

# The Impact Of Digital Transformation And Payment Technology Innovation On The Disruption Of Islamic Banking With Fintech As A Mediating Variable

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## Abstract

Currently, Indonesia is experiencing rapid technological advancement in the era of the Industrial Revolution 4.0, which has triggered a wave of disruption that is reshaping structures across various sectors, including the Islamic banking industry. This study aims to examine how digital transformation and payment technology innovation influence the disruption of Islamic banking, as well as to test the role of fintech as a mediating variable that may strengthen this relationship. The research was conducted in Bandar Lampung City, involving 97 respondents who use Islamic mobile banking services. This study employs a descriptive quantitative approach. Data were collected through online questionnaire distribution, and the analysis was conducted using SEM-PLS (Structural Equation Modeling–Partial Least Squares). The findings reveal that: (1) digital transformation has a positive and significant effect on the disruption of Islamic banking; (2) digital transformation has a positive and significant effect on fintech; (3) payment technology innovation has a positive and significant effect on the disruption of Islamic banking; (4) payment technology innovation has a positive and significant effect on fintech; (5) the disruption of Islamic banking has a positive and significant effect on fintech; (6) digital transformation has a positive and significant effect on the disruption of Islamic banking with fintech as a mediating variable; and (7) payment technology innovation has a positive and significant effect on the disruption of Islamic banking with fintech as a mediating variable..

**Keywords:** Digital Transformation, Payment Technology Innovation, Islamic Banking Disruption, Fintech.

## A. INTRODUCTION

The rapid advancement of technology in the current era of the Industrial Revolution 4.0 has triggered a wave of disruption that is reshaping the structure of various industrial sectors, particularly the Islamic banking industry. This transformation is marked by the emergence of new business models and technologies such as financial technology (fintech), big data, Artificial Intelligence (AI), and blockchain,

all of which offer greater speed, efficiency, and ease of access for users (Majid, 2021). Banks themselves are financial institutions that collect and distribute funds to the public (Habibi et al., 2024).

Currently, Islamic banking faces significant challenges due to digital disruption driven by the rapid development of financial technology (fintech), which has fundamentally changed how people access and use financial services (Mulyana et al., 2024). Society is gradually shifting from manual payment methods to digital payments. In response to this technological development, Islamic banks have introduced various payment technology innovations, one of which is the development and promotion of Islamic mobile banking platforms (Rahmah & Fasa, 2024).

**Tabel 1.** Islamic Mobile Banking Users

<b>Year</b>	<b>Byond (BSI)</b>	<b>BSya (BCA Syariah)</b>	<b>Muamalat Din (Bank Muamalat)</b>
2021	2,7 jt	78.200	2.417
2022	4,8 jt	101.680	341.732
2023	5.3 jt	2,2 jt	434.000
2024	7,2 jt	6,5 jt	571.000

*Source: Bank websites*

Based on the data presented above, the number of Islamic mobile banking users has experienced a substantial and consistent year-on-year increase from 2021 to 2024. This upward trend reflects not only the growing acceptance of digital financial services but also the accelerating digital transformation within Indonesia’s financial ecosystem. The significant rise in user adoption indicates that Islamic mobile banking has become an integral part of modern financial transactions, contributing positively to the expansion of digital payment systems nationwide. Moreover, this phenomenon highlights how technological advancements—particularly in mobile applications, internet accessibility, and digital infrastructure—have played a crucial role in shaping user behavior and preferences toward more efficient and convenient banking solutions (Muzdalipah & Mahmudi, 2023).

