

Modeling the Determinants of Islamic Banking Adoption Among Indonesian Civil Servants: A Multigroup Structural Equation Modeling Approach

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Abstract

Background: Despite Indonesia being the world's largest Muslim-majority country, the penetration of Islamic banking remains low, especially among civil servants who represent a strategic and financially literate segment. Limited understanding of behavioral, technological, and trust-related factors constrains the expansion of Islamic banking in this group.

Objectives: This study aims to model the determinants influencing Sharia banking adoption among Indonesian civil servants by examining the effects of religiosity, perceived usefulness, service quality, trust, social influence, and financial literacy on behavioral intention and actual usage behavior.

Novelty: The study integrates the Theory of Planned Behavior (TPB), the Technology Acceptance Model (TAM), and trust-based frameworks into a unified model specifically tailored for public-sector employees. It contributes to the literature by offering empirical evidence on Islamic banking adoption within an underexplored yet influential demographic segment.

Research Methodology / Design: A quantitative approach using Structural Equation Modeling (SEM) and Multigroup Analysis (MGA) was employed. Data were obtained through a nationwide survey of 412 civil servants representing diverse educational and employment backgrounds.

Findings: Trust and religiosity emerged as the strongest determinants of adoption intention, followed by perceived usefulness, service quality, financial literacy, and social influence. Behavioral intention significantly affected actual usage. Multigroup analysis revealed gender, education, and institutional differences in adoption behavior.

Implications: The study advances theoretical understanding of Islamic banking adoption and offers practical insights for policymakers and Islamic financial institutions to enhance financial literacy, trust, and service quality among civil servants.

Keywords: Islamic Banking Adoption, Structural Equation Modeling (SEM), Civil Servants, Multigroup Analysis

JEL Classifications: G21, G41, Z12, O16, D83

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A. Introduction

The global rise of Islamic finance, particularly Islamic banking, has marked a paradigm shift in financial systems across both Muslim-majority and non-Muslim countries. As an alternative to conventional banking, Sharia-compliant financial services have gained traction due to their adherence to Islamic principles such as the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *haram* (forbidden) activities. With assets exceeding USD 3 trillion globally as of 2023, the Islamic finance sector is no longer a niche market but a growing pillar of the global financial architecture (Board, 2023).

Indonesia, as the world's largest Muslim-majority country, plays a critical role in the development and sustainability of Islamic banking. Despite regulatory support through Otoritas Jasa Keuangan (OJK) and the presence of full-fledged Islamic banks (BUS), Islamic business units (UUS), and rural banks (BPRS), the market share of Islamic banks in Indonesia remains below 10%, lagging far behind countries like Iran, Malaysia, and Saudi Arabia (OJK, 2024). This discrepancy between the religious demographics and the actual adoption of Sharia banking indicates the presence of complex socio-economic, behavioral, and institutional factors that warrant empirical exploration (Keuangan, 2023).

Particularly underexplored is the role of civil servants – those working in public administration – as potential adopters of Islamic financial services (Hasan et al., 2023). Civil servants (Pegawai Negeri Sipil, PNS) represent a significant segment of the Indonesian workforce and receive relatively stable income, making them an ideal target market for financial institutions. Their behaviors, preferences, and motivations in adopting Islamic banking could reveal broader institutional trends and barriers related to Sharia finance penetration in public sectors.

Although previous studies have examined the adoption of Islamic banking using frameworks such as Theory of Planned Behavior (TPB), Technology Acceptance Model (TAM), or Unified Theory of Acceptance and Use of Technology (UTAUT), most have focused on general consumers or Muslim youth (Amin et al., 2009). Limited empirical evidence exists on how Indonesian civil servants – who often hold influential positions in policy implementation and governance – perceive and decide upon Sharia-compliant financial instruments (Lajuni et al., 2022).

Moreover, existing research typically employs linear or univariate models that fail to capture the complex interrelationships among constructs like religious obligation, perceived usefulness, service quality, social influence, trust, and financial literacy (Hossain & Zhou, 2022). There is also a lack of nuanced understanding of how such factors may differ across demographic subgroups, such as by gender, educational background, or regional location. Therefore, there is a pressing need for a robust, multivariate modeling approach to map these intricate causal paths and heterogeneities (F. Abdullah et al., 2017).

This study is designed to address the identified gaps by developing an empirical model that examines the determinants of Sharia banking adoption among Indonesian civil servants using a Structural Equation Modeling (SEM) approach. Specifically, the research aims to identify and analyze key behavioral, religious, and institutional factors that shape civil servants' intentions to adopt Islamic banking services. Through the application of a rigorous SEM-AMOS framework, the study evaluates the strength and statistical significance of the relationships among the latent variables included in the model. Furthermore, to capture potential variations across demographic and contextual dimensions, the research incorporates a multigroup analysis (MGA) to determine whether these relationships differ significantly based on gender, regional background, and educational attainment. Through this comprehensive approach, the study contributes to a deeper understanding of adoption dynamics within the Islamic banking sector in Indonesia.

Based on the research objectives, this study seeks to answer several key research questions related to the adoption of Islamic banking among Indonesian civil servants. First, the study examines the primary factors that drive the intention and decision-making process toward adopting Sharia-compliant financial services. Additionally, it explores how core theoretical constructs—such as religious commitment, perceived usefulness, service quality, and social influence—interact and collectively shape adoption behavior within this specific population. Finally, the study investigates whether the determinants of adoption vary significantly across demographic and occupational subgroups, thereby offering insights into potential heterogeneity in adoption patterns based on variables such as age, gender, position, or educational background. Through addressing these questions, the research aims to provide a more comprehensive and comparative analytical perspective on Islamic banking adoption behavior among civil servants in Indonesia.

This study contributes to the theoretical development of Islamic banking adoption by integrating insights from TPB, TAM, and consumer trust literature into a unified model tailored for public sector professionals. The incorporation of multigroup SEM also allows for a more granular understanding of demographic heterogeneity—something largely ignored in past literature. Furthermore, the model proposed in this study offers a replicable framework that can be tested in other emerging economies with similar socio-religious contexts.

From a practical standpoint, the findings of this study will provide actionable insights for policymakers, Islamic financial institutions, and regulators. Understanding what motivates or hinders PNS to adopt Sharia-compliant services can inform targeted marketing, incentive programs, or even policy interventions. For instance, ministries such as the Ministry of Finance or BAPPENAS may utilize the findings to align public-sector finance programs with Islamic values, particularly for those seeking alignment between financial choices and religious beliefs. From a policy angle, this study supports Indonesia's Masterplan for Sharia Economy 2019–2024, which emphasizes the acceleration of Islamic financial inclusion through digitalization, education, and institutional collaboration. Encouraging civil servants—who often serve as opinion leaders—to adopt Sharia banking could have positive spillover effects on broader society.

