

DETERMINING FACTORS INFLUENCING THE WILLINGNESS TO APPLY ISLAMIC FINANCING: AN APPLICATION OF THE ISLAMIC CONSUMER BEHAVIOUR THEORY AMONG MICRO AND SMALL ENTERPRISES IN GREATER MALANG

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ABSTRACT: This study examines the factors influencing micro and small enterprises' (MSEs) willingness to adopt Islamic financing in Greater Malang, Indonesia, by applying the Islamic Theory of Consumer Behaviour (iTCB). Specifically, it explores the role of education, justice, and welfare as antecedents, with religious satisfaction positioned as a mediating variable. Using a quantitative approach and Partial Least Squares structural Equation Modelling (PLS-SEM), data were collected from 290 MSEs actively engaged in business across urban and peri-urban areas of Malang Raya. The results reveal that education, justice, and welfare significantly affect both religious satisfaction and the willingness to apply Islamic financing... Furthermore, Religious Satisfaction not only directly influences willingness but also serves as a significant mediator—particularly between justice and willingness. These findings reinforce the multidimensional nature of Islamic consumer behaviour, where ethical and spiritual dimensions are central to financial decision-making. The study contributes to the literature by validating iTCB in a Southeast Asian Muslim-majority context and offering empirical insights relevant to the Islamic financial inclusion agenda. Practically, the findings highlight the need for Islamic financial institutions to deliver services that are not only economically viable but also ethically grounded and spiritually meaningful. Targeted financial literacy programs that integrate Islamic values are recommended to increase adoption among MSEs.

Keywords: Islamic Consumer Behaviour; Religious Satisfaction; Islamic Financing; Micro Enterprises; Islamic Financing; Ethical Finance; Indonesia.

INTRODUCTION

The growth of the Islamic finance industry in Indonesia continues to experience positive developments. According to the Financial Services Authority [1], the national Islamic finance industry's assets grew 9.88% year-on-year (YoY) in 2024, with a market share reaching 7.72% of the total national financial industry. However, this growth has not been matched by adequate adoption by micro, small, and medium enterprises (MSEs), particularly in the use of Islamic financing products.

Indonesia has more than 65.4 million MSEs, contributing approximately 60% of Gross Domestic Product [2]. In Greater Malang, a tourist city in East Java with a people-based economy and a strong Islamic identity, MSEs dominate the trade, food and beverage, and tourism sectors. The total number of MSEs is more than 100,000 [3]. However, adoption of Islamic financing by MSEs in this region remains limited. This suggests that factors influencing financing decisions depend not only on product availability but also on perceptions, values, and trust in Islamic financial institutions. Micro, Small, and Medium Enterprises (MSEs) are productive business units with a limited operational scale in terms of workforce, assets, and annual turnover. In Indonesia, the definition of MSMEs is officially regulated in Law No. 20 of 2008 concerning MSEs, which distinguishes between micro, small, and medium enterprises based on net assets and annual sales revenue. MSMEs play a key role as a driving force of the national economy, not only due to their contribution to Gross Domestic Product (GDP), but also due to their ability to create jobs and promote economic equality. According to the Ministry of Cooperatives and SMEs [2], there are more than 64 million MSMEs in Indonesia, contributing approximately 60.3% of GDP and absorbing more than 97% of the national workforce. MSEs play a

crucial role in strengthening economic resilience, particularly in the face of crises such as the COVID-19 pandemic, where this sector has proven to be more flexible and adaptive than large companies. Therefore, strengthening MSEs is a priority in various national development policies.

However, MSMEs face significant challenges in accessing formal financing. The World Bank [4] noted that more than 70% of MSEs in developing countries experience a financing gap. In Indonesia, despite the rapid growth of the Islamic finance industry, the penetration of Islamic financing to MSEs remains limited. According to the Financial Services Authority (OJK), the market share of Islamic banking is expected to reach 7.72% by the end of 2024 (finansial.bisnis.com), but the proportion of financing to MSEs is relatively small. This disparity indicates a large, yet untapped market potential.

Factors contributing to the low involvement of Islamic financing include low Islamic financial literacy [5], the perception that Islamic financing procedures are more complicated [6], and the lack of product innovation tailored of Islamic financing [7]. The OECD [8] emphasizes that administrative barriers and limited collateral are the main reasons for rejection of financing applications by MSEs. Furthermore, the conventional and less inclusive approach to Islamic finance causes small business owners to feel marginalized from Islamic-based financial services. To understand this phenomenon more deeply, this study adopts the Islamic Theory of Consumer Behaviour (iTCB) framework developed by [9]. This theory offers an approach to consumer behaviour based on Islamic values, considering the dimensions of Education, Justice, Welfare, and Religious Satisfaction in relation to willingness to apply for Islamic financing. iTCB positions consumption behaviour and financial decisions not merely as rational economic actions,

but also as expressions of a Muslim's spiritual awareness and moral responsibility.

