

THE ROLE OF ISLAMIC FINANCIAL LITERACY ON
FINANCIAL DECISION-MAKING IN ACHIEVING
FINANCIAL WELL-BEING AMONG MALAYSIAN
HOUSEHOLD

BY

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ABSTRACT

The policymakers and financial industry in Malaysia have actively promoted financial literacy initiatives following the launch of the Financial Sector Blueprint 2022-2026, aimed at elevating the financial well-being of all households as one of their strategic thrusts. Despite these efforts, however, the financial well-being of Malaysian households remains concerningly low. High poverty rates, rising bankruptcy cases, and insufficient retirement savings, especially within these households, highlight the urgency of addressing these issues. The aims of this study are to investigate the role of Islamic financial literacy, with the following objectives: (i) to identify the impact of Islamic financial literacy and the financial well-being of Malaysian households, (ii) to determine the potential mediating effect of financial decision-making between Islamic financial literacy and financial well-being of Malaysian households, (iii) to examine the determining factors that influence the financial well-being of Malaysian households, (iv) to analyse the application of the Theory of Planned Behavior affect the financial well-being among Malaysian households, and (v) to investigate the influence of Social Cognitive Theory on the financial well-being of Malaysian households. By applying the Theory of Planned Behavior and Social Cognitive Theory, this study frames financial well-being as a function of an individual's religious attitudes, community-based social norms, and the self-belief that they can manage their wealth in a manner consistent with Islamic principles. The study employs quantitative methods, with data collected from 402 respondents in the Klang Valley region using a cross-sectional design and questionnaire instruments. The collected data were analyzed using Structural Equation Modeling (SEM) techniques, specifically PLS-SEM 4.0 software and SPSS 26. The results of the survey revealed a significant positive effect between Islamic financial literacy and both financial decision-making and financial well-being among households. Additionally, the study found that financial decision-making partially mediates the relationship between Islamic financial literacy and the financial well-being of Malaysian households. These findings suggest that financial decision-making plays a pivotal role in improving households' financial well-being, emphasizing its potential as a key factor in enhancing overall financial outcomes. The determinants of financial well-being tested in this study namely, financial inclusion, religiosity, perceived behavioral control, and financial self-efficacy within the context of Islamic finance were found to have a statistically significant positive impact on the financial well-being of Malaysian households. These results highlight the multidimensional nature of financial well-being and its strong alignment with Islamic financial principles. This study makes both theoretical and empirical contributions to understanding the role of Islamic financial literacy in enhancing the financial well-being of Malaysians. It emphasizes the need to tailor financial literacy and awareness programs to foster more effective participation in Islamic financial products and services. To address Malaysia's pressing challenges of poverty, bankruptcy, and low retirement savings, which significantly affect financial well-being, the study identifies several solutions through the application of Islamic social finance (ISF), increased government participation, policymakers, practitioners, community engagement and enhanced collaboration with state entities. Additionally, the study outlines potential areas for future research, presenting opportunities to expand knowledge and deepen understanding within this critical field.

خلاصة البحث

لقد عمل صانعو السياسات والقطاع المالي في ماليزيا بفاعلية على تعزيز مبادرات التثقيف المالي، ولا سيما بعد إطلاق خطة تطوير القطاع المالي 2022-2026 التي تهدف إلى رفع مستوى الرفاه المالي لجميع الأسر باعتباره أحد محاورها الإستراتيجية الأساسية. غير أنّ مستوى الرفاه المالي للأسر الماليزية ما يزال مقلقاً؛ إذ تشير معدلات الفقر المرتفعة، وتزايد حالات الإفلاس، وضعف مدخرات التقاعد، خصوصاً بين هذه الأسر، إلى ضرورة معالجة هذه القضايا بصورة عاجلة. وتهدف هذه الدراسة إلى بحث دور التثقيف المالي الإسلامي من خلال الأهداف التالية: (1) تحديد أثر التثقيف المالي الإسلامي في الرفاه المالي للأسر الماليزية. (2) دراسة الأثر الوسيط المحتمل لاتخاذ القرار المالي بين التثقيف المالي الإسلامي والرفاه المالي للأسر. (3) استقصاء العوامل المحددة التي تؤثر في الرفاه المالي للأسر الماليزية. (4) تحليل أثر تطبيق نظرية السلوك المخطّط في تعزيز الرفاه المالي لدى الأسر الماليزية. (5) استكشاف تأثير نظرية الإدراك الاجتماعي في مستوى الرفاه المالي لدى الأسر الماليزية. وبالاستناد إلى هاتين النظريتين، تنظر الدراسة إلى الرفاه المالي بوصفه وظيفة للمواقف الدينية الفردية، والأعراف الاجتماعية المجتمعية، والإيمان الذاتي بقدرة الأفراد على إدارة ثرواتهم بما يتوافق مع المبادئ الإسلامية. وتعتمد الدراسة المنهج الكمي، حيث جُمعت البيانات من 402 مشاركاً في منطقة وادي كلانغ باستخدام تصميم مقطعي وأدوات استبانة. وقد جرى تحليل البيانات باستخدام تقنية نمذجة المعادلات الهيكلية (SEM) عبر برنامج PLS-SEM 4.0 وبرنامج SPSS 26. أظهرت نتائج الدراسة وجود تأثير إيجابي معنوي للتثقيف المالي الإسلامي على كلّ من اتخاذ القرار المالي والرفاه المالي للأسر. كما تبين أن اتخاذ القرار المالي يؤدي دوراً وسيطاً جزئياً في العلاقة بين التثقيف المالي الإسلامي والرفاه المالي، ما يبرز أهميته بوصفه عاملاً رئيسياً في تحسين الرفاه المالي وتعزيز النتائج المالية الشاملة. وقد أثبتت العوامل المحددة للرفاه المالي التي تناولتها الدراسة—وهي: الشمول المالي، والتدبير، والسيطرة السلوكية المدركة، والكفاءة الذاتية المالية—تأثيراً إيجابياً ذا دلالة إحصائية في الرفاه المالي للأسر الماليزية ضمن سياق التمويل الإسلامي، بما يعكس الطبيعة المتعددة الأبعاد للرفاه المالي وانسجامه الوثيق مع مبادئ المالية الإسلامية. وتقدّم هذه الدراسة إسهامات نظرية وتطبيقية لفهم دور التثقيف المالي الإسلامي في تعزيز الرفاه المالي للأسر الماليزية، مؤكدة الحاجة إلى تصميم برامج توعية وتثقيف مالي موجهة لزيادة المشاركة الفاعلة في منتجات وخدمات التمويل الإسلامي. ولمعالجة التحديات الملحة المتمثلة في الفقر، والإفلاس، وضعف مدخرات التقاعد—وهي عوامل تؤثر بعمق في مستوى الرفاه المالي—توصي الدراسة بجملة من الحلول، منها: تفعيل أدوات التمويل الاجتماعي الإسلامي (ISF)، وزيادة مشاركة الحكومة وصناع السياسات، وتعزيز دور الممارسين والمجتمع، وتوسيع التعاون مع الهيئات الرسمية. كما تقترح الدراسة مجالات بحثية مستقبلية لزيادة المعرفة وتعميق الفهم في هذا المجال الحيوي.

APPROVAL PAGE

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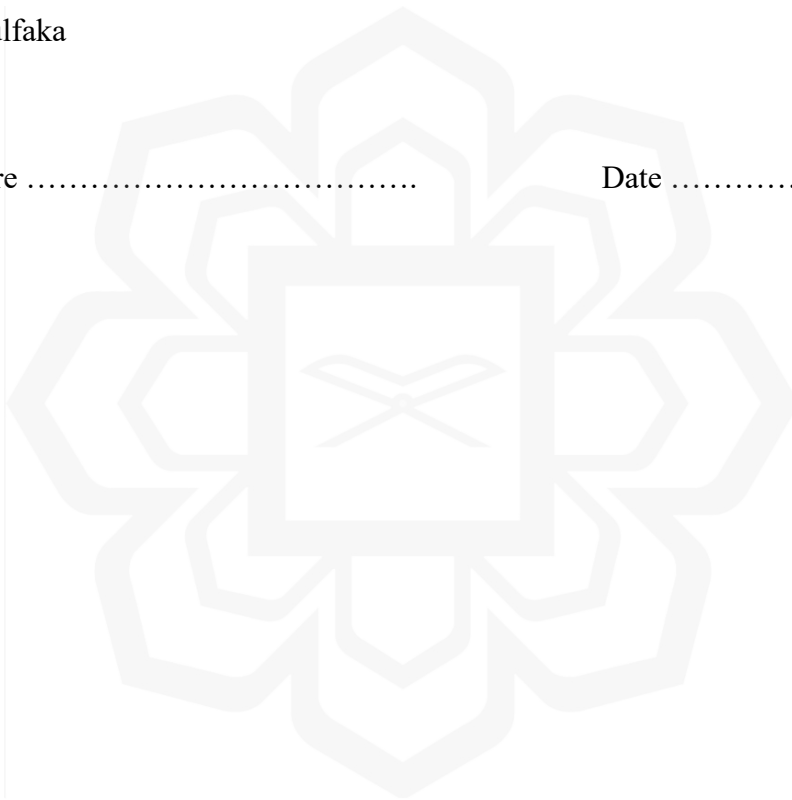
DECLARATION

I hereby declare that this thesis is the result of my investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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LIST OF ABBREVIATION

AKPK	Credit Counselling and Debt Management Agency
BIMB	Bank Islam Malaysia Berhad
BNM	Bank Negara Malaysia
DOSM	Department of Statistics Malaysia
EPF	Employees Provident Fund
EPU	Economic Planning Unit
FCI	Financial Capability and Inclusion
FDM	Financial Decision-Making
FEN	Financial Education Network
FSA	Financial Service Authority
FSBP	Financial Sector Blueprint
FWB	Financial Well-Being
ICM	Islamic Capital Market
INCEIF	International Centre for Education in Islamic Finance
IFIs	Islamic Financial Institutions
IFL	Islamic Financial Literacy
IFSB	Islamic Financial Service Board
ISF	Islamic Social Finance
KWSP	Kumpulan Wang Simpanan Pekerja
LTH	Lembaga Tabung Haji
MIFC	Malaysia International Islamic Financial Centre
MFPC	Malaysian Financial Planning Council
OECD	Organisation for Economic Co-operation and Development
PLS-SEM	Partial Least Squares Structural Equation Modelling
PBC	Perceived Behavioral Control
PRS	Private Retirement Scheme
SAC	Shariah Advisory Council
SC	Securities Commission Malaysia
SCT	Social Cognitive Theory
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
SS	Simpanan Shariah

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Since the principles of Islamic finance were laid down in the Holy Quran over 14 centuries ago, the development of Islamic financial institutions has faced numerous challenges, marked by periods of both progress and setbacks. However, by the end of the 20th century, a global network of Islamic banks and financial institutions began to take shape. Over the past four decades, banks have increasingly operated in accordance with Islamic Shariah principles, and the sector has experienced significant growth.

In Malaysia, the history of Islamic banking dates back to 1983, when Bank Islam Malaysia Berhad (BIMB) commenced operations as the country's first Islamic commercial bank. At that time, there was only one bank offering Islamic financial products. Today, nearly all local and foreign commercial banks in Malaysia provide Islamic financial services, with 16 banks now offering full-fledged Islamic banking operations (Bank Negara Malaysia, 2025).

The fundamental difference between Islamic and conventional banking lies in their philosophy, objectives and principles (Dusuki & Abdullah, 2014). Islamic banking is supposed to operate within the Shariah principals that prescribes specific patterns of economic behavior for individuals and society as a whole. It strives for a just, fair and balanced society as envisioned by the Islamic economics. Hence, the many prohibitions and the avoidance of interest (*riba*'), speculation (*gharar*), and gambling (*maysir*) are foundational to the ethical framework of Islamic finance, which are imbued in conventional banking. This framework is intended to create an equitable platform that protects the interests and ensures the mutual benefit of all parties engaged in market

transactions. The rationale behind this prohibition is to ensure that the weak is protected from exploitation of the strong, and to prevent conflict and dispute among the contractual parties. This distinction should encourage Islamic bankers to innovate and create products that truly align with Islamic values, rather than simply imitating conventional models. With the growing range of offerings, Islamic finance is becoming a viable alternative to traditional, interest-based systems.

Haron et al. (1994) conducted the first study on Bank Patronage Factors among Muslim and Non-Muslim customers in two states, Kedah and Perlis, which have predominantly Muslim populations. The study found that only 63 percent of Muslim respondents either partially or fully understood the difference between Islamic and conventional banks. Meanwhile, 39 percent of Muslim respondents believed that religion was the primary factor influencing people's choice of Islamic financial products and services at that time. Over time, the Islamic finance industry has continued to introduce new innovations, particularly in response to increasing competition, both from online fintech companies and conventional financial institutions (Jagtiani & Lemieux, 2018).

With 63.5 percent or roughly 20.6 million¹ people of Malaysia's population being Muslim, it is essential to assess the current level of understanding and literacy regarding Islamic finance and the awareness of Islamic financial products and services available in the market. Islamic financial literacy is considered a key factor in expanding the Islamic financial industry. Understanding the reasons behind the lack of Islamic financial literacy and knowledge of Islamic financial products and services is crucial, as it will inform strategies aimed at enhancing public awareness. These

¹ Share of Malaysian population in 2020, by religion. Retrieved: <https://www.statista.com/statistics/594657/religious-affiliation-in-malaysia/>

strategies should not only focus on improving knowledge of financial products and services but also encourage the adoption of Islamic principles in everyday financial decision-making.

Besides, Malaysia's economy has faced a growingly competitive business environment, challenging labor market conditions, and rising living costs, all of which have had a significant impact on households and consumers. The current economic challenges, exacerbated by the COVID-19 pandemic, have heightened concerns among Malaysian individuals and households regarding their financial management. In particular, there is a stronger focus on spending, saving, investing, and risk management as people seek to secure their long-term financial well-being and safeguard their standard of living.

Due to the pandemic in 2020-2022, many households have migrated from higher to lower income levels, inflicting tremendous financial hardship. Many self-employed workers saw their income collapse, firms had to downsize their employees, and such devastating actions have affected the well-being of individuals as a worker due to the loss of jobs and their source of income. These economic challenges have caused an undesirable effect on the financial well-being of Malaysians, as it also upsurges the use of credit cards and debts that potentially escalate into other socio-economic adversities such as bankruptcy and low saving issues to make ends meet. To make matters worse, living costs are rising due to various variables. Higher corporate costs, for example, are passed on to end customers as a result of rising material prices. The implication of the soaring living costs is worrisome among Malaysians and causes a strain on households' purchasing power to sustain their essential expenses like accommodation, public transport, daily meals, and health services.

Despite the rising cost of living, the financial well-being of Malaysian households is also affected by financial management issues. The Ringgit Plus Survey (2020) report also stated that almost 60 percent of Malaysians could not survive beyond three months in the perspective of savings if they lost their jobs or had to stop working. It aligns with BNM's (2019) report that 75 percent of Malaysians did not have RM 1,000 in savings on average. These are regarded as unfavorable financial management activities, particularly long-term planning. Financial issues, such as high debt, low income, and a lack of financial literacy can harm an individual's financial well-being.

In recent years, the growing financial management challenges have highlighted that many Malaysians also still demonstrate low levels of financial literacy, particularly when it comes to understanding key concepts such as interest rates, inflation, and risk diversification. The survey by Credit Counselling and Debt Management Agency (AKPK)² in 2018 found that the national level of financial literacy among Malaysians is still low, where 1 out of 3 Malaysians rated themselves as having low confidence when it comes to financial management.

Recognizing the growing issue of financial hardship in society, the Malaysian policymakers and regulator have supported initiatives from the Financial Education Network (FEN), alongside Bank Negara Malaysia (BNM) and the Securities Commission of Malaysia, to make concerted efforts in improving the financial well-being of Malaysians. One such effort is the National Strategy for Financial Literacy 2019-2023, which aims to enhance financial literacy and well-being nationwide.

Additionally, on 24th January 2022, Bank Negara Malaysia launched the Financial Sector Blueprint (FSB) 2022-2026. This is the most recent financial blueprint,

² Credit Counseling & Management Agency (AKPK) Financial Behavior and State of Financial Well-Being of Malaysian Working Adults (2018)

outlining a comprehensive vision and strategies for developing Malaysia's financial sector. The FSB aims to act as a catalyst for reform, drive sustainability, and contribute to the nation's collective aspiration for a "*Prosperous, Inclusive, and Sustainable Malaysia*" over the next five years. One of the five strategic thrusts emphasized in the blueprint is to elevate the financial well-being of both households and businesses. This strategic program aims to educate Malaysians on better financial management, thereby elevating the financial well-being of all citizens. Such awareness and education provide the foundation for future prosperity, helping economically disadvantaged individuals escape poverty, while also promoting financial inclusion and increasing the circulation of funds. This, in turn, contributes to improved economic performance.

From the Islamic point of view, this aspect of financial literacy is an essential element for Muslim individuals in helping them achieve the goal of wealth preservation (Hifz al-Mal) outlined in Maqasid al-Shariah where it encourages the Muslims to generate wealth as well as manage the wealth (Ahmad et al, 2024). The objective of wealth preservation is related to religious preservation as the religious law determine the ways of dealing with wealth including acquisitions and expenses such as proactive financial planning and investment strategies where individuals can achieve a balanced approach that honors Islamic values while ensuring their financial well-being (Isa et al. 2024). Ultimately, Islamic finance aims to establish a system that promotes economic security and reduces poverty, thereby safeguarding human life and welfare and enhancing individual financial well-being.

Given that Islamic finance has become a significant force in the global economic landscape and aligns with Malaysia's financial vision, it is crucial to expand and enhance Islamic financial literacy. This will help the community better understand and engage with Islamic financial products and services, including Takaful (Islamic

insurance) and Shariah-compliant retirement schemes, such as Simpanan Shariah from the Employee Provident Fund (EPF). Strengthening Islamic financial literacy will not only foster greater participation in these products but also reinforce Malaysia's position as a leader in the global Islamic economy. This is also important as it has significant implications for realizing other Shariah demands, such as da'wah, seeking knowledge, health care and preservation of offspring, and economic development.

Despite its importance, there is limited research on the relationship between Islamic financial literacy and financial well-being, particularly in the context of choosing financial products from either Islamic or conventional financial institutions, especially among Malaysian households. As a result, this study aims to explore the impact of Islamic financial literacy on financial decision-making and its role in achieving financial well-being across different household groups in Malaysia.

It is anticipated that by gaining a deeper understanding of Islamic financial literacy, individuals and households will be better equipped to make informed financial decisions, thereby fostering financial prudence. In the long term, this could reduce the likelihood of poor financial choices that may lead to financial distress or bankruptcy. By applying the principles of Islamic financial literacy in choosing Shariah-compliant financial products and services, individuals can improve their financial well-being, meet their financial needs, and achieve a sense of security, comfort, and satisfaction with their standard of living, all in accordance with the guidelines outlined in Shariah.

1.2 STATEMENT OF PROBLEM

In today's evolving economic landscape, the growth of Islamic finance in Malaysia has been remarkable, with total assets and societal acceptance expanding at an unprecedented rate (Fitch Ratings, 2021). Additionally, Malaysia's poverty rate has significantly decreased, from 16.5 percent in 1989 to just 4.9 percent in 2021. Despite these positive developments, it is ironic to note that the poverty rate among the Bumiputera, who are overwhelmingly Malay, stands at 18.6%, compared to 13.7% for Indians and 12.1% for Chinese³. This disparity is further evidenced by the income gap between races, differences in property ownership rates, and varying levels of equity ownership. The available data clearly indicates that the Bumiputera population, which comprises a large majority of Muslims, does not dominate the country's economic landscape, despite the increasing prevalence of Islamic finance. This highlights the need for a deeper examination of how Islamic financial literacy can be leveraged to improve the financial well-being and economic position of the Muslim community in Malaysia.

Furthermore, while Islamic culture is deeply integrated into the Malaysian lifestyle, particularly among Muslims, the adherence to Islamic finance principles is often driven more by cultural norms than a thorough understanding of its underlying concepts. One key factor contributing to this gap is the persistent lack of awareness and understanding of Islamic financial products, particularly those that are truly compliant with Shariah principles. The misconceptions and confusion regarding the status of Islamic financial products, particularly in comparison to their conventional counterparts, continue to persist. Many individuals struggle to differentiate between Islamic financial products and their conventional counterparts, with some even arguing that Islamic financial products are simply a Shariah-compliant version of conventional

³ Department of Statistics Malaysia (DosM), 2022.

products (Hanif, 2011). A study by Ab Rahman et al. (2018) further confirmed that research on Islamic financial literacy remains relatively scarce, indicating a significant gap in both academic inquiry and public knowledge. This lack of understanding presents a significant barrier to the effective marketing and adoption of Islamic financial products, as a large portion of the Muslim population remains unaware of the range of offerings available to them, despite increasing access to financial services through digital platforms.

Although the Islamic finance sector has grown, the ability of Muslims in Malaysia to effectively plan and manage their finances is still lacking, especially when compared to other communities. This is further highlighted by the alarmingly high number of Muslims who have been declared bankrupt. As of December 2024, 18,161 out of 31,387 bankrupt individuals (57.86%) were Malay⁴, the highest proportion among all groups. Since the majority of the Bumiputera population is Muslim and disproportionately affected by poverty, Islamic financial literacy could play a crucial role in addressing these issues by promoting financial inclusion for the most vulnerable segments of society.

Over the past decade, significant efforts have been made to improve financial literacy within communities, with financial education becoming a key agenda of the Malaysian government. Various programs have been launched to assess and enhance both financial literacy and financial well-being. Despite these ongoing initiatives, financial literacy among Malaysians remains worryingly low. A particularly alarming statistic is that nearly 40 percent of Malaysians are living without a retirement plan in place. According to the Employees Provident Fund (EPF), only 4.0 percent of

⁴ Bankruptcy Statistic 2024. Retrieved from : <https://www.mdi.gov.my/index.php/legislation/statistics/75-bankruptcy/2401-bankruptcy-statistic-2024>

Malaysians are financially prepared for retirement (Kaur, 2024). This lack of financial preparedness exposes individuals to increased vulnerability in the face of financial shocks and economic uncertainties. Addressing this issue is crucial not only for enhancing individual financial security but also for ensuring the long-term economic stability and prosperity of the nation.

While the Financial Sector Blueprint (FSB) 2022-2026⁵ is still ongoing, it is essential to incorporate the reinforcement and internalization of Islamic values in personal finance as part of efforts to improve the financial well-being of the community. In the context of Malaysia, however, when considering the country's economic landscape, it becomes apparent that the financial planning capabilities of the Muslim population, particularly the Bumiputera, remain a significant challenge. In addition to improving basic financial knowledge, Islamic financial literacy aims to influence behavior by equipping individuals with the skills to manage their finances more effectively. This includes making investment decisions that are both Shariah-compliant and financially sound.

Since Islamic financial literacy is believed to play a significant role in shaping financial decision-making and has emerged as a critical area of study, it is crucial to explore the level of Islamic financial literacy among Malaysian households. Therefore, it is essential to enhance public understanding of Islamic finance to empower individuals to make more informed financial decisions. Understanding how this knowledge can help enhance their financial well-being, particularly through informed decisions about financial products requires further investigation.

⁵Financial Sector Blueprint (FSB) 2022-2026, Bank Negara Malaysia

1.3 MOTIVATION OF THE STUDY

This study is aligned with the goals outlined in the Financial Sector Blueprint 2022-2026, which aims to narrow the gap between Malaysia's financial literacy scores and those of OECD/INFE countries. As of 2023, Malaysia ranks 18th out of 39 OECD countries, with an average score of 61 points out of 100 points⁶. Achieving the target set for 2026 requires addressing this gap between Malaysia's OECD/INFE financial literacy scores and the average score of OECD members, making this study highly relevant.

The motivation for this research is also supported by various studies conducted by Bank Negara Malaysia (BNM), AKPK, the Malaysian Financial Planning Council (MFPC), and the OECD International Network on Financial Education, all of which have highlighted the financial literacy among Malaysians is still less stimulating. However, these studies generally focus on the overall literacy levels within Malaysia, without providing a detailed examination of the Islamic financial literacy specifically among Muslims, who constitute the majority of the population.

Given that the traditional financial literacy models do not align with Islamic principles and practices, there is a clear need for an Islamic financial literacy framework. Furthermore, the growing demand for Islamic financial products and the increasingly complex array of Islamic financial instruments underscore the importance of improving financial literacy in this area. Therefore, this study aims to address the gap in existing research by focusing on the Islamic financial literacy levels among Malaysian households, with the goal of contributing to the development of an Islamic financial literacy framework that can better equip this population to navigate the evolving financial landscape.

⁶ OECD/INFE 2023 Survey of Adult Financial Literacy

Since the pandemic has significantly impacted the global economy, discussions on financial literacy have become a hot topic among the researchers and practitioners. The challenging economic conditions have underscored the critical need for individuals to have sufficient financial resources to weather unexpected hardships. This is particularly true for households that have become more economically insecure, where the lack of financial literacy is even more concerning. Consequently, a comprehensive action plan is required, starting with the foundational element of societal education.

In the current climate, many individuals and households are making poor financial decisions, such as increasing their reliance on credit cards, accumulating debt, or subscribing to financial products that expose them to greater risks in an attempt to make ends meet. Therefore, this research aims to explore the role of Islamic financial literacy on their financial decision-making, particularly in relation to Islamic financial product and services choices, and its potential impact on long-term financial well-being among the households.

Suppose Islamic financial literacy proves effective in influencing financial decisions at every stage of an individual's life cycle, it can play a crucial role in achieving financial well-being within the community. Moreover, acquiring Islamic financial literacy not only enhances financial decision-making but also reinforces the ethical and moral foundations often overlooked in contemporary economic and financial studies. A key distinction between conventional financial literacy and Islamic financial literacy lies in their orientation, while conventional finance tends to focus on individual gain, Islamic financial literacy emphasizes the collective well-being of society and prohibits interest-based transactions, which are central to conventional finance. This ethical framework sets Islamic financial literacy apart, offering a more holistic approach to financial management.

Setiawati et al. (2018) highlight that the need for research on Islamic financial literacy is driven both by the internal obligation to adhere to Islamic principles and by external factors, such as the increasing complexity of financial instruments. These factors prompt the Malaysian households to make financial decisions guided by Islamic financial literacy. It is essential to examine the Islamic financial literacy among the households, as many of the existing criteria for determining financial literacy differ from Islamic values. Furthermore, practicing Islamic financial literacy is important not only as a religious obligation but also due to the availability of complex financial instruments. Such literacy helps individuals make informed financial decisions based on Islamic principles. This is crucial, as it not only affects individual financial decisions but also contributes to the broader financial well-being and socioeconomic development of the country.

