

THE MEDIATING ROLE OF RELIGIOSITY IN THE INFLUENCE OF SOCIAL CULTURE AND SHARIA FINANCIAL LITERACY ON ISLAMIC BANKING PRODUCT ADOPTION AMONG MSMES IN SEMBALUN

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Abstract

This study investigates the influence of Sharia financial literacy and financial social culture on the adoption of Islamic banking products among micro, small, and medium enterprises (MSMEs) in Sembalun, Lombok, Indonesia, with religiosity examined as a mediating variable. Employing a mixed-methods approach with a sequential exploratory design, the research integrates qualitative insights from in-depth interviews and focus group discussions with quantitative survey data collected from 117 MSME owners. The data were analyzed using structural equation modeling (SEM) with AMOS software. The findings reveal that both Sharia financial literacy and financial social culture exert significant positive effects on religiosity and the adoption of Islamic banking products. Additionally, religiosity demonstrates a direct positive influence on adoption behavior. However, Sobel test results indicate that religiosity does not serve as a significant mediator between literacy and adoption or between social culture and adoption. These results underscore the value of developing culturally grounded financial education programs and leveraging local socio-cultural systems to enhance Islamic financial inclusion. This study offers practical guidance for policymakers and Islamic financial institutions seeking to design more effective, culturally sensitive outreach strategies while contributing to theoretical knowledge by elucidating the direct and indirect pathways that shape financial adoption behavior among underserved MSMEs.

Keywords: Sharia Financial Literacy, Religiosity, MSMEs, Social Culture, Mixed Methods

INTRODUCTION

Indonesia is the world's largest Muslim-majority country, with approximately 87 percent of its 277 million population identifying as Muslim (Alharbi et al., 2022; BPS, 2023). This demographic composition provides vast potential for the development of Islamic finance, both from the demand side and among financial service providers (Hoque et al., 2022; Purwanto, 2021). Nevertheless, the level of Islamic financial literacy in Indonesia remains relatively low. According to the Financial Services Authority (OJK, 2022), Islamic financial literacy stood at only 9.14 percent, far below the level of general financial literacy at 49.68 percent. This condition represents both a challenge and an opportunity for expanding the utilization of Islamic financial products, particularly in the micro, small, and medium enterprise (MSME) sector.

MSMEs play a strategic role in the Indonesian economy, contributing 61.97 percent to the national GDP and employing 97 percent of the labor force (ekon.go.id, 2023). Despite this contribution, many MSMEs continue to face challenges in financial management. Limited financial literacy—including Islamic financial literacy—has hindered them from fully utilizing Islamic banking products and services (Hasibuan & Hardana, 2024; Wijaya et al., 2024). This is particularly problematic given that Islamic finance is closely aligned with the values of the majority of Indonesian society and offers inclusive solutions to support equitable economic growth. The issue becomes even more pressing in regions with high levels of religiosity, such as Lombok, often referred to as the “Island of a Thousand Mosques” (BPS, 2023; Chusniah & Samsuri, 2023).

Within Lombok, Sembalun District stands out as an area with strong religious traditions and considerable potential for MSME development. The majority of its population is Muslim, and the religious character of the community is reflected in the presence of 109 Muslim houses of worship compared to only two belonging to other faiths (BPS, 2023). This indicates a high level of religiosity in the region. However, despite the presence of several Islamic financial institutions, including sharia cooperatives and Islamic banking units, the actual use of Islamic banking products among MSMEs in Sembalun remains low (Sriyono et al., 2023). Many MSME actors have limited understanding of the concepts and benefits of Islamic financial products, leading them to rely instead on conventional financial systems or even to operate without formal financial services.

This condition highlights an urgent need to improve Islamic financial literacy among MSMEs in Sembalun. Religiosity, as a deeply rooted aspect of local culture, can serve as an important form of social capital in this effort (Agustin & Hakim, 2022; Fauzi & Rafik, 2024). It has the potential to mediate the relationship between socio-cultural values and financial literacy, thus influencing the adoption of Islamic banking products (Chusniah & Samsuri, 2023; Wijaya et al., 2024). Previous studies have shown that religiosity significantly affects financial behavior, with religious values motivating individuals to adopt sharia-based products (Hoque et al., 2022; Purwanto, 2021). However, there has been limited research that specifically explores the mediating role of religiosity between socio-cultural values and Islamic financial literacy at the local level, particularly in the context of MSMEs in Indonesia.

