

# The Influence of Islamic Financial Literacy and Service Quality on Customers' Decisions to Use Islamic Banking Products with Religiosity as a Mediating Variable

Annastasya Aprilia Ariyanto<sup>1</sup> Muhammad Sholahuddin<sup>2\*</sup>  
[ms242@ums.ac.id](mailto:ms242@ums.ac.id)<sup>2\*</sup>

Management, Universitas Muhammdiyah Surakarta, Indonesia<sup>1,2\*</sup>

## Abstract

This investigation explores the dynamics between Islamic financial literacy and the quality of banking services in shaping customers' decisions about Islamic banking products, with religiosity as a pivotal mediator. Using a quantitative lens, the research employs a causal-associative design and leverages path analysis via Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4.0. The study scrutinized a purposively chosen cohort of 200 active clients of Islamic banks. Results demonstrate that superior service quality exerts a robust, direct, and favorable influence on customers' choices. In contrast, Islamic financial literacy, despite its positive orientation, does not have a statistically significant effect. Intriguingly, both literacy in Islamic finance and service excellence substantially cultivate religiosity, which, in turn, exerts a pronounced positive impact on banking decisions. Religiosity also emerges as a crucial mediating mechanism linking financial literacy and service quality to customers' adoption behavior. The novelty of this work lies in its integrative framework that accounts for both rational determinants (knowledge and service) and spiritual drivers (religiosity) in Muslim consumer behavior toward Islamic banking offerings. In practice, these findings advocate a strategic synthesis of educational initiatives, exemplary service delivery, and spiritual alignment to reinforce customer commitment, satisfaction, and lasting loyalty.

**Keyword:** *Islamic Financial Literacy; Service Quality, Religiosity; Customer Decision; Islamic Banking*

 This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

## Introduction

In recent years, Indonesia's Islamic banking sector has expanded noticeably, yet it still accounts for only a modest share of the total banking market compared with conventional banks (P. A. Aulia et al., 2025). Growth has been fueled in part by increasing public recognition of Islamic finance's value, alongside the adoption of financial technology, which has bolstered Islamic banks' competitiveness. This advantage becomes even stronger when clients demonstrate robust financial literacy, when banks provide top-tier services, and when religious commitment is pronounced (Anindyastri et al., 2022). Despite these positive dynamics, the sector's full potential remains constrained by systemic hurdles, particularly the widespread lack of understanding of Islamic finance among the general populace (Olii & Nanggong, 2022).

Indonesia's Islamic banking sector remains a glaring weak spot in the country's economic blueprint, hindering the creation of a truly inclusive and sustainable financial ecosystem. As of December 2024, reports from the Financial Services Authority (OJK) indicate that Islamic banks account for only 7.72% of the nation's total banking assets, leaving conventional banks to monopolize the remaining 92%. Even more striking, the 2024 National Survey on Financial Literacy and Inclusion (SNLIK) reveals that the average Indonesian's grasp of Islamic finance barely scratches 39.11%, a far cry from the broader national financial literacy rate of 65.43%. The situation is bleak regarding inclusion, with Islamic financial participation languishing at just 12.88%. These figures paint a stark picture: despite a population overwhelmingly aligned with Islam, structural obstacles and ingrained

consumer behaviors continue to throttle the sector's growth. In this landscape, elevating service quality is a decisive lever for attracting more public engagement with Islamic banking offerings (Hasibuan et al., 2023).

Moreover, the level of religiosity among customers plays a crucial role in amplifying the influence of product perceptions on the decision to engage with Islamic financial services (Setiawan et al., 2023). Simultaneously, enhancing Islamic financial literacy directly supports the objectives of the National Research Master Plan by fostering both the development of human capital and the expansion of Sharia-compliant digital financial inclusion (Mukharomah et al., 2023). The relevance of this issue is further highlighted by the growing demand for financial services that are not only economically efficient but also comply with ethical and religious principles (Ramadhani et al., 2021). Therefore, this study is important as a foundation for formulating more targeted and inclusive policies and as a strategic basis for developing Islamic banking by enhancing financial literacy, improving service quality, and strengthening customers' religious values.

The extent of Islamic financial literacy plays a crucial role in determining the adoption of Islamic banking products, emphasizing the consumer's capacity to assess offerings and select options that comply with Sharia law. When evaluating service quality, the SERVQUAL framework has repeatedly demonstrated its relevance for gauging customer satisfaction (Parasuraman et al., 2018). In addition, religiosity has been identified as a mediator of purchase behavior, shaping decisions based on religious convictions (Ahmad Fauzi & Abdur Rafik, 2024). Mastery of Islamic financial concepts, combined with perceptions of service quality, is therefore central to influencing customers' choices regarding Islamic banking. While earlier investigations have explored these factors individually, comprehensive research that integrates all three variables into a single analytical model remains limited. Evidence from prior studies suggests that both financial literacy in the Islamic context and service quality exert substantial effects on consumers' intentions to utilize Islamic banking services (Rachmatulloh & Solekah, 2021). Nevertheless, many analyses overlook the mediating influence of religiosity, which may amplify the interplay between these determinants (Sholahuddin, 2024).

Past investigations have largely treated Islamic financial literacy, service quality, and religiosity as separate, yielding scattered insights without systematically comparing their effects. Some studies suggest that each factor directly influences consumers' decisions to adopt Islamic banking products, yet other findings contradict this, showing weak or non-significant effects—especially regarding financial literacy. Such contradictions expose the urgent need for a unified analytical lens that fuses rational evaluations and spiritual motivations to make sense of Muslim consumer behavior in Islamic banking. Therefore, devising an integrated model that intertwines literacy, service standards, and religiosity is essential to uncover a holistic picture of decision-making processes among Muslim customers and to bridge the evident research gaps in the field.

