

Generational Differences in Islamic Banking Adoption Intentions: Evidence from Indonesia

Maulana Syarif Hidayatullah¹, Hotniar Siringoringo², Toto Sugiharto³

Rahmat Mulyana⁴, Muhamad Rizky Rizaldy⁵

^{1,2,3}Universitas Gunadarma, ⁴Universitas Tazkia, ⁵University of Sheffield

*Correspondence e-mail: msyarif@staff.gunadarma.ac.id

Received 7 April 2026; Revised: 20 June 2026; Published: 30 June 2026

Abstract

Islamic banking adoption is influenced by multidimensional factors involving financial knowledge, institutional credibility, technological benefits, and social environment. However, limited studies have examined whether these determinants differ across generational groups. This study aims to analyze the effects of Islamic financial literacy, bank reputation, perceived usefulness, and community influence on customers' attitudes toward Islamic banking among Generation X, Generation Y, and Generation Z in Indonesia. Using the Theory of Planned Behavior (TPB) framework, this study employed a quantitative approach involving 352 Islamic bank customers in the Greater Jakarta (Jabodetabek) area. Data were analyzed using Structural Equation Modeling–Multigroup Analysis (SEM-MGA). The results show that Islamic financial literacy, bank reputation, perceived usefulness, and community influence significantly explain customers' attitudes toward Islamic banking, accounting for 60.7% of attitude variance. The generational analysis reveals different adoption patterns. Generation X customers demonstrate stronger orientation toward sharia values and religious considerations. Generation Y is primarily influenced by perceived usefulness, reflecting the importance of digital convenience and service efficiency. Meanwhile, Islamic financial literacy is the strongest determinant for Generation Z customers. This study extends the TPB framework by incorporating generational differences and provides practical implications for developing targeted Islamic banking strategies based on customer characteristics.

Keywords: Islamic banking adoption; financial literacy; perceived usefulness; attitude; SEM-MGA.

1. INTRODUCTION

Islamic banking has developed as a financial system that integrates economic activities with Islamic ethical principles, emphasizing justice (*'adl*), transparency, risk sharing, and social welfare (*maslahah*). Unlike conventional banking systems, Islamic banking does not merely aim to maximize financial returns but also seeks to achieve the objectives of Islamic law (*maqasid al-syariah*),



This work is licensed under a [Lisensi Creative Commons 4.0 Internasional](https://creativecommons.org/licenses/by-nc-sa/4.0/)

DOI: [10.24252/lamaisyir.v13i1.66830](https://doi.org/10.24252/lamaisyir.v13i1.66830)

Copyright 2025© the Author(s). *Corresponding Author

particularly the protection of wealth (*hifz al-mal*) and the promotion of ethical financial behavior (Aysan et al, 2020; Hassan et al., 2021; Ismail et al., 2023). Islamic financial institutions are therefore expected to provide financial solutions that balance profitability, social responsibility, and compliance with sharia principles (Biancone & Radwan, 2020).

The philosophical foundation of Islamic banking is derived from Islamic teachings that regulate financial and economic transactions (*muamalah*). One of the primary principles distinguishing Islamic banking from conventional banking is the prohibition of *riba* (interest-based transactions). The Qur'an explicitly states:

“Allah has permitted trade and prohibited *riba*.” (QS. Al-Baqarah: 275)

Furthermore, QS. Al-Baqarah verses 278–279 command believers to abandon all remaining forms of *riba* and warn against economic practices that create injustice and exploitation. The prohibition of *riba* is also emphasized in the hadith of Prophet Muhammad (peace be upon him):

“The Messenger of Allah cursed the one who consumes *riba*, the one who pays it, the one who records it, and the two witnesses to it.”
(Narrated by Muslim)

These normative foundations indicate that Islamic financial transactions should avoid exploitative practices and promote fairness among economic actors. Islamic banking therefore operates through sharia-compliant contracts such as *mudharabah* (profit-sharing partnership), *musyarakah* (joint partnership), *murabahah* (cost-plus financing), and *ijarah* (leasing), which emphasize asset-backed transactions, shared responsibility, and ethical wealth distribution (Biancone & Radwan, 2020; Khan et al., 2022).

The principle of *ta'awun* encourages Islamic financial institutions to contribute not only to individual financial needs but also to broader social welfare. Islamic banks are expected to promote financial inclusion, community empowerment, and sustainable economic development. This characteristic differentiates Islamic banking from conventional banking by positioning financial activities as instruments to achieve both economic prosperity and social responsibility (Ascarya, 2021; Ismail et al., 2023).

In Indonesia, Islamic banking development has been institutionally supported through Law Number 21 of 2008 concerning Islamic Banking, which regulates the implementation of banking activities based on sharia principles. In addition, Islamic banking operations are supervised through the guidance of the National Sharia Council-Indonesian Ulema Council (DSN-MUI), including DSN-MUI Fatwa No. 1/DSN-MUI/IV/2000 concerning interest (*bunga/fa'idah*), which provides normative guidance regarding the incompatibility of interest-

based transactions with Islamic principles. Furthermore, the Financial Services Authority (Otoritas Jasa Keuangan/OJK) continues strengthening Islamic banking competitiveness through regulatory frameworks and strategic roadmaps focusing on digital transformation, innovation, and stronger Islamic financial ecosystems (OJK, 2023).

Although Indonesia has the largest Muslim population worldwide and strong institutional support for Islamic banking development, Islamic banking adoption remains below its potential. The establishment of Bank Syariah Indonesia (BSI) through the merger of three state-owned Islamic banks in 2021 was expected to strengthen competitiveness, accelerate digital transformation, and improve public acceptance toward Islamic financial services. However, increasing institutional size alone does not guarantee customer adoption because banking decisions are strongly influenced by psychological, social, technological, and religious factors (Nugroho et al., 2023; Raza et al., 2022).

