

# ADOPTION OF ISLAMIC BANKING IN FINANCIAL SATISFACTION : STUDY ON BANK SYARIAH INDONESIA YOGYAKARTA REGION

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## ABSTRACT

The main purpose of this study was to examine the effect of Islamic financial literacy, religiosity, bank reputation, and risk attitude on the adoption of Islamic banking. Examine the mediating role of the adoption of Islamic banking on the influence of Islamic financial literacy, religiosity, bank reputation, and risk attitude on financial satisfaction. The statistical analysis model used mediation regression. The research population was 1.033.264 and the sample was 336 Bank Syariah Indonesia customers in the Jogjakarta region. The sampling technique used was random sampling, a data collection method using a questionnaire. The mediation regression analysis tool uses SEM-PLS. The results show that: Islamic financial literacy has a positive effect on the adoption of Islamic banking products. Bank reputation has a positive effect on the adoption of Islamic banking. Religiosity has a positive effect adoption of Islamic banking. The risk attitude affects the adoption of Islamic banking. Adoption of Islamic banking mediates the effect of Islamic financial literacy, bank reputation, religiosity, and risk attitude on financial satisfaction. The results of the study add to the literature and the results of empirical studies of Islamic financial management. Provide recommendations for Islamic Bank policies, namely: policies to increase Islamic financial literacy, bank reputation, risk attitude, adoption of Islamic banking, and financial satisfaction to improve the welfare and performance of the bank.

**Keyword:** Islamic financi literacy, risk attitude, adoption of islamic banking, financial satisfaction

## ABSTRAK

Tujuan utama dari penelitian ini adalah menguji pengaruh literasi keuangan syariah, religiusitas, reputasi bank, dan sikap risiko terhadap adopsi perbankan syariah. Menguji peran mediasi adopsi perbankan syariah terhadap pengaruh literasi keuangan syariah, religiusitas, reputasi bank, dan sikap risiko terhadap kepuasan keuangan. Model analisis menggunakan regresi mediasi. Populasi adalah nasabah BSI Yogyakarta sebesar 1.033.264, sampel penelitian sebesar 336 nasabah Bank Syariah Indonesia di wilayah Jogjakarta. Teknik pengambilan sampel menggunakan random sampling, metode pengumpulan data menggunakan kuesioner. Alat analisis regresi mediasi menggunakan SEM-PLS. Hasil penelitian menunjukkan bahwa: literasi keuangan syariah berpengaruh positif terhadap adopsi produk perbankan syariah. Reputasi bank berpengaruh positif terhadap adopsi perbankan syariah. Religiusitas berpengaruh positif terhadap adopsi perbankan syariah. Sikap risiko mempengaruhi adopsi perbankan syariah. Adopsi perbankan syariah memediasi pengaruh literasi keuangan syariah, reputasi bank, religiusitas, dan sikap risiko terhadap kepuasan keuangan. Hasil penelitian diharapkan menambah literatur dan hasil studi empiris manajemen keuangan Syariah. Rekomendasi kebijakan Bank Syariah, yaitu: kebijakan untuk meningkatkan literasi keuangan syariah, reputasi bank, sikap risiko, adopsi perbankan syariah, dan kepuasan keuangan untuk meningkatkan kesejahteraan dan kinerja bank.

**Kata Kunci:** Literasi keuangan syariah, sikap berisiko, adopsi perbankan syariah, kepuasan finansial

## Introduction

The Indonesian government, Islamic banking, and related parties are working hard to improve Islamic financial literacy (ojk, 2022). Yogyakarta as a City of Education and Culture has enormous potential for the development of Islamic Banking. The Muslim population is about 92.5% of the total population of Yogyakarta. The trend of moving the Indonesian people, especially Jogjakarta to choose Islamic banks and lifestyle is an opportunity that can be worked on by Islamic banking. The development and potential of the halal industry are getting

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wider, with support from the government, among others, through the National Syariah Finance Committee (Association of Indonesian Syariah Banks Special Region of Yogyakarta, 2022).

The increasing number of Islamic financial institutions, especially Islamic banks, has not been supported by the ability of Islamic banks to promote their services. Lack of public knowledge and awareness about the services offered by Islamic banks hampers the prospect of Islamic banking expansion. This situation is evidenced by the low level of Islamic financial literacy in various countries (Albaity and Rahman, 2019; Bananuka, et al., 2019; Sudarsono, et al., 2020). This literacy rate reflects the low level of adoption of Islamic banking services. Therefore, Islamic banks offer various service innovations that meet customer needs, both in terms of funding and financing.