According to Moghul (2019), the prohibition of interest (riba) should encourage Muslims to innovate and develop a social financial system that aligns with Islamic principles. Therefore, it is essential for Muslims to gain a comprehensive understanding of the concept of interest, including why it is prohibited in Islam and the available alternatives. A solid grasp of Islamic financial literacy will positively influence savings and investment decisions, contributing to a more stable economy by preventing the speculative practices associated with usury and economic bubbles.

Given the rapid advancement of the Islamic financial industry, the need for adequate Islamic financial literacy among consumers has become increasingly essential. Consumers who possess sufficient knowledge of Islamic financial principles are more likely to choose Shariah-compliant financial services over conventional alternatives. As awareness of Islamic financial literacy grows, more individuals will likely direct their funds to Islamic financial institutions, contributing to the real sector.

Moreover, Bhatti (2020) argues that it is crucial for every Muslim to acquire this type of financial literacy in order to understand the principles of Shariah-compliant activities and identify non-compliant practices within Islamic financial institutions. This knowledge also helps in managing the risks associated with Shariah non-compliance in financial transactions. Previous studies have explored various determinants of Islamic financial literacy, including financial education, financial planning, socio-demographic factors, and more.

To date, insufficient attention has been paid to Islamic financial literacy, and financial decision-making, particularly in relation to factors such as religious norms, financial inclusion, households behaviors, and financial self-efficacy as determinants of financial well-being. As a result, this study will explore these variables as key components of its scope.

In this study, the term Islamic financial literacy refers to the attitudes, behaviors, and knowledge of an individual that align with the principles of Islamic finance. It is important to note that this concept extends beyond the scope of Islamic banking and encompasses a broader understanding of financial literacy that is consistent with Islamic teachings. However, the terminology itself does not always provide a clear framework for measuring the level of literacy. Achieving the desired development of Islamic financial literacy and effective strategies requires a detailed examination of the current status to understand its roles and to present a clear vision of what Islamic financial literacy entails in order to achieve financial well-being.

To develop an effective Islamic financial literacy strategy that can assist policymakers in enhancing the community's financial well-being, it is essential to identify the barriers and challenges in implementing such programs. As highlighted in Surah Yusuf (47-49), which emphasizes the need for a strategic plan to face unexpected

financial crises, this lesson is equally applicable to individuals when it comes to making informed financial decisions.

The outcomes of this study will provide valuable insights for the Economic Planning Unit (EPU) and the Ministry of Economic Affairs to enhance the well-being and financial management of Malaysians, with a focus on reducing socioeconomic disparities, improving financial literacy and financial well-being. The study is expected to shed light on the current status of financial well-being among Malaysian households, the level of Islamic financial literacy in shaping financial decision-making, with other determinants such as religiosity, financial inclusion, household financial behavior, and financial self-efficacy. These factors are all significantly linked to the financial well-being of households.

Ultimately, it is hoped that the findings of this study, along with the index developed, will assist relevant stakeholders in implementing targeted actions and strategies to advance financial literacy programs, particularly among the Muslim population and households in Malaysia.

1.4 RESEARCH OBJECTIVES

The main objective of this study is to investigate how Islamic financial literacy influences the financial well-being of Malaysian households, using financial decision-making as a mediating variable. The study aimed to achieve the following objectives:

1. To examine how Islamic financial literacy influences the financial well-being of Malaysian households.
2. To determine the mediating effect of financial decision-making on the relationship between Islamic financial literacy and financial well-being of Malaysian households.

3. To investigate the determining factors of financial well-being among Malaysian households.
4. To analyse the application of the Theory of Planned Behavior constructs of attitude, subjective norm, perceived behavioral control, behavioral intention predict financial well-being among Malaysian households.
5. To investigate the influence of financial self-efficacy, a core construct within Social Cognitive Theory on financial well-being among households.

1.5 RESEARCH QUESTIONS

1. How does Islamic financial literacy influence the financial well-being of Malaysian households?
2. Does financial decision-making mediate the relationship between Islamic financial literacy and the financial well-being of Malaysian households?
3. What are the determining factors of financial well-being among Malaysian households?
4. How do the Theory of Planned Behavior constructs (attitude, subjective norm, perceived behavioral control, and behavioral intention) predict the financial well-being of Malaysian households?
5. How does financial self-efficacy, a core construct of Social Cognitive Theory, influence the financial well-being of households?

1.6 SIGNIFICANCE AND CONTRIBUTION OF THE STUDY

This study is significant as it aligns with key national initiatives aimed at improving financial well-being and financial literacy among Malaysian households. The Financial Sector Blueprint (FSB) 2022-2026, launched by Bank Negara Malaysia, outlines a clear strategy to enhance financial literacy across the country, equipping consumers with the knowledge necessary to make informed financial decisions. By investigating the relationship between Islamic financial literacy, financial decision-making, and financial well-being, this study directly contributes to the achievement of the objectives set forth in both the FSB and the National Strategy for Financial Literacy 2019-2023.

This study is also relevant in supporting the MADANI national development initiative, which seeks to create a financial system that is fair, just, and aligned with Maqasid Shariah. Furthermore, it strengthens Malaysia's position as a leader in the global Islamic economy, aiming to unlock economic potential and promote sustainable social well-being. The focus is on reducing income and wealth disparities across different social classes while improving the standard of living and well-being of the Malaysian people.

In this context, the study addresses the welfare of all segments of society, particularly the economically vulnerable groups, such as the B40. The outcomes of this research are expected to provide valuable insights into one of the key indicators for improving the Malaysian Well-being Index, as outlined in the 12th Malaysian Plan. This aligns with the nation's goal to build a future based on sound macroeconomic policies, ensuring that no Malaysian is left behind.

The findings of this study will also provide valuable insights into the role of Islamic financial literacy in enhancing the financial decision-making processes of Malaysian households. Specifically, the study will explore how Islamic financial

principles, coupled with factors like religiosity, financial inclusion, and financial self-efficacy, contribute to improving financial well-being. This is particularly important in the context of Malaysia's evolving financial landscape, where the demand for Shariah-compliant financial products is growing, and there is an increasing need for informed financial decision-making.

Furthermore, this study will fill a significant gap in the existing literature by focusing on Islamic financial literacy, a crucial but often underexplored aspect of financial education. While much research has been conducted on general financial literacy, limited attention has been given to the specific financial needs and behaviors of the Muslim population, especially in relation to Islamic finance. By addressing this gap, this study will contribute to the development of a tailored framework for Islamic financial literacy that can better equip Malaysian households to make sound financial decisions in line with Islamic principles.

The outcomes of this research are expected to provide valuable insights for practitioners, policymakers, financial institutions, and educational bodies in developing more effective financial literacy programs, particularly for the Muslim community. These programs will aim to enhance financial well-being and support individuals in achieving their life goals, in line with the concept of *al-Falah* (success and prosperity). The findings of the study will contribute to the formulation of strategies that improve financial decision-making, promote financial inclusion, and ultimately enhance the financial well-being of Malaysian households. In doing so, the study will support broader socioeconomic development goals, including poverty reduction and the improvement of living standards in Malaysia.

1.7 SCOPE OF STUDY

This study is limited to working individuals and households residing in the Klang Valley area of Malaysia. The Klang Valley was selected due to its significance as a major economic hub and its representation of the Central Region of Peninsular Malaysia (Vaghefi et al., 2016). It is also the largest metropolitan population center in Malaysia, encompassing key cities such as Kuala Lumpur and Putrajaya (Yoong et al., 2012). The region is characterized by a diverse workforce, making it an ideal setting for this study. Additionally, the study's geographical focus is influenced by resource constraints and the logistical challenges of collecting data from other regions of Malaysia. As a result, the findings of this research are specific to the Klang Valley and may not be directly applicable or generalized to individuals or households in other states of Malaysia.

The study utilized a questionnaire-based approach to collect data from working adults in both the government and private sectors. The questionnaires were distributed through a combination of online and physical methods to ensure a broad and representative sample of participants within the target population.

1.8 OPERATIONAL DEFINITIONS

This section provides the operational definitions of key variables used in the study. Operational definitions are essential for clarifying the meaning of terms and ensuring they are measurable in a consistent and tangible manner. According to Fraenkel et al., (2017), researchers must clearly specify the actions or operations required to measure or identify the terms used in their studies.

The operational meaning of variables refers to how specific dimensions and elements of a concept are defined and measured in a tangible, observable way (Sekaran & Bougie, 2016). These definitions help ensure that each construct is accurately measured and understood in the context of the study. Table 1.1 presents the operational definitions of the key variables adapted from existing literature, providing a clear framework for their measurement and application in this research.

Table 1.1 Operational Definition

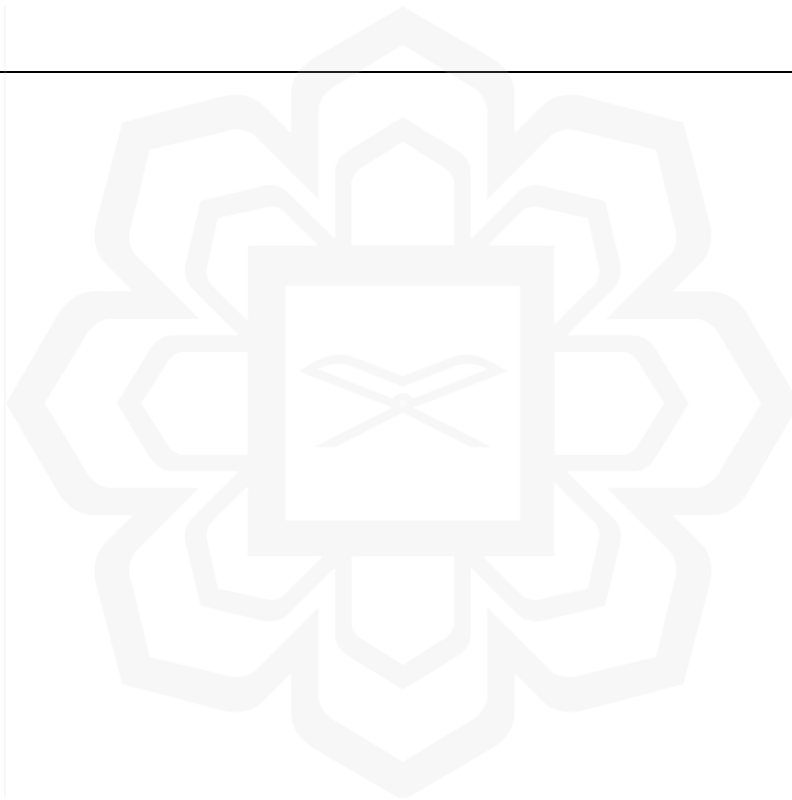
Variables	Definitions of Constructs	Source
Financial Well-Being	An individual's ability to meet ongoing financial obligations, stay resilient to income shocks, achieve future financial goals, and make financial decisions to improve one's overall quality of life.	Financial Sector Blueprint 2022-2026, Bank Negara Malaysia
Islamic financial literacy	An individual Islamic financial awareness, skills, knowledge, attitude, and behaviour are needed to make sound financial decisions.	Adapted from Saifurrahman & Kassim (2021)
Financial Decision-Making	A process of weighing the pros and cons of a decision related to the use of money, which mainly covers spending, saving and investing.	Adapted from Balushi et al., (2018)
Religiosity	One of the important aspects determining the way of life and the interaction between humans following God's commands influences their attitudes in life.	Adapted from Oladapo et al., (2019)
Attitude	Attitude refers to consistently favourable or unfavourable behaviours if someone has a positive attitude towards a particular action or behaviour that would cause favourable outcomes,	Adapted from Fishbein and Ajzen (1975)

and a negative attitude cause undesirable outcomes.

Subjective Norms	Subjective norms refer to the individual's perceptions of the social pressure that renders them perform or not perform a particular behaviour.	Adapted from Fishbein and Ajzen (1975)
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Perceived Behavioral Control	Perceived behavioural control defines as the degree of facilitating or inhibiting factors over-performing behaviour of interest.	Adapted from Ajzen (1991)
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Financial Efficacy	Self- A person's faith in achieving actions needed to attain their financial purposes	Adapted from Lopez & Snyder, (2012)
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1.9 ORGANISATION OF STUDY

This study is organised into seven chapters. The proceeding chapter in this paper is structured as follows; **Chapter One** introduces the study, providing an overview of the background, statement of problem, motivation of the study, objectives and research questions, significance and contributions, scope of the study and operational definitions of key constructs.

Chapter Two provides an overview of Islamic financial literacy and financial well-being in Malaysia. It delves into the historical background of Islamic finance and literacy, examines the current state of financial well-being in the country, explores the characteristics of Malaysian households, and presents an overview of Islamic financial literacy within the Malaysian context.

In the meantime, **Chapter Three** presents a comprehensive literature review encompassing the concepts of Islamic financial literacy, financial decision-making, financial well-being, financial inclusion, and religiosity. By critically analyzing the existing literature, this study identifies gaps in the current knowledge base and outlines a roadmap for future research endeavors..

The theoretical and Conceptual frameworks of this study are elucidated in **Chapter Four** as the guiding for this study. This chapter elaborates on the Theory of Planned Behavior (TPB), focusing on key constructs such as attitude, subjective norm, and perceived behavioral control. Furthermore, it explores the Social Cognitive Theory (SCT), with a particular emphasis on Financial self-efficacy. Based on these theoretical frameworks and previous research, this chapter also formulates the hypotheses for this study.

Next, this study is guided by **Chapter Five** to cover the overall methodology used in this study that details relevant quantitative tools for the study's analysis, design,

population and sampling techniques. Furthermore, this chapter elaborates on the data analysis procedures applied to address the study's research objectives.

Chapter Six presents the results and analysis of the study. It includes a discussion of the demographic characteristics of the respondents, followed by descriptive analysis and inferential statistics aligned with the research objectives. The chapter provides a detailed discussion of the research findings in relation to each objective.

Chapter Seven concludes the study by summarizing the major findings, discussing the implications of the results, and presenting the conclusions based on the research objectives. This chapter also includes a summary of the research hypotheses and discusses the limitations of the study. Finally, it offers recommendations for future research to address remaining gaps and build on the study's findings.

CHAPTER TWO

OVERVIEW OF ISLAMIC FINANCIAL LITERACY AND FINANCIAL WELL-BEING IN MALAYSIA

2.1 INTRODUCTION

The primary objective of this study is to investigate the relationship between Islamic financial literacy and financial decision-making, with a focus on its role as a mediating factor and its contribution to achieving financial well-being among Malaysian households. Therefore, it is essential to examine the definition and significance of Islamic financial literacy. This review will also explore the role of Islamic financial literacy and financial well-being, emphasizing their importance not only for individuals but also for the broader community and the nation. The key areas of discussion will include an overview of Islamic financial literacy, historical background of Islamic finance and literacy, current state of Malaysian households and Islamic financial literacy in Malaysia. This chapter ends with a summary of the literature review.

2.2 OVERVIEW OF ISLAMIC FINANCIAL LITERACY AND FINANCIAL WELL-BEING IN MALAYSIA

Over the past four decades, Islamic financial literacy has garnered increasing attention in Malaysia, largely due to the nation's strong commitment to Islamic principles and its emergence as a leading global hub for Islamic finance. Mastery of Islamic finance necessitates not only an understanding of conventional financial concepts but also the incorporation of Shariah-compliant principles, which prioritize ethics, risk-sharing, and the prohibition of interest (*riba*). Given Malaysia's diverse demographic and the central role of Islamic finance in fostering financial well-being, the enhancement of Islamic

financial literacy is critical for both economic resilience and the long-term financial security of individuals.

Islamic financial literacy refers to the comprehension of Shariah-compliant financial principles, products, and services, which include knowledge of Islamic banking, *takaful* (Islamic insurance), Shariah-compliant investments, Zakat management, and retirement schemes that adhere to Islamic law. In Malaysia, where Islamic finance plays a central role in both the economy and the personal financial lives of many citizens, increasing Islamic financial literacy is crucial for ensuring individuals can make informed and effective financial decisions. Despite growing awareness of Islamic finance in the country, studies indicate that many individuals still lack a deep understanding of its principles and practices.

While there has been significant progress in raising awareness, challenges remain in achieving comprehensive understanding. A 2020 study by the International Centre for Education in Islamic Finance (INCEIF) found that a substantial segment of the Malaysian population exhibits limited understanding of fundamental financial concepts, including Shariah-compliant financial products, hindering their ability to make well-informed financial choices. Moreover, Bank Negara Malaysia's National Strategy for Financial Literacy (2019) highlights that approximately 50% of Malaysians exhibit low levels of financial literacy. This broad lack of financial literacy impacts individuals' decision-making abilities regarding savings, investments, and retirement planning. Specifically, studies show that Muslims, in particular, tend to have only a basic understanding of key Islamic financial concepts such as *riba* (interest), *gharar* (uncertainty), and *mudarabah* (profit-sharing contracts), which further complicates their ability to navigate the financial system effectively.

This gap in knowledge is particularly concerning given the increasing focus on enhancing financial well-being in Malaysia, which aligns with the growth of Islamic finance. Islamic finance emphasizes ethical investment and financial transactions based on principles such as risk-sharing, the prohibition of interest (riba), and asset-backed financing, all of which are integral to financial decision-making in the country.

As Malaysia continues to recognize financial well-being as a crucial factor for household economic stability, research has highlighted alarming trends, such as rising household debt levels, particularly among younger generations, and the lack of adequate financial planning. These trends underline the importance of increasing financial literacy, particularly in the context of Islamic finance. The growing prominence of Islamic finance makes it imperative for individuals to enhance their understanding of Islamic financial products and services. Achieving greater Islamic financial literacy is not only essential for improving financial well-being but also for ensuring that financial decisions align with the ethical and moral principles of Islam, which are vital in shaping the financial behaviors of Malaysian households.

2.3 HISTORICAL BACKGROUND OF ISLAMIC FINANCE AND LITERACY

In Malaysia, a cursory glance at history shows that the concentrated effort to promote the financial literacy and financial inclusion among the Muslim can be traced back in the late 1950s with the establishment of a pilgrimage fund commonly known as Tabung Haji.⁷ The intent was to inculcate a culture of thrift among Muslims, many of whom

⁷ “Pilgrims Economy Improvement Plan”(Command.22, 1962) explains that the traditional methods and practices of saving at the time were detrimental to the Malay Muslims and the national economy at large. For example, the use of land as a form of saving was harmful from the economic point of view because it leads to sub-division of paddy land and rubber smallholdings, neglect, poor treatments of tenants farmers and fragmented farms. (Mohamed Eskandar Shah and Seho Mirzet, “Tabung Haji Run-up to Islamic Finance in Malaysia.,” in *Islamic Finance in Malaysia*, ed. Mohamed Ariff (Kuala Lumpur: Pearson Malaysia, 2017), 27-54.)

were saving for pilgrimage through the accumulation of illiquidity assets such as land and cattle or were literally placing their funds under the mattress. These forms of saving were prone to external shocks, with the possibility of losing the entire fund due to the natural disasters of theft. Moreover, many Muslims were staying away from interest based institutions. Thus, the government incentivized Muslims to save by providing them with a religion motive, facilitating a culture of saving and enhancing financial inclusion. The establishment of TH was as significant milestone as it provide an avenue for saving to many Malay Muslims, in particular those who were living in isolated rural communities without the financial knowledge and access to financial services.

Building on this early development, the Malaysian Islamic financial system continued to evolve with the establishment of Bank Islam Malaysia Berhad in 1983. This marked the country's first step into Shariah-compliant banking, signaling a turning point in the financial sector. Bank Islam's establishment was followed by a series of regulatory and institutional developments, including the creation of the Islamic Banking Act and other supporting regulations. These developments helped lay the groundwork for a more robust and regulated Islamic finance framework in Malaysia. Since its inception in the 1980s, Islamic finance has played a pivotal role in Malaysia's financial system, serving as a catalyst to enhance inclusivity from both faith-based and commercial perspectives

In the 2000s, Malaysia's efforts to position itself as a global hub for Islamic finance were bolstered by the creation of the Labuan International Financial Centre and the development of Shariah-compliant capital markets. The establishment of the Shariah Advisory Council by Bank Negara Malaysia in 1997 provided vital guidance in ensuring the integrity of Islamic financial products. By 2020, Islamic finance had grown substantially, with Islamic banking assets surpassing conventional banking

assets in terms of market share. Over the years, these efforts have contributed to the gradual expansion of Islamic finance, with Malaysia positioning itself as a leader in the global Islamic financial market. Today, Malaysia is regarded as one of the world's leading players in Islamic finance, continuously innovating with new products, services, and technology, and positioning itself as a key global hub for Shariah-compliant financial services.

In this context, Islamic financial literacy plays a crucial role in fostering both economic resilience and personal financial security. For Malaysia, with its diverse demographic and a significant Muslim population, enhancing Islamic financial literacy is not only essential for individual well-being but also for the overall economic stability of the nation. The promotion of Shariah-compliant financial practices can lead to greater financial inclusion, reduce the prevalence of financial distress, and contribute to the sustainable development of the financial sector.

In response to the gap in financial knowledge, Malaysia has actively promoted Islamic financial literacy through various programs and campaigns aimed at increasing awareness of Shariah-compliant financial products and services. These initiatives are designed to empower individuals to make informed decisions that align with their religious beliefs, thereby enhancing their financial well-being. As a result of these concerted efforts, Islamic banking has experienced significant growth in Malaysia, reflecting a broader shift in consumer preferences towards Shariah-compliant financial products. According to Moody's analyst Wong Chong Jun, the success of this movement can be attributed to initiatives such as the "Islamic First" strategy, which seeks to position Shariah-compliant financial products as the preferred choice for Malaysian consumers (Bernama, 2023).

According to Bank Negara Malaysia (BNM, 2020), Islamic banking finance grew at a faster rate than conventional loans in 2021, illustrating the growing demand for Shariah-compliant products. These trends demonstrate the effectiveness of Malaysia's efforts to promote Islamic financial literacy, as they not only highlight an increase in consumer understanding of Islamic finance but also underscore the growing popularity of Islamic financial products in the country.

However, challenges remain, particularly in educating the younger population and rural communities, who may have limited access to Islamic financial education and resources.

2.4 CURRENT STATE OF FINANCIAL WELL-BEING IN MALAYSIA

Financial well-being is an essential factor influencing economic stability and household security. For individuals and families, it includes not only sufficient income but also the ability to manage savings, debt, and financial planning to ensure future security. Over the past few decades, Malaysia has made significant progress in poverty reduction. According to the World Bank Poverty data 2021, the poverty rate dropped from 16.5% in 1989 to just 1.5% in 2021. However, despite this achievement, economic vulnerability continues, particularly among households with insufficient savings, making them susceptible to financial shocks. This vulnerability is compounded by rising household debt, cost of living increases, and other economic pressures.

The financial well-being of Malaysians has been a key priority for the government, as evidenced by a series of efforts aimed at enhancing the economic standing of its citizens. However, recent statistics reveal concerning trends that underscore the challenges faced by households, particularly in terms of savings rates, household debt, and financial insecurity. Notably, a large portion of Malaysian

households struggles with insufficient savings, which leaves them vulnerable to economic fluctuations. According to Bank Negara Malaysia's Financial Stability Review (2022), approximately 40% of Malaysian households do not have enough savings to cover a three-month period without income. Moreover, BNM's comprehensive survey in 2018 found that 52% of Malaysians faced difficulties raising RM 1,000 for emergencies, while 75% felt unprepared for retirement due to inadequate savings. These findings point to a broader issue of financial fragility, where many Malaysians live paycheck to paycheck and lack financial resilience.

Additionally, according to the survey done by the OECD/INFE 2023 reveals that the average level of financial well-being across participating countries and economies is 42 out of 100. However, Malaysia's financial well-being score of 40 points only, places it among the nineteen countries with below-average levels of financial well-being.⁸ This finding underscores the need for continued and intensified efforts to improve the financial well-being of Malaysians.

The Ministry of Finance's Economic Report (2022) also highlights that many households are financially vulnerable, with a large proportion of the population facing difficulty in meeting emergency expenses or covering daily living costs. These statistics underscore the need for enhanced financial education and policies that promote better financial management practices among Malaysian households. This findings also supported by the report by the Agensi Kaunseling dan Pengurusan Kredit (AKPK) in 2018, where the inability to save among the households is often attributed to a vicious cycle where limited financial resources, driven by the high cost of living, result in insufficient surplus income for savings.

⁸ OECD/INFE 2023 International Survey of Adult Financial Literacy 2023

Furthermore, the increasing household debt further exacerbates financial insecurity. Additionally, the nation's household debt-to-GDP ratio remains high at around 90%, indicating a significant burden of debt relative to national output. The total debt held by Malaysian families increased from RM 1.27 trillion in 2020 to RM 1.34 trillion in mid-2021 (Economic Report 2021/2022). High levels of household debt exacerbating financial stress and limiting disposable income for savings and investment especially among the lower- and middle-income households, which often struggle to achieve long-term financial sustainability. This increase in debt, which accounts for a substantial portion of all loans in the banking sector, signals potential risks to financial stability. These concerning trends underscore the need for effective financial education and literacy programs that can equip Malaysians with the skills to manage their finances, reduce debt, and build savings for greater financial well-being.

The 2021 Financial Well-Being Survey by AKPK highlighted the significant financial stress exacerbated by the COVID-19 pandemic. The crisis intensified financial pressures on households, adversely impacting savings, increasing debt levels, and eroding overall financial confidence. In addition to job insecurity and income reduction, the pandemic also led to economic disruptions that further revealed the vulnerabilities of many Malaysian households. Economic downturns, inflation, and rising living costs compounded these financial strains, making it increasingly difficult for individuals to meet their obligations and plan for the future. Many households, unfortunately, lack sufficient financial buffers, leaving them ill-prepared to weather such shocks.

Table 2.1 Total Bankruptcy Cases According to the Age Group from the year 2020 until December 2024

Age Group	Year					Total	Percentage
	2020	2021	2022	2023	2024		
Below 25 years	21	20	11	16	15	83	0.26
25-34 years old	1,741	1,060	759	711	862	5,133	16.35
35-44 years old	3,150	2,535	2,237	1,980	2,402	12,304	39.20
45-54 years old	2,211	1,880	1,630	1,322	1,695	8,660	27.59
55 years old and above	1,204	1,116	1	760	926	5,030	16.03
No information	24	21	34	21	77	177	0.56
Total	8,351	6,554	5,695	4,810	5,977	31,387	100.00

Source (s): Bankruptcy Statistic 2024, Malaysian Department of Insolvency

The financial well-being of Malaysian households is significantly influenced by several socioeconomic factors, notably disparities in income and wealth distribution, alongside individual characteristics such as employment status and education level (Munisamy, Sahid, & Hussin, 2022). Education and employment status play crucial roles, as individuals with higher educational attainment and stable employment are better equipped to manage their finances. Family structures, such as the presence of dual-income households, can provide additional financial stability, though single-income families are more likely to face financial strain.

