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Competition Ethics and the Dynamics of Customer Behavior in Forming Banking Financing Portfolios

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ABSTRACT

Purpose – This study examines the influence of competitive ethics and customer behavior dynamics on the formation of bank financing portfolios, with loan tenor, customer intertemporal preferences, and subjective benefits serving as mediating variables. The study is motivated by the increasing need for ethical competition and a deeper understanding of customer financial behavior to improve the sustainability and effectiveness of banking financing strategies.
Design/methodology/approach – This study employs a quantitative approach with a causal research design. Data were collected through a questionnaire survey administered to banking financing customers and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) to examine both the direct and indirect relationships among the proposed constructs.
Findings/Results – The findings reveal that competitive ethics significantly influence customer behavior dynamics, particularly in shaping loan tenor decisions and intertemporal preferences. Furthermore, loan tenor and intertemporal preferences positively and significantly affect customers' subjective benefits, which subsequently contribute to the development of bank financing portfolios. Mediation analysis confirms that subjective benefits play a significant mediating role in the relationship between customer behavior dynamics and bank financing portfolios.
Originality/Value – This study extends the literature on competitive ethics and customer financial behavior by integrating subjective benefits as a key explanatory mechanism in the formation of bank financing portfolios. The findings provide practical insights for banking institutions to strengthen ethical competition strategies, enhance financing risk management, and develop customer-oriented financing products that align with customers' preferences and perceived benefits.

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1. Introduction

Financial sector liberalization and free market dynamics have intensified competition among banking institutions (Jamel, 2021). This situation has encouraged banks to focus not only on efficiency and profitability but also on implementing competitive ethics that ensure fairness, transparency, and customer protection(Madaleno, 2022). However, in practice, this increasingly fierce competition often creates a dilemma between achieving financing portfolio performance and adhering to ethical banking principles(Sungkawaningrum, Sri Hartono, 2022).

Several studies have shown that competitive ethics play a significant role in building customer trust and loyalty, which ultimately influences financing decisions (Sungkawaningrum et al., 2024). Furthermore, behavioral finance literature confirms that customer decisions are not entirely rational, but are influenced by preferences over time, loan tenure, and subjective perceptions of financing benefits and risks (Safitri et al., 2024 ; Aisah et al., 2024). This indicates that the formation of a bank financing portfolio is the result of a complex interaction between ethical factors, customer behavior, and bank managerial policies(Luluk Latifah & Salameh alkhazaleh, 2024).

However, previous research tends to examine competitive ethics and financing portfolios directly, without integrating customer behavior dynamics and subjective returns as mediating mechanisms. Furthermore, studies that combine loan tenure, intertemporal preferences, and subjective returns within a single structural model are relatively limited, particularly in the context of free-market banking (Satria et al., 2020;Widhya et al., 2025).

A limitation of previous research lies in the tendency to examine the direct relationship between competitive ethics and financing performance or portfolios, without exploring the psychological and behavioral mechanisms that mediate this relationship. In fact, customer decisions in selecting loan terms and assessing financing benefits are heavily influenced by subjective benefits, such as a sense of fairness, comfort, and financial security. The lack of studies that combine customer behavioral dynamics and subjective benefits as mediating variables creates a significant research gap, particularly in the context of banking operating in a free market (Madaleno, 2022 ; Santoso et al., 2025).

Based on the phenomena, problems, and research gaps mentioned above, this study needs to be conducted to analyze the influence of competitive ethics on banking financing portfolios through the dynamics of customer behavior and subjective profits as mediating variables (Arumi & Fahrudin, 2024; Ridho Maulana, 2025). This study is expected to provide theoretical contributions by enriching the literature on business ethics and financial behavior through a more integrative structural model, as well as practical contributions for banks in formulating competitive strategies that are not only oriented towards financing portfolio growth, but also on sustainability and protecting customer interests (Callejas-albiñana et al., 2017). This study aims to analyze the influence of competitive ethics on banking financing portfolios through the dynamics of customer behavior and subjective profits as mediating variables. This study has theoretical significance in enriching the literature on business ethics and financial behavior, as well as practical significance as a basis for formulating ethical and sustainable banking strategies (M. Munjit & Suciyati, 2025).