The urgency of this research lies in its potential contributions. It provides an empirical foundation for designing Islamic financial literacy programs that are relevant to the socio-cultural and religious values of the Sembalun community. It also contributes to strengthening financial inclusion in the MSME sector, thereby supporting local economic growth based on

equity and sustainability. Furthermore, it aligns with the government's vision of empowering village economies as part of broader national economic development. By focusing on MSMEs in Sembalun, the study seeks to produce insights that not only benefit the local community but may also serve as a model for similar regions across Indonesia.

REVIEW OF LITERATURE

Sharia Financial Literacy

Financial literacy reflects an individual's knowledge and understanding of financial concepts and products, which is crucial for making informed economic decisions (Koskelainen et al., 2023). In the context of Islamic finance, this extends to a specific comprehension of Sharia principles, such as the prohibition of *riba* (usury), *gharar* (excessive uncertainty), and the distinct characteristics of Islamic contracts like *mudharabah* (profit-sharing) and *murabahah* (cost-plus sale) (OJK, 2022). A strong foundation in financial literacy empowers MSME actors to navigate complex financial landscapes, evaluate the benefits and risks of Islamic banking products, and ultimately fosters the confidence needed to adopt them. Prior research by Hasibuan & Hardana (2024) and Wijaya et al. (2024) has consistently demonstrated a positive correlation between financial literacy levels and the utilization of formal financial services. Furthermore, financial knowledge can shape an individual's worldview and values. Understanding the ethical and religious underpinnings of Islamic finance can strengthen a person's religious convictions and their desire to align their financial practices with their faith (Purwanto, 2021).

Social Culture

Financial social culture encompasses the shared values, norms, traditions, and collective behaviors within a community related to money management, saving, investing, and wealth distribution (Turner-Washington, 2023). In many Indonesian communities, this manifests in practices such as *arisan* (rotating savings and credit associations), *gotong-royong* (mutual assistance), and informal lending groups (Haryani & Dombroski, 2022). This communal environment creates a powerful social ecosystem that can either encourage or discourage engagement with formal financial institutions. A culture that values financial discussion, collective saving, and trust in institutional systems can significantly lower perceived barriers and create social proof for adopting new financial products like those offered by Islamic banks (Alharbi et al., 2022). The social culture also plays a vital role in reinforcing religious identity and practices. A community whose social fabric is woven with religious norms will likely foster a stronger sense of religiosity among its members. Shared religious values, often discussed and enacted through financial customs, can strengthen an individual's own religious commitment (Chusniah & Samsuri, 2023).

Religiosity

Religiosity reflects the depth of an individual's religious belief, commitment, and practice (Obregon et al., 2022). It is a multidimensional construct that influences attitudes, intentions, and behaviors, including financial decisions. For Muslim MSME actors, a high level of religiosity creates a strong intrinsic motivation to ensure that all aspects of life, including financial transactions, comply with Islamic law (Sharia) (Nora et al., 2024). This makes them naturally more predisposed to choose Islamic banking products over conventional ones, as it represents an alignment of action with faith and values (Chusniah &

Samsuri, 2023; Purwanto, 2021). Religiosity, therefore, is not merely a personal trait but a direct driver of behavioral outcomes in the economic sphere.

Adoption of Islamic Banking Products

The adoption of Islamic banking products represents the culmination of a cognitive and behavioral process where individuals or MSMEs decide to actively utilize financial services that comply with Sharia principles (Saifurrahman & Kassim, 2024). This construct moves beyond mere awareness or intention, capturing the actual behavior of engaging with products such as Islamic savings accounts, financing (*mudharabah*, *murabahah*), and investment schemes (Sriyono et al., 2023). In the context of Indonesian MSMEs, adoption is critical for achieving financial inclusion goals and fostering sustainable economic growth from the grassroots level (*ekon.go.id*, 2023). However, adoption rates remain suboptimal, often hindered by a complex interplay of knowledge gaps, socio-cultural factors, and the perceived alignment of these products with religious values (OJK, 2022) (OJK, 2022).

The decision to adopt is not taken in isolation; it is profoundly influenced by an individual's financial literacy, which provides the necessary knowledge to evaluate products, and the prevailing financial social culture, which shapes norms and attitudes towards formal banking (Pala et al., 2024). Moreover, religiosity serves as a powerful ethical and motivational compass, directly driving the choice for Sharia-compliant options as an expression of faith (Purwanto, 2021). Therefore, understanding adoption requires an examination of how these antecedent factors—knowledge, culture, and faith—converge to influence behavioral outcomes. This study posits that adoption is not only a direct result of literacy and culture but is also significantly amplified through the mediating pathway of religiosity, which internalizes and activates the influence of these external factors.

