

The Role of Islamic Financial Literacy, Religiosity, and Trust in Sharia Compliance in Fostering Islamic Bank Reputation and Adoption of Sharia-Compliant Services

Muaidy Yasin¹, Lalu Edy Herman Mulyono², Mohammad Najib Roodhi³

¹²³Faculty of Economics and Business, University of Mataram, Indonesia

Email: muaidyyasin@unram.ac.id, edyherman@unram.ac.id, najib.roodhi@staff.unram.ac.id

Abstract

Keywords:

Financial Literacy, Religiosity, Bank Reputation, Trust, Islamic Banking

This study investigates the impact of Islamic Financial Literacy, Religiosity, Islamic Bank Reputation, and Trust in Sharia Compliance on the Adoption of Islamic Banking Products in West Nusa Tenggara, Indonesia. A cross-sectional survey of 300 respondents was conducted using a structured questionnaire, with data analyzed through Structural Equation Modeling (SEM) using Smart PLS software. The findings reveal that Islamic Financial Literacy and Religiosity significantly influence the Adoption of Islamic Banking Products, both directly and indirectly, via Islamic Bank Reputation. Trust in Sharia Compliance moderates the relationship between Islamic Bank Reputation and Adoption, amplifying its effect. The measurement items were validated through a pilot test, ensuring their reliability and validity. This study offers theoretical and practical insights for Islamic banking institutions, emphasizing the importance of financial literacy, religiosity, and trust in fostering customer adoption of Islamic banking products.

INTRODUCTION

The global financial landscape has undergone substantial transformation in recent decades, largely driven by the growing demand for financial systems that are ethical, transparent, and inclusive (Xi & Wang, 2023). Within this context, Islamic finance has developed into one of the fastest-expanding segments of the industry, attracting interest from both Muslim and non-Muslim communities across the globe (Abdullaev & Bekimbetova, n.d.). Data from IFSB (2023) indicate that global Islamic financial assets exceeded USD 2.8 trillion in 2022, reflecting an annual growth rate above 10% despite ongoing economic uncertainties. This expansion is closely linked to the sector's adherence to Sharia principles, which promote justice, risk-sharing mechanisms, and the prohibition of *riba* (interest), thereby appealing to consumers who prioritize ethical financial practices. Several countries, including Malaysia, Saudi Arabia, and the UAE, have successfully integrated Islamic finance into their national financial systems and have become reference points for its global advancement.

As the country with the largest Muslim population worldwide, Indonesia holds significant potential for the development of Islamic banking. Nevertheless, the sector's actual performance remains below expectations. By September 2023, Islamic banking assets in Indonesia reached Rp831.95 trillion, accounting for only 7.27% of the total national banking market share, a proportion that has declined compared to previous years. This figure contrasts markedly with the

demographic reality that approximately 87% of Indonesians identify as Muslim. The relatively limited market penetration can be explained by several factors, including insufficient public awareness, low levels of Islamic financial literacy, and weakening public trust in Islamic banking institutions. Misconceptions regarding Sharia-compliant products and inadequate understanding of their mechanisms further contribute to public hesitation (Faizi, 2024).

This disparity between potential and actual utilization of Islamic banking services highlights a critical research issue. Although numerous studies have examined determinants of Islamic banking adoption—particularly Islamic financial literacy (Mawad et al., 2022; Song et al., 2023) and religiosity (Hassan et al., 2022; Purwanto, 2021), limited attention has been given to the role of Islamic bank reputation as an intervening mechanism in these relationships. Moreover, empirical investigations focusing on regions such as West Nusa Tenggara, where Islamic values are strongly embedded in socio-cultural life, remain scarce. Existing research tends to overlook how contextual factors and trust dynamics at the regional level shape public intentions to adopt Sharia-based financial services.

Building upon these considerations, this study explores the relationships among Islamic financial literacy, religiosity, Islamic bank reputation, trust in Sharia compliance, and the adoption of Islamic banking products and services. Islamic financial literacy refers to an individual's capability to comprehend and utilize financial products that conform to Sharia principles, including contracts such as murabahah, mudharabah, and ijarah, as well as key prohibitions such as riba and gharar (Dinc et al., 2021; Jatmiko et al., 2024). Higher levels of literacy enable individuals to make informed financial decisions and are associated with stronger engagement with Islamic banking institutions (Abbas et al., 2023; Wijaya et al., 2024). However, in Indonesia, the level of Islamic financial literacy remains relatively low, with only 8.11% of the population demonstrating adequate understanding of Sharia-compliant financial products (Fithrie et al., 2022).

Religiosity is another important determinant of financial behavior. It reflects the extent to which religious beliefs and practices influence daily decision-making, including economic activities. Individuals with stronger religiosity tend to prefer financial services aligned with Islamic principles, as these services correspond with their moral and spiritual values (Hassan et al., 2022; Purwanto, 2021). Religiosity has also been found to strengthen perceptions of trust and credibility toward Islamic banking institutions (Abror et al., 2022; Junaidi, 2024).

