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Business Performance and Organizational Sustainability in the Muslim Fashion Industry through Religious-Centric Product Strategies

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ABSTRACT

This study addresses a critical gap in understanding how religiouscentric strategies impact business outcomes in the Muslim fashion industry, an area that remains underexplored despite its growing economic relevance. The research investigates the influence of religious-centric product strategies on business performance, mediated by operational sustainability and product quality. Employing a quantitative design, data were collected from 285 Muslim fashion outlets across Central Java and analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS). The results reveal that religious-centric product strategies significantly enhance operational sustainability and product quality, which, in turn, have a strong positive impact on business performance. Notably, the direct effect of religious-centric strategies on business performance was not statistically significant, indicating the critical mediating role of sustainability and product quality. These findings underscore the strategic value of embedding Islamic principles—aligned with Magashid Syariah into product development and operational practices. Theoretically, this study advances the discourse on religious-based business strategies, while practically, it offers insights for entrepreneurs seeking to strengthen competitiveness through value-driven approaches.

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Introduction

The development of the Muslim fashion industry has grown significantly in response to rising global demand for products that align with Islamic values. However, while expectations for consumer authenticity are increasing, the systematic integration of Magashid Syariah principles into business strategies, particularly in development, product remains conceptually underdeveloped and practically fragmented (Wiryanto, 2023). In many cases, religious elements in fashion are limited to symbolic representation rather than being embedded as a strategic framework that drives both compliance and organizational sustainability (Aslati et al., 2024).

One of the core challenges is how to translate Magashid Syariah, which includes the preservation of religion, life, intellect, lineage, and wealth, into tangible product strategies that can enhance both business performance and long-term sustainability. Previous research has recognized the role of Islamic values shaping consumer in behavior and building brand trust (Kumar, 2018; Nurcahyo et al., 2025; Dasmadi, 2024). However, there is a lack of studies that critically examine how religious-centric product strategy can be systematically to create both ethical and performance-oriented outcomes. This indicates a theoretical gap in the intersection of Islamic business ethics. strategic management, and sustainable enterprise practices.

Sustainability in the Muslim fashion industry is often viewed from operational or environmental perspective, with limited discussion on its moral and theological foundations as guided by Islamic jurisprudence. The pursuit of ethical production, fair labor, and product quality that reflects Islamic principles is still more of a normative aspiration than an practice, established particularly emerging markets such as Indonesia (Annisa & Cahyani, 2024). While consumer loyalty and halal certification are relevant should issues, be seen they complementary to a deeper strategic orientation grounded in religious values (Shoukat et al., 2023).

This study aims to address the lack of structured integration between Magashid Svariah-based and strategies business performance in the Muslim fashion industry. It contributes to bridging the research gap by investigating how religiouscentric product strategies that reflect Islamic ethical objectives can support operational sustainability and improve business performance (Syarifah, 2024). The findings are expected to enrich the discourse on Islamic business strategy and provide practical insights for entrepreneurs who seek to align their competitiveness with faith-based values.

The Muslim fashion industry has gained significant traction in recent years, becoming a rapidly growing sector worldwide. This trend is fueled by the increasing awareness and adoption of Islamic values within various aspects of life, including clothing choices (Hassan, 2021).

The demand for modest fashion, aligned with Islamic principles, has spurred a need for companies to develop products that not only meet market demands but also embody values meaningful to their Muslim consumers. In this context, adopting religious-centric product strategies becomes essential as it offers companies a competitive edge and a way to build stronger brand loyalty among Muslim consumers.

As Muslim consumers are drawn to products that align with their values, companies in this sector face the challenge of effectively integrating religious principles into their business models. Religiouscentric product strategies, which place Islamic teachings at the heart of product development, help firms fulfill this demand (Ibrahim et al., 2017). Beyond the appeal to customer values, such strategies enable businesses to differentiate themselves within the crowded fashion market. This approach goes beyond aesthetics and fashion trends, embedding Islamic values like modesty, integrity, and ethical production practices into product design and brand identity (Hussain, 2020). One of the key frameworks that can guide businesses in achieving these religiouscentric strategies is Magashid Syariah, an Islamic concept focused preservation of faith, life, intellect, lineage, and wealth. By aligning business practices with Magashid Syariah, companies not only cater to religious expectations but also build a foundation for sustainable and ethical business operations (Abdullahi et al., 2021). This framework allows companies to design products and business strategies that promote well-being and ethical consumption while creating economic value.

The focus on Magashid Syariah also opens avenues for sustainability within the Muslim fashion industry, as this concept encourages companies to adopt responsible practices that benefit both society and the environment. For instance, emphasizing ethical sourcing, waste reduction, and fair labor practices align with the principles of Magashid Syariah, which calls for preserving and ensuring justice (Nurcahyo, Rachmawati. et al., 2024). commitment to sustainability positions businesses to meet global standards for corporate responsibility while staying true to Islamic teachings.

In the competitive landscape of the Muslim fashion industry, business performance is closely linked to a company's ability to address the social and ethical concerns of its target consumers. Companies that adopt religious-centric strategies and align with *Maqashid Syariah* are better equipped to foster customer loyalty, which is a critical driver of business performance (Soeherman & Panjaitan, 2022). The alignment with Islamic values enhances customer trust, as consumers increasingly seek brands that reflect their beliefs and promote ethical and sustainable consumption.

Organizational sustainability, on the other hand, is achieved when businesses not only generate economic profit but also create long-term value for society (Muafi, 2017). In the Muslim fashion industry, achieving

organizational sustainability means balancing profitability with a commitment to Islamic ethics and social responsibility. Religious-centric product strategies, supported by *Maqashid Syariah*, offer a pathway for companies to meet both economic and ethical goals, ultimately securing their place in the market for the long term (Nisha et al., 2022).

The adoption of such strategies is not without challenges, as companies must navigate the complexities of adhering to religious standards while remaining commercially competitive (Mubarak et al., 2024). Balancing religious obligations with requires demands market deep understanding of both Islamic principles and consumer preferences. However, companies that successfully integrate these elements can differentiate themselves and strengthen their position within industry, gaining the trust and loyalty of their customers.

conclusion. combination In the religious-centric product strategies and Magashid Syariah presents an effective approach enhancing business for performance and achieving organizational sustainability in the Muslim fashion industry. As companies increasingly align their products and practices with Islamic values, they not only cater to the unique needs of their consumers but also contribute to the broader goals of ethical consumption and sustainable development (Soeherman & Panjaitan, 2022). This alignment enables businesses to thrive in a manner consistent with the religious and ethical expectations of their target market, positioning them for success in the evolving Muslim fashion landscape (M. Rezaei et al., 2020).

