

Sharia Economic Literacy and Trust: Path Analysis of Preferences for Using Sharia Financial Products in the Digital Era

Ian Alfian, Iskandar Muda*, Surya Agustina, Andri Soemitra dan Yusrizal

Program Studi S3 Ekonomi Syariah Fakultas Ekonomi dan Bisnis Islam

UIN Sumatera Utara Medan dan Universitas Sumatera Utara*

Ialfian722@gmail.com

Abstract:

As of June 2023, Indonesia's Islamic banking market share was only 7.3% of the global banking industry, despite the country having the largest Muslim population in the world. Only around 6.9% of all national banking assets will be Islamic banking assets by the end of 2023, according to data from the Financial Services Authority (OJK). With trust acting as an intermediary variable, the purpose of this study is to examine how people's preferences for utilizing Islamic banks are impacted by their level of Islamic economic literacy. The findings indicated that trust (t-count 21.247 > t-table 1.660; sig. 0.000) and people's preferences for utilizing Islamic banks (t-count 3.291 > t-table 1.660; sig. 0.000) are positively and significantly impacted by Islamic economic literacy. Preference is significantly impacted by trust as well (t-count 2.736 > t-table 1.660; sig. 0.003). Additionally, using trust as an intervening variable, Islamic economic literacy significantly influences preferences (t-count 2.694 > t-table 1.660; sig. 0.020). In order to increase the penetration of Islamic banks in Indonesia, this study highlights the significance of raising public literacy and trust.

Keywords: *Islamic economic literacy, trust, preference, and Islamic banks.*

Abstrak:

Pada Juni 2023, pangsa pasar perbankan syariah Indonesia hanya sebesar 7,3% dari industri perbankan global, meskipun negara ini memiliki populasi Muslim terbesar di dunia. Hanya sekitar 6,9% dari semua aset perbankan nasional yang akan menjadi aset perbankan syariah pada akhir tahun 2023, menurut data dari Otoritas Jasa Keuangan (OJK). Dengan kepercayaan sebagai variabel perantara, tujuan dari penelitian ini adalah untuk mengkaji bagaimana preferensi masyarakat dalam menggunakan bank syariah dipengaruhi oleh tingkat literasi ekonomi syariah mereka. Temuan menunjukkan bahwa kepercayaan (t-count 21.247 > t-table 1.660; sig. 0.000) dan preferensi orang untuk menggunakan bank syariah (t-count 3.291 > t-table 1.660; sig. 0.000) dipengaruhi secara positif dan signifikan oleh literasi ekonomi Islam. Preferensi juga dipengaruhi secara signifikan oleh kepercayaan (t-count 2.736 > t-table 1.660; sig. 0.003). Selain itu, dengan menggunakan kepercayaan sebagai variabel intervening, literasi ekonomi Islam secara signifikan mempengaruhi preferensi (t-count 2.694 > t-table 1.660; sig. 0.020). Untuk meningkatkan penetrasi bank-bank Islam di Indonesia, studi ini menyoroti pentingnya meningkatkan literasi dan kepercayaan publik.

Kata kunci: *literasi ekonomi Islam, kepercayaan, preferensi, dan bank syariah*

Introduction

Throughout the past few decades, Indonesia's Islamic financial sector has grown in a beneficial manner. This is reflected in the increasing number of Islamic financial institutions, product diversification, and increasingly supportive regulations. However, the level of public participation in utilizing Islamic financial products is not fully optimal. There are still many people who prefer conventional financial products, despite the fact that Indonesia is recognized as having the world's largest Muslim population. This condition indicates a gap between the market potential and the actual use of Islamic financial products.

One important factor that influences people's preference for Islamic financial products is Islamic economic literacy. The public's comprehension of the tenets, goals, and procedures of Islamic law-compliant finance is part of this literacy. Without adequate understanding, people tend to be unable to distinguish between sharia and conventional products and do not understand the spiritual and social added value offered by the Islamic financial system. The Financial Services Authority OJK survey shows that the Sharia financial literacy index is still below the conventional financial literacy index, which has an impact on the low use of Sharia-based financial services.¹

During these challenges, Medan City as one of the metropolitan cities outside Java Island, holds great potential in the development of the Islamic economy. Based on BPS data for Medan City in 2023, the majority of the population is Muslim, with an age structure dominated by the younger generation.² However, access to Islamic economic literacy is still limited, both in terms of educational materials and communication approaches that suit the needs of the digital generation. The lack of understanding of the concept of usury, profit-sharing principles, and Sharia contracts is a major obstacle in encouraging changes in preferences towards Islamic financial products. In this context, Islamic economic literacy is not only a technical issue but also strategic in creating a society that is aware and loyal to the Islamic financial system.

However, increasing Islamic economic literacy and institutional trust alone may not be sufficient to shift public preferences. Structural market barriers such as limited branch availability, lack of digital competitiveness of Islamic financial products, and regulatory fragmentation often undermine consumer confidence, regardless of their awareness or religious inclination. Moreover, socio-cultural inertia, including habitual reliance on conventional banking and skepticism about the authenticity of Islamic products, poses challenges that extend beyond individual knowledge. These constraints suggest that the relationship between literacy, trust, and preference is not linear or automatic—it is shaped by broader institutional and behavioral dynamics.