Previous studies indicate that Muslim consumers' decisions to adopt Islamic banking are influenced by multidimensional factors, including Islamic financial literacy, perceived usefulness, trust, reputation, religiosity, and social influence (Ali et al., 2021; Amin, 2021; Usman et al., 2022). Therefore, understanding customers' behavioral determinants has become increasingly important for strengthening Islamic banking penetration.

The Theory of Planned Behavior (TPB) provides a strong theoretical foundation for explaining Islamic banking adoption behavior. According to Ajzen (1991), individuals' behavioral intentions are determined by attitudes, subjective norms, and perceived behavioral control. Recent studies confirm that TPB remains relevant in Islamic financial contexts because Muslim customers' decisions are shaped not only by rational evaluation but also by religious beliefs, ethical considerations, and social expectations (Ayyub et al., 2020; Usman et al., 2022).

Furthermore, the integration of TPB with Islamic values provides a broader explanation of Islamic banking adoption because customers evaluate financial institutions based on both economic benefits and compliance with Islamic principles (Amin et al., 2023).

Islamic financial literacy represents one of the most important determinants influencing customers' attitudes toward Islamic banking. Different from conventional financial literacy, which focuses primarily on financial knowledge and decision-making skills, Islamic financial literacy incorporates understanding of sharia contracts (*akad*), prohibition of *riba*, avoidance of *gharar* and *maysir*, halal investment, and ethical wealth management (Dinc et al., 2021; Ahmad et al., 2020).

From the perspective of *maqasid al-syariah*, Islamic financial literacy encourages individuals to manage financial resources responsibly while ensuring compliance with Islamic values. Customers with higher Islamic financial literacy are more likely to understand the differences between Islamic and conventional banking systems and demonstrate stronger intentions to use Islamic financial services (Abdullah & Anderson, 2021; Setiawati et al., 2023; Abbas et al., 2023).

Bank reputation is another critical factor affecting customers' attitudes toward Islamic banking. In Islamic financial institutions, reputation is closely related not only to service quality and financial stability but also to trust (*amanah*), transparency, and sharia compliance. Customers tend to develop stronger acceptance toward Islamic banks when they perceive these institutions as credible, ethical, and committed to Islamic principles (Khan et al., 2022). Previous studies confirm that reputation and trust significantly influence Islamic banking adoption because customers expect Islamic banks to maintain both financial performance and religious legitimacy (Hidayat et al., 2023; Raza et al., 2022).

Furthermore, perceived usefulness has become increasingly relevant in Islamic banking adoption, particularly in the era of digital transformation. Derived from the Technology Acceptance Model (TAM), perceived usefulness reflects customers' beliefs that using a particular financial service provides practical advantages, including efficiency, accessibility, convenience, and improved transaction experiences (Davis, 1989). Following the BSI merger, digital Islamic banking innovation has become essential in attracting younger customers who prioritize technology-based financial services (Maryam et al., 2022; Amin et al., 2023).

Community influence also plays an important role in shaping Islamic banking attitudes. Within TPB, community influence is closely related to subjective norms, referring to the influence of family members, religious communities, friends, and social environments on individual decisions. In Muslim societies, financial decisions are often influenced by collective values and religious communities that encourage the use of ethical and sharia-compliant financial services (Alam et al., 2021; Boubker et al., 2021).

Although the preceding relationships are supported by theory, their strength may not be uniform across customers. Generational cohorts have experienced different configurations of financial socialisation, technological change, religious education and exposure to banking institutions. Generation X generally accumulated banking experience before the widespread diffusion of digital services, whereas Generations Y and Z have encountered increasingly technology-mediated financial environments. These different formative

conditions may change the relative salience of institutional reputation, practical usefulness, financial literacy and social influence. Importantly, generations should not be treated as fixed stereotypes. Rather, they provide an analytical proxy for heterogeneous experiences that may produce different decision-making patterns.

Recent banking and FinTech research has begun to demonstrate that perceived benefits and risks may operate differently across generational cohorts. Bohari et al. (2025), for instance, show that generational membership moderates relationships in FinTech adoption, supporting the use of cohort comparison rather than assuming homogeneous customer responses. Yet most Islamic banking studies continue to estimate average relationships for an aggregated sample, and studies that compare Generation X, Generation Y and Generation Z within the same Islamic banking model remain limited. The gap is particularly evident in Indonesia, where the large Muslim population, rapid digitalisation and post-merger development of Bank Syariah Indonesia create a setting in which religious, institutional and technological considerations coexist.

This study addresses that gap by applying multigroup analysis to compare the relationships between the four antecedents and customer attitude across three generational cohorts. The contribution is therefore not the assumption that one generation is intrinsically more religious, literate or technologically oriented than another. Instead, the study tests whether the relative explanatory importance of Islamic financial literacy, bank reputation, perceived usefulness and community influence varies across cohorts. This approach provides a more differentiated account of Islamic banking customers and offers a basis for developing generation-sensitive communication, education and service strategies.

Although previous studies have examined Islamic banking adoption using TPB, TAM, and other behavioral approaches, most existing research considers Muslim customers as a homogeneous group. Limited studies have investigated whether Islamic financial literacy, bank reputation, perceived usefulness, and community influence operate differently across generational cohorts.

Furthermore, studies focusing on generational differences in Islamic banking adoption after the Bank Syariah Indonesia merger remain scarce. Previous research has mainly examined general customer behavior without considering different characteristics among Generation X, Generation Y, and Generation Z (Fianto et al., 2021; Nugroho et al., 2023).

Therefore, this study fills this gap by applying Structural Equation Modeling–Multigroup Analysis (SEM-MGA) to examine generational differences in Islamic banking adoption. This approach provides a deeper understanding of heterogeneous Muslim consumer behavior and extends previous Islamic banking adoption literature.