The relationship between financial literacy, financial social culture, and adoption is likely not solely direct. It is proposed that religiosity acts as a key psychological mechanism that translates knowledge and cultural influence into actual behavior (Wijaya et al., 2024). Financial literacy provides the knowledge of why Islamic products are religiously permissible, while financial social culture provides the social reinforcement and normative pressure (Mahdzan et al., 2024). Both of these factors serve to heighten an individual's religiosity—their personal commitment to adhering to these religious principles. This heightened religiosity then becomes the immediate driver behind the decision to adopt Islamic banking products (Junaidi et al., 2023). Thus, religiosity functions as a mediating variable that explains the underlying process through which X1 and X2 influence Y.

RESEARCH METHOD

This study employed a mixed methods approach with a sequential exploratory design, aiming to capture the socio-cultural and religious dynamics of the Sembalun community and to validate them through statistical analysis (Ahmed, 2021). The choice of this design was motivated by the need to first explore the underlying cultural and religious values of MSMEs and then empirically test how these values interact with Islamic financial literacy and the adoption of Islamic banking products.

The research was conducted in two stages. The qualitative stage was designed to provide an in-depth understanding of the socio-cultural context, the role of religiosity in financial practices, and the level of Islamic financial literacy among MSME actors in Sembalun (Zainal et al., 2024). Data were collected through in-depth interviews, focus group

discussions, and participatory observation. These qualitative findings were thematically analyzed and subsequently used to inform the construction of the research questionnaire.

The quantitative stage involved the administration of a structured survey, designed and refined based on the qualitative findings (Halevi Hochwald et al., 2023). The questionnaire was pre-tested to ensure clarity, reliability, and validity before distribution. A total of 117 valid responses were collected from MSME actors in Sembalun. Respondents were selected using purposive sampling, with inclusion criteria requiring MSMEs to have been in operation for at least one year and to generate an average monthly turnover of no less than IDR 2,500,000.

Quantitative data analysis was performed using Structural Equation Modeling (SEM) with AMOS version 26. The analysis involved three stages. Confirmatory Factor Analysis (CFA) was conducted to test the validity and reliability of the constructs (Roodhi et al., 2024). A full structural model was then tested to examine the hypothesized relationships among socio-cultural factors, religiosity, Islamic financial literacy, and the utilization of Islamic banking products. Finally, the Sobel Test was applied to verify the mediating role of religiosity in the proposed model. This approach enabled the testing of both direct and indirect effects and ensured the robustness of the findings (Mittinty & Mittinty, 2024).

The overall research process followed a systematic sequence, beginning with qualitative exploration, continuing with thematic analysis, followed by the development and testing of the questionnaire, and culminating in the collection and analysis of quantitative data. Through this methodological integration, the study provides a comprehensive understanding of how socio-cultural values and Islamic financial literacy interact with religiosity to influence the adoption of Islamic banking products among MSMEs in Sembalun.

Table 1.
Recapitulation of Questionnaire Results

Variables	Indicators	Mean	Standard Deviation
Sharia Financial Literacy	SFL1	3.91	0.92
	SFL2	3.96	0.90
	SFL3	3.84	1.03
	SFL4	3.87	0.96
	SFL5	3.78	0.97
	SFL6	3.85	0.94
	SFL7	4.01	1.03
Social Culture	SC1	3.86	0.96
	SC2	4.05	0.99
	SC3	3.88	0.99
	SC4	3.83	0.95
	SC5	3.91	0.97
	SC6	3.98	0.94
Religiosity	R1	3.80	1.04
	R2	3.78	1.03
	R3	3.91	1.02
	R4	3.91	1.03
	R5	3.89	0.97

	R6	4.00	1.03
Adoption of Islamic Banking Products	AIBP1	4.03	1.02
	AIBP2	3.91	0.98
	AIBP3	4.03	0.88
	AIBP4	4.06	0.99
	AIBP5	4.09	0.90
	AIBP6	4.00	0.92
	AIBP7	3.95	0.91

Source: Researcher's own data processing (2025)