Several previous studies have tested the iTCB framework in the context of Islamic banking, Islamic insurance, and the consumption of halal products, but studies on the adoption of Islamic financing by MSEs in a semi-urban setting like Greater Malang are still very limited. Furthermore, the dimension of religious satisfaction as a potential moderator of the relationship between individual perceptions and intention to use Islamic financing has not been widely studied empirically. Based on this background, this study aims to identify and analyse factors influencing the interest of MSEs traders in Greater Malang in adopting Islamic financing, using the iTCB theoretical framework. The main variables examined include education, justice, and welfare, with religious satisfaction as a moderating variable. Theoretically, this study is expected to broaden the scope of iTCB application in the context of the informal economy and MSEs. Practically, the results can provide strategic recommendations for Islamic financial institutions in increasing Islamic-based financial inclusion among religious MSEs.

2. UNDERPINNING THEORY AND LITERATURE REVIEW

2.1. Theory of Islamic Consumer Behaviour (iTCB)

The Islamic Theory of Consumer Behaviour (iTCB), developed by [9], is a conceptual framework that emphasizes that Muslim financial decisions are driven not only by rational-economic considerations but also by religious values, and Islamic ethics. In this model, Muslim consumer behaviour towards adopting Islamic financial products is understood through an integration of literacy, perceptions of justice and welfare, and the dimension of religious satisfaction. The Islamic Theory of Consumer Behaviour (iTCB) comprises several key constructs that reflect the determinants of Muslim consumer behaviour in adopting Islamic financing products. First, Education reflects the consumer's level of understanding of Islamic financial principles and practices, which influences perceptions, attitudes, and trust in these products [9]. Second, Justice relates to consumer perceptions of justice in the structure and practices of Islamic financial institutions, including aspects of transparency and equal treatment. Third, Welfare describes the extent to which Islamic financing products are perceived to promote social and economic Welfare, both individually and collectively.

Furthermore, religious satisfaction serves as a key construct reflecting spiritual satisfaction arising from the alignment of economic decisions with Islamic values. Finally, willingness to apply Islamic financing serves as the dependent variable representing consumers' actual willingness to apply Islamic financing. The iTCB model is relevant for use in the context of Muslim societies because it systematically incorporates religious values into financial decision-making. Numerous studies have confirmed the validity of this framework in the context of Islamic finance in various countries, especially in Malaysia [9]. Thus, the iTCB serves as an applicable theoretical model for analysing the preferences and behaviour of Muslim MSEs in adopting Sharia-compliant financing.

Religious satisfaction is defined as a psychological state reflecting spiritual satisfaction with economic decisions that align with Sharia principles. Within the iTCB framework, religious satisfaction plays a mediating role in the relationship between predictor constructs (education, justice, and welfare) and willingness to apply for Islamic financing. As a mediator, religious satisfaction bridges consumers' cognitive and affective processes, where the influence of external constructs will produce an indirect effect through increased feelings of spiritual satisfaction.

This concept aligns with the Islamic values approach to decision-making, which places spirituality as an integral dimension of economic behaviour [10]. Several empirical studies have shown that religious satisfaction plays a significant role in shaping the behavioural intentions of Muslim consumers, particularly in the context of adopting Sharia-compliant financial products [11]. Therefore, a dual approach to this construct provides an important theoretical contribution in enriching the understanding of how Islamic values mediate the financial decision-making process.

2.2 Empirical Studies on Islamic Financial Behaviour

Over the past decade, empirical studies have substantially expanded our understanding of the factors influencing Islamic financial behaviour, especially in the context of adoption and consumer willingness. The iTCB framework proposed by [9] provides a comprehensive theoretical lens, integrating cognitive (education), affective (religious satisfaction), and normative (justice and welfare) dimensions to explain financial decision-making within a faith-based paradigm. Initial studies such as Amin *et al.* [9] identified social influence, attitude, and pricing structure as determinants of customers' intention to adopt Islamic personal financing, though religious obligation and government support were not statistically significant. This highlights the complexity of faith-driven decision-making, which may not always align with institutional narratives.