In addition to literacy, trust in Islamic financial institutions is also a major determinant that cannot be ignored. Trust reflects the public's perception of the integrity, transparency, and consistency of financial institutions in applying sharia principles. The study of Ashraf et al. emphasizes that consumer trust in Sharia compliance is the foundation for building loyalty to Islamic banks.³ In the context of Medan City, the trust gap phenomenon towards Islamic financial institutions is often caused by a lack of information, the low involvement of ulama or local religious leaders in advocating Islamic economics, and the perception that Islamic services are not significantly different from conventional services in practical terms.

The results of Ishlahiyah and Prasetyo's research show that Sharia literacy, religiosity, and trust have a significant influence on people's decisions to save at Islamic banks. Similar research by Khotimah and Saputeri confirms that the younger generation, especially Gen Z, although spiritually close to Islamic values, still experience confusion in understanding the complex

¹ OJK. *Strategi Nasional Literasi dan Inklusi Keuangan 2021-2025*. Ojk.go.id diakses pada tanggal 25 Mei 2025 Pukul 10.08 Wib

² <https://medankota.bps.go.id/> diakses pada tanggal 25 Mei 2025 Pukul 10.08 Wib

³ Ashraf, S., Robson, J., & Sekhon, Y. (2015). *Consumer Trust And Confidence In The Compliance Of Islamic Banks*. *Journal of Financial Services Marketing*, 20, 133-144.

technicalities of Islamic services.⁴ This is reinforced by the study of Mahdzan et al. who found that a high level of literacy is not necessarily directly proportional to the level of product use if trust in the institution is not strong. This means that literacy and trust are two variables that complement each other and must be built simultaneously.⁵

Theoretically, this study adopts a dual-path conceptual model that integrates both cognitive and affective domains in explaining consumer behavior. Islamic economic literacy represents the cognitive aspect, encompassing knowledge, awareness, and comprehension of Sharia financial principles, while trust reflects the affective dimension, tied to perceptions of institutional integrity, transparency, and religious alignment. This framework aligns with dual-process behavioral theory, which posits that decision-making involves both rational and emotional components. Accordingly, trust is not merely an outcome of literacy, but serves as an affective mediator that transforms cognitive understanding into actual consumer preference for Islamic financial products.

In the context of this study, it is essential to examine how Islamic economic literacy and trust affect Medan City residents' preferences. By using a path analysis approach, this study will not only identify the direct influence of each variable but also the indirect relationships that may occur. For example, literacy may not necessarily lead to preference if it is not mediated by a strong sense of trust. Similarly, trust will not be established without a sufficient understanding of the principles and values of Islamic finance.

Furthermore, the socio-cultural characteristics of Medan's population play a significant role in shaping preferences toward financial services. As a multicultural metropolitan city, Medan is home to diverse ethnic groups such as Malays, Batak, and Javanese, which creates a dynamic social interaction environment. Community behavior is often influenced by religious leaders and local ulama, whose views contribute to the level of acceptance of Islamic financial principles. However, in urban contexts like Medan, financial decision-making is also heavily driven by practical considerations such as convenience, accessibility, and service efficiency. This pragmatic tendency may lead to preferences for conventional over Islamic financial products despite religious alignment. Therefore, public literacy campaigns must not only convey religious and ethical values but also resonate with local cultural norms and address real-world consumer concerns within the urban financial landscape.

This research is expected to provide practical contributions for regulators such as OJK and DSN-MUI, as well as Islamic financial institutions at the local level to design more effective public literacy and education strategies. However, the findings of this research will also provide a new theoretical understanding of the preference patterns of urban communities in choosing Islamic values-based financial products, as well as the synergistic role between cognitive rationality (literacy) and emotional-spirituality (Trust) in financial decision-making. Thus, strengthening these two main aspects is expected to encourage more sustainable Islamic financial inclusion in the future.

Methods

This study uses a quantitative method with an explanatory research design to test causal relationships among Islamic economic literacy, trust, and public preference toward Islamic financial products. The research is conducted in Medan City, an urban area with unique socio-cultural and institutional dynamics.

The total sample consists of 100 respondents selected using a simple random sampling technique. However, it must be acknowledged that due to the use of online distribution, the sample

⁴ Khotimah, H., & Saputeri, N. P. (2024). *The Effect Of Islamic Financial Literacy And Religiosity On The Interest Of Saving Generation Z In Islamic Banks*. Jurnal Ilmu Perbankan dan Keuangan Syariah, 6(1), 71-86.

