



Adoption of Islamic financing: The case of MSMEs in Indonesia

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ABSTRACT

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This study aims to investigate the role of non-economic factors that can influence MSMEs' financial decisions in Indonesia. The data was analyzed using partial least squares. 320 MSMEs participated in a questionnaire survey that was used to gather data. The findings demonstrated that behavioral intentions to adopt Islamic funding are positively impacted by attitudes. If MSMEs believe that the Sharia financial products offered are beneficial to improve MSMEs' performance, then their attitudes towards Sharia financing will be positive. Subjective norms influence behavioral intentions to adopt Islamic financing positively. The behavioral intentions to adopt Islamic funding can be impacted by coworkers, friends, and family. The behavioral intentions to adopt Islamic financing are positively impacted by perceived behavioral control. The realization of a person's intention to choose Islamic financing depends on the ability and accessibility possessed by the individual according to his/her capacity. It was discovered that the desire to adopt Islamic financing was influenced both directly and indirectly by the mediating attitudes for the relationship between pricing fairness and religiosity and behavioral intentions to embrace Islamic financing. The findings of this study extended the TPB model by adding religiosity and price fairness to Islamic financing.

Contribution/Originality: This study combines the influence of religiosity and price fairness with the theory of planned behavior model to test the influence of Islamic financing on MSMEs' funding decisions. This study focuses on MSMEs because previous research on funding decisions using Islamic financing is still limited.

1. INTRODUCTION

A company's performance is largely determined by its working capital management (Tarek & Rafik, 2020). Alvarez, Sensini, and Vazquez (2021) highlight that maintaining a company's financial health requires effective management of working capital. Effective handling of working capital is crucial not only during financial difficulties but also for improving a company's performance through strategic management of its working capital (Seth, Chadha, Ruparel, Arora, & Sharma, 2020). To fulfill working capital needs, firms usually look to banks and other financial organizations for sufficient funding, particularly during times of financial distress (Fernandes, dos Santos Mendes, & de Oliveira Leite, 2021). Companies have two financing options: conventional and sharia. Interest or riba is the foundation of the conventional banking system, while Islamic finance follows sharia principles derived from the teachings of the Qur'an and Hadith. Sharia encourages risk-sharing but expressly prohibits any financial activity including interest (riba), gambling, speculating, or similar behaviors.

One of the sectors with the quickest growth rates is Islamic banking, which is becoming more popular among Muslims and non-Muslims. Over the past four decades, the industry has experienced significant expansion. Today, over 70 nations, including countries with and without Muslim populations, implement Islamic banking. Other nations use conventional banking rules alongside Islamic banking, even though Pakistan, Iran, and Sudan fully embrace Islamic banking (Chong & Liu, 2009). According to Othman (2022), the three largest banks in the world are Kuwait Finance House (70,687 million USD), Dubai Islamic Bank (78,834 million USD), and Al-Rajhi Bank (assets valued at 124,970 million USD).

Islamic financing has grown significantly over the last twenty years, particularly in credit distribution (Paltrinieri, Hassan, Bahoo, & Khan, 2023). Currently, Islamic financing holds assets valued at US\$2.88 trillion, with the risk of failure having minimal impact on sharia-based financing. Due to its reliance on real economic activities and moderate risk-taking, sharia financing remains resilient against financial crises (Hussain, Shahmoradi, & Turk, 2016). Effective checks and balances in Islamic finance contribute to maintaining economic stability. Unlike conventional banks, Islamic finance directly links credit expansion to real GDP growth (Kayani, 2023).

The distribution of Islamic financing in Indonesia has shown an upward trend. According to data from the Otoritas Jasa Keuangan (OJK), MSME financing reached IDR 95.4 trillion in 2023, accounting for approximately 16.7% of the total Islamic banking financing, which stood at IDR 568 trillion. Despite this growth, the proportion of Islamic financing allocated to the MSME sector remains relatively low. A survey by Bank Indonesia found that 69.5% of MSMEs face challenges in obtaining credit due to insufficient collateral, limited financial record-keeping knowledge, and business legality issues. However, MSMEs remain essential in driving Indonesia's economic growth. Some of the strategic roles of MSMEs include their vast number of business units distributed across nearly all sectors of the economy, their strong potential for job creation, their significant contribution to GDP formation, and their involvement in international trade through relatively stable export performance (Musa, Sahabuddin, Tawe, & Haeruddin, 2023).