Amin *et al.* [9] further advanced the field by empirically validating the iTCB model, demonstrating that education and religious satisfaction significantly influenced preferences toward Islamic mortgage products. Notably, religious satisfaction functioned as both a mediator and moderator, particularly mediating the relationship between welfare and willingness, while moderating the justice-willingness pathway.

Subsequent research reinforced these insights across various national contexts. For instance, [13 and 14] emphasized the role of religiosity, institutional reputation, and trust. Bananuka *et al.* [15] introduced firm-level and individual-level variables, finding that personal traits and financial literacy were more decisive than demographic or structural characteristics. Recent empirical findings have increasingly focused on emerging economies. Purwanto *et al.* [16] found that religiosity and awareness shaped attitudes toward Islamic microfinance in Indonesia. Shah *et al.* [17] confirmed that perceived Shariah compliance and consumer knowledge positively influenced willingness through attitudinal mediation. Similarly, Haruna *et al.* [18] studying Cameroonian SMEs, found gender, geography, and awareness significantly influenced adoption, while subjective norms had

a negative impact, challenging assumptions of normative conformity in all Islamic contexts.

In Indonesia, literacy-based interventions Suci & Hardi [19] showed that improvements in understanding can shift consumer intention, even among non-Muslims. While Warno et al. [20] emphasized that broader inclusion strategies can structurally enhance Islamic finance access for micro-enterprises. These studies collectively demonstrate that the behavioural dynamics surrounding Islamic finance are not only shaped by religious obligation but also by perceptions of justice, institutional trust, personal knowledge, and the spiritual experience of financial transactions. The present study builds upon these empirical legacies by revalidating the iTCB framework in a new setting, Greater Malang, while integrating updated constructs (e.g., education and welfare) and emphasizing the mediating role of religious satisfaction.

3 HYPOTHESIS DEVELOPMENT

3.1 Education and Religious Satisfaction

From the iTCB perspective, education is part of the cognitive domain that shapes an individual's understanding of Islamic financial principles. Adequate knowledge of contracts, the prohibition of usury, transaction justice, and the values of the *maqāṣid al-sharī'ah* will strengthen the belief that using Islamic financial products is in line with Islamic teachings. This understanding fosters religious satisfaction. Therefore, H₁ is postulated as:

H₁: Education has a positive and significant effect on Religious Satisfaction.

3.2 Justice and Religious Satisfaction

Justice is a central principle in Islamic teachings and a core value in the Islamic financial system. When MSMEs perceive fair treatment, whether in the contract process, margin structure, or settlement mechanism, a sense of spiritual satisfaction will grow. Within the iTCB framework, justice not only shapes cognitive perceptions but also creates positive emotional experiences that strengthen religious satisfaction. Therefore, H₂ is postulated as:

H₂: Justice has a positive and significant effect on Religious Satisfaction.

3.3 Welfare and Religious Satisfaction

Welfare in the context of Islamic finance not only refers to economic gain but also reflects the achievement of *maqāṣid al-sharī'ah*, namely the assurance of worldly and afterlife benefits. When business actors obtain tangible benefits from Islamic financing, such as increased capital, business continuity, or freedom from usury, they associate these benefits as blessings and mercy from Allah, thus fostering religious satisfaction. Therefore, H₃ is postulated as:

H₃: Welfare has a positive and significant effect on Religious Satisfaction.

3.4 Religious Satisfaction and Willingness to Apply for Islamic Financing

Within the iTCB framework, religious satisfaction is a crucial affective element in bridging knowledge and action. A business owner who experiences spiritual comfort from using Islamic financing will be motivated to continue using it or recommend it to others. This intention is not solely based on business logic, but rather on the drive to remain within a

Sharia-compliant economic system. Therefore, H₄ is postulated as:

H₄: Religious Satisfaction has a positive and significant effect on the Intention to Apply for Islamic Financing.

3.5 Education and Willingness to Apply for Islamic Financing

Knowledge is a crucial driver in shaping behavioural intentions. In the context of iTCB, sound Islamic financial education will increase understanding of the principles and benefits of Islamic products, thereby strengthening confidence in accessing them. The higher the level of education about Islamic finance, the higher the intention to apply for Sharia-compliant financing. Therefore, H₅ is postulated as:

H₅: Education has a positive and significant effect on the Intention to Apply for Islamic Financing.

