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The Digitalization of Islamic Banking: Public Response to Mobile Banking in Mendahara Ilir

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ABSTRACT

This study aims to analyze the interest of the community in Kelurahan Mendahara Ilir in using Sharia-based mobile banking services, as well as the factors influencing it. In the digital era, Sharia mobile banking serves as a modern financial solution aligned with Islamic principles; however, its adoption rate remains low in this region. Using a descriptive qualitative approach, data were collected through observations, in-depth interviews, and documentation. The findings indicate that the main barriers to using Sharia mobile banking include low digital literacy, limited internet access, and concerns about service security. Internal factors such as technological understanding and religious motivation, along with external factors like social support and education from financial institutions, also influence community interest. The study recommends the implementation of contextual, collaborative, and sustainable educational strategies to enhance the adoption of Sharia financial technology and promote financial inclusion in coastal areas.

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1. INTRODUCTION

The advancement of information technology in today's digital era has brought about significant changes in various aspects of life, including the banking sector (Kamel, 2005; Ninuk Muljani, Lena Ellitan, 2019). These changes demand that banking services become faster, more practical, and more flexible to meet the needs of a dynamic modern society. Technology-based innovations such as electronic banking (e-banking) have become key milestones in the transformation of financial services. One form of e-banking that is increasingly developing is mobile banking (m-banking)—a service that allows customers to conduct financial transactions online through applications on their smartphones. M-banking facilitates easier access to financial services without the need to visit bank branches, aligning well with the fast-paced lifestyle of today.

In the context of Islamic banking, m-banking also emerges as a modern solution grounded in Islamic principles. Islamic mobile banking enables Muslims to manage their finances digitally while ensuring all transactions comply with Shariah law (Oluwatolani et al., 2011). This innovation presents a major opportunity for Islamic banks to reach a wider audience, particularly younger generations and communities living in remote areas. However, the reality on the ground does not always reflect the full potential of such technology. In Kelurahan Mendahara Ilir, for instance, the use of Islamic mobile banking applications remains relatively low. Many residents still prefer conventional services such as ATMs or SMS banking, despite m-banking offering greater convenience and efficiency. Key factors such as concerns over data security, limited internet access, low digital literacy, and a general distrust of online services are the primary reasons for the limited adoption of Islamic m-banking.

This phenomenon highlights a gap between the availability of technology and its acceptance by the community. If not addressed properly, this gap may hinder the progress of financial inclusion, particularly within the Islamic financial ecosystem. Therefore, it is essential to explore the extent of public interest in Islamic m-banking and identify the factors influencing that interest. This study is highly relevant within the context of digital economic development and the transformation of Shariah-compliant financial services. In the midst of inevitable globalization and digitalization, Islamic banking systems are required not only to keep pace with technological advancements but also to understand the characteristics and needs of their communities. One of the significant innovations offered is Islamic m-banking, which provides not only ease of transaction but also upholds the Islamic values that underpin the beliefs of a large portion of the Indonesian population, especially in areas such as Kelurahan Mendahara Ilir. Unfortunately, the adoption of this service has not been optimal. This indicates that the mere presence of technology is not enough; community understanding and acceptance are key to successful implementation.

Research into community interest in Islamic m-banking is crucial in understanding users' perceptions, attitudes, and behaviors toward the service (Kattara et al., 2008; Kong & Jogaratnam, 2007). This approach allows us to identify the main obstacles faced by the public—whether they stem from limited digital literacy, concerns about data security, restricted internet access, or a lack of trust in digital financial institutions. The insights gained from this research will be valuable for Islamic banking institutions in designing more targeted strategies. For instance, banks could develop digital education programs integrated with local social and cultural approaches, and simplify the app interface to be more user-friendly, especially for individuals who are less familiar with technology. Furthermore, the findings of this study have implications for national financial inclusion policies (Bayu et al., 2025). The government and the Financial Services Authority (OJK) continue to promote the digitalization of financial services as part of a broader strategy to reach communities across the country. However, if a significant portion of the population remains hesitant or unable to utilize m-banking services, the goals of financial inclusion will not be fully realized. In this context, the present research contributes not only to academic development but also supports national development agendas in the Shariah-based economic and technological sectors (Schneider & Bowen, 1985).

This research is essential in strengthening the position of Islamic banking amidst competition with conventional banks, which have been quicker to adopt and develop digital services. By understanding the preferences and needs of local communities, Islamic banks have the opportunity to develop competitive strategies that emphasize not only technological aspects but also spiritual and social values aligned with community characteristics (Wijaya et al., 2023). This study also opens the door for further discussions on how technology can be developed contextually, taking into account social, cultural, and religious factors within specific regions. Research into community interest in the use of Islamic m-banking is not merely descriptive but also strategic in nature. It serves as a bridge between technology and the actual needs of society. With accurate information and understanding, Islamic banks can take concrete steps to enhance the quality of their digital services, expand their market reach, and most importantly—build public trust in the Shariah-compliant digital financial system.

