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UNDERSTANDING ISLAMIC FINANCIAL PRODUCT HOLDINGS AMONG MULTI-FAITH CONSUMERS: THE ROLES OF LITERACY, MOTIVES AND ATTITUDES

Dewi Khornida Marheni^{1*}

Universitas Internasional Batam

Jocelyn Lim²

Universitas Internasional Batam

Johny Budiman³

Universitas Internasional Batam

e-mail: ^{1*}dk.marheni@gmail.com, ²2341146.jocelyn@uib.edu, ³johny.budiman@uib.ac.id

ABSTRACT

This study aims to investigate the impact of IFL, RLG, ETC, and ECM on holdings of IFP through attitude as a mediating variable. This study is a quantitative survey which data was collected from 379 Islamic financial product users in Batam, selected by convenience sampling using the formula $n \times 10$. Data was analysed using PLS-SEM. The results shows that IFL, RLG, ETC, and ECM have a significant positive effect on holdings of IFP. ATT mediate the relationship between IFL, RLG, ETC and holdings of IFP. Considering the results, shows that emphasizing the importance of improving financial understanding and strengthening ethical, religious and economic considerations.

Keywords: *Attitude, Economic Motives, Holdings Islamic Financial Product, Islamic Financial Literacy, Religious Motives*

ABSTRAK

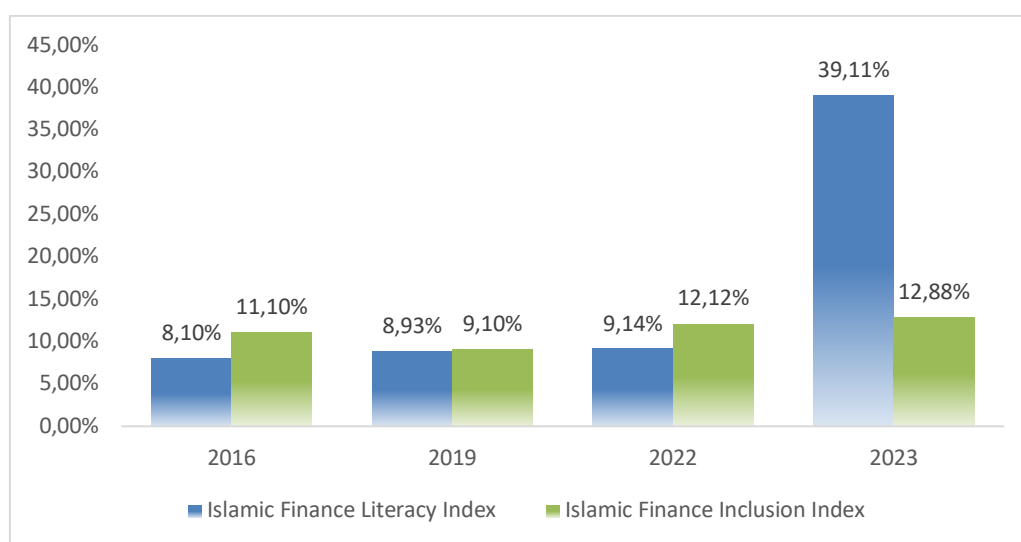
Penelitian ini bertujuan untuk mengeksplorasi dampak literasi keuangan Islam, motif keagamaan, motif etika, dan motif ekonomi terhadap kepemilikan produk keuangan Islam melalui sikap sebagai variabel mediasi. Penelitian ini merupakan survei kuantitatif yang datanya dikumpulkan dari 379 pengguna produk keuangan Islam di Batam, yang dipilih dengan metode convenience sampling menggunakan rumus $n \times 10$. Data dianalisis menggunakan PLS-SEM. Hasil dari penelitian ini menunjukkan bahwa literasi keuangan Islam, motif keagamaan, motif etika, dan motif ekonomi memiliki pengaruh positif yang signifikan terhadap kepemilikan produk keuangan Islam. Sikap memediasi hubungan antara literasi keuangan Islam, motif keagamaan, motif etika, dan kepemilikan produk keuangan Islam. Berdasarkan hasil penelitian, menunjukkan bahwa penekanan pentingnya meningkatkan pemahaman keuangan dan memperkuat pertimbangan etika, keagamaan, dan ekonomi sangat penting.

Kata kunci: *Sikap, Kepemilikan Produk Keuangan Islam, Literasi Keuangan Islam, Motif Ekonomi, Motif Keagamaan.*

INTRODUCTION

Over the past 10 years, the global Islamic finance market has developed rapid and consistent growth, where it has grown from a small market to become one of the globally recognized financial industries.¹ Islamic Finance Development Indicator data shows that Indonesia holds the 4th rank globally and the overall amount of worldwide Islamic financial assets increased significantly and reach US \$4.925 trillion in 2023 and are expected to continue to increase to US \$7.528 trillion in 2028.² According to Global Islamic Economy Indicator, Indonesia is ranked 3rd globally, which shows that Indonesia's sharia economy has competitiveness and competitive growth.³ On the other hand, the level of literacy and inclusion is still inversely proportional to Indonesia's increasingly strong position in global Islamic finance. Based on OJK noted that in 2022, Islamic financial literacy rate reaches 9.14%, while Islamic financial inclusion was 12.12%. In 2023, the literacy index increased rapidly to 39.11%, while inclusion only increased slightly by 12.88%.⁴ This results in a crucial difference between the progress of the Islamic financial market and the minimal realization of using Islamic financial products.

Figure 1.
Comparison of Growth of Sharia Financial Literacy and Inclusion Index
(2016-2023)



Source: Indonesian Islamic finance report, OJK 2023

Holdings of Islamic financial product has become one of the keys in assessing the performance of Islamic finance globally.⁵ Holding of Islamic financial product is the level of customer trust and ownership of banking services that comply with

¹ Joko Setyono, "Intention to Use Islamic Mobile Banking: Integration of Technology Acceptance Model and Theory of Planned Behavior with Trust," *Muqtasid: Jurnal Ekonomi dan Perbankan Syariah* 13, no. 2 (2023): 127–42, <https://doi.org/10.18326/muqtasid.v13i2.127-142>.

² ICD-LSEG, *ICD - LSEG Islamic Finance Development Report 2024: From Niche to Norm* (2024).

³ OJK, "Indonesian Islamic Finance Report 2023," in *Otoritas Jasa Keuangan (OJK)* (2023), <https://ojk.go.id/en/berita-dan-kegiatan/info-terkini/Pages/Indonesian-Islamic-Financial-Development-Report-LPKSI-2023.aspx>.

⁴ OJK, "Indonesian Islamic Finance Report 2023," in *Otoritas Jasa Keuangan (OJK)* (2023).

⁵ Setyono, "Intention to Use Islamic Mobile Banking: Integration of Technology Acceptance Model and Theory of Planned Behavior with Trust." H. 127-142

sharia rules, primarily avoiding *riba*, *maysir* and *gharar*.⁶ Research conducted by Mahdzan *et al.* stated that customers, especially Muslims, tend to prefer Islamic financial products for religious reasons, to ensure there are no violations of sharia principles.⁷ Previous studies only involving Muslim respondents results in limited perspective and ignores strategic opportunities to expand the use of Islamic financial products for non-Muslim customers as an ethical, fair, transparent and sustainable financial product.⁸ This gap highlights the importance of further analysis involving respondents from various faiths to understand the factors influencing non-Muslims' holdings of Islamic financial products. Therefore, the purpose of this study is to analyze the factors that influencing holdings of IFP. By addressing the gaps left by previous research, the authors hope this study can provide a theoretical contribution by enriching knowledge about the financial behavior of Batam society.