Research Hypothesis

This study aims to analyze The Mediating Role of Religiosity in the Influence of Social Culture and Sharia Financial Literacy on Islamic Banking Product Adoption among MSMEs in Sembalun. Based on the review of the literature and previous research, the hypothesis proposed in this study is as follows:

- H1: Financial literacy has a positive and significant effect on the adoption of Islamic banking products.
- H2: Financial literacy has a positive and significant effect on religiosity.H2: Financial Literacy positively influences the Financial Preparedness of Generation Z college students.
- H3: Financial social culture has a positive and significant effect on the adoption of Islamic banking products.
- H4: Financial social culture has a positive and significant effect on religiosity.
- H5: Religiosity has a positive and significant effect on the adoption of Islamic banking products.
- H6: Religiosity mediates the effect of financial literacy on the adoption of Islamic banking products.
- H7: Religiosity mediates the effect of financial social culture on the adoption of Islamic banking products.

RESULTS AND DISCUSSION

After the data collection stage, the measurement model was assessed through Confirmatory Factor Analysis (CFA). The results are presented in Figure 1 and summarized in Tables 2 and 3.

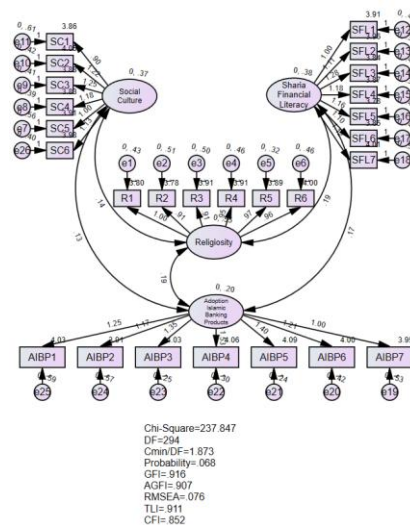


Figure 1.

Result of Confirmatory Factor Analysis

Source: Researcher's own data processing (2025)

Table 2.
CFA Model Fit Indices

Goodness of Fit Index	Value	Cut-off Value	Description
Chi-Square	237.847	Small (DF = 294, $\alpha = 0.05$) (<255.283)	Good
CMIN/DF	1.873	$\leq 2,00$	Good
Probability	0.068	$\geq 0,05$	Good
GFI	0.916	$\geq 0,90$	Good
AGFI	0.907	$\geq 0,90$	Good
RMSEA	0.076	$\leq 0,08$	Good
TLI	0.911	$\geq 0,95$	Marginal
CFI	0.852	$\geq 0,95$	Marginal

Source: Researcher's own data processing (2025)

Table 3.
Result of CFA Regression Test

			Estimate	S.E.	C.R.	P	Label
R1	<---	Religiosity	1.000				
R2	<---	Religiosity	.907	.126	7.170	***	
R3	<---	Religiosity	.908	.126	7.219	***	
R4	<---	Religiosity	.948	.126	7.513	***	
R5	<---	Religiosity	.970	.118	8.238	***	
R6	<---	Religiosity	.958	.127	7.570	***	
SC5	<---	Social Culture	1.000				

			Estimate	S.E.	C.R.	P	Label
SC4	<---	Social_Culture	1.176	.181	6.488	***	
SC3	<---	Social_Culture	1.246	.190	6.548	***	
SC2	<---	Social_Culture	1.220	.189	6.466	***	
SC1	<---	Social_Culture	.898	.171	5.244	***	
SFL1	<---	Sharia_Financial_Literacy	1.000				
SFL2	<---	Sharia_Financial_Literacy	1.106	.155	7.142	***	
SFL3	<---	Sharia_Financial_Literacy	1.281	.176	7.270	***	
SFL4	<---	Sharia_Financial_Literacy	1.183	.165	7.180	***	
SFL5	<---	Sharia_Financial_Literacy	1.158	.165	7.018	***	
SFL6	<---	Sharia_Financial_Literacy	1.098	.160	6.845	***	
SFL7	<---	Sharia_Financial_Literacy	1.118	.174	6.441	***	
AIBP7	<---	Adoption_Islamic_Banking_Products	1.000				
AIBP6	<---	Adoption_Islamic_Banking_Products	1.214	.244	4.975	***	
AIBP5	<---	Adoption_Islamic_Banking_Products	1.397	.253	5.533	***	
AIBP4	<---	Adoption_Islamic_Banking_Products	1.528	.277	5.515	***	
AIBP3	<---	Adoption_Islamic_Banking_Products	1.353	.247	5.486	***	
AIBP2	<---	Adoption_Islamic_Banking_Products	1.173	.253	4.635	***	
AIBP1	<---	Adoption_Islamic_Banking_Products	1.253	.265	4.727	***	
SC6	<---	Social_Culture	1.131	.178	6.369	***	

