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## THE ROLE OF ISLAMIC FINANCIAL LITERACY TOWARDS ADOPTION OF ISLAMIC BANKING PRODUCTS AND SERVICES: A SYSTEMATIC LITERATURE REVIEW

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### ABSTRACT

Following the increased demand for Islamic banking products and services in different economies, research on the effect of Islamic financial literacy in the adoption of Islamic banking products and services has increased in recent years. The purpose of this study is to identify and explore the role of Islamic financial literacy towards the adoption of Islamic banking products and services as it has not been categorically addressed in the prevailing literature so far. The study used a systematic literature review following the PRISMA protocol to execute the analysis of the review. The results identified awareness, enhancement of the intention to use, directing financial decision making and modelling financial behaviour as the key roles of Islamic financial literacy towards the adoption of Islamic banking products and services. The study helps in directing future research on Islamic financial literacy towards understanding it in line with the identified roles.

*KEYWORDS: ISLAMIC FINANCIAL LITERACY, SYSTEMATIC LITERATURE REVIEW, ISLAMIC BANKING AND FINANCE, SHARIAH FINANCIAL LITERACY*

### ABSTRAK

Ekoran peningkatan permintaan terhadap produk dan perkhidmatan perbankan Islam dalam ekonomi yang berbeza, penyelidikan tentang kesan celik kewangan Islam dalam penggunaan produk dan perkhidmatan perbankan Islam telah meningkat semenjak beberapa tahun kebelakangan ini. Tujuan kajian ini adalah untuk mengenal pasti dan meneroka peranan literasi kewangan Islam terhadap penggunaan produk dan perkhidmatan perbankan Islam kerana ianya tidak dirungkaikan secara kategori dalam sorotan literatur semasa dewasa ini. Kajian ini menggunakan kajian literatur bersistematik mengikut protokol PRISMA untuk melaksanakan analisis kajian. Hasilnya mengenal pasti kesedaran, peningkatan niat untuk menggunakan, mengarahkan membuat keputusan kewangan dan memodelkan tingkah laku kewangan sebagai peranan utama celik kewangan Islam terhadap penggunaan produk dan perkhidmatan perbankan Islam. Kajian ini membantu dalam mengarahkan penyelidikan masa depan tentang celik kewangan Islam ke arah memahaminya selari dengan peranan yang dikenal pasti.

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*KATA KUNCI: LITERASI KEWANGAN ISLAM, TINJAUAN LITERATUR SISTEMATIK, PERBANKAN DAN KEWANGAN ISLAM, LITERASI KEWANGAN SYARIAH*

## 1. INTRODUCTION

The emergence of modern Islamic finance can be traced back to the 1940s with the commencement of an Islamic financial movement in a village in Pakistan (Merah, 2011). For several decades, the industry has become very popular not only in the Arab and Islamic world but also in different parts of the world. However, the robustness of the system to withstand Global financial crises like that of 2008 (Pala *et al.*, 2023), has helped the industry experience and enjoy immense growth despite the numerous shocks in the past decade. The concentration of most industrial assets in oil-exporting countries and the complexity of transactions and standards are the major challenges.

Despite the Islamic financial assets more than doubling in the last decade to almost USD 3trillion YE2022 (Islamic Financial Services Industry Stability Report, 2023), many more studies are being done to analyze determinants of adoption of Islamic banking products and services in different jurisdictions at the expense of simplifying and disseminating the information related to Islamic financial transactions and their implications to the consumers of *Shariah*-compliant products. Besides, financial literacy today is globally acknowledged as a crucial element of economic and financial stability and development (Huston, 2010). This implies that financial literacy is a key life skill that not only enhances the "financial capability" of individuals but also translates into increased demand for and supply of financial products and services (OECD, 2012). Indeed, the desire by consumers to know whether the *Shariah* products or services they are choosing are compliant with Islamic principles has also been a challenge in the industry (Albaity & Rahman, 2019) - coupled with their desire to become knowledgeable of financing aspects and terms like the length of financing, economic situations in respective jurisdictions among others. Such challenges would be addressed through rigorous development of Islamic financial literacy programs to boost awareness and financial competencies of Islamic products and services consumers to be able to make informed Islamic financial choices that would significantly affect the adoption of Islamic banking in general (Pala *et al.*, 2023).