2. Literature Review and Hypothesis Development

2.1 Banking Competition Ethics

Competition ethics in banking refers to the principles of honesty, fairness, transparency, and responsibility in offering financial products and services. Good competition ethics are believed to create a climate of trust and reduce information asymmetry between banks and customers (Santoso et al., 2025). Competition ethics in banking refers to the principles of honesty, fairness, transparency, and responsibility in offering financial products and services. From the perspective of business ethics theory, the application of competition ethics is seen as a normative mechanism that limits opportunistic behavior in financial institutions and encourages the creation of fair business practices (Arumi & Fahrudin, 2024; Widyastuti & Armanto, 2013). Furthermore, information asymmetry theory explains that transparency and honesty in banking competition play a crucial role in reducing information asymmetry between banks and customers, thereby improving the quality of financing decision-making. When competition ethics are consistently implemented, customers tend to have a higher level of trust in banking institutions, which impacts the stability of long-term relationships between banks and customers (Muslih et al., 2020).

Furthermore, within the framework of behavioral finance theory and bounded rationality, trust built through competitive ethics influences how customers assess risks, benefits, and loan tenor choices and intertemporal preferences (Shaddady, 2023). A strong competitive ethic enables customers to make more rational financing decisions that align with their financial capabilities, thus forming a positive perception of subjective benefits(Sungkawaningrum et al., 2026). Based on this theoretical foundation, competitive ethics is assumed to influence the dynamics of customer behavior and indirectly influence bank financing portfolios, which forms the basis for formulating hypotheses regarding the influence of competitive ethics on loan tenor, intertemporal preferences, and customer subjective benefits (Indawan & Indawan, 2020).

2.2 Customer Behavior Dynamics

Customer behavior in financing is reflected through loan tenor and intertemporal preferences (Lisbinski & Burnquist, 2024). Loan tenor reflects short-term or long-term decisions, while intertemporal preferences indicate how customers value current benefits compared to future ones. The dynamics of customer behavior in financing are reflected through the choice of loan tenor and intertemporal preferences, which are forms of intertemporal decisions (Odoi-Yorke et al., 2026). From the perspective of intertemporal choice theory, individuals make decisions by comparing benefits and costs received at different points in time, where subjective discount rates influence preferences for current or future consumption. The choice of loan tenor reflects customers' attitudes toward risk, liquidity, and repayment capacity, while intertemporal preferences indicate the extent to which customers are willing to postpone current benefits for future benefits. Thus, customer behavior in financing is not solely based on rational economic considerations but is also influenced by perceptions and cognitive limitations (Qurnain et al., 2025).

Furthermore, behavioral financial theory and the concept of bounded rationality explain that financing decisions are often influenced by psychological factors, such as perceptions of security, comfort, and fairness. In this context, loan tenor and intertemporal preferences have the potential to shape customers' subjective benefits, namely the perception of non-material benefits experienced during the financing process. When the financing scheme aligns with customers' time preferences and financial capabilities, satisfaction levels and perceived benefits tend to increase, which in turn influence subsequent decisions and the quality of the banking financing portfolio. Based on this theoretical foundation, the hypothesis is developed that loan tenor and intertemporal preferences influence customers' subjective benefits and play a role in shaping the banking financing portfolio (Rahmawati, 2025).

2.3 Subjective Customer Benefits

Subjective benefit is a customer's perception of non-material benefits, such as security, fairness, comfort, and psychological satisfaction(Maulina & Mariadi, 2024). This variable is a crucial element in bridging rational economic decisions and actual customer behavior. A customer's subjective benefit is an individual's perception of the non-material benefits obtained from a financing decision, such as security, fairness, comfort, and psychological satisfaction (Witt, 2016). From the perspective of subjective utility theory and behavioral utility, economic benefits are measured not only through objective financial gains but also through the psychological satisfaction felt by the individual (Luo et al., 2022). Furthermore, perceived value theory explains that consumer decisions are influenced by a comprehensive evaluation of perceived benefits and sacrifices, both material and non-material. In the banking context, subjective benefit is a key factor influencing customer attitudes and decisions in maintaining financing relationships with financial institutions (Sungkawaningrum et al., 2024).

