can be used to select strategies that best comply with Sharia principles and provide maximum benefits for stakeholders (Harsono, 2024). AI has an important role in improving the quality of strategic decisions in various organizations. AI can help leaders improve data access and analysis, improve predictive capabilities, drive innovation and creativity, increase efficiency and productivity, and improve collaboration and communication. This research examines the role of AI to improve the quality of strategic decisions in Islamic banking in Malaysia and Indonesia. Based on previous research findings, the hypothesis proposed in this research is as follows:

H$_1$: *The role of AI impacts the quality of strategic decisions.*

2.2 Social Dynamics, Quality of Strategic Decisions

Social dynamics refers to the changes and interactions that occur within social groups. This theory focuses on how social structure and function are interrelated and contribute to the stability and balance of society. In the context of Islamic banking, this theory can be used to understand how organizational structure and individual roles contribute to achieving organizational goals (Hakimi et al., 2024). Decision makers often have limited information and limited time to make decisions. In the context of Islamic banking, this theory can help decision makers to make the best decisions with available information and within limited time. Decision makers must have sufficient time to analyze information and make informed decisions (Ciocănel et al., 2024). Social dynamics and the quality of strategic decisions are closely interrelated in Islamic banking companies. In the context of Islamic banking, an organizational structure that supports open communication and employee participation can improve the quality of strategic decisions. interactions between employees and customers are shaped by Islamic values and norms. A good understanding of these values and norms can help leaders make strategic decisions that align with customer needs and expectations (Zakiyatun et al., 2024).

Social dynamics have the potential to have a significant impact on the quality of strategic decisions in Islamic banking. By utilizing social dynamics, banks can improve the quality of strategic decisions in various ways. This will help Islamic banking

to be better at serving customers (Daniel et al., 2024).Based on previous research findings, the hypothesis proposed in this research is as follows:

H₂: *Social Dynamics have an impact on the Quality of Strategic Decisions.*

2.3 Political Support, Quality of Strategic Decisions

Political support plays an important role in the quality of strategic decisions in Islamic banking. that formal and informal rules and norms in a political environment can influence organizational behavior. In the context of Islamic banking, rules and norms that support stability and Sharia compliance can encourage higher quality strategic decision making (Alam et al., 2022). This theory explains that organizations with access to more and more diverse resources can make better strategic decisions. Political support can give Islamic banking access to resources such as capital, information and networks that can improve the quality of strategic decisions (Naser & Moutinho, 1997). Demonstrates that political support can provide insight into decision making and assist Islamic banking in providing targeted support. Meanwhile, the quality of strategic decisions in countries where Islamic banking operates, it can increase certainty and predictability in strategic decision making (Hussain et al., 2019). This research examines political support to improve the quality of strategic decisions in Islamic banking. Based on previous research findings, the hypothesis proposed in this research is as follows:

H₃: Political Support has an impact on the Quality of Strategic Decisions

2.4 The Role of AI, Advancement of Islamic Banking

Artificial Intelligence (AI) has an important role in driving the progress of Islamic Banking. AI can improve the efficiency of Islamic banking operations by automating repetitive and time-consuming tasks, such as transaction processing, data analysis and customer service. This can help Islamic banks reduce costs and increase productivity (Ali et al., 2019). AI can be used to develop digital financial services that are easily accessible via smartphone or internet. Islamic banks are developing innovative new products and services, such as robo-advisors, blockchain-based financial services, and chatbot services that can answer customer questions in real-time (Zouari & Abdelhedi, 2021). AI can help Islamic banks ensure compliance with Sharia principles. AI can be used to detect and prevent transactions that are not Shariah-compliant, as well as to develop Shariah-compliant financial products and services.AI has an important role in driving the progress of Islamic Banking. AI can help Islamic banks increase efficiency, increase access to financial services, develop innovative new products and services, and ensure compliance with Sharia principles (Rizvi et al., 2020). The role of AI has the potential to have a significant impact on the progress of Islamic banking. This can help Islamic banks reduce costs and increase productivity. AI can be used to detect and prevent transactions that are not Shariah-compliant, as well as to develop Shariah-compliant financial products and services. Based on previous research findings, the hypothesis proposed in this research is as follows:

H₄: *The role of AI has an impact on the progress of Islamic banking.*

2.5 Social Dynamics, Progress of Islamic Banking

Social dynamics is the study of changes and interactions that occur in social groups. This theory explains that social structure and function are interrelated and contribute to the stability and balance of society. In the context of Islamic Banking, organizational structure and individual roles can influence a bank's progress (Sairally, 2007). Positive social dynamics can increase customer trust and loyalty, which in turn can increase bank deposits and income. Interaction and collaboration between employees can encourage product and service innovation that suits customer needs. A strong social network can help Islamic banks gain access to resources such as capital, information and talent (Platonova et al., 2018). Social dynamics play an important role in the progress of Islamic Banking. Understanding social dynamics theories and their impact can help Islamic banks build a positive organizational culture, increase customer trust and loyalty, encourage innovation, and strengthen the bank's reputation and image. Considering the findings from previous research, this study puts forward the following hypothesis:

H₅: *Social Dynamics have an impact on the Progress of Islamic Banking.*

2.6 Political Support, Progress of Islamic Banking

Political support plays an important role in the progress of Islamic banking. The government can issue regulations and policies that support the development of Islamic banking. For example, Law no. 21 of 2008 concerning Sharia Banking in Indonesia (Asutay & Mohd Sidek, 2021).This policy can create a conducive climate for the growth of Islamic banking, such as tax incentives, ease of licensing and public education. Political support can increase public trust and confidence in Islamic banking. This is important because Islamic banking is still relatively new and not widely known by the public. Political support can convince the public that Islamic banking is a financial system that is safe, fair and in accordance with Islamic law (Abrar et al., 2023).