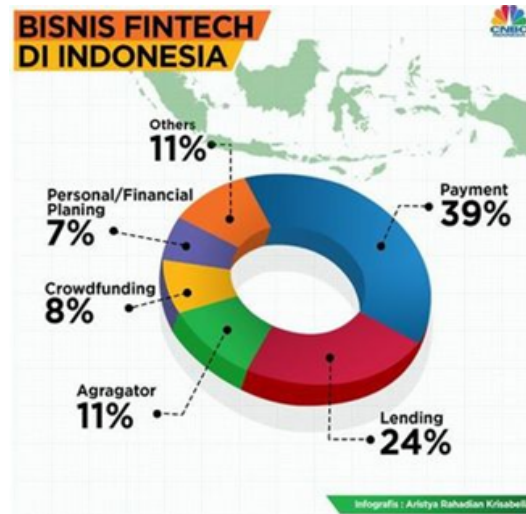
At the same time, Islamic banking continues to face considerable challenges due to digital disruption driven by the rapid proliferation of financial technology (fintech). This disruption has fundamentally transformed the way individuals access, interact with, and utilize financial services, shifting from traditional, branch-based systems to more flexible, technology-driven platforms. Consequently, digital transformation is no longer merely a strategic choice but has become an urgent and unavoidable necessity for organizations seeking to remain competitive and relevant in the evolving financial landscape. This urgency has been further intensified by the COVID-19 pandemic, which significantly altered societal behavior and forced organizations worldwide to adopt digital solutions at an unprecedented pace. In response, the banking sector—particularly Islamic banking—has demonstrated a proactive and adaptive approach by continuously innovating and expanding its digital service offerings. These initiatives are not only aimed at ensuring business sustainability but also at improving operational efficiency, strengthening security systems, and enhancing overall customer experience in financial transactions (Kurniawan et al., 2021).

Furthermore, the rapid development of the digital economy on a global scale, including in Indonesia, has reinforced the importance of digital financial services. This growth is largely supported by the increasing penetration of internet usage, which has enabled broader access to financial platforms and services. A digitally driven economy reflects a more dynamic and inclusive financial environment, where transactions can be conducted more efficiently and across wider geographical boundaries. In particular, the use of Islamic mobile banking has become a key driver of this transformation, facilitating seamless and real-time financial activities. Additionally, digital advancements have enabled the implementation of simpler payment mechanisms, as well as more innovative and diverse promotional strategies, thereby enhancing user engagement and expanding market reach (Aysa, 2021).

In response to these developments, Islamic banks have actively introduced a wide range of payment technology innovations, with a strong emphasis on the development and promotion of mobile banking platforms. Applications such as Byond, BSya, and Muamalat DIN have emerged as strategic responses to the increasing demand for digital financial services. These platforms provide customers with the ability to access banking services anytime and anywhere, eliminating the need for physical visits to bank branches. As a result, mobile banking has become a vital digital solution that supports greater flexibility, convenience, and efficiency in conducting various types of financial transactions. It also enhances customer satisfaction by offering user-friendly interfaces, faster processing times, and integrated financial features that cater to diverse user needs (Iqbal & Urrahmah, 2021).

One of the most significant innovations supporting this transformation is Financial Technology, commonly known as fintech. Broadly speaking, fintech refers to the integration of advanced technology into financial services to improve their functionality and accessibility. It encompasses a wide range of digital solutions designed to simplify financial processes, reduce transaction costs, and enhance user experience. Fintech has revolutionized the financial industry by introducing innovative services that are not only more efficient but also more inclusive, allowing a wider segment of society to access financial services. Among the most widely used fintech applications in everyday life are digital wallets (e-wallets), such as OVO, GoPay, DANA, ShopeePay, and LinkAja. These platforms enable users to perform cashless transactions quickly and securely, thereby promoting a more efficient and modern financial ecosystem (Kusuma & Asmoro, 2021; Narastri, 2020).

**Figure 1.** Fintech Business Data in Indonesia



Source: CNBC Indonesia

Based on Figure 1, it can be concluded that the most widely distributed fintech business category in Indonesia is digital payments, accounting for approximately 39% of the total fintech distribution in the country. Digital payment systems represent one of the most significant innovations in financial technology, as they provide new solutions for society to conduct non-cash transactions in a more practical, efficient, and secure manner (Rizkiyah et al., 2021). In addition, digital banking services, including mobile banking, are also categorized as part of fintech, as they utilize advanced technology to enhance accessibility and convenience in banking services. This integration of financial services with digital platforms reflects the growing transformation toward a cashless society and a more technology-driven financial ecosystem.

This study focuses on users of Islamic mobile banking in Bandar Lampung City, based on the consideration that the local population has shown an increasing willingness to adopt electronic money and digital financial services. This trend is evident from the significant rise in the electronic money ratio, which increased from 12.50% to 30.60% up to the third quarter of 2019, with the number of electronic money instruments in Bandar Lampung reaching 851,965. Despite this growing acceptance, not all mobile banking users are able to fully optimize the available digital banking features. Some users still face challenges in utilizing these services effectively, indicating gaps in digital literacy, user experience, and technological familiarity (Subing & Fihartini, 2024).