Furthermore, within the framework of the Theory of Planned Behavior, perceived benefits and psychological satisfaction play a role in shaping attitudes and behavioral intentions that ultimately influence actual customer actions. Subjective benefits also function as a mediating mechanism that bridges the influence of competitive ethics factors, intertemporal behavior, and banking managerial policies on financing portfolios. When customers perceive high subjective benefits, the tendency to choose and maintain financing products increases, thus positively impacting the quality and sustainability of banking financing portfolios. Based on this theoretical foundation, the hypothesis is developed that customer subjective benefits have a significant influence on financing portfolios and mediate the relationship between customer behavioral dynamics and banking financing portfolios(Qurnain et al., 2025).

2.4 Banking Financing Portfolio

A financing portfolio reflects the quality and sustainability of a bank's funding distribution. A healthy portfolio is influenced by customer decisions, risk management, and the responsiveness of banking products. A bank's financing portfolio reflects the quality, composition, and sustainability of a bank's funding distribution to customers. From the perspective of portfolio management theory and the risk-return trade-off, a healthy financing portfolio is the result of a balance between the expected rate of return and the financing risk borne by the bank. Customer decisions regarding loan tenor and repayment capacity play a crucial role in determining the risk structure of the financing portfolio, while the bank's risk control policy serves to mitigate potential problem financing. Thus, the financing portfolio is influenced not only by the bank's internal factors but also by the behavior and characteristics of customers as the parties using the funds (Callejas-albiñana et al., 2017).

Furthermore, the theory of service quality and product response explains that the suitability of financing products to customer needs will increase satisfaction and the sustainability of financing relationships. In this context, customer subjective benefits play a role as a determining factor linking customer financing decisions to the performance of a bank's financing portfolio. When customers perceive high subjective benefits, payment compliance and loyalty tend to increase, thereby improving the quality of the financing portfolio. Based on this theoretical foundation, the hypothesis is developed that customer subjective benefits, risk control, and banking product response have a significant influence on the bank's financing portfolio (Khasanah, 2025).

2.5 Hypothesis development

The proposed conceptual model integrates business ethics theory, information asymmetry theory, financial behavior theory, bounded rationality, and intertemporal choice theory to explain how ethical competition among banks influences customers' financing decisions and ultimately shapes financing portfolio quality. Business ethics theory argues that ethical competition is reflected through transparency, honesty, fairness, and responsibility in banking practices. Banks that consistently apply these principles reduce opportunistic behavior and strengthen customers' confidence in financial transactions. From the perspective of information asymmetry theory, transparent disclosure of financing contracts, costs, risks, and benefits decreases information gaps between banks and customers, enabling customers to evaluate financing alternatives more objectively.

Within this framework, Banking Competition Ethics (X1) represents the institutional implementation of ethical principles in banking competition. Ethical competition encourages fair marketing practices, transparent communication, and responsible financing policies. These practices are expected to strengthen customers' perceptions of ethical competition, represented by Competition Ethics (X2), which reflects customers' evaluations of fairness, integrity, and honesty in competitive banking practices. Therefore, Banking Competition Ethics is conceptualized as an antecedent of customers' perceived Competition Ethics.

Ethical competition also improves customers' understanding of financing risks. When banks transparently explain risk-sharing mechanisms and contractual obligations, customers become more capable of evaluating the Relevance of Risk Transfer (X3). This construct reflects customers' perceptions that financing risks are allocated appropriately and fairly between banks and borrowers. Improved understanding of risk transfer subsequently influences customers' evaluations of the Banking Product Response (X4), including perceptions of financing suitability, flexibility, attractiveness, and responsiveness to customer needs.

Financial behavior theory suggests that customers do not make financing decisions solely based on economic calculations but also on perceived value and psychological evaluations. Consequently, favorable responses toward banking products increase Customer Subjective Benefits (Y3), representing customers' perceived economic, psychological, and functional benefits obtained from financing services. Subjective benefits function as a mediating mechanism through which ethical banking practices influence financing decisions.

Intertemporal choice theory further explains that financing decisions involve trade-offs between present and future utility. Customers who perceive greater subjective benefits are more likely to choose Customer Loan Tenor (Y1) that corresponds to their long-term repayment capacity rather than pursuing short-term financial convenience. Simultaneously, subjective benefits encourage more rational Customer Inter-Time (Y2) preferences by promoting long-term financial planning and reducing excessive present-oriented decision making. These relationships are consistent with bounded rationality theory, which argues that transparent information and ethical institutional behavior reduce decision uncertainty and improve customers' long-term financial judgment.