MSMEs account for 60.5% of Indonesia's GDP and employ 96.9% of the total national workforce (Rahman, Pratikto, Fulgentius, & Handayati, 2024). In addition to driving economic growth, MSMEs have demonstrated resilience against various economic shocks (Hernanik & Pratikto, 2022). For MSMEs to successfully and efficiently handle their finances, they must cultivate a high level of financial literacy (Rahadjeng, Pratikto, Mukhlis, Restuningdiah, & Mala, 2023). Proper financial management is crucial, particularly when making funding decisions, as the role of MSME owners has become increasingly significant in determining their capital structure. The use of an ideal capital structure varies across industries (Hastutik, Soetjipto, Wadoyo, & Winarno, 2022). However, research on non-economic factors influencing Islamic financing choices for MSMEs is still limited (Bizri, Jardali, & Bizri, 2018). This study examines the behaviors that influence Islamic financing decisions in MSMEs using the Theory of Planned Behavior (TPB), which considers attitudes, subjective norms, and perceived behavioral control. This study extends the TPB by including religiosity and price fairness as variables that influence attitudes. For MSMEs, this study is expected to provide input and additional information that can be used as considerations in determining funding alternatives, ultimately aiming to improve MSME performance. Additionally, the results of this investigation should offer information for Islamic banks on the main factors influencing the adoption of sharia financing, which can be used as considerations for developing new business models and products, especially in terms of MSME financing.

2. LITERATURE REVIEW

2.1. Theory of Planned Behavior

The factors that determine behavioral intention are explained by TPB. TPB is commonly used to predict intention and behavior related to purchase decisions, brand choices, and product preferences. As an extension of TRA, TPB has been widely supported in social psychology and consumer behavior empirical research. The addition of a third variable, perceived behavioral control (PBC), is a major difference between TRA and TPB. By incorporating

PBC, TPB overcomes the limitations of the original model. Human behavior that is not fully controlled by willpower is explained and predicted by this theory, which suggests that behavioral decisions and actions are primarily determined by an individual's behavioral intention. The three main factors attitude, subjective norm, and perceived behavioral control are the sources of this intention (Ajzen, 1991).

A motivational framework called TPB was created to predict and understand human behavior (Ajzen, 1991), including financial decision-making. This theory considers three main aspects: one's attitude toward a behavior, judgment of whether others approve of the behavior, and one's perception of behavioral control when engaging in the behavior. These factors represent non-economic considerations emphasizing psychological motivation in shaping financial intention and behavior. TPB is employed in this research to investigate the intention and decision-making process related to Islamic financing in the Indonesian MSME sector. Therefore, TPB serves as an appropriate theoretical framework for this study.

2.2. Attitude

Attitude is a person's positive or negative opinion towards a particular behavior (Ajzen, 1991). About Islamic financing, MSMEs are more likely to accept this financial option if they have a positive attitude towards it. Several studies have shown a strong relationship between attitude and intention. Research has found that attitude influences the intention to choose Islamic financing in Indonesia, emphasizing the direct relationship between an individual's favorable perception of Islamic financial products and the likelihood of customers selecting them. Similarly, research by Mustapha, Mohammad, Quoquab, and Salam (2023) and Sayuti and Amin (2022) also confirmed that attitude significantly influences behavioral intentions. Based on these findings, the study's hypotheses are as follows:

H₁: Attitude positively influences behavioral intention to adopt Islamic financing.

