BANKING ON BELIEF: INVESTIGATING THE INFLUENCE OF RELIGIOSITY ON SHARIA BANKING ADOPTION

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Abstract: One of the financial institutions currently developing in Indonesia is sharia banking, but previous research states that the majority of people still use conventional banking products. This is because conventional banks have various products, are more diverse, and have advantages over sharia banks. Therefore, this research aims to identify how religiosity and perceptions can influence people's decisions to use sharia banking services. The type of research conducted is quantitative research. Quantitative research is the type of research conducted. The population consists of 1350 traders located in Manonda Market and Masomba Market in Palu City. Simple Random Sampling is the sampling technique used. In this research, there are 180 respondents whose data will be used to test the hypotheses. The research takes place in the traditional markets of Masomba and Manonda in Palu City, and the data collection was conducted in the year 2023. The data that will be used to test the hypothesis in this research is 180 respondents from questionnaires distributed directly to respondents. The research results show that religiosity can influence people's perceptions regarding Islamic banks; apart from that, perceptions are also found to influence consumer decisions when using sharia banking products. Furthermore, perception can be a good mediator between religiosity and consumer decisions, but in this research, it was found that religiosity cannot influence people's decisions to use sharia banking. The implications of this research are important for academics by opening opportunities for further research regarding the complexity of the relationship between religiosity, perceptions and customer decisions in Islamic banking. For Islamic banking practitioners, these results emphasize the importance of understanding the role of perception in increasing the acceptance and use of Islamic services.

Keywords: Religiosity, Perception, Consumer Decision, Islamic Bank

CITATION
INTRODUCTION

The development of the Islamic economy is marked by the increasing presence of Islamic financial institutions and the establishment of Islamic businesses. Furthermore, the growth of Islamic economic academia is characterized by the proliferation of institutions and organizations focused on research and development in Islamic economics (Setiawan et al., 2017). One of the fastest-growing sectors in Indonesia today is Islamic banking. The role of Islamic banks in developing the Indonesian economy is significant; almost every sector related to financial activities will require various banking services (Mulato et al., 2021). Islamic banking provides a solution for Muslims who wish to avoid conventional banking practices involving usury in their business activities (Khan, 2010). Islamic banks offer an option for people needing banking services while adhering to Islamic law (Iqbal and Mirakhor, 2012). The development of Islamic banking became more legally recognized with UU No. 21 Tahun 2008. The emergence of Islamic banking in 1998 began with the establishment of Bank Muamalat when the Islamic banks struggled to compete with conventional banks. Despite Indonesia being the country with the largest Muslim population in the world, it doesn't ensure that the population will use Islamic banks for their financial transactions; this is because the community still does not fully comprehend the Sharia system adopted by Islamic banks. Some even believe Islamic banking is similar to conventional banking (Diah and Zulhamdi, 2022).

Although some understand that Islamic banking differs from conventional banking, they still opt for conventional banking products rather than Sharia-compliant ones. Conventional banks offer a wider range of products and services than Islamic banks (Hanif et al., 2012). Therefore, conventional banks are preferred for more complex financial needs such as investments, credits, international banking, and the convenience of wider branch networks and ATMs. Meanwhile, Islamic banks have limited branches, making it difficult for the public to access their services. There's a difference in costs, too, as some perceive Islamic banks to have lower administrative costs than conventional banks. However, in reality, the costs and margins imposed by Islamic banks are higher than those of conventional banks. Furthermore, Islamic banks still lack incentives or rewards that are as attractive as conventional banks, such as loyalty programs or reward points, leading people to favor conventional banks (Bayer et al., 2019). Therefore, perception is crucial for customers when utilizing Islamic banking. Changes in perception are formed by awareness and attitudes based on some individuals' beliefs and trust in Islam, known as religiosity. Religiosity is an attitude or consciousness based on an individual's belief or faith in a religion and its application in daily life (Islam and Chandrasekaran, 2019). Religious attitude is a state within an individual that drives them to behave in accordance with their level of devotion to the religion (Jalaluddin, 2010). The increase in awareness, attitudes, beliefs, and faith among the Indonesian public is evident from the growth of Islamic consumers each year (Fathoni, 2020). The change or shift in public perception towards Islamic banks in Indonesia is greatly influenced by the religiosity of society. Therefore, it is assumed that increased religiosity can influence people's perceptions of using Islamic banks. (Harahap, 2020) stated that perception and religiosity significantly influence the decision to use Sharia pawnshops. Meanwhile, Wibowo and Iqbal (2021) argue that increasing religiosity among the public will enhance their interest in saving money in Islamic banks.