Importantly, Scholars of Islamic finance have picked interest in the study of Islamic financial literacy recently in 2016, when studies pertaining Islamic financial literacy measurement scale were devised (Antara *et al.*, 2016). This gave a basis for later studies that have used the Islamic financial literacy scale with improvements, to study the consumers' intention to adopt Islamic banking and finance (Albaity & Rahman, 2019). Thus, it is essential to treat Islamic financial literacy as a determinant of adoption alongside cost, benefit and awareness. Besides, in the 27 documents considered for this review, there is only one review done through bibliometric analysis whose aim was to highlight research opportunities in the Islamic financial literacy field. The research keywords in the review were diverse and some were not directly tailored to the Islamic financial literacy concept. The review's research keywords used were "financial literacy", "financial inclusion", "Islamic financial literacy", "financial planning" and "household finance" (Sevriana *et al.*, 2022).

However, limited studies are highlighting the clear-cut role of Islamic financial literacy in impacting the adoption of Islamic banking & financial services and products. So, in this systematic review, this study contributes to closing this literature gap by exploring the current studies from the Scopus database - and then analyzes the relationship between Islamic financial literacy and Islamic banking through understanding the key roles of Islamic financial literacy in aiding the adoption of Islamic Banking products and services. The study used specific search terms of "Islamic Financial Literacy", "Adoption of Islamic Banking and Finance" and "*Shariah* financial literacy" that was not considered by the only review article considered for this study. Therefore, this study is central in attracting scholars' attention to focus on studying Islamic financial literacy in reflection of its major roles that enable consumers to get exposed to diversified and complex products and services structures of Islamic banking and finance, leading to easy adoption of services and products in the industry.

## 2. LITERATURE REVIEW

Consumers of Islamic banking and finance seeking financing face the challenge of understanding the products and services available (Albaity & Rahman, 2019) and understanding whether such products and services are *Shariah* compliant despite being branded so. However, all this would be limited if consumers' exposure to Islamic financial literacy is high enough (Pala *et al.*, 2023) something that aids appropriate decision-making (Zulfaka *et al.*, 2023), translating into enhanced financial well-being. Therefore, Islamic financial literacy is a crucial concept that not only helps consumers stay aligned with the consumption of *Shariah*-compliant services and products but also enables them to cope with the prevailing financial challenges (Abdullah *et al.*, 2023).

Moreover, financial literacy has been defined in different folds by several researchers and it is diverse. Huston (2010) divided it into 4 categories as inclusive of personal finance basics, borrowing, saving/investing, and protection. He further conceptualized it as having two dimensions understanding (personal financial knowledge) and use (personal financial application). Besides, Pala *et al.*, (2023), defined financial literacy as a composition of awareness, knowledge, skill, attitude, and behaviour essential to making sound financial decisions and finally achieving individual financial wellbeing. According to the Organisation for Economic Co-operation and Development (OECD) (2012), financial literacy is a combination of awareness, knowledge, skills, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.

Indeed, increased financial literacy is a key factor considered in the growth and development of an economy (Dinc *et al.*, 2021). Thus, this justifies the considerable investment by countries and organizations like the World Bank into financial literacy enhancement amongst the masses. Besides, financial literacy concepts have been developed mostly based on/reflective of interest-based financial concepts, an assumption that financial literacy has been developed to make interest-based concepts acceptable in societies although interest highly violates financial ethical principles and is thus rejected in most religions (Dinc *et al.*, 2021). Moreover, Islamic financial literacy emerged as reflective *Shariah* compliance for Muslims where they are equipped with awareness, skill, knowledge, and financial decision-making to enable them to make informed choices in line with Islamic rules (Antara *et al.*, 2017). Therefore, as *riba* begets injustice and discontent in society, Muslims should have a clear understanding of why it was prohibited and what the real alternative to it is through Islamic financial literacy.

Moreover, there is not yet a standardized definition of Islamic financial literacy as there are varied definitions that we found given by authors in the publications we considered for this review. However, important to note from the definitions given is that Islamic financial literacy elaboration is based on the components of the conventional definition of financial literacy (Huston, 2010) highlighting the ability to have knowledge, skills, and confidence to make informed decisions.

Therefore, from the varied studies on Islamic financial literacy, it can be defined as the degree of knowledge, awareness, and skill related to Islamic financial services (Yildiz, 2020). The ability to understand finance based on *Shariah* compliance (Abdullah *et al.*, 2016). Besides, Antara *et al.* (2016) defined Islamic financial literacy as the ability to have knowledge about Islamic products and services, to observe the basic principles of Islamic finance while making financial decisions and to act with an awareness of Islamic rules.