Source: Researcher's own data processing (2025)

The Confirmatory Factor Analysis (CFA) results demonstrate that six out of eight fit indices meet the recommended cut-off values (Baharum et al., 2023). Although TLI and CFI fall within the marginal range, they are still considered acceptable (West et al., 2023). All indicators load significantly onto their respective latent constructs, as shown by critical ratios greater than 1.96 and p-values below 0.05, confirming the validity and reliability of the constructs Sharia Financial Literacy, Social Culture, Religiosity, and Adoption of Islamic Banking Products (Nomran & Haron, 2022). Following the CFA test, the analysis proceeded with the full model evaluation.

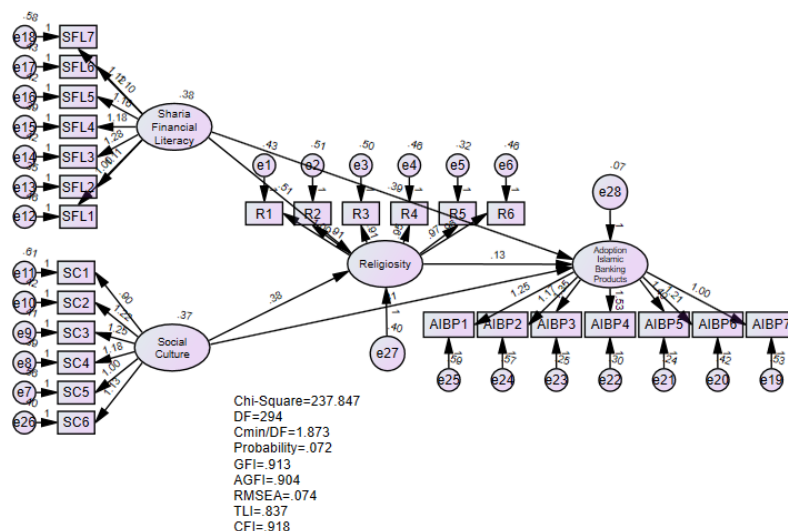


Figure 3.

Result of Full Model Test

Source: Researcher's own data processing (2025)

Table 4.
Full Model Fit Indices

Goodness of Fit Index	Value	Cut-off Value	Evaluation
Chi-Square	237.847	Small (DF = 294, $\alpha = 0.05$) (< 255.283)	Good
CMIN/DF	1.873	$\leq 2,00$	Good
Probability	0.072	$\geq 0,05$	Good
GFI	0.913	$\geq 0,90$	Good
AGFI	0.904	$\geq 0,90$	Good
RMSEA	0.074	$\leq 0,08$	Good
TLI	0.837	$\geq 0,95$	Marginal
CFI	0.918	$\geq 0,95$	Marginal

Source: Researcher's own data processing (2025)

Table 5.
Results of Full Model Regression Test

			Estimate	S.E.	C.R.	P
Religiosity	<---	Social_Culture	.381	.129	2.957	.003
Religiosity	<---	Sharia_Financial_Literacy	.507	.132	3.844	***
Adoption_Islamic_Banking_Products	<---	Religiosity	.134	.059	2.248	.025
Adoption_Islamic_Banking_Products	<---	Sharia_Financial_Literacy	.387	.095	4.056	***
Adoption_Islamic_Banking_Products	<---	Social_Culture	.305	.085	3.607	***