Finally, both Customer Loan Tenor and Customer Inter-Time preferences determine the quality of the Financing Portfolio (Y4). Appropriate loan tenor selection and rational intertemporal preferences reduce repayment risk, improve financing sustainability, and ultimately contribute to healthier financing portfolios. Customer Subjective Benefits are therefore expected to mediate the influence of ethical banking competition on financing portfolio performance through customers' financing behavior. Based on these theoretical relationships, the conceptual model proposes that ethical banking competition influences financing portfolio quality both directly and indirectly through customers' perceptions of competition ethics, risk transfer relevance, banking product responses, subjective benefits, loan tenor decisions, and intertemporal financial preferences (Jamel, 2021;Santoso et al., 2025).

Furthermore, within the bounded rationality framework, competitive ethics serves as an uncertainty-reducing mechanism that helps customers make more rational and sustainable decisions (Arumi & Fahrudin, 2024). When banks consistently implement competitive ethics, customers tend to have more stable intertemporal preferences and consider long-term benefits over short-term gains alone. Based on this theoretical foundation, the following research hypothesis is formulated:

Variable X1: Banking Competition Ethics
Variable X2: Competition Ethics
Variable X3: Relevance of Risk Transfer
Variable X4: Banking Product Response
Variable Y1: Customer Loan Tenor
Variable Y2: Customer Inter-Time
Mediating Variable Y3: Customer Subjective Benefits
Variable Y4: Financing Portfolio
The hypothesis that the author will analyze is:

H1: The ethics of banking competition in the free market have a positive effect on customer loan tenors.
H2: The ethics of banking competition in the free market have a positive effect on customers inter-time
H3: Competitive ethics have a positive effect on customer loan tenor.

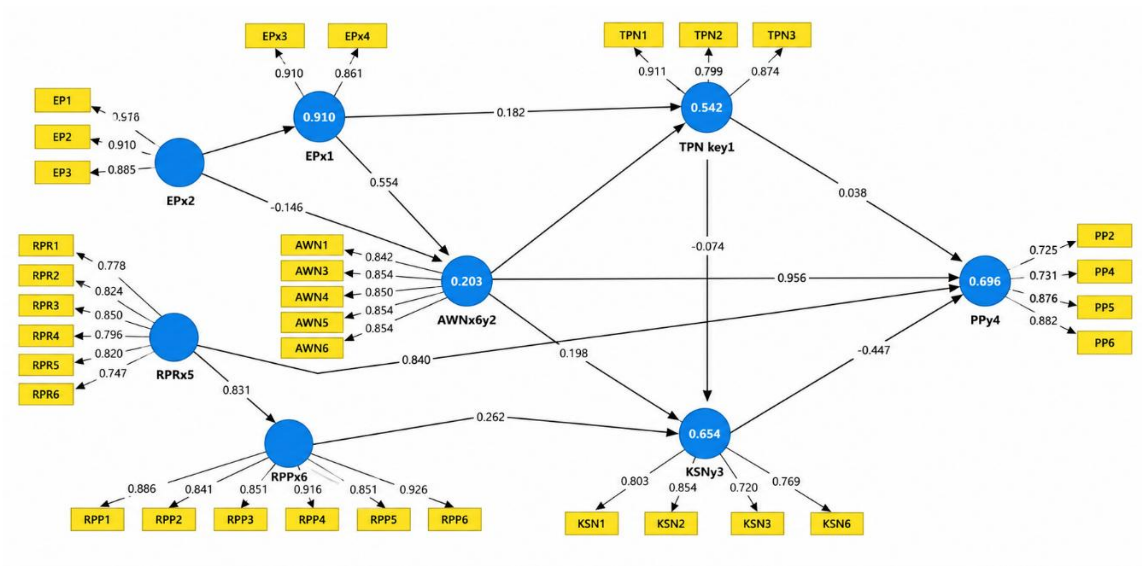
H4: Competitive ethics has a positive effect on customer inter-time

Based on theories of risk management, service quality, and financial behavior, the relevance of risk control and banking product responsiveness are viewed as managerial factors influencing customer perceptions and experiences with financing. Effective risk control provides a sense of security and trust, while adaptive product responsiveness to customer needs enhances psychological comfort and satisfaction (Atalay & Barrett, 2022). These conditions contribute to the formation of subjective customer benefits as a basis for financing decisions.