It's worth noting though that Islamic financial literacy extends to include the aspect of consumers having the skills, Islamic financial knowledge, and confidence to make financial decisions all aligned with *Shariah* compliance (Pala *et al.*, 2023). It is ideally conceived that as a person's Islamic financial literacy increases, their financial attention towards an interest-free banking system increases (Albaity & Rahman, 2019).

Therefore, Islamic financial literacy knowledge levels can be identified in financial decisions and behaviours like investment, savings (Pala *et al.*, 2023), retirement planning and bank preferences (Al-

Awlaqi & Aamer, 2022). The result of this can be enhanced awareness of the consumers about Islamic banking & financial services and products (Abdullah *et al.*, 2022, Dinc *et al.*, 2023), consumers' behaviours getting modelled towards the intention to use Islamic banking services and products (Lajuni *et al.*, 2020, Albaity & Rahman, 2018), affecting their decision-making process on the choice of services and products to be consumed (Nur, 2022, Osman *et al.*, 2023, Setiawati *et al.*, 2018, Hadajati & Hamdani, 2017, Kevser *et al.*, 2021), and thus impact their financial behaviour getting directed towards Islamic banking and financial products consumption leading to the enhanced financial well-being of the consumers (Patrisia *et al.*, 2023, Gunawan, 2023).

Hence, it is ideal in this review that with effective consideration of Islamic financial literacy guidelines and their dissemination (Abdullah *et al.*, 2022) within communities, adversaries like bankruptcy would be minimized since Islamic banking and finance consumers would know which products and services to access and for what outcomes. Thus, there would be financial inclusion for many in most communities (Mujiatuni *et al.*, 2023). Consequently, we contribute to the literature by analyzing the role of Islamic financial literacy towards the adoption of Islamic banking financial products and services. The rest of this paper is organized as follows: next is the method used to conduct this systematic review, after which we present the results and discussion and finally the conclusion with recommendations on possible research areas regarding the role of Islamic financial literacy in the field of Islamic banking and finance.

### 3. METHODOLOGY

The study used a systematic review that was performed following the preferred reporting items for systematic reviews and meta-analyses (PRISMA) (Page *et al.*, 2020). The PRISMA methodology follows a checklist of items that were considered throughout the review to achieve the required transparency while executing the review. This systematic approach has been widely used and recognized in the health field (Page *et al.*, 2020), tourism (Pahlevan Sharrif *et al.*, 2019) and agricultural field (Sekabira *et al.*, 2022) among others. Therefore, it's appropriate to apply to gain a deeper understanding of the role of Islamic financial literacy in the adoption of Islamic Banking products and services while reviewing the existing literature.

Indeed, with the use of this methodology, the study was able to identify articles that have so far addressed the different components of Islamic financial literacy thus making it easy to further analyze the respective roles of these components towards the adoption of Islamic banking. The approach of systematically reviewing Islamic financial literacy literature is employed for the first time as no papers accessed from Scopus had employed this method before, yet it is key in identifying gaps in the existing body of literature of any discipline.

To create the main dataset, a review protocol was developed in advance to guide the literature search. The protocol reflected information on the search terms, databases, and screening criteria. A review protocol improves the reliability of the review as it enhances consistency (Pahlevan Sharrif *et al.*, 2019), transparency and reproductivity (Sekabira *et al.*, 2022).

#### *Identification of Relevant Studies and Search Strategies*

As a strategy, the study focused on performing a primary search in the database of Scopus using search key terms of "Islamic financial literacy", "*Shariah* financial literacy", and "Adoption of Islamic banking and finance". The data was obtained from Scopus on 9<sup>th</sup> October 2023 and the search key terms were combined by the Boolean operator "OR" commanded to expose results from "Article titles", "Abstracts" and "Keywords" of possible publications that fit the search key terms about the field of Islamic financial literacy (Sekabira *et al.*, 2022).

To ensure eligibility of the publication in consideration, we made sure that it was published in Scopus only because we were interested in reviewing articles from peer-reviewed journals to get the profound opinions of leading authors in the Islamic financial literacy field as it's still a new field of research. The publication had to be full-length, published in English and addressed the concept of

Islamic financial literacy and the adoption of Islamic Banking & Finance specifically. It was also key for the articles to be the subject areas of Business management and accounting, Economics, Econometrics and finance, social sciences, Computer sciences, decision sciences and Arts and Humanities.