2.3. Subjective Norms

Subjective norms refer to the influence or social pressure that shapes an individual's perception of whether people close to a person believe that a person should perform a specified activity (Ajzen, 1991). According to Hasibuan, Fadhillah, and Joko Setyono (2024), social influence is defined as the impact of a person's environment on the decision of an individual to utilize banking services. In this context, subjective norms emphasize the importance of support from family, friends, partners, coworkers, and others who can directly influence a person's decisions, especially regarding the adoption of Islamic financing. MSMEs are more likely to seek Islamic funding if they receive good support. Research indicates that behavioral intentions to use Islamic funding are highly influenced by subjective norms. For example, Amin et al. (2022) found that social values, derived from the perspective of others, positively influence the decision to choose Islamic investment products, even beyond personal beliefs or intrinsic values. Subjective norms and interest in utilizing Islamic bank funding are significantly positively correlated, according to other studies (Alzadjal, Abu-Hussin, Md Husin, & Mohd Hussin, 2022; Atal, Iranmanesh, Hashim, & Foroughi, 2020; Maidah, Pratikto, & Dhewi, 2021). Based on these findings, the following hypothesis is offered.

H₂: Subjective norms positively influence behavioral intention to adopt Islamic financing.

2.4. Perceived Behavioral Control

Perceived behavioral control is an individual's perception of how easy or difficult it is to perform a specific behavior (Ajzen, 1991). This perception can be shaped by previous experiences and information received from others. The construct of behavioral control should consider factors that facilitate or hinder the behavior. Research by Purwanto, Abdullah, Ghofur, Abdullah, and Elizabeth (2022) discovered that perceived behavioral control significantly influenced behavioral intention to adopt Islamic microfinance. In Oman, a similar study showed that perceived behavioral control positively influenced prospective customers' intention to engage with Islamic banks (Alzadjal et al., 2022). The substantial beneficial effect of perceived behavioral control on the intention to use Islamic

financing has also been revealed in other studies (Al Balushi, Locke, & Boulanouar, 2018; Ayyub, Xuhui, Asif, & Ayyub, 2020). These observations suggest the following hypotheses.

H₃: Perceived behavioral control positively influences behavioral intention to adopt Islamic financing.

2.5. Religiosity

Religiosity is defined as belief in God and a commitment to following religious teachings. The commitment of an individual to religion and its principles is referred to as religiosity (Purwanto et al., 2022). People who are very religious try to live in ways that are consistent with their beliefs, both in worship and in their interactions with others (Nurjannah & Pratikto, 2022). Since Islamic finance operates without an interest system and instead utilizes profit-sharing mechanisms, individuals with strong religious beliefs are more inclined to support Islamic financing.

Previous studies have shown that religiosity has a favorable impact on attitudes toward adopting Islamic microfinance (Purwanto et al., 2022). Research by Atal et al. (2020) discovered that the intention to use Islamic financing in Afghanistan was significantly impacted by religiosity. Similarly, religiosity has been shown to significantly influence consumer attitudes toward adopting Islamic banking services in Kashmir (Charag, Fazili, & Bashir, 2020). Other studies have also shown that religiosity has a strong beneficial effect on the intention to use Sharia financing (Amin & Hassan, 2022). These observations suggest the following hypotheses.

H₄: Religiosity positively affects behavioral intention to adopt Islamic financing.

2.6. Price Fairness

Price fairness refers to the perception of the financial charges applied by Islamic banks on financing facilities, which may differ based on various factors such as the amount of financing, financing term, type of financing, and the current economic environment. In Islamic housing financing, price fairness refers to how fair and reasonable consumers think the costs of finance products are. Perceptions of unfair pricing can lead to negative feelings that may decrease demand, particularly through negative word of mouth (Sayuti & Amin, 2020). Previous studies have found that price fairness positively influences the intention to use Islamic bank financing (Sayuti & Amin, 2022). This suggests that customers of Islamic banks view the pricing of products as reasonable, although they remain attentive to costs. The findings indicate that Managers of Islamic banks ought to enhance the quality of their pricing tactics. Islamic banks have faced criticism for their high total repayment amounts compared to conventional loans. Wulandari and Ubaidillah (2025) and Sayuti and Amin (2022) also discovered a positive effect of price fairness on the intention to choose Sharia financing. These observations suggest the following hypotheses.