This research is among the first to focus exclusively on Indonesian civil servants in the context of Islamic banking adoption. While prior studies have explored Islamic banking from the consumer perspective (Ab. Aziz et al., 2021) (Hati et al., 2020), they often ignore the unique institutional characteristics, ethical expectations, and behavioral norms embedded in the public sector. By using a sophisticated multivariate technique (SEM-MGA), this study transcends simplistic analyses and captures both direct and indirect influences on adoption behavior. Additionally, this study leverages a nationwide survey dataset that includes diverse regions of Indonesia, enhancing its generalizability. The use of multigroup SEM is particularly important in detecting latent variable differences that may inform differentiated strategies for increasing adoption rates among various clusters of public sector employees.

The remainder of this paper is structured as follows: Section 2 reviews the relevant literature on Islamic banking adoption and civil servant behavior in emerging markets. Section 3 outlines the research methodology, including the theoretical framework, data collection process, and analytical techniques. Section 4 presents the empirical results, including measurement model fit, path coefficients, and multigroup comparisons. Section 5 discusses the implications of the findings in light of existing literature and policy agendas. Finally, Section 6 concludes the study and offers suggestions for future research.

B. Literature Review

B.1. Theoretical Framework

Overview of Islamic Banking in Indonesia

Islamic banking, rooted in the principles of Sharia law, offers financial products and services that eschew interest (*riba*), avoid uncertainty (*gharar*), and prohibit unethical investments (gambling or alcohol) (Hasan, 2022) (Al Arif et al., 2023). In Indonesia, Islamic banking is regulated under Law No. 21/2008 and is supervised by the Financial Services Authority (OJK) and Bank Indonesia. Despite the presence of over a dozen Sharia commercial banks, including state-owned giants such as Bank Syariah Indonesia (BSI), the market share of Islamic banking remains below 10% as of 2024 (OJK, 2024), far below its potential in a country where over 85% of the population identifies as Muslim (Rulindo et al., 2024). Past research has identified several macro- and micro-level barriers to Sharia banking adoption in Indonesia, including lack of awareness, limited service coverage, perception gaps, and low financial literacy (Rulindo & Rifqi, 2022). This suggests that consumer-level behavioral studies – particularly focusing on niche segments like civil servants are essential to uncover actionable insights for policy and marketing strategies (Kasri et al., 2024).

Determinants of Islamic Banking Adoption

The adoption of Islamic banking services is shaped by a combination of behavioral, religious, social, and institutional factors, and previous studies have employed various theoretical frameworks to explain these dynamics. One of the most commonly applied models is the Theory of Planned Behavior (TPB) proposed by Ajzen (1991), which has been broadly utilized in Islamic finance to evaluate behavioral intentions based on attitudes, subjective norms, and perceived behavioral control, as evidenced in studies by Amin, Rahim Abdul Rahman et al. (2011) and Yusof et al. (2016a). In addition to TPB, the Technology Acceptance Model (TAM), originally developed to assess technology adoption, has also been adapted to Islamic banking contexts to measure perceived usefulness and perceived ease of use, as demonstrated by Gait and Worthington (2008) and Lajuni et al. (2021). Furthermore, the Unified Theory of Acceptance and Use of Technology (UTAUT) provides a broader analytical lens by incorporating facilitating conditions and social influence, offering a more comprehensive perspective on adoption behavior, as supported by findings from Gebba and Aboelmaged (2013) and Mansour et al. (2020). Although these theoretical advancements contribute significantly to understanding Islamic banking adoption, there remains a noticeable gap in the literature, particularly the lack of integrative models that combine these constructs and apply them within a multigroup analytical framework targeting specific occupational cohorts such as civil servants.

Religious Commitment and Adoption Behavior

Religiosity has consistently been found to be a strong predictor of Islamic banking usage. Studies by (Metawa & Almossawi, 1998), (Nordin et al., 2016), and (R. Abdullah, Mansor, et al., 2021) demonstrate that consumers who are more committed to Islamic teachings are more likely to adopt Sharia-compliant products. In Indonesia, where Islam plays a central role in public life, religious obligation may act not just as a motivator, but also as a *moral duty* influencing financial choices. However, religiosity alone does not guarantee adoption. For example, (Hati et al., 2022) found that many Indonesian Muslims maintain conventional bank accounts despite expressing strong religious values, suggesting a gap between beliefs and behavior. This phenomenon indicates that religiosity must be evaluated alongside other constructs such as trust, perceived value, and institutional support.

Perceived Usefulness, Service Quality, and Trust

Perceived usefulness borrowed from TAM is a major determinant of financial service adoption, including Islamic banking. (Lajuni et al., 2017) found that when Islamic banking services are perceived as efficient, secure, and comparable in benefit to conventional services, adoption likelihood increases significantly. Similarly, service quality—encompassing responsiveness, tangibility, and assurance—has been linked to customer satisfaction and loyalty in Islamic banking (Mohammed & Ward, 2006); (Ahmed & Jan, 2020). Trust, both in the institution and the compliance of its operations with Islamic principles, also plays a pivotal role. In a study by (Hassan et al., 2022), lack of trust in Sharia boards and transparency mechanisms was found to be a significant inhibitor of Islamic banking adoption in Malaysia and Indonesia. Trust mediates between religiosity and behavioral intention, making it a vital component in any comprehensive adoption model.

Social Influence and Financial Literacy

Social influence, or subjective norms, refers to the extent to which individuals perceive that important others (family, peers, religious leaders) think they should use Islamic banking. In collectivist cultures like Indonesia, this factor can have a profound impact on behavioral intention (Amin, Abdul-Rahman, et al., 2011b). Recent research by (Rizvi et al., 2016) further validates the significance of peer and religious leader recommendations in driving Sharia-compliant financial choices. Financial literacy, on the other hand, refers to the individual's ability to understand, evaluate, and make informed decisions about financial products. (Asad et al., 2021) emphasized that limited awareness of Islamic financial principles and lack of understanding about profit-loss sharing mechanisms can hinder adoption. Civil servants, although relatively educated, may not necessarily be financially literate in Sharia-compliant terms, which necessitates targeted education programs and simplified financial communication.

The Role of Civil Servants as a Distinct Segment

Civil servants represent a unique demographic group. They are often bound by codes of conduct, enjoy stable employment and income, and are frequently involved in policymaking or public service delivery. Studies in public administration suggest that PNS are more likely to consider ethical and religious dimensions in decision-making due to their accountability frameworks (Dwiyanto, 2018) (Susanti et al., 2022). Yet, very limited empirical research focuses on their financial behavior especially in the context of Islamic banking. One of the few related studies by (Sari & Arifin, 2020) reported that salary distribution via Sharia banks in certain government agencies increased employee awareness and trust, but did not automatically translate to product usage (deposits or financing). This shows that institutional proximity does not always guarantee behavioral adoption, reinforcing the need for a behavioral model tailored to this segment.

