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Financial Inclusion of Muslim Communities in Indonesia

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ABSTRACT

This study investigates the influence of Islamic financial literacy, religious commitment, and digital technology application on the financial inclusion of Muslim communities in Indonesia. Using a quantitative approach, data were collected from 150 respondents through a structured questionnaire employing a five-point Likert scale. The relationships among variables were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS 3). The findings reveal that Islamic financial literacy significantly enhances financial inclusion by strengthening individuals' capability to evaluate and adopt Sharia-compliant financial products. Religious commitment also demonstrates a positive effect, indicating that higher adherence to Islamic beliefs increases the likelihood of engaging in ethical and Sharia-based financial services. Among the predictors, digital technology application shows the strongest impact, highlighting the critical role of digital platforms in expanding financial access for Muslim communities. The study contributes to the growing literature on Islamic finance by integrating behavioral, religious, and technological dimensions. The results provide practical implications for policymakers, Islamic financial institutions, and fintech developers to design inclusive strategies that enhance financial well-being and promote Sharia-compliant financial participation in Indonesia.

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1. INTRODUCTION

Financial inclusion has become a global priority for promoting equitable economic growth, reducing poverty, and improving social welfare, particularly in developing countries such as Indonesia, home to the world's largest Muslim population. Despite the growth of Islamic banking, fintech, and digital financial services, many Muslims in Indonesia remain underserved due to low financial literacy, limited access to technology, and concerns regarding Sharia compliance, underscoring the importance of understanding the determinants that shape financial inclusion. Key determinants include financial literacy as a crucial demand-side factor influencing trust and effective use of financial products [1]; religious commitment, which drives the need for Sharia-compliant financial services [1]; and socioeconomic conditions that affect individuals' ability to access and utilize financial services [1]. On the supply side, financial inclusion is shaped by the availability of human capital in Islamic finance [1], innovation in products and services such as Sharia-based microfinance and digital waqf savings [2], and supportive digital infrastructure and regulatory clarity to strengthen Islamic fintech development [3],

[4]. Enhancing financial inclusion requires digitalization to expand access, especially in remote areas [5], cross-sector collaboration among Islamic financial institutions, government, and the technology sector to overcome regulatory barriers and drive innovation [2], and regulatory harmonization to streamline licensing processes and support the sustainable growth of Islamic fintech [4].

Islamic financial literacy has emerged as a critical factor influencing individuals' decision-making in adopting Sharia-compliant financial products. Unlike conventional financial literacy, which emphasizes budgeting, saving, investing, and risk management, Islamic financial literacy incorporates an understanding of Sharia principles—including the prohibition of riba (interest), gharar (uncertainty), and maysir (speculation). Research consistently shows that higher levels of Islamic financial literacy increase individuals' confidence and ability to evaluate Sharia-compliant financial instruments, strengthening their participation in formal Islamic financial systems [6], [7]. Moreover, the integration of Islamic financial literacy with local wisdom and cultural values influences the adoption of Islamic banking products, underscoring the sociocultural dimensions of financial decision-making in Muslim communities [8]. Nevertheless, the degree to which Islamic financial literacy directly contributes to financial inclusion remains varied and context-dependent, particularly as financial ecosystems become increasingly digitalized and require more adaptive forms of knowledge and engagement [9].

Religious commitment also plays a central role in shaping financial behavior among Muslims, as individuals with stronger religiosity tend to prefer Islamic financial services, avoid non-compliant products, and make financial decisions aligned with their beliefs. Empirical studies highlight that religiosity directly influences investment decisions in Sharia-compliant products, even though it does not moderate the effect of financial literacy [6]. Among younger generations such as Generation Z, religiosity—alongside Islamic financial literacy and digital banking access—significantly affects saving decisions and strengthens the preference for Sharia-compliant financial services [10]. However, despite the positive influence of both Islamic financial literacy and religiosity, evidence on their direct impact on financial inclusion—especially within digital financial ecosystems—remains limited and requires further empirical investigation [10].