2. METHODS

Sample and Data Collection

This study utilizes primary data, collected directly from respondents through a structured questionnaire. The data capture Islamic bank customers’ perceptions and behaviors related to Islamic financial literacy, bank reputation, perceived usefulness, community influence, and customer’s attitudes. An age as demographic criteria use to be moderation variable.

The sample consists of 352 Islamic bank customers domiciled in the Greater Jakarta area (Jabodetabek). Respondents were selected based on their status as active users of Islamic banking products and services.

Instrument Design

This research combines two questionnaire instruments from Albaity and Rahman (2019) and Dinc *et al.* (2021). The questionnaire was developed by adapting measurement items from established prior studies to ensure content validity using minimum validity measures >0.70. If the item of questionnaire is below the provisions, it will be eliminated. All items were presented in a closed-ended format and measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

The operational definitions and measurement indicators for each variable are summarized in Table 1.

Table 1. Definition Operational Research Variables

Variables	Indicator	Source
Islamic financial literacy	1. I will not accept income from interest.	Dinc et al., 2021
Islamic financial literacy is a description of the extent to which a person has the knowledge and skills to understand information in Islamic financial agreements/contracts (Antara et al. 2016). (Dinc et al., 2021; Albaity and Rahman, 2019)	2. I avoid interest based transaction.	
	3. I will not borrow funds as low as whatever the interests.	
	4. I will not accept payment interest loan.	
	5. I will not invest in promising projects interest tall.	
	6. I oppose all form cost interest.	
	7. Solution best to fulfill need my financial is one that does not involve interest.	
	8. I will not invest in business that provisions the contract is not clearly defined .	

	<p>9. I will not invest in a dangerous business humans and the environment .</p> <p>10. Institutions and instruments free interest is the only one alternative savings products.</p> <p>11. I can save until I gather targeted amount of funds without interest.</p> <p>12. I can manage my funds without involving interest.</p> <p>13. Interests are annoying distribution income.</p> <p>14. Interests have negative and undesirable impacts on the economics.</p> <p>15. Loan virtue should not be aimed at earning income .</p> <p>16. Each other help in face difficulty is A necessity .</p> <p>17. Society must support each other support in a way financial .</p> <p>18. Loans aimed at generating income must be known and agreed to by the creditor .</p> <p>19. I object invite different other parties principles to be partners in my business .</p> <p>20. I will not invest and become partners in a business that is not in line with the principles I .</p>	
<p>Bank Reputation</p> <p>Bank Reputation is a perception that describes the overall behaviour of an organization. and its relationships with <i>stakeholders</i> that are formed over time. (Helm, et. al. 2011)</p>	<p>1. Financial institutions and institutions that provide Islamic banking uphold the reputation and image of Islam.</p> <p>2. Financial institutions and institutions that provide Islamic banking contribute to the welfare of society (such as providing donations or scholarships)</p> <p>3. Financial institutions and institutions that provide Islamic banking not only maximize profits, but also improve the standard of living and welfare of the community.</p>	<p>Albaity and Rahman, 2019</p>

<p>Perceived usability</p> <p>The extent to which consumers have confidence that using a particular system will result in improved performance. (Davis, 1989).</p>	<ol style="list-style-type: none"> 1. I think using a sharia bank will allow me to complete my assignments faster. 2. I think using a sharia bank will make it easier for me to carry out my duties. 3. I think using Islamic banking is beneficial 4. Overall, I think using Islamic banking is profitable. 	<p>Ayyub et al., 2019</p>
<p>Community influence</p> <p>Social factors can influence an individual's intention to make a decision. Bodibe et al. (2016)</p>	<ol style="list-style-type: none"> 1. People who are important to me will think that I should use Islamic banking services. 2. People who influence me will think that I should use Islamic banking services. 3. People whose opinions are valid for me would prefer me to use Islamic banking services. 	<p>Ayyub et al., 2019</p>
<p>Attitude</p> <p>Attitude is an overall evaluation of all behavioural choices that range from positive to negative. Once an attitude is formed in an individual, the attitude will play a direct role in the individual's behavioural choices and is difficult to change. Engel et al. (1995)</p>	<ol style="list-style-type: none"> 1. Choosing Islamic banking services is a good idea 2. I like to choose Islamic banking services 3. My family members prefer choose Islamic banking services 4. Choosing Islamic banking services is useful and beneficial 5. My friends will think that I should choose Islamic banking products/services 	<p>Albaity and Rahman, 2019</p>

The data obtained from the distributed research questionnaires were processed by categorizing respondents into generational cohorts. These cohorts were defined based on year of birth, namely Generation X (born between 1965 and 1980), Generation Y (born between 1981 and 1996), and Generation Z (born between 1997 and 2012). Respondents in this study were at least 17 years old and were customers of Islamic banks.

3. RESULT AND FINDINGS ANALYSIS

Validity and Reliability Testing

Validity and reliability tests were conducted to ensure the adequacy of the measurement instruments used in this study. The results of the validity and reliability analyses for Generation X respondents are presented in Tables 2 and 3, respectively.

Table 2. Result of validity test for Gen X

Variables	Bank's Reputation	Community Influence	Customer Attitude	Islamic Financial Literacy	Perceived Usefulness
BR1	0.729				
BR2	0.826				
BR3	0.883				
CA1			0.803		
CA2			0.898		
CA4			0.895		
CA5			0.821		
CI1		0.953			
CI2		0.969			
CI3		0.942			
IFL12				0.917	
IFL2				0.810	
IFL3				0.824	
IFL4				0.844	
IFL6				0.876	
IFL7				0.737	
PU1					0.740
PU2					0.877
PU3					0.861
PU4					0.908

Table 3. Result of reliability test for Gen X

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Bank's Reputation	0.763	0.842	0.855	0.664
Community Influence	0.951	0.964	0.968	0.911
Customer Attitude	0.877	0.886	0.916	0.731
Islamic Financial Literacy	0.914	0.935	0.933	0.700
Perceived Usefulness	0.876	0.922	0.911	0.721

The results of the validity and reliability tests for Generation Y respondents are presented in Tables 4 and 5, respectively.

