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From Technology to Trust: Understanding the Dynamics of Islamic Digital Banking

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ABSTRACT

The purpose of this study is to analyze how digital banking transformation influences the level of customer trust in Islamic digital banks in the new economy era. The rapid development of financial technology and the increasing use of digital services require Islamic banks to maintain a balance between technological innovation and the implementation of Sharia compliance principles, which serve as the fundamental basis for moral trust, institutional legitimacy, and the sustainability of long-term customer relationships. This study employs a systematic literature review approach by collecting and analyzing various academic studies, scholarly journals, and industry reports published over the past five years. Through thematic analysis, the study identifies four key factors influencing customer trust, namely technological innovation, service quality, data security, and adherence to Sharia principles. The article also examines how the integration of digital transformation and Islamic ethical values shapes perceptions of reliability and credibility in Islamic digital banking. The findings indicate that customer trust is built not only through technological efficiency and reliability but also through consistent adherence to Sharia values, which strengthen the moral foundation and competitive position of Islamic digital banks within the digital economy ecosystem.

Keywords: *Customer Trust, Digital Transformation, Islamic Digital Banking, Sharia Compliance.*

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1. | INTRODUCTION

The rapid development of financial technology (fintech) has transformed the way people interact with financial institutions, including Islamic banks. As a predominantly Muslim country, Indonesia holds significant potential for developing a more inclusive and competitive Islamic banking system. Digital transformation opens opportunities to expand access and improve service efficiency, but also presents challenges in maintaining Sharia values, data security, and the risk of disruption to conventional business models. Therefore, the success of digitalization depends heavily on the ability of financial institutions to maintain public trust through consistent application of Sharia compliance principles.

In response to these opportunities and challenges, the Financial Services Authority (OJK) is encouraging accelerated digital transformation through the 2020–2025 Indonesian Banking Development Roadmap, which emphasizes the importance of adopting emerging technologies. This push is increasingly relevant for Islamic banking, given that digitalization not only improves operational efficiency but also serves as a strategic foundation for expanding service access and strengthening Islamic financial inclusion in the digital economy era. This policy is formulated through a number of strategic initiatives shown in Figure 1.



Figure 1. Indonesian Banking Development Roadmap 2020 – 2025

With the increasingly strong direction of digitalization, trust has become an integral aspect in building loyalty and reputation for Islamic banks. Various studies show that customer trust is influenced by technological innovation, data security, and service

quality (Abdurrahman, 2024; Shava, 2025). Technologies such as blockchain increase transparency and strengthen confidence in Islamic finance (Alshater et al., 2022), while consistency with Sharia principles shapes perceptions of institutional credibility (Jamshed & Uluyol, 2024). Furthermore, the implementation of digital technology has been shown to increase efficiency and strengthen customer trust (Abdurrahman, 2024), and the adoption of Sharia-compliant fintech plays a crucial role in expanding digital inclusion and customer loyalty (Maniam, 2024; Ali et al., 2021).

However, empirical findings are not always consistent. Several studies highlight that digitalization alone does not automatically increase trust in or adoption of Sharia-compliant services. Heriyati et al. (2025) found a non-adoption phenomenon among some Indonesian consumers, with consumer resistance being the primary reason for their reluctance to use digital Sharia-compliant banking services despite the significant market potential. These findings suggest that psychological factors and perceptions of Sharia-compliant values in digital innovation remain key to building sustainable trust.

These findings align with the study by Alqahtani and Mayes (2018), which showed no significant differences in the stability and performance of Islamic banks compared to conventional banks during the crisis in GCC countries. These results indicate that the benefits of Sharia compliance are contextual and do not necessarily directly increase public trust without adequate governance and technological innovation.

In line with the importance of governance, transparency in Sharia compliance has been shown to strengthen the legitimacy and public trust in Islamic financial institutions (Siddique et al., 2023). Innovation aligned with Islamic values and strong governance can enhance the competitiveness and sustainability of institutions. Therefore, the success of Islamic banking digitalization ultimately depends on the synergy between technological efficiency and the integrity of Sharia values. Fintech innovation aligned with Sharia compliance is key to strengthening public trust and ensuring the sustainability of Islamic banking in the digital era.