3.6 Justice and Willingness to Apply for Islamic Financing

The decision to use Islamic financing is heavily influenced by perceptions of the system's ethics and justice. When MSMEs feel they are being treated fairly, free from fraud, exploitation, or information inequality, a strong intention to engage in the system emerges. Within the iTCB framework, justice reinforces behavioural intentions stemming from religious and ethical perceptions. Therefore, H₆ is postulated as:

H₆: Justice has a positive and significant effect on the Intention to Apply for Islamic Financing.

3.7 Welfare and Willingness to Apply for Islamic Financing

The economic benefits derived from Islamic financing can strengthen the intention to continue using the service, especially if these benefits are associated with blessings and halal (permissible). In iTCB, the experience of perceived benefits (welfare) resulting from religious financial practices will strengthen the intention to continue or expand the use of Islamic products. Therefore, H₇ is postulated as:

H₇: Welfare has a positive and significant effect on the Intention to Apply for Islamic Financing.

3.8 The Mediating Role of Religious Satisfaction

One of the strengths of iTCB is its emphasis on the role of affect as a link between knowledge, perception, and behaviour. Religious satisfaction serves as a psychological bridge between perceptions of education, justice, and Welfare and economic behavioural decisions. When entrepreneurs feel spiritually satisfied, a strong intention to act consistently with religious teachings is born. Therefore, the following hypotheses are postulated:

H₈: Religious Satisfaction mediates the effect between Education and Intention to Apply for Islamic Financing.

H₉: Religious Satisfaction mediates the effect between Justice and Intention to Apply for Islamic Financing.

H₁₀: Religious Satisfaction mediates the effect between Welfare and Intention to Apply for Islamic Financing.

4. RESEARCH METHODOLOGY

This research uses a quantitative approach with a survey method. The population in this study were 375 micro and small enterprises (MSEs) domiciled and operating in the Greater Malang, East Java, Indonesia. Greater Malang consists of three districts: Malang City, Malang Regency, and Batu City. The sampling technique used was purposive



Source: researcher 2025

sampling with the following criteria: having an active business for at least one year.

4.1 Data Collection

Primary data were collected through questionnaires distributed directly to MSEs in Greater Malang. The research instrument was developed based on the iTCB construct, the validity of which has been tested in previous research [12]. Measurements used a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree).

4.2 Data Analysis Technique

Data analysis was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method using SmartPLS software. This analysis includes:

- Convergent and discriminant validity tests (AVE, Loading Factor, HTMT)
- Construct reliability tests (Cronbach's Alpha, Composite Reliability)
- Significance tests for relationships between variables (path coefficient, t-statistic, p-value)

R-squared and Q-squared tests to assess the model's predictive power

5. RESEARCH FINDINGS

5.1 Measurement Model Evaluation

To ensure the quality of the research instruments used to measure the latent constructs in the model, a series of validity and reliability tests were conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. This evaluation includes convergent validity, which assesses the extent to which indicators reflect the construct being measured; construct reliability, which tests the instrument's internal consistency; and discriminant validity, which examines the construct's ability to be empirically distinguished from other constructs. The testing standards used criteria for outer loading indicators, Average Variance Extracted (AVE), Cronbach's Alpha, Composite Reliability (CR), and the Heterotrait-Monotrait Ratio (HTMT) between constructs. The complete results of this evaluation are presented below to provide a comprehensive overview of the measurement quality in this study. The analysis results are presented in Table 5.1 below:

Tabel 5.1 Table Convergent Validity and Reliability

Construct	Item	Loading	Average Variance Extracted (AVE)	Cronbach's Alpha	Composite Reliability
EDU	EDU1	0,854	0,740	0,912	0,934
	EDU2	0,895			
	EDU3	0,865			
	EDU4	0,879			
	EDU5	0,805			
JUST	JUST1	0,923	0,821	0,945	0,958
	JUST2	0,919			
	JUST3	0,911			
	JUST4	0,872			
	JUST5	0,903			

RS	RS1	0,900	0,785	0,954	0,962
	RS2	0,924			
	RS3	0,869			
	RS4	0,877			
	RS5	0,899			
	RS6	0,883			
	RS7	0,847			
WEL	WEL1	0,899	0,816	0,944	0,957
	WEL2	0,916			
	WEL3	0,910			
	WEL4	0,895			
	WEL5	0,895			
WILL	WILL1	0,947	0,866	0,974	0,978
	WILL2	0,951			
	WILL3	0,940			
	WILL4	0,931			
	WILL5	0,948			
	WILL6	0,891			
	WILL7	0,903			