In the Muslim fashion industry, one of the main issues faced is the lack understanding of Magashid Svariah principles in product development. Based on a survey conducted among 100 Muslim fashion business players, only about 40% reported that thev have understanding of the basic principles of Magashid Syariah. This indicates that more than half of the companies still do not fully integrate Islamic values into their product strategies, resulting in products that fall short of embodying the desired Shariabased values expected bv Muslim consumers.

Another challenge lies in the difficulty of sustainable implementing business practices that align with Sharia values. Data shows that only 35% of companies in this industry actively use environmentally friendly materials and adhere to high ethical standards in their production processes. The reliance on conventional raw materials, which are not always negatively sustainable, impacts companies' reputations and affects the trust of Muslim consumers, who are increasingly concerned with sustainability. highlights an urgent need for companies to strengthen their commitment to Shariabased sustainability principles.

Additionally, there is a challenge in understanding consumer preferences related to religious values in Muslim fashion products. According to survey data,

60% of consumers feel underrepresented in the current product offerings. particularly regarding quality and the spiritual values embedded within the products. The companies' limited understanding of the specific needs of Muslim consumers risks reducing customer lovaltv and diminishing business competitiveness (Nurcahyo, 2024). Therefore, more in-depth market research and product innovation based on Magashid Syariah values are crucial steps to enhance product appeal and align with consumer expectations.

For instance, according to the Ministry of Trade, Indonesia's Muslim fashion industry is projected to contribute significantly to the global modest fashion market, with an estimated value exceeding USD 12.5 billion in 2023. This positions Indonesia as one of the major players in the global modest fashion industry. However, despite this potential, the ministry's data also reveals that only about 30% of Muslim fashion businesses are consistently integrating Islamic ethical principles, including Magashid Syariah, into their product development and marketing strategies. This data emphasizes a gap between market potential and the full incorporation of values that resonate deeply with Muslim consumers.

Furthermore, the Ministry highlights that only around 28% of these businesses prioritize sustainability practices aligned with Sharia principles, such as using ecofriendly materials and adhering to fair labor standards. This lack of commitment impacts consumer trust, as many

Indonesian consumers are now shifting toward brands that emphasize both sustainability and religious adherence. The ministry's findings stress the need for the Muslim fashion sector to adopt sustainable, ethical production practices if it aims to remain competitive both domestically and globally.

Literature Review

Religious Centric Product Strategy

A religious-centric product strategy refers to a business approach that centers religious values, beliefs, and principles in the design, development, and marketing of products (Herrington, 2013). This strategy is particularly relevant in industries where consumers have strong religious affiliations and preferences, such as the Muslim fashion industry. By integrating religious values, a religious-centric product strategy allows companies to address not only the practical needs of consumers but also their spiritual and ethical expectations (Nart et al., 2024). The primary aim is to create that resonate deeply consumers on a cultural and spiritual level, offering a sense of alignment between the consumer's personal beliefs and the brand's values.

In this approach, companies design products that adhere to specific religious guidelines or principles. For example, in the Muslim fashion industry, religious-centric strategies ensure that clothing meets Islamic standards of modesty and decorum, often incorporating materials and

production processes that are both ethically and religiously compliant (de Abreu Costa & Moreira-Almeida, 2022). This alignment with religious values builds a unique brand identity, differentiating the business from competitors who may only focus on aesthetics or general market trends. The strategy is not only about meeting religious standards but also fostering a brand loyalty based on shared beliefs and values.

Religious-centric product strategy goes beyond mere compliance with religious standards; it emphasizes a genuine those commitment to embodying principles throughout the product lifecycle (Rashid, 2012). This means that companies may also emphasize sustainability, ethical labor practices, and social responsibility as an extension of their religious values. In this sense, the religious-centric approach is holistic, aiming to create a positive impact not only for consumers but for society and the environment as well. Companies that adopt this approach show that their religious principles guide their ethical and business decisions, building consumer trust and credibility (Vu & Fan, 2024).

Moreover, religious-centric product enhance a company's strategy can competitive advantage. As consumers increasingly seek products that align with their values, companies that integrate religious values into their brand and product offerings appeal to a growing segment of value-conscious customers. For instance, brands that highlight their adherence to Islamic principles in their marketing and product narratives are more likely to build loyalty among Muslim consumers (Arifin, 2020). This loyalty is strengthened by the sense that the brand understands and respects the consumer's values, establishing a unique and trust-based relationship with the target audience (Koay et al., 2022).

In conclusion, a religious-centric product strategy is a powerful approach businesses looking to create meaningful connections with their consumers. By embedding religious principles into the core of their product and brand identity, companies not only address market needs but also appeal to the spiritual and ethical concerns of their consumers. approach not only fulfills the consumer's need for products that align with their faith but also fosters a brand reputation that is authentic, ethically grounded, and resilient in the face of market competition. For industries like Muslim fashion, where faith plays a central role, a religious-centric product strategy can be essential for longterm success and sustainability.

Magashid Syariah

Maqashid Syariah, or the objectives of Islamic law, is a framework that outlines the goals and higher purposes of Sharia, which seeks to ensure the well-being of individuals and communities by preserving essential human interests (Yusuf Qardawi, 2010). At its core, Maqashid Syariah emphasizes five key elements that must be protected and promoted for a harmonious and just society: faith (dien), life (nafs), intellect (aql), lineage (nasl), and wealth (maal). These principles guide ethical and moral conduct within Islamic society,

serving as a foundation for both personal behavior and institutional practices (Syafrizal, 2019).

The Magashid Syariah, or objectives of Islamic law, consist of five core principles that guide ethical conduct in all areas of life, including business. The Preservation of Faith, known as Hifz al-Din, focuses on protecting religious beliefs and practices. Faith serves as a central element in the life of a Muslim, and safeguarding it helps maintain the spiritual and foundation of society. In the context of business, this means offering products and services that align with Islamic teachings, such as providing halal goods and ensuring operations reflect religious values.