Despite numerous studies identifying what drives customers to use Islamic banking products, the interplay between Islamic financial literacy and service quality, particularly under the influence of religiosity, remains underexplored (Chusniah & Samsuri, 2023). Previous research often isolates these factors, offering only a partial picture of how customer decisions form in the Islamic banking landscape. A deep understanding of these determinants is vital for developing strategies that can effectively boost Islamic banking adoption. Religiosity, in this framework, operates as a crucial intermediary, channeling the effects of financial literacy and service quality toward decision-making behavior. Empirical evidence shows that although religiosity may not directly affect customer choices, it can amplify the impact of other variables in Islamic banking consumer models (Chusniah & Samsuri, 2023). This line of inquiry is essential, given the industry's efforts to align service delivery with its clientele's religious values. Therefore, conducting a quantitative study to examine the combined influence of Islamic financial literacy, service quality, and religiosity on customer decisions to utilize Islamic banking services is both timely and necessary.

(Haerany & Aneza, 2024).

Previous research emphasizes that knowledge of Islamic finance is a decisive factor in shaping consumers' choices regarding Islamic banking products. This form of literacy refers to a person's ability to comprehend, evaluate, and select financial products in accordance with Sharia law (Haerany & Aneza, 2024). When individuals have an advanced understanding, they are more likely to engage with Islamic banks because they can clearly distinguish between interest-based products and permissible alternatives, which boosts confidence in choosing Sharia-compliant services (Safitri & Mangifera, 2024). Grasping fundamental ideas such as contracts (*akad*), profit-sharing schemes, and the prohibition of interest strongly influences the preference for Islamic over conventional banks. Literacy acts as a catalyst, fostering positive attitudes and a firm commitment to decisions guided by religious values (Alimi, 2023). Among students, greater familiarity with Sharia-compliant products and operational principles correlates with a higher propensity to make financial choices that adhere to Islamic principles (Olii & Nanggong, 2022). Thus, it is hypothesized that Islamic financial literacy positively influences customers' decisions in using Islamic banking products (H1).

Service quality plays a crucial role in shaping customer choices, particularly in Islamic banking. According to the SERVQUAL framework developed by Parasuraman et al. (1988), service quality can be understood through five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Empirical research demonstrates that these elements significantly impact both customer satisfaction and decision-making across various service industries, including Islamic finance. Evidence from studies on Islamic banking clients highlights that responsiveness—how promptly employees address needs—and assurance—reflecting staff competence and trustworthiness—are strong drivers of customer loyalty and product adoption, as clients often rely on their perceived service experience when making financial choices (Dan & Gen, n.d.). Likewise, swift, courteous, and informative services create comfort for customers engaging with Islamic financial products. High-quality service also shapes favorable attitudes according to the Theory of Planned Behavior, thereby reinforcing intentions and actual decisions to utilize Islamic banking offerings (Huwaida et al., 2024). Furthermore, empathy and reliability build trust and positive perceptions, serving as a foundation for Sharia-compliant financial decisions, since approachable, precise, and Sharia-aligned service fosters both emotional attachment and rational confidence in Islamic banks (Nurrachmi & Setiawan, 2020). In sum, superior service quality positively influences customers' decisions to adopt and use Islamic banking products (H2).

Religiosity is a key psychological driver shaping how individuals act and make decisions, including their engagement with Islamic financial products. From an Islamic viewpoint, it represents the depth to which religious beliefs, values, and practices are woven into everyday life. This construct can be broken down into five core aspects: personal faith, ritual practices, spiritual experiences, religious knowledge, and the behavioral manifestations of religious principles. In Islamic banking, these aspects serve as critical lenses through which consumers evaluate and prefer financial institutions that comply with Shariah principles (Hartini & Amri, 2021). Religiosity is a key factor shaping consumer preferences for Islamic financial institutions, as highly religious customers tend to select products that are not only economically beneficial but also consistent with their spiritual values, driven by a moral commitment to avoid transactions involving *riba* (interest) and uncertainty (Usvita & Empat, 2021). Therefore, religiosity positively affects customer decisions to use Islamic banking products (H3).

Understanding Islamic finance is not merely about recognizing Sharia-compliant financial instruments; it fundamentally reflects one's spiritual vigilance in managing wealth in accordance with Islamic law. Individuals with knowledge of Islamic finance tend to weave religious values into every economic choice, as familiarity with concepts such as *riba*, *gharar*, and *maisir* reinforces ethical awareness and often deepens religious

commitment (Agustin & Hakim, 2022). Mastery of Islamic financial principles drives scrutiny when selecting financial products, ensuring alignment with divine guidelines and, in turn, fostering a heightened sense of religiosity. In this way, Islamic financial literacy serves as a cognitive and spiritual guide, shaping mindful, ethically informed financial behavior (Arifin, 2021). Based on this reasoning, it is posited that Islamic financial literacy positively influences customer religiosity (H4).

In the context of Islamic banking, service quality is not only measured by technical aspects such as speed, accuracy, or comfort, but also by the alignment of services with Islamic values. Bank employees who serve customers with politeness, honesty, and trustworthiness reflect the application of Islamic business ethics, which can strengthen customers' religiosity. Consistent service experiences in accordance with Islamic principles can foster spiritual feelings and deepen customers' commitment to religious values (Musyaffa & Iqbal, 2022). Specifically, the dimensions of empathy and assurance in Sharia-compliant services influence customers' perceptions of religiosity, as services that emphasize moral values and honesty can create an emotional and spiritual bond between the bank and its clients. Sharia-based service practices build trust and enhance customers' religious awareness in financial transactions (Pramudani, 2021). Therefore, service quality positively affects customer religiosity (H5).

