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DETERMINANTS OF EMBEDDED ISLAMIC FINANCE ADOPTION AND THEIR IMPLICATIONS FOR HALAL FINANCIAL INCLUSION: EVIDENCE FROM INDONESIA

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ABSTRACT

Objective: This study aims to analyze the determinants of the intention to adopt Embedded Islamic Finance and its relationship with perceptions of Halal Financial Inclusion in Indonesia. Specifically, the study examines the effects of Perceived Sharia Compliance, Trust, Perceived Usefulness, and Digital Financial Literacy on Perceived Value, as well as the effect of Perceived Value on Adoption Intention and the effect of Adoption Intention on Halal Financial Inclusion.

Research Design & Methods: This study employs a quantitative approach through a cross-sectional survey of 450 respondents in Indonesia. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to test direct and indirect relationships among variables, including mediation mechanisms. Measurements of Adoption Intention and Halal Financial Inclusion were based on respondents' perceptions, rather than observations of actual usage or changes in financial inclusion over time.

Findings: The results of the study indicate that Perceived Sharia Compliance (β = 0.316), Trust (β = 0.272), Perceived Usefulness (β = 0.268), and Digital Financial Literacy (β = 0.283) have a positive and significant effect on Perceived Value (all $p < 0.001$). Furthermore, Perceived Value has a positive effect on Adoption Intention (β = 0.508; $p < 0.001$), while Adoption Intention has a positive effect on the perception of Halal Financial Inclusion (β = 0.567; $p < 0.001$). Mediation analysis also showed that Perceived Value significantly mediates the relationship between these four determinants and Adoption Intention (all $p < 0.001$).

Implications & Recommendations: These findings highlight the importance of strengthening Sharia compliance, trust, service benefits, and digital financial literacy in creating value for users. Sharia banks, Sharia fintech companies, and digital platforms need to develop integrated, transparent, and Sharia-compliant services to encourage adoption and support the expansion of halal financial inclusion.

Contribution & Value Added: This study introduces the Embedded Islamic Finance empirical model by positioning Perceived Value as a mediating mechanism linking the dimensions of Sharia compliance, trust, technology, and digital literacy to adoption intention. This model expands the study of digital Sharia finance by integrating user value creation and perceptions of halal financial inclusion within a single conceptual framework.

Keywords: Embedded Islamic Finance, Halal Financial Inclusion, Perceived Value, Sharia Compliance.

JEL codes: G21, G41, O33.
Article type: research paper

INTRODUCTION

Digital transformation has changed the way people access financial services through the development of embedded finance the integration of payment, financing, savings, and other financial products into non-financial platforms such as e-commerce sites, marketplaces, and digital apps. This model allows users to access financial services while engaging in their current economic activities without having to switch to a different financial institution's app or channel. This integration is supported by Application Programming Interface (API) technology, Banking-as-a-Service (BaaS), and cross-system data exchange, which enable financial institutions to collaborate with digital platform providers (Demir et al., 2024). The potential for developing such a model is increasingly relevant for Indonesia, as internet penetration is projected to reach 80.66% or approximately 229.43 million users by 2025, indicating the vast potential user base that can be reached through platform-based financial services (APJII, 2026). However, the expansion of digital connectivity has not automatically resulted in equitable access to sharia-compliant financial services. Results from the 2025 National Survey on Financial Literacy and Inclusion (SNLIK) show that the national financial inclusion index stands at 80.51%, while the Islamic financial inclusion index is only 13.41%. During the same period, the Islamic financial literacy index stood at 43.42%, highlighting a gap

between the public's understanding of Islamic finance and their actual use of its products or services (BPS & OJK, 2025). This discrepancy highlights a more specific issue: the challenges in developing Islamic finance are not only related to the availability of products but also to how these services can be accessed and utilized effectively within the public's digital economic activities. Thus, the size of the Muslim population and increasing internet connectivity are not sufficient to explain the low utilization of Islamic financial services (Musa et al., 2025). The integration of Islamic financial services into digital platforms has the potential to be one approach to addressing this issue (Alsaghir, 2025). In this study, this approach is examined as "Embedded Islamic Finance," namely the integration of financial services based on Sharia principles into non-financial digital ecosystems. The focus of the study is on how public acceptance of this service model is formed and how the intention to adopt it relates to perceptions of halal financial inclusion.

The disparity between the development of the digital ecosystem and the low level of Sharia financial inclusion serves as a crucial basis for examining the factors that determine the acceptance of Embedded Islamic Finance. In this context, the integration of Sharia financial services cannot rely solely on technological convenience, as users must also be convinced that the transactions offered comply with Sharia principles, are trustworthy, provide benefits, and can be utilized based on their digital literacy capabilities. Data from SNLIK 2025 underscores the urgency of this issue: the Sharia financial literacy index of 43.42% has not been matched by a comparable inclusion index, which stands at 13.41%. This means that increased understanding has not yet been fully reflected in the use of Sharia financial products and services (BPS & OJK, 2025). The conceptual gap in this study lies in the lack of integration of the perspectives of technology acceptance, Sharia compliance, and value formation into a single framework to explain the adoption of Sharia-compliant financial services embedded in digital platforms. The literature on embedded finance has begun to examine user behavior, but the discussion has not yet adequately explained how perceptions of Sharia compliance interact with trust, technological benefits, and digital financial literacy in shaping perceived value. In fact, in Sharia-compliant financial services, the value perceived by users is shaped not only by efficiency and convenience but also by the belief that transaction mechanisms align with Sharia principles. Meanwhile, an empirical gap is evident due to the limited empirical evidence regarding the acceptance of embedded Islamic finance, particularly in countries with Muslim market characteristics and digital ecosystems such as Indonesia. Demir et al. (2024) examined the intention to use embedded payments among 807 respondents in Türkiye, focusing on lifestyle compatibility, social influence, personal innovation, hedonistic motivation, and trust. The study provides preliminary evidence regarding the factors influencing the adoption of embedded payments but has not yet examined the context of Sharia compliance or its relationship to halal financial inclusion. Çalışkan (2025) also indicates that the literature on embedded finance still requires further exploration regarding financial technology, sustainability, and regulatory policies. Thus, previous research has not adequately explained whether and how Sharia factors, technology, and digital literacy shape perceived value, which in turn drives adoption intentions and perceptions of halal financial inclusion.

Based on these gaps, this study aims to analyze the determinants of the intention to adopt Embedded Islamic Finance and its relationship with Halal Financial Inclusion in Indonesia. The research model integrates four main factors Perceived Sharia Compliance, Trust, Perceived Usefulness, and Digital Financial Literacy as factors that shape Perceived Value. Furthermore, Perceived Value is positioned as a mediating mechanism that explains how users' assessments of Sharia compliance, trust, benefits, and digital capabilities translate into Adoption Intention. The relationship between this adoption intention and Halal Financial Inclusion was then examined. The inclusion of Perceived Value as a mediator is crucial because users do not always form adoption intentions directly based on technological characteristics or Sharia attributes; users first evaluate the overall benefits of the service against the perceived costs, risks, and experiences. Thus, this study not only examines whether each factor is related to perceived value but also explains the psychological pathways linking these factors to adoption intentions. The conceptual contribution of this study lies in integrating the perspectives of technology acceptance and Sharia compliance through the mechanism of Perceived Value in the context of financial services embedded in non-financial platforms. Its empirical contribution is to provide evidence from Indonesia regarding the relationship between these factors, the intention to adopt Embedded Islamic Finance, and perceptions of halal financial inclusion. Unlike studies that assess the adoption of digital financial services in general or examine embedded payments without a Sharia dimension, this study positions Sharia characteristics as part of the process of user value formation. The research findings are expected to provide insights for Islamic banks, Islamic fintech providers, and digital platform operators in designing services that are not only easily accessible but also trustworthy, beneficial, and in line with Sharia principles. For regulators, the research findings can serve as a basis for strengthening the digital Islamic financial services ecosystem. However, since the study used a cross-sectional survey to measure respondents' perceptions and intentions, the relationship with Halal Financial Inclusion is interpreted as a relationship with perceptions of inclusion, not as evidence of an increase in actual usage or changes in financial inclusion over time.

Table 1 illustrates a striking disparity between Indonesia's digital connectivity and the utilization of sharia financial services. Internet penetration is projected to reach 80.66% by 2025, indicating that the majority of the population has access to the digital infrastructure necessary to utilize platform-based financial services. However, this level of digital connectivity has not been matched by a comparable level of sharia financial inclusion. The national financial inclusion index stands at 80.51%, while Islamic financial inclusion remains significantly lower at

13.41%. This disparity indicates that the expansion of access to financial services at the national level has not been proportionally reflected in the utilization of Sharia-compliant financial products.

Table 1 Digital Connectivity and Islamic Financial Inclusion in Indonesia

Indicator	Data	Year
Indonesia's Internet Penetration	80,66%	2025
National Financial Inclusion Index	80,51%	2025
Sharia Financial Literacy Index	43,42%	2025
Sharia Financial Inclusion Index	13,41%	2025

Source: APJII (2025); OJK and BPS (2025).