The Preservation of Life, or *Hifz al-Nafs*, highlights the importance of protecting human life, health, and dignity. Businesses that embrace this principle implement ethical practices that ensure the well-being of employees, uphold fair labor standards, and provide safe and high-quality products to consumers. This reflects a strong commitment to humane treatment and social responsibility.

The Preservation of Intellect, referred to as *Hifz alAql*, emphasizes the need to protect and nurture the mind through education, knowledge, and wisdom. It discourages anything that may impair intellectual development. In business, this translates into creating environments that support learning, presenting honest and respectful marketing, and avoiding content that misleads or manipulates consumers.

The Preservation of Lineage, or Hifz al-Nasl,

seeks to protect family values, social ethics, and the well-being of future generations. This principle encourages businesses to respect family structures and support moral behavior. For instance, companies in the Muslim fashion industry that promote modest clothing are upholding this value by reinforcing family integrity and social harmony.

Lastly, the Preservation of Wealth, known as Hifz al-Mal, promotes financial justice ethical economic practices. and encourages transparency, accountability, and fairness in business dealings. This includes avoiding dishonest practices, charging reasonable prices, and staying away from interest-based transactions. By promoting both responsible earning and the fair use of financial resources, this principle supports broader social and economic well-being. Together, these five objectives form a complete framework that ensures businesses operate in a way that benefits both individuals and society as a whole.

Through Magashid Syariah, businesses are encouraged to go beyond maximization and focus on broader social and moral objectives (Mawardi, 2010). This framework provides a clear guide for companies seeking to operate in a way that aligns with Islamic values, ensuring they contribute positively to society and the welfare of individuals. By adhering to these objectives, businesses not only fulfill their religious obligations but also promote sustainable and ethical practices that foster trust long-term and loyalty among consumers (Cabello, 2011).

Organizational Sustainability

Organizational sustainability is increasingly recognized as a critical factor for long-term success, combining financial stability, environmental responsibility, and social commitment (Ethesam, 2013). In today's business landscape, companies are expected to balance profit generation with practices that benefit society and the environment. adopting sustainable strategies, organizations can not only enhance their brand reputation but also secure a competitive advantage in a marketplace where consumers and stakeholders favor ethically responsible brands (Baneriee, 2001). This shift reflects a growing awareness that sustainable practices are essential for lasting business resilience.

At the core of organizational sustainability is economic sustainability, which ensures a company's financial health and resilience. Financially sustainable organizations manage resources efficiently, invest wisely, and maintain operational stability, which allows them to adapt to market changes (Ahmar et al., 2024). This stability is essential for ongoing operations and growth, enabling companies to withstand economic downturns and reinvest profits in innovations that align with sustainable values. Economic sustainability provides foundation upon which sustainability efforts are built, making it an indispensable component of organizational success (Han et al., 2020).

Environmental sustainability is equally critical, as companies seek to minimize their ecological footprint and conserve

natural resources. This involves adopting eco-friendly practices, such as reducing carbon emissions, managing waste, and optimizing energy use through renewable sources (Zuñiga-Collazos et al., 2020). For instance, many organizations are turning to green technologies and sustainable supply chains, aiming to reduce the environmental impact of their products and services. By doing so, they not only meet regulatory requirements but also environmentally conscious customers. building loyalty and trust with stakeholders who prioritize environmental care.

sustainability focuses Social the organization's impact society, on particularly in terms of ethical labor practices, fair treatment of employees, and community engagement (Oktaviana & Miranti, 2023). Companies committed to social sustainability foster an inclusive and equitable workplace, support employee development, and engage in activities that positively impact the communities in which operate. For example, responsible companies invest in employee well-being, promote diversity, collaborate on local initiatives that benefit society. By addressing social needs. organizations strengthen their reputation and build valuable partnerships that support both their operations and broader social goals (Nurcahyo, Widagdo, et al., 2024).

In summary, organizational sustainability is a multidimensional approach that combines economic stability, environmental stewardship, and social responsibility. By embracing sustainable practices, organizations not only fulfill their ethical obligations but also position themselves as leaders in a socially conscious market. This approach enables companies to create value for all stakeholders, from customers and employees to investors and communities (Manzoor et al., 2019). As sustainability becomes a key differentiator in the global market, organizations that prioritize these principles are better equipped for long-term success and societal impact.

Business Performance

Business performance refers to how effectively an organization achieves its goals, manages resources, and fulfills stakeholder expectations (Stojanovic, 2021). It encompasses a range of metrics and qualitative factors that reflect an organization's financial health, operational efficiency, market position, and overall strategic impact. Successful business performance is key to an organization's growth and sustainability, enabling it to respond to market changes, meet customer demands, and maximize profitability (F. Rezaei et al., 2021). In a competitive landscape, companies that can consistently perform well gain a strong advantage and create long-term value for shareholders, employees, and other stakeholders.

One of the primary dimensions of business performance is financial performance, which measures profitability, revenue growth, and cost management. Financial metrics, such as profit margins, return on assets, and cash flow, are critical indicators of a company's economic viability (Susilo

& Mayowan, 2024). Strong financial performance ensures that a company has the resources to invest in new projects, expand operations. and reward shareholders. Organizations with sound financial management practices are better equipped to weather economic fluctuations and seize growth opportunities, which are essential for sustaining long-term competitiveness.

Operational efficiency is another crucial aspect of business performance, focusing on how effectively a company utilizes its resources to produce goods or services. Efficient operations mean lower costs, quicker turnaround times, and higherquality outputs, all of which contribute to customer satisfaction and profitability (Haryadi et al., 2024). Companies that streamline their processes through automation, innovation, and continuous improvement are often more agile and can market respond to changes faster. Operational excellence not only boosts profitability but also enhances a company's reputation for reliability and quality.

satisfaction and market Customer performance are also fundamental components of business performance (Igbal, 2020). Customer loyalty and market share indicate how well a company meets needs and outperforms consumer competitors. High levels of customer satisfaction often lead to repeat business, positive word-of-mouth, and a stronger brand image. To sustain and improve market performance, businesses must focus on delivering value to their customers through quality products, excellent service, and continuous innovation (Susilo & Mayowan, 2024). This customer-centered approach is a driving factor for sustainable business performance, enabling companies to build a loyal customer base and solidify their position in the industry.

performance Finally, business also encompasses employee engagement and productivity, as a motivated workforce is essential for achieving organizational goals (Sarfraz et al., 2023). High levels of emplovee satisfaction. training. and development contribute to better productivity, reduced turnover, and innovation within the organization. Employees who feel valued and supported are more likely to contribute positively, enhancing both the quality of output and the customer experience. Effective human resource management and a positive corporate culture are, therefore, integral to sustaining high performance across all areas of the business. In summary, business performance is a comprehensive measure of an organization's success financial, operational, customer, and domains. Achieving business performance requires a balanced approach that addresses each of these areas strategically. Companies that consistently deliver high performance foundation for growth, resilience, and longterm value creation, positioning themselves as leaders in their respective markets.