The intensity of a Muslim's religious commitment plays a decisive role in shaping their consumer choices, particularly when it comes to products and financial services that comply with Sharia law. Those who demonstrate stronger religiosity instinctively evaluate financial information through religious principles, amplifying the effect of Islamic financial literacy on their inclination toward halal goods and Sharia-compliant financial instruments (Allport & Ross, 1967). Research indicates that while financial literacy directly affects consumption decisions, this influence becomes stronger when mediated by religiosity, highlighting its role as an internal factor that filters and guides the interpretation of financial knowledge into actual decision-making (Chusniah & Samsuri, 2023). The level of faith and religious practice significantly determines the extent to which Islamic financial information is applied in behavior, including the selection of Sharia banking products, suggesting that literacy alone is insufficient without spiritual values as a moral guide in decision-making (Khotimah & Saputeri, 2024). Therefore, it is hypothesized that religiosity mediates the effect of Islamic financial literacy on customer decisions to use Sharia banking products (H6).

Muslim consumers' decisions are filtered through religiosity, which dictates how they assess service experiences in Islamic banks. High levels of religious commitment amplify the effect of service quality on whether customers engage with a provider, because customers demand both efficient, professional service and strict compliance with Islamic moral values such as honesty, fairness, and courteous treatment (Farida & Mahfud, 2021). When evaluating economic decisions, religious consumers assess service quality not only on technical aspects (tangibles, responsiveness) but also on its alignment with the financial institution's spiritual values. Consequently, when customers receive services they perceive as compliant with Sharia principles, their decisions to choose Sharia products become stronger and more directed (Mayer et al., 1995). Trust built through service quality alone does not necessarily drive purchase decisions without support from the customer's internal religious orientation, indicating that religiosity acts as a crucial filter connecting service perception and Sharia product usage (Romdhoni & Sari, 2018). Thus, religiosity mediates the effect of service quality on customer decisions to use Islamic banking products (H7).

This research primarily seeks to determine the degree to which customers' choices to adopt Islamic banking products are shaped by their understanding of Islamic finance and the quality of banking services, while also examining the mediating role of religiosity. Without a thorough exploration of this issue, the Islamic banking sector's expansion risks stagnation, hindering its ability to capture a larger market share. From a theoretical standpoint, failing to address this gap constrains the integration of financial literacy and religiosity frameworks within models of Islamic consumer behavior (M. R. Aulia & Hafasnuddin, 2021). On a

practical level, Islamic banks may face significant challenges in delivering effective services and running educational initiatives for customers.

## Methods

The present study explores the effects of Islamic financial literacy and service quality on customers' decisions to engage with Islamic banking products, while considering religiosity as a mediating factor. A quantitative research strategy was employed, using an associative causal design to examine how the independent variables—Islamic financial literacy and service quality—affect the dependent variable, customer decision-making, and the mediating role of religiosity. This approach makes it possible to collect objective, measurable data that can be processed statistically to assess both the direction and magnitude of the variable relationships. The target population includes all customers who have interacted with Islamic banking products, and purposive sampling was used to select participants who met predefined criteria: they must be active users aged 18 to 55 with experience using at least one Islamic banking product. To guarantee reliability and stability in the structural model analysis, a minimum sample size of 200 respondents was established in accordance with PLS-SEM guidelines. The data were gathered through online questionnaires distributed via Google Forms and social media channels, with responses recorded on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

**Table 1. Indicators and Measurement Scales**

Variable	Indicator	Source	Measurement Scale
Islamic Financial Literacy	Awareness of Islamic financial products	Ali (2020)	1 = Strongly Disagree, 5 = Strongly Agree
	Ability to evaluate Islamic financial products	Dewi (2021)	1 = Strongly Disagree, 5 = Strongly Agree
	Ability to select the appropriate Islamic product	Hassan & Rahman (2020)	1 = Strongly Disagree, 5 = Strongly Agree
Service Quality	Tangibles: Physical appearance of the bank, office design, facilities, and promotional materials	Parasuraman et al. (2018)	1 = Very Dissatisfied, 5 = Very Satisfied
	Reliability: Ability of the bank to provide consistent and timely service	Parasuraman et al. (2018)	1 = Very Dissatisfied, 5 = Very Satisfied
	Responsiveness: Ability of the bank to respond quickly to customer requests	Fatimah (2022)	1 = Very Dissatisfied, 5 = Very Satisfied
	Assurance: Knowledge and politeness of staff in providing information about Islamic products	Fauzi (2021)	1 = Very Dissatisfied, 5 = Very Satisfied
	Empathy: Staff's concern for customer needs in the context of Islamic services	Sari (2021)	1 = Very Dissatisfied, 5 = Very Satisfied
Religiosity	An individual's belief in religious teachings in financial matters	Sari (2021)	1 = Very Low, 5 = Very High
	Religious practices influencing economic decisions	Abdillah (2020)	1 = Very Low, 5 = Very High
	Influence of religious values on economic decisions	Suhendi (2021)	1 = Very Low, 5 = Very High
Customer Decision	Recognition of the need for Islamic financial products	Rosyidi (2021)	1 = Strongly Disagree, 5 = Strongly Agree
	Process of searching for information about Islamic products and bank services	Hassan & Rahman (2020).	1 = Strongly Disagree, 5 = Strongly Agree
	Process of comparing Islamic banking products based on features, risks, and benefits	Ali (2020)	1 = Strongly Disagree, 5 = Strongly Agree
	Decision to choose Islamic banking products according to needs and religious beliefs	Fatimah (2022)	1 = Strongly Disagree, 5 = Strongly Agree

Data were processed using PLS-SEM in SmartPLS, following a structured three-step procedure. Initially, the measurement (outer) model underwent rigorous examination to confirm both reliability and validity of the constructs. Subsequently, the structural (inner)

model was analyzed to uncover the interconnections among variables. The final phase involved testing the hypotheses to determine whether the proposed relationships were supported. Evaluation of the instrument's soundness relied on convergent and discriminant validity metrics, in addition to Cronbach's Alpha and Composite Reliability. The research unfolded systematically: the development of a questionnaire rooted in theoretical frameworks and prior literature; pilot testing to refine the instrument; the collection of empirical data; the application of SEM-PLS techniques; and careful interpretation of results to answer the research questions. Throughout, ethical rigor was strictly upheld: participants provided informed consent, participation was voluntary, confidentiality of personal data was guaranteed, and all data were employed solely for scholarly purposes, ensuring compliance with academic research ethics and maintaining the integrity of the study.