In addition to these factors, Islamic bank reputation plays a central role in shaping consumer trust and behavioral intentions. In the financial sector, reputation is closely associated with transparency, ethical conduct, and institutional reliability. For Islamic banks, compliance with Sharia principles constitutes a fundamental element in building a strong and credible reputation

(Hoque et al., 2022; Suhartanto et al., 2021). A positive reputation not only directly influences customer decisions but may also function as a mediating variable linking Islamic financial literacy and religiosity to the adoption of Islamic banking products (Ali et al., 2024; El Mallouli & Sassi, 2022).

Furthermore, trust in Sharia compliance is expected to strengthen the relationship between Islamic bank reputation and product adoption. When consumers are confident that an Islamic bank genuinely adheres to Sharia principles, the positive effect of reputation on adoption becomes more pronounced. Prior research emphasizes that trust enhances customer loyalty and reinforces perceptions of service quality, thereby supporting long-term engagement (Butt et al., 2022; Tabrani et al., 2018).

Based on the above discussion, this study proposes a comprehensive conceptual framework that examines both direct and indirect relationships among Islamic financial literacy, religiosity, Islamic bank reputation, trust in Sharia compliance, and the adoption of Islamic banking products and services. Specifically, Islamic financial literacy and religiosity are hypothesized to positively influence both Islamic bank reputation and adoption. Islamic bank reputation is proposed to mediate the relationships between these independent variables and adoption, while trust in Sharia compliance moderates the effect of reputation on adoption. By focusing on West Nusa Tenggara, this study provides context-specific insights that enrich the broader discourse on Islamic banking adoption in Indonesia and contribute to both theoretical development and practical policy formulation.

METHODS

Research Design

This study adopts a quantitative research approach using a cross-sectional survey design to analyze the relationships between Islamic financial literacy, religiosity, Islamic bank reputation, trust in Sharia compliance, and the adoption of Islamic banking products and services. The study focuses on the context of West Nusa Tenggara, Indonesia, a region with a predominantly Muslim population and a growing Islamic banking sector.

Population and Sampling

The target population consists of customers of Islamic banks in West Nusa Tenggara. These customers were chosen as they actively engage with Islamic banking products and services, making them suitable for assessing the research variables. The study employs quota sampling to ensure representation from three major Islamic banks with regional offices in the area: Bank Syariah Indonesia (government-owned), Bank NTB Syariah (local government-owned), Muamalat Bank (privately owned).

A total sample size of 300 respondents was determined based on guidelines for Structural Equation Modeling (SEM), which recommend a minimum of 5 to 10 respondents per observed variable. To ensure representativeness, the sample distribution included 120 customers from Bank Syariah Indonesia, 100 from Bank NTB Syariah, and 80 from Muamalat Bank.

Data Collection

Primary data were collected using a structured questionnaire administered both online and offline over a three-month period from January to March 2024. The respondents were required to have an active Islamic bank account, use at least two Islamic banking products (e.g., savings, credit, or insurance), and be over 18 years of age. Ethical considerations were strictly followed, with participants providing informed consent and their responses remaining anonymous.

Measurement of Variables

The measurement items used in this study were validated through a pilot test conducted prior to the main data collection. The pilot test was performed with a sample of 50 respondents to ensure the clarity, relevance, and reliability of the items. The results of the pilot test confirmed that all items met the necessary reliability and validity criteria, as indicated by satisfactory Cronbach’s alpha values, Composite Reliability (CR), and Average Variance Extracted (AVE) for each construct. Any ambiguous items were revised to improve clarity before the final survey was distributed. As a result, the final measurement items for Islamic Financial Literacy, Religiosity, Islamic Bank Reputation, Trust in Sharia Compliance, and Adoption of Islamic Banking Products were deemed valid and reliable for use in the main study.

Table 1. Detail of Variables

Variable	Indicator	Item	Source
Islamic Financial Literacy	Knowledge of Islamic financial principles	"I understand the concept of Islamic finance."	(Abbas et al., 2023)
	Awareness of Islamic financial products	"I am aware of various Islamic banking products."	
	Skills in financial management	"I can manage finances based on Sharia principles."	
	Behavioral intentions to use Islamic financial services	"I prefer using Sharia-compliant financial products."	
	Attitudes towards Islamic finance	"Islamic finance meets my financial needs."	
	Application of Islamic financial knowledge	"I use my knowledge to make decisions on Islamic financial products."	
Religiosity	Frequency of religious practices	"I perform daily prayers regularly."	(Junaidi, 2024)
	Importance of religion in daily life	"Religion guides my daily activities."	