The Islamic financial literacy index of 43.42 percent which is significantly higher than the Islamic financial inclusion index indicates a potential gap between the public's understanding of Islamic finance and their actual use of such services. These indicators measure different dimensions and should not be interpreted as evidence of a direct cause-and-effect relationship. Rather, collectively, these indicators highlight structural challenges within Indonesia's Islamic finance ecosystem: the availability of digital infrastructure and growing awareness of Islamic finance have not been matched by widespread adoption of Islamic financial services. This situation raises important questions about how Islamic financial products can become more accessible, relevant, and integrated into people's daily digital activities. In this regard, Integrated Sharia Finance offers a potential approach by integrating Sharia-compliant financial services directly into non-financial digital platforms, thereby reducing the need for users to access financial services through separate channels. However, the potential of this model depends not only on the availability of technology but also on users' perceptions regarding Sharia compliance, trust, usability, and digital financial literacy. These considerations serve as the empirical basis for examining the determinants of the adoption of Integrated Islamic Finance and its relationship to perceptions of Halal Financial Inclusion in Indonesia.

LITERATURE REVIEW

Unified Theory of Acceptance and Use of Technology (UTAUT) and Technology Acceptance Model (TAM)

The adoption of digital technology has become one of the most extensively researched topics in the fields of information systems and financial technology. Among the theoretical frameworks developed to explain individual acceptance of new technologies, the Technology Acceptance Model (TAM) proposed by Davis (1989) and the Unified Theory of Acceptance and Use of Technology (UTAUT) developed by Venkatesh et al. (2003) and later extended to the consumer context through UTAUT2 (Venkatesh et al., 2012), remain the most influential and widely applied models. Both theories argue that an individual's decision to adopt a technological innovation is primarily determined by their cognitive evaluation of the technology, specifically the extent to which it is perceived as useful, easy to use, and capable of enhancing task performance. These perceptions then shape users' behavioral intentions, which are the strongest predictors of actual technology use (Davis, 1989; Venkatesh et al., 2012). In the Technology Acceptance Model, Perceived Usefulness (PU) is defined as the extent to which a person believes that using a particular system will improve their performance (Davis, 1989). Various empirical studies have consistently shown that perceived usefulness positively influences users' attitudes and behavioral intentions toward the adoption of digital technologies across various sectors, including electronic banking, mobile payment systems, financial technology, and digital financial services (Alalwan et al., 2016; Oliveira et al., 2016). In the context of financial services, users tend to be more willing to adopt an innovation if they perceive it to offer greater convenience, efficiency, accessibility, and transaction effectiveness than existing alternatives. Therefore, perceived usefulness has become one of the strongest predictors of technology adoption in the digital finance literature.

Recognizing the limitations of the Technology Acceptance Model (TAM) in explaining technology adoption across various contexts, Venkatesh et al. (2012) expanded the previous acceptance model through UTAUT2 by incorporating additional determinants such as performance expectations, effort expectations, social influence, supporting conditions, hedonic motivation, price value, and habits. This model has been widely applied to study the adoption of digital banking, mobile financial services, and Islamic financial technology because it provides a comprehensive explanation of the technological and behavioral factors that influence consumer acceptance. Specifically, UTAUT2 emphasizes that behavioral intention serves as a direct prerequisite for technology adoption, reflecting an individual's willingness to use a technological innovation based on a prior evaluation of expected benefits and perceived value (Venkatesh et al., 2012). Although TAM and UTAUT have been widely applied in digital finance research, previous studies have largely focused on conventional banking technologies, mobile banking, and Sharia fintech services. Attention given to Integrated Sharia Finance where financial services are seamlessly integrated into non-financial digital platforms such as e-commerce, halal marketplaces, and digital business ecosystems—has been relatively limited. Unlike standalone financial applications, Integrated Sharia Finance combines technological innovation with compliance with Sharia principles, thereby introducing additional considerations beyond the traditional framework of technology acceptance. Consequently, although TAM and

UTAUT provide a strong theoretical foundation for explaining technology adoption, both require further expansion by incorporating Sharia-specific variables such as Perceived Sharia Compliance, Trust, and Perceived Value to better explain users' intentions to adopt integrated financial services within halal digital ecosystems. Therefore, this study adopts TAM and UTAUT2 as its primary theoretical foundations while integrating Sharia-related constructs to develop a more comprehensive framework for explaining the adoption of Integrated Sharia Finance in Indonesia.

Sharia Compliance Theory

Sharia compliance is a fundamental principle that distinguishes the Islamic financial system from the conventional financial system (Muryanto, 2023). This concept refers to the degree to which all activities, products, contracts, and governance of financial institutions conform to Sharia principles derived from the Qur'an, Sunnah, ijma', and qiyas. In practice, Sharia compliance is not only focused on the legality of contracts but also encompasses aspects of ethics, justice, transparency, and the public interest (maslahah) in every economic transaction. Therefore, the success of Islamic financial institutions is measured not only by financial performance but also by their ability to consistently uphold Sharia principles (AAOIFI, 2025; Chapra, 2016). The core principles of Sharia compliance are embodied in the prohibition of riba (interest-based profit), gharar (excessive ambiguity or uncertainty in transactions), and maysir (speculative activities or gambling), as well as the obligation to ensure that all business activities are based on transactions that are halal, fair, and involve real economic activities. Furthermore, the Sharia financial system emphasizes risk-sharing mechanisms, transparency, and social responsibility as part of the implementation of Islamic values in economic activities (Saleem et al., 2023). These principles form the foundation for product development, risk management, and the relationships between financial institutions and their stakeholders (Choudhry, 2018).

To ensure the implementation of these principles, every Islamic financial institution is required to adopt Sharia Governance a governance system that ensures all of the institution's policies, products, and operations remain in compliance with Sharia provisions. According to the Islamic Financial Services Board (IFSB), Sharia governance encompasses the supervisory structure, Sharia audit mechanisms, Sharia risk management, and the role of the Sharia Supervisory Board (SSB) in overseeing and issuing fatwas regarding all activities of the financial institution. Meanwhile, AAOIFI emphasizes that Sharia compliance is a key element in maintaining credibility, accountability, and public trust in the Islamic finance industry (AAOIFI, 2025). In the context of Embedded Islamic Finance, Sharia compliance has become an increasingly important factor because financial services are no longer provided exclusively by Sharia banks but are integrated into various digital platforms such as marketplaces, trading apps, and halal business ecosystems (Haridan et al., 2023). This integration requires assurance that every financing process, payment, and digital transaction continues to comply with Sharia principles. Therefore, this study defines Perceived Sharia Compliance as users' perceptions regarding the extent to which Embedded Islamic Finance services align with Sharia principles, which is expected to play a significant role in shaping Perceived Value and driving the public's intention to adopt Sharia-compliant financial services integrated into digital ecosystems.

Embedded Finance

Embedded finance is an innovation in the financial services industry that enables financial services to be integrated directly into non-financial platforms, such as e-commerce sites, marketplaces, transportation apps, enterprise resource planning (ERP) systems, and other digital ecosystems. Unlike traditional banking models, which require users to access services through a bank's app or branch office, embedded finance delivers financial services as part of the user journey, allowing transactions to be completed without switching platforms (Chhabra, 2025). The development of this concept is driven by advances in digital technology, the increasing use of Application Programming Interfaces (APIs), and growing collaboration between financial institutions and technology companies to provide financial services that are faster, more efficient, and user-centric (Dresner et al., 2022; Mallekoote & Balraadjsing, 2025). The implementation of embedded finance is supported by the concept of Banking-as-a-Service (BaaS), a business model that enables banks to provide financial infrastructure and services to non-financial companies via APIs. With this approach, technology companies can offer a variety of financial products such as accounts, payments, financing, and investments without needing a license as a banking institution. APIs serve as connectors that enable secure data exchange and service integration between banks and digital platforms (Wang, 2024). Through this mechanism, various innovations such as embedded payments, which are payment systems directly integrated into applications, and embedded lending, which provides financing facilities at the time a user makes a transaction are rapidly evolving and becoming part of the transformation of the global digital financial ecosystem (Mallekoote & Balraadjsing, 2025).

Although the concept of embedded finance is growing rapidly in the conventional financial industry, its application in Islamic finance remains relatively limited. Most digital Islamic financial services still operate as stand-alone applications, and thus have not yet fully leveraged the integration of services into the broader digital ecosystem (Alam et al., 2026). In fact, the characteristics of embedded finance offer significant opportunities to expand public access to Islamic financing, payments, and financial services through platforms already used in daily economic activities. Such integration has the potential to improve efficiency, expand service reach, and accelerate Islamic financial inclusion particularly for halal SMEs and communities previously underserved by formal financial

institutions. In this study, this concept is developed into "Embedded Islamic Finance," which refers to the integration of financial services operating under Sharia principles into various digital platforms through the use of API technology and Banking-as-a-Service (Nanaeva, 2026). Unlike conventional embedded finance, Embedded Islamic Finance not only emphasizes ease of access and transaction efficiency but also ensures that all products, contracts, financing mechanisms, and payment processes comply with Sharia principles, including being free from elements of riba, gharar, and maysir (Noh et al., 2025). Thus, Embedded Islamic Finance is viewed as a new paradigm that combines digital innovation with Sharia governance to create more inclusive, trustworthy, and sustainable financial services in support of the development of the halal ecosystem.