Furthermore, from the perspective of intertemporal choice theory and behavioral finance, a customer's loan tenor and intertemporal preferences reflect their evaluation of the benefits and risks of the financing they receive. When a financing scheme aligns with a customer's time preferences and financial capabilities, subjective perceptions of benefits tend to increase (Aisah et al., 2024). These subjective benefits then play a role in determining the sustainability of financing relationships and the quality of a bank's financing portfolio. Based on this theoretical foundation, the following research hypothesis is formulated:

H5: The relevance of risk control has a positive effect on customer subjective benefits.
H6: Banking product response has a positive effect on customer subjective benefits.
H7: The customer's loan tenor has a positive effect on the customer's subjective profit.
H8: Customer Inter-Time have a positive effect on customer subjective benefits.
H9: Customer subjective benefits have a positive effect on the banking financing portfolio.
H10: The relevance of risk control has a positive effect on the banking financing portfolio.
H11: Banking product response has a positive effect on the banking financing portfolio.
H12: Customer subjective benefits mediate the influence of customer loan tenor on banking financing portfolio.
H13: Customer subjective benefits mediate the influence of customer Inter-Time on banking financing portfolios.

Figure 1 Conceptual Framework



3. Methodology

This study employed a quantitative approach with a causal design. Data were obtained from banking financing customers through a structured questionnaire survey. The study population comprised all financing customers at banking institutions operating in a competitive free market environment. The sample was determined using a purposive sampling technique, with the criteria being active financing customers. The sample size was adjusted according to SEM-PLS requirements (Shahzad et al., 2024).

Data collection was conducted using a five-point Likert scale questionnaire. The research variables were operationalized into indicators representing latent constructs. The data analysis technique used Structural Equation Modeling–Partial Least Squares (SEM-PLS) with stages of evaluating the outer model and inner model, and testing the mediation effect through bootstrapping (Aisah et al., 2024). Respondents in this study were banking customers who currently have loans or financing with a minimum term of 6 months, both in conventional and Islamic banking

Table 1 Operational Variables

Variables	Indicators	Statements	Scale
Variable X1: Banking Competition Ethics	Competition based on service quality	1. Competition for interbank loan transfers is determined more by the quality of service than by capital strength. 2. The loan transfer interest rate is set competitively according to market mechanisms. 3. Loan transfer requirements are determined based on the continuity and value of customer funds. 4. Banks do not use power relations or institutional affiliations to win loan transfers. 5. Customer decisions regarding loan transfer are based on a rational comparison of costs, benefits and risks. 6. Banks' competitive advantage in loan transfer is achieved through legitimate and ethical practices.	Likert
Variable X2: Competition Ethics	Fairness in competition	1. The bank did not badmouth other banks when offering me a loan transfer. 2. The loan transfer information was conveyed honestly without taking advantage of my ignorance. 3. The loan transfer offer I received felt reasonable and did not harm any other party. 4. The bank openly explains all costs, risks and consequences of loan transfer. 5. I did not feel pressured or manipulated into accepting the loan transfer offer.	Likert

		6. Competition between banks in loan transfers feels fair to all parties.	
Variable X3: Relevance of Risk Transfer	Tenor Adjustment Need	1. My financial condition is not always stable every month. 2. I need additional funds for household expenses or home repairs. 3. I need additional funds for my child's or family's education costs. 4. I feel I need more time to pay off the loan installments. 5. The extra time to pay the installments makes me feel more at ease. 6. I feel that extending the installment period actually adds to my financial burden.	Likert
Variable X4: Banking Product Response	Relevance of Business Financing	1. The estimated installment period that I planned at the beginning did not always match the actual conditions. 2. I feel more at ease if there is flexibility in arranging installment payments. 3. My financial condition may change at any time during the installment period. 4. I understand that having installments means there are long-term financial consequences. 5. I am worried that the installments will disrupt the financial stability of my household. 6. I can still carry out business activities or work productively as long as my financial condition is maintained.	Likert
Variable Y1: Customer Loan Tenor	Tenor Adjustment Need	1. My financial condition is not always stable every month. 2. I need additional funds for household expenses or home repairs. 3. I need additional funds for my child's or family's education costs.	Likert