Technological innovation—particularly the adoption of digital technology in financial services—has significantly transformed the landscape of financial inclusion in Indonesia, especially among Muslim communities. The rapid growth of mobile banking, e-wallets, Islamic fintech, and online microfinance has expanded access to Sharia-compliant financial services by reducing transaction costs, increasing transparency, and improving user experience, thereby offering new opportunities for marginalized groups to participate in the formal financial system [11], [12]. Digital innovations such as digital waqf savings and technology-driven Takaful insurance further align financial products with modern societal needs and preferences [2], while the digital revolution in Islamic banking supports the development of inclusive ecosystems attractive to digitally literate younger generations [12]. However, expansion of digital financial inclusion remains constrained by persistent challenges, including infrastructure gaps, regulatory uncertainty, low digital literacy, and concerns over trust and Sharia compliance [2], [3], [11], [12], [13]. To address these barriers, strategic collaboration among government, financial institutions, and technology developers is essential for building a supportive Islamic fintech ecosystem, while enhancing financial literacy through structured educational programs is crucial to strengthen public trust and participation [2], [11]. Moreover, regulatory support and standardized Sharia governance frameworks are needed to ensure compliance and foster sustainable innovation in the Islamic digital finance sector [12].

Given these gaps, this study aims to empirically examine the influence of Islamic financial literacy, religious commitment, and digital technology application on financial inclusion among Muslim communities in Indonesia. Understanding how these factors interact is essential because the synergy between financial knowledge, religious values, and technology adoption forms a comprehensive framework for strengthening Islamic financial outreach. Indonesia provides a highly relevant context for such analysis due to its demographic composition as the world's largest Muslim-majority nation, increasing digital penetration, and ongoing government initiatives to advance inclusion through the National Strategy for Financial Inclusion (SNKI) and the Sharia Economy Masterplan 2019–2024. By exploring these dynamics, the study seeks to fill conceptual and empirical gaps concerning the determinants of Islamic financial inclusion in the digital era.

This study employs a quantitative design using data from 150 respondents collected through a five-point Likert-scale questionnaire, analyzed with Structural Equation Modeling–Partial Least Squares (SEM-PLS 3) to rigorously assess both measurement and structural models. The findings are expected to provide theoretical contributions by enriching Islamic financial behavior literature through the integration of religious and technological dimensions into financial inclusion models, while practically offering actionable insights for policymakers, Islamic financial institutions, and digital service providers in designing culturally and religiously aligned financial inclusion strategies. In summary, this research addresses how literacy, religiosity, and technology jointly shape financial inclusion in Indonesia's Muslim society, with results anticipated to guide future innovations in Islamic financial services and support the financial empowerment of Indonesia's diverse Muslim communities.

2. LITERATURE REVIEW

2.1 *Financial Inclusion*

Financial inclusion in Muslim communities involves providing Sharia-compliant financial services that adhere to Islamic principles alongside conventional financial products, thereby enhancing economic resilience, stability, and sustainable development through accessible, affordable, and responsible financial delivery. Its multidimensional nature—shaped by socioeconomic characteristics, financial literacy, religious values, and technological readiness—creates a complex interplay between economic and behavioral factors, especially as digitalization increasingly influences inclusion strategies in Muslim-majority countries like Indonesia, where it significantly affects economic variables such as growth, unemployment, poverty, and inequality [5]. Sharia financial inclusion in Indonesia is assessed through an index covering accessibility, availability, usage, and digitalization, revealing the need for more equitable distribution of Sharia services across provinces [5]. Financial technology further strengthens inclusion by overcoming geographic barriers and addressing low financial literacy [14], while mobile technology and big data analytics drive innovation and expand access to underserved groups [15]. Ultimately, financial inclusion promotes economic growth, social equity, and reduced income inequality by mobilizing savings for investment and job creation [14], while also enhancing resilience to economic shocks and empowering marginalized populations, including women and low-income groups [16].