H₅: Price fairness positively influences behavioral intention to adopt Islamic financing.

2.7. Indirect Relationship

The behavioral intention to choose Islamic bank financing and the independent factors can be mediated by attitude. This study builds on the Theory of Planned Behavior by including religiosity as a variable that affects attitude. The findings demonstrate that attitude completely mediates the link between religiosity and intention (Charag et al., 2020). Similarly, Sayuti and Amin (2020) found that the relationship between pricing fairness and the choose of Islamic bank financing is mediated by attitude. Price fairness is important because it ensures financial well-being for consumers, as monthly payments that align with their financial capabilities, coupled with a fair and transparent pricing system, can encourage the choice of Islamic bank financing. Drawing from the insights of previous research, this study proposes the following hypotheses.

H₆: Attitudes mediate the relationship between religiosity and behavioral intention to adopt Islamic financing.

H₇: Attitudes mediate the relationship between price fairness and behavioral intention to adopt Islamic financing.

3. METHODOLOGY

The participants in this study consist of customers of Bank Syariah Indonesia in Malang City who have received financing from the bank, specifically MSME financing. Several studies, including those by [Amin et al. \(2022\)](#), [Alzadjal et al. \(2022\)](#) and [Ayyub et al. \(2020\)](#) have employed structural equation modelling to analyze intention.

The sample for this study included 320 MSME customers. [Hair, Hult, Ringle, and Sarstedt \(2017\)](#) suggestion served as the basis for determining the sample size, who suggest that the sample size should be a minimum of ten times the number of items in the questionnaire. Since the study uses 21 items, the minimum required sample size is 210. A larger sample size is better to reduce sampling error and ensure more reliable empirical results. According to [Hair et al. \(2017\)](#), the maximum likelihood (ML) estimation method in SEM analysis is effective for sample sizes ranging from 150 to 400, and a total sample of 320 is generally considered sufficient to accurately represent the population.

This study used questionnaire items adapted from previous studies. Three variables perceived behavioral control, subjective norm, and attitude were adapted from [Wulandari and Ubaidillah \(2025\)](#). The religiosity variable was modified from [Atal et al. \(2020\)](#) and the price fairness variable was sourced from [Sayuti and Amin \(2020\)](#) and the dependent variable, which refers to behavioral intention to choose Islamic financing, was based on [Al Balushi et al. \(2018\)](#).

Respondents' answers were analyzed based on the mean score for each item. Through descriptive analysis, respondents' tendencies can be identified from the interval of strongly agreeing to strongly disagreeing with each item. The data collection technique used involves creating several lists of questions. Researchers then distribute these questions to respondents via Google Forms for them to answer.

For measurement, a Likert scale was used, adopted from [Meldona, Wardoyo, Hermawan, and Utaberta \(2023\)](#), with a scale of 1 to 5. SmartPLS 3.0 was used for data analysis, employing partial least squares. The choice of PLS was driven by several reasons: PLS is well suited for theory development, especially when new factors are introduced into the research model, such as the addition of religiosity and price fairness from the Theory of Planned Behavior (TPB).

Furthermore, PLS is a robust statistical tool due to its ability to handle both large and small sample sizes and its minimal requirements for data normality, which allows for greater flexibility in analyzing the research model.

4. RESULTS

4.1. Respondent

Respondent data in the study amounted to 99.38%, or 318 respondents who were Muslim, while the remaining 0.63%, or two respondents, were non-Muslim. In terms of age, 23.13% of the participants in the study were business owners aged 20 to 30 years, and 25.63% were aged 41-50 years.

Most of the business owners in this study (47.19%) were aged 31-40 years, while the remaining 3.75% were over 50 years old. Regarding gender, 141 responses (44.06%) came from male respondents, while 179 responses (55.94%) came from female respondents.

When considering education level, most of the respondents (39.38%) had finished high school or attained an equivalent level of education. Additionally, 151 respondents (47.19%) were aged 31-40 years. As for business turnover, approximately 250 respondents (78.13%) had an annual turnover of less than IDR 300 million, making this the most common turnover range among all categories. Furthermore, 281 respondents (87.81%) employed fewer than five people. [Table 1](#) presents detailed data.