## Results and Discussion

### Results

#### PLS Program Scheme

For this research, hypothesis evaluation is conducted using the Partial Least Squares (PLS) approach with SmartPLS 4.0. Below is the conceptual framework of the model as designed for analysis within the PLS environment:

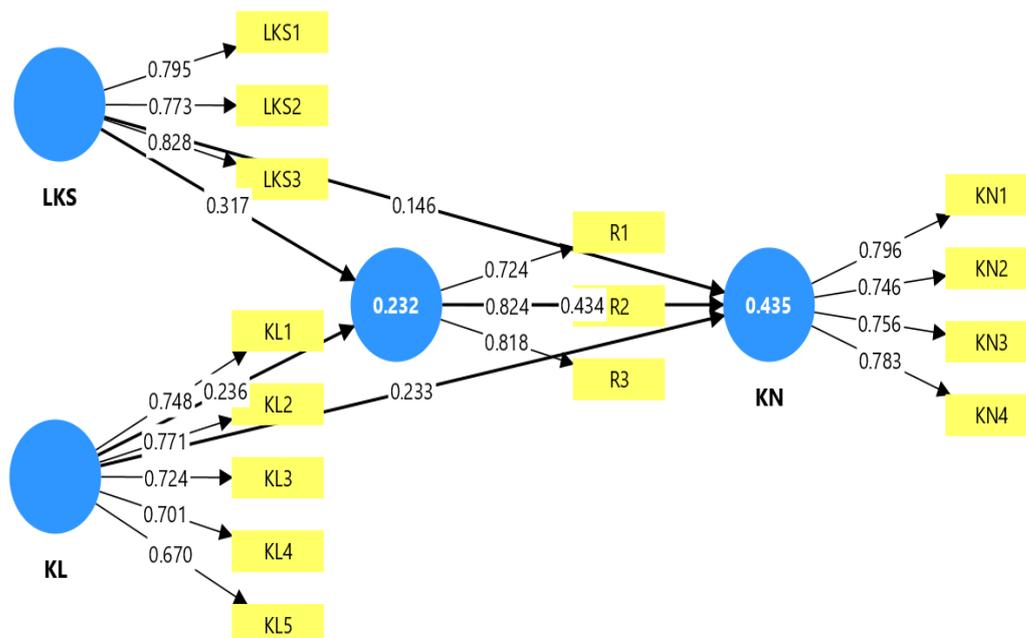


Figure 1. Outer Loading

In research, the so-called outer model, commonly called the measurement model, serves as the mirror between hidden constructs and the signals (indicators) that represent them. To vet this system, one must probe its validity, test the reliability of its measures, and check for collinearity (multicollinearity), all to ensure that each indicator accurately and consistently reflects the latent concept it purports to represent (Hair et al., 2021).

#### Outer Model Analysis

##### Validity Test

Hair et al. (2014) suggest that an indicator is considered valid when its outer loading, also called the loading factor, exceeds 0.70, indicating a strong and reliable capacity for that indicator to reflect the underlying construct. Based on this criterion, all indicators in

Table 2 are valid, except KL5, which is slightly below the threshold but remains acceptable given its theoretical relevance.

**Table 2. Outer Loading Results**

	X1	Y	X2	Z
KL1	0.748			
KL2	0.771			
KL3	0.724			
KL4	0.701			
KL5	0.670			
KN1		0.796		
KN2		0.746		
KN3		0.756		
KN4		0.783		
LKS1			0.795	
LKS2			0.773	
LKS3			0.828	
R1				0.724
R2				0.824
R3				0.818

Source: Smart-PLS 4 results of primary data, 2025

**Table 3. Validity Test (Discriminant Validity)**

	X2	Y	X1	Z
KL				
KN	0.612			
LKS	0.689	0.606		
R	0.521	0.785	0.610	

Source: Smart-PLS 4 results of primary data, 2025

By employing the HTMT approach, discriminant validity is examined, with a benchmark of values under 0.9 (Hair et al., 2014). The analysis confirms that each construct in the study maintains a clear boundary from the others, ensuring that the variables measured do not overlap.

#### Reliability Test

**Table 4. Reliability Test of Construct Reliability and Validity**

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
KL	0.773	0.784	0.846	0.524
KN	0.772	0.773	0.854	0.594
LKS	0.718	0.726	0.841	0.638
R	0.702	0.720	0.832	0.624

Source: Smart-PLS 4 results of primary data, 2025

Hair et al. (2014) suggest that an indicator can be considered dependable when Cronbach's Alpha rises above 0.60, and composite reliability exceeds 0.70. In this study, all indicators exceed these benchmarks, confirming that the survey items consistently yield stable and reliable data that accurately reflect the constructs they are designed to measure.

#### Inner Model Test

##### Goodness of Fit Test

SmartPLS employs the Variance Inflation Factor (VIF) to uncover potential multicollinearity among latent variables or formative indicators. When VIF values exceed 5, this often signals multicollinearity (Hair et al., 2021). In the present dataset, all indicators register VIF scores below this limit, implying that multicollinearity is absent and no

adjustments are warranted.