Financial literacy research, adoption of Islamic banking services, and financial satisfaction with the use of Islamic banking services are important. The research results can be used to improve Islamic banking services. Previous research has shown that the determinants of the adoption of Islamic banking services and financial satisfaction are very important. Appropriate steps can be taken by Islamic financial institutions to compensate for the intense competition in this industry (Lajuni et al., 2017; Kaabachi and Obeid, 2016; Peng et al., 2019). Institutional factors such as secure facilities can influence people in adopting Islamic banking services and financial satisfaction (Amin et al., 2013). Other factors were also found to be influential such as bank reputation, convenience, staff quality, ATM availability, service quality and speed, cost, the influence of family and friends, service variation, and so on (Echchabi and Olaniyi, 2012 and Obedient and Kaabachi, 2016).

Good Islamic financial literacy includes having correct information about interest rates, national economic conditions, personal finances, and growth rates. The challenge for Muslims is to find the type of financing regarding Islamic terms and conditions. Islamic financial literacy is not easy to understand because it believes in the faith and teachings of Islam (Antara et al., 2016). Islamic financial literacy standardizes financial products, investors, and business holders and has a broad view of adopting Islamic banking products (Bin Abdullah et al., 2015).

Research by Ismail et al. (2014) revealed that there is a strong relationship between the reputation of Islamic banks and the intention of Malaysian customers to adopt Islamic banking services. In Tunisia, research by Chebab and Zribi (2012) found evidence that customers are very concerned about the reputation of the bank in determining the type of banking service used. The risk attitude plays an important role in the acceptance of Islamic banking because the sharia concept is a low-risk concept. Perceptions have changed their minds to accept Islamic banking and make strong decisions. The perception of low risk and the adoption of Syariah waivers have improved and increased profitability. Research by Bananuka et al. (2019) shows that religiosity has a significant positive relationship with the intention to adopt Islamic banking. As part of ideology, religiosity has been shown to have a positive relationship with the adoption of Islamic banking intentions (Kaawaase et al., 2019).

This study aims to examine the effect of financial literacy, bank reputation, risk perception, religiosity, and customer intention to adopt Islamic banking services and the financial satisfaction of Islamic bank customers in Yogyakarta. This study extends Rogers's (2003) theory of innovation diffusion which was later used by several previous researchers (Amin et al., 2013; Ayinde and Echchabi, 2012; Aziz et al., 2015; Echchabi et al., 2014; Echchabi and Aziz, 2012a). The main objective of this study was to examine the effect of Islamic financial literacy, religiosity, bank reputation, and risk attitudes on the adoption of Indonesian Islamic Bank products. Examine the mediating role of Islamic bank product adoption on the influence of Islamic financial literacy, religiosity, bank reputation, and risk attitudes on financial satisfaction.

This study tries to fill the gap of previous research in the Indonesian context, especially in the Special Region of Yogyakarta. There is very little research on Islamic financial literacy, adoption of Islamic finance, and financial satisfaction using Islamic financial services in Indonesia. This study combines several previous research variables, such as the research of Bananuka et al. (2019), Kaabachi and Obeid (2016), Peng et al (2019), Kaawaase et al, (2019), and Echchabi et al. (2014). The benefit of this research is to recommend that Islamic bank managers identify Islamic banking services needed by customers. Service identification is necessary for Islamic bank management to prioritize and allocate resources to improve services and financial satisfaction. This research is expected to add to empirical studies of Islamic financial literacy, adoption of Islamic finance, and financial satisfaction.

Financial literacy is associated with many concepts, including financial knowledge, financial ability, financial education, and financial competence. Muslims must acquire Islamic financial literacy. Muslims should have sufficient financial knowledge within the framework of their ideal life and behave for the good of humankind. Islamic financial literacy enables people (especially Muslims) to understand Shariah compliance practices in Islamic financial institutions and manage Shariah risks. Muslims should behave according to Sharia in Islamic financial transactions (Bhatti, 2020). Acquiring Islamic financial literacy will strengthen the foundation of ethics and morality in contemporary economics and finance. Masudul and Choudhury (2020) argue that ethics and morality are needed in economic and financial studies. The main difference between the philosophy of conventional financial literacy and Islamic financial literacy is the orientation of the individual or society in engaging in interest-based transactions.

The basis of Islamic finance is strict adherence to Islamic law (Sharia) and the prohibition of interest in financial transactions (Bhatti, 2020). According to Mustafa Kevser and Mesut Dogan (2021) Islamic finance is a value and asset-based system. Must strive to achieve Islamic goals such as social equality, poverty reduction, and human welfare. In this context, Islamic financial literacy can be defined as understanding and applying finance based on Islamic law (Masudul and Choudhury, 2020). Bhatti (2020) distinguishes the concepts of financial knowledge and financial literacy from each other and defines Islamic financial literacy as “knowledge acquired through the use of Islamic financial products and concepts”.