Although disparities in income and wealth distribution, as well as individual characteristics such as employment status and education level, undeniably exert a significant influence on the financial well-being of Malaysian households, these socioeconomic factors are intentionally excluded from the scope of the current framework. The current study's framework will exclusively focus on other significant factors which are financial literacy, access to financial services and religiosity. This

focus is particularly pertinent given the notable geographic disparity, as urban households generally exhibit superior access to financial resources, employment opportunities, and financial services compared to their rural counterparts. Furthermore, financial inclusion has been a key focus, with efforts to increase access to banking services and digital financial products, particularly in underserved communities.

In conclusion, many households face significant challenges, including rising living costs, growing debt, and increasing reliance on digital financial services. In this context, improving financial literacy has become a key priority for enhancing financial well-being. The Financial Sector Blueprint 2022-2026, as outlined by Bank Negara Malaysia, identifies empowering households' financial well-being through financial education as one of its strategic thrusts. The Blueprint underscores the critical role that financial literacy plays in ensuring economic stability for individuals and families. This initiative seeks to improve financial literacy across the country, especially among vulnerable and underserved populations. The goal is to bridge the financial literacy gap, equipping Malaysians with the skills necessary to navigate both conventional and Islamic financial systems an issue of increasing relevance in the Malaysian context.

2.5 BACKGROUND OF MALAYSIAN HOUSEHOLD

A household is defined as one or more individuals living together in a dwelling or housing unit, where daily needs such as food and other essentials are managed collectively by a common administration (BPS, 2015). In Malaysia, households are generally classified into two broad categories: (i) ordinary households and (ii) special households. Ordinary households consist of individuals or groups living together in a physical dwelling unit, sharing a common space and jointly managing their daily needs. This classification typically includes families such as a man or woman living with their

spouse and children as well as individuals renting a portion of a dwelling unit but managing their meals independently. In essence, ordinary households are characterized by shared resources and collective management of daily life.

Special households, on the other hand, refer to individuals residing in institutional settings such as hostels, prisons, military dormitories, boarding houses, or orphanages. However, it is important to note that military personnel living with their families in separate barracks, where meals are managed independently, are classified as part of ordinary households. In terms of household membership, a household member is defined as anyone who forms part of the household unit, whether physically present or temporarily absent. Individuals who are away for more than six months are not considered part of the household, while those who stay for six months or more or intend to do so are included as household members.

In the broader context, households play a fundamental role in shaping a country's social, economic, and demographic processes. As key economic participants, households function both as consumers of goods and services and as suppliers of labor and capital. Moreover, the composition and size of households are reflective of broader social norms and demographic trends, including factors such as marriage, fertility, aging, and migration.

In Malaysia, the growth of households has shown a consistent upward trend over the past two decades, reflecting broader shifts in the country's economic and social dynamics. Key factors such as urbanization, rising income levels, and evolving household structures have significantly contributed to this growth. These changes are indicative of a dynamic socio-economic environment, where family units and living arrangements are adapting to modern realities.

As illustrated in Table 2.2, the distribution of households in Malaysia between 2002 and 2024 shows a steady increase, highlighting the ongoing trends that shape the country's demographic landscape. This data underscores the importance of understanding household growth not only as a demographic statistic but also as a critical factor influencing national economic policies and social welfare initiatives.

Table 2.2 Malaysia's Households in Figures

Year	Number of Households	Growth (%)
2002	3.74 million	-
2004	5.46 million	46.01%
2007	5.78 million	5.86%
2009	6.02 million	4.15%
2012	6.38 million	5.98%
2014	6.68 million	4.70%
2016	6.95 million	4.04%
2019	7.28 million	4.75%
2022	7.91 million	8.65%
2024	9.1 million	15.04%

Source: *Department of Statistics Malaysia (2024)*

In 2024, Malaysia recorded 9.1 million households, an increase from 7.91 million households in 2022 (DoSM, 2024). This growth in the number of households, however, comes with a parallel trend: a gradual decrease in household size, which can be attributed to the country's declining fertility rate. For instance, the average household size in Malaysia fell from 4.1 persons in 2016 to 3.8 persons in 2022. This decline in

household size reflects a broader shift in family structures, where smaller households are becoming more common, especially in urban areas. Such demographic changes are significant as they may influence patterns of consumption, housing demand, and social policies in the country.

The disparity between rural and urban household sizes is noteworthy. Urban households tend to be smaller compared to their rural counterparts, which could contribute to higher poverty rates in rural areas. Rural households, often larger, are tasked with supporting more members on lower average incomes, exacerbating the economic strain in these regions. From a policy perspective, household income is a more meaningful indicator than individual earnings, as individuals typically live and share resources within households.

In Malaysia, households are categorized into three income groups: the top 20% (T20), the middle 40% (M40), and the bottom 40% (B40). As of 2022, the Department of Statistics Malaysia (DOSM) has updated the household income classifications, reflecting changes in economic conditions. The terms B40, M40, and T20 represent the bottom 40 percent, middle 40 percent, and top 20 percent of Malaysia's population, respectively. These classifications are determined using the median household income, which is adjusted periodically in accordance with changes in the nation's GDP. This approach allows for flexibility in reflecting economic fluctuations and income disparities. These categories also provide a framework for understanding income inequality and wealth distribution across Malaysian society.

The classification of household income groups is dynamic, with values adjusting each year based on changes in the country's Gross Domestic Product (GDP). This is why policymakers often rely on median household income data, as provided by the Department of Statistics Malaysia (DoSM), to assess the overall economic well-

being of different household segments. As Malaysia continues to evolve economically, these classifications serve as crucial tools for crafting effective fiscal and social policies.

Table 2.3 Income Classification by Household in Malaysia

Household Group	Monthly Income Range (RM)		Income Range (RM)
	2019	2022	
B40	Less than RM 4,850	Less than RM6,338	RM 3,970 - RM 4,849
M40	RM4,851-RM10,970	RM6,339-RM10,959	RM8,700- RM 10,959
T20	More than RM10,971	More than RM10,960	RM 15,039 or more

Source: *Household Income and Basic Amenities Survey Report 2022, Department of Statistics Malaysia (DoSM)*

Although the income levels for each group have increased over the previous three years, it is important to take into account the rising cost of living due to inflation and slower pay growth. In fact, the value of the ringgit is declining if inflation is taken into account.

Between 2019 and 2022, income levels for each group have shown nominal increases, but the rising cost of living driven by inflation and slowed wage growth has reduced the real value of household earnings. According to the Department of Statistics Malaysia (2022), the average monthly income for employees increased from RM3,045 in 2016 to RM3,495 in 2019, but these gains have been offset by inflationary pressures. The declining value of the ringgit has further diminished the purchasing power of

households, making it harder for families to maintain their financial stability despite higher nominal incomes.

In 2024, the Malaysian government decided to revisit the B40/M40/T20 income classification system, recognizing that the existing framework no longer accurately reflects the economic realities of households. The current classification has been criticized for oversimplifying income distribution, failing to account for important factors such as demographics, household size, and geographical location. This reassessment aligns with broader government efforts to address income inequality more effectively. For example, the recent Budget 2025 outlined plans to increase tax revenue, including the introduction of targeted subsidy cuts for the newly defined top 15% income earners (T15). The T15 income group, which is based on a monthly income threshold of RM13,500, is expected to include many middle-class families from urban and well-developed areas like Kuala Lumpur. However, this new classification has generated some controversy, as the income threshold for the T15 group overlaps with what many would consider middle-class earnings, particularly in high-cost areas.

Experts have raised concerns regarding the new T15 income bracket, highlighting its failure to consider critical factors such as household size, locality, and cost of living. For instance, households in urban areas, particularly in cities like Kuala Lumpur, often face significantly higher living expenses. As a result, a monthly income of RM13,500 may not provide the same standard of living in Kuala Lumpur as it might in other parts of the country, suggesting that the T15 threshold is insufficiently nuanced to address the diverse realities faced by Malaysian households. The government has recognized these issues and is currently reviewing the income thresholds to include considerations such as locality and household size. This review aims to better align

income classifications with the cost of living, particularly in urban areas, and to alleviate financial strain on households located in high-cost regions.

Supporting these concerns, the Khazanah Research Institute (KRI) in December 2024 emphasized that the existing B40, M40, T20 classifications are increasingly inaccurate. According to the KRI, the groups within these categories do not share similar consumption patterns, and many households outside of the poverty line but still not within the top income range are not actually considered middle class. The study revealed that such households continue to face significant trade-offs, choosing between essential and non-essential spending. In response, KRI has proposed a more refined reclassification system as shown in Table 2.4, suggesting the following new categories:

Table 2.4 : Refined Households Income Reclassification System

Household Group	Reclassification
Bottom 20% (B20)	Households struggling to meet basic needs such as food, housing, and clothing.
Middle 50% (M50)	Economically unstable households that must navigate trade-offs between essential and aspirational goods.
Top 30% (T30)	Households exhibiting consumption patterns that align with aspirational goals typical of the middle class, though not necessarily "wealthy" by global standards.

Source(s): *Khazanah Research Institute, 2024*

By adopting these changes, KRI argues that the reclassification would provide a more accurate depiction of Malaysia’s diverse household economic realities, helping to better target policies for those in need.

It is important to note that this study adopts the income classification used in 2022, as the research was conducted prior to the recent revision announced by the government in 2024. Consequently, the results and analysis presented in this study are based on data collected in 2022, using the previous B40, M40, and T20 classification

framework. While the 2024 revision of the income classification aims to address concerns regarding household size, locality, and cost of living, the findings in this study reflect the state of the population and economic classifications as they were at the time of data collection.

2.6 FINANCIAL LITERACY IN MALAYSIA

Financial literacy has been recognized at a global level as a core life skill, one that is essential for the empowerment of individuals and for supporting individual and societies' financial well-being. As stated by the OECD Recommendation on Financial Literacy, national strategies for financial literacy should be based on relevant evidence and analysis in order to determine policy priorities and objectives, and to ensure that they remain relevant and up-to-date. To this end, the OECD/INFE has been at the forefront of international efforts to measure financial literacy since 2009, conducting coordinated surveys to provide comparable data across countries.

The 2022 questionnaire gathered data on financial literacy, encompassing financial product holdings, resilience, and well-being. The overall financial literacy score, a composite measure derived from questions assessing knowledge, behaviors, and attitudes, was calculated for each participant. The average score across all participating countries and economies was 60 out of 100 (63 for OECD countries), determined using the methodology outlined in the OECD/INFE 2022 Toolkit.

In Malaysia, the survey was conducted by Bank Negara Malaysia from October to December 2021, involved 3007 respondents through face-to-face interviews. Table 2.5 presents the average financial literacy scores for these Malaysian participants, as reported in the OECD/INFE 2023 International Survey of Adult Financial Literacy.

Table 2.5 Malaysia's Financial Literacy Standing

	Malaysia	Average	OECD⁹
Financial Behavior¹⁰	58	51	52
Financial Knowledge¹¹	54	50	58
Financial Attitude¹²	55	58	61
Financial Literacy Score	61	60	63

Source(s): *OECD/INFE 2023 International Survey of Adult Financial Literacy*

The 2023 OECD report on Financial Literacy indicates that while Malaysia has made some progress in enhancing financial literacy, its average score among OECD member countries remains slightly below the overall average. This underscores the need for continued efforts to further improve financial literacy levels and narrow the gap between Malaysia's score and the OECD average score.

The global financial landscape has undergone significant changes, with an increasing shift towards Islamic finance, especially in countries with large Muslim populations such as Malaysia. This shift is largely driven by consumer preference for Shariah-compliant financial products and services that align with their religious and ethical beliefs. This emphasis on Islamic financial principles underscores the critical need for research on Islamic financial literacy. In 2024, a survey to evaluate the Islamic financial literacy has been done by Credit Counselling and Debt Management Agency (AKPK) in collaboration with the Faculty of Economics and Management, Universiti Kebangsaan Malaysia (UKM)¹³ and Institut Kefahaman Islam Malaysia (IKIM) has

⁹ Survey covers 39 countries, of which 29 OECD Member countries and 8 G20 members

¹⁰ Refers to prudent habits such as saving money, budgeting expenditure, paying bills on time

¹¹ Refers to understanding on products and concepts such as inflation, interest, compounding and risks

¹² Refers to mindset towards long-term financial planning

¹³ Faculty Economy and Management, Universiti Kebangsaan Malaysia

developed a comprehensive framework to assess Islamic financial literacy based on three key dimensions: knowledge, behavior, and attitude, based on a study involving 220 respondents in Klang Valley area. The Islamic Financial Literacy Index from the survey is stated in the Figure 2.1 below.

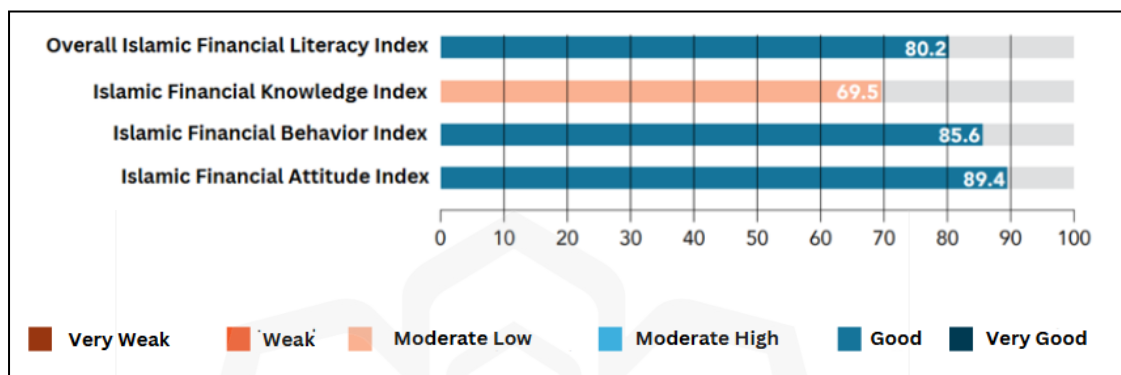


Figure 2.1 Islamic Financial Literacy Index
Source (s): AKPK Indeks Literasi Kewangan Islam (2024)

Findings from survey indicate that Islamic financial literacy in Malaysia is generally at a satisfactory level which is 80.2 points out of 100 points. However, despite this adequacy, there remains a significant gap in the dimension of Islamic financial knowledge. This gap primarily pertains to key principles such as the prohibition of riba (interest) and the importance of wealth creation and accumulation according to Islamic teachings. This lack of deep understanding may hinder broader adoption of Shariah-compliant products, suggesting that further educational efforts are necessary.

The increase in Islamic financial literacy is playing a pivotal role in the shift towards Islamic banking in Malaysia. As more consumers understand the principles behind riba-free transactions and risk-sharing, they are becoming increasingly attracted to Islamic financial products. This shift is not solely due to the availability of Shariah-compliant products but is also driven by a deeper understanding of their ethical alignment with Islamic teachings. The "Islamic First" initiative, a strategic approach to

promoting Shariah-compliant products, further accelerates this transition by positioning these offerings as the preferred choice for Muslim consumers.

Moreover, Islamic banks in Malaysia have maintained lower non-performing financing (NFP) ratios compared to conventional banks, which indicates their strong performance in the household sector. This is partly due to the appeal of Islamic financial products, such as Islamic home financing and personal financing, which have resonated with Malaysian Muslims who prioritize religious compliance in their financial decision-making.

A 2018 Demand Side Survey found that 31% of individuals holding accounts at Tabung Haji (TH) and Amanah Saham Nasional (ASN) preferred purely Islamic products. This growing preference for Islamic banking reflects the importance of financial literacy in shaping consumer behavior, as individuals with a greater understanding of Islamic finance are more likely to choose Shariah-compliant options.

Apart from that, one of the fastest-growing segments within Islamic finance is Islamic personal financing, which has outpaced conventional personal financing in Malaysia. According to RAM Ratings (2023), Islamic personal financing grew by 7.9% in 2023, compared to 3.5% growth for conventional personal financing. This remarkable growth can be attributed to competitive pricing, ethical financial practices, and the increasing demand for Shariah-compliant products. Islamic personal financing products are structured on profit-sharing or cost-plus models, making them an attractive alternative to conventional loans, which charge interest. This aligns with the values of many consumers, particularly in sectors like household financing, where ethical considerations play a significant role in financial decision-making.

In addition to personal financing, Islamic banks have also made significant inroads into SME financing. In 2023, 42% of SME financing in Malaysia was provided

by Islamic banks (RAM Ratings, 2023). This growth reflects the increasing reliance on Islamic finance by small and medium-sized enterprises, many of whom are drawn to Islamic financing due to its ethical nature and competitive terms.

Table 2.6 Comparative Analysis of Islamic and Conventional Personal Financing in Malaysia in 2023

Category	Market Share in Banking Sector (2023)	Growth Rate (2023)	Projected Growth (2024)	Popular Segments
Islamic Personal Financing	42%	7.9%	Moderate	Household Financing, SME Financing
Conventional Personal Financing	58%	3.5%	Stable	Household Financing, Personal Loans

Source: *RAM Ratings, 2023*

Despite the rapid growth of Islamic finance, conventional financing still holds a larger share of the market. However, the gap between Islamic and conventional financing is narrowing as Islamic finance continues to expand. The Malaysian government's "Islamic First" strategy is expected to support further growth by encouraging the adoption of Shariah-compliant financial products across various sectors.

One of the key challenges for Islamic finance is the need for greater consumer awareness and understanding of Shariah-compliant products. Although Islamic financial literacy is improving, particularly in urban areas, there is still a need for more comprehensive educational initiatives to help consumers fully understand the benefits and mechanisms of Islamic finance. Additionally, enhancing transparency and simplifying the complexities of Shariah-compliant products could further boost their appeal to a broader consumer base.

Apart from that, Islamic financial literacy is also central to increasing the adoption of Islamic financial products, including takaful. Takaful is one of the Islamic finance segments, which has been growing significantly for the last decade. A strong understanding of how takaful differs from conventional insurance both in terms of structure and compliance with Islamic law enables individuals to make informed financial decisions that align with their ethical and religious beliefs. Enhancing financial literacy can bridge the gap between the current penetration levels and the potential growth of takaful, particularly in markets where there is still some confusion or skepticism about Islamic finance.

The takaful industry has shown significant growth over the last decade, especially in countries with strong Islamic finance ecosystems, such as Malaysia. According to the Malaysia International Islamic Financial Centre (MIFC, 2023), the takaful industry in Malaysia has continued to grow at a faster rate than conventional insurance. In the first nine months of 2022, takaful outpaced the growth of conventional insurance, although conventional insurance still maintains a larger overall market share.

One of the fastest-growing segments within the takaful industry is family takaful, which provides Shariah-compliant life and health coverage. Family takaful has shown remarkable growth in recent years, driven by the increasing demand for ethical and religiously compliant financial products. In 2022, gross contributions in this segment reached RM 10.6 billion, an 18.3% increase from RM 8.5 billion in 2021 (MIFC, 2023). This growth reflects the rising preference for Islamic financial solutions, particularly in markets like Malaysia, where awareness of Shariah-compliant products has been steadily improving. The family takaful segment's growth also points to an increased emphasis on financial protection and resilience among individuals who prioritize Islamic values in their financial decisions. However, despite this rapid

expansion, family takaful remains only 29% of the size of conventional life insurance in Malaysia (Husin, 2019).

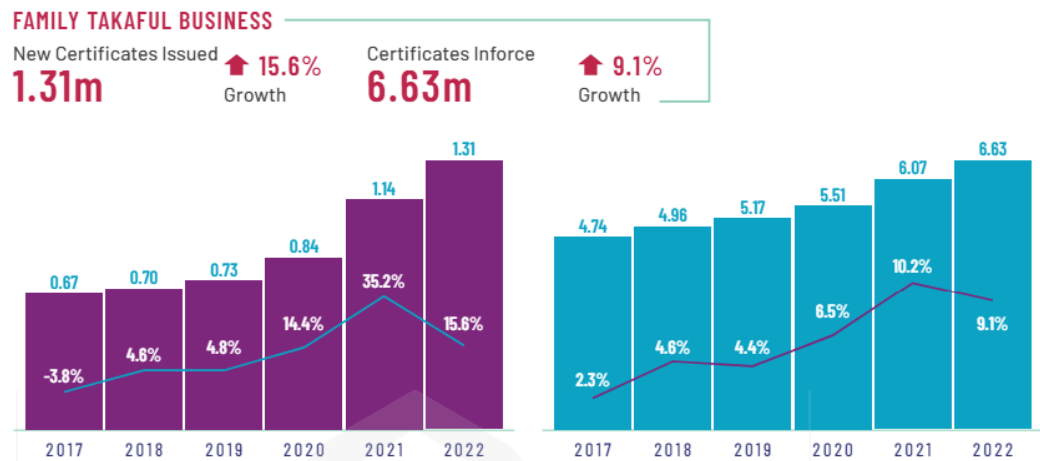


Figure 2.2 Family Takaful Business Growth 2017-2022
 Source: Malaysian Takaful Association Annual Report 2023

Research indicates that individuals with a higher level of Islamic financial literacy are more likely to prefer Shariah-compliant products. This is evident in the rising demand for takaful in Malaysia, which has been bolstered by educational initiatives and campaigns led by both government agencies and industry players (Hidayat, 2015). However, more comprehensive and inclusive educational strategies are needed to ensure that financial literacy reaches broader segments of the population, particularly the B40 group.

Despite the rapid expansion of the takaful sector, This trend highlights both the promise and challenges for the takaful industry. Projections suggest that even if takaful continues to grow at its current pace, it will only reach half the size of the conventional insurance sector by 2030 (MIFC, 2023). This underscores the critical need for further efforts in raising awareness, enhancing accessibility, and improving Islamic financial literacy. Expanding takaful’s market share is essential for ensuring that more individuals have access to Shariah-compliant risk management solutions.

By enhancing understanding and awareness of takaful's unique features, such as its principles of mutual assistance and Shariah compliance, the industry can expand its reach and play a larger role in promoting financial resilience, especially among underserved populations. Addressing the current gaps in Islamic financial literacy, particularly among the B40 group, will be crucial in ensuring that takaful can fully realize its potential as a Shariah-compliant alternative to conventional insurance.

In conclusion, Islamic financial literacy plays a vital role in promoting the adoption of Islamic banking products and financing options. The principles of risk-sharing, ethical investment, and the prohibition of interest distinguish Islamic finance from conventional systems, making it a compelling choice for consumers who prioritize ethical and religious considerations in their financial planning.

However, challenges remain in terms of improving financial literacy and raising awareness about the full range of Islamic financial products. With continued efforts to educate consumers and promote Shariah-compliant solutions, Islamic finance is well-positioned to further narrow the gap with conventional finance and play a more prominent role in global financial markets.

Besides, Islamic financial literacy also plays a crucial role in enabling Muslims to make informed financial decisions that align with their religious beliefs. It encompasses a broad understanding of various Shariah-compliant financial products, ranging from Islamic banking to retirement planning. One of the most significant advancements in Islamic finance is the introduction of Simpanan Shariah as a savings options for members that is managed and invested by the EPF in accordance with Shariah principles. The Simpanan Shariah provides Muslims with a Shariah-compliant alternative to the conventional KWSP (EPF) retirement scheme.

In this scheme, a Shariah governance framework has been established to ensure that all aspects of operations and investments of Simpanan Shariah are managed in accordance with Shariah principles as required under Section 43A of the EPF Act 1991. The Simpanan Shariah provides Muslims with an opportunity to invest their retirement savings in Shariah-compliant funds, ensuring that their financial planning adheres to Islamic principles.

Table 2.7 Total Simpanan Shariah Members (SS) From Year 2020-2023

Financial Year	Total Members		% SS Members
	EPF	SS	
2021	15,217,902	1,109,285	7.30%
2022	15,716,213	1,254,302	8.0%
2023	16,072,945	1,522,414	9.5%

Source(s): *Annual Report EPF 2023, p.p 92*

In 2023, a total of 297,212 members newly opted for Simpanan Shariah. The rise of Shariah-compliant financial products, such as the Simpanan Shariah from EPF is a testament to the growing demand for ethical and religiously aligned financial solutions. By offering participants the option to invest their savings in funds that are vetted for compliance with Islamic law, Simpanan Shariah helps individuals align their long-term financial goals with their religious beliefs. This type of scheme ensures that Muslims can accumulate wealth for their retirement in a manner that is consistent with their faith, providing peace of mind as they plan for the future. Understanding these schemes is essential for building a secure financial future that remains true to Islamic values.

Despite the advancements in Shariah-compliant retirement options, challenges remain in raising awareness and improving financial literacy among Muslims, particularly regarding the long-term benefits of investing in Simpanan Shariah. While urban, middle- and upper-income individuals tend to be more knowledgeable about Islamic financial products, rural and lower-income populations still face significant barriers in accessing and understanding these products. This knowledge gap limits the ability of some Muslims to make informed financial decisions that align with their religious beliefs, especially in areas such as retirement planning.

Furthermore, there is a need for more comprehensive education on how Shariah-compliant financial products, like Simpanan Shariah, can be integrated into broader financial strategies. Many Muslims are still unaware of the full range of halal investment options available to them, which can hinder their ability to build a secure and compliant financial future. Expanding educational efforts and promoting greater awareness of the benefits of Shariah-compliant financial products, including Simpanan Shariah, will be essential in empowering Muslims to build a secure and ethical financial future. This growing awareness and the demand for Shariah-compliant financial solutions underscore the importance of fostering Islamic financial literacy as a key driver in shaping a more ethically aligned and inclusive financial system, one that meets both the spiritual and material needs of the Muslim community.

Moreover, Islamic financial literacy encompasses not only an understanding of Shariah-compliant financial products but also the religious obligations related to wealth redistribution, particularly through zakat (mandatory almsgiving) and sadaqah (voluntary charity). These forms of charitable giving play a fundamental role in fostering financial well-being, social justice, and economic balance within the Islamic community.

Zakat, one of the five pillars of Islam, serves as an essential mechanism for wealth purification and redistribution. By mandating that Muslims contribute a portion of their wealth annually, zakat ensures that a portion of societal wealth is directed toward supporting those in need. The primary aim of zakat is to alleviate poverty, reduce income inequality, and promote economic justice. Through its redistributive function, zakat helps reduce economic disparities by transferring wealth from the more affluent segments of society to the less fortunate. This wealth redistribution is not only a moral and religious duty but also contributes to enhancing financial stability and fostering economic resilience. Zakat is levied on specific types of wealth, including savings, investments, and agricultural produce, with the proceeds directed toward eligible recipients (asnaf), such as the poor, debtors, and those in need of assistance. This unique system encourages Muslims to take responsibility for the well-being of their community, ensuring that societal welfare is maintained and economic imbalances are addressed.

