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A Behavioral Analysis Behind the Intention to Adopt Islamic Financial Products and Services in Malaysia: Underpinning Social Cognitive Theory

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Abstract

The growing global Muslim population and the increasing demand for halal products have also spurred interest in Islamic financial services, where the interplay between sacred and profane influences consumer choices. However, the market share of Islamic banking in Malaysia is still overshadowed by conventional banking, with only 33.4% of total deposits in 2018 attributed to Islamic banks. This indicates a significant challenge in attracting customers, where psychological factors play crucial roles in influencing behavioral intentions to adopt Islamic banking services. The study attempts to discover and provide an understanding on the 'determinants factors on intention to adopt Islamic financial products and services with the integration of Social Cognitive Theory, Islamic financial literacy and the financial behavior of the consumer in Malaysia'. Partial Least Square PLS-SEM technique is used to analyze the 363 data in order to provide statistical result from respondents in the Klang Valley. The results demonstrate that all variables tested in this study have a strong relationship and identified as the determinants of intention to adopt Islamic financial products and services. The result from this study also provides practical implication for Islamic finance institutions to produce and market their Islamic financial products in the right and targeted market group.

Keywords:
Social Cognitive Theory, Islamic Financial Literacy, Financial Self-Efficacy, Islamic financial products and services.

JEL Classifications:
G21, G53, P42, Z12

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A. Introduction

The landscape of Islamic financial services in Malaysia is broad and rapidly progressing, influenced by both innovation and regulatory support. The Malaysian government fosters a favorable climate for Islamic finance, which appeals to a diverse audience, including both Muslims and non-Muslims. Historical influences, like the prevalence of Islamic governance and trade activities, spurred the creation of intermediary institutions offering financial services such as transfers, loans, deposits, and financing (Alharbi, 2015). Many Malaysian consumers favor Islamic financial products due to Shariah-compliant practices, including non-interest policies, profit-sharing systems, and exclusions from investments in sectors like alcohol and gambling. Growing awareness of these products shapes institutional operations, particularly in complex financial offerings. Technological advancements have further facilitated the development of innovative Islamic products, enhancing options to structure portfolios effectively. Yet, alongside this growth, challenges remain, especially in client education and product diversification.

With Malaysia's Muslim population now approximately 63.7% in 2024, the financial sector is urged to adapt products that resonate with this demographic. Financial institutions play a crucial role in managing wealth, and Malaysia’s Islamic finance sector has evolved substantially, supported by both domestic and international demand. The 2013 Islamic Financial Services Act (IFSA) introduced a regulatory framework ensuring compliance and standardization, leading to a notable increase in deposits relative to investments (Ahmad, 2023). Many Islamic financial institutions are gaining traction, as shown by Islamic financing’s rise to 42% of the domestic banking system loans, driven by an ‘Islamic First’ approach.

Despite these advancements, significant obstacles remain in consumer knowledge and institutional challenges. Research indicates limited awareness among Malaysian consumers regarding Islamic credit cards and other financial offerings, with religious beliefs playing a prominent role in decision-making (Mohamad et al., 2022). This knowledge gap also affects broader industry stakeholders, limiting the sector’s full potential (Bashir et al., 2021). The adoption of Islamic finance by SMEs remains modest, hindered by limited awareness, attitudes towards external financing, and readiness (Muhamad et al., 2020).

Financial inclusion, particularly for the rural B40 group, remains critical due to barriers such as limited financial literacy, inadequate documentation, and supply-side constraints like high costs and security risks (Sharizan et al., 2021). These issues highlight the need for educational and structural reforms to increase the adoption and understanding of Islamic financial services in Malaysia, ultimately boosting financial inclusion and economic growth. Although no significant knowledge differences exist between customers across banks, more educational initiatives are essential to enhance consumer perceptions of Islamic finance (Mohamed et al., 2021).

As Islamic finance solidifies its role in the global economy, strengthening Malaysia's Islamic finance ecosystem is essential for maintaining leadership in this sector. However, research on Islamic financial literacy's impact on Malaysian consumer behavior is limited, particularly regarding choices between Islamic and conventional financial services. This study seeks to examine how Islamic financial literacy and consumer behaviors influence decision-making, grounded in Social Cognitive Theory. Improved financial literacy could empower households and individuals to make sound financial choices, decreasing financial distress and promoting financial stability. In essence, while Malaysia's Islamic finance sector grows due to religious and ethical considerations, further efforts are necessary to broaden consumer awareness and market share.