## Literature Review

### Empirical Study and Hypothesis Development

Modern economic models have developed a new dimension with the emergence of the Islamic financial system. Islamic banks have gained a significant share in the global financial market. Syariah (Islamic) law regulates standard interest-free financial institutions known as Islamic banks (Hassan and Lewis, 2007 and Albaity and Rahman, 2019). Islamic banking is defined as the management of banking operations following Islamic teachings (ojk, 2022). The core elements that guide Syariah banking business activities include the prohibition of *usury* (usury), *maisir* (gambling/betting), *gharar* (speculative trading/dubious ambiguity) in all forms of transactions, the implications of reasonable and legal profits, and prohibition of monopoly (Gait and Worthington, 2009). This is the basic difference between Islamic and conventional banking systems.

Islamic banking has been accepted in many countries around the world both in Muslim and non-Muslim countries through the boundaries of expansion (Aziz, 2006). A prominent competitive advantage to the development of International Islamic finance is the strong Islamic philosophy that is embedded in the lives of especially Muslim countries. Despite the creation of a supportive and flexible micro-environment, the growth of Islamic banks in Indonesia is still slow due to intense competition and transformation in the macro-environment. The growth opportunities of Islamic banks are still low, there is an urgent need to encourage the products and services offered and adopted in the competitive financial industry. The business dimension of Islamic banking has significantly transformed from a religious obligation to a potential competitor to conventional banks (Gait and Worthington, 2009 and Hidayat and Akhmad, 2015). Emphasis is needed on understanding the growing needs and preferences of Islamic bank customers.

Several studies have been conducted to find solutions to Islamic banking problems such as financial literacy, financial satisfaction, and consumer adoption of Islamic banking services (Kaawase et al., 2019; Kholid, 2019; Mohanachandran and Normala, 2019; Sudarsono, et al., 2020). Few studies in the context of the Indonesian literature contain prospective studies that investigate the elements of Islamic banking adoption and financial satisfaction.

Another study examines factors that influence the adoption of a new product or technology. Several studies were conducted on the adoption of financial services such as online banking, mobile banking, self-service, and technology (Sathye, 1999; Meuter et al., 2005; Black et al., 2001; Gerard and Cunningham, 2003). The research findings provide knowledge about the factors of Islamic banking adoption and financial satisfaction with the use of Islamic banking.

In various countries, customer behavior towards Islamic banking services has been widely discussed by several researchers. Various aspects related to the relationship between customers and Islamic banking services have been discussed by various studies (Abou-Youssef et al., 2015; Bananuka et al., 2019; Bashir, 2012; Echchabi and Aziz, 2012a; Kaabachi and Obeid, 2016; Okumus and Genc, 2013; Souiden and Jabeur, 2015; Souiden and Marzouki, 2015). The results showed the relationship between several factors such as awareness, bank reputation, perceived

complexity, perceived compatibility, perceived risk, relative advantage, religiosity, and social influence on customer intentions to adopt Islamic banking services.

In various contexts, the influence between customer awareness and intention to adopt Islamic banking services has been widely studied (Daud et al., 2011; Khattak and Rehman, 2010; Metawa and Almosawi, 1998). The strong influence between customer awareness and intention to adopt Islamic banking services has been demonstrated in several studies, such as Echchabi and Aziz (2012a), Faisal et al. (2014), Bananuka et al. (2019), and Sudarsono et al. (2020).

Islamic financial literacy is defined as a person's financial knowledge, skills, and attitudes in managing financial resources following Islamic teachings (Abou-Youssef et al., 2015 and Bananuka et al., 2019). Several studies have found that financial literacy can affect a person's behavior. When a person does not have good financial literacy, he can make mistakes in making financial decisions. Therefore, financial literacy is the key to decision-making (Ateş et al., 2016).

Muslims face many challenges towards Islamic financial literacy. They do not understand Islamic finance and how to handle financial services using Islamic financial literacy (Aziz et al., 2015 and Zaman et al., 2017). However, if they have good Islamic financial literacy, they must have proper information about interest rates, national economic conditions, personal finances, and growth rates. Islamic financial literacy is not easy to understand because Islamic financial literacy believes in Islamic faith and teachings (Bananuka et al., 2019 and Sudarsono et al., 2020). Islamic financial literacy standardizes financial products and investors and business holders have a view that Islamic financial literacy will change personal attitudes towards the adoption of Islamic banking. Islamic financial literacy is correlated with the adoption of Islamic banking (Ayinde and Echchabi, 2012; Albaity and Rahman, 2019; Firdaus et al., 2007). Islamic financial literacy has a strong relationship with the adoption of Islamic banking products, and Islamic financial literacy also encourages individuals to take part in risky investments. The hypothesis is formulated as follows.