As of 2024, Malaysia continues to demonstrate a robust commitment to fulfilling Islamic financial obligations, with zakat payments showing consistent growth. This trend can be largely attributed to increased zakat awareness campaigns, improved efficiency in the collection and distribution mechanisms, and the role of institutions like Pusat Pungutan Zakat (Zakat Collection Centers) and YaPEIM (Yayasan Pembangunan Ekonomi Islam Malaysia). A key finding by Abd Rahman and Ahmad (2021) highlights that the rising awareness and trust in these institutions have helped increase compliance with zakat obligations, particularly in urban areas.

Urbanization has been a significant factor driving the growth of zakat contributions, with the majority of zakat payers coming from high-density cities like Kuala Lumpur and Selangor. These regions benefit from higher income levels and

concentrated economic activities, which have contributed to higher zakat payments. According to YaPEIM (2024), urban residents in Malaysia accounted for the largest proportion of zakat payers, reflecting the positive correlation between higher income and greater financial literacy, particularly in fulfilling Islamic financial duties. However, the growth in zakat contributions from rural areas, though improving, remains relatively modest. This disparity can be attributed to lower financial literacy and income levels in rural regions. Raising zakat awareness in these areas is crucial to closing the gap in compliance rates and ensuring that all eligible Muslims fulfill their religious obligations, regardless of their geographical or economic standing.

Zakat plays an essential role in poverty alleviation, a critical goal within Islamic finance. Research consistently shows that effective zakat distribution can lead to direct improvements in the lives of low-income families, providing them with resources for basic needs like food, housing, education, and healthcare. Moreover, proper zakat management can also foster sustainable economic development by supporting initiatives that help recipients generate income and achieve long-term financial independence.

The efficiency of zakat collection and distribution systems has been a subject of continuous improvement in Malaysia. Efforts by state-level zakat bodies, coupled with the use of digital payment platforms and online zakat portals, have made it easier for individuals to calculate and pay their zakat contributions. These technological innovations have significantly reduced barriers to compliance, especially for younger, tech-savvy Muslims in urban areas.

Despite these improvements, challenges remain in ensuring that zakat payments reach all intended beneficiaries and in optimizing the allocation of funds. A 2023 study by the Malaysian Zakat Council identified the need for more strategic initiatives to

ensure that zakat funds are used not only for immediate relief but also for long-term poverty reduction programs.

A significant factor influencing zakat compliance is the level of Islamic financial literacy among Muslims. Individuals with a higher understanding of zakat and its importance are more likely to fulfill their obligations consistently and accurately. Islamic financial literacy not only enhances compliance with zakat but also extends to other areas, such as Shariah-compliant investments and wealth management. Muslims are increasingly aware of the importance of ensuring their investments align with Islamic ethical standards. Shariah-compliant investments offer Muslims the opportunity to grow their wealth while adhering to halal practices, avoiding industries such as gambling, alcohol, and conventional banking, which are prohibited under Islamic law.

The rise of Islamic investment platforms and sustainable Islamic finance options reflects the growing demand for ethical investments that cater to both financial returns and religious obligations. Promoting financial literacy programs, particularly among younger generations, is essential for enhancing the overall compliance with Islamic financial principles. Education about the mechanics of zakat, its calculation, and distribution, as well as investment principles, is necessary to bridge existing knowledge gaps, particularly in underserved regions.

Thus, Islamic financial literacy is a crucial element in fostering greater zakat awareness and compliance among Muslims. Zakat, as a pillar of Islam, plays a vital role in redistributing wealth, promoting social justice, and reducing economic disparities. The steady growth in zakat contributions in Malaysia, particularly in urban areas, underscores the importance of financial literacy in fulfilling religious obligations. However, to further enhance zakat compliance and its impact on poverty alleviation,

more strategic efforts are required to raise awareness, especially in rural areas. Improving financial literacy through targeted educational campaigns, alongside the adoption of digital tools, will play a pivotal role in ensuring that all Muslims, regardless of their socio-economic background, are equipped with the knowledge necessary to fulfill their zakat obligations. Moreover, promoting Shariah-compliant investments will not only facilitate wealth accumulation but also contribute to a more ethically aligned financial system, further strengthening the foundations of Islamic finance.

2.7 CHAPTER SUMMARY

This chapter provides an overview of Islamic financial literacy and its relationship with financial well-being in Malaysia. It begins by exploring the historical background of Islamic financial literacy, tracing its evolution within the Malaysian context. Subsequently, the chapter delves into the current state of financial well-being among Malaysians, examining key indicators and identifying prevailing challenges. Furthermore, the chapter provides a comprehensive overview of Malaysian households, considering their demographic characteristics, socio-economic conditions, and financial behaviors. This analysis sets the stage for a deeper understanding of the factors that influence financial well-being within the Malaysian context.

Finally, the chapter focuses on the current state of Islamic financial literacy in Malaysia. It explores the level of awareness and understanding of Islamic financial principles among the Malaysian population, identifying key knowledge gaps and challenges in promoting Islamic financial literacy. This chapter serves as a crucial foundation for the subsequent chapters, which will delve deeper into specific aspects of Islamic financial literacy, its determinants, and its impact on various dimensions of financial well-being.

CHAPTER THREE

EMPIRICAL LITERATURE REVIEW

3.1 INTRODUCTION

This chapter provides a comprehensive literature review that explores key themes related to Islamic financial literacy, financial decision-making, and financial well-being. The review critically examines relevant empirical studies to establish a strong foundation for the current research, with a focus on identifying gaps in the existing body of knowledge. Understanding these gaps is crucial for advancing the theoretical and practical dimensions of these concepts. The primary focus of this review is to investigate the role of Islamic financial literacy in shaping financial decision-making and its subsequent impact on financial well-being, specifically within the Malaysian context. By evaluating the interplay between these factors, the chapter aims to offer new insights that address critical gaps in the literature and lay the groundwork for the study.

3.2 OVERVIEW OF ISLAMIC FINANCIAL LITERACY

3.2.1 Definition and Dimension of Islamic Financial Literacy

Financial literacy, as defined by the OECD (2022), encompasses a multifaceted set of awareness, knowledge, skills, attitudes, and behaviors essential for making sound financial decisions and ultimately achieving financial well-being. This comprehensive knowledge helps people feel more confident in managing their finances. Financial literacy empowers individuals to avoid scams, confidently navigate evolving financial markets, and effectively save and invest for both short-term needs and long-term goals.

Several studies have addressed the topic of Islamic financial literacy; however, many of these studies fail to explicitly define its true meaning. Often, the concept is broadly treated as general financial literacy with a focus on Islamic finance principles, rather than providing a precise definition. One of the earliest terms introduced to better capture this concept was "halal literacy," coined by Salehudin (2010). This term aimed to describe the ability to distinguish between what is considered permissible (halal) and forbidden (haram) within the context of Islamic finance.

As outlined in the Quran, "halal" refers to actions, goods, or services that are lawful and in accordance with Islamic principles, while "haram" pertains to those that are strictly prohibited (Mohammad, 2013). In the context of Islamic finance, it is essential for Muslims to seek out halal options and avoid haram ones, ensuring their financial decisions align with the ethical and religious guidelines established by the Quran. This foundational concept underscores the need for a more nuanced understanding of Islamic financial literacy, beyond the basic principles of general financial literacy¹⁴.

Islamic financial literacy has gained special emphasis in recent years as Muslims have become more aware of the principles related to inheritance, Zakat, sadaqah, and the rights of others in managing their wealth. This growing awareness is rooted in the broader objectives of Maqasid Shariah, which seeks to promote the well-being of individuals and society.

According to Imam al-Ghazali, the goal of Shariah is to safeguard essential elements of human life, faith, intellect, prosperity, and wealth, thereby advancing the welfare of all people (Rasool et al., 2020). Protecting wealth involves not only

¹⁴ The Concept of Halal & haram in Islam according to Quran Hadith, (2020). Retrieved from: <https://www.quranreading.com/blog/the-concept-of-halal-haram-in-islam-according-to-quran-hadith/>

managing it ethically but also acquiring sound financial management skills and knowledge. The Table 3.1 below highlights the importance of Islamic financial literacy from the perspective of Maqasid Shariah:

Table 3.1 Protection of Wealth of *Maqasid Shariah*

<i>Maqasid Al Shariah</i>	Protection of Wealth:
Protection of Religion	<ul style="list-style-type: none"> • Preservation of Wealth through Acquisition and Development
Protection of Life	<ul style="list-style-type: none"> • Preservation of Wealth from Damage
Protection of Lineage	<ul style="list-style-type: none"> • Preservation of wealth through the protection of ownership
Protection of Intellect	<ul style="list-style-type: none"> • Preservation of wealth through the value of protection
Protection of Wealth	<ul style="list-style-type: none"> • Preservation of Wealth through its circulation

Sources: Framework of the Islamic Financial Education and Literacy¹⁵

As previously discussed, Islamic financial literacy is highly emphasized in Islam. Muslims are encouraged to gain knowledge in wealth management to effectively manage their assets and understand various aspects of Islamic finance, including Islamic financial transactions, contract law, the calculation of Zakat, *Faraid* (inheritance law), as well as the principles of savings and investment in Islam (Rasool et al., 2020). Furthermore, it is crucial for individuals to be aware of the ethical do's and don'ts in Islamic business practices. This emphasis on financial literacy is strongly supported by the Quran, specifically in Surah Az-Zumar (39:9), which highlights its importance, especially within the Muslim community.

¹⁵ Irum Saba & Ahcene Lasasna, Framework of the Islamic Financial Education and Literacy, p.g 23-36 UNISSA Press

قُلْ هَلْ يَسْتَوِي الَّذِينَ يَعْلَمُونَ وَالَّذِينَ لَا يَعْلَمُونَ إِنَّمَا يَتَذَكَّرُ أُولُوا الْأَلْبَابِ ﴿١٦﴾

“Say: "Are those equal, those who know and those who do not know? It is those who are endowed with understanding that receive admonition.”

Islamic financial literacy is considered a key factor in expanding the Islamic financial industry, as it serves to bridge the gap between Islamic finance principles and financial decision-making. Unlike conventional finance, which is largely driven by profit maximization and interest-based transactions, Islamic finance operates under distinct principles such as the prohibition of interest (*riba*), asset-backed transactions, risk-sharing, the use of money as potential capital rather than a commodity, prohibition of speculative behavior (*gharar*), sanctity of contracts, and the protection of property rights (Hassan & Saria, 2013). These fundamental differences between Islamic and conventional finance necessitate a redefinition and modification of the concept of financial literacy when applied within the Islamic finance context.

Using a conventional financial literacy framework without considering these unique principles may lead to misconceptions or erroneous conclusions about the effectiveness and applicability of financial practices within Islamic finance. Thus, a comprehensive understanding of Islamic financial literacy, which reflects these core tenets, is crucial for fostering informed decision-making and promoting the growth of the Islamic financial sector.

As compared to the financial literacy in the conventional scope, the objective is just to achieve the financial well-being in the world only whereby Islamic financial literacy covered to achieve the success both in the world and hereafter (*al-falah*). A key component of Islamic financial literacy is adherence to Shariah, the Islamic legal framework derived from the Quran and Hadith. This framework emphasizes moral and

ethical transactions that contribute to the welfare of individuals and society as a whole, promoting fairness and justice while avoiding greed and exploitation.

Table 3.2 Comparative Analysis of Financial Literacy and Islamic Financial Literacy

Differences	Conventional Financial Literacy	Islamic Financial Literacy
Objectives	To achieve financial well-being	Achieve <i>al-falah</i> (success in the world and hereafter)
Morality/Ethical Consideration	Value-neutral	Value-laden (emphasis on adherence to Shariah: based on Quran and Hadith)
Emphasis on Individual and Community	Focus on the individual financial well-being only	Inter-relationship between individual well-being & the effect to the community and ummah

Source: *Salleh, M., & Azrin, H. (2021) Islamic Financial Literacy: A Conceptual Framework and Definition*

The key principles of Islamic finance, such as the prohibition of extravagance, the avoidance of *riba* (interest), ensuring that wealth is only owned legitimately, and refraining from fraudulent practices like selling what one does not own, are designed to protect the rights of individuals and prevent the oppression of others. These principles underscore the moral dimensions of financial behavior, ensuring that economic activities are conducted in a manner that is not only legally compliant but also socially responsible and beneficial for the community.

Although several studies have addressed the concept of Islamic financial literacy, there remains a lack of precise definitions. Many of these studies either adopt a system-specific definition of conventional financial literacy or focus on the Islamic financial obligations that must be fulfilled. Setiawati et al. (2018) define Islamic financial literacy as an individual's ability to manage finances according to Islamic principles, encompassing knowledge, attitudes, and behavior. As previously mentioned, the concept of Islamic financial literacy is rooted in Islamic financial

planning. It can also be understood as a combination of knowledge, abilities, attitudes, and skills related to financial activities, which involve analyzing, managing, and communicating in alignment with Islamic law. This practice integrates the teachings of the Qur'an, with the goal of achieving success in both the worldly and spiritual realms (Wibowo et al., 2019).

This view is supported by Abdullah and Razak (2015), who define Islamic financial literacy as encompassing a wide range of financial concepts, including essential money management practices such as saving for the future, takaful, Shariah-compliant investments, charity donations, waqf, sadaqah, Zakat, the law of inheritance (faraid), and wasiyah. Aisyah and Saepuloh (2019) further emphasize the importance of charity (alms) as part of understanding Islamic financial literacy.

In contrast, Antara et al. (2016) describe Islamic financial literacy as the knowledge, awareness, and skills required to understand Islamic financial products and services, and how these factors shape individuals' attitudes toward making sound financial decisions. Rahim et al. (2016) argue that Islamic financial literacy is not only a practical skill but a religious obligation for every Muslim, essential for achieving *Al-Falah* (true success) in both this world and the hereafter.

Furthermore, when considering Islamic financial literacy from an internal perspective, Hidajat & Hamdani (2015) defined it as the knowledge of the Islamic financial system applied to financial decision-making. This study, therefore, defines Islamic financial literacy as an individual's ability to manage finances wisely in accordance with Sharia principles. This includes understanding the fundamentals of Islamic finance, Islamic financial products, and services.

In conclusion, Islamic financial literacy encompasses not only knowledge of financial principles but also an understanding of the ethical, religious, and legal aspects

that govern financial behavior in Islam. It spans several key areas, including: (i) Basic wealth management (earning, consumption, and savings), (ii) Financial planning (Takaful, pensions, and investment decisions), (iii) Religious obligations such as zakat, inheritance law (faraid), and wassiyah (bequests), and (iv) Charitable activities such as hibah (gifts), sadaqah (charity), and qurban (animal sacrifice). These obligations, as clearly outlined in the Qur'an, are intricately linked to financial decision-making, requiring both knowledge and practical skills in Islamic finance.

3.2.2 Factors Influencing Islamic Financial Literacy

Islamic financial literacy (IFL) has gained increasing attention in recent years, as researchers explore the various factors influencing individuals' understanding and engagement with Islamic financial products and services. The significance of IFL in shaping financial decision-making is well-documented in the literature, highlighting its role in promoting informed financial choices. Previous studies have identified several key determinants of financial literacy, emphasizing its profound impact on individuals, households, and broader consumer behavior. While financial literacy is widely acknowledged as a critical factor for economic stability, financial development, and overall well-being, global trends reflect a growing recognition of its importance as an essential life skill. A lack of financial literacy often leads individuals to make poor financial decisions, which can have long-term negative consequences on their financial security.

As noted by Coşkun et al. (2016), financial literacy plays a crucial role in effective decision-making. This is particularly evident in the increasing number of individuals facing financial difficulties, which are often not solely attributed to low income but also to poor management and allocation of resources. Without essential

skills such as budgeting and financial planning, individuals may struggle to manage their finances effectively, ultimately hindering their financial well-being. Financial well-being is critical, as it directly contributes to economic stability and can help alleviate poverty.

In this context, Abdullah & Anderson (2015) explored financial literacy among bankers in Kuala Lumpur, Malaysia, with a particular focus on Islamic financial products. Their study identified several key factors influencing financial literacy, including knowledge of wealth planning, attitudes toward Islamic financial products, and the impact of parental influence on financial decision-making. These findings resonate with those of Mufidah et al. (2022), who similarly emphasized the role of Islamic financial literacy (IFL) in guiding Muslims to make informed financial decisions in accordance with Islamic Sharia. IFL not only assists in making responsible financial decisions but also serves as a comprehensive framework to reduce the risk of bankruptcy, benefiting borrowers, lenders, financial institutions, and society as a whole (Abdullah et al., 2022).

In addition to knowledge, personal attitudes toward financial management play a significant role in influencing Islamic Financial Literacy (IFL). Several studies, including those by Saleh (2023) and Hafizah et al. (2016), highlight the critical role of financial attitudes, behaviors, and financial satisfaction in shaping financial decision-making. Together, these factors contribute to an individual's overall financial well-being, emphasizing the need to cultivate positive financial attitudes and behaviors in the context of IFL.

Building upon existing research, Rahman et al. (2018) investigated the determinants of Islamic Financial Literacy (IFL) among Malaysian college students. Their study identified several key factors influencing IFL, including financial

knowledge, behaviors, attitudes, demographic characteristics, and personality traits. These findings align with those of Kevser et al. (2021), who found that demographic factors and being an Islamic bank customer significantly influence IFL levels. This highlights the multifaceted nature of IFL, suggesting that various factors interplay in shaping financial literacy.

Subsequent research has delved deeper into the influence of demographic and psychosocial factors on IFL, particularly among students. Gender, for example, has consistently emerged as a significant predictor. Studies by Hafizah et al. (2016), Ibrohim et al. (2022), and Puspita et al. (2021) demonstrate that males generally exhibit higher levels of IFL compared to females. Similarly, Eliza and Susanti (2020) found that female bankers reported higher financial literacy rates than their male counterparts. In addition to gender, educational attainment and university affiliation have also been identified as crucial factors influencing IFL (Khasanah et al., 2022; Ibrohim et al., 2022). These factors further underline the complex, multifactorial nature of IFL, emphasizing the importance of understanding the various influences on financial literacy in different contexts.

Psychosocial factors, particularly religiosity, have been identified as significant influencers of Islamic Financial Literacy (IFL). Concepts like "religiosity" or "ethical values" are abstract because they exist in a person's thoughts, beliefs, and behaviors. For religiosity, this involves breaking the concept down into its various dimensions. According to Iddagoda (2018), religiosity involves one's being religious earnestly and really rather than one's being religious frivolously and nominally. The dimensions and elements of religiosity have been investigated with a view to developing an instrument to measure the variable of religiosity.

Additionally, research by Muninggar et al. (2025) found that Islamic financial literacy is a significant factor in enhancing attitudes, subjective norms, and perceived behavioral control. These elements collectively and positively influence Islamic financial management behavior, which is linked to better financial decision-making, such as saving habits, ethical investment, and long-term financial stability.

Several studies emphasize the critical role of religiosity in shaping the financial behaviors of Muslims. For instance, Hafizah et al. (2016) highlight the positive correlation between higher levels of religious commitment and a greater understanding and use of Shariah-compliant financial products. Similarly, Aisyah and Saepuloh (2019) argue that adherence to Islamic law and religious beliefs are important determinants of Islamic financial literacy. Further reinforcing this connection, Nawati et al. (2022) note that religiosity and Islamic financial knowledge are pivotal in influencing Islamic financial behaviors. Notably, Saleh (2023) expands on this by asserting that religiosity encourages ethical decision-making in financial matters, aligning personal beliefs with financial practices.

The role of financial socialization agents, including Islamic financial institutions, significantly contributes to the development of Islamic Financial Literacy (Khasanah et al., 2022). In addition, various sources of financial information such as media, educational resources, and academic performance (measured by Grade Point Average, GPA) have been identified as key influences on IFL (Ibrohim et al., 2022; Puspita et al., 2021). These findings highlight the importance of implementing targeted financial education programs, particularly among students, who represent a critical demographic for such initiatives. Building on this, several studies have further explored the dimensions of Islamic financial literacy, refining its conceptual framework.

Exploratory factor analyses have revealed several key dimensions of Islamic financial literacy, including subjective knowledge of Sharia compliance, understanding of *riba* (interest), and the concept of profit-sharing mechanisms (Ahmad et al., 2020). These dimensions are essential for understanding how individuals integrate Islamic financial principles into their decision-making processes. Furthermore, research has examined the relationship between IFL and psychological factors such as hopelessness, underscoring the significant role that emotional and cognitive elements play in shaping financial literacy (Rahim et al., 2016; Hafizah & Rahim, 2014).

The measurement of Islamic financial literacy, as outlined by Antara et al. (2017), encompasses several key dimensions. These dimensions include fundamental concepts, such as the prohibition of *riba* (usury), the trading of prohibited items, and *gharar* (excessive uncertainty); borrowing mechanisms, including *Mudharabah*, *Musharakah*, *Ijarah*, *Murabahah*, *Istisna*, *Qard*, *Rahn*, and *Ujrah*; savings and investment concepts like *Wadi'ah* and *Waqf*; and protection mechanisms, such as *takaful*. To assess Islamic financial literacy, researchers have developed indicators across these various dimensions.

Overall, these studies contribute significantly to the ongoing development and validation of variables for measuring Islamic Financial Literacy (IFL), which is essential for understanding how IFL influences decision-making and fosters financial well-being (*falah*) among diverse groups, including university students and Muslim women (Rahim et al., 2016; Saleh, 2023). The growing body of literature on IFL highlights the increasing need for tailored financial education programs and emphasizes the importance of raising awareness about the factors that shape Islamic financial literacy.

Several studies have identified key gaps in Islamic financial literacy and its impact on financial decision-making and well-being. These gaps include a limited understanding of Shariah principles underlying Islamic financial products, a lack of awareness regarding the availability and accessibility of such products, and insufficient knowledge about the ethical and social implications of Islamic finance.

Additionally, research highlights a gap in understanding how Islamic financial literacy influences financial behaviors such as saving, investing, and debt management. Furthermore, there is a need for more research to explore the long-term impact of Islamic financial literacy on individuals' financial well-being, particularly in terms of financial security, resilience, and overall quality of life.

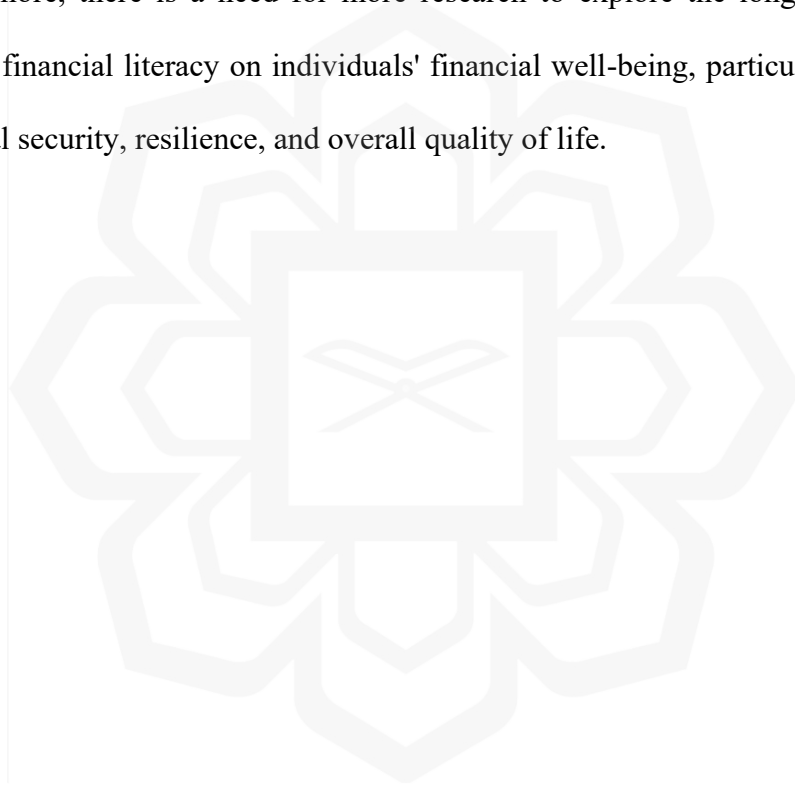


Table 3.3. Summary of Literature Review for Determinant of Islamic Financial Literacy

Author Year	Sample	Manuscript Title	Key Findings
Coşkun et al. (2016)	565 stock investors	Impact of Financial Literacy on the Behavioral Biases of Individual Stock Investors: Evidence from Borsa Istanbul	<ul style="list-style-type: none"> • Main source of financial information is advice from parents or friends, and they have a high level of behavioral biases • Financial literacy leads to better financial decisions.
Abdullah & Anderson (2015)	81 bankers	Islamic Financial Literacy among Bankers in Kuala Lumpur	<ul style="list-style-type: none"> • Knowledge of wealth planning, attitudes towards Islamic financial products and impact of parental influence financial decision-making.
Abdullah et al., (2022)	4 regulators	Can Islamic Financial Literacy Minimize Bankruptcy Among the Muslims? An Exploratory Study in Malaysia	<ul style="list-style-type: none"> • IFL could be used in Malaysia to raise awareness among the related parties • IFL is a crucial element to improve the financial behaviors of Muslims
Saleh (2023)	201 students	The impact of financial attitudes and behaviors on Islamic financial literacy: A case study among Malaysian university students.	<ul style="list-style-type: none"> • Financial knowledge, financial education and financial attitudes have a direct influence on financial literacy among students • Financial knowledge was demonstrated to have the major influence on financial literacy due to the strongest relationship. • Religiosity encourages ethical decision-making in financial matters.
Hafizah et al. (2016)	200 students	Islamic Financial Literacy and its Determinants among University Students: An Exploratory Factor Analysis	<ul style="list-style-type: none"> • Religiosity was found to exhibit the highest variance followed by hopelessness and financial satisfaction.
Kevser et al., (2021)	479 people	Islamic Financial Literacy and Its Determinants: A Field Study on Turkey	<ul style="list-style-type: none"> • Demographic factors and being an Islamic bank customer significantly influence IFL levels.
Aisyah and Saepuloh (2019)	105 students	The Implementation of Islamic Financial Literacy Through “Kencleng” Program in School	<ul style="list-style-type: none"> • Adherence to Islamic law and religious belief are among the important dominants of IFL.
Nawi et al. (2022)	-	Conceptualizing the Influence of Religiosity and Islamic Financial	<ul style="list-style-type: none"> • Religiosity and Islamic financial knowledge are pivotal in influencing Islamic financial behaviors.