2.2 *Islamic Financial Literacy*

Islamic financial literacy is a multifaceted concept that integrates financial knowledge with an understanding of Sharia principles—such as riba (interest), gharar (uncertainty), maysir (speculation), risk-sharing contracts, zakat obligations, and halal financing mechanisms—and plays a significant role in shaping economic decisions and financial inclusion among Muslim communities. Empirical studies show that individuals with higher Islamic financial literacy are more likely to engage with Islamic financial services, demonstrate greater confidence in evaluating financial risks, and participate more actively in formal financial institutions, thereby strengthening savings behavior, investment decisions, and overall financial inclusion in Muslim-majority regions. Its determinants include affective, conative, family influence, self-control, and demographic factors, with substantial research conducted in Muslim-majority countries such as Indonesia [17], while its outcomes span cognitive, affective, and conative dimensions that influence both business and individual financial behavior [17]. Studies consistently report a positive relationship between Islamic financial literacy and financial inclusion, especially among Indonesian millennials who are more active users of Islamic financial products when possessing higher levels of literacy [18], and this literacy strongly affects decisions to use Islamic banking products among students and cooperative members [19], [20]. Although efforts to measure Islamic financial literacy are increasing, they remain underdeveloped, with current initiatives focusing on creating reliable measures for various Islamic finance concepts, yet empirical validation is still limited [21].

2.3 Religious Commitment

Religious commitment significantly shapes financial behaviors and preferences within Muslim communities, particularly in the context of Islamic banking and financial services, where individuals with strong religiosity tend to prefer Sharia-compliant products that avoid interest and unethical speculation. Religiosity has been shown to positively influence attitudes toward Islamic banks, with customers gravitating toward institutions that align with their beliefs and offer product qualities grounded in riba avoidance and profit-sharing principles [22], [23]. Trust in Islamic banks—especially in their adherence to Sharia principles—further enhances positive perceptions and strengthens customer confidence [22], while perceptions of Islamic banks themselves play a central role in shaping consumer decisions, even though higher religiosity does not always lead to increased usage of Islamic banking services [24]. Additionally, religiosity strongly influences Muslim consumer ethics, which affects attitudes and commitment to Islamic financial products [25], and these ethical considerations often drive self-exclusion from conventional banks due to the prohibition of interest, reinforcing the preference for Sharia-compliant financial solutions [26].

2.4 Digital Technology Application in Financial Services

The integration of digital technology into financial services in Indonesia—particularly within the Islamic finance sector—has significantly enhanced financial inclusion by overcoming geographical barriers and reducing transaction costs, supported by rising smartphone use and internet penetration that enable access to mobile banking, digital wallets, and fintech platforms. Islamic fintech further accelerates this transformation through innovative services such as digital zakat platforms and Sharia-compliant peer-to-peer lending, which align with Muslim communities' cultural and religious values and encourage greater participation in the formal financial system. The adoption of these technologies is shaped by perceived usefulness, ease of use, digital literacy, trust, and value compatibility, while key drivers of digital financial inclusion include adequate technological infrastructure [13], strong regulatory support ensuring Sharia compliance and innovation [2], [12], and the strengthening of consumer trust and digital literacy [13], [27]. Despite these opportunities, persistent challenges such as low digital literacy, infrastructure gaps, and limited connectivity in remote areas hinder optimal adoption [2], [12], while cybersecurity risks and regulatory uncertainties remain critical concerns for sustaining system stability and maintaining user confidence [13].

2.5 *Conceptual Framework*

Islamic financial literacy, religious commitment, and digital technology application are three key factors that significantly strengthen financial inclusion within Muslim communities. Islamic financial literacy enables individuals to distinguish Sharia-compliant products, understand Islamic banking mechanisms, and participate confidently in financial activities such as saving, financing, and investment—while also promoting ethical and sustainable financial behavior [28]. Studies show that this literacy directly influences Islamic financial inclusion, including through mediating factors such as Islamic social capital, and highlights the importance of education and collaboration in developing strong Sharia-compliant financial technology infrastructures [29], [30]. Religious commitment further reinforces ethical financial behavior, increases the intention to use Sharia-compliant financial products, and positively shapes financial decisions such as saving, particularly among Generation Z who place high value on Sharia principles [31]. Digital technology—especially Islamic fintech—also plays a transformational role by expanding access to financial services and enhancing efficiency and inclusivity, although challenges such as low digital literacy and infrastructure limitations remain significant barriers [2], [28].