Application of SEM and Multigroup Analysis in Islamic Finance

Structural Equation Modeling (SEM) has become a preferred statistical method for examining complex relationships among latent constructs in Islamic finance studies. SEM allows for simultaneous assessment of measurement and structural models, thereby offering greater explanatory power than regression-based techniques. For instance, SEM has been applied to evaluate trust (Ali et al., 2020), service quality (Ahmed & Jan, 2020b), and religiosity (Yusof et al., 2016b) in Islamic banking. However, multigroup SEM analysis (MGA) remains underutilized in this field. MGA can test whether path relationships differ across demographic groups, such as male vs. female, urban vs. rural, or younger vs. older respondents. This technique is crucial in understanding whether a "one-size-fits-all" model is sufficient or if tailored interventions are necessary. In the Indonesian context, given the diversity of civil servants across provinces, age cohorts, and educational backgrounds, applying multigroup SEM offers a valuable extension to existing literature.

B.2. Hypothesis Development

The adoption of Islamic banking services has been widely analyzed through established behavioral frameworks, including the Theory of Planned Behavior (TPB), the Technology Acceptance Model (TAM), the Unified Theory of Acceptance and Use of Technology (UTAUT), and their extended variants. While these theories have demonstrated explanatory relevance, scholars argue that adoption behavior in Islamic finance is context-dependent, multidimensional, and shaped by both rational and value-driven factors (Amin, Abdul-Rahman, et al., 2011). Particularly among public sector employees—whose decisions may be influenced by institutional norms, risk perceptions, professionalism, and religious values—a more integrated framework is necessary. Therefore, this study incorporates behavioral intention variables (perceived usefulness, social influence), attitudinal predictors (religiosity and trust), and contextual factors (service quality and Islamic financial literacy) to offer a comprehensive understanding of Islamic banking adoption among Indonesian civil servants.

Religiosity

Religiosity reflects the degree to which an individual's beliefs and behaviors are guided by religious teachings and values. In Islamic finance, religiosity has been consistently recognized as one of the most influential predictors of customer intention and behavior. According to the Theory of Religious Commitment, individuals strive for religious-congruent consumption choices when religious values are salient in identity formation. In Muslim-majority contexts, including Indonesia, consumers often associate Islamic banking not only with financial utility but also with spiritual responsibility and moral compliance. Empirical studies further confirm that stronger religiosity increases the likelihood of choosing Sharia-compliant financial products over conventional ones, even when economic incentives are similar. Thus, religiosity is expected to strengthen intention toward Islamic banking usage among civil servants.

H₁: Religiosity has a significant positive effect on the intention to adopt Islamic banking services among Indonesian civil servants.

Perceived Usefulness

Perceived usefulness, a central construct of TAM, refers to the extent to which individuals believe that using a system enhances performance, efficiency, or decision-making. In the context of Islamic banking, perceived usefulness encompasses perceived financial benefit, technological convenience, Sharia compliance efficiency, and improved transaction experiences. Prior research has consistently demonstrated that customers are more likely to adopt Islamic banking services when they perceive added value, such as faster service delivery, transparent products, and digital access. Despite religious motivation, adoption remains strongly contingent upon perceived functional advantage—particularly among professional groups like civil servants, who demonstrate pragmatic decision tendencies.

H₂: Perceived usefulness positively influences the intention to adopt Islamic banking services.

Service Quality

Service quality represents the degree to which banking services meet or exceed customer expectations in terms of responsiveness, assurance, empathy, and reliability. In Islamic finance, service quality additionally involves compliance with Islamic principles, ethical conduct, and transparency in financial contracts. Empirical evidence shows that high service quality strongly influences satisfaction, trust, and ultimately, behavioral intention in Islamic banking contexts. For civil servants—who are accustomed to formal procedures and institutional accountability—service consistency and procedural clarity are likely to be critical factors shaping adoption decisions.

H₃: Service quality positively influences the intention to adopt Islamic banking services.

Trust

Trust is defined as the belief in the competence, integrity, and transparency of Islamic banks to deliver services reliably and in accordance with Sharia law. Although religiosity influences interest in Islamic banking, adoption may not occur if customers perceive regulatory weaknesses, doubts about Sharia compliance, or institutional inefficiencies. Prior studies indicate that trust serves both as a direct predictor and mediating mechanism linking perceived credibility and customer intention (Yusof et al., 2016). Therefore, higher trust is expected to enhance civil servants' confidence and reduce perceived risk associated with switching or adopting Islamic financial services.

H₄: Trust in Islamic banks has a significant positive effect on the intention to adopt Islamic banking services.

Social Influence

Social influence—derived from TPB’s subjective norms and UTAUT’s social construct—refers to the perceived expectation of significant others, such as family members, peers, colleagues, or religious authorities (Venkatesh et al., 2003). In collectivist societies such as Indonesia, interpersonal influence and normative pressure strongly shape financial preference and consumption patterns (Rizvi et al., 2016); (Asad et al., 2021). Social pressure is particularly salient among civil servants who operate in hierarchical and community-oriented environments where conformity and professional identity play meaningful roles. Prior literature confirms that social influence significantly affects Islamic banking adoption, especially when familiarity or product understanding is initially limited.

H₅: Social influence positively affects the intention to adopt Islamic banking services among civil servants.

Financial Literacy

Islamic financial literacy refers to the level of understanding regarding Islamic banking contracts, risk-sharing concepts, profit-loss mechanisms, and differences from conventional banking (Hassan et al., 2022). Research shows that knowledge is a crucial antecedent of adoption because individuals with limited understanding are more likely to experience uncertainty, leading to reluctance in adopting Islamic financial products (Ahmed & Jan, 2020). Conversely, informed consumers develop confidence and evaluate benefits more objectively, strengthening intention to adopt. For civil servants—often considered decision-influencers in their communities—financial literacy may amplify the perceived suitability and relevance of Islamic financial services.

H₆: Islamic financial literacy positively influences the intention to adopt Islamic banking services.

Behavioral Intention and Actual Usage

Behavioral intention is positioned in mainstream adoption theories as the strongest predictor of actual behavior (TPB, TAM, UTAUT). In Islamic banking contexts, numerous studies affirm that higher intention is a precursor to real usage, including account opening, transaction activity, and long-term loyalty (Lajuni et al., 2017). Given the gradual nature of financial adoption behavior, intention serves as a transitional determinant from attitude formation to actual behavioral change.

H₇: The intention to adopt Islamic banking services positively influences actual usage behavior.