			Estimate	S.E.	C.R.	P
R1	<---	Religiosity	1.000			
R2	<---	Religiosity	.907	.126	7.170	***
R3	<---	Religiosity	.908	.126	7.219	***
R4	<---	Religiosity	.948	.126	7.513	***
R5	<---	Religiosity	.970	.118	8.238	***
R6	<---	Religiosity	.958	.127	7.570	***
SC5	<---	Social_Culture	1.000			
SC4	<---	Social_Culture	1.176	.181	6.488	***
SC3	<---	Social_Culture	1.246	.190	6.548	***
SC2	<---	Social_Culture	1.220	.189	6.466	***
SC1	<---	Social_Culture	.898	.171	5.244	***
SFL1	<---	Sharia_Financial_Literacy	1.000			
SFL2	<---	Sharia_Financial_Literacy	1.106	.155	7.142	***
SFL3	<---	Sharia_Financial_Literacy	1.281	.176	7.270	***
SFL4	<---	Sharia_Financial_Literacy	1.183	.165	7.180	***
SFL5	<---	Sharia_Financial_Literacy	1.158	.165	7.018	***
SFL6	<---	Sharia_Financial_Literacy	1.098	.160	6.845	***
SFL7	<---	Sharia_Financial_Literacy	1.118	.174	6.441	***
AIBP7	<---	Adoption_Islamic_Bankin g_Products	1.000			
AIBP6	<---	Adoption_Islamic_Bankin g_Products	1.214	.244	4.975	***
AIBP5	<---	Adoption_Islamic_Bankin g_Products	1.397	.253	5.533	***
AIBP4	<---	Adoption_Islamic_Bankin g_Products	1.528	.277	5.515	***
AIBP3	<---	Adoption_Islamic_Bankin g_Products	1.353	.247	5.486	***
AIBP2	<---	Adoption_Islamic_Bankin g_Products	1.173	.253	4.635	***
AIBP1	<---	Adoption_Islamic_Bankin g_Products	1.253	.265	4.727	***
SC6	<---	Social_Culture	1.131	.178	6.369	***

Source: Researcher's own data processing (2025)

The results of the Full Model analysis indicate an adequate overall fit. Consistent with the CFA, most indices satisfy the recommended thresholds (Pala et al., 2024), while TLI and CFI remain marginal yet acceptable. These findings suggest that the Full Model provides a sufficiently robust basis for hypothesis testing.

Table 6.
Results of Hypothesis Testing

Hypothesis	Pathway	β	E	C.R	P	Label	Conclusion
H1	Sharia Financial Literacy → Adoption of Islamic Banking Products	0.387	0.095	4.056	***	Positive Significant	Hypothesis Accepted
H2	Sharia Financial Literacy → Religiosity	0.507	0.132	3.844	***	Positive Significant	Hypothesis Accepted
H3	Social Culture → Adoption of Islamic Banking Products	0.305	0.085	3.607	***	Positive Significant	Hypothesis Accepted
H4	Social Culture → Religiosity	0.381	0.129	2.957	0.003	Positive Significant	Hypothesis Accepted
H5	Religiosity → Adoption of Islamic Banking Products	0.134	0.059	2.248	0.025	Positive Significant	Hypothesis Accepted

Source: Researcher's own data processing (2025)

The hypothesis testing outcomes reveal that all path coefficients are statistically significant ($p < 0.05$) with critical ratios above the threshold of 1.96 (Alsheikh et al., 2021). Standardized regression weights (β) indicate positive relationships across all proposed pathways. Specifically, Sharia Financial Literacy and Social Culture positively influence both Religiosity and the Adoption of Islamic Banking Products, while Religiosity itself significantly reinforces adoption.

These findings emphasize the central role of religiosity, functioning both as a direct determinant and a mediator between socio-cultural values, financial literacy, and Islamic banking adoption. This result is consistent with prior studies that position religiosity as a key determinant of Islamic financial behavior (Rahmawati et al., 2025).

Endogenous Variables = Exogenous Variables + Error

Religiosity (η_1)

= β (ξ_1) + β (ξ_2) + error

= 0.507 Sharia Financial Literacy + 0.381 Social Culture + error

Adoption of Islamic Banking Products (η_2)

= β (ξ_1) + β (ξ_2) + β (η_1) + error

$$= 0.387 \text{ Sharia Financial Literacy} + 0.305 \text{ Social Culture} + 0.134 \text{ Religiosity} + \text{error}$$

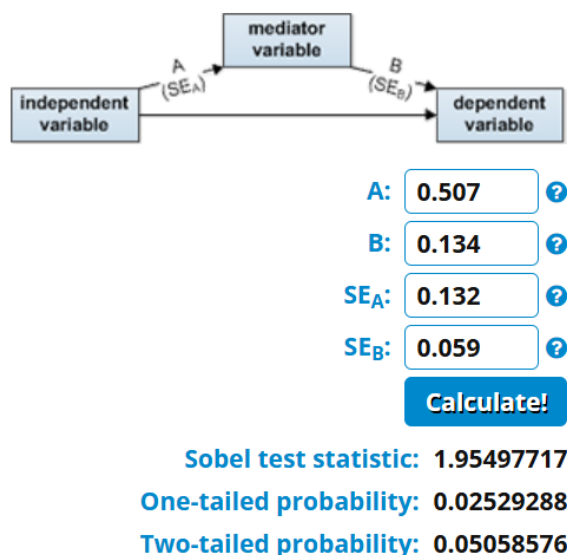


Figure 3.
Result of Sobel Test for Sharia Financial Literacy
Source: Researcher's own data processing (2025)