		4. I feel I need more time to pay off the loan installments. 5. The extra time to pay the installments makes me feel more at ease. 6. I feel that extending the installment period actually adds to my financial burden.	
Variable Y2: Customer Inter-Time Mediating Variable	Payment Time Flexibility	1. The estimated installment period that I planned at the beginning did not always match the actual conditions. 2. I feel more at ease if there is flexibility in arranging installment payments. 3. My financial condition may change at any time during the installment period. 4. I understand that having installments means there are long-term financial consequences. 5. I am worried that the installments will disrupt the financial stability of my household. 6. I can still carry out business activities or work productively as long as my financial condition is maintained.	Likert
Variabel Y3: Customer Subjective Benefits	Risk Perception	1. I am willing to accept a loan takeover offer from another bank. 2. Loan transfer provides benefits compared to my previous loan. 3. I chose to keep using the old loan because I didn't see any major benefits from the takeover. 4. I have reserve funds to cover the costs of taking over a loan. 5. The loan transfer actually created new problems for me. 6. I realized the need for contingency funds to cover unforeseen costs when taking over a loan.	Likert

Variable Y4: Financing Portfolio	Product Suitability with Customer Needs	1. I am interested in bank financing products because they benefit my family. 2. The financing products offered by the bank help meet my financial needs. 3. I believe that banks manage financing funds originating from customers responsibly. 4. The convenience of financing products makes me interested in using banking services. 5. I believe banks are able to accurately assess customers' financial capabilities and income. 6. The amount of installments I received was in accordance with my financial capabilities	Likert

4. Results and Discussion

Table 2 respondent characteristics

Characteristics	Number	Percent
Gender		
Male	63	63 %
Female	37	37 %
Age		
20-35	19	19 %
36-41	28	28 %
42-47	29	29 %
48-53	18	18 %
>54	6	6 %

Based on gender characteristics, the borrowers in this study were predominantly female (63%), while males accounted for 37%. This finding indicates that women play a significant role in utilizing bank financing facilities, both for household needs and business development. The dominance of women as borrowers also indicates their increasing financial independence and active involvement in economic decision-making, particularly regarding loan management and bank installment obligations.

In terms of age, the majority of respondents were in the middle productive age group (36–47 years old) with a total of 57%, reflecting a customer group with a relatively high and stable level of financing needs. In this age range, customers generally utilize bank loans for medium to long-term goals, such as business financing, home ownership, or vehicle ownership. The 20–35 age group (19%) represents customers who are starting to build assets and access credit, while the 48 and above age group (24%) indicates that the need for bank financing remains relevant in a more mature economic phase. Overall, these characteristics illustrate that the study respondents are active, productive borrowers, and relevant for analyzing lending behavior and the quality of banking financing portfolios.

Table 3 Hypothesis Results Hypothesis

Hypothesis	VIF	Path coefficients	f-square
H1: The ethics of banking competition in the free market have a positive effect on customer loan tenors.	2.410	0.198	0.047
H2: The ethics of banking competition in the free market have a positive effect on customers' Inter-Time	2.524	0.362	0.171
H3: Competitive ethics have a positive effect on customer loan tenor.	2.480	0.554	0.155
H4: Competitive ethics has a positive effect on customer Inter-Time	2.480	0.182	0.029
H5: The relevance of risk control has a positive effect on customer subjective benefits.	2.480	-0.146	0.011
H6: Banking product response has a positive effect on customer subjective benefits.	2.480	0.586	0.302
H7: The customer's loan tenor has a positive effect on the customer's subjective profit.	2.892	-0.447	0.227
H8: Customer intertemporal preferences have a positive effect on customer subjective benefits.	2.105	-0.262	0.095
H9: Customer subjective benefits have a positive effect on the banking financing portfolio.	2.304	-0.148	0.031
H10: The relevance of risk control has a positive effect on the banking financing portfolio.	1.771	0.840	1.152
H11: Banking product response has a positive effect on the banking financing portfolio.	3.812	0.956	0.789

H12: Customer subjective benefits mediate the influence of customer loan tenor on banking financing portfolio.	1.224	0.074	0.013
H13: Customer subjective benefits mediate the influence of customer Inter-Time on banking financing portfolios.	1.239	0.38	0.004