⁵ Mahdzan, N. S., Zainudin, R., Wan Ahmad, W. M., & Hanifa, M. H. (2024). *Does Islamic financial literacy and motives influence the holdings of Islamic financial products? A study on bank customers in Klang Valley, Malaysia*. Journal of Islamic Marketing, 15(9), 2286-2309.

is more accurately characterized as non-probability sampling, which may introduce bias. The limited sample size also represents a constraint for complex path analysis models. Following recommendations from Hair et al, a sample size above 50 is minimally acceptable for Partial Least Squares–Structural Equation Modeling (PLS-SEM), but future studies are encouraged to adopt larger samples.⁶

The research instrument was developed based on previously validated indicators, including studies by Yeni et al, Rahmawati & Sukardi, and Kusmantari. A total of 15 participants were involved in the pre-test to ensure clarity and cultural appropriateness of the questionnaire items. Expert validation was also conducted by two Islamic finance academics and one practitioner to assess content relevance.⁷

The instrument consists of three latent constructs: Islamic economic literacy, trust, and consumer preference. Responses were collected on a five-point Likert scale, ranging from “strongly disagree” to “strongly agree.” The literacy construct covers awareness, understanding, and application of Sharia financial concepts. Trust includes perceived transparency, credibility, and Sharia compliance of financial institutions. Preference is measured through intent, tendency, and behavioral inclination to use Islamic financial products.

Data analysis was conducted using SmartPLS 4.0. Before hypothesis testing, an outer model evaluation was performed to assess convergent validity (via AVE and factor loading), discriminant validity (via Fornell-Larcker criterion), and reliability (via Cronbach’s alpha and composite reliability).

While this study adopts a purely quantitative design, future research may benefit from incorporating qualitative methods to explore local socio-religious attitudes, narratives of trust, and lived consumer experiences with Islamic financial institutions in specific urban contexts such as Medan.

Results and Discussion

1. Respondent Overview

This study involved 100 respondents spread across Medan City. Based on gender, Males made up the majority of responders 54 people in all (54%), while female respondents totaled 46 people (46%). This composition shows that participation in the study was relatively balanced between men and women, although men were slightly more dominant.

In terms of education level, respondents showed a fairly diverse academic background. A total of 10% of respondents are high school graduates, 48% are Bachelor's degree graduates, 30% have a Master's degree, and the remaining 12% have taken a Master's degree. According to this distribution, most respondents are well educated, which is anticipated to indicate that they comprehend the principles of Islamic economic literacy and have faith in Islamic financial institutions.

The age range of respondents was between 17 years and 48 years. This age variation allows the research to capture the preferences of people from various age groups, ranging from the younger generation to productive adults. Thus, the data obtained represents a cross-generational perspective on the use of Islamic financial products in Medan City.

⁶ Pratopo, G., & Hasan, I. (2024). *The Influence Of Knowledge And Religiosity On Saving Interest In Islamic Banks Among Ponorogo Residents*. Journal of Islamic Economics Lariba, 10(1)

⁷ Yeni, F., Mulyani, S. R., & Susriyanti, S. (2023). *Similarity: Islamic financial literacy, spiritual intelligence, public perception, and behavior on public interest in Islamic banking services*.

2. Data Quality Testing Through Outer Model Assessment (*Measurement Model*)

Three criteria are used to evaluate the outer model: Convergent Validity, Discriminant Validity, and Composite Reliability.⁸ The outer model, also known as the outer relation or measurement model, defines each indicator about its latent variable. The outcomes of the outer model calculation using SmartPLS are as follows.

a. Convergent Validity

According to Vinzi et al, the initial stage of this study involved developing a measurement scale by setting a loading factor value of 0.7. After setting the loading factor limit of 0.7, The following table displays the results of the analysis of the data that was processed using SmartPLS.

Table 1. Convergent Validity

	X1	X2	Y
X1.1	0.849		
X1.2	0.877		
X1.3	0.885		
X1.4	0.895		
X1.5	0.845		
X2.1		0.918	
X2.2		0.877	
X2.3		0.943	
X2.4		0.861	
X2.5		0.913	
Y1.1			0.795
Y1.2			0.880
Y1.3			0.909
Y1.4			0.947
Y1.5			0.886

The constructs are deemed valid and satisfy the validity requirements because the factor loading value is greater than 0.7, as indicated in the above table, and all indicators meet the significance value of 7%. The next step is to assess convergent validity by examining the AVE (Average Variation Extracted) value; according to Hair, a model is deemed to have high convergent validity if its AVE value is greater than 0.6. This model produces the following AVE values after subtracting filler factors below 0.6.

Table 2. Average Variation Extracted

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1	0.920	0.927	0.940	0.758
X2	0.943	0.947	0.957	0.815
Y	0.930	0.941	0.947	0.783

According to the above table, each construct in the model has an AVE (Average Variance Extracted) value more than 0.6, indicating that the data utilized in this study satisfies the criterion for convergent validity. Together, the external addition assessment and the AVE test show that the study's data is valid and convergent, allowing for further analysis.

⁸ Angraini, N., & Isnaeni, N. (2024). *The Influence Of Islamic Financial Literacy, Religiosity, And Service Quality On The Decision To Save at Islamic Banks with Trust as an Intervening Variable in Jambi Province*. The Asian Journal of Professional & Business Studies, 5(1).

b. Discriminant Validity Test (*Discriminant Validity*)

The findings of this study's SmartPLS cross-loading test show indicate good discriminant validity in the research model, which consists of two main stages, Cross-loading analysis and the Fornell-Larcker criteria, specifically.