Perceived Sharia Compliance and Perceived Value

Perceived Sharia Compliance refers to an individual's perception of the extent to which a financial product or service complies with Sharia principles, including being free from elements of riba, gharar, and maysir, and being conducted based on valid, transparent contracts that conform to Sharia provisions (Ahmed et al., 2022). In the context of digital Sharia finance, perceptions of Sharia compliance are a critical factor because users evaluate not only the functional benefits of a service but also its alignment with their religious values. The higher users' confidence that a service adheres to Sharia principles, the greater the perceived value they derive from it, as the service not only provides economic benefits but also fulfills spiritual and ethical needs. A number of previous studies have shown that Sharia compliance plays a significant role in enhancing perceptions of service quality, satisfaction, trust, and the public's intention to use Sharia-compliant financial products (Dusuki & Abdullah, 2007; Rahi et al., 2021). However, most of these studies still treat Sharia compliance as a direct determinant of customers' intention to use a service or their loyalty, while its influence on the formation of Perceived Value particularly in the context of Embedded Islamic Finance has been explored only to a very limited extent. In fact, in Sharia-compliant financial services integrated into digital platforms, the perception that these services adhere to Sharia principles is expected to be the primary source of value perceived by users before they decide to adopt them. Therefore, this study argues that the higher the Perceived Sharia Compliance felt by users, the higher the Perceived Value of Embedded Islamic Finance services. Based on this argument, the first hypothesis in this study is formulated as follows.

H1: Perceived Sharia Compliance has a positive effect on Perceived Value regarding Embedded Islamic Finance services.

Trust and Perceived Value

Trust is defined as an individual's belief that a service provider possesses the capability, integrity, and commitment to deliver services that are secure, reliable, and in line with user expectations (Mayer et al., 1995; McKnight et al., 2002). In the context of digital financial services, trust is a critical factor because users cannot directly observe the transaction management processes or data security measures implemented by the service provider. This is particularly relevant in Embedded Islamic Finance, where financial services are integrated into non-financial digital platforms, requiring users to trust not only the Islamic financial institutions but also the digital platforms serving as the service delivery medium. A high level of trust reduces perceived risk, increases a sense of security during transactions, and strengthens the belief that the services used can provide benefits in line with users' needs (Ozturk et al., 2017). A number of previous studies have shown that trust is a key determinant in enhancing perceived value, satisfaction, and the intention to use digital services, including mobile banking, fintech, and Islamic financial services (Alalwan et al., 2016; Oliveira et al., 2016; Rahi et al., 2021). However, most of these studies have focused on examining the direct influence of trust on behavioral intention or user loyalty, while its role in shaping Perceived Value particularly in Embedded Islamic Finance services has been relatively under-explored. According to Perceived Value Theory, trust is one of the factors that enhances users' positive evaluation of a service's overall benefits, as users perceive transaction risks to be lower than the benefits gained (Baidoun & Salem, 2024). Therefore, this study argues that the higher the level of trust users have in Embedded Islamic Finance services, the higher the Perceived Value they experience. Based on this argument, the second hypothesis of this study is formulated as follows.

H2: Trust has a positive effect on Perceived Value in Embedded Islamic Finance services

Perceived Usefulness and Perceived Value

Perceived Usefulness is defined as an individual's level of confidence that the use of a technology or system will improve performance, effectiveness, and productivity in completing specific activities (Davis, 1989). In the context of digital financial services, perceived usefulness reflects the extent to which users believe that a service can provide convenience, time efficiency, transaction speed, and a better experience compared to conventional methods. This concept is one of the key constructs in the Technology Acceptance Model (TAM), which has consistently been shown to influence the acceptance of various technological innovations, including mobile banking, fintech, and digital payment services (Davis, 1989; Venkatesh et al., 2012). In Embedded Islamic Finance, Perceived Usefulness is becoming increasingly relevant because Sharia-compliant financial services are directly integrated into digital platforms such as marketplaces, business apps, and halal ecosystems, allowing users to access financing, payments, or other financial services without having to switch apps. This integration is expected to enhance

efficiency, convenience, and flexibility in transactions, thereby providing greater benefits to users. According to Perceived Value Theory, the greater the perceived benefits of a service, the higher its perceived value, as users assess that the benefits obtained outweigh the costs or sacrifices incurred (Baidoun & Salem, 2024). Previous research has also shown that Perceived Usefulness has a positive effect on Perceived Value across various digital services and is a key factor in shaping users' evaluations of a technological innovation (Amin et al., 2026; Oliveira et al., 2016). Therefore, this study argues that the higher the Perceived Usefulness users experience toward Embedded Islamic Finance services, the higher the resulting Perceived Value will be. Based on this argument, the third hypothesis in this study is formulated as follows.

H3: Perceived Usefulness has a positive effect on Perceived Value in Embedded Islamic Finance services.

Digital Financial Literacy and Perceived Value

Digital financial literacy is an individual's ability to understand, evaluate, and effectively utilize digital financial services, including the ability to use technology, understand the characteristics of financial products, manage the risks of digital transactions, and make sound financial decisions in a digital environment (Koskelainen et al., 2023). In the context of Islamic finance, digital financial literacy encompasses not only an understanding of digital technology but also the ability to recognize the characteristics of financial products and services that align with Sharia principles. An adequate level of literacy enables users to evaluate the benefits, security, and suitability of digital financial services in relation to their needs and the values they uphold. In Embedded Islamic Finance, users are required to understand the mechanisms of financial services integrated into digital platforms such as financing, payments, or Sharia-compliant transactions which can be conducted without having to access a separate banking app. Therefore, individuals with higher digital financial literacy tend to more easily understand how these services work, assess the benefits gained, and reduce uncertainty during the usage process. Based on Perceived Value Theory, a user's ability to understand a product or service enhances their evaluation of the benefits received, thereby generating higher perceived value (Sánchez-Fernández & Iniesta-Bonillo, 2007). A number of previous studies have also shown that digital financial literacy has a positive effect on the perceived benefits, trust, and acceptance of digital financial services, as individuals with higher levels of literacy are able to make better use of technological innovations (Lyons & Kass- Hanna, 2021; Morgan et al., 2019). Thus, this study argues that the higher a user's level of digital financial literacy, the higher their perceived value of embedded Islamic finance services. Based on this argument, the fourth hypothesis of this study is formulated as follows.

H4: Digital financial literacy has a positive effect on the perceived value of embedded Islamic finance services.

Perceived Value and Adoption Intention

Perceived Value merupakan evaluasi menyeluruh yang dilakukan pengguna terhadap manfaat yang diperoleh dibandingkan dengan biaya, risiko, maupun pengorbanan yang harus dikeluarkan dalam menggunakan suatu produk atau layanan (Sánchez-Fernández & Iniesta-Bonillo, 2007). In the context of digital financial services, perceived value reflects not only functional benefits such as ease of access, time efficiency, and transaction speed but also emotional and social benefits, as well as the confidence that the service can optimally meet users' needs. In Embedded Islamic Finance, Perceived Value is a critical factor because users will evaluate whether the integration of Sharia-compliant financial services into a digital platform truly provides a more practical, secure, and Sharia-compliant transaction experience compared to conventional financial services or standalone banking apps (Sodik, 2026). According to Perceived Value Theory, the greater the perceived benefits compared to the perceived costs or risks, the more likely individuals are to accept and use an innovation (Sánchez-Fernández & Iniesta-Bonillo, 2007). This finding is also supported by various studies showing that Perceived Value is a key determinant in shaping Adoption Intentions toward various digital services, including mobile banking, mobile payments, and fintech, as users tend to adopt technologies they perceive as adding value to their daily activities (Amin et al., 2026; Oliveira et al., 2016). In the context of this study, Perceived Value is hypothesized to serve as the psychological mechanism linking users' evaluations of Embedded Islamic Finance services to their decision to adopt them. Therefore, the higher the Perceived Value users perceive, the greater their intention to use Embedded Islamic Finance services. Based on this reasoning, the fifth hypothesis of this study is formulated as follows.

H5: Perceived Value has a positive effect on Adoption Intention for Embedded Islamic Finance services.

Adoption Intention and Halal Financial Inclusion

Adoption intention refers to an individual's level of readiness or willingness to use a technology or service in the near future as a result of evaluating its perceived benefits, ease of use, and value (Venkatesh et al., 2012). In various theories of technology adoption, Adoption Intention is viewed as the primary predictor of actual usage; thus, the higher a person's intention to use an innovation, the greater the likelihood that the innovation will be adopted on a sustained basis. In the context of Embedded Islamic Finance, adoption intention reflects users' readiness to utilize Sharia-compliant financial services integrated into digital platforms, such as marketplaces, business applications, and halal ecosystems. An increase in adoption intention is expected to expand public access to Sharia-compliant financing, payment, savings, and financial services without having to rely on conventional

banking channels. This aligns with the concept of Halal Financial Inclusion namely, the availability of easy, affordable, and Sharia-compliant access to financial services for all segments of society, including previously underserved groups (the unbanked and underbanked) (Gharbi, 2025). Previous research has shown that the adoption of digital financial technology contributes to increased financial inclusion through expanded access, reduced transaction costs, and improved efficiency of financial services. Therefore, in the context of this study, the higher the Adoption Intention toward Embedded Islamic Finance services, the greater the opportunity for the public to utilize Sharia-compliant financial services in their daily economic activities, thereby promoting an increase in Halal Financial Inclusion. Based on this reasoning, the sixth hypothesis in this study is formulated as follows.