Political support has an important role in the progress of Islamic banking. This support can be realized through supportive regulations and policies, increasing public trust and confidence, access to markets and funding, and increasing competitiveness (Kahf, 2002). Strong and sustainable political support from the government and other stakeholders is essential to achieve optimal Islamic banking progress (Moore, 1990). Previous research shows that political support has a positive influence on the progress of Islamic banking. Political support can be realized through conducive regulations and policies, the active role of the government, and international cooperation. Political support can increase assets, market share and profitability of Islamic banking, as well as encourage diversification of products and services, and increase investor confidence. Based on insights gained from previous research, this study presents the following hypothesis:

H6: *Political Support has an impact on the Progress of Islamic Banking.*

2.7 Quality of Strategic Decisions, Progress of Islamic Banking

Strategic decision quality theory explains how the quality of decisions made by Islamic bank management can influence the bank's progress. The high quality of strategic decisions enables Islamic banks to develop innovative products and services, increase operational efficiency, and build competitive advantages in the market. This competitive advantage can help Islamic banks to attract more customers, increase market share and increase profitability (Rahmayati, 2021). Sharia banks that implement good corporate governance (GCG) well have greater opportunities to make high-quality strategic decisions. GCG ensures that banks have clear structures and processes for decision making, as well as effective control mechanisms to minimize risks. High-quality strategic decisions, such as the development of innovative products and services, can help Islamic banks to achieve competitive advantage and increase market share (Septiani et al., 2022). The quality of strategic decisions is an important factor in the progress of Islamic banking. The theories presented above show how decision quality can help Islamic banks to increase competitiveness, attract customers, and achieve their strategic goals. This research shows that the quality of strategic decisions has a positive influence on the financial performance of Islamic banks in Pakistan. The quality of strategic decisions is measured from aspects such as a clear vision and mission, a structured decision-making process, and a focus on competitive advantage (Akhter et al., 2011). Previous research shows that the quality of strategic decisions is an important factor in the progress of Islamic banking. Islamic banks that are able to make high-quality strategic decisions will have greater opportunities to achieve their strategic goals, such as improving financial performance, expanding market share, and increasing competitiveness. By considering the results of previous research investigations, this study proposes the following hypothesis:

H7: *The quality of strategic decisions has an impact on the progress of Islamic banking.*
H8: *Quality of Strategic Decisions mediates the relationship between the Role of AI and the Progress of Islamic Banking.*
H9: *Quality of Strategic Decisions mediates the relationship between Social Dynamics and Islamic Banking Progress.*
H10: *Quality of Strategic Decisions mediates the relationship between Political Support and Islamic Banking Progress.*

3. Methodology

3.1 Research design, Population, and Sample

This research will use a quantitative research approach with a correlational and verification survey design. This approach allows hypothesis testing based on empirical data in the field to analyze the Role of AI, Social Dynamics, and Political Support on the quality of Strategic Decisions and their Implications for the Progress of Islamic Banking in Malaysia and Indonesia. The population of this research is all Islamic banking customers, totaling around 33,600,000 people. The sample size for this study was 178 people, which was determined using the Hair formula. The research sample will be selected randomly using stratified random sampling techniques to represent the relevant population.

Instrument variables

In this research, a combination of measurement instruments that have been validated from previous research using a Likert scale and instruments newly developed by the author will be used to assess research variables. This study will focus on the following key variables:

1.   The role of AI
     This variable aims to measure the extent to which artificial intelligence (AI) is utilized in the banking system. This includes the extent to which AI provides advantages compared to traditional technology, how easy AI is to understand and use, these interactions form a network that determines how AI is used and interpreted. These theories provide a framework for understanding the role of AI in various aspects of life. These theories can help us to evaluate the benefits and risks of AI, and to develop responsible policies and practices.
2.   Social Dynamics
     Social dynamics variables can be used toincreasing demand for Islamic financial products and services, increasing demand for Islamic financial products and services, increasing the contribution of Islamic banking to the economy. Social dynamics are an important factor that Islamic banks need to consider in developing their strategies and

operations. Understanding the variables involved and how they are interrelated can help Islamic banks to achieve their goals and make a positive contribution to society.

3. **Political Support**

   This variable aims topolitical support can help create a conducive environment for the growth of Islamic banking, political support from the government can increase public trust and confidence in Islamic banking, This is important because many people are still not familiar with the concept of sharia finance. Political support can help Islamic banks to reach more customers, especially in rural and remote areas. Sharia banks can help increase financial inclusion, create jobs and encourage economic growth.