2. | LITERATURE REVIEW

Digital Transformation and Customer Trust in Islamic Banking

Digital transformation in Islamic banking represents a shift from traditional branch-based services toward technology-driven financial services that emphasize efficiency, accessibility, security, and personalization. Technologies such as mobile banking, artificial intelligence, blockchain, and digital payment platforms have transformed interactions between Islamic banks and their customers (Shaikh et al., 2023). However, digitalization in Islamic banking extends beyond technological adoption because it must also reflect ethical values and Sharia principles (Abdurrahman, 2024). Riza and Wijayanti (2024) emphasize that digital banking can strengthen financial inclusion and sustainable Islamic finance when technological efficiency is balanced with fairness, transparency, and social responsibility. Similarly, Alshater et al. (2022) highlight the potential of Islamic FinTech to expand access to financial services and support

sustainable development, although digital literacy and regulatory challenges remain important barriers.

Customer trust is a critical element in the adoption and continued use of digital banking. In digital environments, trust is associated with perceptions of system reliability, security, institutional integrity, and benevolence (Shava, 2025). Blockchain technology can strengthen trust by increasing transaction transparency and reducing uncertainty regarding financial processes (Alshater et al., 2022). Trust is also influenced by perceived risk and benefits, particularly in FinTech adoption within Islamic finance (Ali et al., 2021). Thus, digital transformation can strengthen customer relationships when technological innovation is accompanied by secure systems, transparent operations, and credible institutional practices.

Sharia Compliance, Governance, and Digital Banking Adoption

Sharia compliance represents a fundamental dimension distinguishing Islamic digital banking from conventional digital financial services. Compliance is not merely a normative requirement but also contributes to customer trust, institutional credibility, and technology adoption. Siddique et al. (2023) demonstrate that transparency in Sharia approval and reporting strengthens the credibility and legitimacy of Islamic financial institutions. Similarly, Jamshed and Uluyol (2024) show that Sharia compliance and convenience are important considerations in customers' adoption of Islamic banking products and services. Mulia et al. (2020) further indicate that Sharia compliance can strengthen trust and willingness to use e-banking and m-banking services.

Effective digitalization therefore requires integration between technological innovation and Sharia governance. Zulaikha and Faricha (2025) emphasize that consistent Sharia compliance, data protection, and operational transparency influence customers' continuance intention toward Islamic digital banking. Riza and Wijayanti (2024) similarly argue that sustainable digital Islamic finance requires alignment between technological development and Islamic ethical values. Nevertheless, digitalization does not automatically produce customer adoption. Heriyati et al. (2025) identify consumer resistance and non-adoption among some Indonesian consumers, indicating that psychological perceptions and confidence in digital Islamic services remain important. Furthermore, Maniam (2024) demonstrates that Islamic FinTech adoption is influenced by multiple technological, behavioral, and institutional factors. Therefore, Sharia governance, digital security, transparency, customer literacy, and technological capability should be considered collectively in developing trustworthy and sustainable Islamic digital banking.

3. | RESEARCH METHOD

This study uses a narrative review approach to examine various previous studies related to digital transformation, customer trust, and the application of Sharia compliance principles in Islamic banking practices. This method was chosen to gain a comprehensive understanding of the direction of research developments and conceptual

dynamics in the digitalization of Islamic financial institutions, particularly in efforts to maintain a balance between technological innovation and the integrity of Sharia values.

Literature was selected purposively based on relevance to the research topic, methodological clarity, and theoretical contributions to the discussion of trust and Sharia compliance in a digital context. The obtained studies were then analyzed thematically to explore the relationships between key variables; namely how digital transformation affects customer trust and how Sharia compliance principles determine the credibility and legitimacy of digital Islamic banks.

This method allows researchers to synthesize various empirical and conceptual findings from previous research, identify patterns of similarities and differences between studies, and identify remaining research gaps. The narrative review approach also helps build a deeper theoretical understanding of the role of Islamic values as ethical guidelines in the digital transformation of Islamic banking, while also providing a foundation for further research in technology-based Islamic finance.