Hypoteses Development

The Influence of Religious Centric Product Strategy on Organizational Sustainability The adoption of a religious-centric product significantly influence strategy can organizational sustainability by aligning business operations with the ethical and moral values of both the company and its consumer base (de Abreu Costa & Moreira-Almeida, 2022). This approach ensures that products and services resonate with the religious beliefs of customers, fostering brand loyalty and trust. When organization integrates religious principles into its product offerings, it not only meets consumer expectations for compliance but also builds a reputation for ethical responsibility (Ibrahim et al., 2017). This alignment creates a strong foundation for long-term sustainability, as consumers increasingly prefer brands that share their values, especially in markets where religion plays a central role in daily life.

religious-centric Moreover, a product contribute social strategy can sustainability, as it encourages businesses to support social values such as fairness, community development, and responsible practices. Companies that embrace religious values in their operations are more likely to engage in socially responsible initiatives, such as fair labor practices, charitable giving, and environmental stewardship (Vu & Fan, 2024). prioritizing the well-being of society alongside profit generation, these organizations can foster positive relationships with customers, employees, and communities, which turn strengthens their brand image and sustainability. This social responsibility not only enhances a company's reputation but also positions it as a leader in the eyes of socially-conscious consumers.

Finally, the implementation of a religiouscentric strategy can also have a positive impact on economic sustainability. When companies design products based on religious principles, they differentiate themselves in the market, attracting a specific consumer segment that is loyal to that align with their faith (Oktaviana & Miranti, 2023). This can lead to increased market share, higher customer retention, and ultimately, improved financial performance. Furthermore, by adhering to religious guidelines such as avoiding unethical practices, such interest-based transactions in finance, businesses can build trust with customers and stakeholders, ensuring longterm economic success (Rohmah, 2022). Thus, a religious-centric product strategy not only supports ethical practices but also drives financial growth, making it a crucial element of organizational sustainability.

H1: religious-centric product strategy has postive and significant effect on organizational sustainability

The Influence of *Maqashid Syariah* on Organizational Sustainability

The concept of Maqashid Syariah (the objectives of Islamic law) plays a crucial role in shaping organizational sustainability by aligning business practices with broader ethical and societal goals. The five primary objectives of Maqashid Syariah—the preservation of faith (din), life (nafs), intellect (aql), lineage (nasl), and wealth (mal)—serve as guiding principles for

organizations to create positive social and environmental impact (Syafrizal, 2019). By embedding these objectives into organizational strategies, companies can ensure that their operations contribute to the well-being of individuals and society, thereby fostering long-term sustainability. For example, a company that prioritizes ethical treatment of employees, environmental conservation, and fair trade practices can build a reputation as a socially responsible business, attracting customers and investors who value sustainability (Nurcahyo, Rachmawati, et al., 2024).

Moreover, Magashid Syariah encourages organizations to adopt practices that promote social sustainability. The preservation of life and lineage, for instance, encourages businesses to focus on the well-being of their employees and the broader community. Companies embrace these principles are more likely to invest in social initiatives, support charitable causes, and promote inclusive workplace environments. Such efforts enhance the organization's reputation and create goodwill, which is vital for long-term success (Jelli & Dura, 2023). By focusing on these social dimensions, companies not only contribute to societal stability but also gain the trust and loyalty of consumers, employees, and other stakeholders, thereby strengthening their competitive position in the market.

Additionally, the preservation of wealth and the emphasis on ethical financial practices outlined in *Maqashid Syariah* contribute to economic sustainability. By avoiding unethical practices such as

interest-based transactions (riba) and ensuring transparent financial dealings, organizations can build financial resilience and long-term profitability (Sehen Issa et al., 2022). Companies that operate in accordance with Islamic financial principles foster trust with stakeholders and create a solid foundation for growth and expansion.

H2: Maqashid Syariah has postive and significant effect on organizational sustainability

The Influence of Religious Centric Product Strategy on Business Performance

A religious-centric product strategy can significantly enhance business performance by establishing a strong connection between a company's offerings and the values of its target market. By designing and promoting products that align with religious principles, businesses are able to attract consumers who prioritize ethical considerations their purchasing decisions (Vu & Fan, 2024). For example, businesses in the halal food industry, or those offering modest fashion, gain a competitive advantage by meeting the specific needs of religiously-conscious customers. This strategy not only drives customer loyalty but also attracts a niche market that is often underserved, leading to increased sales and market share. In markets where religious identity plays a central role, businesses that embrace these values are better positioned to outperform their competitors (Soeherman & Panjaitan, 2022).

Furthermore, a religious-centric product strategy can enhance brand reputation and

improve customer trust, which are essential sustainable business performance. Companies that integrate religious values into their products and services are often seen as more ethical and trustworthy by consumers (Helme-Guizon & Magnoni, 2019). This creates a positive brand image strengthens relationships and customers who value businesses that uphold their religious beliefs. As a result, businesses that align their products with these values tend to see higher customer retention, repeat business, and advocacy, all of which are crucial to long-term success and profitability (Nur Aprilia, 2022).

In addition, this strategy fosters differentiation and innovation, which are elements for maintaining competitive edge in any industry. By continuously developing products that meet the unique needs of religiouslyconsumers, minded companies differentiate themselves in crowded markets (Kim & Jung, 2022). This innovation allows businesses to relevant to changing consumer demands, while also attracting new customers. For instance, companies that offer sustainable, ethically sourced products that align with religious teachings on stewardship of the earth can gain an advantage in today's environmentally conscious market (Midhat Ali et al., 2021). Overall, the influence of a religious-centric product strategy business performance is profound, as it not only drives consumer loyalty but also improves market positioning, brand value, and overall competitiveness (Rachmawati et al., 2023).