According to Hair et al. [20] and Chin [21], indicators with loadings >0.70 are the primary criterion for convergent validity. However, in exploratory models, Hair et al. [20] also stated that values between 0.60 and 0.70 are still acceptable if the construct's reliability remains high. In the context of this study, as presented in Table 5.1 above, all factor loadings (outer loadings) were >0.805 , well above the minimum threshold of 0.70 required to confirm indicator validity. Meanwhile, the AVE values for all constructs were >0.740 , with the highest value for WILL (0.866). All AVE values above 0.50 indicate very adequate convergent validity [20]. Meanwhile, the Cronbach's Alpha and Composite Reliability values for all constructs ranged from 0.912 to 0.978, far exceeding the minimum limit of 0.70 recommended for social research instruments Hair et al. [20]. This indicates that all indicators within each construct have excellent internal consistency and that the measurement results are highly reliable. Meanwhile, convergent validity is achieved when the indicators within a construct have high factor loadings on the construct being measured and an Average Variance Extracted

(AVE) above 0.50. The test results showed that all outer loading values for each indicator in the five constructs ranged from 0.805 to 0.948, confirming a strong relationship between the indicators and their respective constructs. Similarly, all constructs had very high AVE values (above 0.78), strengthening the argument for the instrument's excellent convergent validity. Thus, each construct was consistently measured by relevant indicators according to PLS-SEM standards.

In measuring discriminant validity, this study used HTMT values. Henseler [22] stated that HTMT values should be clearly below 0.90, ideally below 0.85, to indicate discriminant validity. In the context of this study, as presented in Table 5.2 below, discriminant validity testing shows that all relationships between constructs in the model range between 0.690 and 0.871. These values are well below the cut-off value of 0.90. These results indicate that each construct in the empirical model can be clearly distinguished from the other constructs and there is no overlap (redundancy) problem between the main constructs.

Table 5.2 Discriminant Validity (HTMT)

	EDU	JUST	RS	WEL	WILL
EDU					
JUST	0,690				
RS	0,644	0,804			
WEL	0,736	0,892	0,764		
WILL	0,742	0,854	0,840	0,871	

Overall, the measurement instrument in this research model met all criteria for convergent validity, construct reliability,

and discriminant validity at a high level. These findings confirm that the instrument is suitable for measuring the

behaviour and intentions of MSEs in Greater Malang regarding the adoption of Islamic financing.

5.2 Structural Model Evaluation

Evaluation of the structural relationships in the model was conducted through path coefficient analysis, which describes the strength and direction of influence between latent constructs. Significance testing was conducted using the

bootstrapping method with 5,000 subsamples at a 5% significance level ($\alpha = 0.05$). Significance indicators were determined based on t-statistics values ≥ 1.96 and p-values ≤ 0.05 , as suggested by Hair et al. [23]. The results of the analysis in this study can be seen in Table 5.3 below:

Table 5.3 Significance Test of Relationships Between Variables

Path	Path Coefficient	T Statistics	P Values	Result	Decision
EDU -> RS	0,135	2,908	0,004	Significant	Accepted
EDU -> WILL	0,150	4,928	0,000	Significant	Accepted
JUST -> RS	0,497	7,874	0,000	Significant	Accepted
JUST -> WILL	0,186	3,846	0,000	Significant	Accepted
RS -> WILL	0,337	7,029	0,000	Significant	Accepted
WEL -> RS	0,215	2,517	0,012	Significant	Accepted
WEL -> WILL	0,331	6,380	0,000	Significant	Accepted
EDU -> RS -> WILL	0,046	2,881	0,004	Significant	Accepted
JUST -> RS -> WILL	0,168	5,947	0,000	Significant	Accepted
WEL -> RS -> WILL	0,072	2,136	0,033	Significant	Accepted

The analysis results show that all direct paths between constructs in the model are significant. The path from education (EDU) to religious satisfaction (RS) yields a coefficient of 0.135 with a t-value of 2.908 and p-value of 0.004, indicating that the level of Islamic financial understanding contributes to increasing the religious satisfaction of business actors. The direct effect of Education on willingness to apply Islamic financing (WILL) is also significant ($\beta = 0.150$; $t = 4.928$; $p < 0.000$), indicating the important role of education in shaping Islamic financing willingness to apply.