4. **Quality of Strategic Decisions**

   This variable aims to emphasize the importance of a company's resources and capabilities in achieving competitive advantage. Companies can adapt to environmental changes and achieve competitive advantage through developing dynamic capabilities. The quality of strategic decisions is an important factor that determines the success of Islamic banking companies. Understanding the theory and variables of strategic decision quality can help companies improve the quality of decision making and achieve their strategic goals.

5. **Advances in Islamic Banking**

   KThe progress of Islamic banking can be measured through various variables, such as size and growth, financial performance, efficiency, products and services, market penetration, government support, and other factors. Understanding these variables can help stakeholders to assess the progress of Islamic banking and formulate strategies to improve it.

The integration of Likert scale-based instruments from previous research and newly developed Likert scale items ensures a thorough and context-specific evaluation of research variables (see Table 5, appendix).

Data Collection and Analysis

This research will collect data by providing a questionnaire designed for the role of AI, social dynamics, political support, quality of strategic decisions, progress of Islamic banking. These questionnaires will be carefully developed, each designed to accurately measure a particular construct. Prior to primary data collection, pilot testing will be conducted to refine the questionnaire based on feedback. A diverse sample of participants will be recruited, ensuring representativeness of the target population, and informed consent will be obtained. Participants will fill out the questionnaire independently, and the data will be verified for accuracy and completeness. The data collected will be stored securely, and appropriate statistical analysis techniques will be used to explore relationships between variables. Ethical considerations, including participant privacy and confidentiality, will be upheld throughout the data collection process, and research findings will be reported comprehensively while maintaining participant anonymity.

4. Results and Findings

4.1 Latent Variable Descriptives

Table 2 presents statistical analysis of five constructs, namely the role of AI, social dynamics, political support, quality of strategic decisions and progress of Islamic banking based on 178 observations. For the AI Role construct, the mean value is 0.00, the median is -0.244, the minimum is -3,300, the maximum is 1.285, with a standard deviation of 1,000, the excess kurtosis value is -0.430, the skewness value is -0.269. For the Social Dynamics construct, the mean value is -0.00, the median value is -0.229, the minimum value is -3.262, the maximum value is 1.288, with a standard deviation value of 1.000, an excess kurtosis value of -0.539, and a skewness value of -0.224.

For the Political Support construct, the mean value is 0.00, the median is -0.220, the minimum value is -3.412, the maximum value is 1.375, with a standard deviation of 1.000, the excess kurtosis value is -0.162, and the skewness value is -0.271. For the Strategic Decision Quality construct, the mean value is 0.00, the median is -0.254, the minimum value is -3.175, the maximum value is 1.347, with a standard deviation value of 1.000, an excess kurtosis value of -0.473, and a skewness value of -0.233. Finally, for the Islamic Banking Progress construct, the mean value is 0.00, the median value is -0.228, the minimum value is -3.257, the maximum value is 1.286, with a standard deviation value of 1.000, an excess kurtosis value of -0.547, and a skewness value of -0.223.

Table 1
Latent Variable Descriptives

Construct	No of Obs.	Mean	Median	Min	Max	Std. Dev.	Excess Kurtosis	Skewness
The role of AI	178	0.00	-0.244	-3,300	1,285	1.00	-0.430	-0.269
Social Dynamics	178	0.00	-0.229	-3,262	1,288	1.00	-0.539	-0.224
Political Support	178	0.00	-0.220	-3,412	1,375	1.00	-0.162	-0.271
Quality of Strategic Decisions	178	0.00	-0.254	-3,175	1,347	1.00	-0.473	-0.233
Advances in Islamic Banking	178	0.00	-0.228	-3,257	1,285	1.00	-0.547	-0.223

Validity and Reliability

Table 1 and Fig. 1 present a detailed analysis of the measurement model of five constructs: Role of AI, Social Dynamics, Political Support, Quality of Strategic Decisions and Progress of Islamic Banking. For the AI Role construct which consists of 6 items (AI1 to AI6), the outer loading value ranges from 0.844 to 0.972, indicating a strong relationship between each item and the latent construct, the Cronbach's Alpha coefficient value is 0.975, the rho_A coefficient value for alternative reliability measures is equal to 0.975, the Composite Reliability (CR) value is 0.980, and the Average Variance Extracted (AVE) is 0.889, which indicates convergent validity. Likewise, for the Social Dynamics construct consisting of 6 items (DS1 to DS6), the outer loading value ranges from 0.773 to 0.967, indicating a strong relationship between each item and the latent construct, the Cronbach's Alpha coefficient value is 0.968, the rhp_A coefficient value is a measure of reliability alternative is 0.972, the Composite Reliability (CR) value is 0.975, and the Average Variance Extracted (AVE) is 0.866, which shows convergent validity. Likewise, for the Political Support construct which consists of 6 items (DP1 to DP6), the outer loading value ranges from 0.856 to 0.948, indicating a strong relationship between each item and the latent construct, the Cronbach's Alpha coefficient value is 0.955, the rho_A coefficient value alternative reliability is 0.956, Composite Reliability (CR) value is 0.964, and Average Variance Extracted (AVE) is 0.818, which indicates convergent validity.

