CHAPTER VI

CONCLUSIONS

This chapter presents the main findings of a systematic literature review examining consumer behavior in the adoption of Islamic finance. The focus is primarily on the United Kingdom, a non-Muslim majority country where Islamic finance is gradually gaining momentum. To provide a broader perspective, the chapter also compares Malaysia and Indonesia, two Muslim-majority countries with well-established Islamic finance sectors. The review synthesizes and analyzes key socio-economic, psychological, and regulatory factors identified in the literature that influence consumer engagement with Islamic financial products and services (Ramadhan et al., 2023) (Munfariha, 2024). Through this analysis, the chapter aims to provide a nuanced understanding of the diverse factors that shape consumer adoption across different cultural and regulatory environments.

This chapter is critical as it bridges the gap between theoretical frameworks and real-world consumer behavior in Islamic finance. While prior studies have often focused on institutional structures and regulatory progress, fewer have examined the consumer perspective specifically, how individual motivations, socio-economic backgrounds, and trust in regulations affect the willingness to adopt Islamic finance (Khamiliyah et al., 2022). Addressing this gap, this chapter systematically reviews academic articles, industry reports, and empirical studies to identify recurring themes and patterns. The comparative approach distinguishes between universal and context-specific factors, contributing to a richer understanding of global Islamic finance adoption.

To guide the analysis, the chapter revisits the central research questions:

What socio-economic and psychological factors are identified in existing literature as influencing consumer adoption of Islamic finance in the UK? This question explores personal, social, and economic motivations including religious beliefs, financial literacy, perceived benefits, and social influence that encourage or discourage UK consumers from choosing Islamic finance products.

How do existing studies describe the impact of regulatory frameworks on consumer trust and adoption of Islamic finance in the UK, Malaysia, and Indonesia? This question focuses on how regulatory environments influence consumer confidence in Islamic finance. The analysis includes how different countries' policies and institutional structures support or limit consumer adoption.

To what extent do regulatory frameworks impact consumer trust and adoption rates in Islamic finance in the UK, Malaysia, and Indonesia? This question explores how significantly regulatory mechanisms shape consumer trust and adoption highlighting both similarities and differences across the three countries.

What differences in consumer motivation for adopting Islamic finance are identified in existing literature between Muslim-majority (Malaysia, Indonesia) and non-Muslim majority (UK) markets? This question aims to shed light on cultural, religious, and socio-economic distinctions that influence consumer behavior. It helps explain how Islamic finance can be effectively tailored to serve diverse markets.

By systematically addressing these questions, this chapter reveals the complex and layered nature of consumer behavior in Islamic finance. It emphasizes the interaction between individual motivations and broader regulatory conditions. The findings will serve as a foundation for the following discussion chapter, where theoretical implications and practical recommendations will be explored. Ultimately, this chapter contributes to a more nuanced view of how Islamic finance can grow and adapt not only in Muslim-majority countries but also in non-Muslim environments, supporting the ethical and inclusive expansion of the global Islamic finance sector.

6.1 Summary of Key Findings

This section brings together the key insights from the systematic literature review on what drives consumer behavior in adopting Islamic finance. The findings are organized around the main research questions and highlight three core areas: (1) the socio-economic and psychological factors influencing adoption in the UK (Munfariha, 2024), (2) the impact of regulatory frameworks on consumer decisions in the UK, Malaysia, and Indonesia (Lukonga, 2015), and (3) the differences in consumer motivation between Muslim-majority and non-Muslim-majority countries (Qudah et al., 2023).

The systematic literature review reveals that **religious beliefs** are a primary driver of Islamic finance adoption for Muslim consumers in Malaysia, Indonesia (Puteri et al., 2022) (Lukonga, 2015), and the UK, confirming the central tenet of the **Theory of Islamic Consumer Behavior (TiCB)**, which posits that religiosity is a fundamental determinant of financial decision-making among Muslim (Khan, 2020). This influence is especially pronounced in Muslim-majority countries, where Islamic finance is mainstream and supported by robust regulatory frameworks.