The analysis shows that banking competitive ethics significantly influence the dynamics of customer behavior, both in determining loan tenors and preferences over time. This finding reinforces the view that business ethics not only has normative impacts but also significantly influences customers' economic decisions (Callejas-albiñana et al., 2017). The ethics of banking competition in the free market has a positive but relatively weak influence on customer loan tenor decisions. Ethics of banking competitionplay a strong rolein shaping customer preferences over time (Muhtarom et al., 2025). Competitive ethics generally have a substantial influence on determining customer loan tenors. The effect of competitive ethics on intertemporal preferences is positive but limited. As risk controls become tighter, customers' subjective profits actually decrease, although the effect is very small. This contradicts the initial hypothesis but makes sense from customer behavior strict rules are perceived as restrictive (Luo et al., 2022).

Banking product response is a dominant factor in increasing customer subjective profits. Longer loan tenors lower subjective profit perceptions, likely due to long-term interest or fee burdens. Customers with a long-term orientation are more cautious, so subjective benefits are perceived to be lower. Customers' subjective profitability is not the primary factor in determining the quality of a bank's financing portfolio. Risk management is the most powerful determinant of maintaining the quality and sustainability of a bank’s financing portfolio. The responsiveness of banking products significantly influences the formation of a healthy financing portfolio. Subjective profits only weakly mediate the influence of loan tenor on financing portfolios. The mediating role of subjective gain is almost insignificant in this relationship.

Customer profit perceptions are not able to be the main link between lending behavior and bank portfolio quality. Banks don't build their financing portfolios based on "customer perceptions of profit," but rather on: risk appetite, NPF/NPL, collateral quality, and regulatory compliance. As a result, customers may perceive profits, but banks still refuse to limit or classify financing as risky. This means that financing portfolios are more responsive to bank policies than customer perceptions. Customer subjective benefits do not act as a primary mediator because, although influenced by financing characteristics, this variable does not have sufficient explanatory power for the formation of bank financing portfolios. Financing portfolios are more determined by institutional factors such as risk management and product responsiveness, so the role of customer psychological variables is secondary.

Furthermore, the test results show that loan tenor and inter-term preferences significantly influence customers' subjective benefits. Customers tend to perceive higher subjective benefits when the financing scheme aligns with their time needs and financial capabilities. Furthermore, risk management and responsive banking products have been shown to increase customers' subjective benefits.

Mediation tests confirm that subjective customer returns mediate the relationship between customer behavior and financing portfolios. This confirms that a healthy financing portfolio is determined not only by technical aspects but also by customers' subjective perceptions and experiences. These findings extend the literature by presenting subjective returns as a key mechanism in the formation of banking financing portfolios (Jamel, 2021).

The results of this study indicate that ethical banking competition significantly influences customer behavior, particularly in managing loan tenure and intertemporal preferences. This means that ethical competitive practices shape how customers plan their financial obligations, although their influence on tenure decisions is relatively weak compared to intertemporal preferences. Customers dealing with ethical banks tend to be more rational, cautious, and consider long-term consequences. However, customers' subjective benefits do not always increase with strict risk controls, as overly restrictive rules can be perceived as limiting flexibility. These findings suggest that perceived benefits are psychological and contextual, and do not always align with banks' prudential policies.

Furthermore, this study confirms that the quality of a bank's financing portfolio is determined more by institutional factors such as risk management, financing policies, and product responsiveness, than by customers' subjective perceptions of profitability. Although subjective profitability is influenced by tenor, intertemporal preferences, and product responsiveness, these variables only act as weak mediators in financing portfolio formation. This suggests that banks do not construct portfolios based on customers' perceived profitability, but rather on risk appetite, financing quality, collateral, and regulatory compliance. Therefore, a healthy financing portfolio is more responsive to the bank's risk management policies, while customer perception plays a secondary role as a supporting factor, not a primary determinant.

Table 4 Model fit

	Saturated model	Estimated model
SRMR	0.106	0.171
d_ULS	6.251	16.374
d_G	6.160	6.507
Chi-square	2303.965	2369.038
NFI	0.481	0.466

PLS-SEM does not emphasize global model fit like CB-SEM, but rather predictive power and structural relationships. Therefore, model fit is used as supporting information, not the primary determinant of model validity. The saturated model (0.106) is somewhat high, indicating a discrepancy between the empirical correlation matrix and the structural model, especially after path restrictions are applied. d_ULS: 6.251 indicates a sharp increase in the estimated model. The structural path specification is not yet fully optimal. High chi-square values are common in large samples. High chi-square values are influenced by model complexity and sample size. This model is complex and integrative between customer behavior variables and bank institutional policies. This complexity tends to lower the global fit index, but actually enriches the model's ability to comprehensively explain the phenomenon of bank financing.