H6: Adoption Intention has a positive effect on Halal Financial Inclusion in Embedded Islamic Finance services.

The Mediating Role of Perceived Value

In this study, Perceived Value is positioned as a mediating variable that explains the mechanism by which the main factors namely, Perceived Sharia Compliance, Trust, Perceived Usefulness, and Digital Financial Literacy influence Adoption Intention toward Embedded Islamic Finance services. Based on Perceived Value Theory, an individual's decision to adopt a product or service is influenced not only by the product's characteristics but also by a comprehensive evaluation of the benefits received relative to the costs, risks, and sacrifices involvedn (Sánchez-Fernández & Iniesta-Bonillo, 2007). In the context of digital Islamic financial services, users first evaluate whether the service provides tangible benefits, is secure, easy to use, and compliant with Sharia principles before deciding to adopt it. Therefore, Perceived Value serves as a psychological mechanism linking service characteristics to the intention to use (Su et al., 2024). Users who believe that a service has a high level of Sharia compliance, is trustworthy, provides clear benefits, and is supported by their ability to understand digital financial services will tend to form a higher perception of value. This perceived value subsequently drives the intention to use Embedded Islamic Finance services. Although several previous studies have examined the direct effects of Perceived Sharia Compliance, Trust, Perceived Usefulness, and Digital Financial Literacy on the intention to adopt digital financial services (Alalwan et al., 2016; Oliveira et al., 2016; Rahi et al., 2021), research that positions Perceived Value as a mediating mechanism in the context of Embedded Islamic Finance remains very limited. Therefore, this study proposes that Perceived Value mediates the relationship between these four variables and Adoption Intention, thereby providing a more comprehensive understanding of the process by which adoption intentions for Sharia-compliant financial services integrated into the digital ecosystem are formed.

H7: Perceived Value mediates the effect of Perceived Sharia Compliance on Adoption Intention for Embedded Islamic Finance services.

H8: Perceived Value mediates the effect of Trust on Adoption Intention for Embedded Islamic Finance services.

H9: Perceived Value mediates the effect of Perceived Usefulness on Adoption Intention for Embedded Islamic Finance services.

H10: Perceived Value mediates the effect of Digital Financial Literacy on Adoption Intention for Embedded Islamic Finance services.

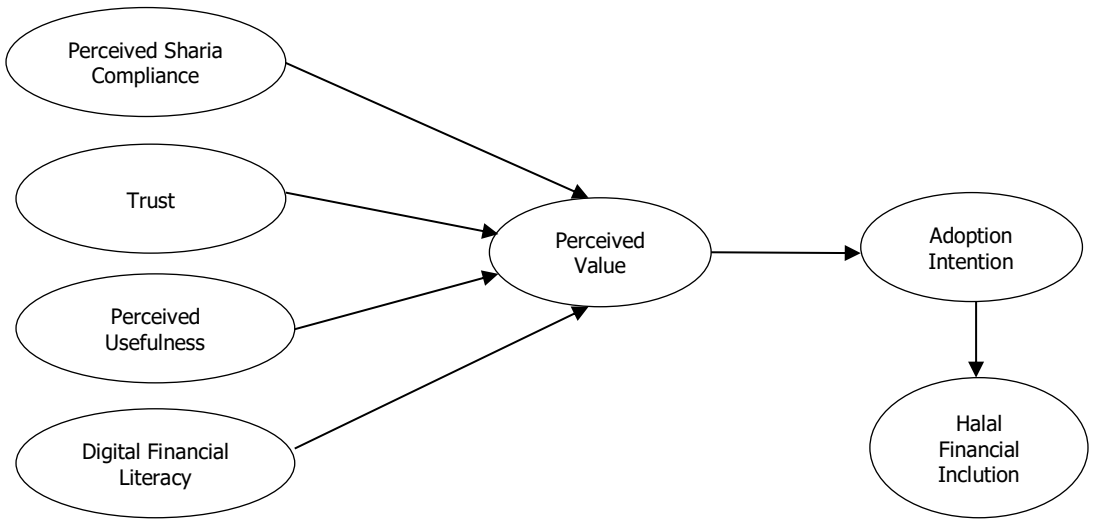


Figure 1 Research Framework

METHODS

This study employs a quantitative approach with a cross-sectional survey design to test the causal relationships among the variables in the proposed conceptual model. A quantitative approach was chosen because this study aims to empirically test the effects of Perceived Sharia Compliance, Trust, Perceived Usefulness, and Digital Financial Literacy on Perceived Value, as well as the effect of Perceived Value on Adoption Intention and its implications for Halal Financial Inclusion. Primary data were collected using a structured questionnaire developed based on indicators adapted from previous studies and tailored to the context of Embedded Islamic Finance. All statements were measured using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. The study population consists of Indonesians who have used digital financial services, such as mobile banking, digital wallets, e-commerce, or digital marketplaces. Given that the implementation of Embedded Islamic Finance in Indonesia is still in its early stages, respondents were not required to have used these services specifically, but were expected to have experience using digital financial services so they could evaluate the concepts under study. The sampling technique used was purposive sampling, with the following criteria for respondents: at least 17 years of age, residing in Indonesia, having experience using digital financial services within the past six months, and possessing a basic understanding of sharia financial products or services. Based on Hair Jr (2021), recommendations, this study targeted 400–500 respondents to ensure stable parameter estimates in the Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis.

The research instrument was developed by adapting indicators from various studies that have been validated for both validity and reliability. The construct "Perceived Sharia Compliance" was adapted from the literature on Sharia compliance and Sharia governance; "Trust" was adapted from studies on trust in digital financial services; "Perceived Usefulness" refers to the Technology Acceptance Model (TAM); "Digital Financial Literacy" refers to the OECD's digital financial literacy framework; "Perceived Value" was adapted from Perceived Value Theory; while "Adoption Intention" and "Halal Financial Inclusion" were adapted from research on technology adoption and Sharia financial inclusion. Prior to the widespread distribution of the questionnaire, a pilot test was conducted with approximately 30 respondents to ensure the clarity of the wording, ease of understanding, and consistency of each indicator. Data collection was conducted online using Google Forms distributed via social media, Islamic finance communities, universities, business communities, and various other digital platforms. Before completing the questionnaire, all respondents were provided with an explanation of the research objectives and an informed consent form, ensuring that participation was voluntary and anonymous. All data collected was kept confidential and used solely for academic purposes.

Data analysis was performed using SmartPLS 4 with the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. This method was chosen because it is capable of analyzing complex research models, accommodates latent variables with reflective indicators, and is suitable for research oriented toward theory development and prediction . The analysis was conducted in two stages: evaluation of the measurement model (outer model) and the structural model (inner model). The evaluation of the outer model included testing convergent validity using outer loadings (>0.70) and Average Variance Extracted (AVE) (>0.50), as well as construct reliability using Cronbach's Alpha and Composite Reliability (>0.70), and discriminant validity using the Heterotrait-Monotrait Ratio (HTMT) (<0.90). Furthermore, the inner model was evaluated by testing the Variance Inflation Factor (VIF) (<5), the coefficient of determination (R^2), the effect size (f^2), the predictive relevance (Q^2), and the Standardized Root Mean Square Residual (SRMR) to assess model fit. Hypothesis testing was performed using a bootstrapping procedure with 5,000 resamplings, yielding path coefficients, t-statistics, p-values, and specific indirect effects to test both the direct effects and the mediating role of Perceived Value at a 5% significance level.

RESULT

The first step in evaluating a measurement model is to test convergent validity using outer loading values. This test aims to ensure that each indicator adequately reflects the latent construct being measured. According to Hair Jr (2021), the recommended outer loading value is greater than 0.70, while indicators with values between 0.60 and 0.70 may still be retained if they meet the overall criteria for construct reliability and convergent validity. The results of the outer loading test for all constructs in this study are presented in Table 2.

Based on Table 2, most indicators show outer loading values above the recommended minimum threshold of 0.70, thus meeting the requirements for convergent validity. For the Perceived Sharia Compliance construct, outer loading values range from 0.798 to 0.847, with indicator PSC1 having the highest value (0.847). The "Trust" construct has a range of values from 0.805 to 0.848, while "Perceived Usefulness" ranges from 0.808 to 0.821. All indicators for both constructs demonstrate excellent ability to represent the latent variables being measured. Similarly, the Digital Financial Literacy construct has outer loadings ranging from 0.801 to 0.836, indicating that all indicators meet the criteria for convergent validity.

For the Perceived Value construct, the outer loading values ranged from 0.699 to 0.728, while the Adoption Intention construct had values ranging from 0.695 to 0.791. Additionally, the Halal Financial Inclusion construct

showed outer loading values ranging from 0.684 to 0.739. Although there are several indicators with values slightly below the ideal threshold of 0.70 namely PV3 (0.699), AI3 (0.695), and HFI2 (0.684) these three indicators were retained because their values fall within an acceptable range for PLS-SEM analysis. Hair Jr (2021) state that indicators with loading values between 0.40 and 0.70 do not necessarily need to be eliminated if their removal does not significantly improve the Composite Reliability (CR) or Average Variance Extracted (AVE) and they still possess strong theoretical relevance. The results of the outer loading test indicate that all indicators adequately represent the latent construct. Thus, the measurement model in this study has met the initial requirements for convergent validity, allowing the analysis to proceed to the assessment of construct reliability using Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE).