The Strategic Decision Quality construct consists of 6 items (KKS1 to KKS6), the outer loading value ranges from 0.852 to 0.953, indicating a strong relationship between each item and the latent construct, the Cronbach's Alpha coefficient value is 0.958, the rho_A coefficient value for alternative reliability measures is 0.960 , the Composite Reliability (CR) value is 0.966, and the Average Variance Extracted (AVE) is 0.826, which indicates convergent validity. And finally, for the Islamic Banking Progress construct consisting of 6 items (KPI1 to KPI6) the outer loading value ranges from 0.770 to 0.967, indicating a strong relationship between each item and the latent construct, the Cronbach's Alpha coefficient value is 0.968, the rho_A coefficient value is a measure of reliability alternative is 0.973, the Composite Reliability (CR) value is 0.975, and the Average Variance Extracted (AVE) is 0.866, which shows convergent validity. Meets sound measurement criteria. In summary, the analysis shows that all constructs demonstrate strong reliability and validity, providing confidence in the robustness of the measurement model.

Table 2
Confirmatory Factor Analysis

| Construct	Items	Outer Loading	Cronbach's Alpha	rho_A	CR	AVE
The role of AI	AI1	0.972	0.975	0.976	0.980	0.889
	AI2	0.950				
	AI3	0.971				
	AI4	0.952				
	AI5	0.964				
	AI6	0.844				
Social Dynamics	DS1	0.965	0.968	0.972	0.975	0.866
	DS2	0.953				
	DS3	0.967				
	DS4	0.952				
	DS5	0.959				
	DS6	0.773				
Political Support	DP1	0.927	0.955	0.956	0.964	0.818
	DP2	0.948				
	DP3	0.901				
	DP4	0.928				
	DP5	0.863				
	DP6	0.856				
Quality of Strategic Decisions	KKS1	0.953	0.958	0.960	0.966	0.826
	KKS2	0.894				
	KKS3	0.938				
	KKS4	0.912				
	KKS5	0.901				
	KKS6	0.852				
Advances in Islamic Banking	KPI1	0.965	0.968	0.973	0.975	0.866
	KPI2	0.954				
	KPI3	0.967				
	KPI4	0.953				
	KPI5	0.959				
	KPI6	0.770				
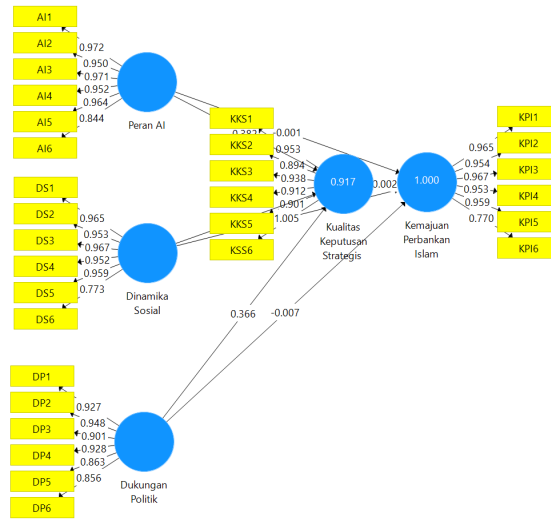
Fig. 1. PLS Algorithm

Direct Testing

Table 3 and Fig. 2 present the results of hypothesis testing regarding the relationship between different constructs: The Role of AI (AI), Social Dynamics (DS), Political Support (DP), Strategic Decision Quality (KKS), and Islamic Banking Progress (KPI). The analysis involves the original sample, standard deviation (STDEV), T statistic, P value, and the result of each hypothesis. Hypothesis H1 suggests a positive relationship between the Role of AI (AI) and Strategic Decision Quality (KKS). The results show a T statistic of 5.830, with a P value of 0.000, meeting the significant threshold. Therefore, Hypothesis H1 is accepted, which states that there is a significant positive relationship between the Role of AI and Strategic Decision Quality. Hypothesis H2 suggests a positive relationship between Social Dynamics (DS) and Strategic Decision Quality (KKS). The results show a T statistic of 4.625, with a P value of 0.000, meeting the significant threshold. Therefore, Hypothesis H2 is accepted, which states that there is a significant positive relationship between Social Dynamics and Strategic Decision Quality. Hypothesis H3 suggests a positive relationship between Political Support (DP) and Strategic Decision Quality (KKS). The results show a T statistic of 5.289, with a P value of 0.000, meeting the significant threshold. Therefore, Hypothesis H3 is accepted, which states that there is a significant positive relationship between Political Support and Strategic Decision Quality. . Hypothesis H4 suggests a positive relationship between the Role of AI (AI) and Islamic Banking Progress (KPI). The results show a T statistic of 1.139, with a P value of 0.000, meeting the significant threshold. Therefore, Hypothesis H4 is accepted, which states that there is a significant positive relationship between the Role of AI and the Progress of Islamic Banking. Likewise, hypothesis H5 suggests a positive relationship between Social Dynamics (DS) and Islamic Banking Progress (KPI). The results show a T statistic of 300.255, with a P value of 0.000, meeting the significance threshold. Therefore, Hypothesis H5 is accepted, which states that there is a significant positive relationship between Social Dynamics and Islamic Banking Progress. Furthermore, hypothesis H6 suggests that there is a positive relationship between Political Support (DP) and Islamic Banking Progress (KPI). The results show a T statistic of 1.190, with a P value of 0.000, meeting the significance threshold. Therefore, Hypothesis H6 is accepted, which states that there is a significant positive relationship between Political Support and the Progress of Islamic Banking.