H3: religious-centric product strategy has postive and significant effect on business performance

The Influence of *Maqashid Syariah* on Business Performance

The application of Magashid Syariah—the objectives of Islamic law-can have a profound impact on business performance by ensuring that business practices align with ethical, moral, and social standards that promote long-term success (Julia & 2020). By focusing on the preservation of faith, life, intellect, lineage, and wealth, organizations that incorporate these principles into their operations are able to build a sustainable foundation for Magashid growth. Syariah encourages businesses prioritize to fairness. transparency, and accountability, which fosters trust and loyalty among customers, other stakeholders employees, and (Hermawati & Mas, 2017). As a result, companies that adhere to these values can enhance their reputation and strengthen the position in marketplace, ultimately improving their business performance.

Moreover, Magashid Syariah promotes financial integrity and ethical business practices, which are critical to long-term business success. For instance, businesses that avoid interest-based financial transactions (riba) and engage in ethical investment practices build a solid financial foundation that is more resilient to market fluctuations (Rohmah, 2022). Adhering to Islamic principles of fairness and justice in financial dealings attracts socially responsible investors and customers who value transparency and ethical conduct. This can lead to stronger financial performance, as consumers and investors are increasingly drawn to businesses that align with their moral and religious beliefs (Ian & Bandiyono, 2022). Furthermore, businesses that follow *Maqashid Syariah* are more likely to engage in sustainable practices, such as ethical sourcing and environmental conservation, which are becoming increasingly important to modern consumers.

Additionally. the focus on social responsibility and community development in Magashid Syariah directly influences business performance bv enhancing customer lovaltv and engagement (Alsakarneh et al., 2024). Companies that support the well-being of their employees, in local communities. participate in charitable initiatives create a positive image that resonates with sociallyconscious consumers. This commitment to social values not only attracts a loyal customer base but also improves employee satisfaction and productivity. Organizations that integrate Magashid Syariah into their business model are more likely to foster a positive corporate culture, which boosts employee morale, reduces turnover, and leads to higher levels of innovation and overall. performance (Nurcahyo, Rachmawati, et al., 2024). By balancing financial success with social and ethical obligations, businesses can create long-term value and achieve sustainable growth.

H4: Maqashid Syariah has postive and significant effect on business performance

The Influence of Organizational Sustainability on Business Performance

Organizational sustainability plays a critical role in shaping business performance by ensuring long-term viability through responsible and ethical practices. Sustainable organizations focus maintaining a balance between economic, environmental, and social goals, which enhances their reputation and strengthens stakeholder trust (Sarfraz et al., 2023). Companies that prioritize sustainability often develop more efficient operations, reducing costs and improving their bottom line. This commitment to sustainability can also foster stronger relationships with who value environmental responsibility, social equity, and ethical business practices, ultimately leading to increased customer loyalty, market share, and revenue. As such, organizations that integrate sustainability into their strategy tend to achieve superior financial performance over time, as their practices align with the growing global demand for responsible business behavior (Koay et al., 2022).

Furthermore, organizational sustainability contributes to operational efficiency, which is key to improving overall business performance. By adopting sustainable practices, such as resource conservation, waste reduction, and energy efficiency, companies can lower operational costs while maintaining high-quality standards (Sehen Issa et al., 2022). Additionally, sustainable supply chains and ethical sourcing practices help businesses mitigate risks related to resource scarcity, regulatory

changes, and environmental damage. Companies that focus on sustainability are better equipped to adapt to changing market conditions and regulatory requirements, ensuring thev remain competitive in their industries (Freixanet et al., 2018). This operational resilience is crucial for long-term profitability and market positioning, as businesses that incorporate sustainability into their core operations are more likely to survive and thrive in the face of challenges.

Organizational sustainability also has a direct impact on brand value and consumer perception, both of which influence significantly business performance. In today's market, consumers are increasingly inclined to support brands demonstrate a commitment sustainability. whether through environmentally friendly products, ethical labor practices, or community involvement. Businesses that effectively communicate their sustainability efforts often enjoy a stronger brand reputation. attracting environmentally and socially conscious customers (Simbolon & Yanti, 2021). This positive brand image can translate into increased sales, repeat business, positive word-of-mouth, driving growth and enhancing business performance.

H5: organizational sustainability has postive and significant effect on business performance

Method, Data, and Analysis

This study employs a quantitative research method to analyze the relationships between variables in the Muslim fashion industry in Central Java. The quantitative approach was chosen as it allows for the measurement and systematic analysis of numerical data, as well as testing causal relationships between variables in objective manner. In this study, relationship model between variables is tested using Structural Equation Modeling (SEM) with Partial Least Squares (PLS). SEM PLS was selected because of its ability to assess complex relationships between variables and its flexibility in handling data that does not necessarily follow a normal distribution, which is often encountered in social and economic research (Hair, 2017).

The sample used in this research consists of 285 Muslim fashion outlets located in Central Java. This sample was selected to represent a broad range of Muslim fashion outlets in the province, including small, medium, and large-scale stores. Data was collected through questionnaires distributed to the managers or owners of the outlets, with questions designed to explore factors affecting business performance and operational sustainability in the Muslim fashion industry. The simple random sampling method was employed, ensuring that each outlet had an equal chance of being selected, which makes the study results representative of the industry in the province.

Data analysis was performed using SEM PLS software, which enables the testing of

structural and models the accurate of relationships estimation between variables. In this study, SEM PLS is used to assess the influence of factors such as religious-based product strategies, product quality, and operational sustainability on business performance in the Muslim fashion industry. Additionally, SEM PLS is used to identify which variables have the most significant impact on business performance and sustainability. By using this method, the research aims to provide valuable insights into the factors that influence the success of the Muslim fashion industry in Central Java and contribute to the development of both theoretical and practical applications in the sector.

Result and Discussion

Outer Model

The outer model in this research refers to the measurement model that describes the relationship between latent variables and their corresponding observed indicators. In SEM PLS, the outer model is essential for assessing how well the observed variables (indicators) represent the underlying constructs (latent variables). For this study, the outer model examines the links between constructs such as religious-centric product strategy, product quality, operational sustainability, and business performance, with their respective indicators. Each construct is measured by multiple indicators, ensuring that the latent variables are accurately represented by observable data. The reliability and validity

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of the outer model are evaluated through measures like indicator loadings, composite reliability, and Average Variance Extracted (AVE), ensuring that the constructs are appropriately defined and reliably measured. The outer model's evaluation helps ensure that the measurement items accurately reflect the theoretical constructs, which is critical for the validity of the overall research findings.