Several Islamic banks operate in Bandar Lampung, demonstrating that the development of Islamic banking has significantly expanded in the region. These institutions actively contribute to strengthening the regional economy through collaboration with the provincial government in various Islamic economic programs, including financing schemes, gold investment services, and Hajj-related financial services. The presence and active role of these Islamic banks reflect the broader expansion of Islamic banking across Indonesia, including in Sumatra Island. This growth is driven not only by

increasing public demand for Sharia-compliant financial products but also by strong support and commitment from local governments in promoting a Sharia-based economic system.

Islamic mobile banking also plays a crucial role as a mediating factor between technological innovation and its impact on the performance of Islamic banking institutions. A study conducted on customers of Bank Syariah Indonesia (BSI) in Bandar Lampung reveals that although approximately 85% of users actively utilize digital banking services—such as fund transfers, bill payments, and balance inquiries—there remains around 15% of users who rarely or never use these services. This underutilization is primarily caused by technical constraints, security concerns, and limited digital literacy. These findings suggest that the success of digital transformation is not solely determined by the availability of advanced technology, but also by the extent to which such technology is effectively adopted, understood, and utilized by customers in their daily financial activities (Alifandi & Fasa, 2025).

## **B. LITERATURE REVIEW**

### **Digital Transformation**

Digital transformation refers to a fundamental change undertaken by organizations in leveraging digital technologies to enhance effectiveness, efficiency, and value creation in business operations and services. This concept has evolved alongside advancements in information and communication technology, which have driven transformations across various sectors, including the economy, education, and governance (Kraus et al., 2022).

In the context of public services, particularly in Islamic banking, digital transformation involves the implementation of digital technologies to improve service efficiency, quality, and accessibility. This transformation encompasses the use of various technologies such as the internet, computers, mobile devices, and mobile applications to simplify transaction processes and interactions between banks and customers (Badruddin et al., 2024).

According to Rogers (1983), the process of adopting digital transformation can be explained through the Diffusion of Innovation theory, which describes how technological innovations are disseminated and adopted by users. In the context of Islamic banking (or SMEs), the success of digital transformation is strongly influenced by users' perceptions of relative advantage, compatibility, complexity, trialability, and observability of the implemented technology. The key indicators of digital transformation include productivity, sales, profitability, product innovation, and process innovation (Hanum & Sinarasri, 2018).

### **Payment Technology Innovation**

Innovation in payment technology refers to efforts to develop and utilize the latest technologies in the financial sector to accelerate, simplify, and enhance the security of financial transactions. The digitalization of payment systems has shifted societal habits from cash-based transactions to electronic and cashless payment systems (Sinaga & Nasution, 2025).

Payment technology innovation includes the development of digital payment systems such as QRIS, digital wallets, and integrated mobile banking, which have experienced rapid growth in Indonesia, particularly in 2025. These innovations accelerate transaction processes and improve customer convenience by offering ease of use, security, and fast access. In the context of Islamic banking, such innovations must comply with the principles of fiqh muamalah, ensuring that technological implementation is not only efficient but also aligned with Sharia principles. For instance, QRIS, which has become a primary digital payment method in Indonesia, has demonstrated significant transaction growth, supporting financial inclusion and a secure, transparent cashless ecosystem (Johan, 2022).

Payment technology innovation is analyzed using the Diffusion of Innovation framework, which explains how innovation spreads within society through stages involving the innovation itself, communication, time, and social systems. Innovation refers to the emergence of new technologies such as QRIS and digital wallets. Communication plays a crucial role in disseminating information about these innovations. Time reflects the adoption period, from initial introduction to widespread usage, while the social system encompasses the cultural and social context influencing adoption, including group influence and prevailing norms. Thus, this framework helps explain how payment technology innovations are widely accepted and utilized in Indonesian society (Bailusy et al., 2025). The indicators of payment technology innovation include influencing the use of new technology, creating technological development, and improving the utilization of technology (Indriastuti & Wicaksono, 2014).

## **Fintech**

The use of financial technology (FinTech) refers to the process by which individuals or institutions adopt and utilize digital-based financial services—such as e-wallets, online lending, and electronic payment systems—as substitutes for traditional or manual methods (Anwar & Elistia, 2024). In the context of Islamic banking, fintech adoption refers to the acceptance and utilization of technology-based financial services that comply with Sharia principles (Shariah compliance). Recent studies over the past five years indicate that Islamic fintech enhances operational efficiency, improves financial accessibility—especially for SMEs—and fosters innovation in financial products aligned with Islamic values. Additionally, Islamic fintech incorporates technologies such as blockchain to ensure transparency and adherence to Sharia principles (Yudha et al., 2021).