		Knowledge on Islamic Financial Behaviours	
Khasanah et al., (2022)	-	Determinants of Islamic Financial Literacy Index: Comparison Based on Ethnographic Studies in Yogyakarta, Indonesia	<ul style="list-style-type: none"> • The role of financial socialization agent greatly influenced the level of Islamic financial literacy. • The close relationship between banks of financial institutions and customer greatly affects the customer's Islamic financial knowledge.
Muninggar et al., (2025)	166 Gen Z	The Role of Islamic Financial Literacy in Shaping Economic Behavior: Evidence from Generation Z	<ul style="list-style-type: none"> • Islamic financial literacy significantly enhances attitudes, subjective norms, and perceived behavioral control, all of which positively influence Islamic financial management behavior. • The positive financial management closely linked to improved financial decision-making, including saving habits, ethical investment choices, and long-term financial stability.
Ahmad et al., (2020)	472 investors	Exploring the dimensions of Islamic financial literacy: Sharia compliance, riba, and profit-sharing knowledge	<ul style="list-style-type: none"> • Subjective knowledge of Sharia compliance and knowledge of riba and profit-sharing concept are two factors of Islamic financial literacy.
Antara et al., (2016)	200 respondents	Bridging Islamic financial literacy and halal literacy: the way forward in halal ecosystem	<ul style="list-style-type: none"> • The measurement of IFL encompasses several key dimensions which include fundamental concepts i.e: prohibition of riba (usury), the trading of prohibited items and gharar.
Rahim et al., (2016)	27 respondents	The role of religiosity in Islamic financial literacy: A study among university students in Malaysia	<ul style="list-style-type: none"> • There is a need for initiatives that integrate Islamic values with modern financial tools to bridge the gap between ethical financial behavior and practical financial literacy. • The religious obligation to settle debts advances a culture where individuals strive to maintain financial stability and avoid overextending themselves.

3.3 FINANCIAL DECISION-MAKING

Financial decision-making is a critical process that directly impacts the financial well-being and stability of various entities, including individuals, households, businesses, and governments. This process involves evaluating and selecting the financial options that best align with available resources and long-term objectives. Sound financial decision-making is particularly important when choosing the most suitable financial products for savings, investments, and other financial activities. It requires individuals to select the most optimal option from a broad range of available choices.

However, a significant number of individuals lack the necessary financial knowledge and skills required for effective financial management. This gap in financial literacy can have detrimental effects on their ability to save, invest, and make informed financial decisions. As a result, poor financial decision-making is likely to undermine individuals' financial well-being, leading to long-term negative consequences for their financial stability.

Household financial decision-making is a multifaceted process that encompasses various financial aspects, such as budgeting, saving, investing, debt management, and long-term financial planning. These decisions are influenced by a diverse set of factors, including individual characteristics, family dynamics, societal norms, and cultural values. Given the complexity of these influences, a comprehensive understanding of household finance requires an interdisciplinary approach. This approach must integrate insights from behavioral economics, empirical research, and psychological factors to fully capture the dynamics of financial decision-making within households.

The field of financial decision-making has attracted considerable scholarly attention, with a significant body of research emerging from developed economies,

particularly the United States. However, empirical studies in emerging economies remain relatively underexplored (Zehra & Singh, 2023). This growing body of literature spans a wide range of theoretical perspectives, from traditional economic models, such as the Efficient Market Hypothesis, to more contemporary approaches like behavioral finance, which highlights the role of psychological factors and biases in shaping financial decision-making (Kanchan & Hebbar, 2024).

Among the key factors influencing financial decision-making, financial literacy stands out as a critical determinant. It equips individuals with the knowledge necessary to make informed decisions about savings, investments, and other financial matters (Zaara & Chowdhury, 2024). While financial literacy provides the essential foundation for effective financial management, it is the ability to apply this knowledge in making prudent decisions that ultimately determines whether individuals can achieve favorable financial outcomes (Bai, 2023).

Social interactions significantly influence individual and household financial behaviors, shaping decision-making processes through peer effects, cultural norms, and intra-household dynamics (Gomes et al., 2020). A growing body of research has examined the relationship between financial literacy and financial decision-making outcomes. For instance, Lubis (2020), in a study of microfinance clients in Indonesia, found a positive correlation between financial literacy and decision-making authority, with this effect being particularly pronounced among men.

This research also underscored the substantial role of cognitive abilities in shaping household financial decisions. Similarly, studies by Li et al. (2020) and Fong et al. (2021) emphasize the pivotal role of financial literacy in guiding investment choices, credit decisions, and risk management. On the other hand, research by Amari and Jarboui (2015) highlights the negative consequences of low financial literacy,

particularly in terms of reduced participation in financial markets. These findings underscore the importance of financial literacy in both individual and household financial behaviors.

The literature suggests that household financial decision-making is shaped by a variety of factors, including individual characteristics, family dynamics, and broader societal and cultural norms (Greenberg & Hershfield, 2018). This field of household finance provides a valuable framework for examining the complex interplay of elements that influence financial choices within the household. Key factors include individual characteristics such as age, gender, and financial literacy, as well as socio-economic influences like income and access to financial resources. For instance, the gender wage gap has a significant impact on women's financial decision-making, as lower incomes create challenges for saving and investing, which in turn limits their ability to accumulate wealth over time (Gauri et al., 2024). Furthermore, Sinha et al. (2024) highlighted that households that make prudent financial decisions such as effectively managing debt, saving regularly, and planning for retirement report significantly higher levels of financial well-being.

Beyond the individual and household level, financial decision-making is also crucial in various organizational contexts, particularly in business operations. For example, research by Doan (2020) highlights the significance of loan utilization and its impact on a firm's capital structure, emphasizing how financial choices at the organizational level can affect broader economic outcomes. Similarly, Qiu and He (2019) stress the importance of comprehensive financial data analysis in corporate decision-making, advocating for the use of multi-layered and diversified information sources to improve financial decisions.

In addition to corporate decision-making, existing research has demonstrated a strong correlation between the diversity of financial products owned and individual financial well-being, particularly within dual-income households (Zaimah, 2019). While these studies predominantly focus on conventional financial literacy, they leave a notable gap in understanding the role of Islamic financial literacy in shaping financial decision-making. Thus, while conventional financial literacy has been widely explored, the influence of Islamic financial literacy remains under-researched, especially in terms of its impact on financial decision-making at both individual and organizational levels.

While previous studies have examined the awareness and adoption of Islamic financial products (Bashir, 2012), there is limited research on the specific impact of Islamic financial literacy on decision-making. From an Islamic perspective, financial decision-making extends beyond the mere selection of Shariah-compliant products. It involves a comprehensive understanding of Islamic principles, which guide individuals to make informed financial choices that align with Islamic values. This approach also emphasizes the avoidance of prohibited elements such as *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling).

This study aims to address this gap in the literature by investigating the role of Islamic financial literacy in shaping financial decision-making and its subsequent impact on both individual and household financial well-being.

3.4 FINANCIAL WELL-BEING (FWB)

Financial well-being (FWB) has been defined in various ways throughout the literature. Broadly speaking, it refers to an individual's or household's ability to meet current and ongoing financial obligations, feel secure about their financial future, and have the freedom to make choices that improve their quality of life. Importantly, FWB extends beyond simple measures of income or wealth; it also encompasses subjective factors such as life satisfaction and financial security. According to Van Praag et al. (2003), well-being is inherently multidimensional, covering domains such as finance, leisure, and health. In this context, financial well-being represents a critical component of overall life satisfaction.

Financial well-being refers to an individual's ability to meet both current and future financial obligations while maintaining a sustainable lifestyle over time (Nguyen, 2021). There is a significant relationship between financial well-being and financial literacy, as the latter is recognized as a critical skill for individuals navigating an increasingly complex financial landscape. Higher financial literacy tends to correlate with reduced financial concerns, as well-informed individuals are better equipped to manage their finances. Moreover, financial literacy plays a vital role in enhancing an individual's financial well-being.

It is important to note that financial well-being is subjective and cannot be solely measured by income or wealth. Rather, it is also based on an individual's sense of happiness and life satisfaction, which are influenced by their financial resources. The Consumer Financial Protection Bureau (2017) further elaborates that financial well-being involves the ability to meet current and ongoing financial obligations, a sense of security about the financial future, and the freedom to make choices that enhance life

enjoyment. This state of well-being is closely associated with financial literacy, financial behaviors, and the necessary skills to manage one's finances effectively.

Joo (2008) describes financial well-being (FWB) as a state of being financially healthy, happy, and free from anxiety. This definition emphasizes that FWB is not solely determined by objective financial status but also by an individual's subjective perception of their financial situation. In this context, financial well-being can be understood as an individual's or household's ability to meet their living requirements comfortably while maintaining sufficient income and savings (Carton et al., 2022).

Despite its growing importance, financial well-being is still a relatively new concept in personal financial management. Although there is increasing interest from researchers, consensus on the definition, measures, and factors influencing FWB has yet to be achieved (Rea et al., 2019). For instance, the Consumer Financial Protection Bureau (CFPB) defines financial well-being as an individual's capacity to consistently meet current financial obligations, confidently manage future financial challenges, and enjoy the freedom to make financial choices that improve their quality of life. According to Rutherford and Fox (2010), individuals who can effectively manage their finances tend to maintain a higher level of happiness.

Bruggen et al. (2017) conceptualize financial well-being as an individual's belief in their ability to maintain a desired standard of living and achieve financial freedom. This definition emphasizes the critical role of subjective perceptions and personal beliefs in shaping financial well-being. Building upon this, financial self-efficacy defined as an individual's confidence in their ability to manage financial affairs effectively, emerges as a significant determinant of financial well-being. Supporting this view, Sabri et al. (2020) conducted a study with 590 Malaysian public employees, finding a significant positive relationship between financial self-efficacy and financial

well-being. Furthermore, their research revealed that individuals with lower levels of financial self-efficacy experienced a greater decline in mental well-being, highlighting the potential psychological consequences of inadequate financial self-efficacy.

Financial well-being plays a crucial role in determining an individual's overall quality of life. Economic challenges, such as those caused by a recession, can significantly impact financial well-being, contributing to concerns about health, income, debt, and career progression. Van Praag et al. (2003) noted that these financial struggles can negatively affect both the psychological and physical well-being of employees, leading to decreased self-confidence and productivity. Additionally, such stressors may result in increased absenteeism, delays in task completion, and diminished focus and attention at the workplace.

A growing body of research underscores the importance of various factors in shaping individual financial well-being, especially within emerging economies like India. Kumar et al. (2023) emphasize the role of financial literacy, risk tolerance, and socialization in influencing financial outcomes. Among these, financial literacy has consistently been identified as a key determinant. Studies by Mishra (2022) and Abdullah et al. (2019) further support this, showing a strong positive relationship between higher levels of financial literacy and improved financial well-being. Individuals with greater financial literacy are better equipped to make informed decisions related to budgeting, saving, investing, and managing debt, ultimately leading to more favorable financial outcomes.

Research has consistently shown that demographic and socioeconomic factors play a significant role in shaping financial well-being. Key factors such as age, marital status, income level, education level, and ethnicity have been identified as influential in determining an individual's financial outcomes (Hira & Mugenda, 1999; Cox et al.,

2009). For instance, studies suggest that individuals with higher levels of education and income generally experience better financial well-being. Moreover, both age and marital status are also found to significantly affect financial outcomes. In addition to these demographic variables, individual characteristics and behaviors have been recognized as crucial contributors to financial well-being. Mohamed (2017) underscores the importance of an individual's attitude towards financial knowledge, as well as the quality of parent-child interactions, in shaping financial behaviors. Supporting these findings, Zaimah (2019) highlights that socioeconomic factors, particularly age and monthly income, continue to play a substantial role in influencing financial well-being.

A growing body of research highlights the positive relationship between proactive financial behaviors and improved financial well-being. For instance, Mokhtar et al. (2020) argue that proactive behaviors, such as diligent retirement planning and consistent wealth accumulation, play a significant role in enhancing financial outcomes. This finding is echoed by Zaidah (2019), who observed a notable connection between the financial behaviors and decision-making of husbands in married couples and their overall financial well-being. Similarly, Shankar (2020) found a strong positive correlation between financial behavior and financial well-being in a study involving 271 university students. Collectively, these studies emphasize the critical importance of proactive financial management strategies in achieving favorable financial outcomes across diverse demographic groups.

Financial well-being is influenced not only by financial factors but also by psychological and emotional aspects, as disruptions in financial stability can significantly impact both mental and relational well-being (Hassan et al., 2023). For instance, Mahdzan et al. (2019) suggest that lower stress levels contribute to higher

financial well-being scores. Moreover, some scholars assess financial well-being through psychological factors, such as self-coping mechanisms and financial strain (Yuliandi et al., 2018).

In the Malaysian context, financial well-being varies significantly across income groups. Mahdzan et al. (2020) found that households in the B40 income group experience lower financial well-being than those in the M40 and T20 groups, primarily due to lower levels of financial literacy. Financial literacy, particularly in the areas of savings, debt management, and emergency planning, is a critical determinant of financial well-being. This is further supported by the 2018 survey conducted by the Credit Counseling and Management Agency (AKPK), which revealed that many Malaysian households, especially self-employed individuals, face challenges related to savings and debt management.

The relationship between demographic and socioeconomic factors and financial well-being is influenced not only by individual behaviors but also by attitudes toward finance. For millennials, key factors affecting financial well-being include economic literacy and financial management behaviors, which underscore the need for targeted financial education (Lambert et al., 2023). This complex interplay between personal financial behaviors and external socioeconomic influences highlights the importance of considering both individual and contextual factors when assessing financial well-being. While age does influence financial well-being to some extent, it is less significant compared to other factors such as income, education, and gender (Muhamad & Norwani, 2019). Furthermore, empirical evidence shows a strong positive correlation between income levels and financial well-being, with individuals who have higher incomes generally being better equipped to meet their material needs. This, in turn,

leads to greater financial security and improved life satisfaction (Sabri & Zakaria, 2015).

This study's framework intentionally focuses on the direct relationship between financial behavior and financial well-being. Although demographic and socioeconomic factors like age and income are known to influence financial well-being, this study only focus on Islamic financial literacy, financial inclusion, religiosity, constructs derived derived from the Theory of Planned Behavior and Social Cognitive Theory as a key predictor. The objective is to contribute a deeper understanding of this specific relationship, rather than re-examine the well-documented influence of demographic variables.

Despite the significant role of religious beliefs and values in Muslim-majority contexts, existing research has only minimally explored the impact of Islamic financial literacy on shaping individual financial well-being (Abdullah et al., 2015). This gap in the literature highlights the pressing need for further investigation into how Islamic financial principles and values influence financial behaviors and, in turn, contribute to both individual and societal well-being.

Table 3.4. Summary of Literature Review for Determinants of Financial Well-Being

Author Year	Sample	Manuscript Title	Key Findings
Sabri et al., (2020)	590 Malaysian public employees	The influence of money attitude, financial practices, self-efficacy and emotion coping on employees' financial well-being.	<ul style="list-style-type: none"> • There is positive impact between financial self-efficacy and financial well-being.
Mishra (2022)	47,132 Indian households	Financial well-being and saving behavior of Indian households: An empirical study.	<ul style="list-style-type: none"> • Financial knowledge (objective and subjective), financial attitude and financial behaviour are significant predictor of financial well-being.
Zaimah (2019)	415 married workers	The probability factor influences the level of financial well-being of workers in Malaysia.	<ul style="list-style-type: none"> • Socioeconomic factors, particularly age and monthly income play a substantial role in influencing financial well-being.
Shankar (2020)	271 university students	Financial well-being – A Generation Z perspective using a Structural Equation Modeling approach.	<ul style="list-style-type: none"> • Financial well-being is significantly influenced by gender, parental education, employment status, and monthly income change. • Financial behavior is positively related to financial well-being, • Financial literacy and financial technology do not significantly affect financial well-being.
Hassan et al., (2023)	-	The Relationship between Financial Wellbeing and Mental Health: A Systematic Literature Reviews	<ul style="list-style-type: none"> • Financial well-being is influenced not only by financial factors but also by psychological and emotional aspects, as disruptions in financial stability can significantly impact both mental and relational well-being.
Mahdzan et al (2020)	1,867 respondents	An exploratory study of financial well-being among Malaysian households	<ul style="list-style-type: none"> • Financial literacy, particularly in the areas of savings, debt management, and emergency planning, is a critical determinant of financial well-being

Lambert et al., (2023)	-	Factors Affecting Financial Well-being of Millennials: A Systematic Review	<ul style="list-style-type: none"> • Key factors affecting financial well-being include economic literacy and financial management behaviors, which underscore the need for targeted financial education. • The relationship between demographic and socioeconomic factors and financial well-being is influenced not only by individual behaviors but also by attitudes toward finance.
Muhamad & Norwani (2019)	100 respondents	The influence of financial literacy, debt and demographic factors on financial well-being.	<ul style="list-style-type: none"> • Age does influence financial well-being to some extent, it is less significant compared to other factors such as income, education, and gender.
Sabri & Zakaria (2015)	508 young employees in the public and private sectors	The influence of financial literacy, money attitude, financial strain and financial capability on young employees' financial well-being	<ul style="list-style-type: none"> • There is a strong positive correlation between income levels and financial well-being, with individuals who have higher incomes generally being better equipped to meet their material needs.

3.5 FINANCIAL INCLUSION

Financial inclusion refers to providing individuals with timely, affordable access to financial services, thereby promoting dignity and fostering economic participation. Despite significant efforts to improve this access, global financial inclusion figures remain concerning. The Organisation for Economic Co-operation and Development (OECD) in 2023 emphasizes that financial inclusion goes beyond mere awareness. It also involves the accessibility and availability of financial products, which are crucial for fostering economic stability. Low levels of financial inclusion hinder individuals' ability to save effectively, plan for cost-efficient borrowing, and protect themselves against various risks, including hunger, crime, and natural disasters. Thus, financial inclusion is not simply about having access to financial services; it is about empowering individuals and businesses to use these services effectively to enhance their financial well-being and manage risks.

Financial inclusion plays a crucial role in fostering economic development by ensuring equitable access to financial services for all members of society. By expanding access to essential financial products such as credit, savings, and insurance, financial inclusion empowers individuals and businesses, thus driving economic growth, reducing poverty, and enhancing financial stability.

Bank Negara Malaysia (BNM) and other key institutions have made commendable progress in promoting a progressive and inclusive financial system. Recent reports from BNM, such as the Financial Sector Blueprint 2022-2026 highlight key initiatives such as the introduction of licenses for digital banks, including those adhering to Shariah principles is a major step. These digital-first institutions are specifically tasked with addressing financial inclusion gaps by serving the unserved and underserved, particularly the B40 and M40 segments and addressing the financial

inclusion gaps in the country¹⁶. Although Malaysia is not the first country in the world to establish a digital bank, the country is, nonetheless, the first that seeks to explicitly establish a regulatory framework for Islamic digital banks by specifically including Islamic digital banks in the BNM's Licensing Framework (Faridah, 2021). The adoption of the digital banking revolution boosts efficiency in transactions and operations which allows more transactions by customers through the bank (Manaf et al., 2023). This assertion is strongly supported by empirical evidence.

Recent empirical evidence, such as the studies conducted by Naili et al. (2023) and Kamal et al. (2021), has established a significant positive correlation between enhanced financial inclusion and subsequent economic growth. Fundamentally, financial inclusion facilitates crucial access to credit and capital for small and medium-sized enterprises (SMEs) and concurrently enables individuals to engage in saving for future needs, notably retirement planning. This dual mechanism contributes directly to poverty reduction and an improvement in overall financial well-being.

Consistent with this objective, Bank Negara Malaysia (BNM) has actively championed the i-Tekad social finance program, a targeted initiative specifically designed to uplift low-income micro-entrepreneurs by fostering sustainable income generation. The program operates in collaboration with participating 13 financial institutions together with over 70 implementation partners¹⁷, providing a blended financial package that combines microfinance with social finance instruments (like donations, Zakat, and cash waqf) for seed capital and business development training. This ecosystem approach strengthens the financial resilience and business acumen of the vulnerable segments (BNM, 2024).

¹⁶ Fostering financial inclusion through digital banking in Malaysia", *The Edge Markets*, August 8, 2022).

¹⁷ World Bank. (2025). iTEKAD: Making Inroads into Social Finance. (The document confirms 13 PFIs and over 70 implementation partners as of 2024/2025).

The government's support for this initiative was significantly reinforced in Budget 2026 where there will be an additional of RM35 million in matching grants for the i-TEKAD social finance initiative¹⁸. This substantial allocation is intended to expand the program's reach, not only to spur entrepreneurship and enhance financial protection but also to create employment opportunities for the vulnerable and maximize the impact on the target communities which are aligned with the nation's financial inclusion agenda under the *Ekonomi MADANI* framework.

While notable progress has been made in advancing financial inclusion, there remain critical gaps that warrant further exploration. As emphasized by Naili et al. (2023) and Murthy (2023), continued research is vital to deepen our understanding of its multifaceted impacts and inform targeted policy interventions. These efforts will be instrumental in promoting financial inclusion as a powerful tool for poverty alleviation.

Successful financial inclusion strategies require a multifaceted approach that encompasses various factors, including financial technology, financial literacy, and regulatory policies (Suprapti et al., 2024). One key element in this approach is the integration of financial technologies, such as blockchain, which holds immense potential to revolutionize Islamic finance. This technological advancement could significantly enhance financial inclusion on a global scale. However, to realize its full potential, further development and implementation of these technologies are necessary, particularly in Islamic countries where adoption may still be in its early stages (Kanwal et al., 2023). Empirical evidence demonstrates the positive impact of Islamic financial instruments on financial inclusion. For example, Sukuk, a prominent instrument in Islamic capital markets, has been shown to reduce financing constraints for businesses

¹⁸ Bank Negara Malaysia. (2025, October 10). *RM35 million Additional Matching Grants for iTEKAD Under Belanjawan 2026*

and individuals, thereby enhancing financial inclusion (Khan, 2023). These findings emphasize the critical role of leveraging Islamic finance principles and instruments to promote financial inclusion and stimulate economic development, particularly in Muslim-majority countries.

Deep financial intermediation is a critical driver of economic growth, contributing to poverty reduction and a more equitable distribution of income. Countries with well-developed financial systems tend to experience faster economic growth, reduced poverty rates, and lower income inequality. For instance, research by Nyarko et al. (2023) demonstrates that financial inclusion significantly contributes to poverty reduction in developing economies.

Moreover, studies by Ozili et al. (2023) have consistently shown that financial inclusion has a positive impact on economic growth. This impact is largely driven by increased access to financial services and products, which facilitates greater financial intermediation within the economy. As access to these services broadens, individuals and businesses are empowered to make more informed financial decisions, leading to enhanced economic stability and growth.

While access to financial services is a crucial first step, it is important to recognize that financial inclusion alone does not necessarily lead to improved financial well-being. In order to fully benefit from financial services, individuals must possess financial literacy and effective financial management skills. Without adequate financial literacy, access to these services may not translate into meaningful improvements in financial well-being. This highlights the critical role of Islamic financial literacy, which helps bridge the gap between access to financial services and tangible improvements in individuals' financial lives.

3.6 RELIGIOSITY

Religion plays a profound role in shaping individual values, beliefs, and behaviors (Shweder, 1991). This focus on spiritual fulfillment not only influences personal values but also significantly impacts overall well-being. In this study, the definition of religiosity is defined as one of the important aspects determining the way of life and the interaction between humans following God's commands influences their attitudes in life (Oladapo et al., 2019).

Studies have consistently shown a positive association between religiosity and life satisfaction (Abeyta & Routledge, 2018). Specifically, individuals who prioritize their spiritual lives often report a greater sense of meaning and purpose, which contributes to increased happiness and life satisfaction. Moreover, religious beliefs and values extend beyond personal fulfillment, playing a key role in influencing individual decision-making processes. This includes financial decisions, where religious teachings can shape attitudes towards money, saving, and investment choices.

To translate this construct into measurable data, religiosity was operationalized using a multi-faceted scale, capturing dimensions such as adherence to fundamental principles or belief, practice or frequency of obligatory duties, and personal salience of faith. This precise, three pronged measurement strategy ensured that the variable was empirically quantifiable and relevant to the study's theoretical framework, preventing semantic ambiguity in the interpretation of the findings.

In financial contexts, the Islamic principle of wasatiyyah (moderation) plays a pivotal role in addressing the complexities of earning, spending, and investing. Islam condemns excessive behaviors and advocates for moderation, urging individuals to operate within reasonable limits when fulfilling their needs. This principle is crucial in

preventing harmful behaviors, such as incurring excessive debt or engaging in wastefulness, both of which are explicitly discouraged in Islamic teachings.

In recent years, studies have examined the relationship between religiosity, spirituality, and financial well-being. For Muslims, adherence to Shari'ah principles profoundly influences financial decision-making. Specifically, Md Nawi et al. (2022) found that religiosity significantly impacts financial behavior, particularly within the Muslim community. This research underscores the importance of Islamic financial knowledge and religiosity in shaping financial behaviors and, ultimately, enhancing individual financial well-being.

Research consistently demonstrates a positive association between religiosity and overall well-being, with studies showing that individuals with stronger spiritual connections often experience greater life satisfaction and happiness (Abeyta & Routledge, 2018). Additionally, religiosity has been linked to positive workplace outcomes, such as increased productivity and job satisfaction (Koburtay et al., 2022). While the impact of religiosity on individual well-being is well-established, the economic theory still lacks a comprehensive framework for studying the relationship between religiosity and economic behavior (Ozturk, 2022). This gap highlights the need for further exploration of how religiosity influences economic decision-making.

A comprehensive review of financial well-being literature by Singh & Malik (2022) identifies four key clusters: conceptualization and antecedents of financial well-being, financial well-being among young adults, the critical role of financial literacy, and the consequences of financial well-being. This framework underscores the complex interplay between factors such as religiosity, financial knowledge, and individual behaviors, all of which shape overall financial well-being.

Religious beliefs and values play a significant role in shaping various aspects of human life, particularly in financial decision-making. In the European context, Ashqar and Lobão (2023) highlight the diverse ways religious backgrounds influence household financial decisions, including factors like financial distress and overall well-being. Similarly, the Islamic financial system, grounded in the Quran and the Sunnah of Prophet Muhammad, is built on a unique philosophical foundation known as Tawhid, which emphasizes the oneness of God (Abduh, 2016). This theological framework shapes the ethical and moral guidelines governing financial transactions within the system.

While Islamic finance presents a promising path toward greater financial inclusion for Muslim populations, the Global Findex Report (2021) reveals a significant underbanked population in Muslim-majority countries. This underrepresentation suggests that factors beyond the availability of Sharia-compliant products such as religious beliefs, attitudes, and cultural norms may have a profound impact on how Muslim populations engage with formal financial institutions.

3.7 IDENTIFICATION OF RESEARCH GAPS

Despite the growing body of literature on financial literacy, the specific role of Islamic financial literacy in financial decision-making remains underexplored, particularly within the Malaysian context. While financial literacy, in general, has been extensively studied globally, research that integrates Islamic financial literacy as a distinct and relevant factor shaping financial behaviors and outcomes is scarce. This gap is especially evident in understanding how Islamic financial literacy influences financial decision-making and acts as a mediating factor for financial well-being in Muslim-majority countries such as Malaysia.