This research implements the TPB (Theory of Planned Behavior) popularized by Ajzen in 1991. This theory explains that individual intention is influenced by several psychological factors. According to TPB, individual behavior is influenced by attitude, subjective norm, and perceived behavioral control.⁹ These three factors influence an individual intention. This theory is used to explain that customer decisions on using Islamic financial product or services are based on positive attitude toward Islamic principles and belief that the product is easy to use.¹⁰ Besides using TPB, this study also use theory of Islamic consumer behavior to enhance perception of the decision-making processes of Muslim consumers. Islamic consumer behavior presents an effective alternative to conventional

⁶ Norhudayati Mustapha *et al.*, “‘Should I Adopt Islamic Banking Services?’ Factors Affecting Non-Muslim Customers’ Behavioral Intention in the Malaysian Context,” *Journal of Islamic Marketing* 14, no. 10 (2022): 2450–65, <https://doi.org/10.1108/JIMA-03-2022-0094>; Muhammad Khalilur Rahman *et al.*, “Do Customers’ Perceptions of Islamic Banking Services Predict Satisfaction and Word of Mouth? Evidence from Islamic Banks in Bangladesh,” *PLoS ONE* 18, no. 1 January (2023), <https://doi.org/10.1371/journal.pone.0280108>; Kui Sian Si and Phaik Nie Chin, “Intention to Use Islamic Banking Products and Services: Evidence from Malaysia,” *Journal of Governance and Integrity* 6, no. 2 (2023): 616–23, <https://doi.org/10.15282/jgi.6.2.2023.9736>.

⁷ Nurul Shahnaz Mahdzan *et al.*, “Does Islamic Financial Literacy and Motives Influence the Holdings of Islamic Financial Products? A Study on Bank Customers in Klang Valley, Malaysia,” *Journal of Islamic Marketing* 15, no. 9 (2024): 2286–309, <https://doi.org/10.1108/JIMA-05-2022-0158>.

⁸ Muhammad Alfarizi and Rini Kurnia Sari, “Indonesian Muslim Consumers’ Perspectives and Behavior on Intentions to Use Islamic Financial Products Post-Covid-19,” *Ekbis: Jurnal Ekonomi dan Bisnis* 6, no. 1 (2022): 30–43, <https://doi.org/10.14421/ekbis.2022.6.1.1549>; Nageeb Ullah Atal *et al.*, “Drivers of Intention to Use Murabaha Financing: Religiosity as Moderator,” *Journal of Islamic Marketing* 13, no. 3 (2020): 740–62, <https://doi.org/10.1108/JIMA-07-2019-0147>; Md. Tanvir Alam Himel *et al.*, “Users’ Attitude and Intention to Use Mobile Financial Services in Bangladesh: An Empirical Study,” *South Asian Journal of Marketing* 2, no. 1 (2021): 72–96, <https://doi.org/10.1108/sajm-02-2021-0015>; S. M. AI Imran *et al.*, “Influencing Factors of Customer Expectations in Islamic Banking Services in Bangladesh,” *International Research Journal of Economics and Management Studies* 3, no. 12 (2024): 115–21, <https://doi.org/10.56472/25835238/irjems-v3i12p114>; Junaidi Junaidi, “The Awareness and Attitude of Muslim Consumer Preference: The Role of Religiosity,” *Journal of Islamic Accounting and Business Research* 12, no. 6 (2021): 919–38, <https://doi.org/10.1108/JIABR-08-2020-0250>; Fauz Moh’D Khamis, Mohamad Yazid Bin Isa, and Noraini Binti Yusuff, “Perceived Inclusion of Islamic Finance: The Effects of Attitudes, Experience, Literacy, Religiosity, and Social Influences,” *International Journal of Applied Economics, Finance and Accounting* 18, no. 2 (2024): 321–38, <https://doi.org/10.33094/ijaefa.v18i2.1398>; Setyono, “Intention to Use Islamic Mobile Banking: Integration of Technology Acceptance Model and Theory of Planned Behavior with Trust”; Naimatullah Shah *et al.*, “Intention to Adopt Islamic Finance through the Mediation of Attitudes towards Islamic Finance,” *Journal of Islamic Accounting and Business Research* 14, no. 6 (2023): 931–51, <https://doi.org/10.1108/JIABR-08-2022-0205>.

⁹ Icek Ajzen, *The Theory of Planned Behavior*, in *Organizational Behavior and Human Decision Processes*, vol. 50, no. 2 (1991), [https://doi.org/10.1016/0749-5978\(91\)90020-T](https://doi.org/10.1016/0749-5978(91)90020-T).

¹⁰ Si and Chin, “Intention to Use Islamic Banking Products and Services: Evidence from Malaysia.”

theory which based on practical and usage. The main goals of Islamic approach are *maslahah* and *falah*, based on Islamic worldview which includes *tauhid*, *khilafah*, dan *'ialah*.¹¹ According to Sari *et al.*, this theory is based on Islamic beliefs and principles which are more likely emphasis on meaningful consumption linked to wellbeing, responsibility, moderation and resource conservation.¹² This framework creates a comprehensive approach to not only focused on consumption and economic aspects but also in line with sharia beliefs and seeks for happiness both here on earth and afterlife.¹³

IFL includes both the understanding of Islamic financial products and the knowledge of essential principles, representing an individual's ability, knowledge, and attitudes.¹⁴ Previous study discovered that Islamic financial literacy is critical component between the effectiveness and use of Islamic financial products and services.¹⁵ Struckell *et al.* shows that Customer's financial literacy is the main factors of their attitudes about using Islamic financial product.¹⁶ Previous study Utomo *et al.* also found that IFL have a significant positive effect towards ATT, showing that business owner's attitude and intention to use Islamic financial products have a positive correlation with their degree of IFL.¹⁷ Similar to Muningggar findings shows that higher IFL is associated with a stronger sense of control over one's financial behavior, because they internalize ethical principles based on sharia in addition to comprehend technical financial principles.¹⁸

Religion influences how a individual's think and behaves when selecting a product.¹⁹ Due to ignorance or lack of IFL may lead some people refer to religious beliefs as a reason using financial product and services.²⁰ Junaidi claimed that in Uganda and Egypt, customer perceptions of Islamic finance are strongly connected with religion.²¹ Prior studies also discovered that RLG have a significant and positive effect towards ATT.²² Previous study by Shah *et al.* finds that most of a

¹¹ Monzer Kahf and Tariqullah Khan, "Principles of Islamic Financing : A Survey," *Islamic Research and Training Institute*, 1992.

¹² Niken Permata Sari *et al.*, "Consumer Behavior in Islamic Perspectives : A Theoretical Review," *Miftah : Jurnal Ekonomi dan Bisnis Islam* 3, no. 2 (2025): 107–14, <https://doi.org/https://doi.org/10.61231/miftah.v3i2.410>.

¹³ Fera Julianti Marusnia, Febby Nursyahadah, and Joni Hendra, "Teori Prilaku Konsumen Islam," *Al-Sharf Jurnal Ekonomi Islam* 5, no. 3 (2024): 302–13.

¹⁴ Lubna Khan and Imtiaz Arif, "Islamic Financial Literacy and Intention to Use Islamic Banking: A Role of Financial Considerations," *Journal of Finance & Economics Research* 7, no. 1 (2022): 47–59, <https://doi.org/10.20547/jfer2207104>.