2. METHODS

This study employs a descriptive qualitative approach, (Villamin et al., 2024) aimed at gaining an in-depth understanding of social phenomena through the collection of non-numerical data. In this context, the qualitative approach is utilized to explore the perceptions, experiences, and motivations of the residents of Kelurahan Mendahara Ilir in using Islamic mobile banking services. This approach is considered most appropriate as it focuses on the meanings and subjective interpretations of respondents, which cannot be adequately captured through quantitative measures. The study seeks to describe the social and cultural conditions of the coastal community, as well as the extent to which they are receptive to the adoption of Shariah-based digital technology in their daily lives.

Data were collected through participant observation, in-depth interviews, and document analysis. Observation was employed to examine the community's social interactions and their habitual practices in accessing financial services. In-depth interviews were conducted in a semi-structured format with selected informants using purposive sampling. Informants included community leaders, active and inactive mobile banking users, micro and small business (MSME) actors, and local government officials. This approach enabled the researcher to capture information holistically, including both internal and external factors that influence interest in Islamic mobile banking. Additionally, documentation—such as demographic data, financial institution reports, as well as digital and visual archives—was used to enhance the validity of the findings.

The data were analyzed using thematic analysis (Stone, 2004), a process that involves identifying recurring patterns or themes that emerge from interviews and observations. The analytical process involved several stages: data transcription (Seixas et al., 2018), data reduction to filter key information, categorization based on thematic indicators, and conclusion drawing. To ensure the validity of the data, source and methodological triangulation was applied by comparing interview results with field observations and supporting documents. The final analysis was interpreted within the context of the local socio-cultural environment, providing a comprehensive and nuanced understanding of the community's interest dynamics regarding the use of Islamic mobile banking services in Kelurahan Mendahara Ilir.

3. FINDINGS AND DISCUSSION

Mendahara Ilir Subdistrict is a coastal area located in the eastern part of Tanjung Jabung Timur Regency, Jambi Province. This region lies at the estuary of the Batanghari River and occupies a strategically bounded area surrounded by neighboring villages such as Sinar Kalimantan, Lagan Ilir, Sungai Tawar, and the Berhala Strait and Natuna Sea. Spanning approximately 10,540 hectares, the area is characterized by muddy lowlands, which offer potential for development into mangrove conservation zones and coastal-based ecotourism areas.

The settlement in Mendahara Ilir was established around 1950 by migrants from Eastern Malay ethnic groups. Over time, it evolved into a multi-ethnic community consisting of Malays, Chinese, Bugis, Javanese, and Minangkabau ethnicities. Since 2008, the administrative status of the area has changed to an urban village (kelurahan), with a local government structure comprising a village head (lurah), six neighborhood units (RW), and 34 community units (RT). As of 2019, the population reached 7,566 people, reflecting a complex and dynamic social structure, which provides a relevant backdrop for this study.

The research subjects comprise individuals of productive age in Mendahara Ilir who have the potential to become active users of Sharia-compliant mobile banking services. Respondents come from diverse educational and occupational backgrounds, primarily working as farmers, fishermen, laborers, and informal workers (Dinamika & Syariah, 2025). This diversity enriches the data, particularly since most community members strongly uphold Islamic religious values, which significantly influence their attitudes and preferences regarding financial matters. The selection of Mendahara Ilir as the research location is based on the combination of the community's religious orientation and the increasing awareness of education, particularly among younger generations. However, digital literacy remains unevenly distributed, resulting in various challenges in adopting modern technologies such as mobile banking. These factors make Mendahara Ilir a representative case for evaluating community readiness in accessing Sharia-based digital financial services.

The research findings indicate that although interest in mobile banking is relatively high, it is not yet accompanied by a comprehensive understanding of the application's features and functionality. While most residents already own smartphones, their ability to operate them for financial transactions remains limited. There is still a high dependence on conventional methods due to comfort and habit. Limited knowledge has emerged as the primary barrier to mobile banking use. Many residents are unfamiliar with the features of digital banking applications and perceive the system as complex and prone to fraud. These concerns are most pronounced among the elderly, who continue to rely on cash transactions or face-to-face banking services, thereby contributing to an intergenerational digital divide.

The lack of outreach by banking institutions exacerbates this situation. Information provided tends to be technical and difficult to understand, discouraging people from trying services they do not fully grasp. Many residents express confusion when encountering technical difficulties, as they are unsure where to seek assistance—particularly in communities with limited access to information. Geographical factors also hinder the digitalization of financial services. Uneven internet connectivity complicates access to digital applications, especially for those living far from the urban center. These infrastructural limitations hamper self-directed learning and encourage continued reliance on traditional transaction methods.

The current educational model has not adequately addressed the community's actual needs. Existing programs are still predominantly one-directional and formal, overlooking local learning preferences that favor practical, hands-on approaches. In fact, appropriate methods of delivery are essential for building confidence in independently adopting digital services. One effective solution is the implementation of neighborhood-based training programs (at the RT or RW level), with direct assistance from bank staff or volunteers during residents' first digital transactions. This step will help alleviate fears and accelerate adaptation to new technologies. Contextual and practical education is essential to gradually building digital literacy (Sutiani et al., 2025).