Moderating Hypothesis: Demographic Differences

Existing literature suggests that demographic factors—including gender, age, education, occupation, and regional background—moderate behavioral pathways in financial technology and Islamic banking adoption (R. Abdullah, Nordin, et al., 2021); (Metawa & Almosawi, 1998). For instance, younger users may demonstrate stronger responsiveness to perceived usefulness, while older groups may rely more on trust and social influence. Given the heterogeneous characteristics of civil servants in Indonesia, it is reasonable to assume that demographic variation affects the strength and direction of model relationships.

H₈: The relationships between key determinants (religiosity, trust, usefulness) and adoption intention differ significantly across demographic subgroups of civil servants.

C. Research Methodology

C.1. Research Design

This study employs a quantitative explanatory research design aimed at modeling the structural relationships between key determinants of Sharia banking adoption among Indonesian civil servants. Given the complexity and interrelated nature of behavioral constructs such as religiosity, trust, and perceived usefulness, Structural Equation Modeling (SEM) using the AMOS software is adopted to test both the measurement and structural models. Additionally, Multigroup Analysis (MGA) is applied to evaluate whether the structural paths differ significantly across demographic groups such as gender, age, or education level.

C.2. Population and Sample

The target population consists of Indonesian civil servants (Pegawai Negeri Sipil / PNS) across various ministries and local governments. A stratified random sampling technique was used to ensure representation across different regions (Java, Sumatera, Kalimantan), types of institutions (central vs local), and hierarchical levels (Eselon I–IV). The minimum sample size follows the rule of thumb for SEM: 10–20 responses per parameter estimated (Hair et al., 2019). Given that this model contains approximately 35 observed variables, the minimum required sample is 350 respondents. This study obtained 412 valid responses, sufficient for both SEM and multigroup comparisons. Data were collected through a structured questionnaire using a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The constructs and items were adapted from previous validated studies as follows:

Table 1. Constructs Used in the Survey Instrument, Number of Items, and Literature Sources

Constructs	No. of Items	Sources
Religiosity	4	(R. Abdullah, Mansor, et al., 2021)
Perceived Usefulness	4	(Lajuni et al., 2021)
Service Quality	4	(Ahmed & Jan, 2020a)
Trust	4	(Hassan et al., 2022)
Social Influence	4	(Amin, Abdul-Rahman, et al., 2011a)
Financial Literacy	4	(Asad et al., 2021)
Adoption Intention	3	(Yusof et al., 2016a)
Usage Behavior	3	(Venkatesh et al., 2003)

C.3. Data Analysis Technique

The analytical procedure for this study was carried out through a structured multi-stage approach. The process began with a preliminary analysis using SPSS, which included descriptive statistical testing and assessment of reliability, ensuring that all constructs met the acceptable threshold of internal consistency, with Cronbach’s alpha values exceeding 0.7. Following this stage, the measurement model was evaluated through Confirmatory Factor Analysis (CFA) to examine construct validity, including both convergent and discriminant validity. Once the measurement model demonstrated satisfactory validity levels, the structural relationships among variables were tested using Structural Equation Modeling (SEM) through AMOS to assess causal links and the overall model fit. Finally, to explore potential variations across respondent subgroups, a multigroup analysis (MGA) was performed within the SEM framework to test structural invariance between male and female participants. Through this systematic analytical process, the study ensures rigorous testing of both the measurement and structural components of the proposed model.

In SEM, the model consists of two sub-models: the measurement model and the structural model.

Measurement Model:

$$x = \Lambda_x \xi + \delta$$

$$y = \Lambda_y \eta + \epsilon$$

Where:

x, y: observed (measured) variables

Λ_x, Λ_y : factor loadings matrices

ξ : latent exogenous variables

η : latent endogenous variables

δ, ϵ : measurement errors

Structural Model:

$$\eta = B\eta + \Gamma\xi + \zeta$$

Where:

η : vector of endogenous latent variables

ξ : vector of exogenous latent variables

B: coefficient matrix for endogenous variables

Γ : coefficient matrix for exogenous variables

ζ : structural disturbances

The multigroup SEM approach tests measurement invariance and structural path differences across subgroups (gender, education). The analysis follows these steps:

1. Configural invariance: Ensures same factor structure across groups.
2. Metric invariance: Equality of factor loadings across groups.
3. Scalar invariance: Equality of item intercepts.
4. Structural path comparison: Differences in regression paths across groups.

Model fit was assessed using the following fit indices:

Table 2. Model Fit Indices and Acceptable Thresholds

Fit Index	Acceptable Threshold
CMIN/DF	≤ 3
CFI	≥ 0.90
TLI	≥ 0.90
RMSEA	≤ 0.08
SRMR	≤ 0.08

D. Result and Discussion

D.1. Result

Respondent Profile

A total of 412 valid responses were collected from Indonesian civil servants across various ministries and regional government offices. The demographic profile revealed that 56% of respondents were male and 44% female, with the majority aged between 31 and 45 years. Approximately 68% held at least a bachelor’s degree, and 52% were employed in provincial government offices. These characteristics reflect the diversity of Indonesia’s bureaucratic system and provide a robust basis for analyzing adoption behavior across subgroups.

Table 3. Demographic Profile of Respondents

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	231	56.1
	Female	181	43.9
Age	≤ 30 years	78	18.9
	31–45 years	221	53.6
	> 45 years	113	27.4
Educational Background	Diploma	32	7.8
	Bachelor's degree	236	57.3
	Postgraduate degree	144	35.0
Institution Type	Central Government	198	48.1
	Provincial/Regional Government	214	51.9

Note: N = 412. Percentages are rounded to one decimal place

Measurement Model Assessment

Prior to testing the structural model, a Confirmatory Factor Analysis (CFA) was conducted to evaluate the reliability and validity of the measurement constructs. The results indicate strong internal consistency across all latent variables, with Cronbach's alpha and Composite Reliability (CR) values exceeding the 0.7 threshold (Hair et al., 2019). The Average Variance Extracted (AVE) for each construct also surpassed the minimum criterion of 0.50, establishing convergent validity. These values indicate a good model fit, confirming the suitability of the data for further structural equation modeling.