Tables 4. Results of validity tests for Gen Y

Variables	Bank's Reputation	Community Influence	Customer Attitude	Islamic Financial Literacy	Perceived Usefulness
BR1	0.897				
BR2	0.897				
BR3	0.902				
CA1			0.917		
CA2			0.939		
CA4			0.922		
CA5			0.896		
CI1		0.968			
CI2		0.944			
CI3		0.947			
IFL12				0.794	
IFL2				0.889	
IFL3				0.845	
IFL4				0.852	
IFL6				0.826	
IFL7				0.811	
PU1					0.900
PU2					0.887
PU3					0.887
PU4					0.890

Tables 5. Results of reliability tests for Gen Y

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Bank's Reputation	0.882	0.902	0.927	0.808
Community Influence	0.950	0.953	0.968	0.909
Customer Attitude	0.938	0.939	0.956	0.844
Islamic Financial Literacy	0.917	0.941	0.933	0.700
Perceived Usefulness	0.914	0.918	0.939	0.793

Meanwhile, the results of the validity and reliability tests for **Generation Z respondents** are presented in **Tables 6 and 7**, respectively.

Tables 6. Results of validity tests for Gen Z

Variables	Bank's Reputation	Community Influence	Customer Attitude	Islamic Financial Literacy	Perceived Usefulness
BR1	0.879				
BR2	0.866				
BR3	0.888				
CA1			0.879		
CA2			0.900		
CA4			0.858		
CA5			0.791		

CI1	0.925	
CI2	0.923	
CI3	0.918	
IFL12		0.729
IFL2		0.802
IFL3		0.806
IFL4		0.848
IFL6		0.841
IFL7		0.787
PU1		0.862
PU2		0.839
PU3		0.829
PU4		0.827

Tables 7. Results of reliability tests for Gen Z

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Bank's Reputation	0.851	0.851	0.909	0.770
Community Influence	0.912	0.912	0.945	0.850
Customer Attitude	0.880	0.881	0.918	0.736
Islamic Financial Literacy	0.889	0.891	0.916	0.645
Perceived Usefulness	0.861	0.865	0.905	0.705

Based on the results of the validity tests across different generational groups, variations were identified in the questionnaire items measuring Islamic financial literacy, with several items being validated differently across generations. In contrast, the questionnaire items measuring bank reputation, perceived usefulness, and community influence were found to be valid across all generational groups.

Hypothesis testing was conducted using Structural Equation Modeling (SEM). The analysis was performed by Multigroup Analysis (MGA) using SmartPLS to examine generational differences (Generation X, Y, and Z), and also was employed to test the overall model using data from all respondents in the study.

The Theory of Planned Behavior (TPB) provides a useful foundation for explaining customers' evaluations of Islamic banking. TPB proposes that behaviour is preceded by intention, while intention is shaped by attitude, subjective norms and perceived behavioural control (Ajzen, 1991). Attitude refers to an individual's favourable or unfavourable evaluation of performing a particular behaviour. It is therefore conceptually distinct from behavioural intention: attitude captures whether using Islamic banking is regarded as desirable, whereas intention concerns a person's readiness or plan to use it. This

distinction is particularly important in the present study because customer attitude, rather than actual usage or behavioural intention, is the endogenous construct.

In Islamic finance, attitude may arise from both utilitarian and value-based assessments. Customers evaluate whether Islamic banking is efficient, convenient and economically beneficial, but they may also assess whether it is credible, socially responsible and consistent with Sharia principles. Previous studies have consequently extended TPB by incorporating context-specific antecedents such as religiosity, Islamic financial knowledge, reputation and perceived benefits. Ayyub et al. (2020), for example, demonstrate that perceived usefulness is relevant to Islamic banking acceptance, while Bananuka et al. (2020) show that attitude mediates the effects of subjective norms and religiosity on adoption intention. These findings indicate that attitude is the evaluative mechanism through which customers translate knowledge, institutional perceptions, practical benefits and social expectations into a general orientation toward Islamic banking.

The present model therefore treats Islamic financial literacy, bank reputation, perceived usefulness and community influence as complementary antecedents of customer attitude. Collectively, these variables represent cognitive, institutional, functional and social sources of evaluation. On this basis, the study proposes that they jointly explain a substantial proportion of variation in attitudes toward Islamic banking.

H1: Islamic financial literacy, bank reputation, perceived usefulness and community influence collectively have a significant effect on customers' attitudes toward Islamic banking.

To test Hypothesis 1, a simultaneous effect analysis of all independent variables on the dependent variable was conducted using SmartPLS software. The results of this analysis are presented in Table 8.

Table 8 Results of R-Square Test	
Parameter	R-Square
Customer's Attitude	.607

Based on Table 8, Islamic financial literacy, bank reputation, perceived usefulness, and community influence jointly explain 60.7% of the variance in customer's attitudes toward Islamic banking.

Furthermore, the overall responses from Generation X, Generation Y, and Generation Z respondents were analyzed using SmartPLS software. The results of this comprehensive analysis are presented in Table 9.

Table 9. Overall Test Results Generation
Patch coefficients - Mean, STDEV, T Values, p values (All Generation)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
CI → CA	0.246	0.246	0.058	4.208	0.000
IFL → CA	0.235	0.236	0.050	4.702	0.000
PU → CA	0.292	0.291	0.060	4.887	0.000
BR → CA	0.189	0.189	0.057	3.350	0.001

Based on the results presented in Table 9, it can be concluded that all independent variables examined in this study exert a positive and statistically significant effect on customers' attitudes toward Islamic banking.

With respect to Hypotheses H2-H5, which examine the partial effects of Islamic financial literacy, bank reputation, perceived usefulness, and community influence on customers' attitudes, the findings are further explained through the analysis of responses across different generational groups, as presented in the following section.