B. Literature Review

B.1. Theoretical Framework

Social Cognitive Theory

Social Cognitive Theory (SCT), a modern learning framework introduced by Albert Bandura, offers a comprehensive perspective on human behavior, highlighting the interaction between personal, behavioral, and environmental elements. Widely recognized in social psychology (Bandura, 2005), SCT's influence extends to various domains, including the examination of behavioral factors (cognitive) and environmental impacts on social cognitive learning processes (Bandura, 1989).

SCT is particularly valuable in understanding the acquisition and application of financial knowledge, as it connects financial literacy with the ways individuals' knowledge and decision-making are shaped through social and cognitive factors. Additionally, SCT is essential for examining financial well-being by focusing on the role of cognitive processes in forming financial behaviors and outcomes. Research underscores the significance of SCT in explaining financial decisions by integrating cognitive processes with social interactions that shape investment behavior. This suggests that financial decisions are influenced not only by cognitive factors but also by social dynamics within groups. For example, fund managers and traders may adjust their decisions to maintain group harmony, sometimes prioritizing social consensus over optimal financial results (Preda, 2019). Thomas et al. (2021) expand this by examining how family financial socialization impacts young adults' perceptions and cognitive interpretations of financial well-being, highlighting SCT's anticipatory socialization aspect. Moreover, Schneider (2012) found that income disparity perceptions and the perceived fairness of income distribution significantly shape individuals' sense of well-being, aligning with SCT's emphasis on cognitive evaluation.

In addition, other studies demonstrate SCT's role in mediating financial well-being and performance among entrepreneurs in China (Lei, 2022). Majlinda (2021) further emphasizes SCT's relevance in exploring the theoretical foundation of financial well-being and its relationship to subjective well-being and happiness. Thus, SCT provides a thorough framework for understanding how cognitive and social processes influence financial decision-making. This study leverages SCT to explore how cognitive factors can impact financial choices, particularly regarding the adoption of Islamic financial products and services.

Behavioral Intention on Islamic Financial Products and Services

The behavior of consumers towards Islamic financial products and services in Malaysia is influenced by a variety of factors, including religious beliefs, attitudes, and the perceived value of these products. Muslim consumers in Malaysia, who make up a significant portion of the buying power, show a strong preference for products with halal certification, which extends to financial products and services as well (Rasit et al., 2023). Despite the availability of Islamic financial products, awareness and understanding among consumers remain limited, particularly regarding Islamic credit cards, where religious beliefs and attitudes are the most influential factors in their adoption (Mohamad et al., 2022).

B.2. Hypothesis Development

Financial Self-Efficacy

As a fundamental concept in Social Cognitive Theory (SCT), self-efficacy plays an essential role in understanding behavior and motivation across areas such as financial choices, career decisions, health communication, education, and entrepreneurship. Self-efficacy refers to an individual's confidence in their ability to perform tasks, influencing both intentions and actions. It is also a valuable concept in social psychology, capturing one's belief in effectively addressing challenges (Lopez & Snyder, 2012).

In household financial behavior, Asebedo et al. (2018) found a positive link between self-efficacy and favorable financial behaviors and outcomes. Hadar (2013) suggests that individuals with high financial self-efficacy are confident in their ability to gather necessary information, make informed decisions, and exercise financial control. This financial self-efficacy is crucial in managing financial anxiety and mitigating negative financial behaviors. Financial self-efficacy also indicates a "domain-specific" belief in one's ability to make sound financial decisions. Lim et al. (2014) note that boosting financial self-efficacy could support student financial well-being on campuses, promoting independence from financial aid. Brüggen et al. (2017) further assert that individuals with a clear sense of financial capability achieve better financial outcomes.

In the realm of financial decisions, self-efficacy represents a person's confidence in following through on steps needed to achieve financial objectives (Lopez & Snyder, 2009). Sabri et al. (2020) identified a strong correlation between financial efficacy and well-being, supported by Shim et al. (2009) and Amatucci & Crawley (2011), who observed that individuals with high financial self-efficacy demonstrate confidence in accessing financial services, making informed decisions, and managing complex financial situations.