**Table 5. Inner Model Multicollinearity Test**

	X2	Y	X1	Z
KL		1.419		1.347
KN				
LKS		1.478		1.347
R		1.303		

Source: Smart-PLS 4 results of primary data, 2025

**Table 6. R-SQUARE Test**

	R-square	R-square adjusted
KN	0.435	0.426
R	0.232	0.225

Source: Smart-PLS 4 results of primary data, 2025

The R<sup>2</sup> metric reflects how much of the variation in endogenous latent variables is accounted for by exogenous latent variables. Hair et al. (2014) classify R<sup>2</sup> values as strong (0.75), moderate (0.50), or weak (0.25). In this study, the R<sup>2</sup> value for KN stands at 0.435, placing it in the moderate range. This implies that the model explains 43.5% of the fluctuations in KN, with the remainder shaped by influences not captured in this research. In contrast, the R<sup>2</sup> for R is only 0.232, falling into the weak category. This indicates that merely 23.2% of the variation in respondents' religiosity is explained by the model, suggesting that external factors beyond the study likely play a larger role in shaping this construct.

**Table 7. Goodness of Fit Test**

	Saturated model	Estimated model
SRMR	0.076	0.076
d_ULS	0.688	0.688
d_G	0.215	0.215
Chi-square	250.811	250.811
NFI	0.740	0.740

Source: Smart-PLS 4 results of primary data, 2025

The model fit test (Goodness of Fit) assesses the alignment between the data and the research model. Based on the table, the SRMR value is below 0.08, indicating that the model fits well and does not require any modifications (Hair et al., 2021).

**Table 8. F-SQUARE Test**

	X2	Y	X1	Z
KL		0.068		0.054
KN				
LKS		0.026		0.097
R		0.256		

Source: Smart-PLS 4 results of primary data, 2025

The F<sup>2</sup> index quantifies the change in R<sup>2</sup> when a predictor variable is added to or removed from a target construct. As outlined by Hair et al. (2014), an F<sup>2</sup> of 0.02 indicates a negligible impact, 0.15 a moderate influence, and 0.35 a substantial effect. From the presented results, Service Quality (SQ) and Islamic Financial Literacy (IFL) exhibit only a minimal effect on Y, whereas Religiosity (R) shows a moderate contribution to Y. At the same time, both SQ and IFL have a minor impact on Z in the structural model.

Path coefficients range from -1 to +1, with values near +1 indicating a strong positive relationship and values near -1 indicating a strong negative relationship (Hair et al., 2014). Hypotheses were evaluated using P-values, with significance established at P < 0.05. Findings reveal that Service Quality (SQ) exerts a statistically significant positive impact on Customer Decision (CD) ( $\beta = 0.233$ , P = 0.003) and also on Religiosity (R) ( $\beta = 0.236$ , P =

0.004). Conversely, Islamic Financial Literacy (IFL) demonstrates a positive but statistically non-significant effect on CD ( $\beta = 0.146$ ,  $P = 0.082$ ), while it significantly enhances R ( $\beta = 0.317$ ,  $P = 0.000$ ). Furthermore, Religiosity has a robust, significant positive influence on CD ( $\beta = 0.434$ ,  $P = 0.000$ ). Mediation analysis confirms that Religiosity serves as a significant conduit, transmitting the effect of SQ on CD ( $\beta = 0.103$ ,  $P = 0.012$ ) and of IFL on CD ( $\beta = 0.138$ ,  $P = 0.003$ ), thus verifying its mediating role.

### Hypothesis Testing

**Table 9. Direct Effect**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
KL → KN	0.233	0.239	0.078	2.983	0.003
KL → R	0.236	0.243	0.083	2.863	0.004
LKS → KN	0.146	0.145	0.084	1.738	0.082
LKS → R	0.317	0.320	0.086	3.668	0.000
R → KN	0.434	0.434	0.072	5.996	0.000

**Table 10. indirect Effect**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
KL → R → KN	0.103	0.106	0.041	2.516	0.012
LKS → R → KN	0.138	0.139	0.046	3.000	0.003

Source: Smart-PLS 4 results of primary data, 2025

### Discussion

Employing Partial Least Squares Structural Equation Modeling (PLS-SEM), this study unraveled how certain factors interplay to shape customer behavior. The analysis revealed that both Islamic financial literacy (LKS) and service quality (KL) exert measurable effects on decision-making processes (KN), with religiosity (R) acting as a pivotal mediator in this dynamic. What follows is a detailed exploration of how these relationships manifest and influence one another:

#### **H1: Sharia financial literacy has a positive influence on customer decisions in using Sharia banking products.**

The analysis shows that Islamic financial literacy positively influences customers' adoption of Islamic banking products, but the effect is not statistically significant, supporting the hypothesis. In academic terms, this implies that even if individuals acquire knowledge of Islamic finance concepts, such understanding alone does not strongly compel them to act, revealing a disconnect between awareness and actual usage behavior, which is often swayed by emotional and spiritual considerations. This outcome resonates with the findings of Olli and Nanggong (2022) and Haerany and Aneza (2024), who argue that literacy in Islamic finance must be paired with religiosity to manifest in Sharia-compliant consumption. From the perspective of Ajzen's (1991) Theory of Planned Behavior, performing a behavior is not solely a matter of cognitive comprehension; it is also shaped by perceived social pressures and one's perceived control over one's actions. Conceptually, these results underline that financial literacy functions more as a foundational rational factor than as a decisive driver of Islamic financial practices. From a practical standpoint, Islamic financial institutions should integrate educational initiatives with spiritual value reinforcement to ensure that knowledge translates into concrete, Sharia-aligned behavior.