Table 3. Discriminant Validity Test

	X1	X2	Y
X1.2	0.877	0.856	0.795
X1.3	0.885	0.739	0.638
X1.4	0.895	0.787	0.625
X1.5	0.845	0.649	0.530
X2.1	0.882	0.918	0.779
X2.2	0.763	0.877	0.585
X2.3	0.813	0.943	0.684
X2.4	0.811	0.861	0.661
X2.5	0.760	0.913	0.729
Y1.1	0.530	0.579	0.795
Y1.2	0.634	0.611	0.880
Y1.3	0.751	0.691	0.909
Y1.4	0.780	0.727	0.947
Y1.5	0.742	0.754	0.886
X1.1	0.849	0.823	0.776

The aforementioned table demonstrates that the cross-loading measurement method reveals that each construct's indicators have a larger value than those of other constructs, indicating that each construct has good discriminant validity. The next stage in the analysis is to test the research data using the Fornell-Larcker criteria to ensure that discriminant validity is good in a mode.

Table 4. Fornell-Larcker criteria

	X1	X2	Y
X1	0.870		
X2	0.895	0.903	
Y	0.786	0.765	0.885

The aforementioned data indicates that by examining the variables collectively in the same column, we can see that the Islamic economic literacy indicator has a higher value (0.895) than trustworthiness (0.903). The data model assessed in this study satisfies the requirements and standards, as the table above demonstrates, proving the discriminant validity of the model development.

c. Composite Reliability

According to Hair, the specific and acceptable value of CR, or composite reliability, in research ranges between 0.70 and 0.80. Constructs that receive a value of 0.70 are considered to have high reliability. The CR values for this study are presented in the following table.

Table 5. Composite Reliability

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
X1	0.920	0.927	0.940	0.758
X2	0.943	0.947	0.957	0.815
Y	0.930	0.941	0.947	0.783

It is clear from the above table that all of the constructs under study are trustworthy because their Cronbach's alpha is higher than 0.70 and their composite reliability ratings are high. According to the findings in the preceding table, this study has strong convergent validity, discriminant validity, and internal consistency reliability. Additionally, the internal consistency reliability of every variable in the research model is high.

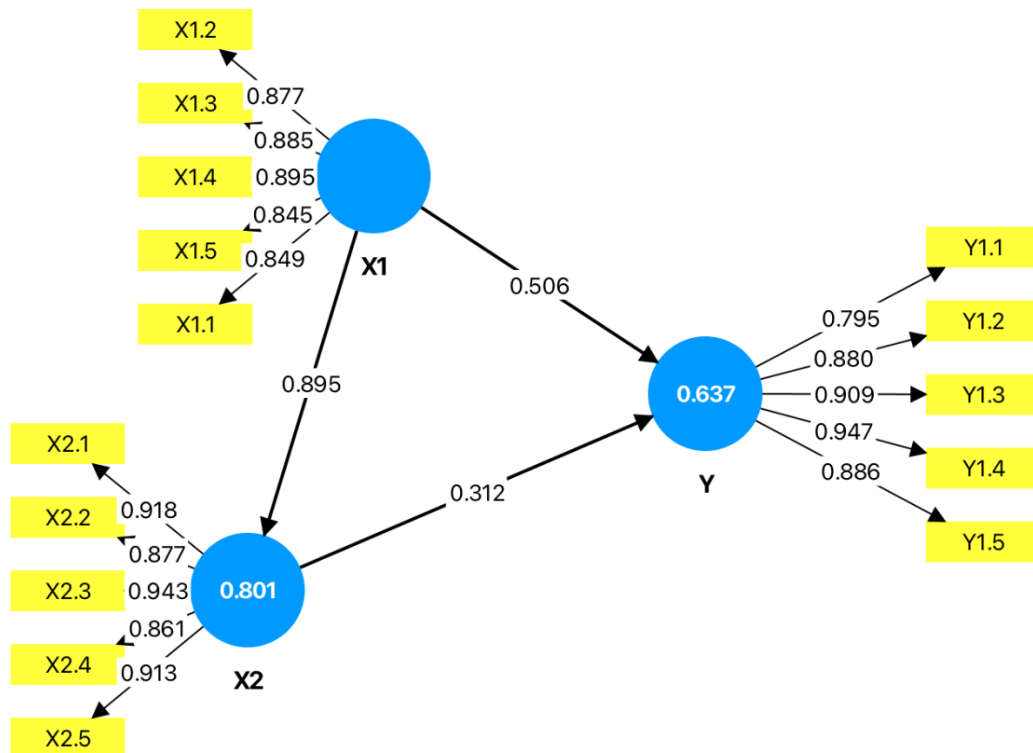
3. Structural Model Testing (Inner Model)

Determining the relationship between constructs, significant values, R-square, and the overall study model is the goal of testing the structural model (Inner Model). The R-square value for the dependent variable is examined first in this test, which is conducted using the Partial Least Squares (PLS) method. The percentage of variability that the independent variables in the model can account for is shown by the R-squared value.