Additionally, Farrell et al. (2016) highlights that financial self-efficacy is distinct from financial literacy but plays a pivotal role in shaping personal finance behaviors and decisions. Higher financial self-efficacy correlates with prudent investment and savings behaviors, while lower self-efficacy often relates to a preference for debt-oriented products. Farrell also studied financial self-efficacy's impact on women's financial well-being, showing that strong self-efficacy supports positive financial behavior. This relationship is further supported by Sabri et al. (2020) as well as Shim et al. (2009) and Amatucci & Crawley (2011), who found that individuals with high financial self-efficacy are generally more competent in using financial products, making sound financial choices, and handling financial complexities.

Collectively, these findings emphasize that financial self-efficacy, rooted in SCT, significantly influences financial behaviors, alleviates anxiety, and enhances financial satisfaction. This underscores the importance of interventions to enhance financial self-efficacy, thereby improving financial outcomes and well-being. Accordingly, a hypothesis has been developed in light of these insights.

H1: Financial self-efficacy effects the Intention to Adopt Islamic Financial Product and Services

Islamic Financial Literacy

Islamic financial literacy (IFL) plays a key role in encouraging the adoption and performance of Islamic financial products and services. The foundation of IFL lies in understanding Shariah concepts and their practical implementation (Antara et al., 2016). Studies indicate that IFL boosts the behavioral intention to use these products by enhancing awareness and knowledge of the principles and advantages of Shariah-compliant financial options (Benjamin et al., 2024). Marzuki et al. (2020) also confirm that Islamic financial literacy, or fiqh knowledge, significantly affects the willingness to use Islamic FinTech, demonstrating a link between IFL and individual financial behavior (Setyawati & Suroso, 2016).

Moreover, religiosity and attitudes strongly influence the adoption of Islamic insurance (Takaful) in Morocco, emphasizing the role of religious knowledge in shaping consumer choices (Chetioui et al., 2024). A high degree of Islamic financial literacy also encourages financial inclusion within Islamic finance, which is vital for the expansion of Halal MSMEs. These businesses, equipped with Islamic financial knowledge, can better utilize Islamic financial tools for growth (Aisyah et al., 2024). Syakinah (2024) found that Generation Z's intention to use Islamic fintech payment methods is influenced by social factors and habits, highlighting the importance of focused educational and marketing initiatives to foster favorable attitudes towards Islamic financial services. In conclusion, Islamic financial literacy is crucial for cultivating responsible financial behaviors and supporting economic sustainability across various sectors and demographic groups.

H2: Islamic financial literacy effects the Intention to Adopt Islamic Financial Product and Services

Financial Behavior

The study of financial behavior and decision-making around financial products reveals a complex interaction between psychological, social, and economic factors impacting individual investors. Behavioral finance has become a vital area of research, illustrating how biases, heuristics, and psychological tendencies shape financial choices, often leading to irrational actions that conflict with the assumptions of rationality and market efficiency in traditional finance theories (Na et al., 2022). Psychological biases, such as framing effects—where the way information is presented influences decision outcomes—are particularly impactful in decisions involving savings, retirement planning, and insurance (Robert et al., 2023). Incorporating psychological components into financial theories allows for a more accurate explanation of deviations from utility maximization and rationality, challenging foundational models like the Efficient Market Hypothesis (EMH) (A. et al., 2022).

Islamic financial behavior and the adoption of related products and services are influenced by diverse factors, including religiosity, financial literacy, and perceptions of usefulness and ease of use. Islamic financial decision-making is deeply rooted in Shari'ah principles, which guide permissible (halal) and impermissible (haram) transactions, highlighting the need for Islamic financial literacy and religious understanding among Muslim investors (Farah et al., 2019). Findings suggest that enhancing financial literacy and awareness of behavioral biases can help investors make more rational and informed choices, positively impacting individual wealth and contributing to economic stability (Jyoti & Sahoo, 2022). This comprehensive view of financial behavior and decision-making provides valuable insights for corporations, financial institutions, and policymakers working to strengthen the financial sector and economy (Nor et al., 2023).