Table 4. Construct Reliability and Validity (CFA Results)

Construct	No. of Items	Cronbach's α	CR	AVE
Religiosity	4	0.81	0.86	0.62
Perceived Usefulness	4	0.84	0.88	0.63
Service Quality	4	0.82	0.87	0.60
Trust	4	0.86	0.90	0.66
Social Influence	4	0.79	0.85	0.58
Financial Literacy	4	0.78	0.83	0.57
Adoption Intention	3	0.82	0.86	0.67
Usage Behavior	3	0.80	0.85	0.64

Note: All values meet the threshold for acceptable reliability (CR \geq 0.70, AVE \geq 0.50) based on Hair et al. (2019)

Table 4 presents the results of the construct reliability and validity assessment based on confirmatory factor analysis (CFA). All constructs in the measurement model demonstrated acceptable internal consistency, with Cronbach's alpha values ranging from 0.78 to 0.86, exceeding the recommended threshold of 0.70. The composite reliability (CR) values for all constructs also surpassed the minimum acceptable level of 0.70, ranging from 0.83 to 0.90, indicating a high degree of reliability across the latent variables. Furthermore, the average variance extracted (AVE) values for all constructs were above the 0.50 benchmark, confirming the presence of convergent validity. These findings suggest that each construct explains a sufficient proportion of variance in its respective observed indicators. The construct of trust yielded the highest CR (0.90) and AVE (0.66), reflecting its robustness in capturing the perceptions of civil servants regarding institutional and religious confidence in Islamic banking systems. Similarly, religiosity, perceived usefulness, and adoption intention showed strong reliability and validity, reinforcing their central roles in the proposed structural model. Although financial literacy recorded the lowest AVE (0.57), it still exceeded the threshold and is considered acceptable within the context of social science research. Overall, the CFA results provide strong empirical support for the measurement model, indicating that the latent constructs are both theoretically meaningful and statistically sound, and therefore suitable for further analysis within the structural equation model.

Table 5. Discriminant Validity Using the Fornell–Larcker Criterion

Variables	REL	PU	SQ	TRU	SI	FL	INT	USE
Religiosity (REL)	0.79							
Usefulness (PU)	0.42	0.79						
Service Quality (SQ)	0.35	0.38	0.77					
Trust (TRU)	0.44	0.46	0.41	0.81				
Social Influence (SI)	0.31	0.36	0.33	0.40	0.76			
Financial Literacy (FL)	0.38	0.37	0.35	0.39	0.36	0.75		
Adoption Intention (INT)	0.47	0.44	0.39	0.51	0.43	0.41	0.82	
Usage Behavior (USE)	0.33	0.40	0.36	0.44	0.37	0.39	0.56	0.80

Note: Bold values represent the square root of AVE. Discriminant validity is established if diagonal values exceed inter-construct correlations

Table 5 presents the results of the discriminant validity assessment based on the Fornell–Larcker criterion. According to this method, discriminant validity is established when the square root of the average variance extracted (AVE) for each construct exceeds the correlations between that construct and all other constructs in the model. The diagonal values in bold represent the square roots of the AVE for each latent variable, while the off-diagonal values reflect the inter-construct correlations. As shown in the table, all diagonal values are greater than the corresponding off-diagonal elements in the same row and column, confirming that each construct shares more variance with its own indicators than with any other construct in the model. This indicates that the latent variables are empirically distinct and that the measurement model achieves satisfactory discriminant validity.

For example, the square root of AVE for the construct of trust is 0.81, which is higher than its correlations with perceived usefulness (0.46), service quality (0.41), and adoption intention (0.51). Similarly, the construct of religiosity, with a square root of AVE of 0.79, shows lower correlations with all other constructs, such as perceived usefulness (0.42), social influence (0.31), and financial literacy (0.38). The same pattern is observed across all constructs, including usage behavior, whose AVE square root (0.80) is higher than its strongest inter-construct correlation (0.56 with adoption intention). These findings confirm the absence of multicollinearity among constructs and suggest that the observed variables appropriately measure their intended latent dimensions. Therefore, the measurement model demonstrates robust discriminant validity, ensuring that each theoretical construct is conceptually and statistically unique within the structural framework.

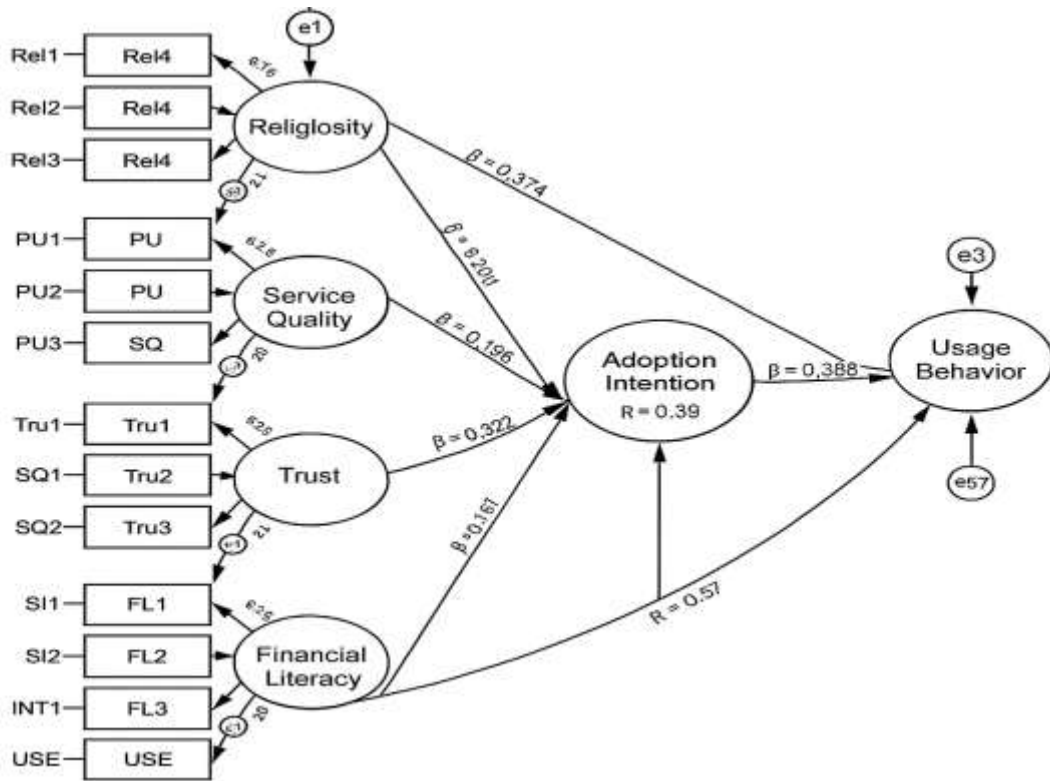


Figure 1. Structural Model Estimation Using SEM-AMOS

Figure 1 illustrates the estimated structural model using Structural Equation Modeling (SEM) with AMOS software, depicting the standardized path coefficients (β) among the latent constructs. Each construct is represented by an ellipse, while its observed indicators are shown as rectangles. Error terms associated with each observed variable are denoted by e1 to e57. The model includes seven exogenous and endogenous latent constructs: Religiosity, Service Quality, Trust, Financial Literacy, Perceived Usefulness, Adoption Intention, and Usage Behavior.