After 24 years of the presence of Islamic banks in Indonesia, they have continued to grow and offer increasingly comprehensive and innovative products and services. As a result, more people are starting to transition to Islamic banks. Additionally, for those who wish to support an economy based on Sharia principles, Islamic banks are gradually becoming the preferred choice, altering the public's perception of them (Ortega and Alhifi, 2017). With this development, however, Islamic banking faces greater challenges in conducting its activities. As part of the banking structure, Islamic banking plays a role similar to conventional banks in meeting societal needs and driving sustainable national economic development (Puteh et al., 2018). The existence of Islamic banks in Indonesia is crucial and needs to be carefully preserved. Islamic banks are financial institutions operating based on Islamic Sharia principles, where their activities must align with Islamic law (Sihotang et al., 2022). To maintain the existence of Islamic banks in Indonesia, efforts such as meeting public
needs and satisfaction, developing innovative products and services, ensuring consumer protection and effective monitoring and supervision by authorized bodies are necessary. This way, people will continue to choose Islamic banks as financial institutions that adhere to Sharia principles and fulfill their requirements.

Several previous studies have examined factors influencing consumer decisions in the context of conventional banking, such as financial health, the use of digital technology, trust in banking, awareness of security issues in banking, and others (Heniwati et al., 2021; Berakon et al., 2022; Bajwa et al., 2023). However, this research delves into how religiosity influences consumer perceptions and decisions in the context of Islamic banking, which has different characteristics and principles. Furthermore, even though previous studies have identified how religiosity influences decisions to use Sharia-based banking services (Abror et al., 2020; Usman et al., 2017; Abou-Youssef et al., 2015), there is still a lack of research identifying how perception can act as a mediator between these two factors. This study also presents more detailed findings on how an individual's level of religiosity can correlate with their perceptions of Islamic banks. This can shed light on how religious values influence consumer assessments of financial products and services. Therefore, based on the earlier explanation, this research attempts to identify how religiosity can drive positive perceptions for both the public and customers and how religiosity can influence people to choose services offered by Islamic banking. Not only that, but this study also identifies how positive perceptions can shape public decisions to use Islamic banking services. The research also identifies how societal religiosity can drive perceptions, ultimately leading these perceptions to influence the decision to use Islamic banking services.

LITERATURE REVIEW

Religiosity

The term “religiosity” itself is interpreted in various ways, and its meaning is interdisciplinary. It's not surprising that Gill et al. (2010) acknowledged that religiosity is a challenging term to define, resulting in numerous definitions and models of its meaning. This suggests that the topic of religiosity cannot be studied solely to identify one aspect of its meaning. Abdel-Khalek and Lester (2017) defined religiosity as a system of beliefs, values, religion, and institutionalized or specific personal practices associated with the divine, representing a level of reality or power considered the source or highest transcendence yet remaining immanent in the realm of divinity.

Religion remains one of the primary sources of norms, judgments, attitudes, and behaviors for many consumers. Mathras et al. (2016) stated that the role of religion in consumer behavior is an essential area of research because each religion, to some extent, has prohibitions in its doctrines related to consumption. The role of religion in consumer behavior literature has been developing over...
recent years (Minton et al., 2019; Mortimer et al., 2020). This research focuses on decisions related to the use of products or services considered prohibited, for instance, in Islam, such as usury (riba), purchasing alcohol, or consuming halal food (Ahmad et al., 2015). This study will concentrate on a religious system based on a particular religion, especially Islam.

**Perception**

According to the Schiffman and Wisenblit (2019), perception is a process by which an individual selects, organizes, and interprets stimuli to form a consistent and meaningful picture of the world. In other words, perception determines "how we see the world around us." Even though two people receive the same stimuli, how they recognize, select, organize, and interpret these stimuli is highly individual and influenced by each individual's needs, values, and personal expectations. Consumer actions and reactions are based on their perceptions, not the objective reality. For each individual, "reality" is a highly personal experience, influenced by their own needs, desires, values, and experiences. Therefore, in a marketing context, consumer perception holds a higher importance than their knowledge of the existing objective reality (Goebert and Greenhalgh, 2020).

**Customer Decision**

After understanding the factors influencing the consumer behavior in choosing products they will consume, marketers also need to understand the consumer decision-making process (Savero, 2021). With a general understanding of the purchasing decision-making process, marketers can better tailor their marketing programs. The consumer decision-making process can be grouped into five stages. The stages in the consumer decision-making process, as described by Kotler and Keller (2016), are recognizing the problem, seeking information, evaluating alternatives, making a purchase decision, and exhibiting post-purchase behavior.