Table 1. Research respondents.

| Demographic | Number | (%) |
|------------------------|--------|-------|
| Religion | | |
| Muslim | 318 | 99.38 |
| Non-Muslim | 2 | 0.63 |
| Age | | |
| < 20 | 1 | 0.31 |
| 20 - 30 | 74 | 23.13 |
| 31 - 40 | 151 | 47.19 |
| 41 - 50 | 82 | 25.63 |
| > 50 | 12 | 3.75 |
| Gender | | |
| Female | 179 | 55.94 |
| Male | 141 | 44.06 |
| Education | | |
| Junior high | 27 | 8.44 |
| Senior high school | 126 | 39.38 |
| Diploma | 36 | 11.25 |
| Bachelor | 121 | 37.81 |
| Master | 10 | 3.13 |
| Business turnover/year | | |
| IDR < 300m | 250 | 78.13 |
| IDR 300m-1bn | 58 | 18.13 |
| IDR 1bn-1.5bn | 6 | 1.88 |
| IDR 1.5bn-2bn | 3 | 0.94 |
| IDR > 2bn | 3 | 0.94 |
| Number of employees | | |
| <5 employees | 281 | 87.81 |
| 6-20 employees | 35 | 10.94 |
| 21-100 employees | 4 | 1.25 |

4.2. Measurement Assessment

Convergent validity assesses how well the factors in a model are related to one another theoretically. It is measured using factor loadings, composite reliability (CR), and average variance extracted (AVE). Chin (1998) set the threshold for factor loadings at 0.70. For the religiosity variable, four indicators (REL2, REL3, REL4, and REL5) met the threshold, while REL1 had a loading factor below 0.7. Therefore, REL1 was excluded from the model. As indicated in Table 2, all the other loading factors surpassed the threshold.

Table 2. Convergent validity test result.

| Variable | Item | Loadings | CR | AVE | Cronbach's alpha |
|------------------------------------|------|----------|-------|-------|------------------|
| Attitude (ATT) | ATT1 | 0.872 | 0.891 | 0.733 | 0.817 |
| | ATT2 | 0.891 | | | |
| | ATT3 | 0.803 | | | |
| Behavioral intention (BI) | BI1 | 0.826 | 0.914 | 0.726 | 0.874 |
| | BI2 | 0.803 | | | |
| | BI3 | 0.876 | | | |
| | BI4 | 0.900 | | | |
| Perceived behavioral control (PBC) | PBC1 | 0.893 | 0.913 | 0.779 | 0.854 |
| | PBC2 | 0.894 | | | |
| | PBC3 | 0.860 | | | |
| Price fairness (PF) | PF1 | 0.872 | 0.912 | 0.775 | 0.855 |
| | PF2 | 0.925 | | | |
| | PF3 | 0.843 | | | |
| Religiosity (REL) | REL2 | 0.860 | 0.936 | 0.785 | 0.909 |
| | REL3 | 0.911 | | | |
| | REL4 | 0.912 | | | |
| | REL5 | 0.859 | | | |
| Subjective norm (SN) | SN1 | 0.912 | 0.933 | 0.822 | 0.892 |
| | SN2 | 0.917 | | | |
| | SN3 | 0.891 | | | |

According to Chin (1998), the CR value should also be above 0.7, and all values in this study met this criterion. In addition, all the AVE values exceeded the 0.5 threshold, and all Cronbach's α values were above 0.7, demonstrating strong internal consistency. Based on these findings, it is possible to conclude that the factors used in this research model are valid (Table 2).

Every variable in the statistical model is guaranteed to be unique from the others by discriminant validity. This research applied the Fornell-Larcker criterion to evaluate discriminant validity. Table 3 shows the correlation between variables, with the square root of their AVE values displayed on the diagonal (slanted values). The results of this study indicate that the square roots of the AVE, or diagonal values, are greater than the correlations between the variables. Furthermore, there is substantial evidence for discriminant validity because the square root of the AVE values is significantly higher than 0.707.