Islamic financial literacy extends conventional financial literacy by incorporating knowledge and behavioural orientations that are specific to Islamic commercial ethics. It includes an understanding of the prohibition of *riba*, avoidance of excessive uncertainty (*gharar*) and gambling (*maysir*), the basic characteristics of Sharia-compliant contracts, and the ethical management of wealth. Dinç et al. (2021) argue that an adequate Islamic financial literacy construct should capture not only factual knowledge, but also awareness, attitude and behaviour across different segments of Islamic finance. Similarly, Albaity and Rahman (2019) show that Islamic financial literacy is relevant to customers' intention to use Islamic banking because it allows them to distinguish Islamic products from conventional alternatives.

From a behavioural perspective, greater literacy can strengthen favourable attitudes through several mechanisms. First, knowledge reduces ambiguity concerning unfamiliar contracts and institutional practices. Second, it enables customers to assess whether a product is genuinely consistent with their religious and ethical preferences. Third, literacy may increase confidence in evaluating the costs, risks and benefits of Islamic financial products. More recent evidence from Indonesia also indicates that Islamic financial literacy is associated with interest in Islamic banking services and can reduce scepticism toward Islamic banks (Yeni et al., 2023; Trisanty et al., 2024). Nevertheless, literacy

should not be understood as knowledge alone. The indicators used in this study also capture normative and behavioural commitments, including the avoidance of interest-bearing transactions, preference for clear contracts and support for socially responsible finance. Accordingly, the construct represents an applied form of Islamic financial literacy that combines understanding with value-consistent financial orientation.

H2: Islamic financial literacy has a positive and significant effect on customers' attitudes toward Islamic banking.

Bank reputation refers to the accumulated evaluation of an institution based on its past conduct, credibility and relationships with stakeholders. In banking, reputation is especially important because customers cannot fully observe the quality, risk or ethical consequences of financial services before using them. A strong reputation therefore acts as a signal that the institution is competent, trustworthy and capable of fulfilling its commitments. Within Islamic banking, this evaluation has an additional normative dimension. Customers may judge not only financial stability and service performance, but also the bank's perceived Sharia authenticity, transparency, social contribution and commitment to justice and welfare.

Maryam et al. (2022) find that reputation contributes to favourable attitudes and adoption intention toward Islamic banking. Boubker et al. (2021) similarly show that institutional reputation and religious considerations help form attitudes toward Islamic financing. These findings are consistent with the indicators in the present study, which emphasise the Islamic image of the institution, its contribution to community welfare and its orientation beyond profit maximisation. Thus, bank reputation is conceptualised here as ethical and social credibility rather than merely brand familiarity. When customers perceive an Islamic bank as reputable, socially responsible and faithful to its stated principles, they should be more likely to evaluate its services positively.

H3: Bank reputation has a positive and significant effect on customers' attitudes toward Islamic banking.

Perceived usefulness originates from the Technology Acceptance Model and refers to the degree to which an individual believes that using a system will improve task performance (Davis, 1989). Although initially developed to explain technology adoption, the construct is applicable to banking services more broadly because customers assess whether a service saves time, simplifies transactions, increases accessibility and provides meaningful financial benefits. In the Islamic banking context, perceived usefulness captures whether Sharia-

compliant services are regarded as practically valuable rather than merely normatively desirable.

Ayyub et al. (2020) identify perceived usefulness as an important determinant in explaining customers' acceptance of Islamic banking. This relationship has become increasingly relevant as Islamic banks expand digital channels and compete with conventional banks on convenience and service efficiency. However, the items employed in the present study measure general functional usefulness rather than the usefulness of a specific mobile application. The construct should therefore be interpreted as customers' overall belief that Islamic banking helps them conduct financial activities more effectively, conveniently and beneficially. Such beliefs are expected to generate a more favourable evaluation of using Islamic banking.

H4: Perceived usefulness has a positive and significant effect on customers' attitudes toward Islamic banking.

Community influence reflects the social dimension of financial decision-making. Within TPB, it is closely related to subjective norms, defined as perceived expectations from people whose opinions matter to the individual. In Muslim societies, relevant social referents may include family members, friends, religious leaders, professional peers and faith-based communities. Their influence may be normative, when individuals seek social approval, or informational, when they rely on others to interpret unfamiliar financial products.

Empirical research supports the importance of social influence in Islamic financial behaviour. Bananuka et al. (2020) find that subjective norms shape adoption intention through attitude, while Saygılı et al. (2022) demonstrate that social influence is a significant component in explaining the intention to choose Islamic financial products. Boubker et al. (2021) also report that subjective norms remain relevant within an extended TPB model of Islamic financing. In the present study, community influence is measured through customers' perceptions that important and influential people expect them to use Islamic banking. The construct consequently represents perceived normative pressure rather than the objective behaviour of a community. Positive expectations from significant others should reinforce the perceived legitimacy and desirability of Islamic banking and thereby strengthen customer attitude.

H5: Community influence has a positive and significant effect on customers' attitudes toward Islamic banking.

Table 10. Partial Test Results (T test) of respondents' answers from generations X, Y and Z

Patch coefficients - Mean, STDEV, T Values, p values (X Generations)					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
CI → CA	0.272	0.262	0.275	0.990	0.322
IFL → CA	0.333	0.322	0.171	1.943	0.052
PU → CA	0.301	0.298	0.235	1.283	0.200
BR → CA	-0.052	-0.021	0.183	0.285	0.776

Patch coefficients - Mean, STDEV, T Values, p values (Y Generation)					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
CI → CA	0.337	0.333	0.080	4.225	0.000
IFL → CA	0.143	0.142	0.057	2.509	0.012
PU → CA	0.443	0.441	0.099	4.491	0.000
BR → CA	0.182	0.185	0.084	2.167	0.030

Patch coefficients - Mean, STDEV, T Values, p values (Z Generation)					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
CI → CA	0.220	0.218	0.079	2.792	0.005
IFL → CA	0.289	0.293	0.069	4.161	0.000
PU → CA	0.184	0.183	0.083	2.225	0.026
BR → CA	0.218	0.219	0.080	2.722	0.007

Based on the results presented in Table 10, it is found that for this generation, the remaining independent variables, Islamic financial literacy, bank reputation, perceived usefulness, and community influence, do not exhibit a significant effect on customer attitudes. This finding may be explained by the fact that Generation X customers' attitudes toward Islamic banking are largely driven by religiosity. Members of this generation tend to choose Islamic banking services primarily due to religious norms that prohibit usury (riba) or interest-based transactions, rather than functional or social considerations.