Existing studies on financial well-being in Malaysia have primarily focused on broader financial literacy, often overlooking the distinction between conventional and Islamic financial principles. This gap highlights the need for further exploration into how individuals' understanding of Sharia-compliant financial products such as Islamic banking, Takaful (Islamic insurance), and Islamic investment products shapes their financial decision-making processes and overall financial well-being. Specifically, the relationship between Islamic financial literacy and financial decision-making, as well as how this relationship mediates the attainment of financial well-being, remains underexplored.

While financial well-being has been extensively researched, most studies have approached it from a purely economic or traditional financial literacy perspective, particularly in the context of Malaysian households. However, these studies often overlook the socio-cultural and religious dimensions of financial decision-making, which are crucial in Malaysia's unique socio-cultural environment. In this context, Islamic principles play a significant role in shaping personal finance decisions. Therefore, it is essential to explore how Islamic financial literacy impacts financial decision-making in Malaysia. Additionally, while factors such as financial security, the ability to manage financial stress, and satisfaction with one's financial future are important elements of financial well-being, their relationship with Islamic financial literacy remains underexplored and requires further investigation.

This study aims to address existing gaps by examining the specific role of Islamic financial literacy in financial decision-making and its impact on achieving financial well-being among Malaysian households. It will contribute to the literature by providing new insights into the relationship between Islamic financial literacy, financial decision-making, and financial well-being, with a particular focus on Malaysian

Muslims. In doing so, the research will offer valuable knowledge that can inform policy development, especially in efforts to promote financial literacy through the lens of Islamic finance. Ultimately, this study seeks to enhance the financial stability and resilience of Malaysian households.

In conclusion, addressing these gaps is of significant importance for both academic and practical reasons. As Malaysia continues to prioritize financial inclusion and stability, understanding the unique role of Islamic financial literacy in shaping financial behaviors becomes crucial for the development of effective educational programs and policy interventions. The findings of this study will not only contribute to the expansion of knowledge in the field of financial literacy, but they will also provide valuable insights for governmental and institutional strategies aimed at empowering Malaysian households to achieve long-term financial well-being.

3.8 CHAPTER SUMMARY

This chapter reviews the existing body of empirical literature on Islamic financial literacy, financial decision-making, and the determinants of financial well-being, including financial inclusion and religiosity. The discussion begins with an exploration of Islamic financial literacy, offering a detailed comparison between Islamic and conventional financial literacy. It then examines the role of Islamic financial literacy in shaping financial decision-making. Following this, the chapter delves into empirical studies on financial well-being, specifically within the Malaysian context. Lastly, the chapter identifies research gaps and provides a clear justification for the current study.

CHAPTER FOUR

THEORETICAL AND CONCEPTUAL FRAMEWORKS

4.1 INTRODUCTION

To reiterate, the primary aim of this study is to examine the role of Islamic financial literacy in enhancing the financial well-being of Malaysian households. To achieve this aim, it is essential for the researcher to identify the key variables that will guide the direction of the study. This chapter provides an overview of the theoretical background and the conceptual framework of the study. The main objective is to clarify the theories that underpin the theoretical framework, thereby establishing a clear and robust relationship between the variables in the model. In this context, the theoretical framework serves as both the starting point and the guiding structure for the study.

The theories and models utilized in this study are discussed in this chapter. The Theory of Planned Behavior explains the relationship between attitude, perceived behavioral control, subjective norms, and behavioral intention in shaping behavior. On the other hand, Social Cognitive Theory explores the link between financial self-efficacy and financial well-being. Together, these theories contribute to the development of the conceptual framework, which outlines the role of Islamic financial literacy in influencing the financial well-being of Malaysian households. The conceptual framework is further elaborated in the next chapter.

Following the introductory section, the second section delves into the theoretical frameworks, specifically the Theory of Planned Behavior and Social Cognitive Theory. This section provides a detailed justification for the selection of these theories and their relevance to the study. The third section presents the conceptual framework, outlining the key constructs and relationships under investigation. In the fourth section, the focus

shifts to hypothesis development, particularly within the context of Islamic financial literacy and financial well-being. Finally, the chapter concludes with a summary and key insights drawn from the preceding sections.

4.2 THEORETICAL FRAMEWORK

The theoretical framework provides the intellectual foundation for this research, offering a structured lens through which to examine and interpret the complex dynamics of Islamic financial literacy and its relationship with financial well-being in the context of Malaysian households. Given that this study aims to explore the determinants of Islamic financial literacy and its impact on financial well-being, as well as to examine the potential mediating role of financial decision-making, a robust theoretical framework is essential.

This chapter discusses key theoretical perspectives, specifically the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT). These two theories were chosen for their relevance and ability to offer a comprehensive framework to understand the psychological processes that underpin financial decision-making and overall financial well-being. Thus, they are particularly suited to investigating the role of Islamic financial literacy in shaping financial outcomes.

By applying these theories, the study identifies how financial literacy particularly Islamic financial literacy, translates into informed financial decision-making, which ultimately influences the financial well-being of households. In this context, both the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT) provide a solid theoretical foundation for understanding the psychological and behavioral factors that mediate the relationship between financial literacy and financial well-being, especially in relation to Islamic financial products and services.

4.2.1 Theory of Planned Behavioral

The Theory of Planned Behavior (TPB) is a well-established framework in social psychology, widely used to explain and predict human behavior across various domains, such as health, consumer behavior, and organizational contexts. According to this theory, human behavior is influenced by three primary factors: attitude, subjective norms, and perceived behavioral control (PCB), each of which significantly shapes an individual's intentions to engage in specific behaviors (Ajzen, 1991).

Attitude refers to an individual's evaluation of a behavior, determining whether it is seen as positive or negative. Subjective norms involve the perceived social pressure to either engage in or avoid the behavior. Meanwhile, perceived behavioral control (PCB) is the individual's perception of the ease or difficulty associated with performing the behavior (Lopez-Mosquera, 2016).

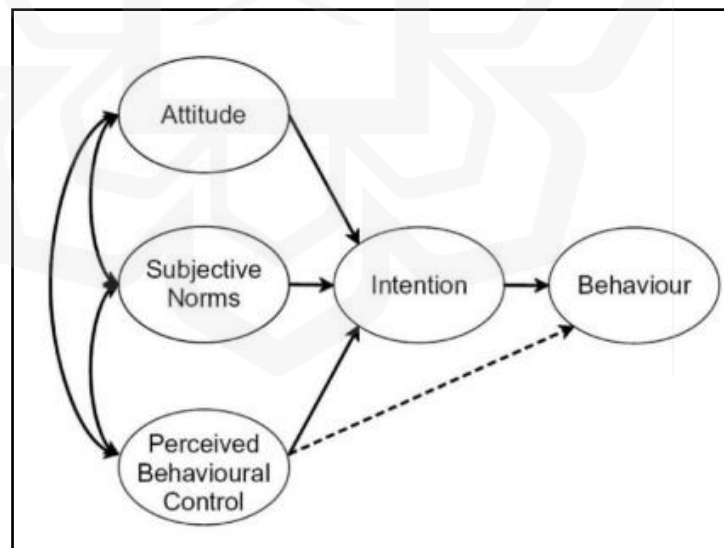


Figure 4.1 Theory Planned Behavior Framework
Source: Ajzen (1991)

As mentioned earlier, the Theory of Planned Behavior contains variables, including:

- i. Attitude* refers to an individual's predisposition toward a particular behavior or conduct (Ajzen, 1991). According to Fishbein and Ajzen (1975), attitudes toward a behavior or the expected outcome of that behavior are key predictors of behavioral intention. Further elaborating on this, Ajzen and Fishbein (1980) argued that attitude encompasses the cognitive aspect of an individual, including beliefs shaped by a comprehensive set of accessible behavioral beliefs that link behavior to various outcomes and attributes. As a significant factor in predicting behavior, attitude captures the motivational elements that influence an individual's willingness to engage in a particular action and the amount of effort they are willing to invest (Ajzen, 2002). Therefore, an individual's decision to use a system is largely influenced by their self-evaluation, with attitude shaping positive or negative salient beliefs related to that behavior. This makes attitude a crucial determinant in predicting behavioral intentions. The theoretical model suggests that attitude precedes intention, which in turn drives behavior. Consequently, behavior is seen as the result of a rational decision-making process, involving careful planning, thoughtful consideration, and execution.
- ii. Subjective Norms* refer to the extent to which an individual is motivated to align their behavior with the views of others (Normative Beliefs). If an individual perceives that they have the autonomy to determine their actions independently, without being influenced by those around them, they may disregard others' opinions regarding the behavior in question. According to Fishbein and Ajzen (1975), this phenomenon illustrates how an individual's attitudes are shaped by the behaviors of others, a concept referred to as "motivation to comply."

- iii. ***Perceived Behavioral Control*** refers to an individual's beliefs about their past experiences with a particular behavior, the availability of time and resources, and their self-assessment of their ability to perform the behavior. The perception of control over one's actions can directly influence behavior, either through the behavior itself or via the intention to engage in the behavior, as indicated by the broken arrow line.
- iv. ***Behavioral Intention*** refers to an individual's inclination to engage in or refrain from a particular action. This intention is influenced by the individual's attitude towards the behavior and the degree of support they receive from significant others in their social environment.

The Theory of Planned Behavior (TPB) has been widely applied across various disciplines. As of April 2020, data from the Web of Science bibliographic database indicates that TPB has been utilized in 2,952 out of 4,230 manuscripts across a range of behavioral domains. These domains include public environmental issues (583 studies), business (344 studies), and multidisciplinary psychology (338 studies) (Canova & Manganelli, 2020). Overall, the findings from these studies highlight the theory's effectiveness in predicting a wide variety of behaviors across diverse contexts.

The Theory of Planned Behavior (TPB) has been widely applied in empirical research on financial well-being (Braun Santos et al., 2016; Castro-Gonzalez et al., 2020; Limbu & Sato, 2019). These studies are typically classified into four levels: individual, family, social, and life-course perspectives (Kaur et al., 2021). Research that focuses on individual-level theories examines personal characteristics as determinants of financial behaviors, with TPB (Ajzen, 1991) being the most commonly used

framework in the financial well-being literature. For example, Castro-Gonzalez et al. (2020) tested an empirical model based on TPB and found that individuals' attitudes have a significant influence on their financial well-being (Braun Santos et al., 2016; Castro-Gonzalez et al., 2020; Limbu & Sato, 2019).

Previous studies have drawn on several theoretical models to explain the impact of financial literacy on financial decision-making. Key frameworks such as the Theory of Planned Behavior by Ajzen and Fishbein (1980), Bandura's Social Learning Theory (1994), and the model proposed by Antara et al. (2017) all emphasize the relationship between literacy and individual behavior. These theories offer valuable insights into how Islamic financial literacy influences decisions related to Islamic financial products and services. This relationship is illustrated in the following figure:

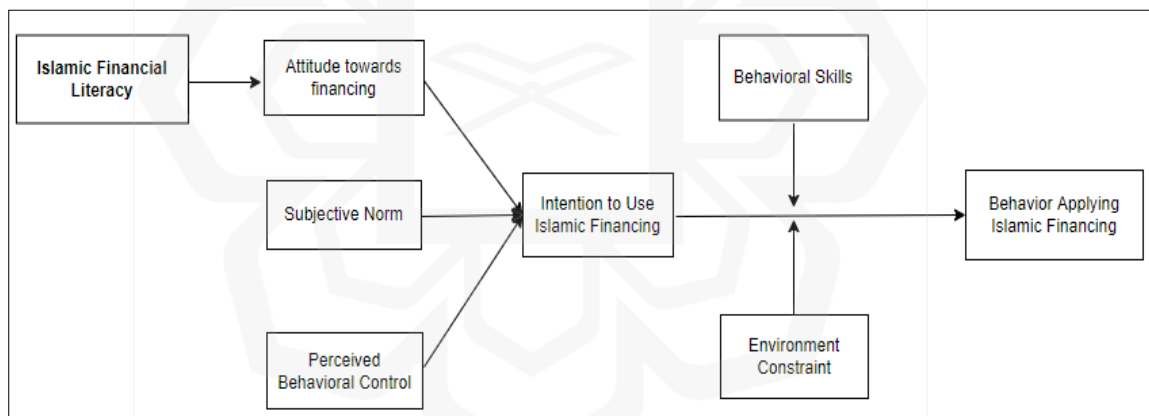


Figure 4.2 Theory Behavior Prediction Model (Fishbein, 2000)¹⁹

The model suggests that an individual's intention to use Islamic financial products or services is a key driver of their actual behavioral performance. According to Ajzen's Theory of Planned Behavior (1980), an individual's intention is influenced by three primary factors: attitude toward the behavior, subjective norms, and perceived

¹⁹ Source: Antara et al. (2017), adopted from the Behavior Prediction Model (Fishbein, 2000)

behavioral control. Attitude refers to the individual's positive or negative evaluation of the behavior. Subjective norms encompass an individual's perception of social pressures from significant others, such as family, friends, or societal expectations. Perceived behavioral control, on the other hand, reflects the individual's perception of their ability to perform the behavior, which is influenced by factors such as ethics, risks, principles, Shariah compliance, and expected returns on investment. In addition to intention, behavioral performance is further shaped by mediating variables. These include behavioral skills, which are developed through learning and experience, as well as environmental factors such as political, economic, social, cultural, technological, and legal conditions.

The Theory of Planned Behavior (TPB) is highly relevant to understanding Islamic financial literacy and financial well-being due to its broad applicability. The structure of the Theory of Planned Behavior (TPB), where attitude, subjective norms, and perceived behavioural control serve as antecedents to behavioral intention (Ajzen, 1991). However, the model in this study extends this traditional framework by positioning behavioral intention as a direct predictor of Financial Well-Being (FWB), diverging from the strict intention-to-behavior linkage.

The research model for this study suggests that an individual's intention to use Islamic financial products or services is a key driver of their actual behavioral performance which lead to their level of financial well-being. This theoretical modification is justified by the nature of FWB itself as a multi-dimensional construct, FWB encompasses significant subjective and perceptual elements such as financial security, control, and satisfaction (Joo & Grable, 2004). Therefore, including intention as a direct predictor enhances the framework's explanatory regarding the psychological processes that drive FWB perceptions, an approach supported by other TPB extensions

in the financial domain (Munisamy et al., 2022). To the best of the authors' knowledge, this is the first review to specifically explore the application of the TPB in the context of Islamic financial literacy and financial well-being among Malaysian households.

4.2.2 Social Cognitive Theory

Social Cognitive Theory (SCT), first introduced by Bandura in 1986, has become a foundational framework in various disciplines, including clinical, educational, social, and personality psychology. Over the years, SCT has been applied to a wide range of fields, such as school achievement, emotional disorders, mental and physical health, career choice, and socio-political change. Emerging in the 1970s, SCT represented a significant paradigm shift, moving away from a focus on behavior alone and toward a deeper exploration of cognitive processes.

Social Cognitive Theory (SCT) posits that human motivation and behavior are largely shaped by forethought. The theory identifies several key factors that influence behavior, with perceived self-efficacy being one of the most central. Perceived self-efficacy refers to individuals' beliefs in their ability to perform actions necessary to achieve a desired outcome. Another core construct of SCT is outcome expectations, which reflect individuals' beliefs about the potential consequences of their actions. Together, these factors provide a framework for understanding how individuals' perceptions influence their decisions and behaviors.

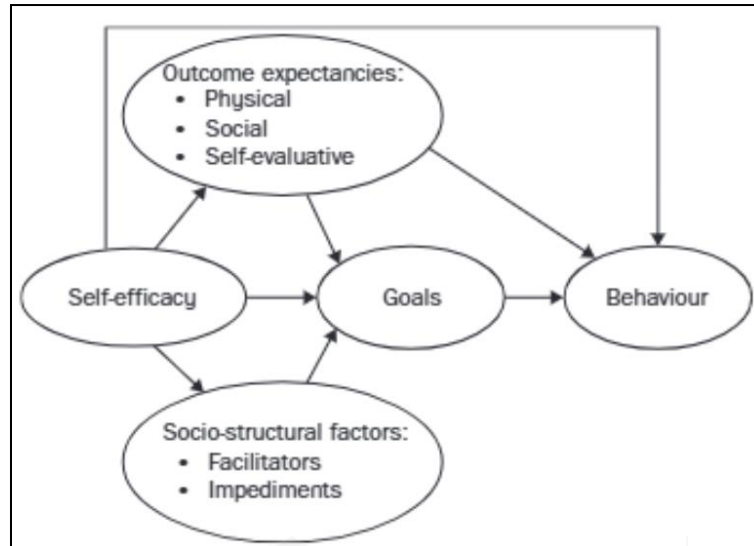


Figure 4.3 An illustration of Social Cognitive Theory (Bandura, 2000)

As previously discussed, Social Cognitive Theory highlights several key factors, with self-efficacy being one of the most critical. Self-efficacy plays a pivotal role in motivating action, as it shapes self-related cognitions that drive the motivational process. The level of self-efficacy can significantly influence motivation, either enhancing or hindering it, and is closely linked to an individual's behavior. Moreover, self-efficacy reflects a person's confidence in their ability to utilize the necessary skills to resist temptation, manage stress, and mobilize resources to meet the demands of various situations.

In the context of financial well-being, Social Cognitive Theory (SCT) suggests that financial behaviors are influenced by both personal factors, such as self-efficacy, and external factors, including economic conditions and social norms. Self-efficacy, a key component of SCT, refers to an individual's belief in their ability to achieve financial goals. Higher levels of self-efficacy are consistently linked to better financial well-being, as individuals with greater confidence in their financial skills are more likely to make informed and responsible financial decisions (Lopez & Snyder, 2012).

Despite its prominence in financial well-being research, there is a need to further test SCT across various socio-demographic groups. Most existing studies have primarily focused on adolescents and young adults, leaving a gap in understanding how SCT can be applied to broader populations, especially in diverse cultural and economic contexts. Thus, more research is needed to explore the applicability and effectiveness of SCT in explaining financial behaviors across different age groups and socio-economic backgrounds.

Given its broad applicability, Social Cognitive Theory (SCT) particularly in the context of financial self-efficacy provides valuable insights into the dynamics of financial well-being. Consequently, this study employs the SCT constructs of financial self-efficacy to explore their influence on financial well-being among Malaysian households.

4.2.3 Justification of Selected Theories

A review of the literature reveals that various theories have been employed to explain the factors influencing financial well-being (FWB). Among the most commonly used frameworks are the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT), both of which have been frequently applied in studies examining the relationship between behavior, financial literacy, and financial well-being. Specifically, the TPB has been used in studies by Braun Santos et al. (2016), Castro-Gonzalez et al. (2020), Limbu and Sato (2019), and Shim et al. (2009), while SCT has been explored in the work of Sato (2019) and Shim et al. (2009). Both theories have been utilized extensively to examine financial well-being from various behavioral and socio-demographic perspectives, highlighting their foundational role in the field.

For example, using the Theory of Planned Behavior, Castro-Gonzalez et al. (2020) tested an empirical framework that demonstrates how individuals' attitudes significantly influence their financial well-being. In a similar vein, other studies have employed the Theory of Planned Behavior to explore the relationship between attitudes toward behavior, subjective norms, and perceived behavioral control, and financial well-being (Braun Santos et al., 2016; Limbu & Sato, 2019; Shim et al., 2009). These studies further highlight the importance of these psychological factors in shaping financial outcomes.

Several theories have been employed to study financial well-being (FWB), each providing a unique perspective on the factors influencing it. For example, Self-Determination Theory (Ryan & Deci, 2000) has been applied to demonstrate the significant role of self-efficacy in the relationship between credit card literacy and financial well-being (Limbu & Sato, 2019). Similarly, Expectancy-Value Theory (Eccles & Wigfield, 2002) has been used by Burcher et al. (2021) to show how personal financial expectations and values serve as key motivators for financial behaviors and, ultimately, financial well-being. In another study, Vlaev and Elliott (2014) extended the Psychological Theory of Well-Being (Diener et al., 1999) by identifying the factors that contribute to financial well-being. Painter (2013), applying Dominance-Differentiation Theory (Hao, 2007), highlighted the crucial role of education in shaping financial well-being. Additionally, Sauber and O'Brien (2020), utilizing the Conservation of Resources Theory (Hobfoll, 1989, 2001), found that resource loss whether interpersonal, financial, or work-related can have significant impacts on psychological health. This was particularly evident in the context of female survivors of intimate partner violence, where psychological, physical, and economic abuse were identified as predictors of stress, depression, and economic self-sufficiency.

Building on a thorough review of existing research on financial well-being (FWB), this study develops a research framework by integrating the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT). The framework introduces new determinants aimed at better explaining the variance in FWB among Malaysian households, specifically from the perspective of Islamic finance. The study focuses on the role of Islamic financial literacy and its determinants, such as attitude, subjective norms, perceived behavioral control, and behavioral intention, as proposed by TPB. In addition, financial self-efficacy, grounded in the SCT framework, is also incorporated to offer a more comprehensive understanding of the factors influencing FWB.

The Theory of Planned Behavior (TPB) provides a robust framework for examining how various factors such as attitudes toward Islamic financial products, the influence of social norms, and an individual's perceived control over their financial situation affect financial behaviors and, ultimately, financial well-being. Specifically, TPB helps clarify how individuals' beliefs about their own financial capabilities, along with social pressures, shape their financial decisions. In the context of Islamic financial literacy, TPB is particularly useful for assessing the impact of attitudes toward Islamic financial products (e.g., savings, Shariah-compliant investments, and Takaful), subjective norms (including cultural and religious influences), and perceived behavioral control (the perceived ease or difficulty of using Islamic financial products) on the financial well-being of Malaysian households.

Social Cognitive Theory (SCT) emphasizes the importance of self-efficacy, suggesting that individuals with higher levels of financial self-efficacy are more likely to engage in financial planning, make informed decisions, and manage their finances effectively. The influence of self-efficacy on individuals' financial behaviors has been consistently linked to both financial literacy and financial well-being outcomes.

The selection of the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT) as the theoretical framework for this study is based on their capacity to explain and predict the intricate relationship between Islamic financial literacy and financial well-being. The TPB offers a comprehensive framework for understanding the cognitive and social factors that influence financial behaviors, while SCT further enriches this analysis by incorporating the roles of self-efficacy, social influences, and outcome expectations. Together, these theories form a solid foundation for investigating how Islamic financial literacy can improve financial well-being among Malaysian households. This integrated theoretical approach provides valuable insights for policymakers, financial institutions, and educators who aim to enhance financial literacy and overall well-being in the region.

Although the literature on financial literacy and financial well-being has significantly expanded over the past five years, research specifically addressing Islamic financial literacy remains relatively scarce compared to its conventional counterpart. This discrepancy underscores a critical gap in the existing body of knowledge, particularly concerning the relationship between Islamic financial literacy and financial well-being.

4.3 CONCEPTUAL FRAMEWORK

Based on the theoretical and empirical literature reviewed in this study, a conceptual framework has been developed to guide the achievement of the research objectives. A conceptual framework is a structured guide that helps researchers clarify the natural progression of the phenomenon under investigation (Camp, 2001). It visually represents the subject matter, highlighting key factors or variables and outlining the assumptions regarding their relationships. In doing so, the conceptual framework not only facilitates

the research process but also aids in the interpretation of the study's findings (Smyth, 2004).

This research offers a novel contribution compared to previous studies, as much of the existing literature has primarily focused on conventional financial literacy. In contrast, this study emphasizes Islamic financial literacy, an area that remains relatively underexplored, particularly in the context of financial well-being. By integrating Islamic financial literacy into the financial well-being model, the study effectively combines relevant theoretical frameworks and concepts. In doing so, it addresses gaps in the current literature and provides fresh insights, thereby making a significant contribution to the fields of financial literacy and financial well-being, especially within the context of Islamic finance.

This study adopts a model that integrates the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT) to expand the scope of the research, with a particular focus on examining the roles of Islamic financial literacy and its impact on the financial well-being of Malaysian households. Eleven key variables have been identified, and their interrelationships are thoroughly explored in the following subsections. A key aspect of this study is the inclusion of a mediator variable, financial decision-making, which is positioned between Islamic financial literacy and financial well-being. The conceptual framework for this study is illustrated in Figure 4.4.

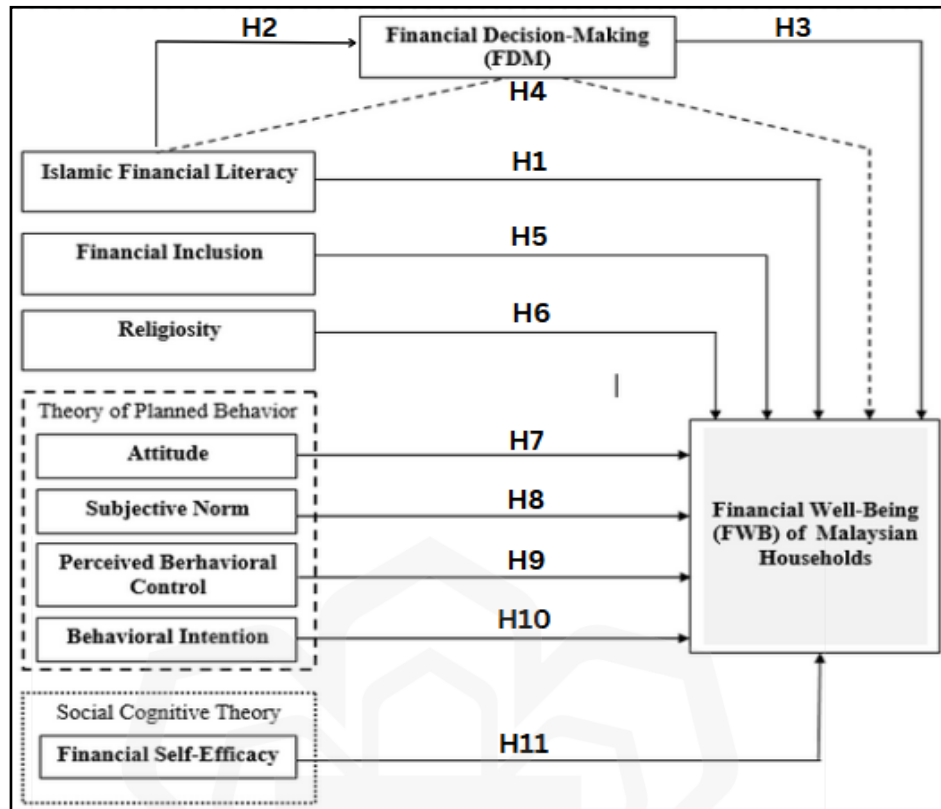


Figure 4.4 Research Conceptual Framework

Figure 4.4 illustrates the various variables examined in this study. The first concept explores the direct relationship between the respondents' Islamic financial literacy and their financial well-being. Islamic financial literacy is used as an indicator to assess the respondents' level of financial knowledge within the Islamic context. Specifically, it is hypothesized that a higher level of Islamic financial literacy will lead to improved financial decision-making, which, in turn, enhances financial well-being. Another key aspect of this study is the inclusion of financial decision-making as a mediating variable, a feature not previously addressed in earlier research. In other words, this model identifies financial decision-making as a crucial determinant of financial well-being, mediated by the context of Islamic finance.