	Religious knowledge and beliefs	"I understand Islamic values and teachings."	
	Religious community engagement	"I actively participate in religious events."	
	Religious adherence	"I strictly follow Islamic teachings."	
Islamic Bank Reputation	Adherence to Sharia principles	"The bank strictly follows Sharia rules."	(Hoque et al., 2022)
	Perception of service quality	"The bank provides high-quality services."	
	Islamic bank governance	"The bank is well-governed and transparent."	
	Public trust	"I trust the bank to handle my finances responsibly."	
Trust in Sharia Compliance	Confidence in the bank's Sharia adherence	"The bank complies with Sharia principles."	(Tabrani et al., 2018)
	Perceived ethical behavior	"The bank operates ethically and responsibly."	
	Confidence in Sharia-compliant governance	"I trust the bank's compliance with Sharia-based governance."	
	Assurance of adherence to Islamic values	"The bank's services reflect adherence to Islamic values."	
Adoption of Islamic Banking Products and Services	Perceived financial benefit	"Islamic banking offers fair financial advantages."	(Ali et al., 2024)
	Brand schematicity	"I associate the bank's brand with Islamic values."	
	Perceived ethical practices	"The bank's products reflect ethical standards."	
	Ease of access	"The bank's services are convenient to use."	
	Alignment with Islamic principles	"The bank's products align with my faith."	
	Perception of service quality	"The bank provides excellent customer service."	
	Intention to persist	"I plan to continue using Islamic banking products."	

Data Analysis

The data were analyzed using Structural Equation Modeling (SEM) with Smart PLS software. Descriptive statistics, including means and standard deviations, were used to summarize respondents' characteristics and responses. Reliability was assessed using Cronbach's alpha and Composite Reliability (CR), while validity was examined through Convergent Validity (using Average Variance Extracted) and Discriminant Validity (using the Fornell-Larcker criterion). The structural model was evaluated to test hypotheses involving direct, indirect, and moderated relationships. The mediation effects of Islamic bank reputation were verified through

bootstrapping techniques, while moderation analysis assessed the interaction effects of trust in Sharia compliance on the relationship between Islamic bank reputation and adoption of Islamic banking products.

Ethical Considerations

The study adhered to ethical research standards. Respondents were informed about the study’s purpose and assured of their anonymity and confidentiality. Participation was voluntary, and informed consent was obtained prior to data collection.

RESULTS AND DISCUSSION

The demographic characteristics of respondents show that the largest age group is between 26 and 35 years old, accounting for 40% of the sample, followed by the 36 to 45 age group at 25%. Younger respondents aged 18 to 25 make up 20%, while those over 45 years represent 15% of the sample. In terms of gender, 55% of the respondents are male, and 45% are female. Regarding education level, half of the respondents (50%) hold a bachelor’s degree, while 30% have completed high school, and 20% possess a master’s or doctoral degree. Banking behavior indicates that savings products are the most popular, used by 60% of respondents, followed by credit products (20%), insurance (15%), and other services (5%).

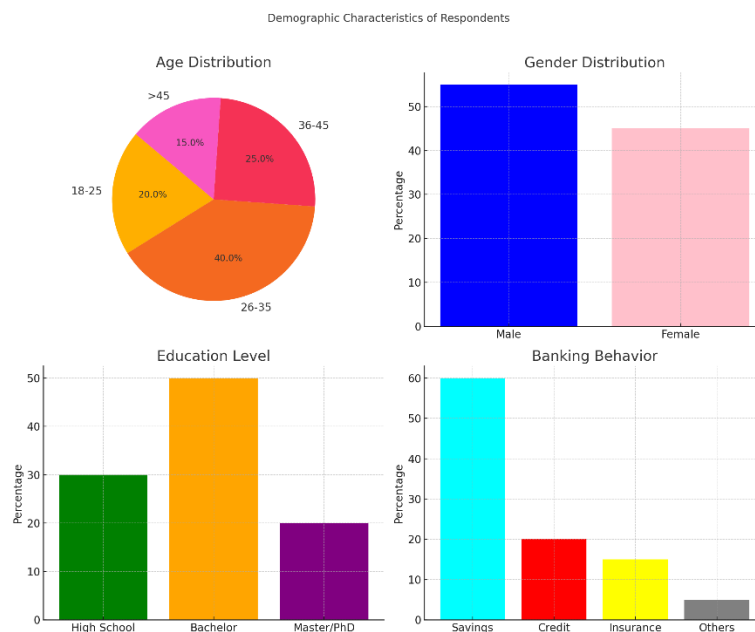


Figure 2. Demographic of Respondents

Source: Data Processed, 2024

The descriptive analysis of research variables reveals that Religiosity has the highest mean score (5.2) with a standard deviation of 0.7, suggesting that respondents perceive themselves as highly religious. The Adoption of Islamic Banking Products also scores relatively high with a mean of 5.0 and a standard deviation of 0.7, indicating positive engagement with Islamic banking

services. Trust in Sharia Compliance has a mean score of 4.9 and a standard deviation of 0.8, reflecting respondents' confidence in the Sharia-compliant nature of Islamic banks. Islamic Bank Reputation follows with a mean of 4.7 and a standard deviation of 0.9, showcasing a moderate-to-high reputation perception among respondents. Lastly, Islamic Financial Literacy records a mean score of 4.5 and a standard deviation of 0.8, highlighting room for improvement in consumer knowledge of Islamic banking principles. Overall, the standard deviations across variables are relatively low, indicating consistency in responses among the participants.