However, in the United Kingdom, which is a non-Muslim majority context, the findings show that ethical considerations also play a significant role, attracting not only Muslims but also non-Muslim consumers interested in socially responsible and ethical finance. This aligns with the **Ethical Consumer Theory**, which suggests that consumers are increasingly motivated by ethical values, such as fairness and social justice, in their financial choices (Zayed et al., 2024). The intersection of religious and ethical motivations in the UK context extends the applicability of TiCB and demonstrates the adaptability of Islamic finance principles to pluralistic societies.

Financial literacy and awareness are also found to be critical factors influencing adoption, particularly where Islamic finance is less established. This is consistent with **Behavioral Finance Theory**, which highlights the impact of knowledge and cognitive biases on financial behavior (Noraisyah et al., 2025). In all three countries, higher financial literacy correlates with greater adoption rates, supporting the findings of (M. A. Abdullah & Anderson, 2015) and reinforcing the need for targeted educational initiatives.

Consumer trust, built through transparent regulation and credible Shariah compliance, further supports engagement with Islamic finance. Malaysia's centralized Shariah governance fosters high confidence, while the UK, despite its financial integrity, lacks a unified Shariah oversight mechanism, potentially limiting consumer trust. Indonesia shows progress but continues to face regulatory and awareness challenges. These findings echo the **Institutional Trust Theory** (Rothstein & Stolle, 2008), emphasizing the importance of trustworthy institutions in shaping consumer behaviour.

In summary, motivations for adopting Islamic finance differ by context religious commitment is the dominant driver in Muslim-majority countries, while a blend of ethical and religious factors influence uptake in the UK. This nuanced understanding contributes to theoretical discourse by illustrating how Islamic consumer behaviour is shaped by the interplay of religious, ethical, educational, and institutional factors.

6.1.1 Socio-Economic and Psychological Factors Influencing Consumer Adoption of Islamic Finance.

The literature reveals that religious commitment and ethical considerations are central psychological motivators influencing consumer adoption of Islamic finance across all studied countries, albeit with varying emphasis (Lukonga, 2015). In Muslim-majority countries like Malaysia and Indonesia, religious commitment is the predominant driver (Noraisyah et al., 2025). Consumers are strongly motivated to choose Islamic finance products as a means of expressing their faith, which is deeply intertwined with their cultural values and daily lives. This religious motivation is reinforced by active government promotion and well-established Islamic finance infrastructures, which enhance consumer confidence and adoption rates.

In contrast, while religious commitment remains significant among Muslim consumers in the UK, it is not the sole or always the primary motivator. Ethical considerations such as fairness, social justice, avoidance of interest (riba), and responsible investing also strongly influence consumer behavior. Notably, these ethical values resonate beyond the Muslim community, attracting some non-Muslim consumers who appreciate Islamic finance as a socially responsible alternative to conventional banking. This broader ethical appeal reflects the UK's more diverse and less religiously homogeneous market (Lescher, 2015).

Across all contexts, financial literacy and awareness emerge as critical factors. Higher levels of understanding about Islamic finance correlate with more positive perceptions and a greater likelihood of adoption. Conversely, lack of knowledge remains a barrier, particularly in the UK, where Islamic finance is still relatively niche.

Trust, both in the financial institutions' adherence to Sharia principles and in the regulatory environment, is another key psychological factor. Consumers tend to favor institutions perceived as transparent, ethical, and reliable. Social influence through community networks also plays a role, especially within Muslim communities, although social stigma and misconceptions can hinder adoption.

This synthesis highlights that while religious commitment is a strong and often primary motivator in Muslim-majority countries, ethical motivations and trust factors broaden the appeal of Islamic finance in non-Muslim majority settings like the UK, creating a more complex motivational landscape.