The language used in educational materials must be simplified to ensure accessibility across all demographics. Using everyday examples—such as electricity payments, money transfers to relatives, or mobile top-ups without visiting ATMs—makes the material more relatable and acceptable. This approach fosters relevance and applicability, thereby increasing community engagement. Collaboration between local governments, financial institutions, and community members is crucial to support mobile banking adoption (Fifgroup & Sabak, 2025). Collective support fosters a sense of security and trust, reinforcing the notion that residents are not alone in undergoing this technological transition. A collaborative strategy will accelerate the growth of sustainable financial inclusion.

Banks can play an active role by providing both online and in-person consultation services, as well as producing educational content such as video tutorials, infographics, and social media campaigns. Local governments can contribute through regular training sessions and by involving youth as digital ambassadors to assist residents in overcoming technological gaps. Successful community-based education can foster public trust in mobile banking services. When individuals witness the success of others in their immediate environment, they are more likely to try the services themselves. This trust will gradually transform into a new habit of accessing financial services, ultimately promoting local economic development.

The use of mobile banking significantly contributes to improving the efficiency and outreach of financial services, especially for MSMEs (micro, small, and medium enterprises). These businesses benefit from more organized financial management, access to digital loans, and the ability to expand their markets without physical constraints. Technology thus becomes a driver of inclusive economic growth and accelerates the development of the informal sector. Improving digital literacy forms the foundation of successful economic transformation in coastal regions. Connecting communities to the digital financial system fosters a more transparent, responsive, and adaptable economic ecosystem. Digital literacy goes beyond mere technological understanding; it also encompasses the psychological readiness to engage with the digital economy (Nisak et al., 2025; Utami & Nisak, 2025).

In Mendahara Ilir, mobile banking is gradually gaining recognition and adoption among the public. Features such as money transfers, bill payments, and balance inquiries are already being used, although technical understanding remains limited. Users are divided into two interest categories: personal interest, stemming from individual awareness, and situational interest, driven by external needs or environmental factors. Young people and MSME operators display personal interest due to their direct experience with the benefits of mobile banking. The desire for efficiency and convenience serves as their primary motivation. Conversely, some residents use the service due to urgent needs or external encouragement, rather than personal initiative. Understanding these motivational differences is key to designing effective educational strategies. Respondents such as Ikhsan and Syawaludin demonstrated that effective education and family support can cultivate strong personal interest. They reported feeling more confident and assisted in managing financial activities after being introduced to mobile banking. This illustrates the importance of experience, access to information, and social relationships in fostering digital interest.

In contrast, situational interest was found in residents like Novi, who use mobile banking primarily to support business needs. Such usage may be temporary and contingent on ongoing external conditions (Naeem et al., 2022). Future educational strategies should aim to strengthen personal interest to ensure long-term and consistent use of digital services. Social factors also play a crucial role in shaping public interest. Encouragement from family or close social groups, as experienced by Diah and Rustam, creates a sense of trust and safety when trying new digital services. This social influence encompasses not only practical aspects but also psychological readiness to adopt technology.

Personal characteristics such as age, occupation, and lifestyle also influence preferences for financial technology. Respondents who are accustomed to online activities, including e-commerce, tend to adapt more easily to mobile banking. Practicality and efficiency are the main reasons they integrate the service into their daily routines. Psychological aspects—such as motivation and perception of security and ease of use—are critical determinants of adoption success. When individuals hold positive perceptions, their willingness to adopt and continue using the service increases. Conversely, fear and distrust may act as serious barriers, underscoring the importance of emotionally aware promotion and educational strategies.

4. CONCLUSION

Based on the research findings, it can be concluded that the interest of the Mendahara Ilir community in using Islamic mobile banking services remains relatively low. Although some users who have adopted the application acknowledge its benefits—such as time efficiency, ease of transactions, and its compliance with Sharia principles—overall adoption levels are still minimal. This limited uptake is attributed to several challenges, including a lack of technological literacy, insufficient socialization and education from banking institutions, and concerns regarding the security of digital transactions. The factors influencing community interest in Islamic mobile banking usage can be categorized into internal and external factors. Internal factors include individuals' understanding of technology, personal or business needs, and religious motivation. External factors encompass the influence of social environment, family support, lifestyle, and access to information or services provided by banks. When individuals are adequately informed and comprehend the practical value of the application—especially in supporting their financial and business activities—their interest in using it tends to increase.

The researcher recommends that banks, local governments, and related institutions intensify and sustain efforts to socialize and educate the public regarding the benefits and usage of Islamic mobile banking. Such education can be conducted through direct training, social media campaigns, or collaborations with community leaders and BRILink agents acting as financial intermediaries. The community, particularly small and micro-business actors, should consider adopting this technology as a means to expedite transaction processes and expand their business services.vThe implications of these findings suggest that the adoption of Sharia-based financial technology has the potential to strengthen the local economy, particularly when aligned with the business needs of the community. Mobile banking is not merely a transaction tool; it can also serve as a driver of broader financial inclusion and reinforce the role of Islamic financial institutions in supporting community welfare. Therefore, enhancing digital and financial literacy rooted in Islamic values represents a strategic step toward building an economically inclusive and culturally religious society.

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