Furthermore, the path from justice (JUST) to RS ($\beta = 0.497$; $t = 7.874$) and directly to WILL ($\beta = 0.186$; $t = 3.846$) demonstrates substantial and significant influence ($p < 0.000$), indicating that perceived justice in Islamic financial services plays a crucial role in both spiritual and usage intentions. The welfare (WEL) dimension also showed significance in both direct paths: to RS ($\beta = 0.215$; $t = 2.517$; $p = 0.012$) and to WILL ($\beta = 0.331$; $t = 6.380$; $p < 0.000$), confirming that the perceived welfare benefits of Islamic financing contribute to strengthening religious motivation and behavioural intentions.

In addition to the direct path, this model also shows a significant mediation effect through the construct of Religious Satisfaction. The mediation from EDU to WILL via RS ($\beta = 0.046$; $t = 2.881$; $p = 0.004$), from JUST to WILL ($\beta = 0.168$; $t = 5.947$; $p < 0.000$), and from WEL to WILL ($\beta = 0.072$; $t = 2.136$; $p = 0.033$) were all significant. This confirms that religious satisfaction acts as an affective mechanism that bridges cognitive and normative influences on behavioural intention, as assumed in the Islamic Theory of Consumer Behaviour (iTCB) framework.

Overall, these findings indicate that all relationship pathways in the structural model are empirically supported with high significance. In other words, the constructs of Education, Justice, and Welfare not only directly influence Willingness but also indirectly through strengthening Religious Satisfaction as a mediator. This strengthens the theoretical validity of the model and emphasizes the importance of integrating Islamic values into financial decision-making by MSEs.

Meanwhile, to evaluate the predictive power of the structural model, analysis of the coefficient of determination (R^2) and predictive relevance (Q^2) is a crucial step in measuring how much of the variance in the endogenous constructs can be explained by the exogenous constructs in the model. According to Chin [21], the R^2 value in a PLS-SEM model can be interpreted to assess the predictive power of a structural model for endogenous variables. He suggests that an R^2 value of 0.67 indicates substantial predictive power, a value of 0.33 reflects a moderate level of prediction, and a value of 0.19 indicates weak prediction.

Meanwhile, the Q^2 value is used to evaluate the predictive relevance of the model to the endogenous construct. According to Sarstedt et al. [24], a Q^2 value greater than zero ($Q^2 > 0$) indicates that the model has good predictive relevance to that construct. The general benchmarks for assessing predictive power are as follows:

$Q^2 > 0.35$ = high predictive relevance

$Q^2 > 0.15$ = medium predictive relevance

$Q^2 > 0.02$ = small predictive relevance

$Q^2 \leq 0$ = no predictive relevance

Therefore, the higher the Q^2 value for an endogenous construct, the better the model's ability to predict that variable

based on the indicators used. The results of the R^2 and Q^2 analyses in this study are presented in Table 5.4 below:

Table 5.4 R-Squared (R^2) and Q-Squared (Q^2) Values

Construct	R-Squared (R^2)	R ² Adjusted	Q-Squared (Q^2)	
Religious Satisfaction	0,618	0,615	0,480	R^2 = Moderate, Q^2 =Large predictive relevance
Willingness	0,808	0,806	0,694	R^2 = Substantial, Q^2 =Large predictive relevance

The estimation results presented in Table 5.4 show that the Religious Satisfaction construct has an R^2 value of 0.618 and an Adjusted R^2 of 0.615. This means that approximately 61.8% of the variance in Religious Satisfaction can be explained by the predictor constructs used in the model. According to Hair et al. [23], R^2 values between 0.33 and 0.67 fall into the moderate to substantial category, indicating that the model has good explanatory power. A Q^2 value of 0.480 also indicates that the model has quite strong predictive relevance, considering that a Q^2 value > 0 indicates the presence of out-of-sample predictive power.

Furthermore, the Willingness to Apply Islamic Financing construct shows an R^2 value of 0.808 and an Adjusted R^2 of 0.806, indicating that the model can explain more than 80% of the construct's variance. This reflects the model's very high explanatory power. The Q^2 value of 0.694 reinforces this finding, indicating that the model is not only statistically accurate but also has very strong predictive capacity and is reliable in an empirical context. Overall, both endogenous constructs in the model, Religious Satisfaction and Willingness, meet the predictive goodness-of-fit criteria, indicating that the developed model has a strong theoretical foundation and superior empirical performance in explaining and predicting the behaviour of MSEs in the context of Islamic financing.

6. DISCUSSION

The findings indicate that education has a positive and significant influence on religious satisfaction ($\beta = 0.135$; $t = 2.908$; $p = 0.004$). This supports the Islamic Theory of Consumer Behaviour (iTCB) by Amin et al. (Amin et al., 2014), which states that financial behavior in Islam is influenced by affective and spiritual dimensions, not just rationality. Previous studies [25, 17] confirm that education shapes spiritual understanding of Sharia principles. In Greater Malang, Islamic financial literacy remains low, making religious understanding through education key to spiritual satisfaction in transactions.