**HYPOTHESIS DEVELOPMENT**

**Religiosity and Perception**

Religiosity has a significant influence on human attitudes and behaviors. Research focusing on the relationship between religiosity and consumer perception confirms that religion is highly important in the consumer process, perception, attitudes, and behavior. Using both religious commitment and religious orientation as variables to measure religiosity provides a comprehensive picture of the relationship between religiosity and consumer behavior (Bazeem, 2015). Religion also shapes an individual's perception; with an understanding of their religion, a consumer will form perceptions based on what they comprehend, interpret, and believe (Hidayatulloh and Sartini, 2019). Understanding religiosity regarding a specific religion also acts as a stimulus for consumers, ultimately leading to different interpretations of a product, which in turn affects consumer perceptions of the product (Bazeem, 2015; Mothersbaugh and Hawkins, 2016).

**H1**: Religiosity has a positive effect on perception.

**Religiosity and Customer Decision**

Religiosity refers to a concept with several dimensions, including faith or belief and behavior based on individual thoughts and actions. The impact of religiosity on various aspects of human life has been the focus of research by many social scientists, as seen in works by Sholihin et al. (2022), Obregon et al. (2022), and Saeed et al. (2021). Generally, these studies indicate the significance of religious values in human social life. Religiosity influences consumer preferences and dislikes. Additionally, religiosity affects consumers' orientations toward consumption patterns and their overall behavior (Niswah, 2018).

The level of religiosity can also influence an individual's behavior in choosing what is allowed or forbidden by Islam. If someone has a low level of religiosity, they may not consider the prohibitions in Islam. Conversely, if someone has a high level of religiosity, they are inclined to avoid prohibited things and adhere to what is allowed in Islam. This also applies to a person's interest in choosing specific products or services (Rachmawati and Widana, 2019). Therefore, when an individual or consumer has a high level of religiosity, it is presumed they will use services offered by Islamic banks. Hence, the following hypothesis is proposed:

**H2**: Religiosity has a positive influence on the customer's decision to use a Sharia bank.
User Perception and Customer Decision

Perception is one of the primary psychological factors that can influence an individual to make purchasing decisions or use a product. Simply put, perception is how someone views something. According to Kotler and Keller (2016), perception is the process of selecting, organizing, and interpreting information input to create a meaningful representation of a situation. Mothersbaugh and Hawkins (2016) also define perception as a process that starts with the exposure and attention of consumers to marketing stimuli and ends with consumer interpretation. Consumers are highly selective in their attention, meaning they process only a fraction of the available information. Therefore, consumer perception and reality often differ significantly because consumer interpretations can be highly subjective. Three factors influence perception: 1) Individual factors, aspects within the individual, including motivation and ability; 2) stimulus factors: intensity, attractive visuals, format, and information quality; 3) situational factors: clutter and involvement. These factors can alter a person's perspective on a situation and influence their response to experiencing and accepting it (Mothersbaugh and Hawkins, 2016).

Decision-making involves selecting an action from two or more alternative choices. A consumer has various alternative options before deciding to act, choose, and determine a purchase, according to Schiffman and Wisenblit (2019). Pride and Ferrel (2010) divide the factors influencing consumer decisions to purchase or use a product or service into two categories: personal and psychological. Personal factors consist of demographic factors, involvement factors, and situational factors. Psychological factors comprise motives, knowledge, personality, and especially perception. Therefore, when consumers have a good or positive perception of a product, it is presumed to drive their decision to buy or use that product. Hence, the following hypothesis is proposed:

**H3:** Perception has a positive influence on the customer's decision to use Sharia Bank.

Mediation Role of Consumer Perception.

Better life. This is the result of a process of transcendence or the formal and informal institutionalization of religious doctrine. It requires a strong understanding of the experiences, mental aspects, and individual appreciation of the adopted belief system. The influence of religiosity on the decision to use Islamic banking products has been identified by several researchers (Salim et al., 2022; Bananuka et al., 2019; Zuhirsyan and Nurlinda, 2018). Souiden and Rani (2015) stated that the more fearful someone is of God's punishment, the more likely they are to have a positive perception of Islamic banks. Additionally, the stronger someone's conviction in Islamic Sharia, the more supportive they are of Islamic banking products. Research conducted by Zuhirsyan and Nurlinda (2018) indicates that religiosity has a significant positive relationship with consumer decisions to use or adopt Islamic banking. Furthermore, religiosity has been shown to have a positive association with the adoption and use of Islamic banking (Bananuka et al., 2019). Therefore, when a consumer receives stimuli that align with what they desire, in this case, religiosity, it will encourage the consumer to consume a product or use a service that aligns with their perceived perception. Hence, the following hypothesis is proposed:

**H4:** The influence of religiosity on the customer's decision to use Sharia banking is mediated by consumer perceptions.