Table 1.

Measurement Evaluation Models

Latent Variables	Convergent Validity		Internal Composite Reliability			Discriminant Validity	
	Indicators	Loading	AVE	CR	C.A	HTMT	
		> 0.70	>0.50	>0.70	>0.70	< 1	
Religious Centric Product Strategy	RC.1	0.784					
	RC.2	0.882	0.885	0.957	0.810	– – Yes	
	RC.3	0.887				– Tes	
	RC.4	0.869					
Maqashid Syariah	MS.1	0.725				_	
	MS.2	0.756				<u>_</u>	
	MS.3	0.856	0.724	0.935	0.941	Yes	
	MS.4	0.814				<u>_</u>	
	MS.5	0.888					
Organizational Sustainability	SC.1	0.765				_	
	SC.2	0.711	0.716	0.885	0.948	_	
	SC.3	0.788				Yes	
Business Performance	BP.1	0.746				_	
	BP.2	0.823	0.718	0.926	0.943	— v	
	BP.3	0.763				Yes	
	BP.4	0.755				_	
	BP.5	0.888					

This research uses Partial Least Square (PLS) to analyze and evaluate the validity and reliability of the model construct using Smart PLS. SmartPLS was carried out to test the Outer Model and Inner Model of the research. The outer model test is carried out to see the validity and reliability

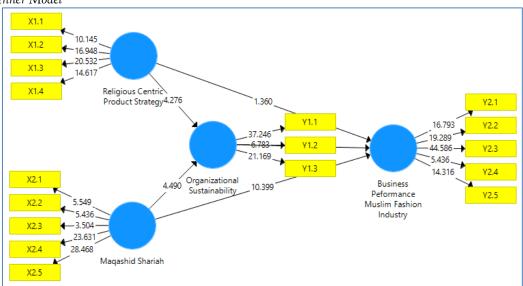
of indicators and variables in research (Hair, 2017). This can be seen based on 3 categories, namely (1) Convergent Validity which consists of an outer loading value with a value of>0.7 and an AVE value>0.5.
(2) Internal consistency is seen based on Cronbach's alpha value >0.7 and

http://journal.walisongo.ac.id/index.php/JDMHI/index DOI: http://doi.org/10.21580/jdmhi.2025.7.1.23764 Composite Reliability with criteria >0.7. (3) Discriminant validity is seen based on the Fornell-Lacker value where the root value of AVEsquare (diagonal) is greater than all other variable values and HTMT (heterotrait-monotrait correlation ratio) is less than 1. Based on the provisions, the indicators and variables in this research can be said to be valid and reliable.

Inner Model

The inner model in this research refers to the structural model that depicts the relationships between the latent variables and tests the hypothesized causal pathways among them. In SEM PLS, the inner model is crucial for understanding how the independent variables, such as religiouscentric product strategy, operational sustainability, and product quality, influence the dependent variable, which is business performance. This examines the direct and indirect relationships between the constructs and assesses their significance using path coefficients. The evaluation of the inner model involves analyzing the R-squared values, path coefficients, and t-values to determine the strength and direction of the relationships. By testing these causal relationships, the inner model helps identify which factors have the most significant impact on business performance in the Muslim fashion industry, providing valuable insights for both theoretical and practical implications.

Figure 1.
Inner Model



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Table 2.

Hypothesis Testing

<u>Hypothesis Testing</u>	Original	Sample	Standard		
	Sample	Mean	Deviation	T-Statistics	P-Value
Maqashid Syariah >	0.367	0.367	0.035	10.399	0.000
Business Performance					
Magashid Syariah >	0.437	0.435	0.097	4.490	0.000
Organizational					
Sustainability					
Organizational	0.657	0.657	0.032	20.740	0.000
Sustainability> Business					
Performance					
Religious Centric Product	0.042	0.042	0.031	1.360	0.087
Strategy> Business					
Performance					
Religious Centric Product	0.429	0.433	0.100	4.276	0.000
Strategy> Organizational					
Sustainability					

The Influence of *Maqashid Syariah* on Business Performance

Magashid Syariah refers to the objectives of Islamic law, which aim to promote justice, welfare, and ethical behavior in all aspects of life, including business. In the context of the Muslim fashion industry, adopting the principles of Magashid Syariah can lead to enhanced business performance by aligning corporate values with the ethical and religious expectations of the consumer base. The significant results (OS = 0.367, Tstatistic = 10.399, P-value = 0.000) indicate that companies prioritizing Magashid Syariah principles, such as using halalcertified materials and promoting modesty in fashion designs, are more likely to attract a loyal customer base. This alignment creates a unique value proposition that differentiates them from competitors who

do not prioritize these values. Additionally, the incorporation of Magashid Syariah principles fosters a strong corporate reputation and increases trust among consumers. Trust is a crucial factor in the Muslim fashion industry, as customers prefer brands that demonstrate authenticity and adherence to Islamic values Paniaitan. (Soeherman 8 2022). Companies that commit to transparency, fairness in trade, and ethical marketing practices often see a boost in their brand credibility, translating into higher sales and market share. The positive influence of Magashid Syariah on business performance suggests that ethical compliance is not just a moral obligation but also a strategic advantage that can enhance profitability and market standing (Mubarak et al., 2024).

Moreover, the results suggest businesses can leverage Magashid Syariah as part of their branding and marketing strategies to appeal to a wider audience (Jawabreh, 2022). By communicating their adherence to these principles, Muslim fashion brands can build a stronger emotional connection with their customers, who are increasingly seeking products that align with their spiritual and ethical beliefs. This connection enhances customer satisfaction and lovalty, which are essential for sustaining business performance in a highly competitive market.

The Influence of *Maqashid Syariah* on Organizational Sustainability

The significant positive relationship Magashid Syariah between and Organizational Sustainability (OS = 0.437, T-statistic = 4.490, P-value = 0.000) highlights the importance of integrating Islamic values into the core business strategies of Muslim fashion companies. Magashid Syariah emphasizes the protection of essential aspects of life, such as the environment, human dignity, and wealth, all of which are fundamental components sustainability. By aligning operations with these principles, companies can ensure that their business practices contribute positively to societal well-being and environmental preservation, thus enhancing their long-term sustainability. Furthermore, the Muslim fashion industry is uniquely positioned to leverage Magashid Syariah principles in driving sustainable growth. For example, by using eco-friendly and ethically sourced materials, companies

meet both the religious and environmental expectations of their customers (Suraifi, 2022). This dual focus not only addresses the growing demand for sustainable products but also resonates with the broader goals of Magashid Syariah, which advocate for the responsible use of resources (F. Rezaei et al., 2021). The result is a business model that prioritizes both financial success and social impact, creating a balanced approach that supports longterm viability.

