



Islamic Digital Banking Adoption in Muslim Countries: A Review

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Article Info

Article history:

Received June 7, 2023

Revised July 1, 2023

Accepted August 27, 2023

Available online September 15, 2023

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Keywords:

Digital Banking, Islamic Bank, SLR

Abstract

Its primary goal is to provide a highly advanced review of digital banking adoption. It identifies and evaluates the most essential aspects of and challenges to Islamic bank customers adoption of digital banking. Furthermore, it outlines the most widespread implications of this adoption. This paper used a systematic literature review (SLR). Data were collected through Google Scholar Databases and 15 relevant articles were obtained to be reviewed. In order to have a good level of adoption of Islamic digital banking, the Islamic bank customers must have the capabilities, such as: [1] understanding Islamic banking concept; [2] understanding Islamic contracts (*ijarah, murabahah, musyarakah, mudharabah*, etc); [3] understanding technology information knowledge; and [4] understanding Islamic banking products. This research reviewed 15 papers published from 2012 to 2023 on the topic of Islamic digital banking adoption. The studies were classified into the following discussion topics. In addition, there are many kinds of theories or frameworks that can be used to analyze digital banking adoption, but UTAUT is still the main theory adopted by researchers to describe Islamic digital banking adoption.

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INTRODUCTION

In an era of tremendous technological breakthroughs, the financial environment is undergoing a fundamental transformation (Aslam et al., 2020). As customers want greater convenience, quickness, and accessibility in their banking experiences, make all the transaction simple, the traditional model is gradually giving way to digital banking options. This transformation not only to conventional financial institution but also to Islamic banks.

According to the results of a study conducted by (Siska, 2022), the Islamic bank should be able to provide services in real time through current technological advances. Therefore, Islamic bank customers must adapt to any changes in digital processes and services. Thus, it is expected that the preference of customers for using the products or services of Islamic banks will increase the adoption of digital banking. Increasing competition throughout the banking industries in targeting the same customers has driven Islamic banks to come up with and implement unique marketing strategies with the aim to guarantee their continued existence and success (Tabrani et al., 2018).

Based on the interview with Respondent 1, one of the customers of the biggest Islamic bank in Indonesia, he said that the quality of human capital to support existence of the Islamic bank in the banking 5.0 era should be enhanced, especially from the side of IT and Islamic principles knowledge. In addition, the quality of digital services also needs to be improved at each Islamic bank. Respondent 1 said he was often upset when doing important transactions, but the mobile banking application was error. In his opinion, it can make customers want to move and try the services of other banks, either Islamic or conventional bank. As a millennial, he hopes he can use all of the Islamic bank's products or services whenever and wherever, without visiting the office.

According to an interview with Respondent 2, one of the customers of the first Islamic bank in Indonesia, she said that in this smart society era, Islamic bank should enhance their digital services to gain customer loyalty because customers have many choices and information. Therefore, customers can move to another bank or financial technology company if they are not finding what they want. She said that Islamic banks must pay attention to the quality of digital banking because everyone wants a simple and fast transactions.

There are many previous studies that analyze the adoption of digital banking using several theories or conceptual frameworks, such as Unified Theory of Acceptance and Use of Technology (UTAUT), Consumption Value Model (CVM), Technology Adoption Model (TAM), Theory of Reasoned Action (TRA), Diffusion of Innovation (DOI), Theory of Planned Behavior (TPB), and many more. All of the theories describe about factors that affecting intention to accept or adopt digital banking, especially for bank customers. Hence, further research is required to update the findings.

This paper will focus to provide a highly advanced review of digital banking adoption. It identifies and evaluates the most essential aspects of and challenges to Islamic bank customers

adoption of digital banking. Furthermore, it outlines the most widespread implications of this adoption.

METHOD

This study used a systematic literature review (SLR) method. A systematic literature review is a method of combining empirical data in order to answer a particular question of study in a concise and reproducible way while exploring all available information on the issue and evaluating its quality (Lame, 2019). The phase in conducting systematic literature review begins with planning, implementing, and reporting. The search for literature is limited to research journal or proceedings published from 2012 until the first half of 2023 in Google Scholar databases. The keywords used in the search are “digital banking adoption”, “digital banking acceptance”, “Islamic digital banking adoption”, and “Islamic digital banking acceptance”. In the end, 15 relevant articles were obtained to be reviewed.