![Figure 1. Research Model](image-url)
### Table 1. Variables and Questionnaire Statement Items

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dimension</th>
<th>Item Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religiosity</td>
<td>Beliefs and Values</td>
<td>Religion is important in life.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Religion can influence financial decisions.</td>
</tr>
<tr>
<td></td>
<td>Religious/Ritualistic Practices</td>
<td>Worship or carrying out religious practices is very important.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Banking services are assessed in accordance with religious principles.</td>
</tr>
<tr>
<td>Spiritual Experience</td>
<td></td>
<td>Feel close to God in everyday life.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Use banking services that support religious values.</td>
</tr>
<tr>
<td>Moral Consequences</td>
<td></td>
<td>Sharia banking services are in accordance with religious moral values.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sharia banking services, in accordance with religious values, can help prevent acts of corruption or fraud.</td>
</tr>
<tr>
<td>Relationship With God</td>
<td></td>
<td>Sharia banking services in accordance with religious principles make you closer to God</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sharia banking services support social or charitable activities that are in accordance with religious values</td>
</tr>
<tr>
<td>Relationship with the Environment</td>
<td>Environmental friendly Sharia banking services</td>
<td>Sharia banking services can help protect the environment.</td>
</tr>
<tr>
<td>Perception</td>
<td>Speed</td>
<td>Can quickly perceive information about Islamic banks.</td>
</tr>
<tr>
<td></td>
<td>Automaticity</td>
<td>Understand the basic principles of Islamic banking after a short exposure.</td>
</tr>
<tr>
<td></td>
<td>Stubborn Phenomenology</td>
<td>Automatically pay attention to Islamic banks in everyday life.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Islamic banks influence decisions about using banking services.</td>
</tr>
<tr>
<td></td>
<td>Effects On Other Visual Processes</td>
<td>Changing perceptions about Islamic banks based on new experiences.</td>
</tr>
<tr>
<td></td>
<td>Sensitivity To Subtle Visual Parameters</td>
<td>Islamic banks influence perceptions about other banking services.</td>
</tr>
<tr>
<td></td>
<td>Problem Recognition</td>
<td>Islamic banks influence perceptions about finance and investment</td>
</tr>
<tr>
<td></td>
<td>Information Search</td>
<td>Sensitive to visual changes in Sharia bank promotions and branding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Visual changes affect perception.</td>
</tr>
<tr>
<td></td>
<td>Evaluation of Alternatives</td>
<td>Desire to use Sharia banking services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Feel compelled to use banking services</td>
</tr>
<tr>
<td></td>
<td>Purchase Decision</td>
<td>Consider the benefits of Islamic banking services before deciding to use them</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Often, the attributes or features of Sharia banking services should be considered before using them.</td>
</tr>
<tr>
<td></td>
<td>Post Purchase Evaluation</td>
<td>Choose Sharia banking services based on the brand or name of the bank.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Choose banking services based on the dealer or bank branch.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Choose banking services based on payment or transaction methods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Feel satisfied with the banking services used</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Recommend the banking services you use to others</td>
</tr>
</tbody>
</table>

Source: Processed Data (2023)
METHOD
Research Method
This research employs a quantitative methodological approach that focuses on hypothesis testing and verification through data collection. The quantitative approach is a method that utilizes numerical data and statistics to explain, describe, and answer research questions (Curwin and Slater, 2007). In the quantitative approach, theories are tested by measuring research variables using statistical procedures (Jogiyanto, 2011) (Jogiyanto, 2011). This study examines the relationship or influence between the independent variable (X), namely religiosity, and the dependent variable (Y), which is user decisions. This research also considers the influence of a mediating variable (Z), namely perception.