The positive impact of Magashid Syariah on organizational sustainability also underscores the role of ethical governance. Companies that adhere to these principles are more likely to implement transparent and accountable business practices, which foster a culture of integrity. This, in turn, strengthens the company's resilience against potential ethical breaches and regulatory risks, enhancing its reputation as a reliable and principled organization (Nurcahyo, 2024). In the Muslim fashion industry, where consumer paramount, adherence to Magashid Syariah provides a robust framework for building sustainable and trustworthy brands.

The Influence of Organizational Sustainability on Business Performance

The strong positive relationship between Organizational Sustainability and Business Performance (OS = 0.657, T-statistic = 20.740, P-value = 0.000) suggests that sustainable practices are a key driver of success in the Muslim fashion industry. As consumers become more conscious of the environmental and social impacts of their

purchases, companies that demonstrate a commitment to sustainability are better positioned to capture market share. For instance, brands that utilize eco-friendly textiles, reduce waste through circular fashion practices, and promote fair labor standards appeal to a growing segment of ethically-minded consumers who value transparency and responsible business (Pham & Gammoh. operations 2016).Sustainability in the Muslim fashion industry also extends product to innovation and design. By focusing on sustainable materials and production methods, companies differentiate can themselves and offer unique propositions. This not only meets the demand for sustainable fashion but also aligns with Islamic teachings on resource and ethical conduct stewardship & (Soeherman Panjaitan, 2022). Sustainable practices can lead to reduced operational costs, improved supply chain efficiency, and enhanced product quality, all of which contribute to better business performance. The integration of sustainability as a core business strategy allows companies to build a competitive edge in a market that increasingly values ethical considerations (Freixanet et al., 2018).

Moreover, the significant impact of organizational sustainability on business performance indicates that companies prioritizing long-term sustainability tend to perform better financially. Sustainable businesses are more resilient, capable of adapting to market shifts, and less vulnerable to reputational risks associated

with unethical practices (Jelli & Dura, 2023). In the Muslim fashion industry, where brand reputation is closely tied to adherence to ethical and religious principles, a commitment to sustainability not only enhances consumer trust but also drives profitability. This finding reinforces the idea that sustainability is not merely a trend but a strategic necessity for long-term business success.

The Influence of Religious-Centric Product Strategy on Business Performance

The relationship between Religious-Centric Product Strategy and Business Performance (OS = 0.042, T-statistic = 1.360, P-value = 0.087) is not statistically significant, indicating that this strategy may not improved directly lead to business performance in the Muslim fashion industry. While religious values play a critical role in product design and marketing, their impact on performance is limited if not combined with other factors like innovation, quality, and effective branding. For instance, merely offering modest clothing without considering style trends or consumer preferences may not be sufficient to drive sales, as customers also seek aesthetically appealing and trendy designs. However, religious-centric strategies still hold substantial potential in markets. In segments consumers prioritize religious adherence, such as Islamic events or pilgrimage demand for seasons, the religiously compliant fashion products spikes. Brands that effectively tap into these niche markets with products that align closely with Islamic values can achieve seasonal boosts in performance (Ahyani, 2021). Additionally, by integrating cultural and regional elements into product offerings, companies can cater to diverse consumer preferences while maintaining religious authenticity, which may indirectly enhance business outcomes.

It is also important to consider that religious-centric strategies may contribute to long-term brand loyalty, even if their immediate impact on business performance is limited. Consumers who value religious principles in their purchasing decisions tend to develop strong brand loyalty towards companies that consistently uphold these values (Naini et al., 2022). Over time, this loyalty can translate into sustained repeat purchases and positive word-of-mouth, providing a steady revenue stream that supports overall business growth. Thus, while the direct effect may be limited, the strategic integration of religious values remains an essential component of brand differentiation in the Muslim fashion industry (Ramadhan, 2015).

The Influence of Religious-Centric Product Strategy on Organizational Sustainability

The analysis shows a significant positive influence of Religious-Centric Product Strategy on Organizational Sustainability (OS = 0.429, T-statistic = 4.276, P-value = 0.000). This suggests that companies in the Muslim fashion industry that develop products aligned with religious values are better positioned to achieve sustainable

growth. Religious-centric strategies, such as using halal-certified materials and designing modest clothing, cater to the core beliefs of the target market, fostering a deep sense of brand alignment and consumer loyalty. This strong alignment with consumer values enhances the long-term sustainability of the organization by building a reliable customer base (Makanyeza, 2017). Furthermore, religious-centric strategies support the broader sustainability goals of the organization by promoting ethical practices in product sourcing manufacturing. The emphasis on modesty and halal standards often leads companies to choose suppliers who meet strict ethical thereby ensuring criteria, responsible production processes. This commitment to ethical sourcing resonates well consumers who are concerned about the impact of their purchases on society and the environment. In this way, religiouscentric product strategies contribute not only to market differentiation but also to a sustainable business model that prioritizes ethical and social responsibility (Oktaviana & Miranti, 2023). In addition, adopting a religious-centric approach helps companies mitigate risks related to consumer backlash and regulatory scrutiny. As the Muslim fashion industry is subject to strict religious guidelines and consumer expectations, any deviation from these standards can result in reputational damage and loss of consumer trust. By adhering to religious principles consistently, companies can safeguard their reputation and maintain their market position (Wjaya, 20221). This proactive approach to risk management is integral to organizational sustainability, as

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it enhances the company's ability to navigate potential challenges and sustain

long-term growth (Ahmar et al., 2024).