Overall, the global model fit indicators indicate that the structural model's suitability is still limited. However, given that this study uses a PLS-SEM approach that focuses on prediction and exploration of causal relationships, the primary evaluation focuses on the significance of structural paths, R^2, f^2 values, and predictive relevance.

The model fit evaluation results indicate that the SRMR and NFI values have not yet reached the ideal criteria. However, in the context of PLS-SEM, these indicators are complementary. This research model is still considered feasible because it shows strong structural relationships, substantial effect values, and adequate predictive relevance to endogenous variables. The model fit evaluation results indicate that the global suitability of the structural model is still limited, as reflected in the SRMR values in the saturated model that are within the tolerance limit and the relatively high estimated model, as well as the increase in the d_ULS value after path restrictions are applied.

This condition indicates a mismatch between the empirical correlation matrix and the constructed structural path specifications. However, this finding does not necessarily indicate model failure, as in the PLS-SEM approach, global fit indicators are not the primary criteria for assessing model quality, as in CB-SEM. Furthermore, a high chi-square value is a common consequence of large sample sizes and model complexity, and therefore cannot be used as the sole basis for model rejection.

Furthermore, the complexity of the model, which integrates customer behavior and banking institutional policies, actually enhances the model's ability to comprehensively explain financing phenomena, despite having an impact on the decline in the global fit index. Therefore, the model's feasibility in this study is more appropriately assessed through the strength of the structural relationship, the R^2 value, the effect size (f^2), and predictive relevance, which show adequate and meaningful results. Therefore, although the global fit indicator has not yet reached the ideal criteria, the research model is still considered feasible and informative in explaining the mechanism of bank financing portfolio formation in accordance with the predictive and exploratory objectives of PLS-SEM.

5. Conclusion and Suggestion

This study demonstrates that competitive ethics play a fundamental role in shaping customer behavior dynamics in banking financing. The findings confirm that competitive ethics significantly influence customers' decisions regarding loan tenor and intertemporal preferences, which subsequently enhance customers' perceived subjective benefits. Furthermore, subjective benefits serve as a significant mediating mechanism through which customer behavior contributes to the development of bank financing portfolios. These findings reinforce the importance of integrating ethical competition with customer-oriented financing strategies to strengthen financing performance and portfolio sustainability. In addition to providing empirical evidence for the relationships among behavioral and institutional variables, this study extends the literature by positioning subjective benefits as an important explanatory construct in bank financing portfolio formation. However, this study suffers from limitations in its use of perceptual data and its limited sample size within a specific context. Further research is recommended to expand the research object, combine perception data with real financial data, and integrate Islamic and conventional banking perspectives comparatively to enrich empirical findings.

6. Limitations and Future Research

Research Limitations

This study has several limitations. First, the analysis relies primarily on cross-sectional perceptual data collected through self-administered questionnaires, which may be subject to common method bias and may not fully capture customers' actual financing behavior. Second, the research sample is limited to banking financing customers within a specific context, reducing the generalizability of the findings to broader banking environments. Third, although the structural relationships exhibit satisfactory predictive capability, the global model fit indices remain below the ideal threshold, reflecting the complexity of the proposed model and the exploratory nature of the PLS-SEM approach. Therefore, the findings should be interpreted within these methodological constraints.

Future Research

Future research should expand the scope of investigation by involving larger and more diverse samples across different banking sectors and geographical regions to improve external validity. Researchers are also encouraged to combine perceptual survey data with objective financial indicators, such as repayment performance, financing quality, and portfolio risk, to obtain more robust empirical evidence. Comparative studies between Islamic and conventional banking institutions are recommended to examine whether ethical competition and customer behavioral mechanisms operate differently across banking systems. Finally, future studies may incorporate additional variables, such as financial literacy, digital banking adoption, trust, customer satisfaction, and regulatory quality, to develop a more comprehensive model of bank financing portfolio formation.

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