Chapter 6
Bridging Faith and Digital Financial Technologies:
A Predictive Multidimensional Analysis of Islamic FinTech

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ABSTRACT

This study investigates the adoption of Islamic FinTech services by integrating multidimensional Islamic religiosity into a predictive behavioral model. Drawing on data from Muslim consumers in the UAE, the study applies Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine how various aspects of religiosity influence behavioral intention. Findings reveal that religiosity significantly shapes trust, perceived usefulness, and attitude toward Islamic FinTech adoption. The study addresses key barriers such as cybersecurity concerns, opaque Shariah governance, and limited financial literacy, while highlighting the need for transparency, ethical alignment, and culturally sensitive design. Theoretically, it advances

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understanding of FinTech adoption through a faith-based lens. Practically, it offers actionable insights for FinTech providers, regulators, and policymakers aiming to enhance financial inclusion and ethical innovation. Future research is encouraged to explore cross-religious and cross-sectoral applications of this model.

1. INTRODUCTION

The global financial industry is undergoing a profound transformation driven by rapid digital innovation and accelerated by the COVID-19 pandemic. This paradigm shift, often referred to as the Fourth Industrial Revolution (IR 4.0), has challenged the dominance of traditional financial institutions by decentralizing market power and enabling new players—particularly technology giants such as Amazon, Google, Meta, Microsoft, and Alibaba—to enter the financial ecosystem. At the forefront of this disruption is Financial Technology (FinTech), a tech-enabled innovation that has introduced new operational models, applications, and products, reshaping how financial services are delivered and consumed (FSB, 2018).

Globally, FinTech has emerged as a transformative force. In the second half of 2022 alone, over $111.2 billion was invested in more than 12,500 FinTech start-ups (KPMG, 2022). This growth is fueled by rising smartphone penetration and the global shift toward digital financial services. The FinTech market is projected to reach $324 billion by 2026, with a compound annual growth rate (CAGR) of 25.18% from 2022 to 2027 (Market Data Forecast, 2022). Innovations in Artificial Intelligence (AI), big data, blockchain, cloud computing, and the Internet of Things (IoT) have revolutionized financial systems—automating services, reducing operational costs, and enhancing user experience (Puschmann, 2017; Singh et al., 2020). FinTech has also been recognized for its potential to promote financial inclusion, reduce poverty, and support the United Nations Sustainable Development Goals (UNEP, 2019; Chekima et al., 2016). Estimates suggest that FinTech could provide financial access to 1.6 billion people and contribute $3.7 trillion to global GDP by 2025 (James et al., 2016).

In the Middle East, particularly the United Arab Emirates (UAE), digital transformation is a strategic national priority. The UAE Central Bank established a dedicated FinTech division in 2020, focusing on inclusive finance, data privacy, and regulatory innovation (FinTech Middle East, 2021). By 2022, UAE FinTech investment peaked at $2.5 billion, and the number of FinTech startups grew to 303, offering services across e-payments, blockchain, InsurTech, and crowdfunding (UAE Ministry of Economy, 2022). Despite this growth, FinTech adoption in the UAE remains relatively low at 29%, compared to the global average of 64% (Statista, 2020; EY, 2019). While e-payments enjoy high adoption (84.3%), other services