¹⁵ Auni Zulfaka, "Behavioral Analysis Behind the Intention to Adopt Islamic Financial Products and Services in Malaysia: Underpinning Social Cognitive Theory," *International Journal of Islamic Finance* 3, no. 1 (2025): 42–62, <https://doi.org/10.14421/ijif.v3i1.2335>.

¹⁶ Elisabeth M. Struckell *et al.*, "Financial Literacy and Self Employment – The Moderating Effect of Gender and Race," *Journal of Business Research* 139, no. April 2021 (2022): 639–53, <https://doi.org/10.1016/j.jbusres.2021.10.003>.

¹⁷ Setiawan Budi Utomo *et al.*, "Promoting Islamic Financial Ecosystem to Improve Halal Industry Performance in Indonesia: A Demand and Supply Analysis," *Journal of Islamic Marketing* 12, no. 5 (2020): 992–1011, <https://doi.org/10.1108/JIMA-12-2019-0259>.

¹⁸ Putri Moh Shadam Taqiyuddin Azka Muningggar, *The Role of Islamic Financial Literacy in Shaping Economic Behavior: Evidence from Generation Z*, 14, no. 2 (2025): 81–97, <https://doi.org/https://doi.org/10.14710/djoe.48925>.

¹⁹ Alfarizi and Sari, "Indonesian Muslim Consumers' Perspectives and Behavior on Intentions to Use Islamic Financial Products Post-Covid-19."

²⁰ Khamis, Isa, and Yusuff, "Perceived Inclusion of Islamic Finance: The Effects of Attitudes, Experience, Literacy, Religiosity, and Social Influences."

²¹ Junaidi, "The Awareness and Attitude of Muslim Consumer Preference: The Role of Religiosity."

²² Atal *et al.*, "Drivers of Intention to Use Murabaha Financing: Religiosity as Moderator"; Shah *et al.*, "Intention to Adopt Islamic Finance through the Mediation of Attitudes towards Islamic Finance."

highly religious person, they fear that Allah would somehow punish them if they did things that against Islamic principles.²³ Previous study by Tajuddin *et al.* highlights that a person's ATT and intention in using Islamic financial products and services are mostly influenced by moral principles.²⁴ Study by Imran *et al.*; Mahdzan *et al.* stated that ethical responsibility doesn't have a crucial influence, this shows that most customers may not be aware of the benefits of social activities carried out by companies, such as donations, health services, or educational support.²⁵ Other research highlight that ethical organization has a significant effect towards ATT.²⁶ Many businesses believe that they can gain more profits by being more moral and social as the ethical investment sector grows.²⁷

ATT is an individual's tendency to evaluate digital financial services technology positively or negatively, and the more positive individual ATT, the stronger their intention to use the service.²⁸ Previous research by Setyono found that individual perspectives on using mobile banking reflect their opinion that the service is able to meet their banking needs effectively.²⁹ Prior studies found that attitude has a significant and positive effect towards holdings of IFP.³⁰ Therefore, maintaining a positive influence of Islamic banks is important to maintain relationships with customers. Previous study underlined that in Islamic finance, holdings of IFP are crucially influenced by economic factors.³¹ Considering whether Islamic investments can provide a competitive advantage in Islamic financial services become a key determinant. The benefits of using fintech also lead to the assumption that economic benefits are a crucial factor in encouraging someone to use the service.³² Previous study by Maryam *et al.* reveals that cost benefits have a positive and crucial indirect effect on holdings of Islamic financial

²³ Shah et al., "Intention to Adopt Islamic Finance through the Mediation of Attitudes towards Islamic Finance."

²⁴ Ely shuhadah Tajuddin et al., "Consumers' Perspectives on Sustainability Practices of Islamic Banks and Halal Businesses," *Journal of Islamic Finance* 13, no. 2 (2024): 118–32.

²⁵ Imran et al., "Influencing Factors of Customer Expectations in Islamic Banking Services in Bangladesh"; Mahdzan et al., "Does Islamic Financial Literacy and Motives Influence the Holdings of Islamic Financial Products? A Study on Bank Customers in Klang Valley, Malaysia."

²⁶ Zulfahmi Alwi, Rika Dwi Ayu Parmitasari, and Alim Syariati, "An Assessment on Islamic Banking Ethics through Some Salient Points in the Prophetic Tradition," *Heliyon* 7, no. 5 (2021): e07103, <https://doi.org/10.1016/j.heliyon.2021.e07103>; Muhammad Nazmul Hoque et al., "What Factors Influence Customer Attitudes and Mindsets towards the Use of Services and Products of Islamic Banks in Bangladesh?," *Sustainability (Switzerland)* 14, no. 8 (2022), <https://doi.org/10.3390/su14084703>.

²⁷ Alwi, Parmitasari, and Syariati, "An Assessment on Islamic Banking Ethics through Some Salient Points in the Prophetic Tradition."

²⁸ Himel et al., "Users' Attitude and Intention to Use Mobile Financial Services in Bangladesh: An Empirical Study"; A. Irimia-Diéguez, F. Velicia-Martín, and M. Aguayo-Camacho, "Predicting Fintech Innovation Adoption: The Mediator Role of Social Norms and Attitudes," *Financial Innovation* 9 (2023): 36, <https://doi.org/10.1186/s40854-022-00434-6>.

²⁹ Setyono, "Intention to Use Islamic Mobile Banking: Integration of Technology Acceptance Model and Theory of Planned Behavior with Trust."

³⁰ Mohamed Albaity and Mahfuzur Rahman, "Customer Loyalty towards Islamic Banks: The Mediating Role of Trust and Attitude," *Sustainability (Switzerland)* 13, no. 19 (2021), <https://doi.org/10.3390/su131910758>; Mustapha et al., "'Should I Adopt Islamic Banking Services?' Factors Affecting Non-Muslim Customers' Behavioral Intention in the Malaysian Context"; Si and Chin, "Intention to Use Islamic Banking Products and Services: Evidence from Malaysia."

³¹ Rahman et al., "Do Customers' Perceptions of Islamic Banking Services Predict Satisfaction and Word of Mouth? Evidence from Islamic Banks in Bangladesh."

³² Muhammad Ali et al., "How Perceived Risk, Benefit and Trust Determine User Fintech Adoption: A New Dimension for Islamic Finance," *Foresight* 23, no. 4 (2021): 403–20, <https://doi.org/10.1108/FS-09-2020-0095>.

products.³³ This explains that customers are more interested in using Islamic banking if it is cheap, thus motivating customers to use Islamic banking. Conversely some prior research found that economic motives have a negative influence on holdings of IFP, this shows that a small portion of IFP are owned by bank customers who have a high priority on relatively low risk and costs.³⁴ A person who has the capable of reading, analyzing, managing and communicating financial situations that impact material prosperity is known as IFL.³⁵ Prior research found that a person is said to be financially literate if they understand the basics of financial management.³⁶ When customers have a good financial literacy, they not just improve their decision making skills but also develop a positive ATT toward IFP. The most important elements that can affect decision making is attitude, this is because attitude allows individuals to make a financial decide based on their values, principles and culture.³⁷ Some previous study shows that attitude, as a mediator in the relationship between IFL and Holdings of IFP, has a significant and positive effect.³⁸ It is argued that if someone has good knowledge of Islamic finance, this indicates a positive attitude that can help them make better financial management decisions.