Fintech adoption is also analyzed using the Diffusion of Innovation theory, originally introduced by the French sociologist Gabriel Tarde in the early 20th century (1903). Tarde explained that the adoption of innovation by individuals or groups can be understood through a time dimension, typically illustrated by an S-curve that represents the rate of adoption over time. This theory emphasizes how new ideas or technologies spread gradually through social interaction. The key indicators of fintech include improving effectiveness, enhancing efficiency, ease of operation, user capability in utilizing technology, and the ability to deliver high-quality services (Hidayat, 2023).

## **Islamic Banking Disruption**

Islamic banking disruption refers to a condition in which new technologies—such as fintech—transform the traditional business models of Islamic banks. This disruption can serve as either a threat or an opportunity, depending on how effectively Islamic banks strategically adapt to emerging technologies. Technologies such as fintech, blockchain, and artificial intelligence bring efficiency and service innovation, while also presenting challenges in maintaining compliance with Sharia principles, such as fairness and the prohibition of *riba*. When managed properly, such disruption can enhance competitiveness and expand financial inclusion within Islamic banking.

Islamic banking disruption is analyzed using the Disruptive Innovation theory developed by Clayton Christensen in the mid-1990s. This theory explains how new products or services that are simpler, more affordable, and more accessible—often introduced by smaller firms with limited resources—can gradually replace established companies or technologies. Disruptive innovations typically begin by serving lower-end market segments or creating new markets, and over time, move upward to capture the mainstream market. A classic example is how streaming services like Netflix replaced traditional DVD rental services. The indicators of Islamic banking disruption include simpler services, improved efficiency, and greater accessibility of services (Tarumingkeng, 2025).

## **C. METHODOLOGY OF RESEARCH**

This study employs a survey research design, as the sample is drawn from a single population. The research adopts an explanatory approach, which aims to explain causal relationships between variables and to test hypotheses. It is categorized as causal research, intended to measure relationships among variables and analyze the influence of one variable on another.

The population of this study consists of Islamic bank customers in Bandar Lampung City who use mobile banking services, totaling 97 respondents. The sample size was determined using the Lemeshow formula, as the exact number of Islamic mobile banking users in Bandar Lampung is unknown, resulting in 97 respondents. Data collection was conducted through the distribution of questionnaires in the form of Google Forms to Islamic bank customers who use mobile banking services in Bandar Lampung, disseminated via various social media platforms. The data analysis method used is quantitative analysis, employing the Moderated Regression Analysis (MRA) model and supported by SmartPLS version 4 software.

## **D. RESULT AND DISCUSSION**

Table 2 presents the characteristics of Islamic mobile banking users in Bandar Lampung City who were surveyed in this study. The questionnaire results indicate that the majority of respondents

are aged 17–22 years (80.4%), followed by those aged 23–28 years (11.3%), 29–34 years (6.2%), and over 35 years (2.1%). In terms of occupation, most respondents are students (72.2%), followed by private employees (17.5%), civil servants (5.2%), entrepreneurs (1%), employees of state-owned enterprises (1%), online drivers (1%), interns (1%), and Navy personnel (1%). Furthermore, the findings reveal that most respondents use Byond by BSI (60.8%), followed by BSya by BCA Syariah (29.9%), BTN Syariah Mobile (6.2%), and Muamalat DIN by Bank Muamalat (3.1%). These results illustrate that younger, student-dominated users are the primary adopters of Islamic mobile banking services in the region, with a strong preference for specific digital banking platforms.