Table 6. Structural Model Testing

	R-square	R-square adjusted
X2	0.801	0.799
Y	0.637	0.629

According to the preceding table, the Trust variable's R-squared value is 0.801, meaning that Islamic economic literacy accounts for 80.1% of the Trust variable. Meanwhile, the R-Square value of 0.637 for the community preference variable shows that trust and Islamic economic literacy account for 63.7% of the community preference variable, while other factors not included in this study account for 27.3%.



4. Hypothesis testing

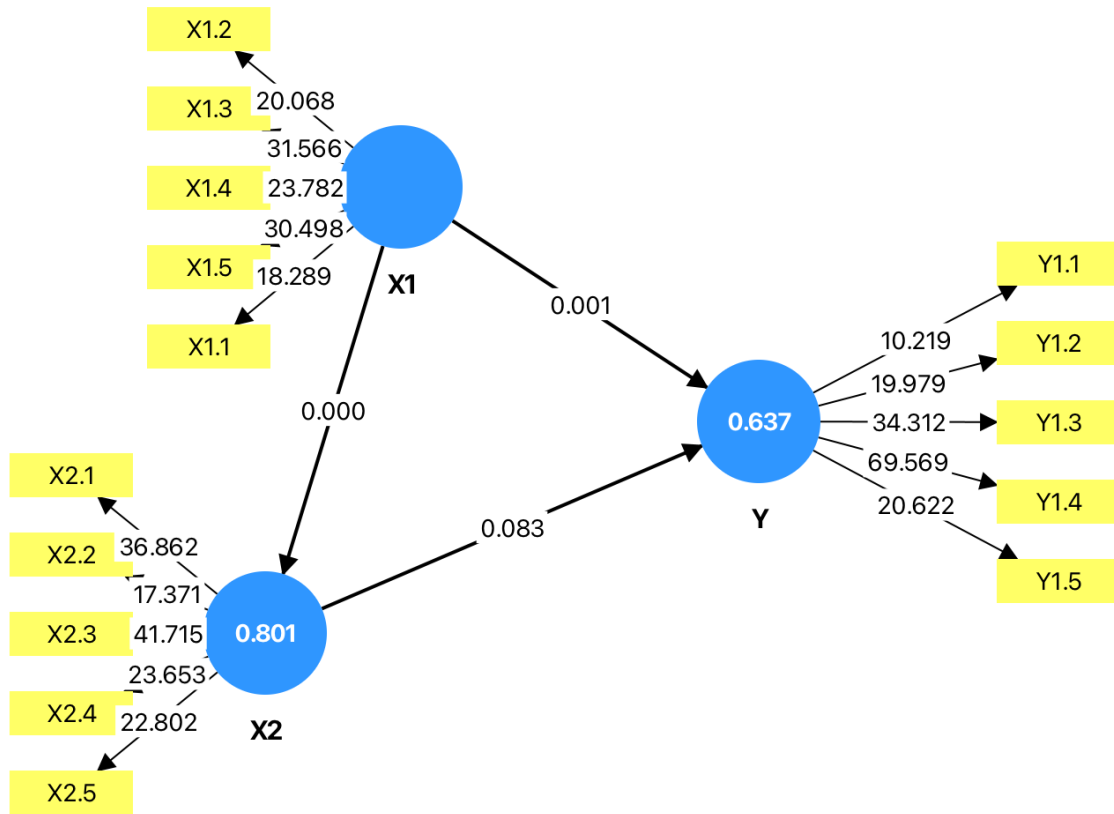
Hypothesis testing is done using the exit coefficient values that were derived from the structural model estimation. This was accomplished through the use of the SmartPLS application's bootstrapping method, which repeatedly resamples the data to produce a more robust distribution of t-statistics. The value of the path coefficient, which shows the strength of the association, demonstrates the relationship between the variables in the structural model. Using t-statistics and p-values, each relationship's significance is evaluated. The estimation output table used to test the structural model looks like this:

Table 7 Hypothesis Testing

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
X1 -> X2	0.895	0.893	0.042	21.247	0.000
X1 -> Y	0.506	0.518	0.154	3.291	0.001
X2 -> Y	0.312	0.291	0.180	2.736	0.003
X1 -> X2 -> Y	0.280	0.260	0.165	2.694	0.020

The aforementioned table leads to the following hypothesis:

- Hypothesis H1: It is suspected that Islamic economic literacy significantly affects the trust variable. The t-statistic, or T-value, was determined to be 21.247 and the p-value to be 0.000. Since the t-value is higher than the t-statistic of 1.606 and the p-value is less than 0.05, H1 is accepted. Therefore, trust is influenced by Islamic economic literacy.
- Hypothesis H2: It is suspected that Islamic economic literacy significantly affects people's preferences. The t-statistic, or T-value, was determined to be 3.291 and the p-value to be 0.000. Since the t-value is higher than the t-statistic of 1.606 and the p-value is less than 0.05, H2 is accepted. Therefore, people's preference is influenced by Islamic economic literacy.
- Hypothesis H3: It is suspected that trust significantly affects people's preferences. The t-statistic, or T-value, was determined to be 2.736 and the p-value to be 0.001. Since the t-value is higher than the t-statistic of 1.606 and the p-value is less than 0.05, H3 is accepted. Therefore, people's preferences are influenced by the trust variable.
- Hypothesis H4: It is suspected that Islamic economic literacy significantly affects people's preferences through the intervening variable, namely the trust variable. The t-statistic, or T-value, was determined to be 2.694 and the p-value to be 0.001. Since the t-value is higher than the t-statistic of 1.606 and the p-value is less than 0.05, H1 is accepted. Thus, through the intervening variable of trust, the Islamic economic literacy variable influences community preference.



5. Discussion of Research Results

Based on the outcomes of numerous tests using the SmartPLS approach and data analysis. Islamic economic literacy (X1) and trust (X2) are independent factors, community desire (Y) is the dependent variable, and intervening variables mediate the link between other variables.

a. The Relationship between Sharia Economic Literacy and Public Trust in Using Islamic Banks

Public trust in utilizing Islamic banks in Medan City is positively and significantly impacted by Sharia economic literacy, according to the study's findings. This is demonstrated by the fact that the t-value of 21.247, with a significance value of $0.000 < 0.05$, is higher than the t-table of 1.660. A person's level of trust in Islamic banking institutions and goods increases with their level of Islamic economic literacy, according to this study. Knowing the fundamentals of Islamic economics, Sharia contracts, and Islamic financial governance provides a strong basis for individuals to assess the reliability and sharia compliance of a financial institution.

These findings are consistent with Yeni, Mulyani, and Susriyanti's research, which demonstrates that people's perceptions are greatly impacted by Islamic financial literacy and behavior towards Islamic banking services.⁹ Similarly, According to Analia and Widyastuti, fostering public trust is significantly aided by Islamic economic literacy. which then becomes an intervening variable in increasing interest in saving at Bank Mega Syariah. According to Kusmantari's research, Islamic financial literacy enhances faith in the Islamic financial system overall and enhances personal financial security.

In addition, Rahmawati and Sukardi in their study in Solo Raya stated that the higher the public's their trust in using Islamic banking services increases with their comprehension

⁹ Yeni, F., Mulyani, S. R., & Susriyanti, S. (2023). *Islamic Financial Literacy, Spiritual Intelligence, Public Perception And Behavior On Public Interest In Islamic Banking Services*. Cogent Economics & Finance, 11(1), 2175470

of the principles and advantages of Islamic financial products.¹⁰ This is also supported by research by Ilfita and Sophisticated which highlights that Sharia literacy, in addition to religiosity factors, is the main key to building positive perceptions and student trust in Islamic banks. Furthermore, Albaity and Rahman emphasized that Islamic economic literacy is the foundation for shaping individuals' intention and trust to switch to Islamic financial services.

Overall, the findings in this study corroborate that increasing Islamic economic literacy among the people of Medan City is an important strategy for expanding penetration and strengthening trust in Islamic banking institutions. Structured and massive education and socialization of Islamic economics are needed to build a society that not only understands but also believes in the advantages of a Sharia-based financial system.

b. The Relationship between Sharia Economic Literacy and Public Preference in Using Islamic Banks

The study's findings suggest that people's preferences for using Islamic banks in Medan City are positively and significantly impacted by Sharia economic literacy. With a significant level of $0.000 < 0.05$, the t-value of 3.291, which is higher than the t-table of 1.660, indicates this. This research indicates that people are more likely to select Islamic banking goods and services over traditional ones if they have a higher degree of Islamic economic literacy. People are more confident and pickier when choosing the financial institutions they utilize when they have a solid understanding of the fundamentals of Islamic economics, such as the ban on usury, the profit-sharing concept, fairness in Ramallah, and Sharia compliance.

This research is reinforced by the results of Khotimah and Sauteri's study which states that knowledge of Islamic finance has a big impact on Generation Z's interest in saving at Islamic banks, especially when combined with a strong level of religiosity. According to Mahdzan et al, banking clients in Malaysia's Klang Valley who possess Islamic financial products are directly impacted by their level of Islamic economic literacy. A good understanding of the benefits, risks, and Shariah-compliance of a product increases people's preference to use Islamic-based financial products.¹¹

In line with that, Nugraheni and Widyani concluded that Islamic financial literacy among Muslim students also encourages their intention to save in Islamic banks, especially when accompanied by an understanding of the values of justice, transparency, and maslahat. Ashraf, Robson, and Sekhon further underlined that customers' comprehension of the bank's dedication to adhering to Sharia law is the foundation of their trust and confidence in utilizing Islamic banks. In the local context, research by Pratopo and Hasan also mentioned that knowledge of Islamic economics positively influences the interest of Ponorogo people in saving in Islamic banks, especially when accompanied by a high level of religiosity.