According to Usman *et al.* religion plays a major role in culture, impacting on the daily activities of every cultural group.³⁹ Therefore, highly religious person use religious principles as a way of viewing the world and integrate their beliefs into most aspects of their lives. Customers' views on religion, values, bank reputation, banking practices and lifestyle are factors that have a crucial impact on the interest to own sharia products.⁴⁰ Prior research finds that religiosity influences a person attitude towards investing in Islamic Unit Trusts (IUT) but does not have a crucial impact on behavioral intention.⁴¹ From another perspective some highlight that

³³ Sayeda Zeenat Maryam et al., "Reputation and Cost Benefits for Attitude and Adoption Intention among Potential Customers Using Theory of Planned Behavior: An Empirical Evidence from Pakistan," *Journal of Islamic Marketing* 13, no. 10 (2022): 2090–107, <https://doi.org/10.1108/JIMA-03-2021-0059>.

³⁴ Muhammad Y. Khan et al., "Dynamics of Selecting Islamic Home Financing," *International Journal of Finance and Economics* 26, no. 4 (2021): 5005–16, <https://doi.org/10.1002/ijfe.2051>; Mahdzan et al., "Does Islamic Financial Literacy and Motives Influence the Holdings of Islamic Financial Products? A Study on Bank Customers in Klang Valley, Malaysia"; Dewi Khornida Marheni and Gracia Melani, "Analisis Faktor-Faktor Yang Mempengaruhi Niat Untuk Menggunakan Mobile Payment Pada Masyarakat Kota Batam," *Jurnal Ekonomi & Ekonomi Syariah* 4, no. 2 (2021): 804–15, <https://doi.org/https://doi.org/https://doi.org/10.36778/jesya.v4i2.399>.

³⁵ Nik Hadiyan Nik Azman et al., "The Interconnectivity between Islamic Financial Literacy and Financial Sustainability: Evidence from Muslim Micro-Entrepreneurs in Malaysia," *Journal of Islamic Accounting and Business Research* 16, no. 4 (2025): 791–810, <https://doi.org/10.1108/JIABR-07-2022-0191>.

³⁶ Mahmoud Ahmad Mahmoud et al., "Factors Influencing the Islamic Fintech Acceptance: Moderating Role of Islamic Financial Literacy," *Journal of Islamic Accounting and Business Research*, ahead of print, 2025, <https://doi.org/10.1108/JIABR-08-2024-0322>.

³⁷ Rizaldi Yusfiarto et al., "Examining Islamic Capital Market Adoption from a Socio-Psychological Perspective and Islamic Financial Literacy," *Journal of Islamic Accounting and Business Research* 14, no. 4 (2023): 574–94, <https://doi.org/10.1108/JIABR-02-2022-0037>.

³⁸ Muninggar, *The Role of Islamic Financial Literacy in Shaping Economic Behavior: Evidence from Generation Z*; Ismah Osman et al., "The Dilemma of Millennial Muslims towards Financial Management: An Islamic Financial Literacy Perspective," *Journal of Islamic Marketing* 15, no. 2 (2024): 59–78, <https://doi.org/10.1108/JIMA-09-2021-0283>.

³⁹ Hardius Usman et al., "Integrating Trust, Religiosity and Image into Technology Acceptance Model: The Case of the Islamic Philanthropy in Indonesia," *Journal of Islamic Marketing* 13, no. 2 (2022): 381–409, <https://doi.org/10.1108/JIMA-01-2020-0020>.

⁴⁰ Shah et al., "Intention to Adopt Islamic Finance through the Mediation of Attitudes towards Islamic Finance."

⁴¹ Norhazimah Che Hassan et al., "What Factors Affecting Investment Decision? The Moderating Role of Fintech Self-Efficacy," *PLoS ONE* 19, no. 4 (2024), <https://doi.org/10.1371/journal.pone.0299004>.

ATT mediates RLG with intention to use IFP, having a crucial and positive influence.⁴² This indicates that ATT plays a crucial role as a mediator between RLG and holdings of IFP. The more religious a person tends to have a more positive ATT, making them wiser in their decision-making. Study by Tajuddin *et al.* highlight those ETC influence ATT and their intention to use Islamic financial products.⁴³ Customer attitude influences decision making, through four main aspects, such as relative advantage, compatibility, complexity, and attitude toward service.⁴⁴ How someone views digital financial technology depends on how they see the convenience and benefits offered by the product or service, the more positive the view, the greater the chance of customers using the product or service.⁴⁵ Some prior research also highlight that ATT mediates ETC with intention to engage in IFP, having a significant and positive influence.⁴⁶ Customers with higher moral standards tend to prioritize products or services that don't violate Islamic principles.

Research Question

- RQ1: Does Islamic financial literacy influence individuals' attitudes toward Islamic financial products?
- RQ2: Do religious motives influence individuals' attitudes toward Islamic financial products?
- RQ3: Do ethical motives influence individuals' attitudes toward Islamic financial products?
- RQ4: Does attitude toward Islamic financial products influence the holding of Islamic financial products?
- RQ5: Do economic motives influence the holding of Islamic financial products?
- RQ6: Does attitude toward Islamic financial products mediate the relationship between Islamic financial literacy and the holding of Islamic financial products?
- RQ7: Does attitude toward Islamic financial products mediate the relationship between religious motives and the holding of Islamic financial products?
- RQ8: Does attitude toward Islamic financial products mediate the relationship between ethical motives and the holding of Islamic financial products?

METHOD

This study using primary data for collecting direct replies from target respondents because it investigates consumer perception toward IFP. This study adopted a quantitative approach with interview, and convenience sampling was used for the sample process. The research population are individuals from generation X, Y, and Z who have used Islamic banking and domiciled in Batam. The

⁴² Alfarizi and Sari, "Indonesian Muslim Consumers' Perspectives and Behavior on Intentions to Use Islamic Financial Products Post-Covid-19"; Atal et al., "Drivers of Intention to Use Murabaha Financing: Religiosity as Moderator."

⁴³ Tajuddin et al., "Consumers' Perspectives on Sustainability Practices of Islamic Banks and Halal Businesses."

⁴⁴ Si and Chin, "Intention to Use Islamic Banking Products and Services: Evidence from Malaysia."

⁴⁵ Himel et al., "Users' Attitude and Intention to Use Mobile Financial Services in Bangladesh: An Empirical Study."

⁴⁶ Hoque et al., "What Factors Influence Customer Attitudes and Mindsets towards the Use of Services and Products of Islamic Banks in Bangladesh?"; Fatih Koc et al., "The Effects of Trust and Religiosity on Halal Products Purchase Intention: Indirect Effect of Attitude," *EuroMed Journal of Business* 20, no. 5 (2024): 141–65, <https://doi.org/10.1108/EMJB-01-2024-0004>.

number of research samples was determined using Hair *et al.* method with formula $n \times 10$ with the minimum sample size is 280 respondents.⁴⁷ This survey was shared online via google form, where using a Likert scale rating from a score of 1 (strongly disagree) to 5 (strongly agree). The method used is SEM-PLS which can be used to test complex relationships between independent and dependent indicator. Data processing and analysis were carried out using the Smart PLS app version 4. The findings of the analysis are expected to present an evaluation of how far the influence of IFL, RLG, ETC, and ECM on holdings of IFP through attitude as a mediating variable.