In contrast, the attitudes of Generation Y customers toward Islamic banking are influenced by all independent variables examined in this study, namely Islamic financial literacy, bank reputation, perceived usefulness, and

community influence. Among these factors, perceived usefulness emerges as the most dominant variable, followed by community influence, bank reputation, and Islamic financial literacy. This suggests that Generation Y places greater emphasis on the practical benefits and efficiency of Islamic banking services, alongside social and reputational considerations.

Similarly, the results for Generation Z indicate that all independent variables significantly influence customers' attitudes toward Islamic banking. However, the pattern of dominance differs from Generation Y. For Generation Z, Islamic financial literacy is the most influential factor, followed by community influence, bank reputation, and perceived usefulness. This finding implies that younger customers tend to rely more heavily on their understanding of Islamic financial principles when forming attitudes toward Islamic banking.

Finally, the results of the coefficient of determination (R^2) tests for each generational group are presented in Table 11, which illustrates the explanatory power of the independent variables across Generations X, Y, and Z.

Table 11. Coefficient of determination (R^2) of each generation

Variable	R-square
Customer's Attitude (Gen X)	0.471
Customer's Attitude (Gen Y)	0.792
Customer's Attitude (Gen Z)	0.567

Overall, the independent variables, Islamic financial literacy, bank reputation, perceived usefulness, and community influence, explain 47.1% of the variance in customers' attitudes toward Islamic banking among Generation X respondents, while the remaining 52.9% is attributable to other factors not examined in this study.

For Generation Y, the independent variables demonstrate substantially stronger explanatory power, accounting for 79.12% of the variance in customer attitudes, with the remaining 20.88% influenced by variables outside the scope of this research.

In the case of Generation Z, the independent variables explain 56.7% of the variance in customers' attitudes toward Islamic banking, whereas the remaining 43.3% is influenced by other unobserved factors.

4. DISCUSSION

The findings of this study demonstrate that Islamic financial literacy, bank reputation, perceived usefulness, and community influence collectively shape customers' attitudes toward Islamic banking, explaining 60.7% of attitude variance. These results support the Theory of Planned Behavior (TPB), which explains that customer behavior is influenced by individual beliefs, perceived benefits, and social factors (Ajzen, 1991; Usman et al., 2022). In Islamic banking, customer decisions involve not only rational considerations but also religious values, ethical responsibility, and compliance with sharia principles.

Islamic financial literacy positively influences customers' attitudes by improving their understanding of Islamic financial concepts, including sharia contracts, halal financial practices, and the prohibition of *riba*, *gharar*, and *maysir*. Unlike conventional financial literacy, Islamic financial literacy integrates financial capability with Islamic ethical values and the objectives of *maqasid al-syariah*, particularly wealth protection (*hifz al-mal*) and social welfare (*maslahah*) (Dinc et al., 2021; Hassan et al., 2021). This finding is consistent with Setiawati et al. (2023), who showed that Islamic financial literacy strengthens customers' intention to adopt Islamic financial products.

Bank reputation also plays an important role in developing positive attitudes toward Islamic banking. Customers evaluate Islamic banks based on institutional credibility, trust (*amanah*), transparency, and consistency in implementing sharia principles. Strong reputation enhances customer confidence because Islamic banks must maintain both financial performance and religious legitimacy (Khan et al., 2022; Raza et al., 2022). Moreover, customer relationships, trust, and perceived value contribute to Islamic banking loyalty, emphasizing the importance of service excellence and sharia-based institutional credibility (Yusfiarto et al., 2023).

Perceived usefulness significantly contributes to Islamic banking acceptance by reflecting customers' perceptions of convenience, efficiency, accessibility, and service benefits. Digital transformation has increased customer expectations toward Islamic banking services, especially among technology-oriented generations. This supports previous findings that perceived usefulness is a major determinant of digital Islamic banking adoption (Maryam et al., 2022; Amin et al., 2023).

Community influence confirms the role of subjective norms within TPB, where customers' attitudes are shaped by family, peers, religious communities, and social networks. In Muslim societies, social encouragement and community values influence individuals to choose financial services aligned with Islamic principles. This finding supports previous studies showing that social influence significantly affects Islamic financial adoption (Alam et al., 2021; Boubker et al., 2021).

The SEM-MGA results reveal different Islamic banking adoption patterns across generations. For Generation X ($R^2 = 0.471$), the examined variables do not individually show significant effects, indicating that this generation tends to

represent Sharia Loyalist customers whose banking decisions are driven more by religious commitment, avoidance of *riba*, and adherence to Islamic values. Future models involving this generation should consider religiosity and perceived sharia compliance as additional predictors.

For Generation Y ($R^2 = 0.792$), perceived usefulness emerges as the strongest determinant. This indicates that Generation Y represents Functional Benefit Seekers who evaluate Islamic banking based on digital convenience, service quality, efficiency, and practical benefits while maintaining consideration of Islamic values. Therefore, strengthening digital innovation is essential for increasing Islamic banking adoption among this generation.