Furthermore, this study incorporates religiosity and financial inclusion as key determinants influencing financial well-being. Religiosity, which encompasses an

individual's religious beliefs, practices, and values, plays a significant role in shaping financial behaviors, especially within the context of Islamic finance. In Islamic finance, adherence to religious principles such as avoiding interest (*riba*) and ensuring fairness in financial dealings is crucial.

Meanwhile, financial inclusion refers to the extent to which individuals have access to and can effectively utilize Islamic financial services and products. It is a critical determinant of financial well-being, as it directly affects an individual's ability to manage finances, save for the future, and mitigate financial risks. By including both religiosity and financial inclusion, this study aims to provide a more comprehensive understanding of the factors that contribute to the financial well-being of Malaysian households, particularly in the context of Islamic finance. This integrated approach ensures that both religious and practical dimensions are considered when analyzing financial behaviors and outcomes.

Building upon existing research, this study aims to deepen our understanding of how households make rational decisions regarding Islamic finance and their overall knowledge of personal finance. By examining the relationship between Islamic financial literacy, financial well-being, and other key determinants, the study seeks to provide valuable insights that can inform financial decision-making within the context of Malaysian households.

4.4 HYPOTHESIS DEVELOPMENT

This section presents the hypotheses that align with the objectives outlined in Chapter 1. A total of eleven hypotheses are proposed, each derived from the conceptual framework developed for this research. These hypotheses are grounded in existing empirical studies and will be tested quantitatively.

4.4.1 Determinants of Financial Well-Being

Previous studies have identified a wide range of determinants that contribute to the financial well-being of Malaysian households, including demographic, behavioral, and environmental factors. However, there has been limited focus on the specific influence of Islamic financial literacy, financial inclusion, financial decision-making, and religiosity in shaping financial well-being. Therefore, this study will examine these factors in greater detail in the following sections.

4.4.1.1 Islamic Financial Literacy and Financial Well-Being

Financial literacy is broadly defined as a combination of financial knowledge, attitudes, and behaviors that enable individuals to manage financial resources effectively (Atkinson & Messy, 2011). It involves understanding basic financial principles and terminology, which are essential for making informed day-to-day financial decisions (Falcon Bowen, 2002). As such, financial literacy serves as the foundation for effective personal finance management, extending across various domains such as banking, budgeting, and investing.

In the context of Islamic finance, Islamic financial literacy builds upon this general framework but introduces additional complexities. Specifically, it focuses on the principles governing the Islamic financial system, which are distinct from conventional financial practices. While general financial literacy provides a broad foundation for managing finances, Islamic financial literacy incorporates ethical, religious, and legal considerations into financial decision-making. According to Rahim et al. (2016), Islamic financial literacy is defined as the combination of knowledge, skills, and attitudes necessary to manage financial resources in accordance with Islamic teachings. Expanding on this definition, Antara et al. (2016) emphasize that Islamic financial literacy not only involves awareness of Islamic financial products but also the

ability to make decisions in alignment with Shariah principles. Furthermore, it entails understanding the key differences between Islamic financial systems and conventional financial systems.

Islamic financial literacy refers to consumers' understanding of the fundamental principles that distinguish Islamic finance from conventional finance (Alfarisi et al., 2020). For Muslim consumers, acquiring knowledge of Islamic finance is not merely a financial skill but a religious obligation. A solid understanding allows individuals to differentiate between permissible Islamic financial products and services and those offered by conventional systems, which often include elements prohibited in Islam, such as *riba* (interest). Without such knowledge, engaging in conventional finance may be considered sinful (Yaacob & Azmi, 2014).

Despite the growing interest in Islamic finance, existing research highlights the need for further investigation into the relationship between Islamic financial literacy and financial well-being. For instance, Kayed (2008) emphasizes a significant gap in studies evaluating Islamic financial literacy levels across various Muslim communities. This gap is particularly striking given the increasing importance of Islamic financial practices in contemporary economies. Furthermore, Abdullah and Chong (2014) raise concerns about the broader implications of Islamic financial literacy on financial well-being, suggesting that a more comprehensive understanding of its role is necessary.

To address these gaps, recent research has started to examine the factors influencing Islamic financial literacy and its impact on financial well-being. Studies have shown that individuals with a higher level of Islamic financial literacy are more likely to adopt Islamic banking services, which can, in turn, enhance their overall financial well-being. This is consistent with the existing literature, which consistently suggests a positive relationship between financial literacy and financial well-being.

Previous research has highlighted that financial literacy significantly influences financial well-being (Respati et al., 2023; Urkash et al., 2020). More specifically, Islamic financial literacy plays a critical role in effective financial management and planning. Individuals with higher levels of Islamic financial literacy tend to demonstrate superior money management skills and engage in more effective financial planning, as emphasized by Setyowati et al. (2018).

Abu Bakar et al. (2020) emphasize the role of Islamic education ethics, grounded in the *maqasid al-Shariah* (objectives of Shariah), in enhancing consumer literacy. This knowledge not only helps individuals understand their rights and obligations when interacting with Islamic banks but also fosters more responsible financial decision-making. Supporting this notion, Agarwal et al. (2015) found that individuals with strong financial literacy are more likely to align their financial behavior with Islamic principles. Specifically, they tend to avoid *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling), fulfill their *zakat* obligations, allocate income for charity, practice moderation, and make rational financial decisions that reflect Islamic values.

Islamic financial literacy plays a significant role in shaping financial behavior, particularly the intention to use Islamic financial products and services. For instance, Rozikin and Sholekhah (2020) found that higher levels of Islamic financial literacy positively influence individuals' intentions to save in Islamic banks. Similarly, Abdullah and Anderson (2015) demonstrated that those with a deeper understanding of Islamic finance are more inclined to practice sound personal financial management and favor saving in Islamic banks over conventional alternatives. In other words, the more an individual understands Islamic financial principles, the more likely they are to choose Islamic banks for their savings.

Moreover, Islamic financial literacy shapes not only behavior but also an individual's attitude toward financial decision-making. Individuals with a strong foundation in Islamic financial literacy are better equipped to differentiate between conventional and Shariah-compliant banking, financing, capital markets, and insurance options (Antara et al., 2016). Abdullah and Anderson (2015) identified several key factors that influence Islamic financial literacy, including knowledge of Islamic banking products, personal financial management practices, parental influence, and perceptions of both Islamic and conventional financial systems. Understanding these factors is crucial for enhancing literacy levels and fostering the adoption of Islamic financial products.

In contrast, individuals with lower levels of Islamic financial literacy may fail to recognize the significant ethical and operational differences between Islamic and conventional banks, often perceiving them as equivalent. However, this trend is not universally observed. For instance, Ahmad et al. (2020) found no significant relationship between financial literacy and the intention to save among students, suggesting that factors such as age, context, or familiarity with Islamic finance may influence the impact of financial literacy on behavior. Additionally, individuals with limited Islamic financial literacy may struggle to differentiate between these financial systems, further compounding the challenge of promoting Islamic finance. Supporting this, the Indonesia Financial Services Authority (OJK) has highlighted a correlation between low Islamic financial literacy and poor overall financial literacy, which may explain the relatively small market size of Indonesia's Islamic financial industry. Despite this, the growth of Islamic finance over the past three decades has been remarkable, indicating its potential for broader acceptance.

For Islamic finance to gain widespread acceptance among both Muslim and non-Muslim populations, individuals must be adequately educated and well-versed in its principles. Financial literacy plays a pivotal role in this process, as it significantly influences individuals' long-term financial decisions and overall well-being. Existing literature suggests a positive relationship between Islamic financial literacy and financial well-being, further underscoring the importance of financial education.

However, studies specifically focusing on Islamic financial literacy remain limited compared to those examining general financial literacy. Understanding Islamic financial literacy is particularly crucial for Muslims when making financial decisions, as it ensures adherence to Islamic principles. To address this gap, the following hypothesis is proposed:

H₁: Islamic financial literacy has a positive effect on financial well-being (IFL → FWB)

4.4.1.2 Mediating Role of Financial Decision-Making

The relationship between financial decision-making and financial well-being has been a central focus in the literature. Researchers have explored how various factors, such as financial knowledge, attitudes, and behaviors, influence an individual's perceived financial well-being and overall quality of life. Financial decision-making is widely recognized as a key determinant of financial well-being, impacting outcomes at both individual and societal levels. A pivotal study by Netemeyer et al. (2017) conceptualized perceived financial well-being as a multidimensional construct, consisting of two interrelated but distinct dimensions: the stress associated with managing current financial obligations and a sense of security regarding one's financial future. This framework suggests that financial decision-making plays a crucial role in

shaping both an individual's present financial stress and their long-term financial security.

Identifying the factors that influence financial decision-making is crucial for enhancing financial well-being, particularly in the context of adopting Islamic banking products and services. In Malaysia, the substantial growth of Islamic financial institutions reflects the rising consumer demand for Shariah-compliant financial products. This demand is driven by an increasing number of individuals who are becoming more aware of the benefits of Islamic finance and the importance of aligning their financial practices with Islamic principles.

Financial decision-making (FDM) is crucial for maintaining financial well-being and avoiding financial errors (Sunderaraman et al., 2022). At the household level, FDM is a multifaceted process, influenced by a range of factors such as financial literacy, cognitive abilities, and family dynamics. For example, studies by Hilgert et al. (2003) and Lusardi (2012) have highlighted the importance of financial literacy and numeracy as key indicators of decision-making competence, both of which show a positive correlation with improved financial well-being. Moreover, the nature of financial decisions varies, encompassing smaller, everyday purchases, bill payments, savings, investing, and long-term financial planning.

Most studies on financial decision-making have predominantly focused on Western contexts, with limited research addressing this area in Asian settings (Nguyen et al., 2018). In particular, cultural factors especially family influence, play a crucial role in shaping financial decisions within Asian societies. For example, Xia et al. (2016) highlighted that decision-making dynamics differ significantly across cultures, with joint decision-making being more prevalent in family-oriented societies. In line with

this, research from Singapore has demonstrated that family egalitarianism is positively correlated with shared financial decision-making.

Furthermore, Nguyen et al. (2018) emphasized the significant role of parents in influencing their adult children's financial decisions, particularly in Asian cultures, where extended family involvement is more prevalent than in Western societies. In these cultural contexts, financial decision-making often becomes a collective process, involving not only parents and spouses but also children. Similarly, Zaimah (2019) observed that a husband's role in financial decision-making has a substantial impact on the financial well-being of dual-income families, with the husband's higher income contribution compared to the wife being a key influencing factor.

However, existing financial literacy models, particularly those focusing on household decision-making, may not fully capture the complexities introduced by cultural and family structures. In this regard, Hohn (2020) found that financial decision-making also varies by gender, with men more frequently assuming responsibility for financial decisions, while women tend to make decisions that align with traditional roles. Additionally, Hohn's study suggests that age and experience are positively correlated with financial decision-making, with older individuals more likely to make informed choices based on their accumulated experience.

As financial technology continues to evolve, especially in rural areas, the relationship between financial decision-making and financial well-being is experiencing significant changes. However, existing literature often overlooks a comprehensive integration of Islamic financial literacy into this evolving discourse. While there is a growing body of research on financial decision-making, a notable gap persists in studies that explore how financial decision-making acts as a mediating variable between financial literacy and financial well-being, particularly within the

context of Islamic finance. This gap underscores the necessity for further investigation into how Islamic financial literacy influences financial decision-making and its subsequent effect on financial well-being.

Several prior studies have examined financial decision-making as a mediating variable in various contexts. For example, Sajid et al. (2024) found that financial decision-making significantly mediates the relationship between financial literacy and household financial outcomes. Similarly, Setyani et al. (2022) explored decision-making in budgeting as a mediator between accounting information systems and organizational structure, particularly in relation to the performance of government agencies. In another study, Parvathy et al. (2022) investigated the mediating role of decision-making ability between financial capability and financial well-being, focusing on 1,000 women from community-based organizations in Kerala, India. Additionally, Bai (2023) examined investment decision-making as a mediating variable in the relationship between cognitive factors and financial well-being among Chinese university students.

Further supporting these findings, Mahapatra et al. (2018) highlighted the crucial mediating role of financial decision-making in the link between financial cognition and personal financial planning. These studies collectively emphasize the importance of improving financial decision-making skills and fostering positive financial attitudes, as they can significantly impact individuals' overall financial well-being and life satisfaction (Netemeyer et al., 2017; Morgan & Long, 2019).

This study aims to address the existing gap in literature by examining how financial decision-making mediates the relationship between Islamic financial literacy and financial well-being, with a particular focus on the integration of Islamic principles. To specifically address the second research question and objective whether financial

decision-making acts as a mediator between Islamic financial literacy and the financial well-being of Malaysian households, the following hypotheses have been formulated:

H₂: Islamic financial literacy has a positive effect on financial decision-making (IFL → FDM)

H₃: Financial decision-making has a positive influence on financial well-being (IFL → FWB)

H₄: Financial decision-making mediates the relationship between Islamic financial literacy and financial well-being (IFL → FDM → FWB)

4.4.1.3 Financial Inclusion and Financial Well-Being

Financial inclusion is the availability and accessibility of financial services for individuals and businesses, ensuring that these services are timely, affordable, and equitable. According to the World Bank Group (2020), financial inclusion encompasses both access to and the use of affordable financial services. However, it goes beyond mere access; it also emphasizes the provision of financial products that are suitable, affordable, and of high quality, addressing the diverse needs of all societal segments (Bank Negara Malaysia, 2022).

Several studies have examined the relationship between financial inclusion and financial well-being, highlighting that financial inclusion significantly enhances individuals' ability to manage financial risks, improve income stability, and access essential services such as credit, insurance, and pensions. For example, Emmanuel et al. (2024) found that financial inclusion fosters entrepreneurship, particularly among women, which subsequently positively impacts household welfare. Similarly, Kumar et al. (2024) and Kamble et al. (2024) both report a positive relationship between financial inclusion and financial well-being.

In South Africa, Chipunza and Fanta (2023) found that access to formal credit and insurance services is positively associated with improved financial well-being,

particularly through increased asset ownership. Similarly, Hussain et al. (2019) reported that households with formal financial accounts experience enhanced financial stability and well-being, especially in developing countries. Extending this understanding, Mabrouk et al. (2023) provided compelling evidence of the accelerated impact of financial inclusion on financial well-being during the COVID-19 pandemic. Their study also highlighted the growing participation of women in economic decision-making, further demonstrating how digital financial inclusion can help address gender disparities.

In Indonesia, Islamic financial inclusion has been shown to correlate with higher levels of financial satisfaction and a stronger sense of security (Ambas et al., 2023). Similarly, research conducted in China indicates that digital financial inclusion contributes to greater access to financial services, which subsequently leads to increased household participation in the financial system. This is especially beneficial for lower-income groups, improving their overall financial well-being (Du et al., 2022). In Ethiopia, the availability of formal financial services is linked to enhanced household spending on utilities and education, further underscoring the role of financial inclusion in improving household welfare (Hussen & Mohamed, 2023).

Access to financial services, such as bank accounts, insurance, and credit, has been shown to positively impact financial well-being by reducing financial instability and enabling individuals to manage their daily financial activities more effectively (Muir et al., 2017). Similarly, Kempson et al. (2013) found that financial inclusion enhances individuals' ability to invest, protect against financial risks, and promote savings. Furthermore, Kim (2001) highlighted credit card and debt management programs as key tools that help individuals navigate financial challenges, indirectly contributing to improved financial well-being. Sarma et al. (2011) also emphasized that

financial inclusion ensures the availability of accessible formal financial systems, which are crucial for managing finances effectively and, consequently, enhancing economic well-being.

Furthermore, Muir et al. (2017) argued that individuals with lower levels of financial inclusion tend to experience poorer financial well-being, emphasizing the critical role of access to financial services. This highlights the importance of using financial services responsibly, as such usage is essential for improving overall financial well-being. In general, individuals who actively engage with financial inclusion tend to experience better financial outcomes, as it enables them to enhance their financial stability. Consequently, financial inclusion through improved access to suitable services emerges as a key determinant of financial well-being.

While financial inclusion is positively associated with financial well-being, mere access to financial services may not be sufficient to foster tangible improvements. Financial literacy and management skills are essential complements to ensure that access to financial services leads to meaningful financial outcomes. Financial literacy, defined as the ability to understand and make informed decisions about financial products, plays a critical role in this process. Studies have demonstrated that financial inclusion can significantly enhance well-being, but its impact is most pronounced when individuals also have the knowledge and skills to effectively manage their financial resources and spending. For instance, Vlaev and Elliott (2014) showed that financial inclusion improves well-being when individuals are equipped with the necessary financial management knowledge. Likewise, Selvia et al. (2021) found that financial inclusion, when combined with the effective use of financial products, results in enhanced financial well-being.

These findings emphasize the critical role of financial institutions in not only providing access to financial services but also promoting financial education, thereby empowering individuals to make informed and effective financial decisions. However, some studies suggest that financial well-being through financial inclusion can be achieved even in the absence of a strong financial literacy foundation. For instance, Nandru et al. (2021) found that financial well-being was attainable among street vendors despite their low levels of financial literacy. This observation presents a nuanced perspective on the relationship between financial literacy and financial well-being, indicating that, in certain contexts, merely having access to financial services may be sufficient to enhance financial well-being.

In the context of financial well-being, financial inclusion plays a critical role by providing individuals with access to essential financial services. However, access alone is insufficient to guarantee positive outcomes. To fully harness the potential benefits of financial inclusion, both financial literacy and the responsible use of these services are equally important. Financial education equips individuals with the knowledge and skills needed to manage their finances effectively, make informed financial decisions, build assets, and enhance their overall financial stability. By combining access to services with financial literacy, this comprehensive approach ensures that financial inclusion translates into meaningful improvements in financial well-being. Ultimately, it fosters greater financial security and resilience within society. Based on the current literature on financial inclusion and financial decision-making, the following hypothesis is formulated:

H₅: Financial inclusion has a positive impact with financial well-being.

4.4.1.4 Religiosity and Financial Well-Being

Religiosity, defined as the degree of adherence to religious beliefs and practices, has been extensively studied in relation to financial well-being. Increasingly, scholars have investigated how an individual's religious commitment shapes their financial behaviors, decision-making processes, and overall financial knowledge. For example, Aziz et al. (2020) examined the influence of religious values on financial attitudes, while Bejda et al. (2018) explored the impact of religious commitment on financial behaviors, such as saving and spending patterns. Similarly, Sipon et al. (2014) found that religiosity can serve as a guiding principle in managing financial resources, and Husin et al. (2021) emphasized the role of religious teachings in financial decision-making within Muslim communities. This aligns with the findings of Cakhyaneu et al. (2024), further supporting the notion that religiosity plays a significant role in shaping financial practices. Collectively, these studies suggest that religiosity is a key factor influencing financial behaviors and, ultimately, financial well-being.

The existing literature suggests that religiosity can significantly influence financial well-being, particularly by shaping individuals' financial decision-making. Researchers have argued that religious beliefs can serve as a form of behavioral control, guiding how individuals manage their financial resources and make financial choices. For instance, Aziz et al. (2020) found that religiosity plays a crucial role in shaping financial decisions, with individuals who adhere more closely to religious principles often making more responsible financial choices. Similarly, Bejda et al. (2018) discovered that higher levels of religiosity are positively correlated with life satisfaction, indicating that a stronger religious commitment may not only influence financial behaviors but also contribute to enhanced mental well-being and overall life

satisfaction. These findings suggest that religiosity may affect financial well-being indirectly, fostering more balanced and fulfilling life decisions.

Religiosity plays a crucial role in shaping financial literacy and decision-making, particularly for individuals seeking guidance from religious teachings. For example, Aji (2018) found that religious individuals are more likely to prefer financial products that align with their religious values. This finding is supported by Muhammad et al. (2019), who discovered that the fear of divine punishment positively influences consumer perceptions of Islamic banking products. The relationship between religiosity and financial decisions is further confirmed by studies from Muslichah and Sanusi (2019) and Bananuka et al. (2020), which indicate a significant correlation between religiosity and the intention to adopt Islamic banking services. These studies highlight the importance of incorporating religious values into financial education programs, as doing so can improve financial outcomes for religious communities by ensuring that their financial decisions are consistent with their beliefs and values.

Misra et al. (2019) found that individuals with strong religious beliefs tend to exhibit superior abilities in both rational and intuitive decision-making, particularly in investment activities. In contrast, Stillman et al. (2012) observed that individuals with lower levels of religiosity are more likely to exhibit materialistic tendencies, which can undermine their financial decision-making abilities and lead to poor financial outcomes. Supporting this perspective, Sipon et al. (2014) discovered that lower levels of religiosity are associated with higher debt accumulation, which in turn increases financial stress among Malaysian Muslims. This finding is especially significant within the context of Islamic financial management, where responsible debt management is considered critical for maintaining financial stability. In Islam, excessive debt consumption is discouraged, as it can lead to both financial and psychological distress.

These studies collectively suggest that religiosity plays a pivotal role in shaping financial behaviors, from investment decisions to debt management, and significantly influences overall financial well-being.

Individuals with stronger religious commitments may be more likely to seek financial knowledge from their religious communities, thereby enhancing their overall financial understanding. Prasetyowati et al. (2021) argue that religiosity is an important variable in Islamic finance research, offering valuable insights into how religious beliefs and practices influence financial knowledge and behavior. This is especially relevant in the context of Islamic finance, which fundamentally differs from conventional financial systems. While conventional finance primarily focuses on profit maximization and individual gain, Islamic finance emphasizes ethical considerations, risk-sharing, and the prohibition of interest (*riba*), all of which align closely with religious values. These distinct characteristics necessitate a specialized form of financial literacy, as individuals must navigate financial decisions within a framework that integrates both religious and financial principles.

For instance, Mulyadi et al. (2023) demonstrated that Islamic religiosity enhances financial behavior and well-being among students, particularly when accompanied by high financial literacy. This finding suggests that religiosity alone may not be sufficient to improve financial well-being without the presence of adequate financial knowledge. In contrast, Wijaya et al. (2024) argue that while religiosity significantly influences financial management behavior among Muslims, financial literacy often plays a more critical role than religiosity itself in shaping financial outcomes. These contrasting perspectives are consistent with prior research exploring the connections between financial well-being and religiosity. For example, Kose and Cinar (2020) established that religiosity is positively correlated with financial well-

being. Similarly, Muat and Henry (2023) found that religiosity was a predictor of financial well-being among lecturers in Pekanbaru, Indonesia, reinforcing the notion that religiosity plays a positive role in financial well-being. Taken together, these studies indicate that religiosity, when combined with financial literacy, positively influences financial well-being. This insight forms the foundation for further exploration in the current study.

Religious beliefs not only influence general financial decision-making but also significantly shape investor attitudes and behaviors. Highly religious individuals are more likely to view financial decisions through the lens of their faith, integrating religious values into their investment choices. This often leads to a more conservative approach to investing, with religious individuals tending to avoid high-risk financial behaviors and steering clear of industries perceived as 'unethical' or conflicting with religious teachings. For example, sectors such as gambling, alcohol, and tobacco are commonly regarded as incompatible with religious principles (Klein et al., 2017). Consequently, religious beliefs can foster more cautious investment strategies, potentially impacting long-term financial well-being by limiting exposure to high-risk investments. This relationship highlights the need to better understand how religiosity influences investment decisions, particularly in the context of financial well-being. However, it is important to note that some studies present differing perspectives. For instance, Suci & Hardi (2020) and Junaidi et al. (2022) argue that religiosity does not significantly influence the intention to adopt Islamic financial products and services.

The relationship between religiosity and financial literacy has been extensively explored in various studies, with many highlighting the significant influence of religious values on financial well-being. Several scholars have emphasized the importance of integrating religious principles into financial education programs,

particularly in contexts where religion plays a central role in shaping financial attitudes and behaviors. This is particularly relevant in countries like Malaysia, where religious beliefs strongly influence financial decision-making.

In this context, incorporating religiosity into financial education can improve financial outcomes by equipping individuals with the knowledge to make informed, value-based financial decisions. In Malaysia, where Islamic finance is widely practiced, the development of a financial well-being index that accounts for the unique needs of Malaysian households incorporating religious elements is essential. Such an index would provide a more comprehensive view of financial well-being by acknowledging the role of religious values in shaping financial behaviors. Therefore, based on the existing literature on religiosity and financial decision-making, the following hypothesis is proposed:

H6: Religiosity has positive influence on financial well-being.

4.4.2 Attitude and Financial Well-Being

The Theory of Planned Behavior (TPB) has been extensively applied across various fields to understand and predict human behaviors, including financial decision-making. By examining the attitudes, subjective norms, and perceived behavioral control of individuals, TPB provides valuable insights into the factors influencing financial decisions. One of the key constructs within TPB is attitude, which refers to an individual's overall evaluation or feelings towards a particular behavior (Crano & Prišlin, 2005). In the context of financial decision-making, attitudes toward behaviors such as saving, budgeting, and investing significantly shape financial outcomes. This highlights the importance of understanding how personal evaluations of financial behaviors influence individuals' ability to make sound financial decisions.

A positive attitude towards financial behaviors such as saving, budgeting, and investing has been consistently linked to enhanced financial well-being. Financial well-being is often characterized by an individual's ability to effectively manage their finances and achieve a sense of financial security. For instance, Mustafa et al. (2025) found that individuals who adopt a positive attitude toward saving and budgeting are more likely to experience financial stability. Similarly, Sayılır et al. (2019) emphasized the crucial role that attitude plays in shaping investment decisions, which, in turn, directly contributes to long-term financial well-being.

In addition to general financial behaviors, attitudes play a crucial role in specific areas of financial decision-making. For instance, a study on investment intentions in the Indian stock market found that attitude significantly predicted investment intentions and partially mediated the relationship between financial knowledge and investment behavior. This suggests that a positive attitude towards investing can enhance financial well-being. Similarly, research on credit card usage in Malaysia revealed that individuals' attitudes toward credit cards are strong predictors of credit card debt, which, in turn, influences their financial well-being (Mustafa et al., 2025). These findings underscore the importance of fostering positive financial attitudes, not only in the areas of savings and investment but also in managing debt and credit.