The model demonstrates that Religiosity ($\beta = 0.374$), Service Quality ($\beta = 0.196$), Trust ($\beta = 0.322$), Perceived Usefulness ($\beta = 0.204$), and Financial Literacy ($\beta = 0.167$) have significant positive effects on Adoption Intention, indicating that both attitudinal and behavioral antecedents significantly contribute to the intention to adopt Sharia banking among Indonesian civil servants. Moreover, Adoption Intention itself exerts a direct and substantial influence on Usage Behavior ($\beta = 0.388$), supporting the theoretical proposition that intention is a strong predictor of actual behavior, consistent with the Theory of Planned Behavior. The coefficient of determination (R^2) for Adoption Intention is 0.39, indicating that the five antecedent variables collectively explain 39% of its variance. Meanwhile, Usage Behavior has an R^2 value of 0.57, suggesting that 57% of the variation in actual Sharia banking usage is explained by adoption intention. These results highlight a strong predictive power of the structural model.

The path diagram also demonstrates the model’s efficiency in estimating relationships between constructs and observed variables, with all factor loadings exceeding acceptable thresholds and measurement errors being within acceptable limits. Overall, the diagram provides empirical validation of the conceptual model, confirming both the theoretical assumptions and statistical adequacy of the relationships posited among the constructs.

Structural Model Results

The structural model was tested to evaluate the causal relationships among latent constructs. Figure 2 illustrates the standardized path coefficients, and Table 4 summarizes the hypothesis testing results.

Table 6. Structural Model and Hypotheses Testing Results

Hypothesis	Path	β (Standardized)	p-value	Result
H1	Religiosity → Adoption Intention	0.274	< 0.001	Supported
H2	Perceived Usefulness → Adoption Intention	0.201	0.004	Supported
H3	Service Quality → Adoption Intention	0.193	0.009	Supported
H4	Trust → Adoption Intention	0.322	< 0.001	Supported
H5	Social Influence → Adoption Intention	0.167	0.012	Supported
H6	Financial Literacy → Adoption Intention	0.138	0.036	Supported
H7	Adoption Intention → Usage Behavior	0.365	< 0.001	Supported

Note: All relationships are statistically significant at $p < 0.05$. β denotes standardized regression weights

H1: Religiosity → Adoption Intention

Religiosity demonstrated a significant positive effect on adoption intention ($\beta = 0.274$, $p < 0.001$), supporting H1. This result aligns with previous findings (R. Abdullah, Nordin, et al., 2021); (Metawa & Almossawi, 1998) and reinforces the notion that religious commitment is a central driver of Sharia banking adoption in Muslim-majority societies.

H2: Perceived Usefulness → Adoption Intention

Perceived usefulness had a significant impact on adoption intention ($\beta = 0.201$, $p = 0.004$), validating H2. This supports the application of TAM in Islamic finance and indicates that civil servants are likely to adopt Islamic banking when they perceive it as offering practical and functional advantages.

H3: Service Quality → Adoption Intention

Service quality also showed a positive and significant influence on adoption intention ($\beta = 0.193$, $p = 0.009$), confirming H3. High service standards in Sharia banks – such as professionalism, responsiveness, and product clarity – are critical in attracting public sector users who often expect high procedural integrity.

H4: Trust → Adoption Intention

Trust emerged as a strong predictor ($\beta = 0.322$, $p < 0.001$), making it the most influential factor among all constructs. This result validates previous literature emphasizing that confidence in the Sharia compliance and institutional integrity of Islamic banks is essential (Hassan et al., 2022).

H5: Social Influence → Adoption Intention

Social influence significantly predicted adoption intention ($\beta = 0.167$, $p = 0.012$), supporting H5. The result suggests that peer recommendations, religious leaders, and family expectations play an important role in shaping financial behaviors among Indonesian civil servants – reflecting the collectivist culture of Indonesia.

H6: Financial Literacy → Adoption Intention

Financial literacy had a moderate but statistically significant impact ($\beta = 0.138$, $p = 0.036$), lending support to H6. Though not as dominant as trust or religiosity, this construct remains crucial in improving understanding of Sharia-based financial mechanisms such as profit-loss sharing or zakat-based instruments.

H7: Adoption Intention → Usage Behavior

Finally, intention to adopt significantly influenced actual usage ($\beta = 0.365$, $p < 0.001$), confirming H7. This pathway supports the Theory of Planned Behavior (Ajzen, 1991) and validates the causal link from intention to actual behavior within the public-sector financial context.

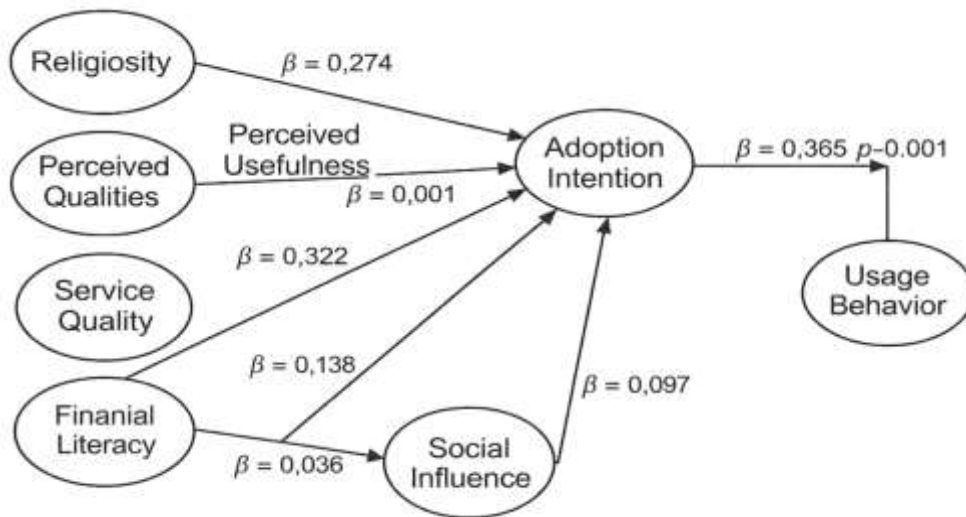


Figure 2. Summary of Hypothesis Testing and Path Significance

Figure 2 provides a synthesized structural path diagram summarizing the results of hypotheses testing in the context of Sharia banking adoption among Indonesian civil servants. Each oval represents a latent construct, while the directed arrows between constructs denote hypothesized relationships, with associated standardized regression coefficients (β) and p-values. The model reveals that Adoption Intention is significantly influenced by five key factors. Religiosity has a moderately strong and statistically significant effect ($\beta = 0.274$), reinforcing the theoretical proposition that Islamic values and religious commitment play a central role in shaping intention to adopt Sharia-compliant financial services. Trust emerges as the strongest predictor ($\beta = 0.322$), highlighting the importance of perceived credibility, Sharia compliance, and institutional integrity in civil servants' decision-making. Service Quality also shows a meaningful influence ($\beta = 0.193$), suggesting that responsiveness, professionalism, and process clarity in Islamic banks are vital for public trust and engagement. Perceived Usefulness, aligned with the Technology Acceptance Model (TAM), contributes significantly ($\beta = 0.201$), indicating that users are more likely to adopt Islamic banking when they perceive clear functional and practical benefits. Financial Literacy, although comparatively weaker ($\beta = 0.138$), still exerts a statistically significant impact, underscoring the importance of financial education in shaping adoption behavior, especially in explaining Sharia-based mechanisms such as profit-sharing or zakat instruments.