Table 3. Results of Fornell-Larcker.

| Variable | ATT | BI | PBC | PF | REL | SN |
|----------|-------|-------|-------|-------|-------|-------|
| ATT | 0.856 | | | | | |
| BI | 0.659 | 0.852 | | | | |
| PBC | 0.722 | 0.684 | 0.882 | | | |
| PF | 0.405 | 0.579 | 0.547 | 0.881 | | |
| REL | 0.427 | 0.465 | 0.468 | 0.300 | 0.886 | |
| SN | 0.704 | 0.705 | 0.740 | 0.532 | 0.441 | 0.907 |

4.3. Structural Model Assessment

In this study, path coefficients were used to evaluate the hypotheses and R^2 through Partial Least Squares (PLS). The path coefficient shows the strength of the relationship between the independent and dependent variables, as explained by Hair et al. (2017). R^2 represents the proportion of variation in the dependent variable explained by the independent variables. According to the test results, the R^2 value was 0.616, meaning that 61.6% of the variation in the adoption of Islamic financing can be explained by factors such as attitude, subjective norms, perceived behavioral control, religiosity, and price fairness. The structural analysis results, as illustrated in Figure 1, highlight p -value for each variable path. Table 4 demonstrates that all variables in this study have a substantial impact on the intention to use Islamic financing. This finding indicates that the attitude variable acts as a mediator in the impact of religiosity and price fairness on the decision to use Islamic financing. Table 5 presents the mediation test results and validates that attitude functions as a mediator between religiosity and price fairness.

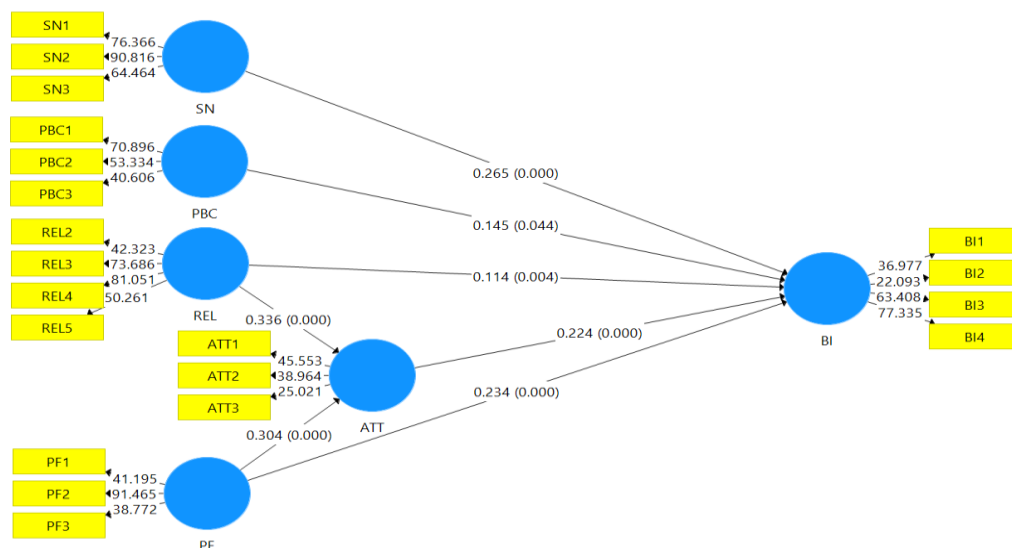


Figure 1. Research model test results.