4. | RESULTS

The findings of this review demonstrate that digital transformation in Islamic banking is closely associated with technological innovation, customer trust, service reliability, data security, and Sharia compliance. Across the reviewed literature, digital technologies such as mobile banking, blockchain, artificial intelligence, and digital platforms were identified as important mechanisms for improving operational efficiency, accessibility, transparency, and customer engagement. Alshater et al. (2022) emphasized that FinTech applications in Islamic finance can expand access to financial services while supporting transparency and sustainable development. Similarly, Abdurrahman (2024) found that digital technology can improve efficiency and strengthen customer trust in Islamic mobile banking. Riza and Wijayanti (2024) further demonstrated that digitalization contributes to financial inclusion and the development of sustainable Islamic financial services. These findings indicate that technological innovation provides an important foundation for modernizing Islamic banking and improving customer experiences.

A consistent finding across the literature is that technology alone is insufficient to establish customer trust. Shava (2025) identifies integrity, competence, and benevolence as important dimensions of technology trust. Within Islamic digital banking, these dimensions can be reflected through institutional adherence to Islamic values, reliable digital systems, and a commitment to providing secure and Sharia-compliant services. Consequently, customer perceptions of digital banking depend not only on whether a technology is efficient or convenient but also on whether the institution demonstrates ethical and trustworthy behavior. Ali et al. (2021) similarly showed that perceived risk, perceived benefit, and trust are important determinants of FinTech adoption in Islamic finance. This suggests that trust functions as a mechanism for reducing uncertainty and supporting customers' willingness to engage with digital financial services.

The review also indicates that transparency and data security are central components of digital trust. Alshater et al. (2022) highlighted the potential of blockchain technology to increase transaction transparency and strengthen confidence in Islamic financial services. Blockchain-based applications can provide greater visibility of transactions and reduce opportunities for practices that conflict with Sharia principles. Jamshed and Uluyol (2024) similarly emphasized the importance of Sharia compliance in influencing the adoption of Islamic banking products and services. In particular, blockchain-based mechanisms may contribute to maintaining compliance by supporting transactions that avoid *riba*, *gharar*, and *maysir*. These findings indicate that technological transparency can reinforce perceptions of institutional reliability when it is combined with appropriate Sharia governance.

Another important finding concerns the role of Sharia compliance as a foundation of institutional credibility. Siddique et al. (2023) found that transparency in Sharia approval and audit processes contributes to the credibility of Islamic banking institutions. Clear information regarding compliance mechanisms can provide customers with greater confidence that digital financial services are consistent with Islamic principles. The literature therefore suggests that Sharia compliance should not be treated only as a regulatory or religious requirement but also as an element of trust formation. Jamshed and Uluyol (2024) further demonstrated that Sharia compliance is an important consideration in customers' adoption of Islamic banking services, alongside practical considerations such as convenience. Zulaikha and Faricha (2025) similarly emphasized that consistent Sharia compliance and data protection influence customers' continuance intention toward Islamic digital banking.

The findings further reveal that digital transformation and Sharia governance need to develop simultaneously. Zulaikha and Faricha (2025) indicate that the effective integration of technological development with Sharia governance can strengthen institutional reputation and long-term trust. This is consistent with the findings of Riza and Wijayanti (2024), who emphasize the importance of balancing technological efficiency with fairness, transparency, and social responsibility in strengthening the sustainability of Islamic financial services. Alshater et al. (2022) also identify literacy and regulatory challenges as important considerations in the development of Islamic FinTech. Therefore, the effectiveness of digital transformation depends on the institution's capacity to integrate technological innovation with appropriate governance and ethical standards.

However, the literature does not indicate that digitalization automatically leads to higher adoption or trust. Heriyati et al. (2025) identified non-adoption among some Indonesian consumers despite the potential of digital Islamic banking, with consumer resistance emerging as an important explanation. This finding demonstrates that technological availability and institutional capability do not necessarily translate into customer acceptance. Customer perceptions, trust, perceived values, and concerns regarding digital services remain relevant to adoption decisions. Similarly, Alqahtani

and Mayes (2018) found no significant differences in the stability and performance of Islamic and conventional banks during the GCC financial crisis, suggesting that the benefits associated with Islamic banking characteristics can be context-dependent rather than automatically producing superior outcomes.