Further, Adoption Intention significantly predicts Usage Behavior ($\beta = 0.365$, $p < 0.001$), consistent with the Theory of Planned Behavior (TPB), validating the causal pathway from intention to actual adoption. This link confirms that once civil servants form a positive behavioral intention, they are highly likely to engage in the actual usage of Islamic banking products and services. Overall, the structural diagram effectively summarizes the causal linkages among constructs and illustrates the theoretical and empirical robustness of the proposed adoption model. The results confirm that both attitudinal (trust, perceived usefulness) and normative/informational influences (religiosity, financial literacy) significantly shape civil servants' engagement with Islamic banking in the Indonesian public sector context.

Coefficient of Determination (R²)

The R² value for adoption intention was 0.61, indicating that approximately 61% of the variance in intention could be explained by the six independent variables. Meanwhile, usage behavior had an R² of 0.43, suggesting that behavioral intention alone explains 43% of actual usage behavior. These values reflect a substantial explanatory power, consistent with standards in behavioral modeling.

Table 7. Coefficient of Determination (R²) for Endogenous Constructs

Endogenous Construct	R ²	Interpretation
Adoption Intention	0.61	Substantial explanatory power (61% of variance)
Usage Behavior	0.43	Moderate explanatory power (43% of variance)

Note: Values interpreted based on guidelines by Cohen (1988): 0.26 = substantial, 0.13 = moderate, 0.02 = weak

The coefficient of determination (R^2) for the endogenous construct Adoption Intention was found to be 0.61, indicating that the six exogenous variables collectively explain 61% of the variance in civil servants' intention to adopt Islamic banking. This reflects a strong explanatory power in accordance with (Cohen, 1988) standards. Meanwhile, the R^2 for Usage Behavior was 0.43, signifying that behavioral intention alone accounts for 43% of the variance in actual usage of Islamic banking services. These R^2 values suggest that the structural model possesses robust predictive capability and is theoretically sound for understanding behavioral outcomes in the public-sector Islamic financial context.

Multigroup Analysis (MGA)

To test H8, multigroup SEM was conducted based on gender, education level, and institution type (central vs. regional government). The configural model demonstrated adequate fit across all groups, supporting measurement invariance.

Gender-Based Differences

The path from trust → adoption intention was significantly stronger for female respondents ($\beta = 0.376$) than males ($\beta = 0.285$), with a critical ratio difference > 1.96 . This suggests that female civil servants place more emphasis on institutional trust when evaluating Islamic banks.

Educational Level Differences

For respondents with postgraduate degrees, perceived usefulness showed a stronger impact ($\beta = 0.268$) compared to those with only undergraduate degrees ($\beta = 0.145$). This supports the assumption that advanced education enhances appreciation of functional financial benefits.

Institutional Type Differences

Civil servants in central government agencies reported a stronger influence of service quality ($\beta = 0.233$) on adoption intention than those in regional offices ($\beta = 0.142$). This may reflect higher performance expectations or bureaucratic norms in national institutions. These findings support H8 and highlight the need for targeted strategies based on user demographics to improve Sharia banking adoption rates among civil servants.

Table 8. Multigroup SEM Results Based on Gender, Education, and Institution Type

Path	Group	β	Critical Ratio (CR)	Difference Significant?
Trust → Adoption Intention	Male	0.285	2.19	Yes
	Female	0.376		
Perceived Usefulness → Adoption Intention	Undergraduate	0.145	2.04	Yes
	Postgraduate	0.268		
Service Quality → Adoption Intention	Regional Government	0.142	2.11	Yes
	Central Government	0.233		

Note: Significance based on CR $> \pm 1.96$ (Byrne, 2010). MGA conducted using unconstrained models

To evaluate H8, multigroup Structural Equation Modeling (SEM) was conducted across three moderator variables: gender, education level, and institutional type (central vs. regional government). The configural model showed acceptable fit across all subgroups, confirming measurement invariance and justifying further comparisons. In terms of gender-based differences, the structural path from trust to adoption intention was significantly stronger for female civil servants ($\beta = 0.376$) than for their male counterparts ($\beta = 0.285$), with a critical ratio difference of 2.19. This suggests that female respondents place greater importance on institutional and religious trust when assessing the credibility and reliability of Islamic banking services.

With regard to educational background, civil servants holding postgraduate degrees exhibited a stronger path coefficient from perceived usefulness to adoption intention ($\beta = 0.268$), compared to those with only undergraduate degrees ($\beta = 0.145$), with a CR of 2.04. This finding implies that higher education levels may enhance users' ability to appreciate the functional and practical benefits offered by Sharia-compliant financial systems. Differences also emerged based on institutional affiliation. The influence of service quality on adoption intention was more pronounced among respondents from central government agencies ($\beta = 0.233$) than those in regional government offices ($\beta = 0.142$), with a CR of 2.11. This pattern may reflect higher expectations for service excellence and procedural rigor in national-level bureaucracies. Collectively, these findings support H8 and underscore the importance of tailoring Sharia banking strategies to the demographic and institutional characteristics of potential adopters. Such differentiated approaches may be particularly effective in boosting adoption rates among public sector employees.

D.2. Discussion

The present study advances the understanding of Sharia banking adoption by Indonesian civil servants by deploying an integrated structural equation modeling (SEM) framework. The empirical findings underscore the pivotal role of trust and religiosity as the most salient determinants of adoption intention, corroborating theoretical propositions from the Theory of Planned Behavior (TPB) and trust-based frameworks. These results not only validate prior empirical evidence (Hassan et al., 2022); (R. Abdullah, Nordin, et al., 2021), but also extend them by situating the analysis within the underexamined context of public sector employees in an emerging Muslim-majority economy.