The publications considered from the search in Scopus included 28 journal articles, 3 book chapters, 2 conference papers, 1 review article and 1 pre-print article. The publications considered from Scopus as a widely accessed database for many scholars covered the time frame between 2016-2023 as the earliest publications about Islamic financial literacy directly are traced by 2016 with articles addressing the scale of Islamic financial literacy assessment to measure its level among the consumers for different economic jurisdictions (Antara *et al.*, 2016).

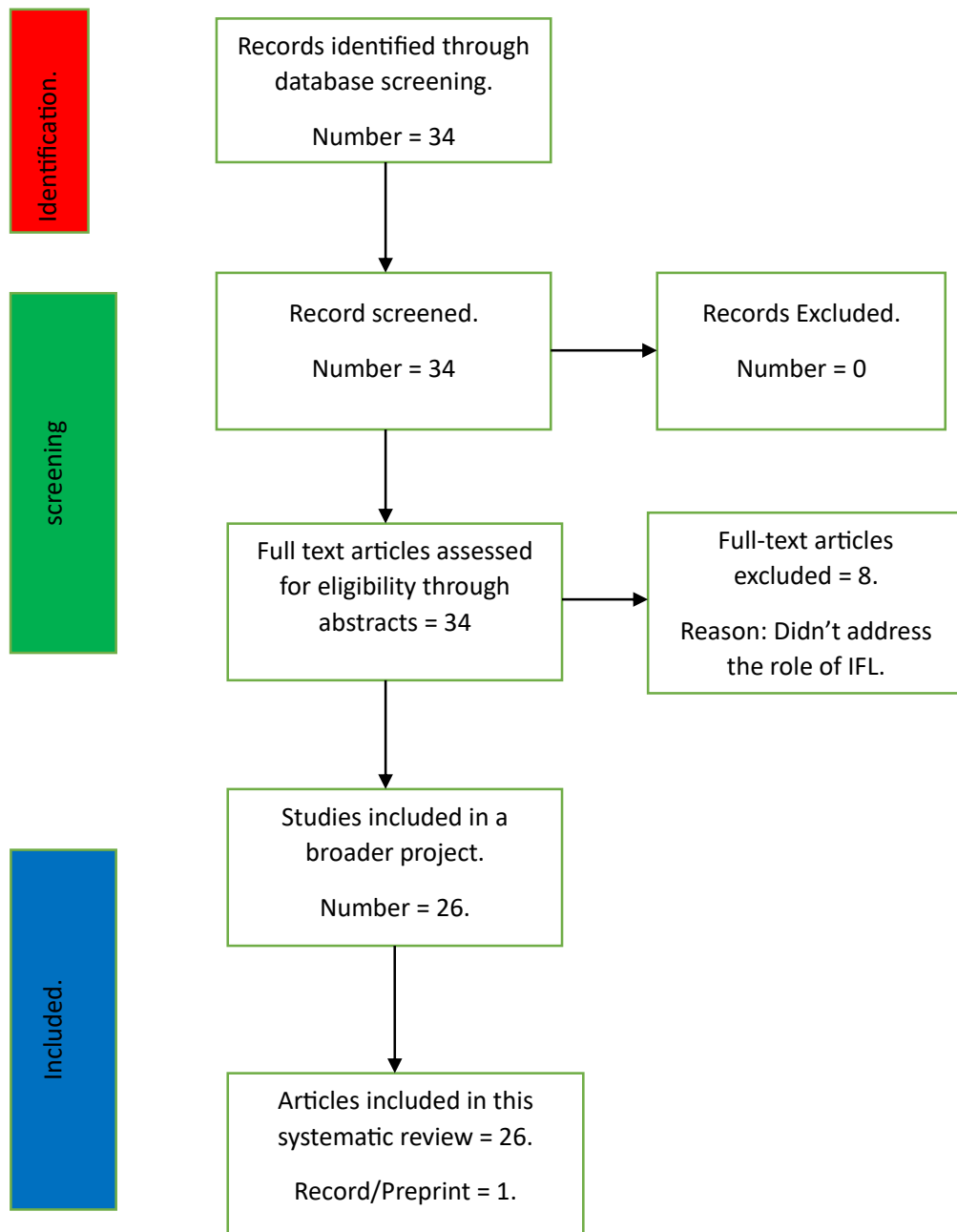
#### *Screening Strategies and Eligibility Criteria*

The study sourced 34 articles and 1 pre-print from the Scopus database for their relevance to the objectives of this study based on Titles, Abstracts and Keywords. So, after these articles had been sourced, they were further screened based on their abstracts as a secondary layer screening process. The abstract screening was done with the help of the MS Excel spreadsheet that had been created as a composition of the Titles, Abstracts, Keywords, Authors' names and affiliations, journal name, funding information, institute of article publication and year of publication an approach that was descriptive to source data. Accordingly, a total of 26 articles from the 34 sourced articles and 1 pre-printed article were vetted as eligible as 8 didn't qualify to pass this level (Sekabira *et al.*, 2022).