Overall, the results identify a multidimensional relationship between digital transformation and customer trust. Technological innovation improves efficiency, accessibility, and transparency, while cybersecurity, reliable systems, and data protection reduce perceived risks. At the same time, Sharia compliance, transparency, and ethical governance provide the institutional and moral foundation necessary for sustained trust. Maniam (2024) further indicates that the determinants of Islamic FinTech adoption extend across technological, behavioral, and institutional dimensions. The synthesis therefore shows that successful digitalization in Islamic banking requires the integration of technological capability, customer-oriented service, data security, and Sharia governance. Rather than functioning independently, these factors collectively shape perceptions of credibility, reliability, and legitimacy and consequently support the sustainable development of Islamic digital banking.

5. | DISCUSSION

The study's findings indicate that the digitalization of Islamic banking serves not only as a means of operational efficiency but also as a strategic instrument for strengthening customer trust through Islamic value-based innovation. The application of technologies such as blockchain, artificial intelligence, and digital onboarding accelerates services while increasing transparency and data security, positively impacting the perceived reliability of Islamic financial institutions (Jamshed & Uluyol, 2024; Shava, 2025). However, the effectiveness of this digital transformation depends heavily on the institution's ability to ensure that each innovation remains aligned with the principles of fairness, honesty, and social responsibility as stipulated in Sharia values (Zulaikha and Faricha, 2025).

Various literature also demonstrates a synergistic relationship between technological capability and Sharia compliance. Innovations designed with Islamic values in mind have been shown to increase customer engagement and brand trust, which form the basis for long-term loyalty (Alshater et al., 2022). Therefore, the success of digitalization is not simply a matter of technological sophistication, but rather the extent to which the technology can strengthen the moral and spiritual legitimacy of Islamic financial institutions in the public eye.

Furthermore, a research gap has been identified in the context of implementing Sharia digitalization, particularly in the governance and ethical design aspects. Most research still focuses on technology adoption and user behavior, while the dimensions of Sharia governance and digital audits have not received much in-depth study. Yet, the clarity of Sharia audit mechanisms in digital platforms significantly determines the level of public trust in the validity of Islamic financial products. Therefore, further research is needed that explores the integration of financial technology with digital-

based Sharia supervisory systems to create a sustainable and ethical Islamic banking model.

Conceptually, the results of this review reinforce the view that public trust in Islamic banks is multidimensional, influenced by the interaction between technological reliability, value adherence, and governance transparency. An approach that places Islamic values as the ethical foundation of digitalization is believed to maintain a balance between innovation and spirituality and strengthen the competitiveness of Islamic banks in an increasingly competitive digital economy.

6. | CONCLUSION

Digital transformation in Islamic banking represents more than the adoption of new technologies; it involves integrating technological innovation with customer trust, data security, service reliability, and Sharia compliance. The findings of this review indicate that technologies such as mobile banking, blockchain, artificial intelligence, and digital platforms can improve efficiency, accessibility, transparency, and customer engagement. However, technological advancement alone does not guarantee customer adoption or sustained trust. Trust is shaped by the reliability and security of digital systems as well as customers' perceptions of institutional integrity, transparency, and ethical commitment.

The review further demonstrates that Sharia compliance and governance are fundamental components of trust in Islamic digital banking. Transparent Sharia oversight, clear compliance mechanisms, data protection, and ethical digital practices can strengthen institutional credibility and support long-term customer relationships. At the same time, evidence of consumer resistance indicates that digitalization does not automatically result in adoption, highlighting the importance of customer perceptions, digital literacy, perceived risk, and confidence in Islamic values.

Therefore, sustainable digital transformation requires a balanced approach in which technological innovation complements rather than replaces the ethical foundations of Islamic banking. Islamic banks should strengthen digital security, transparency, customer-oriented services, and Sharia governance simultaneously. Regulators and institutions should also support appropriate digital Sharia governance and improve public digital and Sharia literacy. Future research should employ systematic, empirical, and cross-country approaches to further examine how technology, trust, and Islamic values interact across different digital banking contexts.

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Conflict of Interest Statement

The authors declare that there is no conflict of interest.

Ethical Approval and Originality Statement

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

Data Disclosure Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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