Table 2 Outer Loading

	Adoption I.	Digital Financial L.	Halal Financial I.	Perceived Sharia C.	Perceived U.	Perceived V.	Trust
AI1	0.791						
AI2	0.702						
AI3	0.695						
AI4	0.703						
DFL1		0.801					
DFL2		0.835					
DFL3		0.836					
DFL4		0.811					
DFL5		0.815					
HFI1			0.739				
HFI2			0.684				
HFI3			0.714				
HFI4			0.725				
HFI5			0.710				
PSC1				0.847			
PSC2				0.821			
PSC3				0.824			
PSC4				0.824			
PSC5				0.798			
PU1					0.809		
PU2					0.820		
PU3					0.820		
PU4					0.808		
PU5					0.821		
PV1						0.727	
PV2						0.728	
PV3						0.699	
PV4						0.727	
TR1							0.835
TR2							0.833
TR3							0.827
TR4							0.848
TR5							0.805

Source: Data Processed (2026)

Once all indicators met the criteria for convergent validity based on outer loading values, the next step was to evaluate internal reliability and convergent validity at the construct level. This evaluation was conducted using Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE). According to , a construct is considered to have good reliability if the Cronbach's Alpha and Composite Reliability values are greater

than 0.70, while convergent validity at the construct level is met if the AVE value exceeds 0.50. The results of the reliability and construct validity tests are presented in Table 3.

Table 3 Validity and Reliability Test Result

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Adoption Intention	0.696	0.814	0.524
Digital Financial Literacy	0.879	0.911	0.672
Halal Financial Inclution	0.761	0.839	0.511
Perceived Sharia Compliance	0.881	0.913	0.677
Perceived Usefulness	0.874	0.909	0.666
Perceived Value	0.691	0.812	0.519
Trust	0.888	0.917	0.689

Source: Data Processed (2026)

Based on Table 3, all constructs in this study demonstrated good reliability. Cronbach's Alpha values ranged from 0.691 to 0.888, while Composite Reliability values ranged from 0.812 to 0.917. Although the Perceived Value construct had a Cronbach's Alpha value of 0.691, this value is still acceptable because it is very close to the recommended minimum threshold of 0.70. Furthermore, this construct has a Composite Reliability of 0.812, indicating that the internal consistency of the indicators remains in the "good" category. Hair et al. (2019) explain that in PLS-SEM analysis, Composite Reliability is prioritized over Cronbach's Alpha because it provides a more accurate estimate of reliability for latent constructs.

All constructs have Average Variance Extracted (AVE) values above 0.50, ranging from 0.511 to 0.689. The Trust construct has the highest AVE value (0.689), followed by Perceived Sharia Compliance (0.677), Digital Financial Literacy (0.672), and Perceived Usefulness (0.666). Meanwhile, the constructs Halal Financial Inclusion (0.511), Perceived Value (0.519), and Adoption Intention (0.524) also met the recommended minimum thresholds, indicating that more than 50% of the indicators' variance can be explained by their respective latent constructs. The test results show that all constructs met the requirements for internal reliability and convergent validity. Thus, the measurement model in this study is deemed to be of adequate quality and suitable for proceeding to the discriminant validity test, in order to ensure that each construct is capable of distinguishing itself from other constructs in the research model.

After all constructs met the requirements for internal reliability and convergent validity, the next step was to evaluate discriminant validity. This test aims to ensure that each construct in the research model has distinct characteristics and is capable of measuring the intended concept, thereby preventing overlap among latent variables. In this study, discriminant validity was evaluated using the Fornell-Larcker criterion, which is one of the most widely used approaches in PLS-SEM analysis. According to Henseler et al. (2015) and Hair et al. (2019), discriminant validity is considered met if the square root of the Average Variance Extracted (AVE) for each construct is greater than the correlation between that construct and any other construct. The results of the discriminant validity test using the Fornell-Larcker criterion are presented in Table 4.

Table 4 Heterotrait-monotrait ratio (HTMT)

	AI	DFL	HFI	PSC	PU	PV	TR
Adoption Intention							
Digital Financial Literacy	0.262						
Halal Financial Inclution	0.774	0.216					
Perceived Sharia Compliance	0.307	0.061	0.238				
Perceived Usefulness	0.364	0.052	0.318	0.054			
Perceived Value	0.729	0.389	0.595	0.405	0.386		
Trust	0.241	0.066	0.151	0.060	0.063	0.363	

Source: Data Processed (2026)

Based on Table 4, all AVE square root values located on the main diagonal of each construct are greater than the correlation values with other constructs. This indicates that each construct is better able to explain its own indicators than to explain the indicators of other constructs. For example, the Adoption Intention construct has a root-mean-square error of prediction (AVE) value of 0.724, which is higher than its correlations with Digital Financial Literacy (0.262), Perceived Sharia Compliance (0.307), Perceived Usefulness (0.364), Perceived Value (0.729), and Trust (0.241). Similarly, the constructs Perceived Sharia Compliance, Perceived Usefulness, Digital Financial

Literacy, Trust, Perceived Value, and Halal Financial Inclusion also exhibit the same pattern, where the diagonal values of each construct are higher than the correlations between the other constructs.

Although the correlation between Perceived Value and Adoption Intention is relatively high (0.729), this relationship is still acceptable because the two constructs do indeed have a strong conceptual relationship within the research model. The overall evaluation results continue to indicate that the Fornell-Larcker criteria have been met, suggesting no significant issues with discriminant validity. Thus, each construct in this study can be deemed capable of adequately distinguishing itself from the other constructs. The results of the measurement model evaluation which included outer loadings, construct reliability, convergent validity, and discriminant validity indicate that the research instrument possesses good measurement quality. Therefore, the model has met the requirements to proceed to the structural model evaluation (inner model), which includes tests for multicollinearity, the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and hypothesis testing using the bootstrapping procedure.

After the measurement model met the requirements for convergent validity, construct reliability, and discriminant validity, the next step was to evaluate the overall model fit. Model fit testing aims to assess the extent to which the developed conceptual model is able to represent the empirical data obtained. In the PLS-SEM approach, model fit evaluation is generally conducted using several indices, including the Standardized Root Mean Square Residual (SRMR), Normed Fit Index (NFI), d_ULS, d_G, and Chi-Square. According to et al. (2022), An SRMR value below 0.08 indicates that the model has a good level of fit, while an NFI value that approaches 1 indicates an increasingly better level of model fit. The results of the model fit evaluation in this study are presented in Table 5.

Table 5 Model fit

	Saturated Model	Estimated Model
SRMR	0.051	0.063
d_ULS	1.467	2.206
d_G	0.358	0.377
Chi-Square	867.888	901.963
NFI	0.853	0.847

Source: Data Processed (2026)

Based on Table 5, the evaluation results show that the proposed model meets the goodness-of-fit criteria. The SRMR value for the Estimated Model is 0.063, while that for the Saturated Model is 0.051. Both values are below the maximum threshold of 0.08, indicating that the residuals between the observed correlation matrix and that predicted by the model are relatively small. Thus, the research model can be said to have a good level of fit to the empirical data. The Normed Fit Index (NFI) value of 0.847 for the Estimated Model and 0.853 for the Saturated Model indicates that the model has a fairly good level of fit. Although the NFI value has not reached 0.90, Hair et al. (2019) explains that in the PLS-SEM approach, this index is supplementary and not a primary criterion for evaluating model quality. Therefore, the obtained NFI value is still acceptable, especially when other evaluation indicators show adequate results.

The values of d_ULS (2.206) and d_G (0.377) in the Estimated Model illustrate the degree of discrepancy between the empirical covariance matrix and the covariance matrix predicted by the model. In PLS-SEM, these two measures are generally evaluated by comparing the estimated values with the 95% or 99% bootstrap confidence intervals (HI95 or HI99). Therefore, a more comprehensive interpretation of d_ULS and d_G requires bootstrapping results. Meanwhile, the Chi-Square value of 901.963 indicates the magnitude of the difference between the observed and estimated covariance matrices. However, this index is not used as the primary basis for evaluating the PLS-SEM model because it is highly sensitive to sample size. The model fit evaluation results show that the developed structural model has an adequate level of fit with the empirical data. With the model fit criteria met, the analysis can proceed to the evaluation of the structural model (inner model) through testing the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and hypothesis testing using the bootstrapping procedure.

After the evaluation of the measurement model and model fit yielded satisfactory results, the next step was to test the structural model (inner model) through path coefficient analysis. This test aimed to evaluate the direction, strength, and significance of the relationships among the latent variables in accordance with the formulated hypotheses. In this study, the significance of the relationships was tested using a bootstrapping procedure with 5,000 resamples. According to Hair et al. (2019), a hypothesis is considered supported if it has a t-statistic value > 1.96 and a p-value < 0.05 at a 5% significance level. The results of the path coefficient tests are presented in Table 6.