Table 4. Direct results.

| Hypothesis | Pathway | β | SD | <i>t-value</i> | Acceptance |
|------------|---------------------|---------|-------|----------------|------------|
| H1 | BI \leftarrow ATT | 0.224 | 0.061 | 3.642 | Yes |
| H2 | BI \leftarrow SN | 0.265 | 0.074 | 3.580 | Yes |
| H3 | BI \leftarrow PBC | 0.145 | 0.072 | 2.017 | Yes |
| H4 | BI \leftarrow REL | 0.114 | 0.040 | 2.883 | Yes |
| H5 | BI \leftarrow PF | 0.234 | 0.051 | 4.547 | Yes |

Table 5. Indirect results.

| Hypothesis | Pathway | β | SD | <i>t-value</i> | Acceptance |
|------------|--------------------------------------|---------|-------|----------------|------------|
| H6 | BI \leftarrow ATT \leftarrow REL | 0.075 | 0.021 | 3.192 | Yes |
| H7 | BI \leftarrow ATT \leftarrow PF | 0.068 | 0.025 | 3.007 | Yes |

5. DISCUSSION

As shown in Table 4 and Figure 1, A positive attitude plays an essential and important part in the adoption of Islamic financing with β -value = 0.224, supporting H1. This finding indicates that a more positive attitude increases the likelihood of MSMEs choosing Islamic financing. When MSMEs perceive Islamic financing products and services as affordable and beneficial for enhancing their performance, they tend to develop a positive attitude towards Islamic financing. Bankers should focus on fostering better attitudes among MSMEs through strategic approaches that promote positive attitudes and community satisfaction. In addition, Islamic bank managers must formulate their marketing strategies to consider the religious and marketing aspects of Islamic bank financing services. This result is consistent with TPB and with earlier research, such as research by Wulandari and Ubaidillah (2025), Mustapha et al. (2023), and Sayuti and Amin (2022), which found that attitude significantly influences behavioral intention.

Subjective norms were discovered to be a key element in the acceptance of Islamic financing, with a value of β = 0.265, supporting H2. This finding demonstrates that friends, family, and colleagues can influence behavioral intentions to adopt Islamic financing. MSMEs choose Islamic financing products when informed by credible sources, such as religious leaders or family members with prior experience. When the social environment supports Islamic finance, the desire to adopt Islamic financing increases. Bank managers can leverage this insight by implementing strategies such as offering special discounts and rewards to existing users who introduce Islamic financing to new customers. This approach can help expand the customer base of Islamic banks. The findings of this study confirm the results of previous studies, such as those conducted by Amin et al. (2022), Atal et al. (2020), and Maidah et al. (2021), who also found that subjective norms greatly affect the adoption of Islamic financing.

Acceptance of Islamic financing is positively and significantly influenced by behavioral control with a value of β = 0.145, which confirms H3. This finding aligns with Ajzen's (1991) statement that individuals' beliefs about their capability to perform a behavior directly affect their intention to act. In the context of Islamic financing, perceived accessibility and ease with the Islamic bank financing system play a vital role in molding the financial decisions of MSMEs. Bank managers, therefore, should focus on enhancing customer confidence by improving the transparency of their processes and making it easy for customers to access relevant information. This supports the work of Purwanto et al. (2022), Alzadjal et al. (2022), Ayyub et al. (2020), and Al Balushi et al. (2018), who found that perceived behavioral control significantly influences the adoption of Islamic bank financing.

The influence of religion is very significant on the acceptance of Islamic financing, with a value of β = 0.114, supporting H4. This finding emphasizes that religious factors are crucial in MSMEs' decisions to use Islamic financing. The opportunity to choose Islamic banking products is directly influenced by a person's level of religious inclination, which highlights the strong relationship between religious values and financial decision-making. As religiosity increases, the intention to adopt Islamic banking products also grows. This finding is in line with previous studies by Purwanto et al. (2022), Atal et al. (2020), and Amin and Hassan (2022), which also found that religiosity significantly influences the adoption of Islamic bank financing.

Price fairness substantially impacts the adoption of Islamic financing, with a coefficient of $\beta = 0.234$, supporting H5. This finding suggests that MSMEs prefer Islamic financing when perceiving a reasonable pricing structure. Price fairness includes affordable monthly installments, reasonable fines, and transparency in fines (ta'widh). By understanding this, bankers can develop strategies to improve the accessibility and quality of Islamic financing services, ultimately increasing customer satisfaction and the adoption of Islamic financing. This result aligns with the findings of previous studies, such as Wulandari and Ubaidillah (2025) and Sayuti and Amin (2022), which emphasize that price fairness is an essential factor in adopting Islamic financing.