**Table 2.** Respondent Characteristics

Characteristics	Category	Frequency (n)	Percentage (%)
Age	17–22 years	78	80.4%
	23–28 years	11	11.3%
	29–34 years	6	6.2%
	> 35 years	2	2.1%
Occupation	Student	70	72.2%
	Private employee	17	17.5%
	Civil servant	5	5.2%
	Entrepreneur	1	1.0%
	State-owned enterprise employee	1	1.0%
	Online driver	1	1.0%
	Intern	1	1.0%
	Navy personnel	1	1.0%
Islamic M-Banking	Byond by BSI	59	60.8%
	BSya by BCA Syariah	29	29.9%
	BTN Syariah	6	6.2%
	Muamalat DIN	3	3.1%

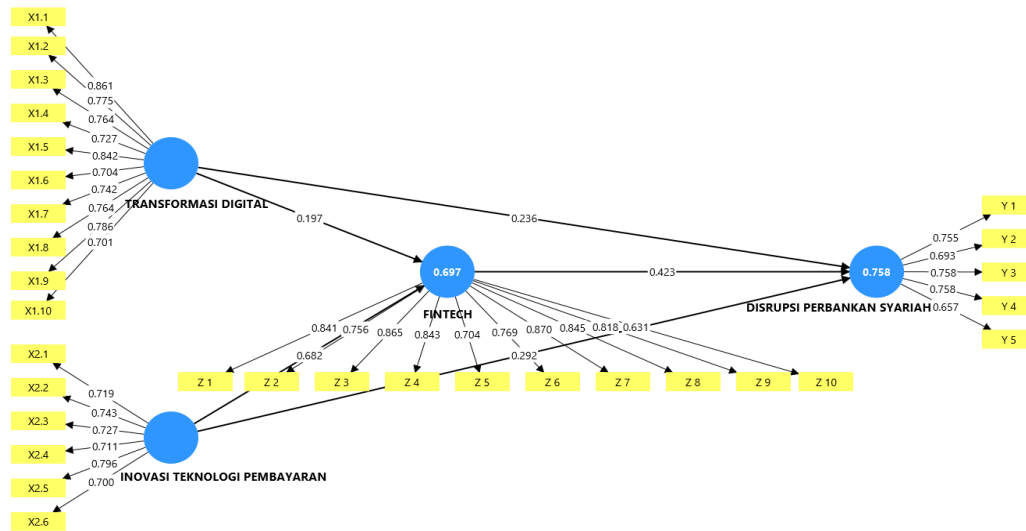
### Measurement Model Analysis (Outer Model)

The analysis of the measurement model, commonly referred to as the outer model, plays a crucial role in evaluating the quality of the constructs used in this study. It encompasses three primary components: (1) Internal Consistency, typically measured using Composite Reliability; (2) Convergent Validity, assessed through the Average Variance Extracted (AVE); and (3) Discriminant Validity, which ensures that each construct is empirically distinct from others within the model. These criteria are essential to confirm that the measurement instruments are both reliable and valid, thereby ensuring the accuracy and credibility of the research findings.

Within the framework of Partial Least Squares (PLS), this method represents a second-generation multivariate analysis technique that is based on Structural Equation Modeling (SEM). SEM-PLS is particularly suitable for exploratory and predictive research, as it allows for the simultaneous analysis of multiple relationships between latent variables. The SEM-PLS approach is divided into two main stages: the measurement model (outer model) and the structural model (inner model) (Juliandi, 2018b).

The outer model focuses on assessing the relationships between observed indicators and their respective latent constructs, ensuring that the indicators accurately represent the constructs being measured. Meanwhile, the inner model evaluates the structural relationships between latent variables, testing the proposed hypotheses and examining the causal relationships within the research framework. By integrating both measurement and structural analyses, SEM-PLS provides a robust and comprehensive analytical approach, enabling researchers to validate their measurement instruments while simultaneously testing theoretical models and hypotheses.

**Figure. 2** Outer Model



**Internal Consistency (Composite Reliability)**

Internal consistency reliability is one form of reliability testing used to evaluate the degree of consistency among items within a measurement instrument. This test aims to ensure that each item included in the instrument is capable of consistently representing and measuring the same underlying construct. The level of consistency is generally reflected in the magnitude of the correlations among items within a single construct, where higher inter-item correlations indicate a stronger level of internal consistency.

In practice, internal consistency reliability is commonly assessed using the composite reliability value. This indicator reflects the extent to which a construct reliably explains the latent variable it is intended to measure. A construct or variable is considered to have adequate reliability if the composite reliability value exceeds 0.6. Higher values indicate a greater level of internal consistency, suggesting that the measurement instrument is more reliable and capable of consistently capturing the intended construct. Therefore, composite reliability serves as a crucial criterion in determining the overall quality and dependability of measurement instruments in quantitative research (Hair et al., 2017).