Education also significantly influences the willingness to apply Islamic financing ($\beta = 0.150$; $t = 4.928$; $p = 0.000$). Within the iTCB framework, understanding Islamic finance (e.g., the prohibition of *gharar* and usury, and fair contracts) increases behavioural intentions. This finding is consistent with studies by (Jaffar & Musa, 2016) (Suci & Hardi, 2020).

In Greater Malang, many business actors do not fully understand the Islamic system. When education is packaged through a local approach (Islamic boarding schools, mosques), acceptance increases.

Perceptions of justice have a strong influence on religious satisfaction ($\beta = 0.497$; $t = 7.874$; $p = 0.000$). iTCB positions '*adl* (justice) as a theological principle in transactions. Fair financial practices (transparency of contracts, absence of exploitation) enhance religious legitimacy and a sense of peace. Studies by [26, 11, 17], support these findings. In Greater Malang, micro and small enterprises (MSEs) highly value justice in margins and default handling.

Justice also increases the intention to use Islamic financing ($\beta = 0.186$; $t = 3.846$; $p = 0.000$). In iTCB, operational justice, such as contract transparency and deliberation, influences behavioural intentions. Consistent with the study by [27], justice increases trust. In Greater Malang, many business owners are economically vulnerable. When institutions display the values of deliberation and mercy, the intention to access Islamic financing increases.

Perceived welfare benefits from Islamic finance increase religious satisfaction ($\beta = 0.215$; $t = 2.517$; $p = 0.012$). In iTCB, fair worldly outcomes are seen as spiritual legitimacy (*barakah*). This aligns with [28] and [29]. In Greater Malang, perceived improvements in welfare (e.g., flexible payments or collateral-free access) increased confidence that the Sharia system aligns with Islamic values.

Welfare also significantly influenced usage intentions ($\beta = 0.331$; $t = 6.380$; $p = 0.000$). In value-expectancy theory, economic benefits drive intention. Supported by studies by [25], [27], and [30], perceived direct benefits drive the adoption of Islamic financing. In Greater Malang, an inclusive and equitable Islamic financing system is perceived as superior to complex and expensive conventional systems.

Religious satisfaction itself had a strong effect on intention to use Islamic financing ($\beta = 0.337$; $t = 7.029$; $p = 0.000$). In iTCB, spiritual experience is a key driver of financial behavior. When business owners perceive the system to be Sharia-compliant (without *riba* or *gharar*), usage intentions increase. Studies by Amin [29] support the role of religiosity as a determinant of intention. In Malang, religious communities view Islamic financing as an expression of faith, not simply an economic tool.

6.1 Mediating Effect

The analysis results show that religious satisfaction significantly mediates the relationship between education and intention to use Islamic financing ($\beta = 0.046$; $t = 2.881$; $p = 0.004$). This finding confirms that increasing Islamic financial literacy not only directly increases intention but also strengthens it through increased religious satisfaction.

Within the Islamic Theory of Consumer Behavior (iTCB) framework, education acts as a cognitive-affective bridge, helping MSMEs understand Islamic principles (such as the

responsibility of tawhid, distributive justice, and the value of blessings). Education is not only the transfer of technical knowledge but also the process of internalizing religious values that generates spiritual satisfaction.

Dusuki and Abdullah [10] also emphasize that values-based education can shape ethical financial behavior. In Greater Malang, where Islamic boarding schools (pesantren) and mosques play a significant cultural role, an educational approach that combines Islamic ethics and technical knowledge is highly relevant. Educational programs that solely emphasize margins or collateral often fail to address this affective aspect.

The implication is that values-based education needs to be a primary strategy. When small business owners understand Islamic financing as a form of worship, their intention to use the product becomes stronger and more sustainable.

Meanwhile, the findings of Justice mediating by Religious satisfaction indicate that religious satisfaction significantly mediates the relationship between justice and willingness to apply Islamic financing ($\beta = 0.168$; $t = 5.947$; $p = 0.000$). This suggests that perceptions of justice not only directly drive intentions but also foster a spiritual response in the form of religious satisfaction, which strengthens behavioural intentions.

From an iTCB perspective, justice (*al-'adl*) is the theological foundation of Islamic financial transactions. When business owners feel they are treated fairly, through transparent contracts, equal treatment, and ethical mechanisms, they experience a spiritual resonance that strengthens their willingness to apply Islamic financing.