6.1.2 Regulatory Environment and Its Impact on Consumer Trust.

The regulatory landscape is a key factor influencing consumer trust and the uptake of Islamic finance. Although the UK, Malaysia, and Indonesia each recognize the importance of sound regulation, their approaches reflect different stages of development and priorities within their financial systems. This will be explained in the table below:

Table 6. 1 Regulatory Approach and Impact on Consumer Trust & Adoption

Country	Regulatory Approach	Impact on Consumer Trust & Adoption
UK	Dual regulation (FCA & PRA), no central Sharia board	High trust in financial safety, and some doubts about Sharia compliance consistency.
Malaysia	Specialized regulation (BNM, IFSA, Sharia Advisory Council)	Very high trust, and strong adoption due to clear Sharia Governance.
Indonesia	Joint insight (OJK & DSN-MUI), evolving regulatory integration	Growing trust and adoption rising, but some challenges remain.

Source: (Ainley et al., 2007), (Khotimah, 2024)

In all three countries, regulatory clarity and credibility are central to building consumer trust. While Malaysia presents a model of an integrated Islamic financial system, the UK's emphasis on regulatory robustness and Indonesia's evolving but ambitious framework illustrate the varied ways Islamic finance is being incorporated into different financial landscapes. For a detailed comparison of the regulatory frameworks in the United Kingdom, Malaysia, and Indonesia, **see exhibit 1 in the Appendix.**

This chapter has brought together the key findings from the systematic literature review, emphasizing how socio-economic, psychological, and regulatory factors interact to influence consumer adoption of Islamic finance. The analysis reveals that while religious motivation remains a predominant factor in Muslim-majority countries, ethical considerations and trust in regulatory frameworks are becoming increasingly significant in non-Muslim settings such as the UK. Regulatory systems play a crucial role in fostering consumer confidence and promoting adoption, with each country adopting a distinct approach. These insights lay the groundwork for the next chapter, which will delve into the theoretical implications and provide practical recommendations.

6.2 Pros and Cons of Consumer Adoption in Islamic Finance

6.2.1 Pros

In Malaysia and Indonesia, Islamic finance strongly aligns with the religious and ethical values of the majority Muslim population, which significantly enhances consumer trust and loyalty toward Islamic finance products (Junaidah, 2022) (Isman, 2024). Similarly, in the United Kingdom, Islamic finance offers an ethical alternative that appeals particularly to Muslim consumers seeking financial services consistent with their faith. Beyond ethical considerations, Islamic finance has played a crucial role in improving financial inclusion by expanding access to banking and financial services for underserved populations, especially in Malaysia and Indonesia. This growth is supported by robust regulatory frameworks in Malaysia and the UK, which have fostered consumer confidence and facilitated industry expansion. Moreover, ongoing product innovation particularly through the development of Islamic fintech and digital banking platforms, has further broadened access and diversified the range of Islamic financial products available to consumers across these countries.

6.2.2 Cons

Several challenges persist that hinder broader consumer adoption. One significant barrier is limited awareness; many consumers in the United Kingdom, and to some extent, Indonesia, remain unaware of Islamic finance products or misunderstand their features, which restricts market penetration and informed decision-making (Lescher, 2015). Additionally, Islamic finance products are sometimes perceived as more complex or expensive compared to conventional financial offerings, creating a sense of hesitation among potential users who may prioritize simplicity and cost-effectiveness. Regulatory challenges also play a role, particularly in Indonesia (Syarif, 2019), where inconsistent enforcement undermines consumer trust, and in the UK, where the existence of dual regulatory systems can create confusion for both providers and clients (Belouafi & Chachi, 2014). Furthermore, cultural barriers are evident, especially in the UK, where unfamiliarity with Islamic finance principles and persistent misconceptions limit adoption among non-Muslim consumers. These factors collectively highlight the need for targeted education, regulatory harmonization, and culturally sensitive marketing strategies to facilitate the growth of Islamic finance across diverse markets (Lescher, 2015).