**Tabel 3. Composite Reliability**

Variable	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Digital Transformation	0.922	0.924	0.935	0.591
Payment Technology Innovation	0.828	0.832	0.874	0.537
Fintech	0.935	0.938	0.945	0.636
Islamic Banking Disruption	0.780	0.786	0.847	0.526

Source: Results of SEM-PLS data processing, 2026.

**Convergent Validity (Average Variance Extracted / AVE)**

Convergent validity indicates the extent to which a measurement is positively correlated with other measurements representing the same construct. To determine whether an indicator within a construct variable is valid, the assessment is conducted by examining the outer loading value. If the outer loading value is greater than 0.7, the indicator can be considered valid (Jr et al., 2018).

Ideally, outer loading values should exceed 0.7, as this reflects strong indicator quality. However, outer loading values between >0.4 and <0.7 may still be acceptable if the AVE value is greater than 0.5, particularly in exploratory or newly developed research contexts. Conversely, if the outer loading value is very low (i.e., <0.4), the indicator should be removed from the variable, as it does not adequately represent the intended construct (Gio, 2022).

**Table 4.** Convergent Validity

Indicator	Digital Transformation	Payment Technology Innovation	Islamic Banking Disruption	Fintech
X1.1	0.861			
X1.2	0.775			
X1.3	0.764			
X1.4	0.727			
X1.5	0.842			
X1.6	0.704			
X1.7	0.742			
X1.8	0.764			
X1.9	0.786			
X1.10	0.701			
X2.1		0.719		
X2.2		0.743		
X2.3		0.727		
X2.4		0.711		
X2.5		0.796		
X2.6		0.700		
Y.1			0.755	
Y.2			0.693	
Y.3			0.758	
Y.4			0.758	
Y.5			0.657	
Z.1				0.841
Z.2				0.756
Z.3				0.865
Z.4				0.843
Z.5				0.704
Z.6				0.769
Z.7				0.870
Z.8				0.845
Z.9				0.818
Z.10				0.631

Source: Results of SEM-PLS data processing, 2026

Based on Table 4, all outer loading values are greater than 0.4; therefore, the indicators for each variable are considered valid.

**Discriminant Validity**

The assessment of discriminant validity for indicators of latent or construct variables is conducted using the Heterotrait–Monotrait Ratio of Correlation (HTMT) criterion. If the HTMT value is less than 0.9, the variable is considered to have good discriminant validity (Jr et al., 2018).

**Tabel 5.** Discriminant Validity

	Islamic Banking Disruption	Fintech	Payment Technology Innovation	Digital Transformation
Islamic Banking Disruption	0.725			
Fintech	0.825	0.798		
Payment Technology Innovation	0.809	0.823	0.733	
Digital Transformation	0.736	0.687	0.718	0.768

Source: Results of SEM-PLS data processing, 2026

Table 5 shows that all HTMT values are below 0.90, with the highest correlation between variables being 0.854. This indicates that the research indicators have met the criteria for discriminant validity (adequate).

**Structural Model Analysis (Inner Model)**

**(1) Collinearity (Variance Inflation Factor / VIF)**

To determine whether there is a collinearity problem in the research model, the Variance Inflation Factor (VIF) value is examined. This value indicates the level of correlation among independent variables. According to Ghozali (2021), if the VIF value is less than 10, the data can be considered free from collinearity issues and suitable for further analysis.

**Tabel 6.** Kolinearitas (VIF)

	<b>Digital Transformation</b>	<b>Payment Technology Innovation</b>	<b>Fintech</b>	<b>Islamic Banking Disruption</b>
Digital Transformation			2.066	2.194
Payment Technology Innovation			2.066	3.597
Fintech				3.296
Islamic Banking Disruption				