Figure 2.
Conceptual Framework

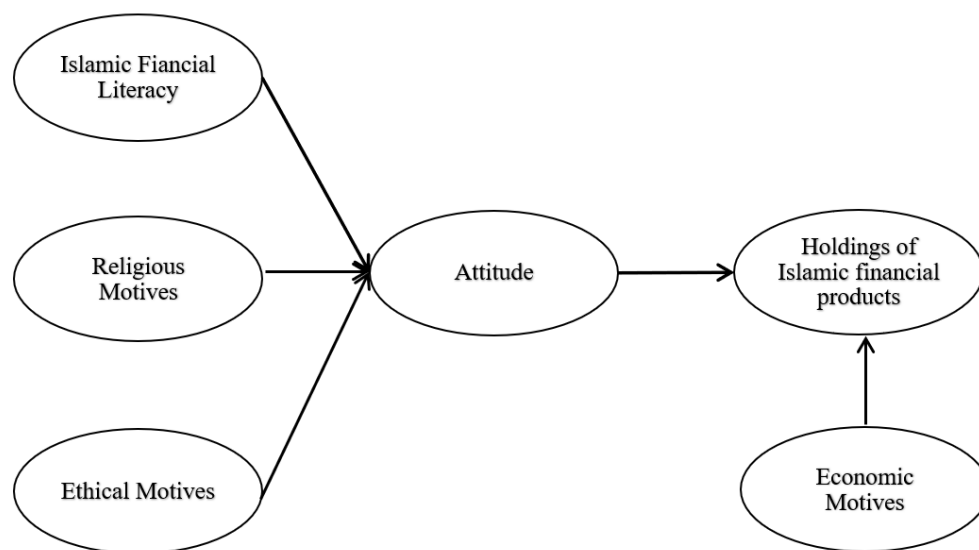


Table 1.
Questionnaire Items

Variable	Statements
Islamic Financial Literacy (IFP) ⁴⁸	I understand the principles used in Islamic financial products/services (e.g. Wadiah, Mudarabah, Murabaha, Musyarakah and Ijarah)
	I understand the benefits of Islamic financial products
	I know the liabilities I must fulfill when I use Islamic financial products
	I already know the liabilities I must fulfill when I ask for financing in Islamic banks
	I already know the liabilities I must fulfill when I invest in Islamic capital market
	I already know the liabilities when I use Islamic insurance (takaful)

⁴⁷ Joseph F. Hair et al., "When to Use and How to Report the Results of PLS-SEM," *European Business Review* 31, no. 1 (2019): 2–24, <https://doi.org/10.1108/EBR-11-2018-0203>.

⁴⁸ Utomo et al., "Promoting Islamic Financial Ecosystem to Improve Halal Industry Performance in Indonesia: A Demand and Supply Analysis."

Religious Motives (RLG) ⁴⁹	Religion is the most important reason that attracts me to Islamic Banking and Finance
	My religious belief is the most important factor that attracts me to Islamic Banking and Finance
	When making a financial decision, Shariah Law plays a very important role in my decisions
	Islamic financial institutions and agencies that provide Islamic financing are compliant with Islamic law
	Religion motivates me to seek Islamic financing
	Islamic bank upholds the Islamic image and provides the social welfare
Ethical Motives (ETC) ⁵⁰	The most important reason that attracts me to Islamic Banking and Finance is ethics
	The most important reason that attracts me to Islamic Banking and Finance is fairness
	Welfare is the most important reason that attracts me to Islamic Banking and Finance
Economic Motives (ECM) ⁵¹	The most important reason that attracts me to Islamic Banking and Finance is because of its lower risk (Example: Risk of loss due to interest, unclear asset risk)
	Islamic financing more profitable than conventional financing.
	Islamic financing offer credit at favorable terms and conditions.
	Islamic financing offers lower service charge and lower monthly repayment
Attitude (ATT) ⁵²	Islamic financing costs of borrowing funds is lower than conventional financing
	Using Islamic financial products is good
	Using Islamic financial products is profitable
	Using Islamic financial products is useful
Holdings of Islamic Financial Product (IFP) ⁵³	Using Islamic financial products is the best decision to make
	I will think of using Islamic financial products also in the future.

⁴⁹ Mahdzan et al., “Does Islamic Financial Literacy and Motives Influence the Holdings of Islamic Financial Products? A Study on Bank Customers in Klang Valley, Malaysia”; Rahman et al., “Do Customers’ Perceptions of Islamic Banking Services Predict Satisfaction and Word of Mouth? Evidence from Islamic Banks in Bangladesh.”

⁵⁰ Mahdzan et al., “Does Islamic Financial Literacy and Motives Influence the Holdings of Islamic Financial Products? A Study on Bank Customers in Klang Valley, Malaysia”; Tajuddin et al., “Consumers’ Perspectives on Sustainability Practices of Islamic Banks and Halal Businesses.”

⁵¹ Mariatul Aida Jaffar and Rosidah Musa, “Determinants of Attitude towards Islamic Financing among Halal-Certified Micro and SMEs: A Preliminary Investigation,” *Procedia - Social and Behavioral Sciences* 130, no. January (2014): 135–44, <https://doi.org/10.1016/j.sbspro.2014.04.017>; Mahdzan et al., “Does Islamic Financial Literacy and Motives Influence the Holdings of Islamic Financial Products? A Study on Bank Customers in Klang Valley, Malaysia.”

⁵² Utomo et al., “Promoting Islamic Financial Ecosystem to Improve Halal Industry Performance in Indonesia: A Demand and Supply Analysis.”

⁵³ Metin Saygılı et al., “Determining Intention to Choose Islamic Financial Products Using the Attitude–Social Influence–Self-Efficacy (ASE) Model: The Case of Turkey,” *International Journal of Islamic and Middle Eastern Finance and Management* 15, no. 6 (2022): 1109–26, <https://doi.org/10.1108/IMEFM-11-2020-0569>.

Before using any financial product, I will make sure that it is an Islamic financial product
In the near future, I will show more sensitivity toward using Islamic financial products.
I recommend people around me (family, friends, relatives and so on) to use Islamic financial products.

Source: Adapted by the author from various sources

RESULTS AND DISCUSSION

Research Findings

Table 2.
Respondent Demographics

	Description	Frequency	Percentage
Gender	Male	100	26%
	Female	279	74%
Age	Gen X	9	2%
	Gen Y	68	18%
	Gen Z	302	80%
Religion	Islam	270	71%
	Buddha	71	19%
	Protestant	22	6%
	Catholic	8	2%
	Confucianism	4	1%
	Hindu	4	1%
Education Level	High school/equivalent	243	64%
	Bachelor's Degree (S1)	128	34%
	Diploma III	6	2%
	Master's Degree (S2)	2	1%
Employment Status	Student	259	68%
	Private Sector Employee	96	25%
	Entrepreneur / Business Owner	18	5%
	Public Sector Employee	6	2%
Income / Monthly Allowance	≤ Rp 4.989.600	263	69%
	Rp 4.989.601 - 10.000.000	101	27%
	> Rp 10.000.001	15	4%
Have you ever used Islamic financial services?	Yes	379	100%
	No	0	0%
Types of Islamic Banks Used / Currently Used	Bank Syariah Indonesia (BSI)	264	70%
	Bank Muamalat Indonesia	8	2%
	Bank Mega syariah	4	1%
	Bank BCA Syariah	64	17%
	Bank Panin Dubai syariah	3	1%
	CIMB niaga syariah	8	2%
	OCBC NISP Syariah	7	2%
	Danamon Syariah	3	1%
	BTN Syariah	6	2%
	Others	12	3%

Source: Primary data processed, 2026

Table 2 shows the respondents demographic data which collected through questionnaire distribution. The data that was successfully collected through questionnaires is 379 respondents out of a total 433 respondents. Based on the data obtained, this can be concluded that most of the respondents was female

totalled 279 and the number of male respondents was 100. Most respondents were Generation Z (80%), indicating that Gen Z is a generation who tends to be more adaptable to modern financial services. Furthermore, most respondents were Muslim (71%). In terms of education, high school graduates (64%) were the dominant, contributing to their employment status, with most respondents are students. In terms of income, most respondents (69%) had an income of $\leq$ Rp 4,989,600. Furthermore, most respondents used Bank Syariah Indonesia (BSI) (70%), followed by BCA Syariah (17%).