The Sobel test produced a statistic of 1.954, which is marginally below the critical threshold of 1.96, with a two-tailed p-value of 0.051 (Wu et al., 2024). These results indicate that religiosity does not significantly mediate the relationship between Sharia financial literacy and the adoption of Islamic banking products at the 5% significance level.

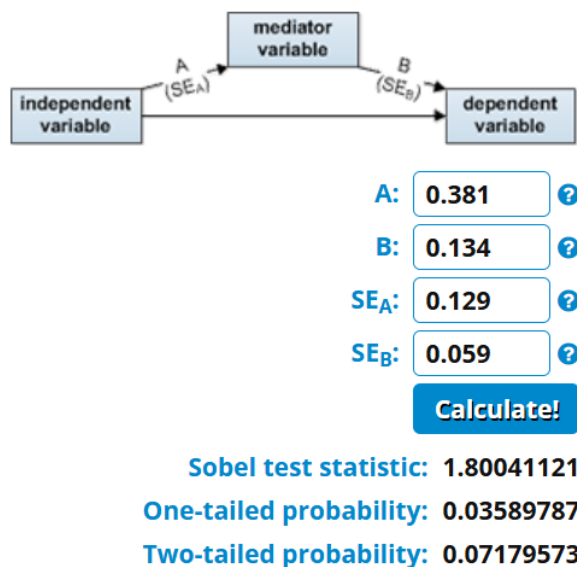


Figure 3.
Result of Sobel Test for Social Culture
Source: Researcher's own data processing (2025)

The Sobel test generated a statistic of 1.800, which is below the critical value of 1.96, with a two-tailed p-value of 0.072. This result indicates that religiosity does not significantly mediate the relationship between social culture and the adoption of Islamic banking products at the 5% significance level.

Hypothesis 1: Sharia financial literacy has a positive and significant effect on the adoption of Islamic banking products.

The findings reveal that Sharia Financial Literacy has a positive and significant effect on the Adoption of Islamic Banking Products ($\beta = 0.387$, C.R = 4.056, $p < 0.001$). This indicates that MSME actors who possess a better understanding of Sharia financial concepts—such as the prohibition of *riba* and the principles of *mudharabah* and *murabahah*—are more likely to adopt Islamic banking products. Enhanced financial literacy equips them with the knowledge needed to evaluate and trust Sharia-compliant financial offerings. These results align with the research of Hasibuan & Hardana (2024) and Wijaya et al. (2024), which emphasized the critical role of financial literacy in promoting the use of formal financial services, particularly in religiously sensitive contexts.

Hypothesis 2: Sharia financial literacy has a positive and significant effect on religiosity.

The study further demonstrates that Sharia Financial Literacy significantly influences Religiosity ($\beta = 0.507$, C.R = 3.844, $p < 0.001$). This suggests that understanding Islamic financial principles reinforces one's religious beliefs and practices. When individuals comprehend how financial products align with Sharia principles, it deepens their religious commitment and motivates them to integrate faith into economic behavior. This finding is consistent with Purwanto (2021), who argued that knowledge of Islamic finance strengthens religiosity by connecting daily financial practices with religious values.

Hypothesis 3: Financial social culture has a positive and significant effect on the adoption of Islamic banking products.

The analysis confirms that Financial Social Culture significantly and positively affects the Adoption of Islamic Banking Products ($\beta = 0.305$, C.R = 3.607, $p < 0.001$). This indicates that communal financial practices—such as *arisan* (rotating savings), *gotong-royong* (mutual assistance), and informal lending groups—create a supportive environment for the adoption of formal Islamic financial products. A culture that values collective financial behavior and trust in religiously compliant institutions encourages MSMEs to transition from informal to formal financial mechanisms. This result supports the work of Alharbi et al. (2022), who highlighted the role of social culture in shaping financial behavior.