Based on Table 6, all relationships between variables in the research model show positive and significant path coefficients; thus, all direct hypotheses (H1–H6) are supported by the empirical data. The effect of Perceived

Sharia Compliance on Perceived Value has a path coefficient of β = 0.316 with a t-statistic of 8.065 and a p-value of 0.000, indicating that the higher users' perception of Sharia compliance in Embedded Islamic Finance services, the higher the perceived value. Thus, H1 is accepted. Trust was found to have a positive effect on Perceived Value (β = 0.272; t = 6.715; p < 0.001), so H2 is accepted. These results indicate that an increase in users' trust in the security, reliability, and credibility of the service will enhance their perceived value. Furthermore, Perceived Usefulness also has a significant positive effect on Perceived Value (β = 0.268; t = 6.452; p < 0.001), so H3 is accepted. This finding indicates that the perceived benefits of using the service are one of the main factors in shaping users' perceived value.

Table 6 Path Coefficients

	Original Sample	Std. Deviation	T Statistics	P Values
Adoption Intention -> Halal Financial Inclution	0.567	0.030	19.012	0.000
Digital Financial Literacy -> Perceived Value	0.283	0.037	7.728	0.000
Perceived Sharia Compliance -> Perceived Value	0.316	0.039	8.065	0.000
Perceived Usefulness -> Perceived Value	0.268	0.041	6.452	0.000
Perceived Value -> Adoption Intention	0.508	0.035	14.630	0.000
Trust -> Perceived Value	0.272	0.041	6.715	0.000

Source: Data Processed (2026)

The test results also show that Digital Financial Literacy has a positive and significant effect on Perceived Value, with a path coefficient of β = 0.283, a t-statistic of 7.728, and a p-value of 0.000; thus, H4 is accepted. This finding indicates that users' ability to understand and utilize digital financial services contributes to an increase in the perceived value of Embedded Islamic Finance services. Perceived Value was found to have a significant positive influence on Adoption Intention (β = 0.508; t = 14.630; p < 0.001), thus supporting H5. This coefficient value is the largest in the structural model, indicating that perceived value is the most dominant factor in driving users' intention to adopt Embedded Islamic Finance services. Finally, Adoption Intention has a positive effect on Halal Financial Inclusion (β = 0.567; t = 19.012; p < 0.001), thus H6 is accepted. These results indicate that the higher the public's intention to use Embedded Islamic Finance services, the greater its contribution to expanding access to and utilization of Sharia-compliant financial services in Indonesia.

The results of the path coefficient tests show that all relationships proposed in the research model are positive and significant. These findings confirm that Perceived Sharia Compliance, Trust, Perceived Usefulness, and Digital Financial Literacy serve as key determinants in shaping Perceived Value, which in turn drives Adoption Intention and contributes to increased Halal Financial Inclusion. The next step is to evaluate specific indirect effects to test the mediating role of Perceived Value in the relationship between the exogenous variables and Adoption Intention.

After testing the direct effects which showed that all relationships between variables were significant the next step is to evaluate the specific indirect effects to test the mediating roles of Perceived Value and Adoption Intention in the research model. The testing was conducted using a bootstrapping procedure with 5,000 resamples. According to Hair et al. (2019), a mediating effect is considered significant if it has a t-statistic > 1.96 and a p-value < 0.05. The results of the specific indirect effects tests are presented in Table 7.

Based on Table 7, all indirect effects in the research model were found to be positive and significant, as indicated by a p-value of 0.000 and t-statistics that all exceeded the critical value of 1.96. These results confirm that Perceived Value acts as a mediator in the relationship between Perceived Sharia Compliance, Trust, Perceived Usefulness, and Digital Financial Literacy on Adoption Intention. Specifically, the indirect effect of Perceived Sharia Compliance on Adoption Intention through Perceived Value has a coefficient of β = 0.160 (t = 6.708), followed by Digital Financial Literacy (β = 0.144; t = 6.916), Trust (β = 0.138; t = 6.185), and Perceived Usefulness (β = 0.136; t = 5.450). These findings indicate that an increase in perceptions of Sharia compliance, trust, perceived usefulness, and digital financial literacy will enhance users' perceived value, which ultimately drives the intention to adopt Embedded Islamic Finance services.

The test results also indicate a significant indirect effect on Halal Financial Inclusion through a serial mediation pathway, namely Perceived Value and Adoption Intention. The strongest indirect effect was found in the relationship between Perceived Value → Adoption Intention → Halal Financial Inclusion, with a coefficient of β = 0.288 (t = 10.338), indicating that a high perceived value increases adoption intention and ultimately expands halal financial inclusion. Furthermore, Perceived Sharia Compliance has an indirect effect of β = 0.091 (t = 5.926), followed by Digital Financial Literacy (β = 0.081; t = 6.366), Trust (β = 0.078; t = 5.897), and Perceived Usefulness (β = 0.077; t = 5.004). These results indicate that the influence of the four exogenous variables on increasing Halal Financial Inclusion occurs not only directly through the formation of Perceived Value but is also reinforced through increased Adoption Intention toward Embedded Islamic Finance services.

Table 7 Specific Indirect Effects

	Original Sample	Std. Deviation	T Statistics	P Values
Digital Financial Literacy -> Perceived Value -> Adoption Intention	0.144	0.021	6.916	0.000
Perceived Sharia Compliance -> Perceived Value -> Adoption Intention	0.160	0.024	6.708	0.000
Perceived Usefulness -> Perceived Value -> Adoption Intention	0.136	0.025	5.450	0.000
Trust -> Perceived Value -> Adoption Intention	0.138	0.022	6.185	0.000
Digital Financial Literacy -> Perceived Value -> Adoption Intention -> Halal Financial Inclution	0.081	0.013	6.366	0.000
Perceived Sharia Compliance -> Perceived Value -> Adoption Intention -> Halal Financial Inclution	0.091	0.015	5.926	0.000
Perceived Usefulness -> Perceived Value -> Adoption Intention -> Halal Financial Inclution	0.077	0.015	5.004	0.000
Perceived Value -> Adoption Intention -> Halal Financial Inclution	0.288	0.028	10.338	0.000
Trust -> Perceived Value -> Adoption Intention -> Halal Financial Inclution	0.078	0.013	5.897	0.000

Source: Data Processed (2026)

The results of the specific indirect effects test confirm that the mediation mechanism proposed in the research model functions effectively. Perceived Value has been shown to be the primary psychological mechanism that translates users' perceptions of Sharia compliance, trust, perceived benefits, and digital financial literacy into an intention to adopt Embedded Islamic Finance. Adoption Intention serves as the link that transforms these perceptions into increased Halal Financial Inclusion. Thus, all mediation hypotheses proposed in this study (H7–H10) are supported by empirical data.

DISCUSSION

Sharia Compliance as the Primary Driver of Perceived Value

The results of the study indicate that Perceived Sharia Compliance has a positive and statistically significant relationship with Perceived Value ($\beta = 0.316$, $t = 8.065$, $p < 0.001$), supporting H1. These findings suggest that users place a higher value on Integrated Sharia Finance when they believe that financial transactions and operational arrangements align with Islamic principles. In this context, Sharia compliance is particularly relevant because integrated financial services are delivered through non-financial platforms, where users may encounter financial products without directly interacting with a Sharia bank or its Sharia governance representatives. As a result, users may have limited opportunities to independently assess the underlying contracts, transaction structures, or financial risk allocation. Therefore, perceptions of compliance serve as a crucial interpretive guide that users employ to evaluate whether the convenience of these integrated services is accompanied by religious and ethical legitimacy. A positive coefficient indicates that a stronger perception of Sharia compliance is associated with higher perceived value, which encompasses not only functional benefits but also the assurance that such financial activities align with users' religious expectations. These positive coefficients indicate that a stronger perception of Sharia compliance is associated with higher perceived value, which encompasses not only functional benefits but also the assurance that financial activities are in harmony with users' religious expectations. This interpretation expands the conventional understanding of digital financial value by demonstrating that, within an integrated Sharia financial environment, technological convenience alone may not be sufficient to create a meaningful service experience (Suhartanto et al., 2026).

This relationship aligns with the principles underlying Sharia governance, which emphasize the conformity of financial transactions with Islamic legal and ethical requirements. AAOIFI (2025) provides standards intended to support consistency in the application of Sharia principles, highlighting the importance of effective Sharia governance arrangements in maintaining institutional integrity and public trust. These perspectives help explain why Sharia compliance can contribute to perceived value beyond its regulatory function. In integrated financial arrangements, financial services are provided through partnerships involving financial institutions and non-financial platforms. Therefore, users evaluate not only the product provider but also the credibility of the overall service arrangement. Perceptions of Sharia compliance can reduce uncertainty regarding whether a financial product is truly Sharia-compliant and whether its implementation remains consistent across all involved organizations. This interpretation also aligns with the broader objectives of Islamic economics, which link financial activities to justice, social welfare, and the avoidance of exploitative transactions (Chapra et al., 2008). Thus, these findings suggest that Sharia compliance contributes to value creation by linking the functional convenience of integrated services to users' expectations regarding religious integrity and ethics.