Lastly, hypothesis H7 suggests that there is a positive relationship between Strategic Decision Quality (KKS) and Islamic Banking Progress (KPI). The results show a T statistic of 1.807, with a P value of 0.000, meeting the significant threshold. Therefore, Hypothesis H7 is accepted, which states that there is a significant positive relationship between the Quality of Strategic Decisions and the Progress of Islamic Banking.

Table 3
Path Analysis

Hypothesis	Construct*)	Original Sample	STDEV	T Statistics	P Values	Results
H1	AI → KKS	0.382	0.066	5,830	0,000	Accepted
H2	DS → KKS	0.264	0.057	4,625	0,000	Accepted
H3	DP → KKS	0.366	0.069	5,289	0,000	Accepted
H4	AI → KPIs	0.300	0.003	1,130	0,000	Accepted
H5	DS → KPIs	1,005	0.003	300,255	0,000	Accepted
H6	DP → KPI	0.007	0.066	1,190	0,000	Accepted
H7	KKS → KPI	0.022	0.003	1,807	0,000	Accepted

*)AI=AI Role; DS=Social Dynamics; DP=Political Support; KKS=Strategic Decision Quality; Progress in Islamic Banking=KPI
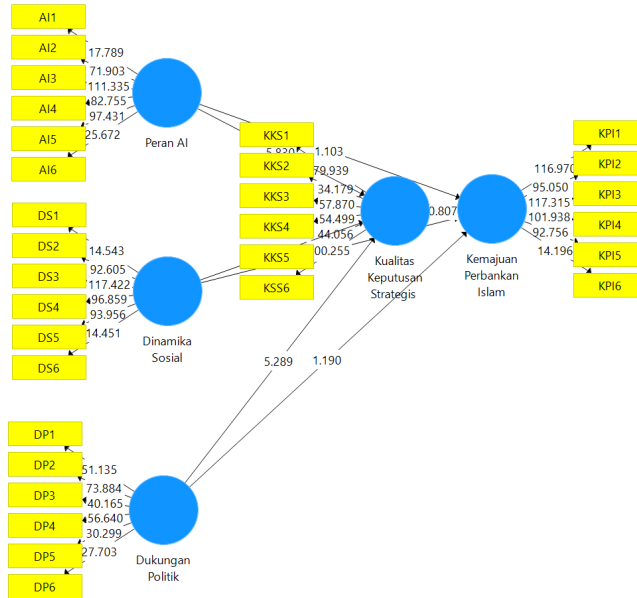
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Fig. 2. Path Analysis

Indirect Testing

Table 4 presents the results of the mediation analysis, focusing on the sequential relationship between the Role of AI (AI), Social Dynamics (DS), Political Support (DP), Strategic Decision Quality (KKS), and Islamic Banking Progress (KPI). The analysis includes the original sample, standard deviation (STDEV), T statistics, P values, and the conclusion of each hypothesis. Hypothesis H8 proposes that Strategic Decision Quality mediates the relationship between the Role of AI and the Progress of Islamic Banking. The analysis showed a T statistic of 1.762 with a P value of 0.000, exceeding the significance threshold. Therefore, Hypothesis H8 is accepted, indicating that Strategic Decision Quality mediates the relationship between the Role of AI and the Progress of Islamic Banking. On the other hand, Hypothesis H9 states that there is a relationship between Strategic Decision Quality mediating the relationship between Social Dynamics and the Progress of Islamic Banking. This analysis produced a T statistic of 1.850 with a P value of 0.000, exceeding the significance threshold. As a result, Hypothesis H9 is accepted, showing that Strategic Decision Quality mediates the relationship between Social Dynamics and the Progress of Islamic Banking. Finally, Hypothesis H10 proposes that the Quality of Strategic Decisions mediates the relationship between Political Support and the Progress of Islamic Banking. The analysis shows a strong T statistic of 1.764 with a P value of 0.000, meeting the significance criteria. Therefore, Hypothesis H10 is accepted, which shows that Strategic Decision Quality mediates the relationship between Political Support and the Progress of Islamic Banking.