H3: Financial behavior towards the Intention to Adopt Islamic Financial Product and Services

B.3. Research Framework

This study is testing the Social Cognitive Theory (SCT) as a basis of the present analysis. Plus, we add Islamic Financial literacy and Financial Behavior as part of the constructs to represent considerations from an Islamic perspective that potentially affects the intention to adopt Islamic financial products and services. Thus, this study concluded three variables with six (6) demographic factors in the research model as stated below:

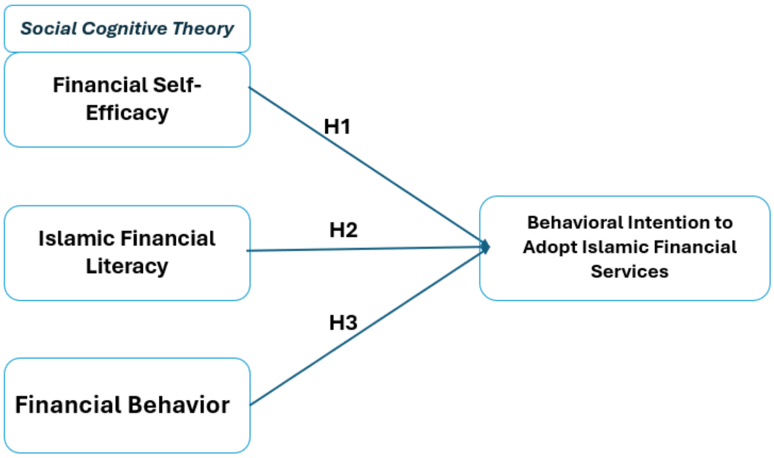

Figure 1. Conceptual Framework

C. Research Methodology

This study collected data through both online and face-to-face questionnaires administered to the working population in Klang Valley. Respondents were selected based on criteria requiring a minimum age of 18 and active employment in Klang Valley. Of the 450 questionnaires distributed, we received 403 responses, achieving a response rate of 90%. Following a screening process to remove incomplete responses and outliers, the final sample size was 363. The questionnaire was structured into two primary sections: demographic information and a measurement of respondents' intentions to adopt Islamic financial products and services, using closed questions.

This study utilizes Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the influence of Social Cognitive Theory, Islamic financial literacy, and financial behavior on the intention to adopt Islamic financial products and services. PLS-SEM, a variance-based structural equation modeling approach, is particularly suitable for predictive and explanatory research (Hair et al., 2014). As outlined by Hair et al. (2014) and Hair, Risher, & Ringle (2018), PLS-SEM accommodates small sample sizes, is robust to non-normality, and can manage formative constructs. The analysis in this study is conducted using SmartPLS 4.1 software and includes both measurement and structural models. For the measurement model, validity and reliability are assessed using factor loading (FL), Average Variance Extracted (AVE), Cronbach's alpha, and Composite Reliability (CR). Recommended thresholds for FL and AVE values are at or above 0.5, while CR and Cronbach's alpha should meet or exceed 0.7 (Hair et al., 2014; Hair et al., 2018). Discriminant validity is evaluated using the Fornell-Larcker criterion and HTMT test.

The structural model is then analyzed by examining the coefficient of determination (R^2), the blindfolding-based cross-validated redundancy measure (Q^2), and the significance and relevance of path coefficients. The blindfolding test is used to calculate Stone-Geisser's Q^2 value, which indicates predictive relevance for the PLS path model when $Q^2 > 0$ (Hair et al., 2014). The R^2 value reflects the model's explanatory power, with 0.25 indicating weak, 0.5 moderate, and 0.75 substantial explanatory strength. However, R^2 values as low as 0.10 may be acceptable in certain fields, such as stock return prediction (Hair et al., 2018).

Data collection was conducted through a questionnaire survey comprising two main sections: demographic information and measures of Islamic financial literacy and intentions to adopt Islamic financial products and services. The items were structured as statements with response options indicating levels of agreement on a five-point Likert scale, from 1 (strongly disagree) to 5 (strongly agree). Following the development of measurement scales, the questionnaire was designed and subsequently pre-tested with three academic experts and 30 participants to ensure clarity, wording, and item flow. Feedback from this pre-test was used to refine the questions. The final questionnaire was provided in both English and Bahasa Melayu, allowing respondents to select their preferred language and cross-reference meanings as needed.

D. Result & Discussion

D.1. Result

Descriptive Analysis of the Respondents

Table 1 below shows the respondents' profiles. Most of the respondents are aged between 25-40 years old. Education levels were predominantly bachelor's degrees (73%), followed by Master's (15.2%). The majority (66.7%) worked in the private sector, followed by the government (18.2%), self-employed (5.2%), and students (6.6%). Marital status was primarily single (51.5%) and married (47.7%).