**H<sub>1</sub>: Islamic financial literacy has a positive effect on the adoption of Islamic banking.**

The relationship between bank reputation and customer intention to adopt Islamic banking services has been studied by several researchers (Lateh et al., 2009 and Peng et al., 2019). Research by Dusuki and Abdullah (2007) and Echchabi and Aziz (2012a), shows that the combination of product quality, service, and financial reputation affects customer intentions to adopt Islamic banking services in Malaysia. Ismail et al., (2014) revealed that there is a strong relationship between the reputation of Islamic banks and the intention of customers in Malaysia to adopt Islamic banking services. Research in Tunisia, Chebab and Zribi (2012) revealed that customers are very concerned about the reputation of the bank in determining the type of banking service to be used. Research by Kaabachi and Obeid (2016) found a strong relationship between bank reputation and customer intentions in using Islamic banking products, and services. By considering the results of previous studies related to bank reputation and customer intentions to adopt Islamic banking services, the following hypothesis can be formulated.

**H<sub>2</sub>: Bank reputation has a positive effect on the adoption of Islamic banking.**

Religiosity is defined as the doctrine of one's belief in God or other supernatural powers (Bananuka et al., 2019). Huber and Huber (2012) define religiosity as one's belief in the existence and attributes of God. A person is considered to have religious experience if he has been able to determine an emotional attitude towards something that supports and/ or contradicts that religious belief. Bananuka et al., (2019), Kaawaase and Nalukwago (2017), Muslichah and Sanusi (2019), found a positive influence between religiosity and customer intention to adopt Islamic banking services in Uganda and Indonesia. The same results were found by Obeid and Kaabachi (2016) which prove a strong relationship between religiosity and intention to adopt services from Islamic banks in Tunisia.

The effect of religiosity on the intention to use Islamic Commercial Bank products was investigated by Souiden and Rani (2015). Research shows that the more afraid a person is about Allah's punishment, the more he will show a favorable perception of Islamic banking. The more someone believes in Islamic law, the more they support Islamic banking products. However, religiosity has no significant effect on consumer intentions to use Islamic financing products (Amin et al., 2011). Obeid and Kaabachi (2016) found that religiosity is an important element because it can influence individuals in terms of cognition and behavior. In contrast, the research conducted by Bananuka et al. (2019) shows that religiosity has a positive relationship with the intention to adopt Islamic banking. As part of ideology, religiosity has been shown to have a positive relationship with the adoption of Islamic banking intentions (Kaawaase et al., 2019). Thus, the following hypothesis can be formulated.

**H<sub>3</sub>: Religiosity has a positive effect on the adoption of Islamic banking.**

Perceived risk can be explained as uncertainty about certain products and services. A risk attitude identifies an individual's experience and effort for each product and service and how they perceive the risk. Islamic banks work with Islamic rules and regulations, with no concept of interest in Islam. All banks offer interest-free services because interest rates can increase uncertainty about profits (Kaabachi and Obeid, 2016). According to Islamic principles, the way for Muslim bank customers to profit from trade and investment as a means of reward is when exposed to risk through risk-sharing methods. Islamic banking encourages investment and provides equal rights to profits and losses and equal risk sharing. Investors and borrowers will have the same risk perception for the adoption of Islamic banking (Sudarsono et al., 2020). Islamic banking accepts low-risk projects because they invest in companies and others who provide services and make customers happy by making the right choices Perceptions and attitudes have changed the mind to accept Islamic banking and make strong decisions Perceptions, low-risk attitudes, implementation of Syariah waivers have increased and increased profitability.

Perceived risk is the ambiguity that customers have before buying a product or service or any service (Bauer, 1960 and Rattanaburi and Vongurai, 2021). Research by Gerrard and Cunningham (2003), Kholid (2019), Nguyen and Nguyen (2020), shows a negative relationship between risk and intention to adopt Islamic banking services. Risk involves uncertainty about the effects or implications of

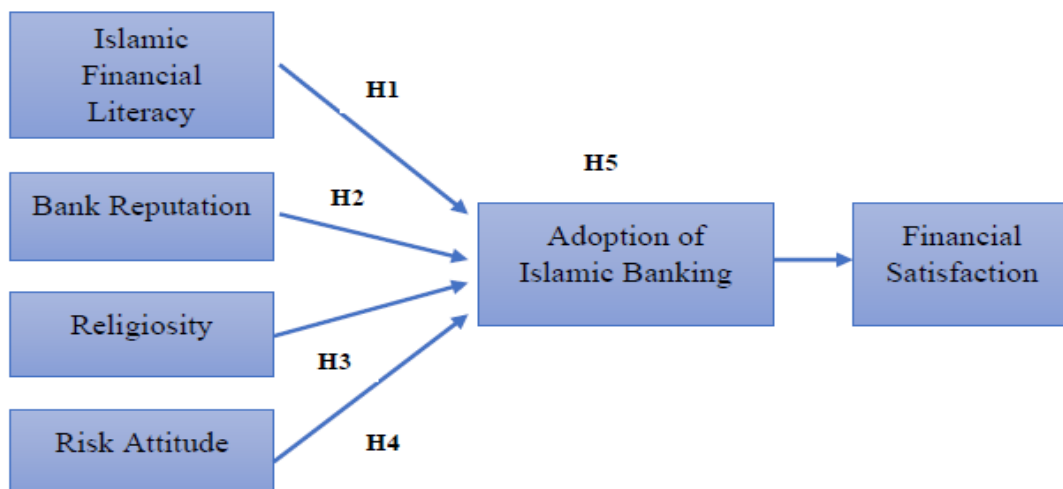
activity concerning something that people value, often focusing on unintended negative consequences. By considering the results of previous studies related to risk and intention to adopt Islamic banking services, the following hypothesis can be formulated.