These findings also contribute to the growing empirical literature on integrated financial services. Demir et al. (2024), in their study on the adoption of integrated payments among 807 young consumers in Türkiye, identified trust, lifestyle fit, social influence, personal innovation, and hedonistic motivation as significant determinants of the intention to use integrated payments. Their findings indicate that adoption in an integrated environment is influenced by more than just the technical characteristics of the payment system. However, their research did not examine Sharia compliance as a separate value dimension. This study expands upon that line of inquiry by demonstrating that, in the context of Islamic finance, perceptions of compliance are positively correlated with the value users assign to integrated services. This does not mean that Sharia compliance replaces conventional considerations regarding technology. Rather, it suggests that religious legitimacy is an additional evaluative dimension that becomes relevant when financial services are integrated into everyday digital platforms. The findings of this study expand the body of research on integrated payments specific to a particular context by incorporating the normative requirements of Islamic finance into the explanation of perceived value.

The Indonesian context further clarifies why this relationship is important. The expansion of the digital market and platform-based transactions creates opportunities for Islamic financial institutions to reach users through channels that are already integrated into their daily economic activities. However, the separation between digital platforms and financial institutions can make the underlying Sharia governance arrangements less visible to users. A service may seem convenient, but users may still feel uncertain about the contracts used, the sources of financing, the calculation of costs, or the responsibilities of the parties involved. In such situations, clear disclosure regarding financing contracts, the role of the Sharia Supervisory Board, and procedures to ensure Sharia compliance can help users assess the legitimacy of the service. These findings suggest that the perceived value of Integrated Sharia Finance is partly influenced by the extent to which Sharia compliance is understandable and considered credible from the users' perspective. Digital integration must not undermine the visibility of Islamic finance principles; rather, it should make these principles easily accessible throughout the user journey.

The practical implication is that Islamic banks, Islamic fintech providers, and digital platforms must treat Sharia compliance as an integral component of service design and value communication, not merely as an internal compliance requirement. Financial service providers must communicate the underlying contracts, fee structures, risk allocation, and Sharia oversight arrangements in language that users can understand at the time the service is provided. Platform operators must also ensure that the information presented to users is consistent with the actual financial products and the responsibilities of licensed providers. For regulators, these findings highlight the importance of clear governance and disclosure frameworks for financial services distributed through non-financial platforms. However, the coefficient of 0.316 should be interpreted as a standardized relationship within the estimated model, not as evidence that Sharia compliance is always the most significant practical intervention in every implementation context. Its practical significance depends on the service design, user characteristics, and the credibility of the compliance mechanisms implemented.

Building User Trust in Embedded Islamic Finance

The results of the study indicate that Trust has a positive and statistically significant relationship with Perceived Value ($\beta = 0.272$, $t = 6.715$, $p < 0.001$), supporting H2. These findings suggest that users who have greater trust in the reliability and integrity of Integrated Islamic Finance tend to perceive greater value in these services. Trust is particularly relevant in integrated financial schemes because users may conduct financial transactions through non-financial platforms, while the underlying financial services are provided by separate banks or fintech institutions (Devlin et al., 2025). This multi-party framework can make responsibilities for transaction processing, data protection, customer support, and dispute resolution less transparent to users. Therefore, trust reflects confidence not only in the digital interface but also in the institutions and technological arrangements operating behind the scenes (Bodó, 2021). In this context, this positive relationship indicates that the perceived benefits of integration become more meaningful when users are confident that service providers can fulfill their commitments and protect users' interests. These findings are consistent with the view that trust reduces uncertainty in digital transactions and contributes to users' overall evaluation of a service's value (Mayer et al., 1995; McKnight et al., 2002).

These findings can be explained through the trust framework proposed by Mayer et al. (1995), which identifies competence, benevolence, and integrity as the key foundations of trust. When applied to Integrated Sharia Finance, competence relates to the capacity of financial and technology service providers to deliver reliable services; benevolence relates to their willingness to protect users' interests; and integrity relates to their consistency in fulfilling commitments and adhering to applicable ethical and regulatory requirements. These dimensions become interdependent when financial services are distributed through partnerships between banks, fintech providers, and digital platforms. McKnight et al. (2002) It also explains that trust is important in e-commerce because users often make decisions under conditions of limited information and uncertainty. These findings expand on this perspective by placing trust within the context of integrated Islamic financial services, where trust must encompass both digital delivery mechanisms and the legitimacy of financial service providers. Consequently, trust contributes to perceived value by reducing the uncertainty associated with using services whose financial and technological components may be managed by different organizations.

These results also complement empirical research on the adoption of integrated payment systems. Demir et al. (2024) found that perceived trust significantly contributes to young consumers' intention to use integrated payment systems in Türkiye. Their findings highlight the relevance of trust in payment services integrated with platforms, while this study identifies its relationship with perceived value in the context of Islamic finance. This distinction is important because intention and perceived value represent different stages in user evaluation. While Demir et al. (2024) By examining trust as a predictor of intention, the model in this study positions trust as a prerequisite for perceived value, which in turn predicts adoption intention. Therefore, these findings provide a more explicit explanation of how trust in integrated Islamic financial services can translate into a positive evaluation of those services. These findings also indicate that trust in integrated Islamic finance should not be reduced to mere general trust in digital technology; it may also involve trust in financial institutions, platform partnerships, and the integrity of the services' Sharia-related claims.

In practice, trust requires coordinated governance among the organizations involved in providing Integrated Sharia Finance. Sharia banks and fintech providers need to maintain reliable transaction systems, transparent customer information, effective complaint-handling procedures, and appropriate data protection measures (Razak et al., 2025). Digital platforms must clearly identify the financial institutions responsible for providing these products, rather than allowing users to assume that the platform itself performs every financial function. In addition, information regarding the underlying Sharia contracts and the responsibilities of each party must be easily accessible. These measures can help reduce the uncertainty arising from the separation between the platform interface and the financial service provider. A positive coefficient of 0.272 indicates that trust is significantly correlated with perceived value in the estimated model, although its contribution must be considered in conjunction with service infrastructure quality, institutional accountability, and actual user experience.

The Role of Perceived Usefulness in Embedded Islamic Financial Services

Perceived Usefulness has a positive and statistically significant relationship with Perceived Value ($\beta = 0.268$, $t = 6.452$, $p < 0.001$), supporting H3. This finding indicates that users tend to assign a higher value to Integrated Sharia Finance when they believe that the service enhances the efficiency and convenience of their financial activities. In an integrated environment, utility is not limited to the ability to make payments or obtain financing digitally. It also relates to the extent to which financial functions are available within the platform where users already conduct their economic activities. For example, a user purchasing goods through an online marketplace may perceive greater utility when Sharia-compliant payment or financing options are available without requiring a separate application process. This positive relationship reflects the value of functional integration: financial services become more relevant when they reduce procedural barriers and support users' existing activities. This interpretation aligns with the Technology Acceptance Model, which identifies perceived usefulness as a central factor in users' evaluation of technology (Davis, 1989).

These findings also support the performance-oriented perspective in the Integrated Theory of Technology Acceptance and Use, which emphasizes performance expectations as a key determinant of technology acceptance (Venkatesh et al., 2012). However, in the context of Integrated Islamic Finance, utility must be understood in relation to financial platforms and products (Moharrak & Mogaji, 2026). A seamless interface may enhance the user experience, but the service must also provide relevant financial functions, such as facilitating Sharia-compliant payments or access to appropriate financing. These findings indicate that users' perceived value increases when integrated services offer practical benefits relevant to their financial needs. Therefore, these findings expand upon conventional explanations of technology acceptance by situating usability within a multi-organizational service framework, where the quality of integration and the suitability of Islamic financial products collectively shape user evaluations. These findings are generally consistent with research identifying functional benefits as a key factor in the adoption of digital financial services. Demir et al. (2024), for example, show that the adoption of integrated payments is related to lifestyle fit and other user-related evaluations, indicating that the alignment between payment services and daily activities plays an important role in an integrated environment. The results of this study complement this evidence by showing that perceived usefulness is positively correlated with perceived value in the context of Islamic finance. However, these two findings should not be considered identical: lifestyle fit relates to the alignment between a service and the user's lifestyle, whereas perceived usefulness relates to the expected improvement in the performance of financial tasks or activities. Therefore, this study contributes by identifying the functional value of integrated Islamic financial services as a distinct dimension of user evaluation, rather than assuming that convenience alone explains their acceptance.

For service providers, the implication is to develop integrated services that solve identifiable financial problems, rather than simply adding Sharia-compliant financial features to digital platforms. Banks and fintech providers must ensure that payment and financing products are tailored to the transactions and users targeted by those services. Platform operators must minimize unnecessary steps while still providing clear information about financial products, their costs, and the terms of the contract. These improvements can enhance the practical utility of these services while maintaining their Sharia-compliant characteristics. A coefficient of 0.268 indicates a positive relationship with a magnitude close to that of Trust ($\beta = 0.272$), suggesting that functional utility and trust in the service contribute relatively similarly to perceived value in this model. This closeness also serves as a caution against

treating one factor as far more important than another based solely on minor differences in standardized coefficients.