Table 2. Descriptive Statistics

Variable	Mean	Std. Deviation	Response Range
Islamic Financial Literacy	4.5	0.8	07-Jan
Religiosity	5.2	0.7	07-Jan
Islamic Bank Reputation	4.7	0.9	07-Jan
Trust in Sharia Compliance	4.9	0.8	07-Jan
Adoption of Islamic Banking Products	5	0.7	07-Jan

Measurement Model

The results of the measurement model assessment demonstrate strong reliability, convergent validity, and discriminant validity across all constructs and items (see table 3). The loading factors for each item also support the convergent validity of the model, with all item loadings above 0.70, demonstrating that the individual items have a strong association with their respective constructs. These findings suggest that the measurement items for each construct are valid and appropriate for assessing Islamic Financial Literacy, Religiosity, Islamic Bank Reputation, Trust in Sharia Compliance, and Adoption of Islamic Banking Products. The assessment supports the adequacy of the measurement model for further structural equation modeling.

Table 3. Measurement Model Assessment

Construct	Item	Loading Factor	Cronbach's Alpha	CR	AVE
Islamic Financial Literacy	IFL1	0.81	0.85	0.87	0.62
	IFL2	0.79			
	IFL3	0.85			
	IFL4	0.82			
	IFL5	0.8			
	IFL6	0.78			
Religiosity	REL1	0.87	0.88	0.9	0.68

	REL2	0.88			
	REL3	0.85			
	REL4	0.86			
	REL5	0.84			
Islamic Bank Reputation	IBR1	0.78			
	IBR2	0.8	0.82	0.85	0.6
	IBR3	0.83			
	IBR4	0.81			
Trust in Sharia Compliance	TSC1	0.84			
	TSC2	0.83	0.87	0.89	0.65
	TSC3	0.86			
	TSC4	0.85			
Adoption of Islamic Banking Products	AIB1	0.86			
	AIB2	0.89			
	AIB3	0.87			
	AIB4	0.88	0.89	0.91	0.7
	AIB5	0.9			
	AIB6	0.85			
	AIB7	0.87			

Source: data processed, 2024

Reliability is confirmed through Cronbach's alpha and Composite Reliability (CR) values. For each construct, the Cronbach's alpha values range from 0.82 to 0.89, exceeding the recommended threshold of 0.70, indicating high internal consistency. Similarly, the CR values for each construct are above 0.85, further affirming the internal consistency of the measurement model. These results imply that the items used to measure Islamic Financial Literacy, Religiosity, Islamic Bank Reputation, Trust in Sharia Compliance, and Adoption of Islamic Banking Products are reliable and produce consistent results across respondents. Convergent validity is confirmed as the Average Variance Extracted (AVE) values for all constructs exceed the recommended threshold of 0.50, with AVE values ranging from 0.60 to 0.70. This indicates that a significant portion of the variance in the observed items is captured by their corresponding latent constructs.

Table 4. Discriminant Validity (Fornell-Larcker Criterion)

Construct	IFC	REL	IBR	TSC	AIB
IFC	0.79				

RL	0.45	0.82			
IBR	0.50	0.46	0.77		
TSC	0.48	0.50	0.55	0.81	
AIB	0.55	0.52	0.58	0.60	0.80

Source: data processed, 2024

The Discriminant Validity Table, based on the Fornell-Larcker Criterion, confirms that each construct is distinct from the others. The diagonal elements, representing the square roots of the Average Variance Extracted (AVE), are higher than the off-diagonal correlation values in their respective rows and columns. For example, the square root of AVE for Islamic Financial Literacy is 0.79, which is higher than its correlations with Religiosity (0.45), Islamic Bank Reputation (0.50), Trust in Sharia Compliance (0.48), and Adoption of Islamic Banking Products (0.55). Similar patterns are observed for other constructs such as Religiosity (0.82), Islamic Bank Reputation (0.77), Trust in Sharia Compliance (0.81), and Adoption of Islamic Banking Products (0.80). This indicates that each construct shares more variance with its own indicators than with any other construct, confirming sufficient discriminant validity in the measurement model. This result supports the model's validity, ensuring that the constructs are conceptually distinct and do not significantly overlap.

Structure Model Assessment

The Model Fit Indices (Table 5) demonstrate the adequacy of the structural model in explaining the variance in the endogenous variables. The R^2 for Islamic Bank Reputation is 0.67, indicating that 67% of the variance in Islamic Bank Reputation is explained by its predictors, namely Islamic Financial Literacy and Religiosity. Similarly, the R^2 for Adoption of Islamic Banking Products is 0.59, meaning that 59% of the variance in the adoption of Islamic banking products is explained by Islamic Financial Literacy, Religiosity, and Islamic Bank Reputation. The Q^2 predictive relevance score is 0.52, which exceeds the threshold of 0, suggesting that the model has strong predictive relevance. Collectively, these indices confirm the model's goodness-of-fit, highlighting its ability to explain the underlying relationships between the constructs in the adoption of Islamic banking products. This strong explanatory power supports the relevance and robustness of the structural model.