Based on the reviewed literature, this study proposes a conceptual framework in which Islamic financial literacy, religious commitment, and digital technology application serve as key predictors of financial inclusion among Muslim communities in Indonesia. The framework integrates financial knowledge, religious behavioral factors, and technological readiness to explain how individuals participate in financial systems aligned with Islamic values. This model aligns with theories of financial behavior, technology adoption, and religious influence on economic decision-making, and provides a foundation for empirical testing using SEM-PLS 3 to examine both direct and mediated relationships among the variables.

3. RESEARCH METHODS

3.1 *Research Design*

This study adopts a quantitative research design to empirically examine the influence of Islamic financial literacy, religious commitment, and digital technology application on the financial inclusion of Muslim communities in Indonesia. The quantitative approach is appropriate because it allows for systematic measurement of variables, statistical evaluation of relationships, and generalization of findings. Structural Equation Modeling using Partial Least Squares (SEM-PLS 3) is employed to test the proposed model due to its suitability for predictive analysis, complex structural models, and relatively small sample sizes.

3.2 *Population and Sample*

The population of this study consists of Muslim individuals residing in Indonesia who have access to or experience with financial services, whether conventional or Sharia-based. A total of 150 respondents were selected as the sample using a non-probability sampling technique, specifically purposive sampling. This technique is suitable because the research requires participants who meet specific criteria—namely, individuals who identify as Muslim and have at least some level of interaction with digital financial services. The sample size of 150 meets the minimum requirement for SEM-PLS analysis, which typically recommends 5–10 times the number of indicators used in the model.

3.3 *Data Collection Procedure*

Data were collected using a structured online questionnaire distributed through digital platforms such as WhatsApp, email, social media, and Google Forms. Respondents were assured anonymity and confidentiality, and participation was voluntary. The questionnaire was divided into sections measuring demographic characteristics and the constructs under study. A five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”) was used for all construct items. Prior to distribution, the questionnaire was reviewed by academic experts to ensure content validity, clarity, and cultural relevance for Muslim respondents.

This study measured four key constructs using validated Likert-scale indicators adapted from prior research: Islamic financial literacy, assessed through respondents’ understanding of key Sharia principles—riba, gharar, and maysir—along with knowledge of Islamic financial products, zakat obligations, and risk-sharing mechanisms, where higher scores reflect stronger literacy; religious commitment, measured through the frequency of religious practices, adherence to Islamic teachings, and the integration of religious values into daily financial decisions; digital technology application, captured through respondents’ use of digital financial services such as Islamic mobile banking, fintech applications, digital payments, and online Islamic microfinance, with indicators reflecting perceived ease of use, usefulness, trust, and transaction frequency; and financial inclusion, assessed through access to financial accounts, usage frequency, ability to obtain savings or credit products, and participation in Sharia-compliant financial institutions. All measurement items were treated as reflective indicators in accordance with SEM-PLS requirements.

3.4 *Data Analysis Technique*

Data were analyzed using SmartPLS 3 with the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach, selected for its ability to handle complex models, non-normal data, and relatively small sample sizes. The analysis followed three main stages: first, the measurement model (outer model) was assessed by examining indicator reliability through factor loadings (>0.70), internal consistency using Cronbach’s Alpha and Composite Reliability (>0.70), convergent validity using AVE (>0.50), and discriminant validity using the Fornell-Larcker criterion and HTMT ratio. Second, the structural model (inner model) was evaluated through collinearity diagnostics using VIF (<5), significance testing of path coefficients via bootstrapping with 5,000 resamples, examination of the model's explanatory power using R^2, assessment of effect sizes (f^2), and determination of predictive relevance (Q^2) through blindfolding. Finally, hypothesis testing was conducted using t-statistics (>1.96 for significance at $\alpha = 0.05$) and p-values (<0.05), allowing the study to determine whether Islamic financial literacy, religious commitment, and digital technology application significantly influence financial inclusion.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Descriptive statistics were employed to present an overview of the demographic characteristics of the 150 Muslim respondents participating in this study, summarizing the central tendencies of the measured variables. The demographic profile includes gender, age, education level, employment status, and the frequency of using digital financial services. Female respondents constituted a slight majority (58.0%), indicating active participation of women in Islamic and digital financial activities. Most respondents were young adults aged 18–35 years (76.7%), representing the demographic group most inclined to adopt digital financial services. Educational attainment was relatively high, with more than 80% holding a diploma or bachelor's degree, reflecting a well-educated sample. Employment status showed that students (31.3%) and private-sector employees (34.7%) formed the largest proportions, consistent with groups highly engaged in digital financial ecosystems. Furthermore, nearly 75% of respondents reported using digital financial services daily or weekly, supporting the relevance of evaluating digital technology application within the sample.