***H2: Service quality positively influences customers' decisions to use Islamic banking products.***

Analysis results provided strong support for the second hypothesis, demonstrating that service quality significantly shapes customer choices. Essentially, when Islamic banks excel in areas such as reliability, timeliness, and empathetic engagement, clients are more likely to choose their financial products. These findings resonate with the principles of the SERVQUAL model (Parasuraman et al., 1988) and align with Huwaida et al. (2024), who highlighted that quick, courteous, and professional interactions strengthen both trust and loyalty among customers. Theoretically, this strengthens consumer decision theory by positioning service quality as a key determinant of intention and usage behavior for financial products. Practically, Islamic banks should ensure that all service processes uphold honesty, integrity, and accountability to foster sustainable customer loyalty.

***H3: Religiosity has a positive influence on customer decisions in using Islamic banking products.***

Analysis of the third hypothesis reveals that religiosity exerts a statistically significant and positive influence on customer decision-making. This indicates that individuals with stronger religious commitment are more inclined to select banking products that align with Sharia principles. These findings align with Hartini and Amri (2021) and Usvita and Empat (2021), who emphasize religiosity as a crucial determinant in the adoption of Islamic financial products. Interpreted through the lens of the Theory of Planned Behavior, religiosity reinforces subjective norms that motivate behavior consistent with Islamic teachings. Conceptually, these results contribute to consumer behavior theory by highlighting spiritual beliefs as critical factors shaping financial choices within the Islamic banking context. In practice, Islamic banks can leverage religiosity in marketing communications and brand image strategies that emphasize the values of blessing, justice, and compliance with Sharia principles.

***H4: Sharia financial literacy has a positive effect on customer religiosity.***

The analysis revealed that the fourth hypothesis received strong empirical support. This demonstrates a clear and statistically significant influence of Islamic financial literacy on individuals' religiosity. In other words, deepening one's grasp of Islamic finance appears to enhance spiritual consciousness and commitment to religious practices. This outcome aligns with the conclusions of Arifin (2021) and Agustin & Hakim (2022), who observed that understanding Islamic financial principles not only boosts economic competence but also reinforces consistent religious conduct. Theoretically, this extends the meaning of financial literacy from a purely cognitive dimension to an instrument for shaping Islamic financial morality. In practice, Islamic financial institutions should integrate financial education with spiritual values, for example, through faith-based training or social campaigns that emphasize ethics and blessings in financial transactions.

***H5: Service quality has a positive effect on customer religiosity.***

Analysis revealed that the fifth hypothesis holds, confirming that improvements in service quality significantly boost customer religiosity. Services that reflect honesty, courtesy, and adherence to Islamic principles can enhance customers' religious awareness. This finding aligns with Musyaffa and Iqbal (2022) and Pramudani (2021), who stated that the empathy and assurance dimensions in Islamic banking services strengthen both the emotional and spiritual connection between banks and customers. Theoretically, this extends the concept of service quality beyond technical aspects to a transcendental dimension, viewing service as a means of conveying Islamic values. In practice, this means Islamic banks should cultivate a service culture grounded in religious ethics so customers can experience spiritual value in every service interaction.

#### ***H6: Religiosity mediates the influence of Islamic financial literacy on customer decisions.***

Support was found for the sixth hypothesis, indicating that religiosity significantly mediates the relationship between Islamic financial literacy and customer decision-making. This suggests that the influence of Islamic financial literacy on customer choices is indirect, manifesting only when religiosity is heightened, which in turn amplifies the moral dimension guiding financial behaviors. These findings align with Chusniah and Samsuri (2023) and Khotimah and Saputeri (2024), who assert that religiosity functions as a moral filter, translating financial knowledge into behavior consistent with Sharia principles. Theoretically, this confirms that religiosity is a key psychological variable linking cognitive and behavioral aspects in Islamic financial decision-making contexts. In practice, it highlights the need for Islamic financial institutions to integrate financial education with religious values to ensure that financial literacy promotes ethical, Sharia-compliant financial decisions.

#### ***H7: Religiosity mediates the influence of service quality on customer decisions.***

The seventh hypothesis was also supported, indicating that religiosity serves as a significant mediator between service quality and customer decisions. This suggests that service experiences aligned with Islamic values not only enhance satisfaction but also strengthen spiritual dimensions, ultimately influencing the decision to use Sharia products. These findings are consistent with Farida and Mahfud (2021) and Romdhoni and Sari (2018), who explain that ethically-based Islamic services reinforce customer trust and emotional attachment to Islamic financial institutions. Theoretically, this demonstrates that consumer behavior in the Sharia context is driven not only by economic rationality but also by spiritual value orientation. In practice, it underscores the importance for Islamic banks to provide services that are both efficient and morally and religiously meaningful to enhance loyalty and promote the adoption of Sharia-compliant products.

## **Conclusion and Suggestions**

The study investigates the impact of Islamic financial literacy and banking service quality on customers' decisions to adopt Islamic banking products, with religiosity serving as a mediating factor. The findings indicate that service quality has a strong and significant effect on customer decision-making, whereas Islamic financial literacy has a positive but not statistically significant influence. Both financial literacy and service quality, however, significantly enhance customers' religiosity, which in turn positively drives the adoption of Islamic banking products. These results highlight the crucial role of religiosity as a mediator linking rational evaluation with spiritual motivations in financial behavior.

The findings carry important theoretical and practical implications. Theoretically, the study emphasizes the need to integrate spiritual and rational dimensions when analyzing financial decision-making within Islamic contexts. In practice, Islamic banks can benefit from combining financial literacy programs with religious education and faith-based promotional strategies. Simultaneously, enhancing service quality according to Islamic ethical principles such as honesty, empathy, and trustworthiness can strengthen customer confidence and encourage greater adoption of banking products.

The study has several limitations. First, purposive sampling with only 200 respondents limits the generalizability of the findings to the broader population of Islamic banking clients in Indonesia. Second, focusing on only three core variables excludes other potential influences, such as marketing campaigns, perceived financial benefits, or institutional credibility. Third, religiosity was measured through self-reported perceptions, which may introduce subjectivity. Future research should consider increasing the sample size and geographic coverage, incorporating additional variables such as trust, perceived risk, and customer loyalty, and employing mixed-methods approaches to gain deeper insights into the psychological and spiritual factors that influence financial choices.