*Source: Results of SEM-PLS data processing, 2026*

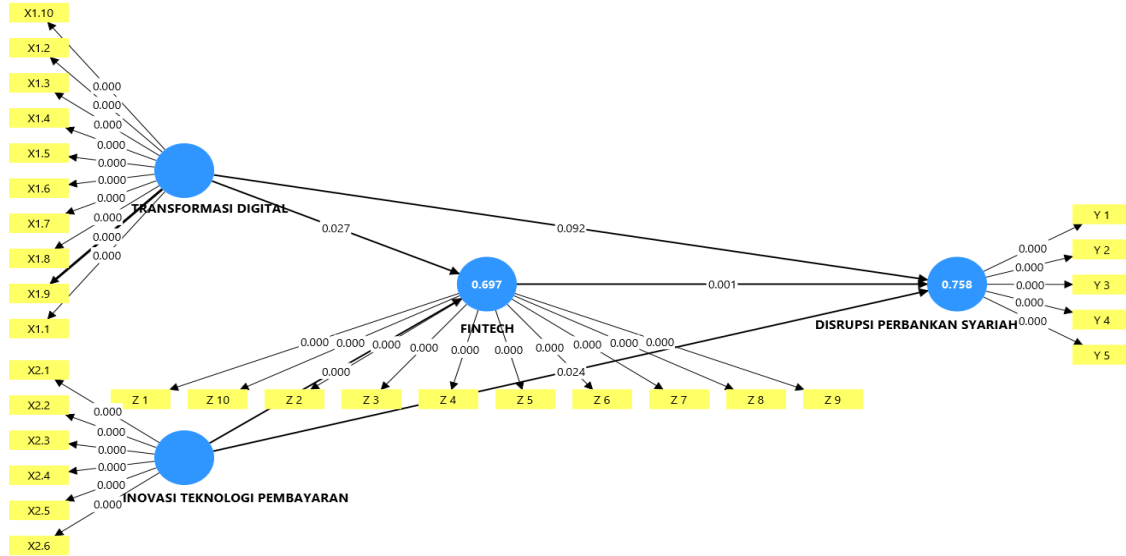
Based on Table 6, it can be concluded that all variables in the research model are free from collinearity issues, indicating that the relationships among the independent variables do not exhibit problematic levels of correlation. Specifically, the Variance Inflation Factor (VIF) value for the relationship between digital transformation and fintech is 2.066, which is well below the commonly accepted threshold of 10. This result suggests that there is no indication of multicollinearity, and both variables can be reliably included in the model. Similarly, the VIF value for the relationship between digital transformation and Islamic banking disruption is 2.194, which also falls below the critical value, further confirming the absence of collinearity problems within these variables.

Furthermore, the VIF value for the relationship between payment technology innovation and fintech is 2.066, indicating that the interaction between these variables does not present any multicollinearity concerns. The relationship between payment technology innovation and Islamic banking disruption yields a VIF value of 3.597, which, although higher than the previous values, still remains within the acceptable limit and does not indicate any significant collinearity issue. In addition, the VIF value for the relationship between fintech and Islamic banking disruption is 3.296, which also satisfies the recommended criteria and confirms that the model remains stable and statistically reliable.

Overall, these findings demonstrate that all VIF values are below the critical threshold, suggesting that the independent variables are not excessively correlated with one another. This condition is essential in ensuring the robustness and validity of the structural model, as the absence of collinearity allows for more accurate estimation of parameter coefficients and strengthens the credibility of the research results. Therefore, it can be concluded that the research model is free from collinearity issues and is appropriate for further analysis, including hypothesis testing and structural model evaluation.

**Significance of Structural Model Path Coefficients**

The evaluation of the structural model in PLS is conducted by examining the R<sup>2</sup> values of the dependent variables as well as the path coefficients of the independent and mediating variables. Furthermore, the significance of each path—both direct and indirect (through mediation)—is tested using the T-statistic value. The research model incorporating the mediating variable can be illustrated in the following figure:



**Testing of Direct Effects**

A positive path coefficient indicates a direct (positive) relationship between variables, whereas a negative path coefficient indicates an inverse relationship. The decision for hypothesis testing is based on the p-value at a significance level of 10%. A p-value of less than 0.10 indicates that  $H_0$  is rejected and the effect between variables is significant, while a p-value greater than 0.10 indicates that the effect is not significant (Juliandi, 2018).

**Tabel 7.** Path Coefficients

	Original Sampel	Sample Mean	Standart Deviation	T-Statistic	P-Values
X1=>Y	0.236	0.248	0.140	1.688	0.092
X1=>Z	0.197	0.198	0.089	2.219	0.027
X2=>Y	0.292	0.287	0.129	2.265	0.024
X2=>Z	0.682	0.684	0.088	7.752	0.000
Y=>Z	0.423	0.416	0.124	3.409	0.001

Source: Results of SEM-PLS data processing, 2026

Based on Table 7, the direct effect of digital transformation on Islamic banking disruption is 0.236 (positive). This means that an increase in digital transformation leads to an increase in Islamic banking disruption. The p-value of 0.092 is less than 0.10, indicating that the effect of digital transformation on Islamic banking disruption is statistically significant ( $H_0$  is rejected).