Therefore, the full texts of the 26 articles and 1 preprint article were retrieved and subjected to a complex-text screening to find out whether the entire content indeed aligned well to analyze the role of Islamic financial literacy towards the adoption of Islamic banking products and services. This resulted in all 26 articles and 1 preprint being identified as relevant to the needed data and thus considered potentially fit to provide information on the role of Islamic financial literacy towards the adoption of Islamic banking products and services and thus adoption.

This study therefore gathered impacting factors that give a qualitative assessment of the effect of Islamic financial literacy on the adoption of Islamic banking products and services. The flow chart below shows the selection criteria for the documents included in the review.

Flow Chart of the Study Selection Process



#### 4. FINDINGS

This section summarises the key categorical roles of Islamic financial literacy towards the adoption of Islamic banking services and products, segmented in Islamic financial literacy categories of awareness, attitude, skill (financial decision making), and behaviour as they were dominantly reported in various studies. Besides, it has been identified that Islamic financial literacy creates awareness in communities and is thus a pivotal contributor to aiding the application of Islamic finance principles in individuals' daily lives (Dewi & Ferdian, 2021). This has translated into not only boosting individuals' attitudes towards Islamic banking but also adoption of the industry's products and services. In other findings, it has been revealed that Islamic financial literacy significantly influences consumers' intention to use Islamic banking (Albaity & Rahman, 2019). Thus, 27 documents were explored in this review to analyze the relationship between Islamic financial literacy and Islamic banking in trying to understand its categorical role towards the adoption of Islamic banking products and services. The categories identified based on the concepts of Islamic financial literacy were (awareness about Islamic banking products and services, intention to use Islamic banking products and services, financial decision-making, and financial behaviour) where respective key categorical roles of Islamic financial literacy towards adoption of Islamic banking products and services were summarized.

Besides, the main distinction between the products used in the Islamic financial system from those of the conventional system lies in their philosophical differences (Pala *et al.*, 2023). Thus, from this point of view, the concept of Islamic financial literacy reflects the Islamic philosophy of *Shariah* compliance as the same aspects of knowledge, skill, attitude, and behaviour as used in conventional financial literacy are being utilized. Therefore, Islamic financial literacy is vast as reflected in its components where a respective component plays a key role in the adoption of Islamic banking products and services with the major objective of enhancing individuals' financial wellbeing in line with the Islamic rules. In the review analysis below, the study identifies which respective component of Islamic financial literacy has contributed to which role in the eventual adoption of Islamic banking products and services.

**TABLE 1: SUMMARY OF KEY STUDIES REVIEWED ON AWARENESS COMPONENT**

<b>Reference</b>	<b>Country</b>	<b>Sample size</b>	<b>Data Type</b>	<b>Category/role</b>	<b>Summary on awareness</b>	<b>Analytical method.</b>
Dinc <i>et al.</i> , (2023)	Turkey	3579	Survey Data	Awareness and knowledge among consumers	It enhances awareness leading to the general acceptance of Islamic finance principles	Quantitative (CFA)
Abdullah <i>et al.</i> , (2022)	Malaysia	Not mentioned	Survey Data	Raised awareness helping to change the attitudes and behaviors of debtors.	Awareness raised helps in minimizing bankruptcy	Qualitative (inductive & deductive approach)
Mujiatun <i>et al.</i> , (2023)	Indonesia	252	Survey Data	Awareness about Islamic products	It positively & significantly influences Islamic financial inclusion and business performance	Quantitative (CB-SEM)
Satria <i>et al.</i> , (2023)	Indonesia	380	Survey Data	Awareness enhancement	Increase in the growth of SMEs through engagement of the business actors involved	Quantitative
Daradkhan <i>et al.</i> , (2020)	Jordan	385	Survey Data	Awareness enhancement	It can enhance awareness of the public towards Islamic banking across different categories of individuals	Quantitative (Ordered Logistic Regression)