Sampling Procedure
The population in this study consists of business operators located in the traditional markets in Palu City, namely the Inpres Manonda market and the Masomba market. Business operators are deemed suitable for this type of research, but the number utilizing Islamic banks within the population is unknown; hence, purposive sampling is used. Purposive sampling is a method where clear criteria are established for the selection of respondents. The criteria for respondents in this study are as follows: 1) Permanent land owners in the Inpres and Masomba markets who have professions as traders in those places; 2) Traders who have an account and use a Sharia Bank. The minimum recommended sample size for using structural equation modeling (SEM) is between 100 and 200 samples (Hair et al., 2014). In this research, there are 180 respondents whose data will be used to test the hypotheses. This data was obtained through questionnaires directly given to the respondents.

Operationalization And Measurement
In this study, a questionnaire is used as a measuring tool and given to respondents who meet the research criteria. A Likert scale ranging from 1 to 5 is used as the measurement method in the questionnaire, where the number 1 represents 'strongly disagree,' and the number 5 represents 'strongly agree.' Each research variable has specific indicators, which will be measured through questions in the questionnaire as follows: Religion comprises 12 adapted items (Abdel-Khalek and Lester, 2017). Perception is measured using ten adapted items (Mack and Palermi, 2015; Hafri and Firestone, 2021; Firestone and Scholl, 2016). Finally, user decisions are measured using 11 adapted items (Kotler and Keller, 2016).

Analysis Method
In this study, the Structural Equation Modeling (SEM) analysis method is utilized using the SmartPLS application. The choice of this method is due to the partial least squares (PLS) method employed within SEM, considered a robust analysis method often referred to as "soft modeling" because it does not adhere to assumptions present in ordinary least squares (OLS) regression, such as assumptions of normal multivariate distribution and absence of multicollinearity issues among independent variables (Latan and Ghozali, 2012). SEM is a statistical field that enables simultaneous testing of complex relationships. This method combines factor analysis and regression analysis to test relationships between variables in a model, both among indicators and constructs and among the constructs themselves (Santosa, 2018). According to He et al. (2016), SEM is a second-generation multivariate analysis technique that combines factor analysis and regression (correlation) to test relationships among variables in a model.

Both steps will be explained separately in reporting the data analysis results. First, the measurement model testing results, encompassing the validity and reliability of the measuring instrument, will be reported. Subsequently, the results of testing the structural model involving data analysis according to the hypotheses proposed in the study will be reported.

RESULTS
Respondent Characteristics
The respondents' characteristics table provides a detailed description of the demographic characteristics and profiles of the study's subjects. The information in the respondent's table covers various aspects, such as owner religion, market type, type of business, average income/day, and whether they are still using a conventional bank. By analyzing the respondent table, readers will be able to understand the composition and distribution of the respondent group, which can be the ba-
sis for describing the diversity or similarity of characteristics in the research population.

Based on table 2, the following things can be analyzed. Markets are the type of business most often established by Muslims in Palu. This shows that Muslims have an important role in the economy of Palu City, especially in providing for the community’s basic needs. In addition, most of the businesses owned by Muslims in Palu have been established for a long time. The average daily income from Muslim-owned businesses in Palu is around 1 million rupiah. This shows that businesses owned by Muslims have the potential to improve the welfare of the Muslim community in Palu. Most Muslim-owned businesses in Palu still use conventional banks. This shows that Muslims still rely on conventional banks to meet their financial needs.

**Outer Evaluation (Measurement) Model**

In the context of this research, convergent validity will be used to assess the extent to which the indicators within the constructs have positive relationships with each other. It is important to note that the convergent validity measurement criteria in this study adhere to the recommendations from (Hair et al., 2014), where the factor loading scores should exceed 0.50 (Latan and Ghozali, 2012).

In the measurement model test of this research, it was found that the 12 indicators on the religiosity variable showed that all indicators had a loading factor value greater than 0.5. Furthermore, in the perception variable composed of 10 indicators, all indicators have loading factor values greater than 0.5. Lastly, the customer decision variable, consisting of 11 indicators, demonstrates that all indicators have loading factor values greater than 0.5. This implies that each indicator used can explain each existing variable, thereby deeming the variables valid to proceed to further analysis.