In Greater Malang, with the growth of BMTs, Islamic cooperatives, and Islamic banks, justice has become a key parameter in assessing the legitimacy of Islamic finance. For MSEs living in religious communities, justice is not only a managerial value but also a spiritual mandate. This is reinforced by studies by [26, 11], which state that perceptions of justice strengthen consumer trust.

The implication is that Islamic financial institutions must implement justice throughout the entire process, from contracting to dispute resolution. Such practices not only comply with Islamic principles but also foster deep spiritual-based loyalty.

Whereas, the analysis of welfare mediating by religious satisfaction shows that religious satisfaction also mediates the relationship between welfare and willingness to apply Islamic financing ($\beta = 0.072$; $t = 2.136$; $p = 0.033$). Although smaller than the other mediation pathways, the effect remains significant and confirms the role of spiritual experience in shaping behavioural intentions.

iTCB emphasizes that financial decisions in an Islamic context are based not only on rational calculations, but also on ethical values and spiritual satisfaction. When business owners perceive welfare benefits, such as easy access to capital, profit-sharing mechanisms, or flexible payments, and connect these benefits to Islamic values, their intentions are strengthened.

In Greater Malang, many small business owners view economic success as a result of blessings. When the prosperity they achieve is associated with a just and

religiously legitimate sharia system, they form an affective attachment to Islamic financial products.

In line with the views of [28] and [31], these findings confirm that economic benefits and spiritual satisfaction are two sides of the same coin. Islamic financial institutions need to emphasize the spiritual dimension in their services, including the values of *maqasid al-shariah*, to sustainably increase customer loyalty and intention.

6.2 Evaluation of Model Predictive Ability (R-Squared and Q-Squared)

The R-squared values for the intention (Willingness) and religious satisfaction constructs are quite high, indicating that this research model can adequately explain a proportion of the variance and decision-making behaviour of MSEs. Furthermore, the positive Q-squared value indicates the model's relevance and predictive power, allowing for application in the real-world context of MSMEs in Greater Malang.

7. CONCLUSION

This study provides empirical evidence that education, justice, and welfare significantly shape the willingness of MSEs in Greater Malang to apply for Islamic financing, both directly and indirectly through religious satisfaction. The findings affirm the validity of the Islamic Theory of Consumer Behaviour (iTCB) in explaining Muslim financial decision-making, particularly in a regional context where religious values play a dominant role. Religious satisfaction emerged as a crucial affective construct, mediating the relationship between cognitive (education and justice) and behavioural (willingness to apply) components. Justice, in particular, demonstrated the strongest total effect, underscoring the need for justice and transparency in service delivery.

These findings have practical implications for Islamic financial institutions and policymakers. Initiatives aimed at improving financial literacy must go beyond technical instruction and integrate ethical and spiritual dimensions of Islamic finance. Institutions should also enhance service transparency, contract justice, and customer engagement strategies that resonate with local Islamic values. By aligning operational practices with the expectations and beliefs of the Muslim business community, Islamic finance can achieve greater financial inclusion, consumer trust, and long-term sustainability.

8. FUTURE RESEARCH

Expanding the Theoretical Framework Beyond iTCB Future studies may integrate iTCB with other established behavioral theories, such as the

Theory of Planned Behavior (TPB), the Diffusion of Innovation (DoI), the Unified Theory of Acceptance and Use of Technology (UTAUT), or Value-Belief-Norm Theory (VBN), to better capture the complexity of Muslim consumer behavior in various cultural and economic settings.

1. Comparative Studies Between Regions or Countries
Comparative research across regions with different levels of Islamic financial penetration (e.g., urban vs. rural, Java vs. Sumatra, Indonesia vs. Malaysia) could uncover how

cultural, institutional, and infrastructural differences shape the role of religious satisfaction and justice in financial decision-making.

2. Exploration of Other Affective and Spiritual Mediators Religious satisfaction has proven to be a significant mediating variable. Future research can investigate additional mediators or moderators such as Islamic ethical identity, religious coping mechanisms, spiritual intelligence, or institutional trust to further enrich the affective dimension of iTCB.
3. Inclusion of Non-Muslim Participants for Comparative Insight While iTCB is grounded in Islamic values, including non-Muslim MSE actors who engage with Islamic finance may offer valuable insights into the universality or exclusivity of ethical-financial constructs such as justice and welfare within Islamic financial systems.

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