Hypothesis 4: Financial social culture has a positive and significant effect on religiosity.

Similarly, Financial Social Culture demonstrates a positive and significant impact on Religiosity ($\beta = 0.381$, C.R = 2.957, $p = 0.003$). This suggests that social interactions within a community that emphasize religious norms and values strengthen individual religiosity. When financial practices are discussed and enacted within a religious framework, they reinforce collective religious identity and personal faith. This finding corroborates the studies of Chusniah & Samsuri (2023), who noted that socio-cultural environments rich in religious discourse enhance individual religious commitment.

Hypothesis 5: Religiosity has a positive and significant effect on the adoption of Islamic banking products.

Religiosity was found to have a significant positive effect on the Adoption of Islamic Banking Products ($\beta = 0.134$, C.R = 2.248, $p = 0.025$). This underscores the direct role of

religious belief in driving behavioral outcomes, where higher religiosity motivates MSME actors to choose financial products that comply with Sharia principles. This result is consistent with previous research by Purwanto (2021) and Chusniah & Samsuri (2023), which identified religiosity as a key factor in the adoption of Islamic banking services.

Hypothesis 6: Religiosity mediates the effect of sharia financial literacy on the adoption of Islamic banking products.

The Sobel test results for the mediating role of religiosity between Sharia Financial Literacy and Adoption showed a test statistic of 1.954, with a two-tailed p-value of 0.051. Since the p-value exceeds the 0.05 significance threshold, religiosity does not significantly mediate this relationship. This implies that while sharia financial literacy directly influences adoption and religiosity, the effect is not channeled through religiosity. This may be due to the fact that financial literacy operates through cognitive and knowledge-based pathways rather than purely religious motivation.

Hypothesis 7: Religiosity mediates the effect of financial social culture on the adoption of Islamic banking products.

Similarly, the Sobel test for the mediating role of religiosity between Financial Social Culture and Adoption yielded a statistic of 1.800, with a two-tailed p-value of 0.072. This again indicates that religiosity is not a significant mediator. Although social culture enhances religiosity and adoption independently, the mediating pathway is not strong enough to translate cultural influence into behavior through religiosity. This suggests that other factors—such as trust, accessibility, or product features—may play more direct roles in adoption behavior.

CONCLUSION

This study set out to examine the influence of Sharia Financial Literacy and Financial Social Culture on the Adoption of Islamic Banking Products, with Religiosity serving as a mediating factor among MSMEs in Sembalun, Lombok, Indonesia. The results, derived from Structural Equation Modeling, provide empirical support for five out of the seven hypotheses tested. Both Sharia Financial Literacy and Financial Social Culture were found to exert significant direct effects on Religiosity and the Adoption of Islamic Banking Products. Furthermore, Religiosity itself significantly influenced Adoption, confirming its role as a direct driver of behavior. However, the mediating role of Religiosity in the relationships between Literacy and Adoption, as well as Social Culture and Adoption, was not supported by the data.

From a theoretical standpoint, the study reinforces the importance of knowledge and socio-cultural factors in shaping financial behavior within religiously grounded contexts. It aligns with prior research emphasizing that financial literacy and communal norms are critical antecedents to the adoption of Islamic financial products. However, the lack of significant mediation effects suggests that religiosity may function more as an independent motivator rather than a conduit through which literacy and culture operate. This invites further refinement of theoretical models to include additional mediating or moderating variables such as trust, perceived risk, or institutional accessibility.

Practically, the findings offer actionable insights for Islamic financial institutions, policymakers, and community leaders. Efforts to enhance Sharia financial literacy through targeted educational programs—especially those incorporating local values and religious

principles—can directly increase product adoption. Similarly, leveraging existing social structures such as *arisan* and *gotong-royong* can help disseminate knowledge and build trust around formal Islamic financial services. Although religiosity did not mediate the relationships as hypothesized, its significant direct effect underscores the need to design products and marketing strategies that explicitly appeal to religious values and identity.

This study contributes to the growing body of literature on Islamic financial inclusion by focusing on a localized, high-religiosity context often overlooked in mainstream research. It highlights the complex interplay between knowledge, culture, and faith in shaping financial behavior. Future research could expand this model by incorporating additional variables, exploring different regional contexts, or using longitudinal designs to better understand the causal pathways leading to adoption. Such efforts will help deepen our understanding of how to bridge the gap between financial access and religious compliance in Muslim-majority communities.

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