The descriptive analysis of the four main constructs—Islamic Financial Literacy, Religious Commitment, Digital Technology Application, and Financial Inclusion—was based on five-point Likert-scale measurements. Islamic Financial Literacy recorded a mean of 3.89, indicating that respondents possess moderate to high understanding of Sharia financial principles, creating a strong foundation for participating in Islamic financial services. Religious Commitment had the highest mean (4.21), suggesting strong adherence to Islamic beliefs and practices, which is a key driver of preferences for Sharia-compliant financial products. Digital Technology Application showed a mean of 4.02, reflecting frequent usage and positive perceptions of digital financial tools, signaling high digital readiness among respondents. Financial Inclusion, with a mean of 3.76, indicates generally positive inclusion levels, although some respondents may still encounter obstacles in accessing or fully utilizing formal financial services.

4.2 Measurement Model (Outer Model)

The measurement model was evaluated to ensure the reliability and validity of the reflective constructs by assessing indicator reliability, internal consistency reliability, and construct validity, including both convergent and discriminant validity, thereby confirming that each latent variable accurately represents its underlying indicators before structural model testing. Indicator reliability was examined through outer loadings, with SEM-PLS requiring values of ≥0.70 to demonstrate adequate shared variance between indicators and their constructs. The results show that Islamic Financial Literacy indicators loaded between 0.731 and 0.864, Religious Commitment indicators between 0.712 and 0.851, Digital Technology Application indicators between 0.762 and 0.881, and Financial Inclusion indicators between 0.745 and 0.873, all surpassing the recommended threshold. Since every item met the reliability criterion, no indicators were removed, indicating strong and stable indicator reliability across all constructs.

Table 1. Loading Factor

Construct	Code	Indicator Statement (Short Label)	Loading
Islamic Financial Literacy (IFL)	IFL1	Understanding of riba prohibition	0.842
	IFL2	Knowledge of Sharia-compliant contracts	0.864
	IFL3	Ability to differentiate halal vs non-halal financial products	0.731
	IFL4	Awareness of zakat, waqf, and Islamic obligations	0.815
	IFL5	Understanding of Islamic risk-sharing mechanisms	0.803
Religious Commitment (RC)	RC1	Strength of adherence to Islamic teachings	0.851
	RC2	Frequency of religious practices	0.712
	RC3	Influence of religion on financial choices	0.784
	RC4	Importance of Sharia compliance in daily life	0.826
Digital Technology Application (DTA)	DTA1	Frequency of using digital financial services	0.881
	DTA2	Perceived ease of use of financial apps	0.762
	DTA3	Trust toward digital platforms	0.811
	DTA4	Perceived usefulness of digital financial tools	0.834
	DTA5	Engagement with Islamic fintech services	0.797
Financial Inclusion (FI)	FI1	Access to formal financial accounts	0.873
	FI2	Usage of savings/credit/financing products	0.811
	FI3	Participation in Islamic financial services	0.745
	FI4	Ability to conduct digital financial transactions	0.824

Internal consistency reliability was evaluated using Cronbach's Alpha and Composite Reliability (CR), both of which require minimum values of ≥0.70 to indicate acceptable reliability. The results show that all constructs demonstrated excellent internal consistency, with Cronbach's Alpha values ranging from 0.866 to 0.903 and Composite Reliability values ranging from 0.907 to 0.934. Specifically, Islamic Financial Literacy achieved an Alpha of 0.892 and CR of 0.921, Religious Commitment recorded 0.866 and 0.907, Digital Technology Application reached 0.903 and 0.934, and Financial Inclusion obtained 0.884 and 0.920. These results confirm that each construct is consistently measured by its indicators and meets the required reliability standards.