Table 1. Respondents' Profile (N=363)

Variables	*n*	%
Gender		
Male	169	46.6
Female	194	53.4
Total	***363***	***100***
Age		
Below 25	53	14.6
25-40 years old	242	66.7
41-50 years old	36	9.9
51 and above	32	8.8
Total	***363***	***100***
Education Background		
SPM/ Certificate	17	4.7
STAM/STPM/Diploma	19	5.2
Bachelor's/Professional Degree	265	73.0
Master	55	15.2
PhD	7	1.9
Total	***363***	***100***
Employment Status		
Student	24	6.6
Not Working	5	1.4
Self-Employed	19	5.2
Private	242	66.7
Government	66	18.2
Retiree	7	1.9
Total	363	***100***
Marital Status		
Single	187	51.5
Married	172	47.4
Divorced/Widowed	4	1.1
Total	***363***	***100***

Study variables such as FSE, IFL and FB were also investigated regarding group differences within demographic components. Using ANOVA analysis results in Table 2 below shows that the magnitude of Islamic Financial Literacy and Financial Self-Efficacy varied based on gender, marital status and a monthly income level of respondents. Education background and type of employment were among the essential factors for which the level of Islamic financial literacy, financial self-efficacy, and financial behavior was significantly diverse.

Overall, the analysis exhibits that almost all the constructs tested were significant based on the demographic components among the respondents. Hence, it can be concluded that these demographic variables as control factors to assess the stability effect of Financial self-efficacy, Islamic financial literacy and financial behavior on the intention to adopt Islamic financial products and services.

Table 2. Group Mean Differences of Demographic Components on Study Variables

Variables		Islamic Financial Literacy		Financial Self-Efficacy		Financial Behavior		Intention to Adopt Islamic Products	
		Mean	***F***	**Mean**	***F***	**Mean**	***F***	**Mean**	***F***
Gender	Male	4.04	**4.96***	3.77	1.93	4.19	**5.32****	4.28	**7.21***
	Female	3.92		3.68		4.07		4.13	
Age	Below 25	3.93	0.78	3.71	**3.65***	4.03	0.79	4.07	1.65
	25-40 years old	4.00		3.77		4.14		4.21	
	41-50 years old	3.93		3.74		4.16		4.21	
	51 and above	3.91		3.40		4.16		4.39	
Education Background	SPM/ Certificate	3.45	**9.44****	3.35	1.79	3.52	**12.21***	3.73	**5.71***
	STPM/ Diploma	3.93		3.63		3.97		4.07	
	Bachelor's/ Professional Degree	3.96		3.76		4.11		4.19	
	Master	4.18		3.72		4.42		4.36	
	PhD	4.43		3.50		4.31		4.36	
Employment Status	Student	3.68	**4.32****	3.53	2.65	3.82	**4.50***	4.08	**3.32***
	Not working	3.46		3.50		3.49		3.83	
	Self-Employed	4.13		3.65		4.08		4.18	
	Private	4.02		3.81		4.40		4.17	
	Government	3.90		3.55		4.20		4.31	
	Retiree	4.24		3.36		4.51		4.83	
Marital Status	Single	3.97	1.14	3.81	**4.50***	4.09	1.36	4.13	**3.69***
	Married	4.00		3.63		4.16		4.27	
	Divorced/ Widowed	3.63		3.25		4.36		4.42	
Monthly Income (Group)	B40 (Less than RM 4,850)	3.98	**3.12***	3.85	**7.20****	4.10	**5.69****	4.16	**6.17***
	M40 (RM4,851-RM 10,970)	3.93		3.64		4.08		4.16	
	T20 (Above RM10,970)	4.14		3.51		4.36		4.20	

*Note: Significance at *p<0.05; **p<0.01*

Furthermore, the level of Intention to adopt Islamic financial products and services was estimated using descriptive statistics. Results in Table 3 demonstrate that there is a high level of intentions to adopt Islamic financial products and services among the study respondents. All the items measuring Intention scored an average value ranged from 4.27 to 4.10. However, a means scores of 3=4.27 (Mean = 3.27; SD= 0.705) was calculated in the item BI 3 stating – *'I am likely to choose Islamic financial products for my savings, investment and others in the future'* which is the highest among the 6 items. All the other items scored an average value of 4.0 or above indicating that all the respondents have a high intention to make sure that their financial facilities that they are going to adopt is Shariah compliant based.