**H<sub>4</sub>: Risk attitudes affect the adoption of Islamic banking.**

Aboagye and Jung (2018) reveal that both financial satisfaction and subjective financial knowledge are expressions of individual respondents' perceptions of their situation at a point in time. Financial satisfaction can be measured through the level of satisfaction with assets, debt, and savings (Davis and Runyan, 2016). According to Xiao (2008) financial behavior refers to human behavior that is relevant to money management. If one spends his money carefully, manages it regularly and thoroughly, and uses the money wisely, it will make one feel satisfied with the circumstances that lead to financial satisfaction. Rational budget management and the desire to save are requirements of today's financial behavior that will increase the overall financial satisfaction of individuals. According to Davis and Runyan (2016) both financial satisfaction and subjective financial knowledge are expressions of individual respondents' perceptions of their situation at a point in time. Islamic financial literacy, bank reputation, religiosity, and risk attitude will affect the adoption of Islamic banking products and services (Lateh et al., 2009; Peng et al., 2019; Sudarsono et.al, 2020; Newaz et.al., 2016). Adoption of Islamic banking service products that are good and follow customer desires will increase customer financial satisfaction. The hypothesis is formulated as follows.

**H<sub>5</sub>: Adoption of Islamic banking services mediates the effect of Islamic financial literacy, bank reputation, religiosity, and risk attitude on financial satisfaction.**

**Conceptual Framework**



**Figure 1. Research Conceptual Framework**

Source : Researchers Analysis

## Research Methode

### The Data and Sample

The research was designed using a quantitative causality approach through hypothesis testing and primary data analysis. Researchers conducted a theory review and empirical study results to map out the theory according to the research objectives and the conceptual framework of the research. The research population was 1.033.264 (BSI DIY, 2022) and the research sample is customers at the Bank Syariah Indonesia Yogyakarta as many as 336 customers. The sampling technique used was random sampling, a data collection method using a questionnaire. The mediation regression model was used to answer the hypothesis (Green, 2012). The econometric model in this study uses mediation regression (Ghozali, 2014; Woldridge, 2014). Data analysis using a statistical tool PLS-SEM model.

### Identification and Operational Variables Definition of Research

Identification and operational definitions are used to clarify and sharpen the research focus. A questionnaire using a 5 Likert scale. The measurement of the variables adopted from previous studies related to customer intentions in adopting bank services and financial satisfaction. Islamic financial literacy using the Zunaira et al. (2017) model. The reputation of Islamic banks using the model Jarvenpaa et al. (2000) and Kaabachi and Obedient, (2016). Religiosity using models Kaabachi and Obeid (2016) and Laroche et al. (2004). Attitudes towards risk using the Kaabachi and Obeid (2016) model and Laroche et al. (2004). Adoption of Islamic banking products using the Kaabachi and Obedient (2016) model. Financial satisfaction using the model Falahati et al. (2012) and Zunaira et al. (2017).

## Result and Discussion

**Table 1. Profile of Respondents**

Description	N	Percent (%)
<b>Gender:</b>		
Men	197	58.33
Women	140	41.67
<b>Age:</b>		
17-25	25	07.44
26-34	38	11.31
35-43	126	37.50
44-52	79	23.51
53-62	68	20.24
<b>Education:</b>		
High school	43	12.80
Diploma	169	50.29
Bachelor	89	26.49
Master	35	10.42
<b>Occupation:</b>		
Civil servant	140	41.67
Entrepreneur	76	22.62
BUMN	81	24.11
Private employee	21	06.25
Others	18	05.35

Note: n = 336

Source: Processed data (2022)



Table 1 explain characteristic of respondent that use on this reasearch. Characteristics of respondents this sample research is intended to explain the profile are customers at the Bank Syariah Indonesia Yogyakarta based on the gender of the respondents the majority of men = 58.33 percent, age respondents mostly range from 35 to 43 years = 37.50 percent, education level mostly is diploma = 50.29 percent and the majority range from 1 to 15 people = 41.67 percent.