Table 5. Model Fit Indices

Metric	Value	Interpretation
R^2 for Islamic Bank Reputation	0.67	67% of the variance in Islamic Bank Reputation is explained by the independent variables.

R² for Adoption of Islamic Banking Products	0.59	59% of the variance in Adoption of Islamic Banking Products is explained by the predictors.
Q² for Predictive Relevance	0.52	Q ² value of 0.52 indicates good predictive relevance.

Source: data processed, 2024

The results of the direct effects analysis in table 6 reveal significant relationships between the constructs in the model. The path from Islamic Financial Literacy to Islamic Bank Reputation shows a coefficient of 0.45 with a t-statistic of 9.00 ($p < 0.001$), indicating a strong and statistically significant positive relationship. This suggests that higher levels of Islamic financial literacy enhance the reputation of Islamic banks among customers. Similarly, Religiosity has a positive effect on Islamic Bank Reputation, with a path coefficient of 0.40, a t-statistic of 6.67, and a p-value of 0.002. This finding implies that as customers' religiosity increases, so does their perception of the Islamic bank's reputation, reinforcing the critical role of religious values in shaping trust and perceptions in Islamic banking.

The analysis also highlights the direct effects of the independent variables on Adoption of Islamic Banking Products. The direct path from Islamic Financial Literacy to Adoption has a coefficient of 0.30 with a t-statistic of 4.29 ($p = 0.015$), indicating a significant positive but relatively moderate effect. Likewise, Religiosity directly affects Adoption, with a coefficient of 0.28, a t-statistic of 3.50, and a p-value of 0.030, suggesting that customers with higher religiosity are more likely to adopt Islamic banking products. The strongest direct effect is seen in the path from Islamic Bank Reputation to Adoption, with a coefficient of 0.55, a t-statistic of 13.75, and a p-value of 0.000, signifying a substantial and highly significant relationship. This result highlights the crucial role of bank reputation in encouraging customer adoption of Islamic banking products. These findings underscore the importance of Islamic financial literacy, religiosity, and bank reputation in promoting customer engagement with Islamic banking services.

Table 6. Direct Effect

Path	Coeff.	Std. Error	t-Stat.	p-Value	Note
IFL → IBR	0.45	0.05	9.0	0.001	Supported
REL → IBL	0.4	0.06	6.67	0.002	Supported
IFL → AIB	0.3	0.07	4.29	0.015	Supported
REL → AIB	0.28	0.08	3.5	0.030	Supported
IBR → AIB	0.55	0.04	13.75	0.000	Supported

Source: data processed, 2024

The results of the indirect effects analysis reveal the mediating role of Islamic Bank Reputation in the relationship between Islamic Financial Literacy and Adoption of Islamic Banking Products. The indirect path coefficient for Islamic Financial Literacy → Islamic Bank Reputation → Adoption is 0.25, with a t-statistic of 6.25 and a p-value of 0.010. This indicates that Islamic Bank Reputation significantly mediates the relationship between Islamic Financial Literacy and the adoption of Islamic banking products. The significance of this mediation highlights that financial literacy alone may not be sufficient to drive adoption. Instead, consumers’ perception of the bank’s reputation plays a vital role in shaping their decision to adopt Islamic banking products. This finding suggests that efforts to improve financial literacy should be complemented with strategies aimed at strengthening the bank’s reputation.

Table 7. Indirect Effect

Path	Coefficient	Standard Error	t-Stat.	p-Value	Note
IFL → IBR → AIB	0.25	0.04	6.25	0.01	Supported
REL → IBR → AIB	0.22	0.05	4.4	0.02	Supported
TSC × IBR → AIB	0.18	0.06	3.0	0.04	Supported

Source: data processed, 2024

Similarly, the mediating role of Islamic Bank Reputation in the relationship between Religiosity and Adoption of Islamic Banking Products is also significant. The indirect path coefficient for Religiosity → Islamic Bank Reputation → Adoption is 0.22, with a t-statistic of 4.40 and a p-value of 0.020. This result shows that Islamic Bank Reputation serves as a crucial channel through which religiosity influences the adoption of Islamic banking products. While direct effects from Religiosity to Adoption are present, the mediating effect suggests that customer perceptions of the bank’s adherence to Islamic principles amplify this relationship.