Table 3. Level of Behavioral Intention to Adopt Islamic Financial Products and Service

Items	Mean	Minimum	Maximum	Std. Deviation
BI 1	4.12	2	5	.716
BI 2	4.10	1	5	.775
BI 3	4.27	2	5	.705
BI 4	4.23	2	5	.705
BI 5	4.22	2	5	.703
BI 6	4.24	1	5	.730

Model Fit Testing

The model fit test (Model Fit) is carried out first before entering the outer and inner model testing. This test is carried out to see the level of suitability of the proposed model. Hair et al., (2017) state the need to be careful in presenting the results of model fit testing. This is because the critical threshold value is not entirely agreed upon in each of the test. The model suitability tests in SmartPLS, namely SRMR, NFI and Chi-Square are given in Table 4 below.

Table 4. Model Fit Testing

Index	Critical Value	Saturated Model
SRMS	<0.08/<0.1	0.041
NFI	Closed to 1	0.904
Chi-Square	Closed to 0	229.719

The results of the tests meet the threshold value for the SRMR index (0.041) and NFI (0.904). Hence, this research model is considered good. Hair, et al., (2017) explain that it is not necessary to use all index values for model acceptance. On the other hand, Kock & Hadaya (2018) provide details that the use of model suitability test is depending on the purpose of the SEM analysis. If the SEM analysis aims to test the hypothesis, the model suitability is not a top priority. Meanwhile, if the SEM analysis aims to compare the best models) then the model suitability test becomes very important.

SEM-PLS Requirements

In SEM-PLS testing, the data must be free from missing values, outliers, and multicollinearity issues. Missing values arise when respondents leave one or more indicators of a construct unanswered, resulting in incomplete data that can compromise reliability. Outliers occur when responses are excessively extreme on certain questions or across the entire survey, which can distort test results and reduce reliability (Hair et al., 2017). Multicollinearity, on the other hand, is present when there is a high linear correlation between indicators within a model's construct.

This study initially received responses from 403 participants. After removing questionnaires with missing values and outliers, the final sample size was 363. For PLS model evaluation, this study followed the procedure outlined by Hulland (1999). The PLS testing process involved two sequential steps to ensure valid and reliable measures before interpreting the results. The first step assessed the validity and reliability of the measurement model (outer model), followed by the second step, which evaluated the structural model (inner model).

Measurement Model (Outer Model) Results

This study assesses the validity and reliability of its measurement items following the guidelines of Hair et al. (2017). Three primary tests were conducted at this stage: (i) individual item reliability, (ii) convergent validity, and (iii) discriminant validity (Hulland, 1999). According to Hair et al. (2017), several criteria are used to evaluate the reliability of individual items: (1) items with a loading value above 0.7 are retained, provided that removing the item increases the AVE to 0.5 or higher; and (3) items with a loading value below 0.3 are removed. In cases where certain items do not meet these thresholds, the external load values of the remaining items are still considered acceptable (refer to Table 5). Consequently, items IFL3 and IFL5 were removed to comply with Hair et al. (2017) guidelines and to elevate the AVE value above 0.5.

Table 5. Outer Loadings Construct Item

Item	Financial Self-Efficacy	Islamic Financial Literacy	Financial Behavior	Behavioral Intention
FSE 1	0.869			
FSE 2	0.734			
IFL 1		0.675		
IFL 4		0.702		
IFL 5		0.746		
IFL 7		0.776		
IFL 8		0.746		
FB 1			0.719	
FB 2			0.730	
FB 4			0.730	
FB 5			0.758	
FB 6			0.697	
FB 7			0.731	
BI 1				0.749
BI 2				0.659
BI 3				0.799
BI 4				0.809
BI 5				0.793
BI 6				0.705

The AVE value used as a reference for evaluation of convergence validity meets the requirements (see Table 6). The AVE values produced by all variables are higher than 0.5, which shows that each item can effectively explain its construct. The reliability assessment is determined under the condition that the composite reliability is greater than 0.7 and Cronbach's Alpha is greater than 0.6 (Hair et al., 2017).

Table 6. Reliability and Convergent Validity of the Measurement Model

Construct	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Self Efficacy	0.665	0.794	0.785	0.647
Islamic Financial Literacy	0.780	0.783	0.850	0.533
Financial Behavior	0.822	0.824	0.871	0.529
Behavioral Intention	0.847	0.854	0.887	0.569

Multicollinearity is another aspect of the analysis, detected through the Variance Inflation Factor (VIF). A VIF value exceeding 5 suggests a correlation between indicators within a construct (refer to the appendix table). The structural model was first examined for collinearity between predictor and outcome variables.