As a result, the study's findings provide more evidence that people's preferences for Islamic financial services and products are significantly influenced by their level of economic literacy. Therefore, in order to increase public preference for Islamic banks and positively impact the growth of Indonesia's Islamic financial industry, it is imperative that widespread and systematic Islamic financial education be promoted through educational institutions, the media, and financial institutions themselves.

c. The Relationship between Trust and Public Preference in Using Islamic Banks

According to the study's findings, trust has a positive and significant impact on people's preferences for using Islamic banks in Medan City, as evidenced by the 1-count

¹⁰ Rahmawati, N. D., & Sukardi, B. (2024). *Financial Literacy, Customer Trust, And Interest In Saving In The City Of Solo Raya In Indonesian Islamic Banks*. Jurnal Tabarru': Islamic Banking and Finance, 7(2), 741-755.

¹¹ *Ibid.*, Mahdzan.

value of 2.736, which is higher than the t-table of 1.660 and a significance level of $0.003 < 0.05$. This finding suggests that the more public trust there is in the economy and Islamic financial institutions, the more likely people are to choose and use Islamic bank services. Trust is a key factor in determining financial decisions because it includes beliefs about Islamic banks' adherence to Islamic principles, transparency, equity, and fund security guarantee.

This study supports the findings of a study by Maharany et al, which demonstrate that trust significantly influences saving decisions in Islamic banks, along with service quality and Islamic financial knowledge. Trust built through positive experiences, professional services, and bank reputation, will strengthen consumers tendency to stay using Islamic financial services. In a broader context, Yeni, Mulyani, and Susriyanti also confirmed that positive perceptions and public trust in the The Islamic financial system is crucial for promoting public interest in Islamic bank services.

Habibi, Novia, and Hulwati also stated that trust acts as a major determinant In an effort to save money at Islamic banks, especially when influenced by people's halal lifestyle. The stronger the trust built in Islamic banks, the more likely people are to make it their main preference in banking activities. Similarly, Irdiana, Darmawan, and Lukiana found that Islamic economic literacy and trust are determinants of interest in saving, with the influence strengthened by demographic aspects.¹²

Another study by Maulidya and Putra also shows that public perceptions of a fair profit-sharing system, as well as trust in the integrity and commitment of Islamic banks, contribute to increasing interest in Islamic bank products.¹³ This is also reinforced by Febrian and Budianto¹⁴ who emphasize that trust is one of the dominant aspects in determining public interest in depositing funds in Islamic banks, in addition to product, service, and religiosity factors.

Thus, it can be concluded that trust is an important foundation in shaping public preference for Islamic banking. Islamic banks need to continue to maintain integrity, improve service quality, and consistently demonstrate commitment to Sharia principles to strengthen public trust and expand Indonesia's Islamic financial sector's market share.

d. The Relationship between Sharia Economic Literacy and Public Preference in Using Islamic Banks Through the Intervening Variable of Trust.

According to the study's findings, people's preferences for utilizing Islamic banks are positively and significantly impacted by Islamic economic literacy through the intervening variable of trust. This conclusion is supported by a significance level of $0.020 < 0.05$ and a t-count value of $2.694 > t\text{-table } 1.660$. This means that the higher the Islamic economic literacy a person has, the greater his trust in the economic system and Islamic financial institutions, which in turn will increase the individual's preference in choosing and using Islamic bank services.

This relationship emphasizes the importance of literacy as the initial foundation for building trust. Having a solid grasp of Islamic financial concepts, such as the ban on usury, fairness in transactions, and the concept of profit sharing, makes people feel more confident in the systems and products offered by Islamic banks. Trust arising from this understanding then influences attitudes and decisions in choosing financial institutions, as confirmed by

¹² Irdiana, S., Darmawan, K., & Lukiana, N. (2025). *Study Of The Influence Of Islamic Financial Literacy And Trust On Saving Interest With Demographics As A Mediator*. Accounting Profession Journal (APAJI), 7(1), 1-12.

¹³ Maulidya, M., & Putra, R. (2023). *The Effect of Perceptions of Profit Sharing, Islamic Financial Literacy, and E-Banking on Customer Interests in Using Bank Syariah Indonesia (BSI) Services Religiosity as a Moderating Variable*. JESI (Jurnal Ekonomi Syariah Indonesia), 13(2), 225-244.

¹⁴ Febrian, J., & Budianto, E. W. H. (2023, August). *The Effect of Knowledge, Trust, Products, Services and Religiosity on Interest in Saving*.

Analia and Widyastuti in their research which states that Interest in saving is influenced by Islamic financial literacy, with trust acting as a strong mediating factor.

Additionally, this study supports the conclusions of Kusmantari (2024) which states that effective Islamic financial planning requires literacy and strong trust in the Islamic economic system. Literacy encourages the formation of rational understanding, while trust strengthens the emotional and spiritual attitudes of the community in using Islamic financial products.