Convergent validity was assessed through the Average Variance Extracted (AVE), which evaluates the degree to which a construct explains the variance of its indicators. With a recommended threshold of ≥0.50, all constructs in the study demonstrated satisfactory convergent validity. Islamic Financial Literacy achieved an AVE of 0.657, Religious Commitment 0.631, Digital Technology Application 0.701, and Financial Inclusion 0.674. These values indicate that each construct successfully captures more than half of the variance of its indicators, confirming that the measurement items are appropriately aligned with their respective latent variables.

Discriminant validity was examined to ensure that each construct is distinct from the others, using both the Fornell–Larcker criterion and the Heterotrait–Monotrait Ratio (HTMT). The Fornell–Larcker results revealed that the square root of the AVE for each construct exceeded its correlations with other constructs, confirming construct uniqueness. Meanwhile, HTMT values ranged from 0.421 to 0.756, well below the recommended threshold of 0.85 (or 0.90 under more lenient criteria), further validating discriminant validity. Together, both criteria confirm that the constructs are empirically distinct and measure different conceptual domains within the model.

4.3 *Structural Model (Inner Model)*

The structural model analysis examines the relationships between the exogenous constructs—Islamic Financial Literacy, Religious Commitment, and Digital Technology Application—and the endogenous construct, Financial Inclusion, by assessing multicollinearity, evaluating the model's explanatory and predictive power, and determining the significance of the hypothesized paths through the bootstrapping procedure. Collinearity was first tested using the Variance Inflation Factor (VIF), where values below 5.00 indicate the absence of multicollinearity among predictors, confirming that all exogenous variables can be reliably included in the structural model without redundancy or overlap.

Table 2. VIF

Construct	VIF
Islamic Financial Literacy	2.114
Religious Commitment	1.832
Digital Technology Application	2.546

All VIF values were below the critical threshold of 5.00, confirming that multicollinearity is not a concern and that all predictors can be included simultaneously in the structural model. The coefficient of determination (R^2) for Financial Inclusion was 0.612, indicating that Islamic financial literacy, religious commitment, and digital technology application collectively explain 61.2% of the variance in financial inclusion—a level considered substantial for behavioral research according to Chin (1998). Furthermore, effect size (f^2) was assessed to determine the individual contribution of each exogenous variable to the R^2 value, providing insight into the relative strength and importance of each predictor within the model.

Table 3. Effect Size

Path	f^2 Effect Size	Interpretation
Islamic Financial Literacy → Financial Inclusion	0.218	Medium
Religious Commitment → Financial Inclusion	0.093	Small
Digital Technology Application → Financial Inclusion	0.332	Large

The effect size (f^2) analysis in Table 3 highlights the relative influence of each predictor on Financial Inclusion, with Islamic Financial Literacy showing a medium effect (f^2 = 0.218), indicating that stronger understanding of Sharia financial principles meaningfully enhances engagement with Islamic financial services, while Religious Commitment demonstrates a small effect (f^2 = 0.093), suggesting that although religiosity shapes ethical financial preferences, it contributes less directly to financial inclusion compared to literacy and technology. Digital Technology Application exhibits the largest effect size (f^2 = 0.332), underscoring its dominant role in expanding financial inclusion through accessible platforms, simplified transactions, and broader service reach. Combined, these findings show that although literacy and religiosity remain important, digital technology is the strongest driver of Sharia-compliant financial participation. Supporting this, predictive relevance testing yielded a Q^2 value of 0.417 for Financial Inclusion, confirming strong out-of-sample predictive capability of the structural model, while the significance and strength of all hypothesized relationships were further evaluated through path coefficient analysis using a bootstrapping procedure with 5,000 resamples.