Table 5 shows that attitude mediates religiosity, price fairness, and the intention to adopt Islamic financing, which supports H6 and H7. Attitude mediates the relationship between religiosity and the intention to adopt Islamic financing. These results indicate that the more religiously oriented individuals are, the more favorable MSMEs' attitudes toward Islamic financing become, increasing the likelihood of MSMEs adopting Islamic financing. This finding aligns with studies such as Charag et al. (2020) and Purwanto et al. (2022), which found that religiosity influences attitudes toward Islamic banking, thereby affecting adoption intentions. The relationship between price fairness and behavioral intention to adopt Islamic financing is also mediated by attitude. Perceptions of fair prices, including reasonable monthly payments and transparent practices, influence MSMEs' attitudes toward Islamic financing. Positive attitudes then increase the likelihood of adopting Islamic financing. These findings support the results of Sayuti and Amin (2020) and Wulandari and Ubaidillah (2025), which show that attitude is essential in mediating price fairness and Islamic financing adoption decisions. Thus, religiosity and price fairness are crucial determinants of behavioral intention to choose Islamic financing, with attitude acting as a mediator.

6. CONCLUSION

By involving 320 respondents as a research sample, this study successfully tested the TPB in predicting the behavioral intentions of MSMEs to adopt Islamic financing. The findings confirmed that attitude, subjective norm, perceived behavioral control, religiosity, and price fairness all significantly positively influence behavioral intention to adopt Islamic financing. These results are consistent with earlier research on the role of social and psychological factors in financial decision-making and support the TPB paradigm. By adding the concepts of price fairness and religiosity to the conventional TPB model, this study also enhances our understanding. By integrating these factors, this study emphasizes their importance in shaping MSMEs' behavior towards Islamic bank financing.

The practical contribution of these findings suggests that Islamic banks should focus on refining their marketing strategies for Islamic financing products targeted at MSMEs. Islamic banks should ensure their products are accessible, transparent, and reasonably priced to meet MSMEs' financial needs and expectations. For financing programs, Islamic banks can also accommodate MSMEs' specific needs and offer financing options that suit MSMEs' unique circumstances to encourage the adoption of Islamic financing. Islamic banks can better support MSMEs in adopting Islamic financial solutions by promoting positive attitudes, leveraging social influences, and emphasizing the religious aspects of Islamic financing.

Government policies are also expected to support the growth of Islamic financing for MSMEs. Some policies that can be implemented include regulating the portion of mandatory financing for MSMEs from total financing, subsidizing the government's KUR Syariah margin rate so that it is lighter for MSMEs, and encouraging Islamic banks not only to provide financing but also to assist MSMEs in business development, Islamic financial training, halal certification, and digital market access.

7. LIMITATION

This study has successfully perfected the application of the TPB in explaining the capital structure decisions of MSMEs. However, this study still has several limitations, including that it is limited to MSMEs, especially in the Malang city area. Nevertheless, the outcomes of this investigation have the potential to be relevant to the wider

Indonesian environment. To gain deeper insights, further research is recommended using a mixed methodology, namely quantitative and qualitative.

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Institutional Review Board Statement: The Ethical Committee of the Universitas Negeri Malang, Indonesia has granted approval for this study on 28 April 2025 (Ref. No. 28.4.23/UN32.14/PB/2025).

Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

Data Availability Statement: The corresponding author can provide the supporting data of this study upon a reasonable request.

Competing Interests: The authors declare that they have no competing interests.

Authors' Contributions: Abdullah Syakur Novianto (A.S.N.) contributed to conceptualization, methodology, investigation, and visualization, and was responsible for drafting the manuscript. Heri Pratikto (H.P.) contributed to conceptualization, methodology, validation, and supervision. Ery Tri Djatmika (E.T.D.) performed the formal analysis and contributed to project administration and supervision. Budi Eko Soetjipto (B.E.S.) was involved in investigation, project administration, validation, and supervision. All authors have read and agreed to the published version of the manuscript.

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