Rahmawati and Sukardi also underlined the important role of trust as a bridge between knowledge and enthusiasm for Islamic banks. Trust is a psychological factor that strengthens the impact of knowledge on people's financial behavior. In this context, literacy is not only about knowing, but also about how that knowledge translates into a belief in the halalness, safety, and fairness of the Islamic system.¹⁵

Furthermore, Yeni, Mulyani, and Susriyanti found that Islamic financial literacy and public perception form trust which then encourages positive behavior towards the use of Islamic bank services. This suggests that strengthening literacy has a dual effect: directly on preferences and indirectly through trust. Thohari and Hakim also emphasized the importance of literacy in learning Islamic banking and encouraged saving decisions, where trust and religiosity also strengthen the relationship.

Other studies by Ilfita and Sophisticated and Albaity and Rahman confirm that an adequate understanding of the Islamic financial system can increase the intention to use Islamic banks, as individuals feel more comfortable and believe that the values held by the bank are following their religious principles.¹⁶

Therefore, it can be said that trust is a key factor in bridging the gap between the public's preference for Islamic banking and Islamic economic literacy. Therefore, in order to stably grow public preference for Islamic banks, an effective Islamic economic literacy strategy must be combined with an approach that fosters public trust in the honesty, Sharia compliance, and service quality of Islamic financial institutions.

The results of this study empirically confirm that Islamic economic literacy and trust are significant predictors of consumer preference for using Islamic financial products. Beyond statistical significance, the effect sizes observed particularly the strong path coefficient between literacy and trust ($\beta = 0.895$), indicate a substantial practical influence. This suggests that improving public understanding of Islamic financial concepts can meaningfully enhance trust in institutions, which in turn fosters stronger behavioral preference.

However, the findings also highlight that literacy alone does not automatically translate into preference without an emotional-ethical bridge such as institutional trust. This supports the dual-process behavioral theory, where cognitive awareness must be complemented by affective assurance to guide actual decision-making. This has practical implications for Islamic banks: improving digital features and service quality, while also ensuring visible Sharia compliance, could strengthen both trust and preference simultaneously.

Nevertheless, it is important to interpret these results in light of several unmeasured external factors. Variables such as religiosity, socio-economic status, and previous banking experiences could moderate or mediate the relationships tested. For instance, a highly literate but non-religious individual may still reject Islamic banking due to ideological misalignment, while a deeply religious but digitally excluded person may simply lack access or exposure.

Furthermore, although trust was found to significantly mediate the effect of literacy on preference, its magnitude may vary across subgroups such as age, income, and education level.

¹⁵ Rahmawati, N. D., & Sukardi, B. (2024). *Financial Literacy, Customer Trust, And Interest In Saving In The City Of Solo Raya In Indonesian Islamic Banks*. Jurnal Tabarru': Islamic Banking and Finance, 7(2), 741-755.

¹⁶ Ilfita, K., & Canggih, C. (2021). *The Influence Of Sharia Financial Literacy, Religiosity, And Perception Of Saving Students' Interest In Sharia Banks*. Indonesian Interdisciplinary Journal of Sharia Economics (IJSE), 3(2), 113-134.

These subgroup effects were not tested in this study, and future research should consider multigroup analysis or structural moderation models to explore demographic differences more deeply.

Finally, the cross-sectional design limits our ability to infer causality. While the model shows directional relationships, it cannot confirm whether increased literacy leads to sustained preference over time. A longitudinal study or qualitative triangulation would provide deeper insight into how trust evolves and how consumer preferences shift in response to Islamic financial campaigns or regulatory changes.

Conclusion

This study provides empirical evidence that Islamic economic literacy significantly influences the public's preference for using Islamic financial products—both directly and indirectly through the mediating role of institutional trust. The results confirm that while cognitive understanding is essential, emotional assurance in the form of trust plays a critical role in shaping consumer behavior toward Sharia-based financial systems. The strongest path coefficient was found between literacy and trust, indicating that knowledge has the power to cultivate confidence, which in turn encourages behavioral loyalty.

However, the study also reveals that knowledge and trust alone may not be sufficient in driving Islamic financial inclusion if structural constraints such as accessibility, digital infrastructure, and regulatory clarity are not addressed. Behavioral change requires both internal motivation and external enabling conditions. Thus, public preference is shaped not just by individual literacy and belief, but by systemic support.

Based on these findings, several practical recommendations are proposed:

1. Regulators such as OJK and DSN-MUI should implement targeted Islamic financial literacy campaigns that blend theological messages with practical relevance, using digital tools and local language.
2. Islamic financial institutions should prioritize service quality, user-friendly digital interfaces, and visible Sharia compliance to strengthen trust.
3. Community-based programs involving religious leaders and influencers can help amplify credibility and contextual relevance.
4. Incentive mechanisms such as loyalty rewards or bundled services may help translate literacy and trust into actual behavioral adoption.

This study is not without limitations. First, the cross-sectional design limits causal interpretation. Second, the sample was drawn from online respondents, which may introduce bias. Third, important variables such as religiosity, financial behavior history, and income level were not included. Future research should consider longitudinal or mixed-methods designs and expand the model with demographic and psychological predictors for more robust behavioral analysis.

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