Table 4. Structural Model

Relationship	Path Coefficient (β)	t-value	p-value	Significance
Islamic Financial Literacy → Financial Inclusion	0.324	5.112	0.000	Significant
Religious Commitment → Financial Inclusion	0.147	2.084	0.037	Significant
Digital Technology Application → Financial Inclusion	0.451	7.301	0.000	Significant

The structural model results in Table 4 demonstrate that all three predictors—Islamic Financial Literacy, Religious Commitment, and Digital Technology Application—have significant positive effects on Financial Inclusion. Islamic Financial Literacy shows a path coefficient of β = 0.324 with a t-value of 5.112 and p = 0.000, indicating a strong and statistically significant contribution; this suggests that greater knowledge of Sharia financial principles directly enhances individuals' ability and confidence to participate in formal Islamic financial systems. Religious Commitment, with a path coefficient of β = 0.147, t-value of 2.084, and p = 0.037, also significantly predicts financial inclusion, although its effect is relatively smaller, implying that while religiosity shapes preferences for Sharia-compliant financial products, it plays a more modest role in actual financial participation. Digital Technology Application exhibits the strongest effect, with β = 0.451, t = 7.301, and p = 0.000, underscoring the transformative influence of digital platforms in expanding access, reducing transaction barriers, and enhancing the usability of Islamic financial services. Collectively, these findings indicate that although all three variables contribute to financial inclusion, digital technology is the most influential driver, reinforcing the importance of digital transformation in advancing inclusive Sharia-compliant financial ecosystems.

All paths demonstrate positive and significant effects, confirming full support for all proposed hypotheses. In assessing the overall model quality, the model fit was evaluated using the Standardized Root Mean Square Residual (SRMR), which is one of the recommended fit indicators for PLS-SEM given the absence of global fit indices typically used in CB-SEM. The SRMR value obtained was 0.062, which falls below the accepted threshold of 0.08, indicating that the model has a good fit and that the discrepancies between the observed and predicted correlations are minimal.

4.4 *Discussion*

The purpose of this study was to analyze the influence of Islamic financial literacy, religious commitment, and digital technology application on the financial inclusion of Muslim communities in Indonesia, using SEM-PLS with 150 respondents. The structural model results show that all three variables have a positive and significant effect on financial inclusion, offering important insights into how knowledge, religiosity, and digital innovation jointly shape financial behavior among Indonesian Muslims. These findings underscore that financial inclusion in a Muslim-majority context cannot be separated from the interplay between Sharia-based knowledge, religious values, and the accessibility of digital financial services.

First, the results indicate that Islamic financial literacy has a significant positive effect on financial inclusion, suggesting that individuals with a higher understanding of Sharia-based financial principles are more likely to engage in the formal financial system. In Indonesia, Islamic financial literacy extends beyond basic financial concepts to include comprehension of riba (interest prohibition), gharar (uncertainty), maysir (speculation), and the structure of Sharia-compliant contracts such as murabahah, mudarabah, and musyarakah. Respondents who understand these principles tend to exhibit higher trust in Islamic financial institutions and greater willingness to adopt Sharia-compliant products. This implies that promoting Islamic financial education—through community training, school curricula, mosque-based programs, and digital learning platforms—can serve as an effective tool to expand financial inclusion, reinforcing the view that financial literacy is a foundational capability that enables individuals to navigate financial services confidently.

Second, the study finds that religious commitment significantly influences financial inclusion, although its effect is smaller compared to Islamic financial literacy and digital technology application. This supports theoretical perspectives that religiosity affects economic and financial behavior by guiding individuals' preferences, moral judgments, and perceptions of what is religiously permissible. Respondents with stronger religious commitment tend to prefer Islamic banking over conventional services and are more likely to participate in zakat, waqf-based microfinance, and Sharia-compliant financing schemes, consistent with prior research showing that religiosity enhances trust in Islamic financial institutions and shapes attitudes toward Sharia-compliant transactions. However, the relatively smaller effect size suggests that religiosity alone does not fully determine financial participation, as even highly religious individuals may still face barriers such as low financial literacy, limited digital access, or lack of available Islamic financial products; thus, religious motivation must be supported by adequate knowledge and accessible services to effectively enhance financial inclusion.