Table 3.
Validity test

Variable	Items	Outer loadings	AVE	Conclusion
Attitude	ATT1	0.761	0.513	Valid
	ATT2	0.738		
	ATT3	0.679		
	ATT4	0.684		
Economic Motives	ECM2	0.705	0.520	Valid
	ECM3	0.728		
	ECM4	0.741		
	ECM5	0.697		
	ECM6	0.734		
Ethical Motives	ETC5	0.705	0.514	Valid
	ETC6	0.755		
	ETC7	0.689		
Islamic Financial Literacy	IFL4	0.675	0.500	Valid
	IFL6	0.694		
	IFL9	0.734		
	IFL10	0.742		
	IFL11	0.695		
	IFL12	0.700		
Holdings of Islamic Financial Product	IFP1	0.688	0.524	Valid
	IFP2	0.702		
	IFP3	0.753		
	IFP6	0.751		
Religious Motives	RLG1	0.746	0.523	Valid
	RLG2	0.768		
	RLG3	0.748		
	RLG4	0.669		
	RLG5	0.750		
	RLG6	0.647		

Source: PLS data processed, 2026

Table 3 shows that outer loading values and AVE were used to assess the validity of each indicator. Indicators with values above 0.6 and AVE values above 0.5 are considered valid and acceptable.⁵⁴ Based on SEM-PLS calculation results,

⁵⁴ Hair et al., "When to Use and How to Report the Results of PLS-SEM."

only 28 out of 41 questions are valid. The data displayed that all indicators still met the requirement for validity therefore all variables show valid results.

Table 4.
Discriminant validity testing results

	ATT	ECM	ETC	IFL	Holdings of IFP	RLG
ATT	0.716					
ECM	0.585	0.721				
ETC	0.537	0.522	0.717			
IFL	0.553	0.554	0.511	0.707		
Holdings of IFP	0.683	0.594	0.546	0.624	0.724	
RLG	0.505	0.468	0.356	0.563	0.653	0.723

Source: PLS data processed, 2026

Table 4 shows the discriminant validity tested using the Fornell-Lacker criterion. The results can be declared valid if the square root of the AVE value of each indicator is greater than the relationship with other indicator. In Table 6, the square root of the AVE on the variables attitude (0.716), economic motives (0.721), ethical motives (0.717), Islamic financial literacy (0.707), holdings of Islamic financial products (0.724), and religious motives (0.723) is greater than the relationship between other variables, which means that all indicators used meet the criteria.

Table 5.
Reliability test

Variable	Cronbach's alpha	Composite reliability	Conclusion
ATT	0.683	0.808	Reliable
ECM	0.770	0.844	Reliable
ETC	0.526	0.760	Reliable
IFL	0.801	0.857	Reliable
Holdings of IFP	0.697	0.815	Reliable
RLG	0.817	0.867	Reliable

Source: PLS data processed, 2026

As presented in table 5, reliability was measured using Cronbach's Alpha and Composite Reliability. According to Hinton *et al.* books, Cronbach's Alpha value ranging from 0.50 to 0.70 are considered to reflect moderate reliability.⁵⁵ According to Hair *et al.*, composite reliability value should exceed 0.70 to indicate acceptable reliability.⁵⁶ The results show that Cronbach's alpha value range from 0.526 (ETC) to 0.817 (RLG) and for composite reliability value range from 0.760 (ETC) to 0.867 (RLG). Overall, the results provide a good reliability which indicates that the constructs were measured precisely.

Table 6. R-square

⁵⁵ Perry R. Hinton *et al.*, *SPSS Explained* (New York: Taylor & Francis Group, 2004).

⁵⁶ Hair *et al.*, "When to Use and How to Report the Results of PLS-SEM."

	R-square	R-square adjusted
ATT	0.436	0.431
Holdings of IFP	0.525	0.522

Source: PLS data processed, 2026

Table 6 shows the R-square which is use to measure of how much of the dependent indicator can be explained by the independent indicator.⁵⁷ The R-square value for ATT is 0.436, meaning that IFL, RLG, and ETC can explain 43.6% of the differences in ATT between individuals. Furthermore, the R-square value for IFP holdings is 0.525, indicating that the ATT and ECM variables can explain 52.5% of holdings of IFP.

Table 7.
Results of direct effect hypothesis testing

Direct Effect	Path Coefficients	T-statistics	P-values	Conclusion
ATT -> Holdings of IFP	0.510	8.621	0.000	Accepted
ECM-> Holdings of IFP	0.296	5.006	0.000	Accepted
ETC -> ATT	0.321	5.170	0.000	Accepted
IFL -> ATT	0.248	3.963	0.000	Accepted
RLG -> ATT	0.251	3.895	0.000	Accepted

Source: PLS data processed, 2026

Table 7 shows the hypothesis testing results of PLS-SEM analysis present the path coefficients, t-statistics, and p-values. The direct effect represents whether a variable has a direct influence on another variable. A hypothesis is considered significant influence when t statistic value > 1.96 and P-value < 0.05.⁵⁸ The analysis shows that all hypotheses are significantly and positively influenced.

Table 8.
Results of indirect effect hypothesis testing

Indirect Effect	Path Coefficients	T-statistics	P-values	Conclusion
ETC -> ATT -> Holdings of IFP	0.164	4.584	0.000	Accepted
IFL -> ATT -> Holdings of IFP	0.126	3.550	0.000	Accepted
RLG -> ATT -> Holdings of IFP	0.128	3.103	0.002	Accepted

Source: PLS data processed, 2026

Table 8 shows the indirect effect hypothesis testing results, that attitude has been validated to mediate the relationship between ETC, IFL, RLG and holdings of IFP. The analysis shows that all hypotheses are significantly and positively

⁵⁷ Joseph F. Hair et al., *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)* - Joseph F. Hair, Jr., G. Tomas M. Hult, Christian Ringle, Marko Sarstedt, in Sage (2017).

⁵⁸ Hair et al., "When to Use and How to Report the Results of PLS-SEM."

influenced.

Table 9.
Results of bootstrap multigroup analysis (MGA)

	Difference (Muslim - Non Muslim)	P-values	Conclusion
ATT -> IFP	0.119	0.337	Rejected
ECM -> IFP	-0.225	0.082	Rejected
ETC -> ATT	-0.280	0.039	Rejected
IFL -> ATT	0.093	0.520	Accepted
RLG -> ATT	0.225	0.077	Rejected

Source: PLS data processed, 2026

Table 9 shows the result of bootstrap multigroup analysis which is used to identify whether there are differences in the strength of relationships between variables between Muslim and non-Muslim. A hypothesis is considered accepted when the difference in values between Muslim and non-Muslim groups and the p-value, with a p-value below 0.05 indicating a significant difference in the relationship between the two groups. The analysis shows that religious status (Muslim vs. Non-Muslim) only significantly differentiates the IFL to ATT relationship, whereas for the other four paths show no significant difference was found.