Table 4
Mediation Test

Hypothesis	Construct*)	Original Sample	STDEV	T Statistics	P Values	Results
H8	AI → KKS → KPI	0.161	0.060	1,762	0,000	Accepted
H9	DS → KKS → KPI	0.160	0.065	1,850	0,000	Accepted
H10	DP → KKS → KPI	0.200	0.070	1,764	0,000	Accepted

*)AI=AI Role; DS=Social Dynamics; DP=Political Support; KKS=Strategic Decision Quality; Progress in Islamic Banking=KPI

5. Discussion

The acceptance of Hypothesis H1 states that the role of AI has an impact on the Quality of Strategic Decisions, and Hypothesis H2 states that Social Dynamics has an impact on the Quality of Strategic Decisions and provides meaningful insight into the dynamics between the role of AI, Social Dynamics and the Quality of Strategic Decisions. These results are in line with theoretical perspectives that emphasize the role of AI in impacting the quality of strategic decisions, as well as social dynamics impacting the quality of strategic decisions (Zakiyatun et al., 2024; Zuhroh, 2021). Artificial intelligence (AI) has a significant role in improving the quality of strategic decisions in various fields. AI can help companies make decisions based on objective data and analysis. AI has great potential to improve the quality of strategic decisions in various fields.

By addressing existing challenges, AI can become a valuable tool for companies looking to improve performance and achieve their strategic goals (Afaneh, 2024; Agriyanto et al., 2023). Social dynamics refers to the changes and interactions that occur within a social group. Social dynamics can influence access and distribution of information within an organization. Decisions that do not consider social dynamics and the interests of various groups within the organization may not receive sufficient

support for effective implementation. By considering social dynamics in the decision-making process, organizations can improve the quality of their strategic decisions and increase the chances of achieving their goals (Abrar et al., 2023).

Likewise, the acceptance of H3 shows that Political Support has an impact on the Quality of Strategic Decisions and Hypothesis H4 states that the role of AI has an impact on the progress of Islamic banking. These results are in line with theoretical perspectives that emphasize political support impacting the quality of strategic decisions, as well as the role of AI impacting the progress of Islamic banking (Naser & Moutinho, 1997; Nastiti & Kasri, 2019). Political support has a significant influence on the quality of strategic decisions in various organizations, both in the public and private sectors (Himmatul et al., 2024; Nuryanto et al., 2024, 2024). High-quality decisions, which are based on mature analysis and consider the interests of all parties, will more easily gain political support (Hassan & Aliyu, 2018).

Political support is an important factor that can improve the quality of strategic decisions. Organizations need to understand how to gain and maintain political support to ensure successful implementation of strategic decisions (Afaneh, 2024). Artificial intelligence (AI) has an important role in driving the progress of Islamic banking. AI can help Islamic banks reach more customers, especially in remote areas that do not have access to traditional banking services. AI can be used to provide banking services through chatbots, mobile banking and other online platforms (Alkaraan et al., 2023). AI has great potential to drive the progress of Islamic banking. Islamic banks that want to be successful in the future must start investing in AI technology (Wulandari & Indriastuti, 2023).

Acceptance of Hypothesis H5 states that Social Dynamics have an impact on the Progress of Islamic Banking, and Hypothesis H6, which implies that Political Support has an impact on the Progress of Islamic Banking. These results are in line with the theoretical perspective which emphasizes social dynamics impacting the progress of Islamic banking, as well as political support impacting the progress of Islamic banking (Moore, 1990; Rahmayati, 2021). Social dynamics, which refer to changes and developments in society, have a significant influence on the progress of Islamic banking. Islamic banking continues to innovate in developing products and services that suit people's needs, such as savings, deposits, financing and sharia insurance. Access to these products is getting easier, both through conventional banks that open sharia units and through sharia fintech (Batool et al., 2024). Social dynamics have a significant influence on the progress of Islamic banking. By continuing to increase sharia awareness and literacy, expanding access and product innovation, and receiving support from the government and regulators, Islamic banking has a great opportunity to continue to develop in the future (Daniel et al., 2024). Political support plays an important role in the progress of Islamic banking. The government can collaborate with other countries to develop the global sharia industry. This can open new opportunities for Islamic banking to expand into international markets (Himmatul & Junaedi, 2024; Lisaria et al., 2024). Political support is very important for the progress of Islamic banking. With conducive regulations, economic and political stability, public education, and international cooperation, Islamic banking can develop rapidly and provide benefits to the wider community (Hussain et al., 2019; Iqbal et al., 2024).

Moreover, the quality of strategic decisions has an impact on the progress of Islamic banking, while the quality of strategic decisions mediates the relationship between the role of AI and the progress of Islamic banking. These results are in line with the theoretical perspective which emphasizes that the quality of strategic decisions has an impact on the progress of Islamic banking, and the quality of strategic decisions mediates the relationship between the role of AI and the progress of Islamic banking (Hakimi et al., 2024; Harsono, 2024). The quality of strategic decisions has a significant influence on the progress of Islamic banking. High quality strategic decisions will help Islamic banking in building a competitive advantage in the market. The ability to adapt to changes occurring in the financial market will help Islamic banking maintain its competitiveness (Himmatul & Junaedi, 2024; Kharis et al., 2024). The quality of strategic decisions is an important factor in the progress of Islamic banking. High quality strategic decisions will help Islamic banking determine clear direction and focus, increase efficiency and effectiveness, increase customer trust, and increase competitiveness in the financial market (Duan et al., 2019). The quality of strategic decisions is an important factor in mediating the relationship between the role of AI and the progress of Islamic banking. The right strategic decisions on how to use AI, manage risks, and develop human resources will help Islamic banking gain maximum benefits from AI technology and achieve significant progress. Strategic decisions on how to develop and maintain human resources competent in AI will assist Islamic banking in ensuring that AI is used effectively (Ali et al., 2019).