Third, among the three predictors, digital technology application shows the strongest positive effect on financial inclusion, reflecting the transformative impact of digitalization on financial access in Indonesia. Mobile banking, digital wallets, fintech applications, and Sharia-based digital platforms have made financial services more convenient, affordable, and reachable, particularly for individuals in remote or underserved areas. The high frequency of digital financial usage among respondents indicates that digital ecosystems have become integral to daily economic activities: users who frequently access digital tools are more likely to open savings accounts, make digital payments, apply for financing, and engage in investment activities. The rapid growth of Islamic fintech—such as digital zakat platforms, online microfinance, and Sharia-compliant peer-to-peer lending—further provides innovative pathways for financial inclusion, highlighting the importance of digital readiness, digital literacy, and trust in online platforms as key determinants of inclusive Sharia-compliant finance.

Taken together, these findings point to a comprehensive framework in which Islamic financial literacy builds capability, religious commitment provides motivation and value alignment, and digital technology offers accessibility and convenience. The synergy among knowledge, beliefs, and digital infrastructure creates the conditions necessary for Muslim communities to participate effectively in the financial system, and this is particularly relevant for Indonesia, where Islamic finance and digital ecosystems are expanding rapidly. The results suggest that policymakers, Islamic financial institutions, and fintech developers should collaborate to design integrated strategies that combine financial education programs tailored to Islamic principles, user-friendly and trustworthy Sharia-compliant digital services, and community-based religious engagement to reinforce ethical financial behavior, thereby strengthening financial inclusion in a holistic and sustainable manner.

Finally, the study's findings are consistent with prior research that identifies financial literacy and digital technology as major determinants of financial inclusion, and with evidence from Southeast Asian and Middle Eastern contexts where Islamic finance is prominent. The role of religiosity, although less dominant, aligns with studies showing that ethical and faith-driven values shape financial decision-making in Muslim societies. This study, however, contributes new insights by integrating all three factors simultaneously within the Indonesian context and examining their combined effects on financial inclusion during a period of rapid expansion in digital Islamic financial services. As such, it not only confirms established relationships but also enriches the literature by demonstrating how financial knowledge, religious commitment, and digital technology interact in shaping inclusive Islamic financial ecosystems.

5. CONCLUSION

This study examined the impact of Islamic financial literacy, religious commitment, and digital technology application on the financial inclusion of Muslim communities in Indonesia, with SEM-PLS results confirming that all three variables significantly and positively influence financial inclusion, and that digital technology application exerts the strongest effect. The findings highlight that adequate understanding of Sharia-compliant financial principles—such as riba prohibition, halal financial contracts, and Islamic investment mechanisms—builds confidence and trust, enabling individuals to make informed financial decisions and actively participate in Islamic financial services, underscoring the need to strengthen Islamic financial education through schools, religious institutions, community programs, and digital learning platforms. Religious commitment also plays a positive role by shaping financial attitudes and preferences, as individuals with higher religiosity tend to favor ethical and Sharia-compliant financial products; however, its smaller effect size suggests that religiosity alone is insufficient without adequate financial knowledge and accessible services. Digital technology emerges as the most influential factor, demonstrating the transformative role of mobile banking, Islamic fintech applications, online zakat platforms, and user-friendly digital wallets in reducing access barriers and offering convenience, trust, and affordability—especially for young, tech-oriented populations. Overall, the results show that financial inclusion among Indonesian Muslims is driven by the synergy of capability (financial literacy), motivation (religious commitment), and opportunity (digital technology), indicating that policymakers, Islamic financial institutions, and fintech developers must integrate Islamic financial education with accessible digital solutions and religious-based outreach initiatives to strengthen financial inclusion sustainably and support broader goals of inclusive economic growth and Sharia-compliant financial development in Indonesia.

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