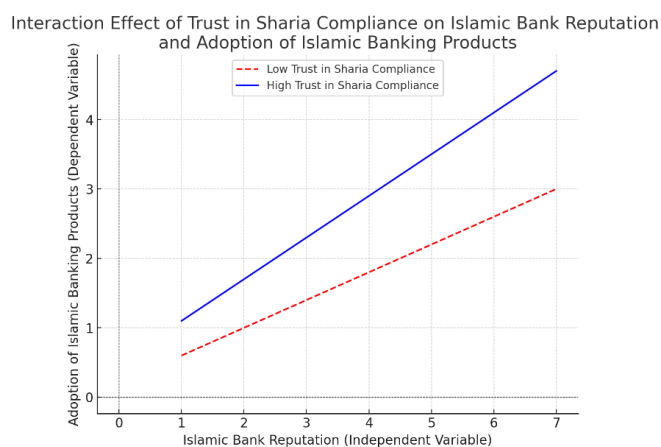


Figure 3. Interaction Effect of Trust on Islamic Bank Reputation

Source: data processed, 2024

Additionally, the moderation analysis reveals that the interaction between Trust in Sharia

Compliance and Islamic Bank Reputation has a path coefficient of 0.18, a t-statistic of 3.00, and a p-value of 0.040. Moreover, the interaction graph illustrates the moderating role of Trust in Sharia Compliance on the relationship between Islamic Bank Reputation (independent variable) and Adoption of Islamic Banking Products (dependent variable). The slope for the "High Trust in Sharia Compliance" line is steeper compared to the "Low Trust in Sharia Compliance" line. This indicates that when trust in Sharia compliance is high, the positive effect of Islamic Bank Reputation on the adoption of Islamic banking products is stronger (Duc & Mujahida, 2024). This visualization highlights the importance of promoting trust in Sharia compliance to enhance the impact of bank reputation on customer adoption behavior. Let me know if you'd like any adjustments or explanations.

DISCUSSION

The findings of this study align with and extend the results of prior research on the adoption of Islamic banking products. Previous studies have consistently emphasized the role of Islamic Financial Literacy in shaping consumer behavior in Islamic finance. For instance, Abbas et al. (2023) and Dinc et al. (2021) found that individuals with higher financial literacy are better equipped to understand complex Sharia-compliant financial products, thereby enhancing their trust in Islamic banking institutions. This is further supported by Fithrie et al. (2022), who reported that increasing financial literacy programs significantly improves customer perception of Islamic bank reputation. Similar insights were highlighted by Hoque et al. (2022), who argued that financial literacy strengthens customer confidence in banks adhering to Islamic principles. The findings of this study reinforce these conclusions, as Islamic financial literacy was found to have both a direct and indirect effect (via reputation) on the adoption of Islamic banking products.

The role of Religiosity in promoting Islamic bank reputation and product adoption is well-documented in Islamic finance literature. Studies by Ahmad (2022) and Angraini and Isnaeni (2024) have demonstrated that religiosity positively influences consumer trust in Islamic financial products, as consumers view adherence to Sharia principles as a reflection of ethical banking. In this study, religiosity was found to have a significant direct and indirect impact on adoption. This is consistent with the findings of Chantziaras et al. (2020), who noted that religiosity not only drives consumers toward ethical financial decisions but also enhances their perception of the bank's legitimacy. Purwanto (2021) found that the stronger a consumer's religious adherence, the more likely they are to prioritize Sharia-compliant services, which further supports the findings of this study. Together, these findings highlight the pivotal role of religiosity in shaping customer preferences for Islamic banking services.

The mediating role of Islamic Bank Reputation and the moderating effect of Trust in Sharia Compliance are also well-grounded in existing literature. El Mallouli and Sassi (2022) argued that a strong reputation serves as a trust-building mechanism, especially in the Islamic banking sector, where adherence to Sharia principles is paramount. This study found that Islamic Bank Reputation significantly mediates the relationship between Islamic financial literacy, religiosity, and adoption. Similar conclusions were drawn by Gli et al. (2024) and Macca et al. (2024), who reported that the stronger the bank's reputation, the more willing consumers are to engage with its products. Additionally, the moderation effect of Trust in Sharia Compliance is consistent with findings by Albaity and Rahman (2021) and Ahmed and Rusanti (2024), who found that trust in Sharia compliance strengthens the impact of bank reputation on customer loyalty and purchase intention. Collectively, these studies support the view that strong bank reputation and high consumer trust in Sharia compliance amplify the likelihood of adopting Islamic banking products.

This study contributes to the theoretical development of the adoption of Islamic banking products by incorporating Islamic financial literacy, religiosity, Islamic bank reputation, and trust in Sharia compliance into a single structural model. Unlike previous studies that examined these constructs in isolation, this study highlights the mediating role of Islamic bank reputation and the moderating role of trust in Sharia compliance. The integration of these variables provides a more comprehensive understanding of the customer decision-making process in Islamic banking. By doing so, the study advances the Resource-Based View (RBV) and Trust Theory, demonstrating that a bank's intangible resources, such as reputation and consumer trust, are essential for driving customer engagement. Furthermore, the study provides empirical evidence on the dual role of financial literacy and religiosity as direct and indirect predictors of consumer adoption, thereby offering a theoretical basis for future research to explore similar relationships in other contexts.