RESULT AND DISCUSSION

Table 1 shows the journal that publishes the relevant articles about Islamic digital banking adoption. There are many articles related to digital banking. However, only 15 articles that are relevant from the years 2012-2023 are selected that meet the criteria that have been determined. For example, the article should be in English and focus only on Islamic digital banking adoption.

Table 1. Analysis of Journal

Journal	Number of Articles	Author
Journal of Islamic Marketing	7	(Al-Ajam & Md Nor, 2015; Mahdzan et al., 2017; M. A. Bin Mohd Thas Thaker et al., 2019; H. Mohd Thas Thaker et al., 2022a; S. A. Raza et al., 2019; Suhartanto et al., 2019; Thye Goh et al., 2014)
International Journal of Business and Management	2	(Alwan & Al-Zubi, 2016; Chikondi Daka & Phiri, 2019)
International Journal of Marketing Studies	1	(Jehan & Ansari, 2018)
Management and Organizational Studies	1	(M. A. Raza et al., 2017)
Journal of Islamic Monetary Economics and Finance	1	(Shaikh et al., 2023)
Global Journal of Management and Business	1	(Al-Fahim, 2013)
Asia Pacific Journal of Marketing and Logistics	1	(Naeem, 2020)
International Journal of Bank Marketing	1	(Souiden et al., 2020)
ISRA International Journal of Islamic Finance	1	(Yaseen et al., 2022)

Source: Primary Data, 2023

To understand how Islamic banks may successfully implement digital transformation in their business, we focused on several topics below that drive digital banking adoption. Based on a review of the literature, the author used four key criteria, which are as follows:

Table 2. Topics of Study

No.	Topics of Study
1.	Analyzing the factors that impact the adoption of digital banking by Islamic bank customers.
2.	Analyzing the level of understanding of Islamic customers bank’s digital banking adoption with several models, such as Unified Theory of Acceptance and Use of Technology (UTAUT), Consumption Value Model (CVM), Technology Adoption Model (TAM), Theory of Reasoned Action (TRA), and Diffusion of Innovation (DOI).
3.	Discovering the barriers, problems, and opportunities within digital banking adoption in Islamic banks.
4.	Providing solutions to all the challenges and obstacles identified.

Source: Primary Data, 2023

The discussion on the first topic is examining the factors that impact the adoption of digital banking by Islamic banking customers. The topic had been discussed by (Al-Fahim, 2013; Alwan & Al-Zubi, 2016; Mahdzan et al., 2017; M. A. Bin Mohd Thas Thaker et al., 2019; Shaikh et al., 2023), which focused on identifying the predictors or factors that influence Islamic bank customers to adopt digital banking. The results of reviews showed that many factors, such as perceive advantage, understanding Islamic banking concept, trust, ease of use, awareness, security, complexity, relative advantage, price value, habit, facilitating condition, and technology self-efficacy. In addition, there are effort expectancy and performance expectancy aspects that influence the adoption of digital banking.

The second topic is examining the level of understanding of Islamic customers bank’s digital banking adoption with several models. The most widely used framework in research on digital banking adoption is dominated by UTAUT (H. Mohd Thas Thaker et al., 2022b; S. A. Raza et al., 2019; Yaseen et al., 2022) and TAM model (Suhartanto et al., 2019). However, there are some articles that use other frameworks such as religiosity-intention model (Suhartanto et al., 2019), consumption value model (Thye Goh et al., 2014), and diffusion theory of innovation (Mahdzan et al., 2017). Most articles used the frameworks Unified Theory of Acceptance and Use of Technology (5 articles), followed by Theory of Acceptance Model (4 articles), Diffusion of Innovation (2 articles), and Theory of Reasoned Action (1 article). The rest of the articles did not use specific model to analyze research problem.