For Generation Z ($R^2 = 0.567$), Islamic financial literacy becomes the dominant predictor. As digital natives, Generation Z relies heavily on information accessibility and knowledge when evaluating Islamic banking. Strengthening Islamic financial education through digital platforms and community engagement is therefore important to improve adoption among younger customers (Setiawati et al., 2023).

Overall, this study extends Islamic banking adoption literature by demonstrating that Muslim customers should not be viewed as a homogeneous group. Integrating TPB with generational perspectives provides deeper insights into Islamic consumer behavior. Practically, Islamic banks should apply differentiated strategies by emphasizing sharia values for Generation X, digital usefulness for Generation Y, and Islamic financial literacy enhancement for Generation Z.

5. CONCLUSION

This study examines the influence of Islamic financial literacy, bank reputation, perceived usefulness, and community influence on customers' attitudes toward Islamic banking across Generation X, Generation Y, and Generation Z using the Theory of Planned Behavior (TPB) perspective and SEM-Multigroup Analysis approach. The findings confirm that determinants of Islamic banking adoption differ across generations, indicating that Muslim customers cannot be considered a homogeneous group. Overall, the proposed model explains 60.7% of variations in customer attitudes toward Islamic banking. The generational analysis reveals different behavioral patterns. For Generation X ($R^2 = 0.471$), Islamic banking attitudes are primarily associated with religious commitment and adherence to sharia principles rather than functional or social factors. This generation reflects Sharia Loyalist customers who emphasize avoidance of *riba* and compliance with Islamic values. For Generation Y ($R^2 = 0.792$), perceived usefulness becomes the strongest determinant, indicating that this generation prioritizes digital convenience, service efficiency, and practical benefits. Meanwhile, for Generation Z ($R^2 = 0.567$), Islamic financial literacy is the dominant factor, showing that younger customers rely more on knowledge of Islamic financial principles when evaluating Islamic banking.

Theoretically, this study extends TPB application in Islamic banking literature by incorporating generational differences and Islamic financial perspectives based on *maqasid al-syariah*. The findings demonstrate that Islamic banking adoption involves both rational considerations and religious-ethical values. Practically, Islamic banks should develop generation-based strategies. Communication emphasizing sharia compliance and religious values is more suitable for Generation X, digital innovation and service usefulness should be prioritized for Generation Y, while Islamic financial literacy programs and digital engagement are essential for Generation Z. This study is limited to Islamic banking customers in the Jabodetabek area and selected behavioral variables. Future research should expand geographical coverage and include additional factors such as religiosity, trust, perceived sharia compliance, halal lifestyle, and digital Islamic banking experience to provide a more comprehensive understanding of Islamic banking adoption behavior.

ACKNOWLEDGEMENT:

We thank our institution, University Gunadarma for providing a place to conduct this research. And Also to Islamic State University Alauddin Makassar for the opportunity to publish this research. We hope this research has benefits and advantages for others.

AUTHORS' CONTRIBUTIONS:

Authors, Writing original draft preparation. Ideas; formulation or evolution of overarching research goals and aims.

CONFLICT OF INTERESTS:

We state that there are no known conflicts of interest linked with this publication, and that there has been no significant financial assistance for this work that could have influenced its outcome.

REFERENCES

- Abbas, A., Triani, N., Rayyani, W. O., & Muchran, M. (2023). Earnings growth, marketability and the role of Islamic financial literacy and inclusion in Indonesia. *Journal of Islamic Accounting and Business Research*, 14(7), 1088–1105.
- Abdullah, M., & Anderson, A. (2021). Islamic financial literacy and financial behaviour: Toward a conceptual framework based on *maqasid al-shariah*. *Journal of Islamic Finance*, 10(2), 45–58.
- Ahmad, G. N., Widyastuti, U., Susanti, S., & Mukhibad, H. (2020). Determinants of Islamic financial literacy among Muslim society. *Accounting*, 6(6), 961–966.
<https://doi.org/10.5267/j.ac.2020.7.008>

- Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179–211. [https://doi.org/10.1016/0749-5978\(91\)90020-T](https://doi.org/10.1016/0749-5978(91)90020-T)
- Alam, M. M., Ahmad, N., & Muneeza, A. (2021). External factors influencing Islamic banking adoption: The role of social influence, awareness, and religiosity. *International Journal of Islamic and Middle Eastern Finance and Management*, 14(5), 938–957.
- Albaity, M., & Rahman, M. (2019). The intention to use Islamic banking: An exploratory study to measure Islamic financial literacy. *International Journal of Emerging Markets*, 14(5), 988–1012. <https://doi.org/10.1108/IJOEM-05-2018-0218>
- Ali, M., Raza, S. A., Puah, C. H., & Amin, H. (2021). Consumer acceptance toward Islamic banking: An application of the extended theory of planned behavior. *Journal of Islamic Marketing*, 12(6), 1125–1145.
- Amin, H. (2021). Examining new measures of Islamic banking adoption: The role of attitude, perceived usefulness and religiosity. *Journal of Islamic Marketing*, 12(4), 745–763.
- Amin, H., Abdul Rahman, A. R., & Abdul Razak, D. (2023). Digital Islamic banking adoption: Integrating technology acceptance and Islamic values. *International Journal of Bank Marketing*, 41(5), 1057–1082.
- Ascarya. (2021). The role of Islamic social finance in supporting sustainable economic development. *International Journal of Islamic and Middle Eastern Finance and Management*, 14(2), 386–405.
- Aysan, A. F., Disli, M., & Ozturk, H. (2020). Islamic banks, deposit insurance reform and market discipline: Evidence from a natural framework. *Journal of Financial Services Research*, 57, 129–152.
- Ayyub, S., Xuhui, W., Asif, M., & Ayyub, R. M. (2020). Determinants of intention to use Islamic banking: A comparative analysis of users and non-users of Islamic banking. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(1), 147–163.
- Bananuka, J., Kasera, M., Najjemba, G.M., Musimenta, D., Ssekiziyivu, B. and Kimuli, S.N.L. (2020) 'Attitude: mediator of subjective norm, religiosity and intention to adopt Islamic banking', *Journal of Islamic Marketing*, 11(1), pp. 81–96. <https://doi.org/10.1108/JIMA-02-2018-0025>.
- Biancone, P. P., & Radwan, M. (2020). Social finance and Islamic finance: The role of Islamic financial institutions in achieving sustainable development. *European Journal of Islamic Finance*, 15, 1–10.
- Bohari, S.A., Wahab, A.A. and Abdul-Rahim, R. (2025) 'Navigating Fintech adoption through the role of perceived benefits and risks: the moderating role of generational cohorts', *International Journal of Bank Marketing*, 43(9), pp. 1820–1840. <https://doi.org/10.1108/IJBM-01-2024-0064>.