**TABLE 2: SUMMARY OF KEY STUDIES REVIEWED ON ATTITUDE COMPONENT**

<b>Reference</b>	<b>Country</b>	<b>Sample Size</b>	<b>Data Type</b>	<b>Category/ Role</b>	<b>Summary on Attitude</b>	<b>Method Used.</b>
Lajuni <i>et al.</i> , (2020)	Malaysia	300	Survey Data	Intention to use Islamic financial products and services	Yields predictive power to predict individual intention to implement financial products	Quantitative (PLS-SEM)
Nur, (2022)	Indonesia	Not mentioned	Survey Data	Intention to use <i>Shariah</i> mobile banking	There is an influence on the intention of consumers to use <i>Shariah</i> mobile banking	Quantitative (PLS-SEM)
Majid & Nugraha, (2022)	Indonesia.	100	Survey Data	Intention to use Islamic finance by Muslim investors	There is an effect on the behavioural intention of prospective Muslim investors to invest through Islamic securities crowdfunding	Quantitative (PLS-SEM)
Osman <i>et al.</i> , (2023)	Malaysia	300	Survey Data	Influence on behavioural intention	It has a positive & significant influence on financial attitude and thus can influence financial management behavioural intention	Quantitative (PLS-SEM)
Albaity & Rahman, (2019)	UAE	350	Survey Data	Intention to use Islamic banking	It influences the intention to use Islamic banking in countries like the UAE	Quantitative (PLS-SEM)
Yusfiarto <i>et al.</i> , (2023)	Indonesia	251	Survey Data	Influences investment intention	Intentions to invest in the Islamic capital	Quantitative (PLS-SEM)

markets are impacted

**TABLE 3: SUMMARY OF KEY STUDIES REVIEWED ON THE SKILL COMPONENT – FINANCIAL DECISION-MAKING**

Reference	Country	Sample Size	Data Type	Category/ Role	Summary on Skill component.	Method Used.
Maharani <i>et al.</i> , (2023)	Indonesia	128	Survey Data	Decision-making enhancement	It has an influence on <i>Shariah</i> investment decision-making for individuals trying to understand fund management contracts	Quantitative
Zulfaka <i>et al.</i> , (2023)	Malaysia	Not mentioned	Conceptual Framework proposition.	Decision making among working adults	The development of financial products can be matched with its enhancement to enable smooth decision-making by consumers	Qualitative
Kevser <i>et al.</i> , (2021)	Turkey	479	Survey Data	Decision-making process	It aids the decision-making process for stakeholders about increasing Islamic financial products & services	

**TABLE 4: SUMMARY OF KEY STUDIES REVIEWED ON THE BEHAVIOR COMPONENT**

Reference	Country	Sample Size	Data Type	Category/ Role	Summary of findings of behaviour component.	Analytical Method Used.
Gunawan, (2023)	Indonesia	Not mentioned	Survey Data	Financial behaviour	Helps to rectify errors that occur because of	Quantitative (SEM)

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Ahmed <i>et al.</i> , (2020)	Indonesia	472		Survey Data	Financial behavior. Financial decision making	personal financial mismanagement It is human capital impacting financial behaviour to trigger good financial decision-making	Quantitative (EFA)
Patrisia <i>et al.</i> , (2023)	Indonesia	571 Gen. Z born between 1995 & 2001		Survey Data	Financial behavior	It has a profound impact on the risk tolerance and financial behaviour of Generation Z, especially students	Quantitative (PLS-SEM)

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## 5. DISCUSSION

The section brings to fold a discussion of some of the components of Islamic financial literacy that have been identified from the reviewed literature reflective of their key respective roles towards the adoption of Islamic banking products and services. There have been four major components identified and their roles were discussed subsequently.

### *Awareness of Islamic Banking products and Services*

Awareness is the knowledge of existing and potential customers about the products and services in the context of Islamic banking & finance constituting the public being aware of the product's name, brand, characteristics, scope, and qualities (Naz *et al.*, 2020, Albaity & Rahman, 2019). Indeed, Islamic financial literacy through the aspect of awareness in societies can get to buttress other channels used, to boost public exposure to Islamic banking & financial products and services. For example, the enhanced awareness of the public towards Islamic banking & financial products and services across different categories of individuals' education level, the field of study, and region of residence potentially manifest in the adoption of Islamic banking (Daradkah *et al.*, 2020). Islamic financial literacy through enhanced awareness has also been found to have the capacity to enhance the growth of Islamic SMEs when business actors in this field are introduced to Islamic financial literacy as a way of strengthening their capacities since they already have entrepreneurial experience (Satria *et al.*, 2023). Indeed, Islamic financial literacy enhances the knowledge sufficiency of customers about Islamic banking in general (Pala *et al.*, 2023). Thus, in the long run, Islamic financial literacy through enhanced awareness in communities elevates the prominence of Islamic finance as individuals get to apply Islamic financial principles in their daily lives leading to the eventual adoption of Islamic banking (Dewi & Ferdian, 2021).