Digital Financial Literacy as an Enabler of Perceived Value

The research results show that Digital Financial Literacy has a positive and statistically significant relationship with Perceived Value ($\beta = 0.283$, $t = 7.728$, $p < 0.001$), supporting H4. These findings indicate that users with better abilities to understand, evaluate, and use digital financial services tend to perceive greater value in Integrated Sharia Finance. Digital financial literacy is particularly relevant in an integrated environment because financial products are presented on platforms whose primary purpose may not be the provision of financial services. Therefore, users must recognize the financial nature of these services, understand their features and costs, evaluate digital risks, and determine whether the products align with their needs and expectations. Higher literacy levels enable users to distinguish between the platform's user-friendliness and the substantive characteristics of the financial products offered. This interpretation aligns with the OECD's emphasis on the knowledge and skills required to use digital payments safely and make informed financial decisions in a digital environment (Koskelainen et al., 2023; Yadav & Banerji, 2024). Thus, financial literacy can contribute to perceived value by enabling users to understand and evaluate the benefits and risks of integrated financial services.

These findings are also relevant to the Indonesian context, where digital financial inclusion and Islamic financial inclusion remain distinct challenges. Marla et al. (2024), in their study on Islamic financial inclusion in Banda Aceh, identified Islamic financial literacy as a key factor in understanding the relationship between financial technology, digital finance, and Islamic financial inclusion. Their study provides empirical support for the relevance of literacy within the Islamic finance ecosystem, although it did not examine digital financial literacy as a prerequisite for perceived value in Integrated Islamic Finance. This research expands on that discussion by demonstrating that users' digital financial capabilities are positively correlated with the value they perceive in integrated Islamic financial services. This suggests that literacy initiatives should not only cover knowledge of Islamic finance principles but also practical skills for evaluating digital products, understanding transaction procedures, and recognizing potential risks. Therefore, banks, fintech providers, platforms, and regulators need to develop financial education initiatives that combine digital skills with an understanding of Sharia-compliant financial products.

Perceived Value as a Predictor of Adoption Intention

The results show that Perceived Value has a positive and statistically significant relationship with Adoption Intention ($\beta = 0.508$, $t = 14.630$, $p < 0.001$), supporting H5. Among the direct path effects leading from Perceived Value to Adoption Intention in the proposed model, this coefficient indicates a relatively strong standardized relationship. This suggests that users who evaluate Integrated Sharia Finance more positively in terms of overall benefits and trade-offs tend to report a stronger intention to adopt the service. This relationship aligns with Sánchez-Fernández & Iniesta-Bonillo (2007) conceptualization of perceived value as a comprehensive evaluation of what is received compared to what is given. In the context of integrated Islamic finance, users may evaluate the combined benefits—such as convenience, functional utility, trust in transactions, and Sharia compliance—against perceived costs, effort, uncertainty, and potential risks. The research results indicate that adoption intention is related to this overall evaluation, rather than to individual service attributes in isolation. However, these coefficients should not be interpreted as evidence that perceived value is universally the most important practical determinant of adoption; rather, they represent the strength of the estimated relationship within this specific model and sample.

These findings complement existing research on the adoption of digital and integrated financial services. Demir et al. (2024) show that trust, lifestyle fit, social influence, personal innovation level, and hedonistic motivation are associated with the intention to use integrated payment services. Their study focused on the direct relationship between specific user perceptions and adoption intentions, whereas this study explains adoption intentions through the more comprehensive construct of perceived value. In the context of Islamic finance, this distinction is important because users may evaluate a service across multiple dimensions simultaneously, including its functional performance and its alignment with religious expectations. Therefore, these findings contribute by positioning perceived value as an integrative evaluation through which various service attributes can be translated into adoption intentions. For service providers, this means that adoption strategies must focus on the overall value proposition including service relevance, transparent pricing, ease of access, reliability, and credible Sharia governance rather than relying solely on promotional activities or technological sophistication.

The Mediating Role of Perceived Value in Embedded Islamic Finance Adoption

The results of the indirect effects analysis specifically support all four proposed mediation hypotheses. Perceived Value acts as a mediating variable in the relationship between Perceived Sharia Compliance and Adoption Intention ($\beta = 0.160$, $t = 6.708$, $p < 0.001$), Trust and Adoption Intention ($\beta = 0.138$, $t = 6.185$, $p < 0.001$), Perceived Usefulness and Adoption Intention ($\beta = 0.136$, $t = 5.450$, $p < 0.001$), and Digital Financial Literacy and Adoption Intention ($\beta = 0.144$, $t = 6.916$, $p < 0.001$). These results indicate that all four prerequisites are associated with adoption intention through users' evaluation of the value offered by Integrated Sharia Finance. The values of these indirect effect coefficients are relatively close, ranging from 0.136 to 0.160. Therefore, these results do not

support the interpretation that any single antecedent factor dominantly controls the mediation process. Instead, these results suggest that Sharia compliance, trust, perceived usefulness, and digital financial literacy are complementary sources of perceived value. This is theoretically significant in the context of integrated Islamic finance because users must evaluate not only whether a service is convenient but also whether it is credible, easy to understand, useful, and aligned with their religious expectations. These findings expand the understanding of technology acceptance by demonstrating the role of perceived value as an evaluative mediating mechanism between these different attributes and adoption intention (Sánchez-Fernández & Iniesta-Bonillo, 2007; Venkatesh et al., 2012).

These mediation findings also expand the growing literature on integrated financial services by elucidating a process not directly addressed by studies that primarily focus on the determinants of integrated payment intentions. Demir et al. (2024), for example, identified several direct predictors of integrated payment intentions but did not examine the mediating role of perceived value or Sharia compliance requirements. In the literature on Islamic financial inclusion, Marla et al. (2024) highlight the relevance of Islamic financial literacy and digital financial literacy; however, their study does not test the same sequence among Sharia compliance, trust, perceived usefulness, digital financial literacy, perceived value, and adoption intention. Therefore, this study provides a more integrated explanation of adoption by demonstrating that users' evaluations of integrated Islamic financial services are linked to adoption intention through the same value-based mechanism. These sequential indirect effects further indicate that the antecedent variables are indirectly related to Perceived Halal Financial Inclusion through Perceived Value and Adoption Intent: DFL → PV → AI → HFI ($\beta = 0.081$), PSC → PV → AI → HFI ($\beta = 0.091$), PU → PV → AI → HFI ($\beta = 0.077$), and Trust → PV → AI → HFI ($\beta = 0.078$), all with $p < 0.001$. These findings should be interpreted as an indirect statistical relationship within the proposed model, rather than as evidence that these antecedent factors actually cause an increase in financial inclusion.

The contribution of this study lies in the identification of Perceived Value as the primary explanatory mechanism linking the technological, institutional, and Sharia characteristics of Integrated Islamic Finance to users' adoption intentions. The direct relationship between Adoption Intention and Halal Financial Inclusion is positive and statistically significant ($\beta = 0.567$, $t = 19.012$, $p < 0.001$), indicating that respondents who expressed a stronger intention to adopt integrated Sharia financial services also tended to report more positive perceptions of halal financial inclusion. This coefficient is larger than the other direct structural coefficients reported in the model; however, this should not be interpreted as evidence that adoption intention is the most important practical intervention or that it results in an equivalent increase in actual financial inclusion. The HFI construct in this study captures respondents' perceived inclusion, and this cross-sectional survey does not observe actual changes in financial access, usage, or participation over time. Therefore, these findings support a link between adoption intent and perceived inclusion, rather than a proven increase in objective financial inclusion. In practice, the results of this study suggest that Islamic banks, fintech providers, and digital platforms should develop services that combine credible Sharia compliance, trustworthy governance, functional usability, and user-friendliness. Regulators should promote clear information disclosure, consumer protection, and coordination among financial institutions and platform operators. These measures can strengthen the conditions for adoption, while longitudinal or behavioral studies will be needed to determine whether such adoption leads to sustainable usage and measurable improvements in halal financial inclusion.

CONCLUSION

This study examines the determinants of the adoption of Integrated Sharia Finance and its relationship with Halal Financial Inclusion in Indonesia. The results of the PLS-SEM analysis confirm that Perceived Sharia Compliance, Trust, Perceived Usefulness, and Digital Financial Literacy positively influence Perceived Value, which in turn strengthens Adoption Intention. Perceived Value also acts as a mediating variable in the relationship between these four factors and Adoption Intention. Furthermore, Adoption Intent is positively correlated with Halal Financial Inclusion. These findings indicate that users' adoption intent is shaped by the combined value of technological utility, trust, digital competence, and Sharia compliance. However, the relationship with Halal Financial Inclusion reflects respondents' perceptions rather than an objectively measured increase in actual access to or utilization of financial services. Theoretically, this study extends the Technology Acceptance Model (TAM) and the Sharia Compliance Theory by positioning Perceived Value as an evaluative mechanism linking technological factors and Sharia-related factors to adoption intention in Integrated Islamic Finance. This highlights that technology acceptance in Islamic financial services involves not only functional benefits but also trust and perceptions of Sharia compliance. From a management perspective, Islamic banks, fintech providers, and digital platforms need to strengthen Sharia transparency, transaction security, service usability, and user experience. Regulators need to support consumer protection, disclosure standards, and coordination between financial institutions and digital platforms to encourage adoption based on adequate information. This study has limitations due to its cross-sectional design and focus on respondents in Indonesia, which restricts causal interpretations and generalizations. Future research should use a longitudinal design to test whether these adoption intentions are actually realized in actual service usage and measurable financial inclusion. Further research could also incorporate perceived risk, social

influence, religious commitment, and service quality to provide a more comprehensive understanding of the adoption of Integrated Islamic Finance.

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