**Table 2. Sample Demographic Characteristics**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner Religion</strong></td>
<td>Islam</td>
<td>180</td>
</tr>
<tr>
<td><strong>Market</strong></td>
<td>Inpres Manonda Market</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>Masomba Market</td>
<td>82</td>
</tr>
<tr>
<td><strong>Type Of Business</strong></td>
<td>Food and Beverages</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>Local Product</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Agriculture Product</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Houseware Store</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Furniture Store</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Toy Store</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Clothing and Accessories</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Crockery Store</td>
<td>11</td>
</tr>
<tr>
<td><strong>Business Age</strong></td>
<td>&lt;2 years</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>&gt;2 years - &lt;4 years</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>&gt;4 years - &lt;6 years</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>&gt;6 years</td>
<td>163</td>
</tr>
<tr>
<td><strong>Average Income/Day</strong></td>
<td>&lt;1 Million</td>
<td>122</td>
</tr>
<tr>
<td></td>
<td>&gt;1 Million - &lt;3 Million</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>&gt;3 Million - &lt;5 Million</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>&gt;5 Million</td>
<td>4</td>
</tr>
<tr>
<td><strong>Still Using Conventional Bank?</strong></td>
<td>Yes</td>
<td>168</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Processed Data (2024)
Construct Reliability

In this study, the reliability of PLS is tested using two methods: composite reliability and Cronbach's alpha. Both methods are employed because they also consider the outer loading values of each indicator used. A construct is considered reliable if its composite reliability value exceeds 0.70 and its Cronbach's alpha value surpasses 0.60 (Latan and Ghozali, 2012). In testing the Composite Reliability value in this research, all religiosity, perception, and customer decision variables showed a Composite Reliability value greater than 0.7. Likewise, with the Cronbach's alpha value in this study, all variables showed a Cronbach's alpha value greater than 0.6. Therefore, all variables in this study have good and acceptable reliability.

R-Square Coefficient of Determination

The R-Square, also known as coefficient of determination, indicates the extent to which variations in the dependent variable can be explained by the existing independent variables (Santosa, 2018). R-Square is often used to evaluate structural models in PLS. The R-Square value range is between 0 and 1, and closer to 1 indicates better prediction accuracy. In this study, the R-Square value limit used was 0.25 or greater, which indicates a significant effect.

The tests' results show the influence of religiosity on customer perceptions and decisions. In the context of the religiosity variable on perception, an r-square value of 0.290 or 29.0% was found, which indicates that the independent variable, religiosity, used in this research, has a fairly low influence or impact on the dependent variable, namely perception. Apart from that, the religiosity variable on customer decisions shows an r-square value of 0.292 or 29.2%, which shows that the independent variable, religiosity, used in this research, also has a fairly low influence or impact on the dependent variable, namely customer decisions.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Original Sample (O)</th>
<th>T Statistic</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religiosity → Perception</td>
<td>0.542</td>
<td>8.143</td>
<td>0.000</td>
</tr>
<tr>
<td>Religiosity → Customer Decision</td>
<td>-0.002</td>
<td>0.028</td>
<td>0.978</td>
</tr>
<tr>
<td>Perception → Customer Decision</td>
<td>0.549</td>
<td>6.977</td>
<td>0.000</td>
</tr>
<tr>
<td>Religiosity → Perception → Customer Decision</td>
<td>0.298</td>
<td>5.730</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Processed Data (2024)

![Figure 2. Path Analysis Results](source: Processed Data (2023))
**Path Coefficient Estimation**

The path coefficient estimation is a method used to identify the significance of results using the bootstrapping method. Here are the results of the bootstrapping test. This research examines the relationship between religiosity and perception. It is evident that the significance value, p-value 0.000 < 0.05. This indicates that the identified religiosity in this study has a positive and significant influence on perception. Therefore, it can be concluded that hypothesis 1 (H1) is accepted. Additionally, the study also explores the relationship between religiosity and customer decisions, where the significance value, p-value 0.978 > 0.05. This indicates that religiosity does not significantly influence customer decisions. Consequently, it can be concluded that hypothesis 2 (H2) is rejected.

Furthermore, this research investigates the relationship between perception and customer decisions, revealing a significance value, p-value 0.000 < 0.05. This suggests that the identified perception in this study significantly and positively affects customer decisions. Therefore, it can be concluded that hypothesis 3 (H3) is accepted. Additionally, the study examines the relationship between religiosity and customer decisions mediated by perception. The significance value, p-value 0.000 < 0.05, indicates that the perception identified in this study can mediate the relationship between religiosity and customer decisions. Hence, it can be concluded that hypothesis 4 (H4) is accepted.