### *Intention to Use Islamic Banking Services and Products (Attitude)*

Intention to use Islamic banking services and products has been predicted by several determinants like awareness, and attitude among others (Albaity & Rahman, 2019). However, in several studies done about the adoption of Islamic banking and finance in the recent past, Islamic financial literacy has been identified to impact individuals' attitudes and thus being one of the key influential determinants in the adoption of Islamic banking and financial services and products - thus Islamic financial literacy being key in influencing consumers' intention towards the eventual adoption of

Islamic banking and finance. For example, Islamic financial literacy was found to have a positive and significant effect on investment intentions in the Islamic capital markets directly or indirectly (Yusfiarto *et al.*, 2023). Yet Islamic financial literacy as an indicator of Islamic financial education can positively help in the establishment of positive attitudes in society towards the general concept of Islamic finance. Indeed, Islamic financial literacy together with other determinants of Islamic banking and financial adoption like attitude yield predictive power to predict individual intention to implement financial services and products (Lajuni *et al.*, 2020). However, it is worth noting that in communities where customers have already embraced/adopted Islamic banks, Islamic financial literacy has no significant effect on customers' interest in Islamic banking and services (Yeni *et al.*, 2023) and in such communities, customers focus on how they can spiritually benefit from the Islamic banking and finance services and products they intend to consume. Likewise, among the millennials more so college students, Islamic financial literacy is found to have no significant effect on their intention to invest in *Shariah* Equity funds instead it's Muslim religiosity that played a key role as a determinant for their investment in such Islamic products (Sumiati *et al.*, 2021).

Besides, Islamic financial literacy as a determinant of Islamic banking and finance is key in influencing customers' intention to use Islamic banking and finance varied products in line with even those that would wish to invest in such products and services. Lately, it's determined that Islamic financial literacy positively affects the intention of the public to use *Shariah* mobile banking services (Nur, 2022) and the intention of prospective Muslim investors to invest through Islamic securities Crowdfunding which implies that Islamic financial literacy has a positive affective role on the general behavioural intention of Islamic Banking & Financial users (Majid & Nugraha, 2022, Osman, 2023).

#### *Financial Decision-Making (Skill)*

There have been increased Islamic financial products and services as the industry progresses to conquer a wider scope on the global scene. This has proved a challenge to consumers as far as the choice of which products to consume – appropriate to their needs. In this review study, however, Islamic financial literacy has been found to have a significant role in the financial sharpening of skills and thus aiding the decision-making process for consumers (Hadajat & Hamdan, 2017) in varied categories. Indeed, Islamic financial literacy aids decision-making as regards Islamic financial products and services available given the complex financial instruments leading to the adoption of Islamic banking products (Setiawati *et al.*, 2018). Even for stakeholders like government, and institutions, determining the level of Islamic financial literacy in populations or communities (Setiawati *et al.*, 2018) can aid their decision-making process as regards which Islamic products and services to offer to communities and specifically tailored across different categories like gender, age, profession among others (Kevser *et al.*, 2021). Hence, the development and growth of financial products can be matched by the enhancement of Islamic financial literacy to make it possible for appropriate decision-making (Zulfaka *et al.*, 2023).

#### *Enhancement of Financial Behavior*

Islamic financial literacy in general is enhanced through Islamic financial awareness and knowledge among Islamic banking and finance consumers leading to the general acceptance of Islamic finance principles (Dinc *et al.*, 2023). However, Islamic financial literacy goes a step further to model the financial behaviour of those who have made decisions to use Islamic banking and financial products because Islamic financial literacy has the element of being human capital – a trait that enables consumers to appropriately model individuals' financial-behavior (Ahmed *et al.*, 2020). Thus, Islamic financial literacy positively influences financial behaviour in general and thus helps to check errors that occur because of personal finance mismanagement that can eventually affect the bigger population (Gunawan, 2023). So, enhanced financial behaviour as a component of Islamic financial literacy minimizes financial problems like bankruptcy in communities (Abdullah *et al.*, 2022). This is because, through Islamic financial literacy comprehensive guidelines for borrowers, lenders, financial institutions, and society at large, there has been a change in the attitudes and behaviours of main debtors, leading to their improved financial well-being. Indeed, the enhanced financial behaviour through Islamic financial literacy has further enabled financial inclusion in countries like Indonesia