### Factor Analysis

We use Cronbach Alpha to measure the reliability, and factor loading of AVE to see the validity. The measurement results can be seen in table 2.

**Table 2. Construct Reliability and Validity**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<b>Adoption of Islamic Banking</b>	0.948	0.952	0.955	0.681
<b>Bank Reputation</b>	0.939	0.945	0.950	0.705
<b>Financial Satisfaction</b>	0.950	0.953	0.957	0.672
<b>Islamic Financial Literacy</b>	0.962	0.965	0.967	0.707
<b>Religiosity</b>	0.953	0.959	0.959	0.703
<b>Risk</b>	0.949	0.952	0.956	0.687

Source: Processed data (2022)

The reliability test results in table 2 show that the question items on the questionnaire research variables are adoption of Islamic Banking, bank reputation, financial satisfaction, Islamic financial literacy, religiosity, and risk is reliable and valid. This is indicated by the magnitude of Cronbach's Alpha and rho\_A 0.800. Other results show Composite Reliability 0.9, and also show Average Variance Extracted 0.500.

### Test of the Hypothesis

Based on the results of statistical tests in table 3 shows that the adoption of Islamic Banking has an R Square Adjusted of 0.634. The results show that changes in the adoption of Islamic Banking can be explained by bank reputation, Islamic financial literacy, religiosity, and risk of 63.40%. Financial Satisfaction has an R Square Adjusted of 0.565. Changes in financial satisfaction can be explained by the adoption of Islamic Banking of 56.50%.

**Table 3. R Square, R Square Adjusted**

	_R Square	R Square Adjusted
Adoption of Islamic Banking	0.639	0.634
Financial Satisfaction	0.586	0.585

Source: Processed data (2022)

Table 4. shows that Islamic financial literacy has a positive effect on the adoption of Islamic banking, so **hypothesis 1 is accepted**. The result of the statistical test shows that the *t* statistic is 5.832 and the *p*-value is 0.00. The results indicate that the higher the Islamic financial literacy, the higher the adoption of Islamic banking. This study supports previous research, such as Abou-Youssef et al. (2015); Bananuka et al. (2019); Ateş et al. (2016); Aziz et al. (2015); and Zaman et al. (2017). When customers do not have good Islamic financial literacy concepts and practices, they are likely to make mistakes in making financial decisions.

**Table 4. Path Coefficients, Mean, STDEV, T-Values, P-Values**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
Adoption of Islamic Banking -> Financial Satisfaction	0.765	0.766	0.024	31.334	0.000
Bank Reputation -> Adoption of Islamic Banking	0.283	0.287	0.066	4.279	0.000
Islamic Financial Literacy -> Adoption of Islamic Banking	0.371	0.373	0.064	5.832	0.000
Religiosity -> Adoption of Islamic Banking	0.152	0.152	0.054	2.790	0.005
Risk attitude -> Adoption of Islamic Banking	0.146	0.142	0.065	2.249	0.025

Source: Processed data (2022)

Bank reputation has a positive effect on the adoption of Islamic banking. This can be seen in Table 4 above, with a *t* statistic of 4.279 and a *p*-value of 0.00, so **hypothesis 2 is accepted**. The better the reputation of the bank, the higher the adoption of Islamic banking. The higher the interest of customers for the adoption of Islamic banking. Sharia Bank customers are very concerned about the reputation of the bank in determining the types of banking products and services. The results of this study support previous research, such as the results of research by Lateh et al. (2009) and Peng et al. (2019).

Religiosity has a positive effect on the adoption of Islamic banking. It can be seen in table 4, with the result of the *t* statistic of 2,790 and *p*-value of 0,005. The results show that the higher the religiosity, will increase by 2,790. **Hypothesis 3 is accepted**. Islamic religiosity is an important element in the adoption of Islamic banking because it can influence individuals in terms of Islamic cognition and behavior. The results of this study support the findings of previous research conducted by Kaawaase et al. (2019), Bananuka et al. (2019), and Sudarsono et al. (2020).