The practical implications of this study are relevant for policymakers, Islamic banking institutions, and marketing practitioners. First, banks should design financial literacy programs and awareness campaigns to educate customers about the unique features of Islamic banking. This would not only improve consumer understanding but also enhance trust and bank reputation. Financial literacy workshops, online courses, and educational seminars could be utilized to improve consumer awareness and drive adoption. Second, Islamic banking institutions should leverage their religious identity to appeal to consumers with strong religious beliefs. Marketing strategies should emphasize adherence to Sharia principles, ethical practices, and transparency to align with the religious values of potential customers. Finally, building and maintaining a strong reputation is crucial. Banks should engage in corporate social responsibility (CSR) initiatives and uphold ethical financial practices to strengthen public trust. Since the study found that Trust in

Sharia Compliance strengthens the effect of reputation on adoption, banks should make their Sharia compliance practices more transparent through independent audits and Sharia certifications. These efforts can create a more favorable customer experience and foster long-term customer loyalty.

CONCLUSION

This study investigates the influence of Islamic Financial Literacy, Religiosity, Islamic Bank Reputation, and Trust in Sharia Compliance on the Adoption of Islamic Banking Products. The key findings highlight that Islamic Financial Literacy and Religiosity have significant direct and indirect effects on the adoption of Islamic banking products. The mediation analysis reveals that Islamic Bank Reputation plays a vital role in mediating the relationship between Islamic Financial Literacy, Religiosity, and the adoption of Islamic banking products. Furthermore, the moderation analysis shows that Trust in Sharia Compliance strengthens the positive relationship between Islamic Bank Reputation and the adoption of Islamic banking products. This implies that enhancing customer trust in Sharia compliance can amplify the effect of bank reputation on product adoption. The study provides theoretical support for the Resource-Based View (RBV) and Trust Theory, emphasizing the role of intangible resources such as trust and reputation in influencing customer behavior.

While this study provides valuable insights, it is not without limitations. First, the study adopts a cross-sectional research design, which limits the ability to infer causality between the constructs. A longitudinal approach could offer deeper insights into the evolution of customer behavior over time. Second, the study was conducted in the context of Islamic banking customers in West Nusa Tenggara, Indonesia. Therefore, the generalizability of the findings to other regions or countries with different socio-economic and cultural contexts may be limited. Third, the sample size was confined to 300 respondents, which, while sufficient for SEM analysis, may not capture the full diversity of consumer perspectives. Lastly, the study focused on specific constructs such as Islamic Financial Literacy, Religiosity, Islamic Bank Reputation, and Trust in Sharia Compliance, and other important factors like perceived risk, service quality, and brand image were not included in the analysis.

Future studies should address the limitations of this research to provide a more comprehensive understanding of the factors influencing the adoption of Islamic banking products. Longitudinal studies could offer more robust insights into the causal relationships between variables. Expanding the scope to include a larger and more diverse sample across multiple regions and countries would enhance the generalizability of the findings. Additionally, future research could explore the role of other constructs, such as perceived risk, service quality, brand image, and

customer experience, in influencing the adoption of Islamic banking products. Investigating the interaction effects of demographic factors, such as age, education, and income level, could also provide a more nuanced understanding of customer behavior. Finally, future research could apply mixed methods approaches to capture both quantitative data and qualitative insights from customer interviews, thereby offering a holistic view of the adoption process in Islamic banking.

REFERENCE

- Abbas, A., Triani, N., Rayyani, W. O., & Muchran, M. (2023). Earnings growth, marketability and the role of Islamic financial literacy and inclusion in Indonesia. *Journal of Islamic Accounting and Business Research*, 14(7), 1088–1105.
- Abdullaev, A., & Bekimbetova, G. (n.d.). Global Experiences in Islamic Finance an Insight for Uzbekistan. *Research of Economics, Management, Business and Education*, 1(1), 31–44.
- Abror, A., Patrisia, D., Engriani, Y., Idris, I., & Dastgir, S. (2022). Islamic bank trust: the roles of religiosity, perceived value and satisfaction. *Asia Pacific Journal of Marketing and Logistics*, 34(2), 368–384.
- AHMAD, A. (2022). The Effect of Religiosity, Profit Los And Sharing on Consumer Trust and Intention to Financing in Islamic Bank. *Li Falah: Jurnal Studi Ekonomi Dan Bisnis Islam*.
- Ahmed, I., & Rusanti, E. (2024). Shariah Compliance, Customer Relationship Marketing, and Loyalty in Islamic Banking: The Role of Customer Satisfaction. *Jurnal Ilmu Ekonomi Dan Bisnis Islam*, 6(1), 54–72.
- Albaity, M., & Rahman, M. (2021). Customer loyalty towards Islamic banks: the mediating role of trust and attitude. *Sustainability*, 13(19), 10758.
- Ali, Q., Parveen, S., Aspiranti, T., Nurhayati, N., & Rusgianto, S. (2024). Barriers to the adoption of Islamic banking: a bibliometric analysis. *International Journal of Ethics and Systems*, 40(3), 628–650.
- Angraini, N., & Isnaeni, N. (2024). The Influence Of Islamic Financial Literacy, Religiosity, And Service Quality On The Decision To Save at Islamic Banks with Trust as an Intervening Variable in Jambi Province. *The Asian Journal of Professional & Business Studies*, 5(1), 139–150.
- Butt, M. A., Ayub, H., Latif, B., Asif, F., Shabbir, M. S., & Raja, A. A. (2022). Financial risks and performance of conventional and Islamic banks: do reputational risk matters? *Journal of Islamic Accounting and Business Research*, 13(4), 581–595.
- Chantziaras, A., Dedoulis, E., Grougiou, V., & Leventis, S. (2020). The impact of religiosity and corruption on CSR reporting: The case of US banks. *Journal of Business Research*, 109, 362–374.
- Dinc, Y., Çetin, M., Bulut, M., & Jahangir, R. (2021). Islamic financial literacy scale: an amendment in the sphere of contemporary financial literacy. *ISRA International Journal of Islamic Finance*,