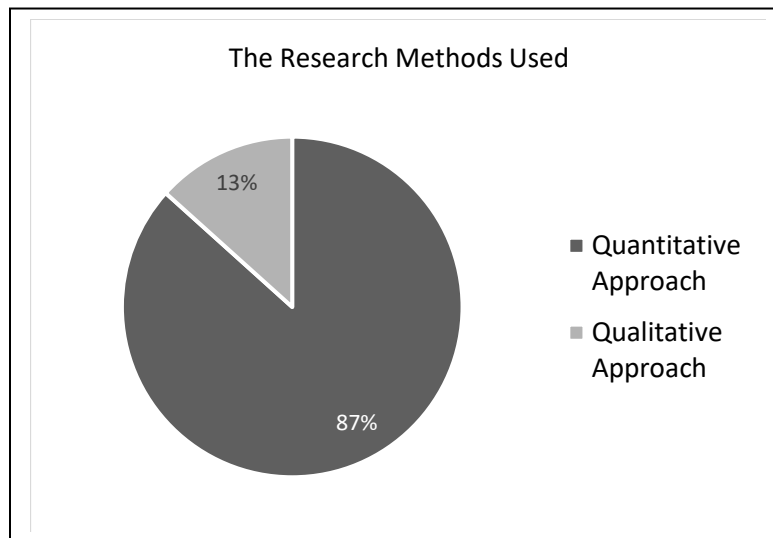
The third topic is discovering the barriers, challenges, and opportunities within digital banking adoption in Islamic banks. This research problem was discussed by (Al-Ajam & Md Nor, 2015). In the article, they focused on individual intentions to adopt internet banking in the Republic of Yemen. Another article discussed the barriers to adopting Islamic digital banking

(Souiden et al., 2020). In addition to describing the obstacles, their article also discussed the consequences experienced when choosing to adopt Islamic digital banking.

The last topic is providing solutions to all the challenges and obstacles identified: [1] understanding Islamic banking concept; [2] understanding Islamic contracts (*ijarah, murabahah, musyarakah, mudharabah*); [3] understanding technology information knowledge; and [4] understanding Islamic banking products. In order to have a good level of adoption of Islamic digital banking, the Islamic bank customers must have the capabilities mentioned earlier. Through digital banking adoption, Islamic banks can reduce operational cost and facilitate their customers in daily transaction activities.

Almost all the articles that write about Islamic digital banking adoption use a quantitative approach with survey methods. There are only two articles in this research literature that use a qualitative approach. This opens up opportunities for researchers who want to do research with qualitative approach or mix-methods. By using such qualitative method or mix-methods, all available literature and data can be analyzed in depth to provide wider conclusion and more useful implications.

Figure 1. The Research Methods Used



Source: Primary Data, 2023

CONCLUSION

This study reviewed 15 papers published from 2012 to 2023 on the topic of Islamic digital banking adoption. The studies were classified into the following four discussion topics: [1] Analyzing the factors that impact the adoption of digital banking by Islamic bank customer; [2] Analyzing the level of understanding of Islamic customers bank's digital banking adoption with several models, such as Unified Theory of Acceptance and Use of Technology (UTAUT),

Consumption Value Model, Technology Adoption Model (TAM), and Diffusion Theory of Innovation; [3] Discovering the barriers, problems, and opportunities within digital banking adoption in Islamic banks; and [4] Providing solutions to all the challenges and obstacles identified. In order to have a good level of adoption of Islamic digital banking, the Islamic bank customers must have the capabilities, such as: [1] understanding Islamic banking concept; [2] understanding Islamic contracts (*ijarah, murabahah, musyarakah, mudharabah*); [3] understanding technology information knowledge; and [4] understanding Islamic banking products. In addition, there are many kinds of theories or frameworks that can be used to analyze digital banking adoption, but UTAUT is still the main theory adopted by researchers to describe Islamic digital banking adoption.

The findings are quite useful for Islamic banks that currently provide digital banking, but they are even more useful for institutions that plan to provide digital banking services. The outcomes of the research could help Islamic bank practitioners understand the causes and strategic market planning that need to be implemented to enhance digital banking adoption among current and new Islamic bank customers. Direction for future research: hopefully you can use a qualitative approach or mix-methods, develop another framework to analyze the problem, And use more articles to review.

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