Table 3

Mediation Testing

	Original Sample	Sample Mean	Standard Deviation	T-Statistics	P-Value
Maqashid Syariah >	0.287	0.285	0.060	4.779	0.000
Organizational					
Sustainability > Business					
Performance					
Religious Centric Product	0.282	0.285	0.070	4.019	0.000
Strategy > Organizational					
Sustainability > Business					
Performance					

The Mediating Role of Organizational Sustainability in the Relationship Between *Maqashid Syariah* and Business Performance

The mediation test results indicate that Organizational Sustainability plays significant mediating role between Magashid Svariah and Business Performance, with an Original Sample value of 0.287, T-statistic of 4.779, and a Pvalue of 0.000. This finding suggests that the implementation of Magashid Syariah principles in business operations has an indirect positive impact on business performance through the enhancement of organizational sustainability. In the context of the Muslim fashion industry, companies focusing on Magashid Syariah objectives, such as justice, transparency, and welfare, are more likely to adopt sustainable business practices, such as using ecofriendly materials and adhering to fair trade standards. Organizational Sustainability is a crucial element that strengthens the relationship between Maqashid Syariah and Business Performance because sustainability builds a positive reputation and consumer trust. Consumers in the Muslim fashion market are not only looking for products that comply with Shariah standards but also consider sustainability aspects, such as the materials used and the environmental impact of the products (Biswas, 2021). When Muslim fashion companies consistently apply Maqashid Syariah principles, they enhance organizational sustainability and position themselves as ethical brands, which, in turn, improves business performance.

Furthermore, the mediation role of Organizational Sustainability highlights the importance of a in business strategy. Magashid Syariah should be integrated not only into products and services but also into the operational and management processes of the company (Awan et al., 2023). By embedding sustainability as part of the core values of the company, the Muslim fashion industry can achieve longcompetitive advantage. term which

enhances overall business performance.

The Mediating Role of Organizational Sustainability in the Relationship Between Religious-Centric Product Strategy and Business Performance

The mediation analysis also shows that Organizational Sustainability mediates the relationship between Religious-Centric Product Strategy and Business Performance, with an Original Sample value of 0.282, T-statistic of 4.019, and a Pvalue of 0.000. This suggests that a product strategy focused on religious values positively impacts business performance organizational sustainability incorporated as part of this strategy. In the Muslim fashion industry, Religious-Centric Product Strategy includes designing products that comply with Shariah principles, such as modesty and the use of halal-certified materials. However. implementing a religious-centric product strategy alone is not sufficient without the support of organizational sustainability (Ibrahim et al., 2017). Modern consumers, particularly in the Muslim fashion industry, are increasingly demanding products that align not only with religious values but also social with and environmental responsibility. Therefore, when companies integrate sustainability aspects into their product strategies, such as reducing carbon footprints or using recycled materials, they can enhance the product's value and attract more consumers who are mindful of mediation sustainability. The Organizational Sustainability underscores the importance of a comprehensive approach in marketing and operational

strategies. While Religious-Centric Product Strategy can be an effective tool to attract a specific market segment, its maximum impact on business performance can only achieved when this strategy complemented by robust sustainability initiatives (Nekmahmud, 2020). Thus, Muslim fashion companies that successfully implement both aspects concurrently are more likely to achieve sustainable growth and improved business performance. By adopting a Religious-Centric Strategy, companies can attract a loyal customer base that values religious adherence and ethical considerations. This aligns well with strategy expectations in the Muslim fashion market, where the demand for Shariah-compliant products is growing (Rashid, Furthermore, integrating sustainability into this strategy enhances the company's brand value, as it appeals to consumers who prioritize both religious observance and environmental stewardship (Herrington, 2013).

Overall, the findings indicate that Religious-Centric Product Strategy, when combined with sustainability efforts, provides a comprehensive approach that meets consumer preferences and supports long-term business success. This approach allows companies differentiate to themselves in a crowded market, build relationships, stronger customer achieve competitive sustainable a advantage.

Conslusions

The results of this study underscore the significant role of Magashid principles and Religious-Centric Product Strategies in shaping the business performance and organizational sustainability of companies in the Muslim fashion industry. All five tested hypotheses reveal a strong positive impact of adhering to Islamic ethical guidelines on both direct business outcomes and long-term sustainability. Specifically, the findings indicate that companies integrating Magashid Syariah in their operations not only enhance organizational sustainability also drive improved business performance. This demonstrates that adhering to ethical and religious principles can be a viable strategy for Muslim fashion brands seeking to establish a competitive advantage and appeal to a value-driven consumer base.

The mediating role of Organizational Sustainability is evident in the relationship Magashid between Syariah, Religious-Centric Product Strategies, and Business Performance. The mediation analysis confirms that the positive effects of religious and ethical strategies on business performance amplified are companies focus on sustainability. This highlights the importance comprehensive approach that incorporates religious compliance sustainability practices. By doing so, Muslim fashion companies can respond effectively to consumer preferences, which increasingly favor brands that are socially responsible and environmentally conscious.

The significant mediation effects underscore the synergistic relationship between religious adherence and sustainability in driving business success.

In summary, the findings emphasize the importance of integrating Magashid Syariah and Religious-Centric Product Strategies into the core business practices of the Muslim fashion industry. These strategies not only fulfill consumer expectations for ethical products but also build long-term organizational resilience. By focusing on sustainability as a key element of their strategic approach. Muslim fashion companies can achieve enhanced business performance and ensure sustainable growth in a competitive and value-driven market environment. The study provides valuable insights for business practitioners and policymakers aiming to develop a robust, ethical, and sustainable framework within the Islamic fashion industry.

Implications

The findings of this study offer significant implications for practitioners in the Muslim fashion industry, highlighting the importance of integrating religious values and sustainability into business strategies. By prioritizing Magashid Syariah principles implementing Religious-Centric Product Strategies, companies can achieve not only compliance with Islamic ethical standards but also enhanced business performance and consumer loyalty. This suggests that businesses need to adopt a holistic approach that aligns their operations, product offerings, and marketing practices with the religious beliefs and values of their target market. As consumer awareness of ethical and sustainable practices continues to grow, leveraging these religious and ethical principles can become a key differentiator for Muslim fashion brands, helping them to establish a strong market presence and build long-term brand trust.

For policymakers and industry regulators, study's results underscore importance of fostering а environment that supports the integration of religious values and sustainability practices. By providing clear guidelines and incentives for companies adhering to Magashid Syariah and promoting organizational sustainability, regulators can encourage the growth of an ethical fashion industry that aligns with the broader objectives of Islamic economic principles. Such a supportive regulatory framework can help strengthen the industry's commitment social responsibility, to environmental sustainability, consumer well-being. ultimately contributing the sustainable to development of the Muslim fashion sector and meeting the increasing demand for value-driven, ethical products.

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