These results are in line with the theoretical perspective which emphasizes that the quality of strategic decisions mediates the relationship between social dynamics and the progress of Islamic banking, and the quality of strategic decisions mediates the relationship between political support and the progress of Islamic banking (Chatterjee et al., 2022; Choithani et al., 2024). Islamic banking has experienced rapid development in the last few decades. Social dynamics, including political, economic, and cultural changes, play an important role in these developments (Alexandro & Basrowi, 2024a; Purwaningsih et al., 2024). The quality of strategic decisions taken by Islamic banks is also an important factor in their progress (Marwanto et al., 2020a). Research shows that the quality of strategic decisions mediates the relationship between social dynamics and the progress of Islamic banking (Basrowi & Utami, 2023; Soenyono & Basrowi, 2020). This means that the quality of strategic decisions can strengthen or weaken the influence of social dynamics on the progress of Islamic banking. The quality of strategic decisions plays an important role in mediating the relationship between social dynamics and the progress of Islamic banking (Hadi et

al., 2019; Junaidi, Basrowi, et al., 2024; Junaidi, Masdar, et al., 2024; Miar et al., 2024). Islamic banks that are able to make quality strategic decisions will be better able to take advantage of opportunities and overcome challenges that arise from social dynamics (Boobier, 2020). The relationship between Political Support and Islamic Banking Progress (KPI) is often discussed in the literature. Many studies show that political support has a positive influence on KPI (Basrowi & Utami, 2023; Marwanto et al., 2020b; Suwarno Basrowi, 2020). However, several studies show that this relationship is not always linear and can be influenced by other factors, one of which is Strategic Decision Quality (KKS). The Quality of Strategic Decisions plays an important role in mediating the relationship between Political Support and Islamic Banking Progress. Islamic banks that want to improve KPI must focus on developing good KKS (Kahf, 2002).

6. Conclusion

The results of hypothesis testing provide valuable insight into the relationship between the Role of AI, Social Dynamics, Political Support, Quality of Strategic Decisions and the Progress of Islamic Banking in Malaysia and Indonesia. These findings underscore its importance that AI has become one of the most transformative technologies of the modern era, and its influence in the business world is increasingly being felt.

Political Support has an impact on the Quality of Strategic Decisions, and the Role of AI has an impact on the Progress of Islamic Banking. When there is strong political support, bureaucratic and political obstacles can be minimized, thereby allowing an organization or government to move more quickly and efficiently in achieving its strategic goals. Social dynamics have an impact on the progress of Islamic banking, and political support has an impact on the progress of Islamic banking. To maximize positive impacts and minimize negative impacts, joint efforts are needed from various parties, including the government, regulators, sharia banking and the community.

The quality of strategic decisions has an impact on the progress of Islamic banking, and the quality of strategic decisions mediates the relationship between the role of AI and the progress of Islamic banking. These findings underline the importance of the quality of strategic decisions that play a crucial role in the progress of Islamic banking. The right and effective decisions can lead Islamic banks towards growth and success amidst a competitive financial landscape. The development and management of competent human resources with integrity is the key to implementing the bank's strategy effectively. High-quality strategic decisions will help Islamic banks adapt and take advantage of opportunities that arise from social dynamics. Increasing public awareness of sharia finance can encourage the growth of Islamic banking. The quality of Strategic Decisions plays an important role in helping Islamic Banking to exploit opportunities arising from social dynamics and achieve progress.

Theoretical and Practical Implications

The theoretical implications of this research are enormous, contributing to our understanding of Islamic banking in various dimensions. First, AI can analyze large amounts of data quickly and accurately, identifying patterns and trends that may not be visible to humans. This helps leaders make decisions based on stronger data and insights. Second, social dynamics can create new issues and challenges that need to be considered in strategic decision making. For example, demographic changes, such as the aging of the population, can lead to changes in consumption patterns and demand for products and services. The company needs to consider this in formulating its business strategy. Third, political support can help reduce uncertainty and risks associated with strategic decisions. This is because leaders and organizations that have strong political support are more likely to be able to overcome obstacles and achieve their goals. Fourth, AI can be used to provide more personalized and responsive customer service. Fifth, social dynamics have a major influence on the progress of Islamic Banking. By taking advantage of opportunities and overcoming existing challenges, Islamic Banking in Indonesia has the potential to develop and become the public's main choice in financial transactions.