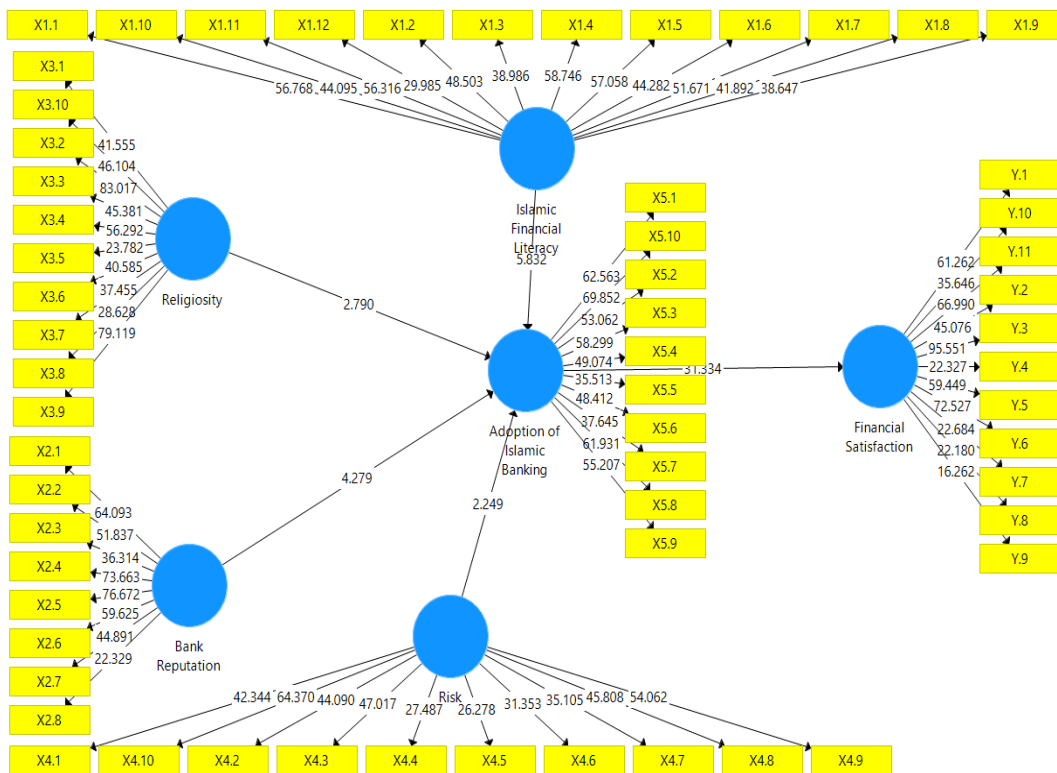
Risk attitude has a positive effect on the adoption of Islamic banking. It can be seen from the statistical test in table 4, with the result of *t* statistic of 2.249 and *p*-value of 0.022, that **hypothesis 4 is accepted**. The results show that the better the

risk attitude, the higher the adoption of Islamic banking. The results of this study are in line with research findings by Rattanaburi and Vongurai (2021), Gerrard and Cunningham (2003), Kholid (2019), Nguyen and Nguyen (2020). Some positive responses of Islamic banks will increase the adoption of Islamic banking.

**Table 5. Specific Indirect Effects Mean, STDEV, T-Values, P-Values**

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics ( O/STDEV )	P Values
Bank Reputation -> Adoption of Islamic Banking -> Financial Satisfaction	0.217	0.220	0.054	3.997	0.000
Islamic Financial Literacy -> Adoption of Islamic Banking -> Financial Satisfaction	0.284	0.286	0.052	5.480	0.000
Religiosity -> Adoption of Islamic Banking -> Financial Satisfaction	0.116	0.116	0.040	2.871	0.004
Risk attitude-> Adoption of Islamic Banking -> Financial Satisfaction	0.112	0.108	0.049	2.303	0.022

Source: Processed data (2022)



**Figure 2. Path Analysis**  
 Source: Processed data (2022)

The mediating role of the adoption of Islamic banking on the influence of bank reputation, Islamic financial literacy, religiosity, and risk on financial satisfaction can be seen in Table 5 and Figure 2. The results show that the adoption of Islamic banking can mediate all independent variables with a p-value of 0.00, so **hypothesis 5 is accepted**. The results show that the adoption of Islamic banking can mediate the influence of bank reputation, Islamic financial literacy, religiosity, and risk on financial satisfaction. This research supports previous research, such as Newaz et al. (2016), Peng et al. (2019), and Sudarsono et al. (2020).

### **Discussion**

This study indicates that Islamic financial literacy, bank reputation, religiosity, and risk attitude affect the adoption of Islamic banking services. The adoption of Sharia services increases the financial satisfaction of Sharia bank customers. The results of this study support the results of previous studies. Some of the reasons or arguments for the results are 1). Sharia bank customers are Muslim citizens with strong knowledge of Islamic law - Al Quran and Hadith. 2) The implementation of Islamic banks requires high knowledge of Islamic law - Al Quran and Hadith, so the higher the knowledge of Islamic banks, the higher the adoption of Islamic banks and financial satisfaction. 3) Financial satisfaction is a subjective measure of financial well-being and indicates the level of satisfaction that individuals feel with regard to various aspects of financial condition. Customers with high Islamic financial literacy, bank reputation, high religiosity, and risk attitude will increase financial satisfaction. Financial satisfaction is measured from banking services in general as well as banking services of a spiritual nature, worship financing, and profits in this world and the hereafter.