Furthermore, the direct effect of digital transformation on fintech is 0.197 (positive), suggesting that an increase in digital transformation will also lead to an increase in fintech. The p-value of 0.027 is below 0.10, confirming that the effect of digital transformation on fintech is significant ( $H_0$  is rejected).

The direct effect of payment technology innovation on Islamic banking disruption is 0.292 (positive), indicating that as payment technology innovation increases, Islamic banking disruption also increases. The p-value of 0.024 is less than 0.10, which means that the effect of payment technology innovation on Islamic banking disruption is statistically significant ( $H_0$  is rejected).

In addition, the direct effect of payment technology innovation on fintech is 0.682 (positive), implying that higher levels of payment technology innovation lead to greater fintech development. The p-value of 0.000 is far below 0.10, indicating a highly significant effect ( $H_0$  is rejected).

Lastly, the direct effect of Islamic banking disruption on fintech is 0.423 (positive), meaning that an increase in Islamic banking disruption contributes to an increase in fintech. The p-value of 0.001 is also below 0.10, confirming that the effect is statistically significant ( $H_0$  is rejected).

**Testing of Indirect Effects**

If the coefficient value of the indirect effect shows a p-value of less than 0.10, it can be concluded that the effect occurs indirectly through a mediating variable. Conversely, if the p-value is greater than or equal to 0.10, the indirect effect is not significant, indicating that the influence of the independent

variable on the dependent variable occurs directly or through other non-mediated pathways (Juliandi, 2018).

**Table 8.** Indirect Effect Coefficients

	<b>Original Sampel</b>	<b>Sample Mean</b>	<b>Standart Deviation</b>	<b>T-Statistic</b>	<b>P-Values</b>
X1=>Z=>Y	0.083	0.085	0.050	1.677	0.094
X2=>Z=>Y	0.288	0.280	0.082	3.530	0.000

Source: Results of SEM-PLS data processing, 2026

Based on Table 8, the indirect effect coefficient of digital transformation on Islamic banking disruption is 0.083, with a p-value of 0.094 ( $< 0.10$ ). This indicates that the effect occurs indirectly, meaning that fintech plays a mediating role in the relationship between digital transformation and Islamic banking disruption ( $H_0$  is rejected).

Furthermore, the indirect effect coefficient of payment technology innovation on Islamic banking disruption is 0.288, with a p-value of 0.000 ( $< 0.10$ ). This result shows that the effect is also indirect, indicating that fintech significantly mediates the relationship between payment technology innovation and Islamic banking disruption ( $H_0$  is rejected).

## **E. CONCLUSIONS**

This study aims to examine the effect of digital transformation and payment technology innovation on Islamic banking disruption, with fintech acting as a mediating variable. The data used in this research are primary data processed using SmartPLS 4 software. The findings indicate that digital transformation has a positive and significant effect on Islamic banking disruption, implying that the greater the implementation of digital transformation, the higher the level of disruption in Islamic banking. This reflects how digital services such as mobile banking and technology-based systems reshape business models and operational processes.

Furthermore, digital transformation also has a positive and significant effect on fintech. This indicates that the advancement of digital technologies—such as artificial intelligence, big data, and mobile technology—contributes to the growth and innovation of fintech services. In addition, payment technology innovation is proven to have a positive and significant effect on Islamic banking disruption. The development of digital payment systems, including e-wallets, QRIS, and online banking, accelerates changes in transaction patterns, service delivery, and competition within the Islamic banking sector.

The study also finds that payment technology innovation has a strong positive and significant influence on fintech, suggesting that the more advanced payment innovations become, the faster the fintech industry grows. Moreover, Islamic banking disruption itself has a positive and significant impact on fintech, indicating a dynamic relationship where disruption encourages both competition and collaboration between Islamic banks and fintech companies in delivering more efficient and innovative financial services.

Finally, the indirect effect analysis confirms that fintech successfully mediates the relationship between both digital transformation and payment technology innovation on Islamic banking disruption. This means that improvements in digital transformation and payment innovation not only directly influence disruption but also indirectly strengthen it through the development of fintech. As fintech continues to evolve, it amplifies the impact of digital change, accelerating the transformation and disruption of Islamic banking through more flexible, accessible, and technology-driven financial services.

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