Discussion

The first hypothesis of this study shows that IFL has a significant and positive effect on ATT. The test results show that IFL positively and significant affect attitude, supported by previous research.⁵⁹ IFL is just not only understanding about Islamic financial product but also knowledge of the basic principles of Islam which reflect the individual's ability, insight and attitude on Islamic finance.⁶⁰ Customers would use IFP if they assumed its positive and beneficial for themselves. This finding also supported by OJK report, in terms of age, where shows that 18-25 years (50,80%) and 26-35 years (51,82%) are the highest Islamic financial literacy among productive age groups.⁶¹ Most respondents in this study are Generation Z, ranging from 17-29 years old (80%). These productive age groups are at a critical stage in life where focused to build a better financial foundation started with enrich their literacy and knowledge to create a more positive ATT towards IFP which can enhance the ability to make a better decision. These findings aligned with study by Struckell *et al.* highlight that individual's financial literacy can affect their ATT, where individuals with the higher literacy the more positive their ATT.⁶² On the interview, most of the respondents said that they already understood Islamic principles including riba, maysir, gharar, the

⁵⁹ Muninggar, *The Role of Islamic Financial Literacy in Shaping Economic Behavior: Evidence from Generation Z*; Utomo et al., "Promoting Islamic Financial Ecosystem to Improve Halal Industry Performance in Indonesia: A Demand and Supply Analysis"; Yusfiarto et al., "Examining Islamic Capital Market Adoption from a Socio-Psychological Perspective and Islamic Financial Literacy."

⁶⁰ Khan and Arif, "Islamic Financial Literacy and Intention to Use Islamic Banking: A Role of Financial Considerations."

⁶¹ OJK, *Survei Nasional Literasi dan Inklusi Keuangan (SNLIK) Tahun 2025* (Otoritas Jasa Keuangan, 2025).

⁶² Struckell et al., "Financial Literacy and Self Employment – The Moderating Effect of Gender and Race."

benefit of IFP, and liabilities that they must fulfill when they use IFP. This statement can be connected to the theory Islamic consumer behavior where individuals with higher levels of IFL are capable to assess financial products based on Islamic principles which can establish more positive ATT toward IFP to ensure *maslahah* and *falah*. Although the difference between the two groups is not statistically significant, it shows that Muslim are more likely to be influenced by IFL on ATT. This could be because the impact of IFL on ATT does not significantly depend on religious identification because both Muslim and non-Muslim can comprehend and assess IFP with the aid of knowledge about Islamic financial principles. The second hypothesis of this study states that RLG significantly and positively influences ATT. The results show that RLG were significantly and positively affected ATT. Thus, this result aligned with previous study, the more religious a person is, the more compliance with religious principles to avoid things that aren't prohibited.⁶³ Junaidi state that social discussion that focus on Islamic principles and prayers is probably affect a person's belief and perspective.⁶⁴ Respondents in this study majority is Muslims (71%), where Muslim's are more prefer product that aligned with their religion belief and principles to avoid *riba*, *maysir*, *gharar*. Considering this, the more religious individuals it can encourage to a more positive ATT toward IFP. where Muslim's are more prefer product that aligned with their religion belief, as IFP are based on Islamic principles to avoid *riba*, *maysir*, *gharar*. The interview results also support these findings, where for some respondents always involve religion in their daily life and they strongly agree that religion is the main reason for them in choosing finance product. This aligns with Islamic consumer behavior theory, where religion belief and principles serve as the primary consideration rather such as *maslahah* and *falah* than financial gain in financial decisions. The MGA results shows that difference is positive but not significant, which shows that Muslim are more likely to be influenced by their Islamic lifestyle in terms of ATT, although depending on their personal beliefs and values, both Muslims and non-Muslims can have favorable opinions on IFP.

The analysis results show that ETC has a significant effect on ATT (H_3), align with prior study.⁶⁵ A person's ATT and intention in using Islamic financial products and services are mostly influenced by moral principles. Customers who have high ethical value tend to choose products that align with their religious principles, which then influences their ATT and intention on using the product. This statement align with Islamic consumer behavior theory whereas ETC encourage customer to consider whether the product correspond with Islamic values. Hoque *et al.* highlight that firm reputation is an important factor, while firms have a good reputation it will improve customer ATT towards their product.⁶⁶ This finding result is aligned with the TPB, individuals attitudes come

⁶³ Alfarizi and Sari, "Indonesian Muslim Consumers' Perspectives and Behavior on Intentions to Use Islamic Financial Products Post-Covid-19"; Atal *et al.*, "Drivers of Intention to Use Murabaha Financing: Religiosity as Moderator"; Khamis, Isa, and Yusuff, "Perceived Inclusion of Islamic Finance: The Effects of Attitudes, Experience, Literacy, Religiosity, and Social Influences"; Shah *et al.*, "Intention to Adopt Islamic Finance through the Mediation of Attitudes towards Islamic Finance."

⁶⁴ Junaidi, "The Awareness and Attitude of Muslim Consumer Preference: The Role of Religiosity."

⁶⁵ Hoque *et al.*, "What Factors Influence Customer Attitudes and Mindsets towards the Use of Services and Products of Islamic Banks in Bangladesh?"; Koc *et al.*, "The Effects of Trust and Religiosity on Halal Products Purchase Intention: Indirect Effect of Attitude"; Tajuddin *et al.*, "Consumers' Perspectives on Sustainability Practices of Islamic Banks and Halal Businesses."

⁶⁶ Hoque *et al.*, "What Factors Influence Customer Attitudes and Mindsets towards the Use of Services and Products of Islamic Banks in Bangladesh?"

from how they evaluate things.⁶⁷ ETC were found to be the strongest factor that affect attitude, this shows that most of respondents are concerned about ethic value not only consider about benefit. The interview results also showed that they are more interested in IFP where it prioritizes ethical responsibilities, fairness and welfare which tend to develop a more positive ATT towards the IFP. The findings also compatible with Islamic Consumer Behavior Theory where customer are motivated by ETC to think about whether financial products are correspond with Islamic principles, which results in more positive ATT regarding IFP. The MGA finding shows that non-Muslim customer ATT are far more influenced by ethical considerations than Muslim. This could be due to the fact that non-Muslim customer may base their opinions of IFP more overtly on moral qualities like justice, openness, and responsible financial practices.

The fourth hypothesis of this study indicates that ATT has a significant and positive affect holdings of IFP. The analysis results reveals that ATT is significantly and positively affect holding of IFP, this aligned with research by prior studies.⁶⁸ Attitude directly and greatly influences customer intention. As stated in previous study, the more positive a person's ATT to the product, the more interested in using it. This study is supported by interview results, where respondents want to use Islamic financial product if it considered good, profitable, and useful for them. Several respondents also state that using IFP is the best decision that they made, because for them Muslims it's not only avoid riba, maysir, gharar its also profitable and useful for them. With this positive perception tend to develop an intention in using IFP. This study also align with the TPB, where the more positive ATT towards IFP the more likely to own and use IFP.⁶⁹ Therefore, this findings not only confirms TPB assumption but it's also aligned with Islamic consumer behavior theory, which states that customers positive ATT toward IFP is a reflection of their belief that these products are ideal for obtaining maslahah and wealth which in line with Islamic principles. The MGA result implies that a positive attitude toward Islamic financial goods does not always function differently based on religious identification. Customers who have a favorable opinion of IFP may be as likely to own or utilize it, whether they are Muslim or not. Although the fifth hypothesis of this study states that ECM have a crucial effect on holdings of IFP, the analysis results show that ECM are significantly and positively influence holdings of IFP. This indicates that the more economic benefits, the more people want to use it. This align with previous study which stated that customers are most interest in using IFP if it's cheap than the others financial product.⁷⁰ Regarding the respondents in this study, most of them were students (68%) followed by income less than Batam minimum wage (Rp 4.989.600) with percentage 69%. Respondents with lower income are more sensitive about costs and fees which cause them to prefer financial products that are affordable and beneficial

⁶⁷ Ajzen, *The Theory of Planned Behavior*.