## Reference

- Agustin, D. N., & Hakim, L. (2022). Peran Religiusitas Sebagai Variabel Moderating Pengetahuan, Persepsi Produk Bank Syariah dan Literasi Keuangan Terhadap Minat Investasi Syariah. *10(2)*, 106–116.
- Ahmad Fauzi, & Abdur Rafik. (2024). The Impact of Sharia Financial Literacy, Religiosity, and Perceived Quality on Investment Decisions on Sharia-Compliant Products. *International Journal of Economics and Management Sciences*, *1(2)*, 156–173. <https://doi.org/10.61132/ijems.v1i2.56>
- Alimi, M. El. (2023). Literasi Keuangan Syariah pada UMKM dan Dampaknya terhadap Penggunaan Produk Bank Syariah. *Jurnal Ilmiah Ekonomi Islam*, *9(2)*, 2080. <https://doi.org/10.29040/jiei.v9i2.7602>
- Allport, G. W., & Ross, J. M. (1967). Personal religious orientation and prejudice. *Journal of Personality and Social Psychology*, *5(4)*, 432–443. <https://doi.org/10.1037/h0021212>
- Anindyastri, R., Lestari, W. D., & Sholahuddin, M. (2022). The Influence of Financial Technology ( Fintech ) on the Financial Performance of Islamic Banking ( Study on Islamic Banking listed on the Indonesia Stock Exchange Period 2016-2020 ). 7.
- Arifin, J. (2021). Pengaruh Tingkat Pendidikan, Literasi Keuangan Syariah, Dan Kebudayaan Terhadap Minat Menabung Dengan Religiusitas Sebagai Variabel Moderasi. 2.
- Aulia, A. N. (2018). Pengaruh Pengetahuan Produk Halal, Religiusitas, Dan Halal Awareness Terhadap Keputusan Pembelian Produk Pangan Kemasan Berlabel Halal. *Pengaruh Pengetahuan Produk Halal, Religiusitas, Dan Halal Awareness Terhadap Keputusan Pembelian Produk Pangan Kemasan Berlabel Halal*, 1–16.
- Aulia, M. R., & Hafasnuddin. (2021). Pengaruh Kualitas Layanan, Kepuasan dan Religiusitas Terhadap Loyalitas Nasabah Bank Syariah MANDIRI Cabang Banda Aceh. *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen*, *4(1)*, 108–121. <http://jim.unsyiah.ac.id/ekm>
- Aulia, P. A., Sholahuddin, M., & Imronudin. (2025). PENGARUH EFISIENSI KINERJA PERBANKAN SYARIAH DI INDONESIA DAN MALAYSIA MENGGUNAKAN METODE DEA. *09(04)*, 1–16.
- Chusniah, D. N. A., & Samsuri, A. (2023). A Systematic Literature Review Of Religiosity On Customers' Decisions In Choosing an Islamic Bank. *JPS (Jurnal Perbankan Syariah)*, *4(2)*, 249–265. <https://doi.org/10.46367/jps.v4i2.1432>
- Dan, S., & Gen, E. K. (n.d.). *Jurnal Manajemen Daya Saing Volume 26 No . 1 Juni 2024 Website : https://journals2.ums.ac.id/index.php/dayasaing/index PENGARUH E-TRUST DAN E-SERVICE QUALITY TERHADAP E-*
- Farida, B. S., & Mahfud, Y. (2021). Pengaruh Kualitas Pelayanan Dan Kualitas Produk Terhadap Keputusan Nasabah Dengan Religious Behavior Sebagai Variabel Moderator. *Journal of Economic, Business and Engineering (JEBE)*, *2(2)*, 348–356. <https://doi.org/10.32500/jebe.v2i2.1751>
- Haerany, A., & Aneza, S. (2024). Influence Of Sharia Financial Literacy, Financial Attitudes, and Perceptions On Interest In Using Sharia Banking. *2(1)*.
- Handayani, S., Aziz, A., & Pratama, N. (2022). Pengaruh Produk, Promosi, Dan Kualitas Pelayanan Terhadap Keputusan Menabung Mudharabah Dengan Religiusitas Sebagai Variabel Pemoderasi. *Journal Al Iqtishad*, *2(18)*, 5.
- Hartini, T., & Amri, U. (2021). Pengaruh Religiusitas dan Pengetahuan terhadap Keputusan Menabung di Bank Syariah dengan Minat Sebagai Variabel Intervening. *10(1)*.
- Huwaida, H., Imelda, S., Rofi'i, & Muhammad, S. (2024). Pengaruh Kualitas Layanan M Banking Terhadap Kepuasan Nasabah Pada Bank Syariah Indonesia Cabang Banjarmasin. *24(1)*, 21–29.
- Khotimah, H., & Saputeri, N. P. (2024). Journal Ilmu Perbankan dan Keuangan Syariah: *iah The effect of Islamic Financial Literacy and religiosity on the interest of saving Generation Z in Islamic banks*. *6(1)*, 71–86.
- Maulidya, M., & Putra, R. (2023). The Effect of Perceptions of Profit Sharing, Islamic Financial Literacy, and E-Banking on Customer Interests in Using Bank Syariah Indonesia (BSI)