The positive and statistically significant influence of trust ($\beta = 0.322$) on adoption intention suggests that civil servants place substantial emphasis on institutional credibility, transparency, and Sharia compliance when evaluating Islamic financial services. This aligns with the findings of (Hassan et al., 2022), who emphasized that institutional trust operates as a critical conduit between religious conviction and financial behavior. In bureaucratic environments characterized by rigid procedural norms and accountability structures, trust assumes even greater significance, reflecting the imperative for Islamic banks to not only be Sharia-compliant in principle but also to project institutional integrity in practice.

Religiosity, as the second most influential factor ($\beta = 0.274$), reinforces the assertion that Islamic financial behavior is deeply embedded in spiritual and moral obligations. However, the relatively lower coefficient compared to trust suggests that personal faith, while motivational, may not be sufficient unless reinforced by institutional trust. This subtle interplay highlights the multifaceted nature of religious behavior, where normative commitment interacts dynamically with perceived institutional legitimacy. The result supports previous assertions by (Metawa & Almosawi, 1998) and (Nordin et al., 2016), but with a more refined contextual nuance pertaining to civil service culture in Indonesia.

The findings also substantiate the applicability of the Technology Acceptance Model (TAM) in the Islamic banking context. Perceived usefulness ($\beta = 0.201$) was a significant predictor of intention, particularly among postgraduate-educated respondents. This indicates that civil servants, especially those with higher educational attainment, are more inclined to adopt Islamic banking when the functional and utilitarian benefits are clearly perceived. This aligns with (Lajuni et al., 2017), who argue that instrumental cognition—rather than purely affective or normative motivations—plays an increasing role in contemporary financial decision-making, even within religious domains.

In addition, service quality ($\beta = 0.193$) emerged as a significant determinant, highlighting the operational dimension of adoption behavior. The greater influence of this construct among respondents from central government agencies suggests that expectations around professionalism, process efficiency, and service responsiveness are especially pronounced in high-performing public sector institutions. This echoes (Ahmed & Jan, 2020b) findings on the strategic value of service quality in enhancing customer loyalty in Islamic banks, and further contextualizes it within institutional hierarchies of the civil service.

While social influence ($\beta = 0.167$) and financial literacy ($\beta = 0.138$) exerted comparatively modest effects, their statistical significance affirms their complementary roles in shaping adoption intention. Social influence, consistent with UTAUT and TPB, is especially potent in collectivist societies like Indonesia, where familial, peer, and religious leader endorsements serve as social validation mechanisms (Rizvi et al., 2016). Financial literacy, on the other hand, operates as an enabling factor—amplifying the individual's capacity to understand and evaluate Sharia-compliant financial products. Although its influence is not dominant, its inclusion in the model underscores the necessity of financial education campaigns tailored to the nuances of Islamic finance. Moreover, the strong link between adoption intention and actual usage behavior ($\beta = 0.365$) substantiates the TPB's behavioral sequence, reaffirming the theoretical robustness of intention as a proximal antecedent to action. This finding contributes to bridging the often-noted intention-behavior gap in Islamic financial adoption literature (Hati et al., 2022).

The multigroup analysis (MGA) yields novel insights into demographic heterogeneity. Specifically, female civil servants demonstrated a higher sensitivity to trust, suggesting that gendered perceptions of institutional risk and religiosity may modulate financial decision-making. Similarly, postgraduate-educated respondents exhibited a stronger relationship between perceived usefulness and intention, affirming that education enhances one's evaluative capacity of functional attributes. Lastly, the elevated importance of service quality among central government employees may be attributed to their exposure to more sophisticated bureaucratic systems and higher performance benchmarks. Collectively, these findings advance the discourse on Islamic banking by introducing a context-specific, multivariate adoption model that simultaneously incorporates attitudinal, normative, and cognitive drivers. The study challenges the assumption of homogeneity in Muslim financial behavior and underscores the importance of tailored interventions—whether through segmentation-based marketing, differentiated product communication, or targeted regulatory incentives.

E. Conclusion & Policy Recommendation

E.1. Conclusion

This study developed and empirically tested a structural model to investigate the determinants of Islamic banking adoption among Indonesian civil servants, an underexplored yet strategically significant segment of the population. Drawing upon integrated theoretical foundations—namely, the Theory of Planned Behavior (TPB), Technology Acceptance Model (TAM), and trust-based frameworks—the model examined how religiosity, perceived usefulness, service quality, trust, social influence, and financial literacy shape adoption intention, which in turn predicts actual usage behavior.

The results confirm that trust and religiosity are the most influential antecedents of adoption intention, followed by perceived usefulness, service quality, social influence, and financial literacy. The structural model demonstrated substantial explanatory power, with intention accounting for 61% of its variance and usage behavior explained by intention at 43%. Importantly, multigroup analysis revealed statistically significant differences across demographic subgroups—indicating that gender, educational level, and institutional affiliation moderate the relationships between key constructs and adoption intention. Female civil servants place greater emphasis on trust, postgraduate-educated individuals are more driven by functional utility, and central government employees exhibit stronger sensitivity to service quality.

These findings extend the current literature on Islamic banking adoption by introducing a multigroup structural equation model that accommodates both attitudinal and contextual variables. Theoretically, this research offers a validated and replicable framework for analyzing public sector financial behavior in Muslim-majority emerging economies. Practically, it provides actionable insights for Islamic financial institutions and policymakers seeking to enhance financial inclusion, particularly by tailoring strategies based on demographic profiles and behavioral drivers. Given the limitations of cross-sectional data and geographic specificity to Indonesia, future research should explore longitudinal models and comparative studies across multiple Muslim-majority contexts. Further integration of qualitative insights may also enrich the understanding of the socio-cultural narratives that shape Islamic banking behavior among public sector actors.

E.2. Policy Recommendation

This study contributes to the Islamic banking literature by developing and validating an integrated SEM model tailored to the public sector. It expands previous TAM and TPB-based models by incorporating trust, religiosity, and financial literacy—constructs that are particularly relevant in Islamic finance contexts. Moreover, the use of multigroup SEM offers new insights into heterogeneity within the civil servant population, an area previously underexplored.

For policymakers, the results highlight the importance of enhancing trust-building mechanisms, such as transparency in Sharia boards and regular audits of Islamic banks. Financial authorities (Bank Indonesia, OJK) should consider integrating Islamic financial literacy modules in civil servant training programs. For practitioners, Islamic banks should focus on service quality optimization, particularly in urban-based government offices where expectations are higher. Tailored marketing strategies based on gender and educational background could also improve outreach.

Although this study offers substantial insights, some limitations must be acknowledged. First, the use of cross-sectional data limits causal inference. Second, the sample is limited to Indonesia and may not reflect the dynamics in other Muslim-majority countries. Future research could employ longitudinal designs to examine behavioral change over time, and replicate this model in other contexts such as Malaysia, Brunei, or Pakistan. Furthermore, qualitative studies could complement these findings by exploring motivational narratives behind adoption decisions.

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