⁶⁸ Albaity and Rahman, "Customer Loyalty towards Islamic Banks: The Mediating Role of Trust and Attitude"; Himel et al., "Users' Attitude and Intention to Use Mobile Financial Services in Bangladesh: An Empirical Study"; Irimia-Diéguez, Velicia-Martín, and Aguayo-Camacho, "Predicting Fintech Innovation Adoption: The Mediator Role of Social Norms and Attitudes"; Mustapha et al., "'Should I Adopt Islamic Banking Services?' Factors Affecting Non-Muslim Customers' Behavioral Intention in the Malaysian Context"; Si and Chin, "Intention to Use Islamic Banking Products and Services: Evidence from Malaysia."

⁶⁹ Ajzen, *The Theory of Planned Behavior*.

⁷⁰ Ali et al., "How Perceived Risk, Benefit and Trust Determine User Fintech Adoption: A New Dimension for Islamic Finance"; Maryam et al., "Reputation and Cost Benefits for Attitude and Adoption Intention among Potential Customers Using Theory of Planned Behavior: An Empirical Evidence from Pakistan."

financially. On the interview, some respondents said that they are interested using IFP because it's offer lower financial risk such as unclear asset and Islamic bank offer lower cost and fees than conventional bank. Some of them also said that they are interested in using IFP is because of its offer credit at favorable terms and condition rather than conventional bank. The MGA result shows that the difference is negative and not statistically significant, showing that non-Muslim consumers are more likely to be influenced by economic factors when it comes to owning IFP. This could happen because while selecting financial products, both Muslim and non-Muslim also consider economic perks including returns and financial advantages. Hypothesis 6, states that ATT mediate the relationship between IFL, and holdings of IFP. The research findings indicate that ATT can mediate the relationship between IFL and holdings of IFP. When customers have good literacy, they are improving their decision-making skills, so they have more positive attitude towards a product. In other words, if someone has good knowledge and skill, it can help them to make a better decision and have a more positive perspective on a product.⁷¹ A person with a higher literacy and knowledge about Islamic financial it can impact to individual's mindset, which lead to a more positive ATT towards IFP, then lead them to more interest and plan to use IFP, which aligned with the TPB.⁷² Research by Muninggar highlights that ATT as a mediator shows that individual's perception can influence their behavior and beliefs.⁷³

Hypothesis 7 shows that ATT mediate the relationship between RLG and holding of IFP product. The analysis shows that ATT can mediate the relationship between RLG and holding of IFP. For some people religion is a key that can impact on daily activities even in their lives. The more religious individually they may measure the world with their religious principles, several prior studies also reported the similar results.⁷⁴ The more religious a person, the more positive attitude they are which can lead them become wiser in decision making. Prior research state that in many societies, including Indonesia, religion plays a significant role.⁷⁵ It can have an impact on how people view, attitude and their behavior. This result aligned with the TPB popularized by ajzen (1991), a person's with a higher religiosity are more likely avoid things that against Islamic principles, which lead to a more positive ATT towards IFP, then lead them to use IFP.⁷⁶ From the interview, most respondents especially Muslims are more believe Islamic bank than conventional bank because with using IFP help them avoid riba, maysir and gharar.

⁷¹ Muninggar, *The Role of Islamic Financial Literacy in Shaping Economic Behavior: Evidence from Generation Z*; Osman et al., "The Dilemma of Millennial Muslims towards Financial Management: An Islamic Financial Literacy Perspective"; Yusufiarto et al., "Examining Islamic Capital Market Adoption from a Socio-Psychological Perspective and Islamic Financial Literacy."

⁷² Ajzen, *The Theory of Planned Behavior*.

⁷³ Muninggar, *The Role of Islamic Financial Literacy in Shaping Economic Behavior: Evidence from Generation Z*.

⁷⁴ Alfarizi and Sari, "Indonesian Muslim Consumers' Perspectives and Behavior on Intentions to Use Islamic Financial Products Post-Covid-19"; Atal et al., "Drivers of Intention to Use Murabaha Financing: Religiosity as Moderator"; Hassan et al., "What Factors Affecting Investment Decision? The Moderating Role of Fintech Self-Efficacy"; Khamis, Isa, and Yusuff, "Perceived Inclusion of Islamic Finance: The Effects of Attitudes, Experience, Literacy, Religiosity, and Social Influences"; Shah et al., "Intention to Adopt Islamic Finance through the Mediation of Attitudes towards Islamic Finance."

⁷⁵ Hesniati and Rico Limgestu, "Determinants of Intention to Use Islamic Fintech During Covid-19 Pandemic," *Ekuitas: Jurnal Ekonomi Dan Keuangan* 7, no. 4 (2023): 587–604, <https://doi.org/10.24034/j25485024.y2023.v7.i4.5860>.

⁷⁶ Ajzen, *The Theory of Planned Behavior*.

The last hypothesis states that ATT mediate the relationship between ETC and holding of IFP. The results showed that ATT significantly mediated the relationship between ETC and holding of IFP. Customer who has higher morals tend to prioritize products or services that uphold ethical responsibility.⁷⁷ These findings aligned with the TPB theory, where an individual perception can influence their ATT towards a product and affects their behavior.⁷⁸ Based on the interview result, the reason of most respondents using Islamic financial product is they believed IFP is more prioritize fairness, honesty and beneficial compared to conventional financial product. From that statement confirm that with a positive perception can lead to a positive attitude and make customer more interest and trustworthy to IFP. Some respondents also stated that they will be more interest using IFP if the institutions often organize social and charity programs such as zakat, waqf and sadaqah.

CONCLUSION

This study examined how IFL, RLG, ETC, and ECM influence the holdings of IFL, with attitude as a mediator. The findings show that IFL, RLG, ETC, have a positive and significant impact on ATT. Furthermore, both ATT and ECM have a significant and positive effect on holdings of IFP. In addition, ATT also significantly and positively mediate the relationship between IFP, RLG, ETC and holdings of IFP. Overall, with a good understanding of Islamic financial, stronger religious, ethical values, and financial benefit, motivates individuals both Muslims and non-Muslims to choose IFP. The implications of these findings are multifarious. This study provides an understanding of how people make financial decisions, especially Batam society. These findings also recommended to the educational institutions in improving the financial literacy especially on IFL topics through program such as workshops, seminars, collaboration with industry. It also offers useful insights for financial institutions and policymakers to improve their strategies by improving financial literacy, strengthening ethical and religious awareness, and emphasizing financial benefits. This study has several limitations which need to be considered. The first is the distribution of respondents wasn't evenly separated. The majority respondents of this study were female and generation Z. The second limitation of this study is reflected on data collection which only focuses on Batam population, this may affect the generalizability of the results. Future research could expand the sample to involve more diverse age groups, gender, educational levels and geographical areas for comparative analysis.

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⁷⁸ Ajzen, *The Theory of Planned Behavior*.

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