- Services Religiosity as a Moderating Variable. *JESI (Jurnal Ekonomi Syariah Indonesia)*, 13(2), 225. [https://doi.org/10.21927/jesi.2023.13\(2\).225-244](https://doi.org/10.21927/jesi.2023.13(2).225-244)
- Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An Integrative Model Of Organizational Trust. *Academy of Management Review*, 20(3), 709–734. <https://doi.org/10.5465/amr.1995.9508080335>
- Muhammad, M., Sirat, A. H., & Hadady, E. H. (2023). The Effect of Islamic Financial Literacy on the Decision to Use Islamic Banking Services in the City of Ternate with Religion as a Moderating Variable. *Jurnal Manajemen Bisnis*, 10(1), 177–189. <https://doi.org/10.33096/jmb.v10i1.489>
- Mukharomah, Kurniawan, M. R., & Noorbaiti. (2023). Pengaruh Literasi Keuangan Terhadap Perilaku Kredit Berisiko Yang Dimediasi Oleh Efikasi Diri Pada Mahasiswa Di Kota Surakarta. *Benefit: Jurnal Manajemen Dan Bisnis*, 8, 49–58. <https://doi.org/10.23917/benefit.v8i1.2056>
- Musyaffa, H., & Iqbal, M. (2022). PENGARUH RELIGIUSITAS, KUALITAS LAYANAN, DAN PROMOSI TERHADAP MINAT MENABUNG DIBANK SYARIAH. 167–177.
- Novita Angraini, Zulfanetti, & Nurida Isnaeni. (2024). The Influence Of Islamic Financial Literacy, Religiosity, And Service Quality On The Decision To Save at Islamic Banks with Trust as an Intervening Variable in Jambi Province. *The Asian Journal of Professional & Business Studies*, 5(1), 1–10. <https://doi.org/10.61688/ajpbs.v5i1.307>
- Nurrachmi, I., & Setiawan, S. (2020). Pengaruh Religiusitas, Kepercayaan, dan Kepuasan terhadap Keputusan Pembelian Ulang Produk Halal. *IQTISHADIA Jurnal Ekonomi & Perbankan Syariah*, 7(2), 126–137. <https://doi.org/10.19105/iqtishadia.v7i2.3521>
- Olii, N., & Nanggong, A. (2022). Peran Literasi Keuangan, Perbedaan Gender dan Inklusi Keuangan terhadap Kapabilitas Pemasaran UMKM. *Benefit: Jurnal Manajemen Dan Bisnis*, 7, 41–55. <https://doi.org/10.23917/benefit.v7i2.1488>
- Parasuraman et al. 1988. (n.d.).
- Pramudani, M. P. (2021). PENGARUH KUALITAS PRODUK, RELIGIUSITAS, KUALITAS PELAYANAN, DAN PROMOSI TERHADAP KEPUTUSAN MAHASISWA MENABUNG DI BANK SYARIAH. 5(2).
- Putri, C. S. (2016). Pengaruh media sosial terhadap keputusan pembelian konsumen cherie melalui minat beli. *Jurnal Performa: Jurnal Manajemen Dan Start-up ...*, 1. <https://journal.uc.ac.id/index.php/performa/article/view/348%0Ahttps://journal.uc.ac.id/index.php/performa/article/download/348/317>
- Rachmatulloh, D. P., & Solekah, N. A. (2021). Antecedents of Saving Decision at Sharia Banks: Islamic Financial Literacy, Religiosity, and Service Quality (Studies on Millennial Generation). *Al-Tijary*, 6(2), 97–111. <https://doi.org/10.21093/at.v6i2.2669>
- Rahmi, M. (2022). Pengaruh Literasi Asuransi, Religiusitas, dan Kualitas Pelayanan terhadap Minat Generasi Milenial Menggunakan Asuransi Syariah. 3(1), 70–87.
- Ramadhani, H. M., Rahmi, M., & Fathoni, M. A. (2021). Pengaruh Literasi Keuangan Syariah, Promosi, Kualitas Pelayanan Terhadap Keputusan Menjadi Nasabah Bank. *Business Management, Economic, and Accounting National Seminar*, 2(1), 689–704.
- Romdhoni, A. H., & Sari, D. R. (2018). Pengaruh Pengetahuan, Kualitas Pelayanan, Produk, dan Religiusitas terhadap Minat Nasabah untuk Menggunakan Produk Simpanan pada Lembaga Keuangan Mikro Syariah. *Jurnal Ilmiah Ekonomi Islam*, 4(02), 136. <https://doi.org/10.29040/jiei.v4i02.307>
- Safitri, M. A., & Mangifera, L. (2024). *The Role of Behavior of Financial, Financial Literature and Financial Information in Increasing Financial Performance: Study of Culinary Business*. Atlantis Press International BV. [https://doi.org/10.2991/978-94-6463-204-0\\_83](https://doi.org/10.2991/978-94-6463-204-0_83)
- Setiawan, F., A, E. D. P., Purwaningsih, T., Ekonomi, F., Ponorogo, U. M., & Ponorogo, K. (2023). Role of Religiosity in Moderating Factors Affecting Customer ' s Preference to Choose Financing Peran Religiusitas dalam Memoderasi Faktor yang Mempengaruhi Preferensi Nasabah untuk Memilih Pembiayaan. 14(28), 25–36. <https://doi.org/10.33059/jseb.v14i1.3520.info>

- Sholahuddin, M. (2024). *Integrating Religious and Economic Education for Sustainable Development Goals (SDGs): An Analysis of Entrepreneurial Models in Indonesian Pesantren*. 25(2), 287–302.
- Usvita, M., & Empat, S. (2021). *KCP SIMPANG EMPAT THE INFLEUNCE OF RELIGIUSITY AND CUSTOMER TRUST ON SAVING DECISIONS IN BANK NAGARI SYARIAH*. 9, 47–53.
- Zuhri, M., Sholahuddin, M., & Nasir, M. (2023). *the Influence of Zakat Literacy and Trust on Decisions and Awareness of Paying Zakat Through Amil Zakat Institutions Using the Sem-Pls Method*. *Istinbath*, 22(2), 235–246. <https://doi.org/10.20414/ijhi.v22i2.653>