Based on the data in Tables A3 and A4 in the appendix, both the outer and inner VIF values are below 5. The VIF scores for all path relationships range from 1.011 to 2.075, which are well below the threshold of 5, indicating that collinearity is within an acceptable range (Hair et al., 2017). Therefore, multicollinearity does not pose any concern, and we can conclude that no strong linear relationship exists between the constructs. The results for the Fornell-Leckler and HTMT tests are as follows:

Table 7. The Result of Discriminant Validity (Fornell-Leckler Criterion)

Construct	Financial Self-Efficacy	Islamic Financial Literacy	Financial Behavior	Behavioral Intention
Financial Self-Efficacy	0.805			
Islamic Financial Literacy	0.340	0.730		
Financial Behavior	0.481	0.565	0.728	
Behavioral Intention	0.455	0.567	0.742	0.754

Table 8. The Result of Discriminant Validity (HTMT)

Construct	Financial Behavior	Financial Self-Efficacy	Behavioral Intention	Islamic Financial Literacy
Financial Behavior	0.000			
Financial Self-Efficacy	0.767	0.000		
Behavioral Intention	0.885	0.715	0.000	
Islamic Financial Literacy	0.707	0.557	0.692	0.000

Structural Model Testing (Inner Model) Results

The second stage of the analysis focuses on the structural model, which is assessed using the bootstrapping procedure. This non-parametric technique in PLS is used to determine the significance of various metrics, including path coefficients, Cronbach's alpha, HTMT, and R^2 (Efron & Tibshirani, 1993). Bootstrapping involves generating random sub-samples from the original dataset, and the larger the number of sub-samples, the greater the reliability of the results. To ensure robust findings for the structural model, 5,000 bootstrapped sub-samples were used in this study, as recommended by Hair et al. (2014).

This procedure also enables the evaluation of hypotheses and construct relationships based on the path coefficient test. A significance level of 10% was adopted, a standard accepted in social science research (Riskinanto et al., 2017). The structural model was estimated using SmartPLS 4.1 software for path analysis.

The results of the structural model tests are presented in Table 8. After validating the measurement model, the structural model was evaluated, as shown in Figure 3. Hypotheses were tested with the bootstrapping method using 5,000 sub-samples, following the recommendations of Ali et al. (2018) and Sarstedt et al. (2017), as indicated in Table 5.

Table 9. Structural Model Assessment and Hypotheses

Hypothesis	Original Sample (O)	Sample Mean (M)	Std. deviation	t-value	p-value	Decision
H1: IFL →BI	0.206	0.210	0.047	4.353	0.000	Supported
H2: FSE→BI	0.109	0.109	0.046	2.387	0.017	Supported
H3: FB→BI	0.573	0.572	0.050	11.362	0.000	Supported

*Note: Significance at **p<0.01*

Following the standard bootstrap procedures, results shows that FB has the largest and positive significant effect of 0.573 in Behavioral Intention (β =0.573), p<0.01), FSE (β =0.109, p <0.01) and whereas the effect of IFL (β =0.206, p <0.01) on BI was also significant. Therefore, all the hypotheses H1, H2 and H3 supported in this study.

Coefficient of Determination Measurement

The coefficient of determination of R^2 (R-Square) reflects how much influence the exogenous variables have on the endogenous variable. Table 10 below provides the coefficients of determination for the two endogenous variables in the model.

Table 10. R-Squared Result

Endogenous Variable	R-Square
Behavior Intention	0.592

As may be observed from the Table, the R-Square value for the Behavioral Intention construct is 0.592. This means that the constructs of Financial self-efficacy, Islamic financial literacy and financial behavior can explain 59.2% of behavioral intention constructs while the remaining 40.8% are explained by other constructs outside the model.

Blindfolding Test

Blindfolding is a sample reuse technique for calculating Stone-Geisser's, Q^2. This criterion allows the assessment of the cross-validated predictive power of the PLS path model for endogenous latent variables. In the structural model, if the value of Q^2 is greater than 0 then this reflects the path model has predictive relevance (Hair et al., 2014). The following are the results of the blindfolding test.

Table 11. Blindfolding Test Result

Endogenous Variable	Q^2
Behavior Intention	0.331

The table above shows the results of the blindfolding test. Respectively, using an omission distance, D=7, Q^2 value of the endogenous behavioral intention is 0.331 which is higher than 0, supporting the model's predictive accuracy (Hair et al., 2017). Therefore, it can be concluded that the path model of the endogenous variables has predictive relevance.