6.2.3 Comparative Insights

Table 6. 2 Comparative Pros and Cons of Consumer Adoption in Islamic Finance

Country	Pros	Cons
UK	Ethical appeal, regulatory support	Low awareness, cultural barriers
Malaysia	Religious alignment, strong regulation	Product complexity, higher cost
Indonesia	Financial inclusion, fintech growth	Regulatory gaps, financial literacy

Table 4 presents a summary of comparative insights. For a more detailed mapping of which themes appeared in the literature for each country, **see Exhibit 4 in the Appendix.**

6.3 Theoretical Implications

This study contributes to theoretical knowledge by emphasizing how the adoption of Islamic finance varies depending on the context. The findings both support and expand the Theory of Islamic Consumer Behavior (TiCB), revealing that while religiosity is a key driver in Muslim-majority countries, ethical considerations and financial literacy play equally significant roles in minority settings. Additionally, the results reinforce the relevance of Behavioral Finance Theory and Institutional Trust Theory, highlighting the importance of consumer awareness and confidence in regulatory systems for successful adoption.

By combining these viewpoints, the study presents a comprehensive and context-aware framework for understanding the uptake of Islamic finance. It recommends that future theoretical models incorporate the complex interactions among religious, ethical, psychological, and institutional influences, especially within diverse cultural and regulatory landscapes.

6.3.1 Theory of Planned Behavior (TPB):

The Theory of Planned Behavior (TPB) suggests that individual actions are guided by behavioral intentions, which are shaped by attitudes, subjective norms, and perceived behavioral control. The prominent influence of religious commitment and ethical values observed in Muslim-majority countries like Malaysia and Indonesia corresponds closely with the attitudinal aspect of TPB, where personal beliefs foster positive views toward Islamic finance. Subjective norms are evident in the social pressures and community networks that encourage adoption, especially within Muslim populations. Meanwhile, challenges such as limited financial literacy and awareness relate to perceived behavioral control, as consumers' confidence in their understanding affects their capacity to engage with these financial products. In the UK, where ethical motivations extend beyond religious factors, TPB provides a useful framework for understanding the more nuanced interaction of attitudes and social influences within a diverse and pluralistic market (Ibrahim Dasuki et al., 2023).

6.3.2 Technology Acceptance Model (TAM):

While the Technology Acceptance Model (TAM) is typically associated with technology adoption, its core concepts perceived usefulness and perceived ease of use can be meaningfully applied to the context of Islamic finance. Perceived benefits such as competitive financial returns and alignment with ethical values mirror the notion of perceived usefulness, influencing consumers' willingness to engage with Islamic financial products. Similarly, trust in the credibility of Shariah compliance and the strength of regulatory frameworks enhances perceived ease of use by reducing uncertainty and simplifying decision-making, ultimately supporting greater adoption (Puteri et al., 2022).

6.3.3 Theory of Islamic Consumer Behavior (TiCB):

The findings also align with the Theory of Islamic Consumer Behavior (TiCB), which underscores the influence of Islamic values, including *maqasid al-shariah* (the objectives of Islamic law) in shaping consumer decisions. In Malaysia and Indonesia, the strong impact of perceived religiosity, adherence to Islamic debt principles, and a sense of ethical fulfillment support the relevance of TiCB in capturing faith-driven motivations. This theoretical perspective helps explain why religious commitment continues to be a dominant factor influencing consumer behavior in Muslim-majority contexts (Ramadhan et al., 2023).