**DISCUSSION**

**Religiosity on Perception**

Research findings found that the first hypothesis - religiosity - has a significant influence on traditional market traders' perceptions of Islamic banks. Abdel-Khalek and Lester (2017) state that religiosity is a system of beliefs, values, religion, and practices that are institutionalized or personal and connected to divinity a level of reality or power that is considered the highest source or transcendence, but still exists in this nature. The religiosity of traditional market traders can be reflected in their belief in values (Ilhami et al., 2022). Traders with strong religious beliefs and values often view Islamic banks from a different perspective. They tend to see Islamic banks as financial institutions that are in line with Islamic moral and ethical values. Religious practices can be seen from active engagement in religious practices such as prayer, fasting, and giving alms, making traders more aware of Sharia compliance in their financial activities. Personal worship, such as dhikr and participation in religious gatherings, can increase traders' awareness of religious values and their relationship with God. In this context, Islamic banks are considered as the embodiment of higher social and moral responsibility, thus influencing their perception of the bank.

High religiosity tends to be a driving force in creating strong perceptions that influence their choice to use Islamic banks (Santosa, 2018). Highly religious traders may quickly form a more positive perception of Islamic banks due to their strong belief in Sharia compliance. High religiosity can make traders' perceptions of Islamic banks more automatic, and compliance with sharia becomes a natural and unnecessary reaction. Highly religious traders may have a firm perception of Islamic banks, which may be resistant to external arguments or factors. High religiosity can influence the way traders view the visual and practical aspects of Islamic banking, such as office location. Highly religious traders may be more attuned to visual elements that signal compliance with sharia, such as Islamic symbols or ethical messages in Islamic bank marketing campaigns. The findings of this research are in line with research conducted (Abor et al., 2022; Alzadjal et al., 2022) showing that religiosity has a significant effect on individual perceptions of using Islamic banks. This influence can have a significant impact on the growth and development of the Sharia financial industry in Palu City.

**Religiosity on Customer Decisions**

Based on the second hypothesis, this research finds that religiosity does not have a significant effect on the decisions of traditional market traders in Palu City when choosing to use Sharia banks. In fact, religiosity in dimensions such as beliefs and values, religious practices, personal worship, relationship with transcendence, and the relationship between religiosity and the choice of Islamic banks (Islam and Chandrasekaran, 2020) may have a significant relationship to the decision to use Islamic banks. However, its impact on the final decision of traditional market traders may not
always be in line with the conceptual framework built.

There are several considerations that cause religiosity to be insignificant in influencing the decisions of traditional market traders in the city of Palu. Financial considerations often dominate their decisions, because they consider conventional banks to offer greater financial benefits than Islamic banks. In addition, some market trader suppliers utilize conventional banks for efficient interbank transactions, encouraging traders to use conventional banks despite their strong religious beliefs. Interviews also revealed that ease of access and wider services, including an extensive ATM network, are still the main considerations for traditional market traders in Palu, who are looking for convenience in their daily activities, which is often found in conventional banks. In fact, according to Belwal and Maqbali (2018), conventional banking and Sharia banking must coexist, and there is no indication that Sharia banking will replace conventional banking.

In other words, although religiosity can influence the thoughts and preferences of traditional market traders in Palu City in deciding to use a Sharia bank, it does not always have an impact on choosing a Sharia bank for their financial activities. This research is in line with research conducted (Belwal and Maqbali, 2018) which states that religiosity does not have a significant effect on consumer decisions regarding the use of sharia banking. In addition, research conducted by (Wang et al., 2020) stated that religiosity cannot fully influence consumer behavior, especially their purchasing decisions.

**Perception on Customer Decisions**

Based on the research results, perceptions have a significant influence on traditional market traders' decisions to use Sharia banks. Perception as an individual process is highly dependent on internal factors, such as beliefs, experiences, needs, moods, and expectations (Hosen et al., 2021). Internal factors and external factors can also influence a consumer's perception (Schiffman and Wisenblit, 2019). This research identified several perceptual indicators such as speed, automation, strong phenomenology, impact on other visual processes, and sensitivity to subtle visual parameters, all of which are essential in shaping customers' decisions to use Islamic banking services. The speed and convenience of transactions, offering fast and efficient services, can make Islamic banks the main choice for traditional market traders in Palu City.

The automation of using Islamic banks also reflects the large influence of their perception of the bank. Through interviews, traders decided to use Sharia banks because facilities such as mobile banking, ease of transactions, and savings installment-pick up services make the process more effective and efficient for traders. Strong phenomenology describes a strong perception of the superiority and Sharia compliance of Islamic banks, which is an essential factor in decision-making. This perception can influence other visual processes, including understanding the ethics and sharia principles on which the bank is based. Sensitivity to visual elements that reflect Sharia principles in Sharia banks can also have an impact on the perception of traditional market traders. Regarding consumer decisions, problem recognition, in-depth information search, alternative evaluation, purchasing decisions, and post-purchase behavior are all reflected in the final decision to use Islamic banks as the main financial institution. Overall, these perceptions play an important role in shaping the preferences of traditional market traders regarding choosing a Sharia bank. This research aligns with research conducted (Oladapo et al., 2022; Mba-wuni and Nimako, 2018; Achar et al., 2016) which shows that consumer perceptions can influence a person's final decision.