13(2), 251–263.

- Duc, L. D. T., & Mujahida, S. (2024). Determinants of consumer preference for local brands: A comprehensive review of recent literature. *Global Review of Tourism and Social Sciences*, 1(1), 41–52.
- El Mallouli, A., & Sassi, H. (2022). Determinants of Islamic banking products and services adoption in Morocco: a conceptual framework. *Journal of Islamic Marketing*, 13(7), 1589–1605.
- Faizi, F. (2024). How are Islamic banking products developed? Evidence from emerging country. *Cogent Economics & Finance*, 12(1), 2378961.
- Fithrie, S., Waldelmi, I., & Aquino, A. (2022). Analysis Of Sharia Financial Literature Post Merger Of Sharia Commercial Bank Pekanbaru. *Al-Ammal: Jurnal Ekonomi Dan Perbankan Syariah*, 14(1), 35.
- Gli, D. D., Tweneboah-Koduah, E. Y., Odoom, R., & Kodua, P. (2024). The effect of corporate reputation on customer loyalty in the Ghanaian banking industry: the role of country-of-origin. *African Journal of Economic and Management Studies*, 15(1), 73–87.
- Hassan, M. K., Chiaramonte, L., Dreassi, A., Paltrinieri, A., & Piserà, S. (2022). The religious fringe of corporate social responsibility. *International Review of Economics & Finance*, 80, 243–265.
- Hoque, M. N., Rahman, M. K., Said, J., Begum, F., & Hossain, M. M. (2022). What factors influence customer attitudes and mindsets towards the use of services and products of Islamic banks in Bangladesh? *Sustainability*, 14(8), 4703.
- Jatmiko, W., Iqbal, A., & Ebrahim, M. S. (2024). On the ethicality of Islamic banks' business model. *British Journal of Management*, 35(1), 115–136.
- Junaidi, J. (2024). Islamic banks' contribution to Indonesia districts' economic growth and poverty alleviation. *Journal of Economics, Finance and Administrative Science*, 29(58), 294–308.
- Macca, L. S., Ballerini, J., Santoro, G., & Dabić, M. (2024). Consumer engagement through corporate social responsibility communication on social media: Evidence from Facebook and Instagram Bank Accounts. *Journal of Business Research*, 172, 114433.
- Mawad, J. L., Athari, S. A., Khalife, D., & Mawad, N. (2022). Examining the impact of financial literacy, financial self-control, and demographic determinants on individual financial performance and behavior: An insight from the Lebanese Crisis Period. *Sustainability*, 14(22), 15129.
- Purwanto, P. (2021). Society attitudes and intentions to use products in sharia bank of Aceh: The role of religiosity and social influence. *ABAC Journal*, 41(2), 223.
- Report, S. (2023). *IFSB 2023*.
- Song, C. L., Pan, D., Ayub, A., & Cai, B. (2023). The interplay between financial literacy, financial

- risk tolerance, and financial behaviour: the moderator effect of emotional intelligence. *Psychology Research and Behavior Management*, 535–548.
- Suhartanto, D., Dean, D., Wibisono, N., Astor, Y., Muflih, M., Kartikasari, A., Sutrisno, R., & Hardiyanto, N. (2021). Tourist experience in halal tourism: what leads to loyalty? *Current Issues in Tourism*, 24(14), 1976–1990.
- Tabrani, M., Amin, M., & Nizam, A. (2018). Trust, commitment, customer intimacy and customer loyalty in Islamic banking relationships. *International Journal of Bank Marketing*, 36(5), 823–848.
- Wijaya, H. R., Hati, S. R. H., Ekaputra, I. A., & Kassim, S. (2024). The impact of religiosity and financial literacy on financial management behavior and well-being among Indonesian Muslims. *Humanities and Social Sciences Communications*, 11(1), 1–13.
- Xi, W., & Wang, Y. (2023). Digital financial inclusion and quality of economic growth. *Heliyon*, 9(9).