D.2. Discussion

The study findings offer insights on the determinants of the intention to adopt Islamic financial products and services based on three independent variables, namely financial self-efficacy (FSE), Islamic financial literacy (IFL) and financial behavior (FB). Based on the results, it exhibits that all the constructs have a significant and positive effect on the intention to adopt Islamic financial products and services. This means that this Social Cognitive Theory under the constructs of financial self-efficacy can significantly influence the adoption and decision-making process regarding Islamic financial products and services. This theory, when integrated with Islamic financial literacy, can enhance the ability of individuals to make informed financial decisions. These findings are supported by Benjamin et al., (2024) where financial self-efficacy was found to be positively influences the behavioral intentions towards adopting Islamic banking products.

This study also shows that Islamic financial literacy has a positive effect on the intention to adopt Islamic financial products and services. A positive relationship between Islamic financial literacy and intention to adopt Islamic banking products was also reported in prior studies (Mahdzan et al., 2024). This is particularly relevant in financial planning where a strong understanding of Islamic finance principles can lead to better utilization of Islamic financial resources (Khairunnisa & Hendratmi, 2020). This somehow suggest that enhancing Islamic financial literacy among individuals, community and stakeholders can contribute to better financial management and stability within Islamic financial institutions. It signposts that Islamic financial literacy is essential for fostering informed financial decisions, promoting Islamic economic growth, and strengthening Islamic financial systems.

The findings of this study also indicate that financial behavior is a significant factor in predicting the intention to adopt Islamic financial products and services. It is essential to ensure that financial behavior is properly aligned with the intention to adopt Shariah-compliant products, particularly among Muslim consumers. Sound financial behavior is also critical when making choices between Islamic and conventional banking products. The results support previous studies, which have found that financial behavior positively influences financial decision-making and the intention to adopt Islamic financial products and services.

Moreover, this study demonstrates that an individual's demographic characteristics, such as their level of education, type of employment, and income level, have a notable impact on their financial self-efficacy, Islamic financial literacy, and financial behavior. For example, educated individuals are generally more exposed to greater opportunities than those with lower educational attainment. Based on these results, it is recommended that Islamic financial institutions, such as Islamic banks, Takaful companies, and other Islamic financial organizations, enhance and broaden their promotional and advertising campaigns to raise awareness of their products. Additionally, these institutions should place more emphasis on educating the public about the Shariah-compliant nature of their products and services.

E. Conclusions & Recommendations

Social Cognitive Theory suggests that financial self-efficacy, along with Islamic financial literacy and financial behavior, plays a crucial role in the decision-making process for adopting Islamic financial products and services. In light of the practical insights from this research, it is essential for Islamic financial institutions and industry stakeholders to consider customers' psychological factors to better understand their adoption of Islamic financial products and services. Additionally, while there is a growing rate of customer adoption, further elements need to be identified to improve the current situation. This would enable bank management to attract more potential clients and encourage the subscription and adoption of Shariah-compliant products.

To increase the adoption of Islamic finance products, recommendations include enhancing fintech platforms, raising public awareness and education about Islamic financial principles, and ensuring that Islamic banks and digital banks collaborate with religious authorities to guarantee compliance with Islamic law. Public campaigns that educate consumers about Shariah-compliant products could also foster positive attitudes and increase adoption rates. These strategies can help build trust and ultimately boost the adoption of Islamic financial products and services. Such efforts are expected to improve awareness and increase consumer adoption of Islamic finance products in financial markets.

Despite these implications, this study has certain limitations. It did not distinguish between current and potential customers of Islamic financial institutions, and its demographic and geographic scope is limited to individuals who are employed and residing in the Klang Valley area. Consequently, the results may differ in other regions. Nonetheless, the study highlights potential areas for future research. First, while Social Cognitive Theory was employed in this study, it was limited to financial self-efficacy as an independent variable, with Islamic financial literacy and financial behavior as supporting factors. Future research could expand by incorporating additional explanatory factors to further enhance the robustness of the Social Cognitive Theory model and the overall findings regarding the intention to adopt Islamic financial products and services. These factors may include the role of Islamic financial education, financial inclusion, product pricing, market risk scope, and the perceived ease of use and usefulness of these products.

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