On a practical level, this study offers actionable insights for organizations, particularly those in the banking sector. It is recommended to implement a program to improve the quality of strategic decisions, banking progress. Even though it has many opportunities, Islamic banking also faces several challenges, such as public education, sharia financial literacy, and the limited number of sharia banks. This study shows that trust alone is not enough to drive banking progress. Therefore, organizations are advised to increase the quality of strategic decisions in various aspects, considering additional factors that affect banking progress. Increasingly tight competition in the financial industry is encouraging Islamic banks to improve the quality of their services and products to compete with conventional banks. The increasingly diverse needs of society, such as the need for sharia financial products for education, health and Hajj, encourage sharia banks to innovate and develop new products.

During a competitive banking industry, Islamic banking needs to have a competitive advantage to survive and develop. High-quality strategic decisions can help Islamic banks create innovative products and services, increase operational efficiency, and provide added value to their customers. Customer trust is an important factor for the progress of Islamic banking. High-quality strategic decisions can increase customer trust by showing that Islamic banks are well managed, have strong governance, and are committed to providing the best service.

Limitations and Recommendations

This study has several limitations that require consideration. First, the specifics of the sample, which focuses on 178 respondents from Malaysian and Indonesian Islamic banking, raises concerns regarding the role of AI, social dynamics, political support, the quality of strategic decisions and the progress of Islamic banking. The cross-sectional research design limits the establishment of causal relationships. The use of longitudinal designs in future research could provide stronger insights into the role of AI, social dynamics, political support, the quality of strategic decisions and the progress of Islamic banking. Additionally, reliance on self-reported measures introduces the potential for bias in responses, thereby impacting the accuracy of the data. Combining self-reports with objective measurements or using a mixed-methods approach can increase the validity of findings. Although this study focuses on key variables, such as the role of AI, social dynamics, political support, the quality of strategic decisions and the progress of Islamic banking, there may be other factors that influence them. Future research should explore additional variables, such as organizational culture or external influences, for a more comprehensive understanding.

For future research, recommendations include exploration of longitudinal studies to capture dynamic relationships over time, consideration of diverse organizational settings to increase generalizability, and integration of mixed methods approaches to provide richer insights. Investigating moderating variables, such as organizational size or industry type, can provide tailored insights, while exploring external influences on trust, such as economic conditions, can provide practical insights for organizational strategy. Comparative analysis of initiatives across organizations can highlight best practices, and intervention studies based on the findings of such studies can offer actionable insights for organizations such as Islamic Banking. Finally, expanding research to include the perspectives of external stakeholders, including communities, regulators, or industry partners, can provide a more holistic view of sustainability efforts. By addressing these limitations and following these recommendations, researchers and organizations can contribute to a deeper understanding of participant engagement and perceptions of corporate sustainability.

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Appendix

Table A
Research instrument

Variable	Abbreviation	Indicator	Source
The role of AI	AI1	How many processes in Islamic banks are automated with AI.	(Al-Okaily & Alsmadi, 2024; Batool et al., 2024)
	AI2	How much time and costs are saved by automating processes through AI.	
	AI3	How accurate AI is in predicting risks, market opportunities and economic trends.	
	AI4	How much AI helps increase the profitability of Islamic banks.	
	AI5	How personalized is the service offered by Islamic banks to their customers through AI	
	AI6	How satisfied are customers with personalized service through AI.	
Social Dynamics	DS1	How does urbanization and migration affect demand for Islamic banking products and services.	(Iqbal et al., 2024; Widad & Said, 2024)
	DS2	What is the level of income and wealth of sharia bank customers.	
	DS3	How much access does society have to sharia financial services?	
	DS4	How strongly Islamic values and norms are adhered to by the community in the area where the sharia bank operates	
	DS5	What is society's attitude towards usury and interest?	
	DS6	How much support does the government have for Islamic banking?	
Political Support	DP1	Are Islamic banking companies involved in government projects.	(Kamdjo, 2024; Mtiraoui et al., 2024)
	DP2	Do Islamic banking companies collaborate with government institutions?	
	DP3	The higher the percentage of government share ownership, the greater the political support the company has.	
	DP4	The presence of government officials on the board of directors indicates political influence in the company.	
	DP5	Are government regulations beneficial or detrimental to Islamic banking companies?	
	DP6	Does the government provide special incentives or subsidies for Islamic banking companies?	
Quality of Strategic Decisions	KKS1	Timeliness in completing projects and achieving targets.	(Afaneh, 2024; Simbolon et al., 2024)
	KKS2	Costs incurred to achieve goals.	
	KKS3	Strategic decisions must be in line with the bank's vision and mission.	
	KKS4	Strategic decisions must be in accordance with sharia principles and the fatwas of the National Sharia Council (DSN).	
	KKS5	The bank's speed in responding to changes and new opportunities.	
	KKS6	The bank's courage to take risks and innovate.	
Advances in Islamic Banking	KPI1	The ability of Islamic banks to collect funds from the public.	(Agriyanto et al., 2023; Jan et al., 2023)
	KPI2	The quality of Islamic bank financing and the level of risk faced.	
	KPI3	The ability of sharia banks to fulfill their obligations to customers.	
	KPI4	Variations of products and services offered by sharia banks to customers.	
	KPI5	Level of government support for the development of Islamic banking.	
	KPI6	The role of Islamic banking in encouraging economic growth.	

16