**Mediates Role of Perception**

Based on the test results, it was found that perception significantly mediates the influence of religiosity on traditional market traders' decisions to use Sharia banks. The influence of religiosity on traditional market traders' decisions in using Sharia banks can be seen through the use of mediation in research, where perception plays a big role in linking religiosity with consumer decisions, especially traditional market traders in Palu City regarding the use of Sharia Banks. Religiosity is one of the factors driving traditional market traders to consider using Islamic banks as their main financial partners, both for personal needs and business purposes (Gursoy et al., 2017; Usman et al., 2017). Market traders have strong beliefs regarding sha-
ria principles and religious observance in their financial lives. Apart from that, religiosity is also considered to be able to shape an individual's perception (Alsaad et al., 2021; Mortimer et al., 2020) which, if the perception is good, will encourage the use of sharia banking.

Traditional market traders' perception of Sharia banks as institutions that facilitate their compliance with Sharia transactions through factors such as speed, automation, strong phenomenology, impact on other visual processes, and sensitivity to visual parameters serves as a significant mediator in the relationship between religiosity and their preference for Islamic banks. Apart from belief, religiosity also influences the way they view Islamic banks and this perception will lead traders to decide to choose Islamic banks as the main choice for their finances. This research is in line with research conducted by Islam and Chandrasekaran, 2020; Alzadjal et al., 2022), which state that perception and religiosity have a significant influence on the decision to use Sharia banking services.

IMPLICATIONS

This research discusses how the aspects of religiosity and public perception related to Islamic banks can drive individuals to utilize the offered Islamic banking services. The implications formulated in this research are twofold. Firstly, implications on their marketing strategy formulation, where future marketing managers can design more effective strategies. In their campaigns, they can emphasize Sharia values and financial benefits more aligned with religious values. Additionally, for the development of products and services, Islamic banking institutions can be encouraged to create new products and services that better align with the needs and preferences of more religious consumers. This includes fairer financing and investments in line with Sharia principles. Islamic banks can also leverage the results of this research to enhance public awareness of Islamic banking and its benefits for more religious communities. They can communicate these findings through marketing campaigns and educational programs. In order to accommodate more religious customers, marketing managers can direct their efforts toward improving customer service and providing a better understanding of Sharia products and services to clients. Lastly, banking institutions could focus on fostering collaborations between Islamic banks and religious institutions and communities. This could assist in building stronger relationships with religious leaders and communities, influencing consumer perceptions and decisions.

RECOMMENDATIONS

This research has several limitations. Public perception of Islamic banks is a subjective concept that can vary significantly among individuals, making it challenging to measure accurately and objectively. Many people still do not specifically understand the differences between conventional and Islamic banking, leading to potentially less accurate responses. Therefore, future research could employ experimental studies to compare the influence of religiosity on perceptions of Islamic banking with perceptions of conventional financial institutions. This could offer further insight into how religiosity affects financial decisions. Additionally, this research did not consider the criteria for respondents or samples who truly understand religious issues, commonly referred to as religious individuals. Hence, responses regarding religious variables might be deemed less accurate, as some people still maintain perceptions associated with being money-oriented. In the future, the use of control variables is essential, and selecting more appropriate samples will provide deeper insights into the research.

CONCLUSIONS

Research findings show that there is a positive influence of religiosity on customer perceptions of Sharia banking. This indicates that when a customer has a good level of religiosity, this can also form a good perception of sharia practices or activities. However, religiosity was found to have no effect on consumer decisions to use banking services. This is because most traders still consider financial considerations to be the factor that dominates their decisions. After all, they consider conventional banks to offer greater financial benefits than Islamic banks. This research also shows that a person's positive perception of Sharia banking can encourage individuals to use banking services. Once customers have a good perception of a bank because it has sharia practices, they will have a good picture of that bank and will ultimately use
the services offered. Lastly, perception can act as a mediator in this research, especially if it is influenced by an individual’s religiosity, which can foster a positive perception of Sharia banking, which ultimately has an impact on their decision to use the Sharia banking services offered.

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