6.3.4 Institutional Theory and Regulatory Trust:

The importance of regulatory frameworks in fostering consumer trust can be effectively interpreted through the lens of institutional theory, which emphasizes the role of formal rules, norms, and governance structures in shaping organizational legitimacy and stakeholder confidence. Malaysia’s integrated regulatory approach, characterized by a well-defined Shariah governance system, demonstrates how strong institutional support can enhance consumer trust and facilitate widespread adoption (Dusuki & Abdullah, 2007). In comparison, the UK’s dual regulatory framework, while ensuring financial stability, lacks centralized Shariah oversight, resulting in varied levels of trust among consumers (Lescher, 2015). Indonesia’s developing regulatory landscape reflects how different stages of institutional maturity can influence public confidence in Islamic financial services (A. Abdullah, 2017). These insights contribute to institutional theory by highlighting the complex and context-specific ways in which regulatory environments affect trust and the adoption of Islamic finance.

6.4 Practical Implications

Policymakers in emerging markets like the United Kingdom it is essential to establish centralized Shariah supervisory bodies and implement comprehensive financial literacy programs. These initiatives play a crucial role in educating the public about Islamic finance services, addressing misconceptions or concerns regarding authenticity, and enabling individuals to make well-informed financial decisions. Such efforts can significantly contribute to the broader acceptance and integration of Islamic financial services within the national economy.

For Islamic financial institutions, it is important to incorporate clear messaging around transparency and ethical principles in marketing strategies.

Actively engaging with local communities and forming partnerships with respected community leaders can enhance institutional credibility and trust. This approach is particularly effective in regions where awareness and understanding of Islamic finance remain limited.

At the international level, promoting collaboration between established Islamic finance markets such as Malaysia and Indonesia and emerging markets like the UK can facilitate the exchange of regulatory expertise and best practices. This knowledge-sharing can support the harmonization of regulatory frameworks, improve Shariah governance mechanisms, and drive innovation in financial products and services. Such cross-border cooperation aligns with the Resource-Based View (RBV) theory, which emphasizes the strategic use of institutional capabilities and partnerships to build a resilient and credible global Islamic finance ecosystem.

6.5 Limitations

This study is based on secondary data drawn from existing literature, which, while informative, limits the ability to capture in-depth, consumer-specific insights. As a result, it may not fully reflect the complex motivations and behaviors of individuals across varied socio-economic and cultural contexts. Although the comparative focus on the UK, Malaysia, and Indonesia offers valuable perspectives, the findings may not be generalizable to countries with different regulatory environments, levels of financial literacy, or cultural influences. Moreover, inconsistencies in the quality, scope, and methodological rigor of the reviewed literature may introduce certain biases or analytical gaps. These limitations underscore the need for future research to incorporate standardized, empirical methods, particularly through primary data collection and wider geographic representation, to generate more nuanced insights and support evidence-based policy and strategic development in the Islamic finance sector.

6.6 Recommendation for future study

Future research should conduct **primary empirical studies,** such as surveys and interviews, in non-Muslim majority countries to gain deeper insight into localized adoption dynamics. Investigating the influence of fintech on Islamic finance uptake, exploring the perspectives of **non-Muslim consumers**, and examining pathways for **regulatory harmonization** would further enrich the literature and support the sustainable, inclusive growth of the global Islamic finance industry.

6.7 Conclusion

This thesis offers a comprehensive examination of the socio-economic, psychological, and regulatory factors influencing consumer behavior in the adoption of Islamic finance, with comparative insights from the United Kingdom, Malaysia, and Indonesia. The analysis underscores the importance of well-designed regulatory frameworks, credible Shariah governance, and effective financial literacy initiatives in fostering market integrity and consumer trust.

In non-Muslim majority contexts, increased consumer awareness and culturally sensitive marketing strategies are essential for broadening the appeal of Islamic finance. While religious commitment remains central in Muslim-majority countries, ethical and sustainability considerations are increasingly important in pluralistic societies. The experiences of Malaysia and Indonesia demonstrate how strong regulatory support and digital innovation can drive the growth of Islamic finance.

Addressing the interrelated dimensions of regulation, trust, education, culture, and innovation is essential for developing ethical and inclusive financial systems. Such an integrated approach will sustain the global momentum of Islamic finance and ensure its adaptability in an increasingly diverse and digital financial landscape.