- Boubker, O., Douayri, K., & Ouajdouni, A. (2021). Factors affecting intention to adopt Islamic financing: Evidence from micro-business enterprises. *MethodsX*, 8, 101316. <https://doi.org/10.1016/j.mex.2021.101316>
- Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *MIS Quarterly*, 13(3), 319–340.
- Dewan Syariah Nasional Majelis Ulama Indonesia. (2000). *Fatwa DSN-MUI No. 04/DSN-MUI/IV/2000 tentang Murabahah*. Jakarta: DSN-MUI.
- Dewan Syariah Nasional Majelis Ulama Indonesia. (2000). *Fatwa DSN-MUI No. 07/DSN-MUI/IV/2000 tentang Pembiayaan Mudharabah*. Jakarta: DSN-MUI.
- Dewan Syariah Nasional Majelis Ulama Indonesia. (2000). *Fatwa DSN-MUI No. 08/DSN-MUI/IV/2000 tentang Pembiayaan Musyarakah*. Jakarta: DSN-MUI.
- Dinc, Y., Çetin, M., Bulut, M., & Jahangir, R. (2021). Islamic financial literacy scale: An amendment in the sphere of contemporary financial literacy. *ISRA International Journal of Islamic Finance*, 13(2), 251–263. <https://doi.org/10.1108/IJIF-10-2019-0155>
- Fianto, B. A., Gan, C., Widiastuti, T., & Sukmana, R. (2021). Customer loyalty to Islamic banks: Evidence from Indonesia. *Cogent Business & Management*, 8(1), 1859849.
- Hassan, M. K., Aliyu, S., & Brodmann, J. (2021). Islamic finance and sustainable development: A maqasid al-shariah perspective. *Pacific-Basin Finance Journal*, 65, 101520.
- Hidayat, S. E., Rafiki, A., & Nasution, M. D. (2023). Trust, reputation and customer loyalty in Islamic banking: Evidence from Indonesia. *Journal of Islamic Marketing*, 14(8), 1985–2004.
- Ismail, A. G., Tohirin, A., & Ahmad, S. (2023). Islamic finance, social responsibility and sustainable development: A maqasid approach. *International Journal of Ethics and Systems*, 39(4), 725–742.
- Khan, I., Khan, S., & Tahir, M. (2022). Sharia governance, reputation and Islamic banking performance. *Journal of Islamic Accounting and Business Research*, 13(7), 1104–1123.
- Maryam, S., Mehmood, T., & Khaliq, C. (2022). Factors influencing digital Islamic banking adoption: Integrating TAM and TPB approaches. *Journal of Islamic Marketing*, 13(6), 1235–1254.
- Maryam, S.Z., Ahmad, A., Aslam, N. and Farooq, S. (2022) '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(10), pp. 2090–2107. <https://doi.org/10.1108/JIMA-03-2021-0059>.

- Nugroho, L., Utami, W., & Doktoralina, C. M. (2023). The development of Bank Syariah Indonesia after merger: Opportunities and challenges for Islamic banking industry. *Banks and Bank Systems*, 18(2), 112–124.
- Otoritas Jasa Keuangan. (2023). *Roadmap Pengembangan dan Penguatan Perbankan Syariah Indonesia 2023–2027*. Jakarta: OJK.
- Raza, S. A., Umer, A., & Shah, N. (2022). Factors affecting Islamic banking adoption: Evidence from emerging Muslim markets. *International Journal of Bank Marketing*, 40(3), 486–509.
- Republik Indonesia. (2008). *Undang-Undang Republik Indonesia Nomor 21 Tahun 2008 tentang Perbankan Syariah*.
- Saygılı, M., Durmuşkaya, S., Sütütemiz, N. and Ersoy, A.Y. (2022) ‘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(6), pp. 1109–1128. <https://doi.org/10.1108/IMEFM-11-2020-0569>.
- Setiawati, R., Nidar, S. R., & Anwar, M. (2023). Islamic financial literacy and intention to use Islamic financial products among young Muslims. *Journal of Islamic Marketing*, 14(9), 2175–2194.
- Trisanty, A., Haryanto, B., Sugiarto, C. and Wahyudi, L. (2024) ‘Testing the role of skepticism in Islamic banks: evidence from Indonesia’, *Cogent Business & Management*, 11(1), 2364842. <https://doi.org/10.1080/23311975.2024.2364842>.
- Usman, H., Chairy, C., & Projo, N. W. K. (2022). Muslim decision-making style and religiosity on intention to use Islamic banking services. *Journal of Islamic Marketing*, 13(7), 1502–1521.
- Yeni, F., Mulyani, S.R. and Susriyanti (2023) ‘Islamic financial literacy, spiritual intelligence, public perception and behaviour on public interest in Islamic banking services’, *Cogent Economics & Finance*, 11(1), 2175470. <https://doi.org/10.1080/23322039.2023.2175470>.
- Yusfiarto et al. (2023) emphasized that strengthening relationships between Islamic banks and customers requires not only service quality but also trust, satisfaction, and value-based relationships consistent with Islamic banking principles.