where a positive and significant effect between Islamic financial inclusion and business performance has been exhibited (Mujiatun *et al.*, 2023). This is because Islamic financial literacy enhances the skill of personal resources management which not only affects decision-making in individuals but also enhances their general financial behaviour leading to financial well-being (Abdullah *et al.*, 2022). Indeed, financial behaviour, financial stress, and financial well-being are good predictors of determining the level of Islamic financial literacy (Dolah *et al.*, 2023).

## 6. IMPLICATIONS/CONTRIBUTIONS

Besides, Islamic financial literacy can aid in expanding the Islamic banks' share in the Global market and specifically aid these banks to dominate markets in several Islamic countries (Al-Awlaqi & Aamer, 2022). Indeed, the level of awareness and knowledge of Islamic financing can affect the attitude towards Islamic financing (Antara *et al.*, 2017). To this end, Islamic financial literacy can be a key determinant of bank selection preference as regards Islamic banks over conventional banks. So, to the industry, this study will help industrial players to easily identify which component of Islamic financial literacy can best be utilized to foster the adoption of respective Islamic banking products and services. Thus, to achieve this, the Islamic financial literacy concept vast as it is, was analyzed in the review reflective of its varied components of knowledge, skill, attitude, and behaviour – tracing how each affects the adoption of Islamic banking in line with fostering wellbeing of individuals with the observance of Islamic rules.

## 7. CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

This review study tried to understand the role of Islamic financial literacy in determining the adoption of Islamic banking products and services reflecting on the major Islamic financial literacy components. Generally, there can be other roles that can be identified as contributions of the components of Islamic financial literacy but the above are the major ones that are discussed randomly in the Scopus available literature. Indeed, Islamic financial literacy has a positive and significant influence on risk tolerance and financial behaviour (Patrisia *et al.*, 2023) – a basic tool required by every consumer to manage their finances and avoid financial problems. However, the limited publications on Islamic financial literacy and less attention given to the concept in the realm of Islamic banking and finance are still undermining efforts of most benefits to be effectively appreciated by the scholarly community and society at large.

The review also found that previous studies have not specifically studied Islamic financial literacy's role as a determinant of Islamic banking and finance adoption as they have studied it alongside other factors like attitude, and religiosity among others. Previous studies have not also highlighted specific avenues that can be used to enhance Islamic financial literacy among communities and different stakeholders. The studies were done mainly in countries where Islamic banking has taken precedence and other regions are ignored and most studies can hardly be generalized. Giving Islamic financial literacy more scholarly attention and funding from institutions can help realize the financial benefits that can result from its enhancement. These studies have not also looked at respective components of Islamic financial literacy but rather broadly analysed the role of Islamic financial literacy in the adoption of Islamic banking in general terms.

Besides, the component of knowledge has not been well analyzed about enhancing the adoption of Islamic banking by the varied studies reviewed as compared with other components. However, it has been used interchangeably with awareness in instances where it has been accorded attention (Dinc *et al.*, 2023). This can be attributed to the researchers' efforts in studying Islamic financial literacy to be so industrial rather than academic and to the fact that Islamic financial literacy literature is still evolving, and thus scholarly attention is given to standardizing the measurement scale of Islamic financial literacy and its main items (Antara *et al.*, 2017, Dinc *et al.*, 2023).

Therefore, future research should consider that research be done trying to harmonize the identified categorical roles in a single conceptual framework towards the adoption of Islamic banking and

services – to come up with models relating to their chronological flow as put in this review. It is also observed that the Islamic financial literacy literature available is much centred in Indonesia, Malaysia, Turkey, and a few in the GCC countries like the UAE. It is still complicated to generalize the Islamic financial literacy findings to other countries that have just embraced Islamic banking and finance or whose economies are smaller compared to those of countries like Malaysia. So, to enhance the theoretical rigour and literature in the Islamic financial literacy field, more studies should be carried out in poorer countries that use Islamic banking and finance services and products. Besides, most of the reviewed studies used varied innovative data analysis methods and software like SmartPLS4 which can be considered for adoption by subsequent studies in the Islamic financial literacy field.

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