### **The Effect of Islamic Financial Literation on The Adoption of Islamic Banking**

The research results support previous research. Islamic financial literacy is the key to making decisions about the adoption of Islamic banking (Bananuka et al., 2019 and Ateş et al., 2016). Islamic financial literacy standardizes Islamic financial products and services. Overall Islamic financial literacy is owned by customers, who have the ability, better skills, and a high attitude towards understanding financial information (Sudarsono et al., 2020). A high understanding of *murabahah*, *mudharabah*, *wadiah* contracts, *musyarakah*, *usury ijarah*, profit sharing, sukuk, gold deposits, inflation, interest rates, mortgages, and Islamic investment will help accelerate the adoption of Islamic banking. The results indicate that higher financial literacy, bank reputation, religiosity, and risk attitude will increase the adoption of Islamic banking services. High adoption will increase customer financial satisfaction.

### **The Effect of Bank Reputation on The Adoption of Islamic Banking**

Bank reputation is like a state-owned bank, good service, no banking cases, and high social responsibility, as a distributor of social assistance will increase customer confidence. This will increase customer interest in using Syariah banking products and services. Honesty, deposit insurance, Syariah rules and procedures, and social assistance by Islamic banks will improve the image of Islamic banks. Increasing the community's Islamic financial literacy, improving the reputation of

Islamic banks, increasing religious practices, and reducing risk will increase financial satisfaction. Financial satisfaction using Islamic banking services is expected to improve the performance of Islamic banks.

### **The Effect of Religiosity on The Adoption of Islamic Banking**

The ideological dimension based on Islam will increase the adoption of Islamic banking (Kaawaase et al. 2019). Customers with high Islamic principles will make it easier adoption of Islamic banking. The principle is that justice must be sourced from the Qur'an and Al-Hadith, property is a deposit and belongs to Allah, utilizing it for the common good.

### **The Effect of Risk Attitude on The Adoption of Islamic Banking**

Islamic banking services can bring potential financial benefits. Islamic banking services can provide benefits in the hereafter (Rattanaburi and Vongurai, 2021). Compliance with Islamic norms and then according to customer preferences. Islamic banks and financial institutions invest in low-risk options. Maximization of mutual benefit of the Ummah is the main goal of Islamic banks. Syariah Bank products are safe, and Syariah bank products and services have low risk.

### **The Mediating Role of The Adoption of Islamic Banking**

Adoption of Islamic banking service products that are following customer desires will increase customer financial satisfaction. The products and services provided by Islamic banks have the same quality as conventional banking services. Recommend others to adopt the services of an Islamic bank. By adopting Islamic banking, customers believe that they are involved in Islamic business. Using Islamic bank products and services is very easy.

### **Conclusion**

Research results reveal that Islamic financial literacy has a positive effect on the adoption of Islamic banking products. Bank reputation has a positive effect on the adoption of Islamic banking. Religiosity has a positive effect on the adoption of Islamic banking. Risk attitude affects the adoption of Islamic banking Bank Syariah Yogyakarta. Adoption of Islamic banking mediates the effect of Islamic financial literacy, bank reputation, religiosity, and risk attitude on customer financial satisfaction.

### **Limitation**

Islamic banking still has several weaknesses, including the business model, the low literacy and inclusion index, and inadequate IT. Islamic banking products and services have just developed. Requires Islamic financial literacy for the community. Customers and also the bank user community have limitations in Islamic financial literacy and adoption. This research has limitations, namely 1) The area is only in one province, and it is needed in several regions. 2) Other variables are needed to explain the adoption of Islamic banking from the role of Islamic banks and the government. 3) Include Islamic financial inclusion in the adoption of Islamic banking.

### **Suggestions**

Further research is needed on the type of adoption, by separating the types of adoption of Islamic banking, namely the adoption of services or the adoption of Islamic banking products. This section contains suggestions on problems related to the research carried out and also contains suggestions for further research.

### **Implication**

The managerial implication of the research results is that there is a need for policies to increase Islamic financial literacy, access to finance, and attitudes towards risk to increase customer financial satisfaction. Increasing the reputation of Islamic banks to the public to attract customers with high religiosity. For banks, Islamic financial education activities are also a form of corporate social responsibility. Increasing literacy and inclusion of Islamic Financial Economics (EKS) is the obligation of all parties, especially financial service providers. The intensive role of banking is expected to be able to increase public awareness of the Syariah economy. EKS literacy activities aim to increase public awareness through increasing knowledge, skills, and confidence to be more skilled in managing Syariah-based finance. The Financial Services Authority (OJK) emphasizes financial literacy as an inseparable part of financial inclusion. Financial inclusion is a process that ensures easy access, availability, and use of a formal financial system that is open to all stakeholders. Banking plays an important role in increasing public literacy in Islamic finance and economics. This policy is based on the assumption that the public literacy index is still low. To develop literacy in the context of openness, educational programs are an effective vehicle for providing the public with the ability to make financial decisions according to Syariah.

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