Research highlights the importance of a positive financial management attitude for making effective financial decisions. Rajna et al. (2011) emphasize that individuals with positive financial attitudes are more likely to engage in sound financial management practices, which directly contribute to improved financial well-being. In a similar vein, Shabina and Zaki (2019) found that attitudes toward financial decisions can significantly influence consumer behavior, particularly in the context of online shopping. This suggests that cultivating positive financial attitudes could similarly

impact broader financial decision-making behaviors, especially in the context of managing savings, budgeting, and investment.

Rajna's study (2011) emphasizes the significant role of financial attitudes among Malaysian medical practitioners, suggesting that a positive financial attitude enables more effective financial management. This finding aligns with broader research indicating that financial attitudes are crucial in shaping financial behaviors, especially for professionals who may face unique financial challenges.

Further studies have identified financial attitudes as strong predictors of financial well-being. For instance, Utkarsh (2020) highlights that positive financial attitudes are key indicators of an individual's financial well-being. Similarly, Pamela et al. (2021) argue that a favorable financial attitude promotes greater financial management awareness, leading to improved financial outcomes. Rai et al. (2019) also stress that individuals with positive financial attitudes are more confident in making sound financial decisions, which directly enhances their overall living standards.

Several studies have established a link between positive attitudes and specific financial behaviors, such as financial planning, saving, and money management. For example, Shim et al. (2009), Norvilitis and Mao (2013), Kuknor and Sharma (2017), and Abdullah et al. (2019) all demonstrate that individuals with positive attitudes toward financial planning and saving are more likely to experience improved financial well-being. Collectively, these studies underscore the critical role of positive financial attitudes in shaping both financial behaviors and outcomes.

Given the established role of attitudes as a significant predictor of financial management, particularly in shaping financial behaviors and well-being, this study aims to investigate the impact of attitudes on the financial well-being of Malaysian households. Previous research has consistently highlighted the importance of positive

financial attitudes in improving financial outcomes. Building on these findings, this study will explore the relationship between financial attitudes and financial well-being within the framework of Islamic financial literacy. Thus, based on the literature reviewed, the following hypothesis is proposed:

H7: Attitudes have a significant positive impact on financial well-being.

4.4.3 Subjective Norm and Financial Well- Being

Subjective norms refer to an individual's perception of the expectations placed upon them by others, and these perceptions significantly influence whether they feel compelled to engage in a particular behavior. In financial contexts, subjective norms can significantly influence individuals' decisions, such as whether to invest in certain financial products or engage in financial planning, particularly when these decisions are perceived to be important to their social group. The influence of subjective norms, however, can differ across cultures and demographic groups, with individuals in collectivist societies often exhibiting a stronger motivation to comply with family or community expectations (Amin et al., 2014).

The relationship between subjective norms and financial well-being has garnered increasing attention in both economics and psychology. Research has consistently shown that individuals who perceive strong social pressure from their family, peers, or other social groups are more likely to engage in financial behaviors that align with these expectations. For example, behaviors such as saving regularly, investing wisely, or purchasing insurance are often influenced by the desire to meet the expectations of those around them (Amin et al., 2014).

The influence of subjective norms is significant because it not only shapes individual financial behaviors but also has a direct impact on overall financial well-

being. According to Kassim et al. (2023) and Alzamel et al. (2022), aligning personal financial decisions with social expectations can lead to better financial management, which in turn enhances financial well-being. Individuals who feel a sense of obligation to meet the expectations of their social networks are more likely to adopt behaviors that promote financial stability and security, ultimately improving their financial outcomes. For example, in cultures where saving for the future is highly valued by family or community, individuals are more likely to prioritize savings and avoid excessive debt, which contributes to greater financial stability.

A study by Abdul Jamal et al. (2015) examined the impact of family and peer influences on saving behavior among university students in Kota Kinabalu, Sabah. Their findings revealed that family and peer influences significantly shape saving behaviors, emphasizing the critical role of parental guidance and peer pressure in how young adults manage their finances. This highlights the broader influence of social networks on financial behaviors, particularly among younger individuals who are still developing their financial decision-making skills. These findings underscore the importance of understanding subjective norms in shaping financial behaviors, which ultimately contribute to improved financial well-being.

Other studies also have demonstrated the connection between subjective norms and various aspects of consumer behavior, including financial decision-making. For instance, Shabina and Zaki (2019) found that subjective norms significantly influence consumers' intention to engage in online shopping, suggesting that stronger subjective norms lead to higher intentions to shop online. This implies that social expectations can drive behaviors related to purchasing decisions, which are integral to managing personal finances. This highlights the importance of understanding the interplay between subjective norm and financial well-being, as it can inform the development of

interventions and policies aimed at promoting financial literacy and responsible financial decision-making.

Similarly, Ali et al. (2017) confirmed that subjective norms play a significant role in the selection of Islamic credit cards in Pakistan. Their findings suggest that individuals' decisions to adopt Islamic financial products, such as credit cards, are often influenced by the expectations and behaviors of social groups, particularly family and peers. This highlights the importance of social influence in financial decision-making, especially in contexts where religious or cultural values shape financial choices.

However, despite the strong influence of subjective norms, many adults today exhibit financial illiteracy, which can hinder effective financial decision-making (Trunk & Širca, 2017). To foster a supportive financial learning environment for their children, parents must themselves possess a solid understanding of financial concepts, engage in positive financial practices, and be capable of managing financial challenges. By receiving appropriate guidance and role modeling from financially literate parents, children can develop crucial skills, such as delaying gratification and making informed financial choices. This highlights the important role that parents play in shaping their children's financial behaviors and attitudes, ultimately contributing to their long-term financial well-being.

There is limited formal research examining how various aspects of subjective norms, such as parental spending habits, contribute to the development of favorable financial literacy (Pahlevan Sharif & Naghavi, 2020). Understanding these influences is crucial, as they may significantly affect the financial literacy and saving behaviors of the current generation, particularly in shaping their financial decision-making practices (Pangestu & Karnadi, 2020).

In the context of Islamic finance, the influence of subjective norms becomes even more pronounced, as adherence to Islamic financial principles is often shaped by family and community expectations. For example, the Islamic emphasis on ethical financial practices, such as avoiding *riba* (interest) and engaging in charitable giving, is typically reinforced by family and community norms. A deeper understanding of these subjective norms within Muslim communities can provide valuable insights for developing strategies that enhance financial literacy and promote sound financial practices. By examining this relationship within the framework of Islamic finance, the study intends to offer a deeper understanding of how subjective norms, aligned with religious values, affect financial well-being. Thus, the hypothesis guiding this research is as follows:

H8: Subjective Norm has positive effect on financial well-being.

4.4.4 Perceived Behavioral Control and Financial Well-Being

Perceived Behavioral Control (PBC) is a central construct within the Theory of Planned Behavior (TPB), developed by Ajzen (1991) to explain and predict human behavior. PBC refers to an individual's perception of how easy or difficult it is to perform a specific behavior, based on their beliefs regarding the availability of resources and opportunities. In the context of financial management, PBC reflects an individual's confidence in their ability to effectively manage financial decisions and resources. This construct plays a crucial role in shaping financial behaviors, which are key to achieving financial well-being. Individuals who perceive themselves as having greater control over their finances are more likely to engage in positive financial behaviors, such as budgeting, saving, and investing. These behaviors, in turn, contribute to improved financial stability and security. For instance, those who feel confident in their ability to

make sound financial decisions are better equipped to navigate financial challenges, manage debt, and plan for future financial goals, leading to enhanced overall well-being.

The existing literature suggests that the relationship between perceived behavioral control (PBC) and financial well-being is complex and multifaceted. While PBC plays a significant role in shaping financial behaviors, it is also influenced by various factors, such as financial attitudes, financial knowledge, and demographic characteristics. Studies have consistently shown that individuals with high levels of perceived behavioral control (PBC) are more likely to engage in effective financial planning and resource management, which are crucial for long-term financial well-being. For instance, Abdullah et al. (2018) found that individuals who believe they have greater control over their financial decisions tend to exhibit more responsible financial behaviors, such as timely bill payments and effective budgeting. These behaviors, in turn, contribute to improved financial stability and well-being.

Furthermore, individuals who perceive themselves as having control over their financial resources are more likely to engage in regular saving and avoid excessive debt both essential components of financial health. This finding is supported by Farinella et al. (2017), who demonstrated that individuals who take proactive steps toward managing their finances, such as setting up regular savings plans or making informed investment decisions, are more likely to experience enhanced financial well-being. Similarly, Shim et al. (2009) found that PBC significantly predicts key financial behaviors, including saving and debt management, which in turn positively affect financial well-being.

Conversely, poor financial behaviors, such as missed bill payments or excessive debt accumulation, are often linked to low levels of perceived behavioral control (PBC).

Sabri (2017) explained that individuals with low perceived control over their finances are more likely to engage in unhealthy financial practices, which can contribute to financial stress and economic difficulties. A lack of perceived control can heighten anxiety and stress, negatively affecting overall well-being. This relationship is further emphasized by Morgan and Long (2019), who noted that individuals who feel unable to manage their finances experience a diminished sense of control and security. Consequently, this lack of control leads to higher levels of financial distress, reduced financial satisfaction, and overall lower life satisfaction.

On the other hand, positive financial behaviors such as timely bill payments, maximizing savings, and making informed investments are closely associated with improved financial stability and well-being (Farinella et al., 2017). These behaviors are more common among individuals who perceive themselves as having control over their financial decisions, reinforcing the importance of PBC in fostering positive financial practices and enhancing overall financial well-being.

In the context of Islamic finance, Perceived Behavioral Control (PBC) plays a significant role in shaping individuals' financial behaviors and decision-making. Studies have consistently shown that higher levels of perceived control over financial decisions lead to greater participation in Islamic financial products. For instance, Ali et al. (2014) found that PBC was a key predictor of the intention to invest in Islamic unit trust funds, with individuals perceiving greater control over their financial decisions being more likely to participate in these investment opportunities. Similarly, Heikal et al. (2014) examined the relationship between PBC and zakat compliance, revealing that individuals with higher perceived control were more inclined to fulfill their zakat obligations, highlighting the influence of PBC on religious financial behavior.

In addition to investment and religious obligations, PBC has also been shown to influence the usage of Islamic banking products. Alfarisi et al. (2020) conducted a study on Islamic financial behavior among students in Indonesia, demonstrating that individuals with greater perceived control were more likely to open and use Islamic savings accounts, further illustrating the role of PBC in determining financial choices within the Islamic finance sector. Furthermore, the role of PBC extends to the area of Islamic insurance (Takaful). Husin and Rahman (2016) found that individuals who perceived greater control over their financial decisions were more likely to participate in Takaful schemes, indicating that PBC influences not only investment and savings behaviors but also decisions related to insurance in the Islamic finance framework.

Despite the growing body of research on the influence of Perceived Behavioral Control (PBC) on financial decision-making, the mechanisms underlying the relationship between PBC and financial well-being remain underexplored. While previous studies have established the importance of PBC in shaping financial behaviors, further research is needed to better understand the interactive effects between PBC and other factors, as well as to identify strategies to enhance perceived control over financial decisions.

In the context of Islamic finance, where ethical considerations and adherence to religious principles are critical, PBC plays a particularly important role. Individuals who perceive greater control over their financial decisions are more likely to make choices that align with their religious and ethical values, thereby improving their financial well-being. This aligns with the concept of Islamic financial literacy, which emphasizes not only financial knowledge but also the application of Islamic principles to financial decision-making. Given these insights, this study aims to explore the

relationship between PBC and financial well-being within the framework of Islamic financial literacy. The hypothesis guiding this research is as follows:

H9: Perceived behavioral control has positive influence on financial well-being.

4.4.5 Behavioral Intention and Financial Well-Being

Behavioral intention refers to the degree of effort and willingness an individual is prepared to invest in performing a specific behavior (Ajzen, 1988). As Conner and Armitage (1998) explain, it represents a person's conscious motivation or plan to engage in a particular behavior. In the context of financial decision-making, behavioral intention plays a crucial role in determining whether individuals will act on their financial knowledge and values, especially when it comes to Islamic financial products and services. Specifically, an individual's intention to engage in financial behaviors such as saving, investing, or complying with Islamic financial obligations can significantly impact their financial outcomes.

A growing body of research has explored behavioral intention in the context of Islamic finance and its role in guiding individuals' financial decisions. For example, Albaity and Rahman (2019) and Allah Pitchay et al. (2020) investigated the factors influencing individuals' intentions to engage in Islamic financial planning. Their findings suggest that behavioral intentions are strongly shaped by individual perceptions of religious duty, financial knowledge, and personal values. In a similar vein, Heikal et al. (2014) and Muslichah and Sanusi (2019) examined the intention to comply with zakat and other Islamic financial obligations, highlighting the role of Islamic principles in motivating financial behaviors. These studies collectively underscore the critical role of behavioral intention as a determinant of Islamic financial decision-making, suggesting that individuals who are motivated to adhere to Islamic

principles are more likely to engage in behaviors that align with religious obligations and financial well-being.

The relationship between behavioral intention and financial well-being is significantly influenced by financial literacy, particularly in the context of Islamic finance. Financially literate individuals tend to exhibit more responsible financial behaviors, which directly correlate with improved financial well-being. As highlighted by Rani (2023) and Bai (2023), financial literacy plays a key role in enhancing personal finance management, leading to better investment decisions and more effective financial planning. These findings are especially important in the context of Islamic financial literacy, where knowledge of Sharia-compliant financial products helps individuals make more informed and ethical decisions, aligning their financial behaviors with their religious values.

However, gaps in Islamic financial literacy can undermine the effectiveness of behavioral intentions, preventing individuals from fully engaging with financial products that align with their financial and religious goals. For example, Shobah (2017) conducted a study in Indonesia that revealed only 34% of Islamic banking customers actively engaged with the products, while the majority followed trends passively. This gap can be partly attributed to limited access to Islamic financial institutions in certain regions, as noted by Said and Amiruddin (2017). Additionally, Naser et al. (1999) found that in Jordan, 70% of Muslim customers used Islamic financial services not because of a deep understanding of the products, but because of their religious beliefs. This underscores the critical role of Islamic financial literacy in helping individuals make informed decisions that align with their faith and financial goals.

Given the findings discussed, the current study aims to explore the relationship between behavioral intention and financial well-being within the framework of Islamic

financial literacy. It posits that higher behavioral intention, when combined with sufficient Islamic financial knowledge, can significantly enhance financial well-being. This relationship is grounded in the idea that individuals who possess the intention to engage in sound financial practices, guided by both their financial literacy and ethical values, are more likely to make informed financial decisions. Thus, the study hypothesizes that stronger behavioral intention, supported by a solid understanding of Islamic finance principles, will lead to improved financial well-being by fostering responsible and faith-aligned financial behaviors.

H10: Behavioral intention has positive relationship on financial well-being.

4.4.6 Financial Self-Efficacy and Financial Well-Being

Recent research has highlighted the importance of financial self-efficacy, which refers to an individual's belief in their ability to manage financial tasks effectively, as a critical determinant of financial well-being (Kuhnen & Melzer, 2018; Farrell et al., 2015). The concept of financial self-efficacy is particularly relevant in the context of financial behavior and decision-making, as individuals with high self-efficacy are more likely to engage in proactive financial management strategies, such as budgeting, saving, and investing. These behaviors are associated with improved financial well-being, as they contribute to long-term financial stability. Additionally, financial self-efficacy has been shown to play a significant role in financial resilience. Specifically, individuals with higher levels of financial self-efficacy are better equipped to withstand financial challenges, such as job loss or illness, and are less likely to fall into financial delinquency during periods of financial hardship (Kuhnen & Melzer, 2018).

Numerous studies have confirmed the positive relationship between financial self-efficacy and financial well-being. Sabri et al. (2020) demonstrated a strong link

between financial efficacy and financial well-being, which is consistent with earlier research by Shim et al. (2009) and Amatucci & Crawley (2011). Individuals with higher financial self-efficacy tend to exhibit greater confidence in making financial decisions, allowing them to manage complex financial situations more effectively. Research consistently supports the hypothesis that financial self-efficacy is linked to positive financial behaviors and outcomes. Asebedo and Seay (2018) found that individuals with higher financial self-efficacy demonstrate improved financial behaviors, leading to greater financial well-being. This increased confidence is associated with better savings habits, reduced debt, and more robust retirement planning strategies, all of which contribute to overall financial stability and well-being.

The significance of financial self-efficacy in explaining financial well-being has been demonstrated across various populations and cultural contexts. For example, research conducted in Cambodia and Vietnam found that financial behavior, which is shaped by both financial attitudes and self-efficacy, plays a pivotal role in determining financial well-being (Morgan & Long, 2019). Similarly, a study on women's personal finance behavior in Malaysia found that financial self-efficacy was a significant factor in explaining women's financial well-being, independent of their level of financial literacy (Farrell et al., 2015). Individuals with higher levels of self-efficacy are more likely to take proactive steps, such as saving and managing debt, to mitigate financial shocks, making them less likely to default on debt or bill payments (Farrell et al., 2015). These findings suggest that non-cognitive factors, such as self-efficacy, are crucial in determining financial fragility. Moreover, subjective expectations, driven by self-efficacy, are key influences in household financial decision-making, impacting both short-term financial behavior and long-term financial security.

Self-efficacy plays a critical role in shaping financial behavior and well-being, as it enhances an individual's confidence in managing finances and making informed financial decisions. This is particularly significant within the Muslim community, where individuals with high levels of financial self-efficacy are more likely to adhere to Sharia-compliant financial practices, leading to improved financial outcomes and overall well-being (Mei, 2024). Research further highlights that high financial self-efficacy, often influenced by financial literacy, motivates proactive financial behaviors, such as budgeting and saving. These behaviors, in turn, enhance financial well-being and contribute to effective debt management (Jumady et al., 2024). Additionally, self-efficacy is found to mediate the relationship between financial literacy and subjective financial well-being, suggesting that individuals who feel confident in their financial decision-making are more likely to engage in effective financial management practices (Kiplangat et al., 2023).

A study done by Kurniasari et al. (2023) also shows that higher self-confidence in financial decision-making enhances the application of parental financial teachings, leading to improved financial well-being among younger generations. This underscores the importance of fostering self-efficacy through targeted financial education, which can significantly improve financial outcomes. Notably, this education should be aligned with Islamic financial principles, as it can help young people manage financial challenges while adhering to ethical and religious values.

Given this background, the current study hypothesizes that financial self-efficacy, as a core component of Social Cognitive Theory (SCT), either it is positively associated with financial well-being in the context of Islamic finance. Specifically, individuals with greater confidence in their financial abilities are expected to experience better financial well-being when their decisions are guided by Islamic financial

principles. This hypothesis is grounded in the premise that individuals with higher self-efficacy are better equipped to manage financial challenges and align their financial decisions with Sharia-compliant practices. Therefore, the hypothesis is derived that self-efficacy has a positive relationship with financial well-being within the context of Islamic finance.

H11: Financial self-efficacy has significant positive impact on financial well-being

4.5 CHAPTER SUMMARY

This chapter Chapter 4 discusses the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT), which provide the theoretical foundation for the research conceptual framework. The conceptual framework was developed through a comprehensive review of both conceptual and empirical studies. It encompasses the key variables of this study, including Islamic financial literacy, financial decision-making (as the assumed mediating variable), financial inclusion, religiosity, attitude, subjective norm, perceived behavioral control, behavioral intention, and financial self-efficacy. The inclusion of these variables is based on insights derived from previous research. The research gaps identified from both empirical and theoretical studies inform the development of the framework. Finally, the hypotheses of the study are presented, addressing the research objectives and research questions. Eleven distinct hypotheses are elaborated upon in this chapter.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 INTRODUCTION

Research methodology plays a critical role in providing a comprehensive explanation of the study. According to Abbott (2004), research methodology refers to the fundamental principles of research methods applied throughout the research process, while the method pertains to the specific techniques used for application. This definition is further supported by Reger (2011), who describes research methodology as the study of the research process itself, encompassing its principles, procedures, and strategies for collecting, analyzing, and interpreting data.

This chapter outlines the research process and methodology employed in this study, with a focus on testing the hypotheses and addressing the research questions. The chapter is organized around four key components: the research paradigm, research design, research approach, and data analysis. Table 5.1 provides an overview of the research questions and applicable methodology:

Table 5.1 Overview of Research Questions and Methodology

Item	Research Question	Methodology and Data Analysis
RQ1	How does Islamic financial literacy influence the financial well-being of Malaysian households?	Survey questionnaire, Descriptive statistics, PLS-SEM
RQ2	Does financial decision-making mediate the relationship between Islamic financial literacy and the financial well-being of Malaysian households?	Survey questionnaire, Descriptive statistics, PLS-SEM

RQ3	What are the determining factors of financial well-being among Malaysian households?	Survey questionnaire, Descriptive statistics, PLS-SEM
RQ4	How do the Theory of Planned Behavior (attitude, subjective norm, perceived behavioral control, and behavioral intention) predict financial well-being among the Malaysian households?	Survey questionnaire, Descriptive statistics, PLS-SEM
RQ5	How does financial self-efficacy, a core construct within Social Cognitive Theory influence the financial well-being of Malaysian households?	Survey questionnaire, Descriptive statistics, PLS-SEM

5.2 RESEARCH PARADIGM

A research paradigm represents the foundational perspective of a research project. It encompasses a comprehensive set of frameworks that guide the research process. As Guba and Lincoln (1994) state, "This is the basic belief of the system or the worldview that guides the investigator." Thus, each research project must adhere to the prescribed rules and principles in order to generate valid knowledge (Kuhn, 1996). In the field of social sciences, four prominent research philosophies are commonly recognized: positivism, realism, interpretivism, and pragmatism. A detailed explanation of each philosophy is provided in Table 5.2.

Table 5.2 Paradigmical Assumptions of Quantitative Research

	Ontology (nature of reality)	Epsitemology (what constitutes acceptable knowledge)	Axiology (Role of Value)
Positivism	External, objective, and independent of social actors	Focus on causality and law like generalisation, reducing phenomenon to simplest elements	Research is value free. Researcher independent of the data and maintain objective stance

Interpretivism	Subjectivism; socially constructed reality with multiple changes	Focus on details of situation, realities behind these details, subjective meanings motivating actions	Research is value- bound. Researcher can't be separated from the research, hence, subjective
Realism	Objectivism: reality exist independent of human thought and belief but interpreted through social conditioning	Focus on explaining within context or contexts	Research is value laden. Researcher is biased by world views, cultural experiences and upbringing
Pragmatism	External, multiple, view chosen those best answers	Relativism: combining different perspectives to help interpret the data	Values play a large role in interpreting results, researcher adopting both objective and subjective points of view

Source (s): Gabiyu and Egbu (2020)

This study adopts the positivist approach as the most suitable philosophy for conducting the research. According to Collis and Hussey (2013), a positivist approach is appropriate when the researcher aims to describe a phenomenon based on scientific data, such as experiments and statistics, to explore objective facts related to how a particular society operates. The primary objective of a positivist approach is to examine, evaluate, and investigate specific phenomena by providing logical and rational explanations. These explanations seek to identify rational relationships between different factors or variables and connect the results to a specific theory (Denscombe, 2008). The positivist philosophy proposes that individuals respond to regulations, rules, or norms when describing or discovering phenomena through causal, rational, and systematic procedures (Collis & Hussey, 2013). This philosophy is particularly well-

suitable for the present study, as quantitative research aligns with the positivist paradigm, where reality is considered singular and measurable.

In positivist research, the researcher typically seeks to examine the relationships or correlations between two or more variables, often utilizing the comparative method. The positivist approach is grounded in several key principles that make it particularly suitable for this study. First, the study aims to explain and predict the true nature of the phenomenon under investigation. Second, it employs inductive reasoning to formulate hypotheses that are then tested through the research process.

Lastly, the researcher adheres to the belief that science should be value-free, relying solely on logic and empirical testing, thereby minimizing potential bias in the research findings. By utilizing primary data, researchers can better understand and analyze contemporary issues. Given the quantitative and empirical nature of this study, which aims to explore the roles of Islamic financial literacy and the mediating effect of financial decision-making in achieving financial well-being among Malaysian households, the research aligns with the positivist paradigm. A structured questionnaire, commonly used by positivist researchers, was employed to collect the data. The study's hypotheses were derived from several established theories and tested using empirical, reliable statistical methods. Overall, positivism was deemed the most suitable paradigm for this research based on these considerations.

5.3 RESEARCH DESIGN

A research design is a structured plan developed to examine a scientific problem and gather empirical evidence to answer research questions and test hypotheses (Creswell, 2017). Several types of research designs exist, including correlational design, case-study design, and survey research design. The choice of design is influenced by the

objectives of the study and the philosophical stance adopted by the researcher. For example, a correlational research design is used to observe the relationships between different variables within a model (Babbie, 2016). Survey research design, on the other hand, involves collecting data through questionnaires or interviews to measure the attitudes, opinions, and behaviors of a sample population (Fowler, 2017). A case-study design is typically employed when the research is focused on a specific region, country, or organization to explore the characteristics of a particular object of interest (Yin, 2018).

This study adopts a quantitative research design, as it involves examining the correlations between variables, establishing cause-and-effect relationships, and conducting tests under highly controlled conditions to evaluate theories and hypotheses (Sekaran & Bougie, 2016). Consequently, a correlational design was selected to investigate the Islamic financial literacy of Malaysian households, examine the mediating role of financial decision-making, and explore other determinants of financial well-being, including financial inclusion, religiosity, and variables adapted from the Theory of Planned Behavior (attitude, subjective norms, perceived behavioral control, and behavioral intention). Additionally, the study incorporates the Social Cognitive Theory, with a focus on financial self-efficacy.

Additionally, this study employs an online questionnaire survey for data collection and analysis to gather preliminary information essential for developing the model. The advantage of using this survey method is that it allows for the efficient, concise, and rapid collection of data, as noted by Sekaran and Bougie (2016).

This section outlines the research methodology, detailing how the study is conducted and the procedures or techniques used to answer the research questions and test the hypotheses. The sampling method employed in this study is random sampling.

Primary data will be collected through questionnaire surveys targeting a sample population, focusing on the level of Islamic financial literacy and financial well-being among Malaysian households.

Next, the study will construct and perform hypothesis testing to identify the determinants of financial decision-making and financial well-being, incorporating the perspective of Islamic financial literacy. Using a descriptive approach, this study aims to gather data on the factors influencing financial well-being among Malaysian households, particularly in the context of Islamic financial literacy, financial decision-making, financial inclusion, religiosity, attitude, subjective norms, perceived behavioral control, behavioral intention, and financial self-efficacy.

Finally, the results of the quantitative analysis will be further explained through empirical findings, interpreted within the context of the theoretical framework, based on explanatory, descriptive, and SEM-PLS analyses. Accordingly, the methodological approach for this study is a mono-method quantitative design, employing a survey for data collection. Given the time constraints, this study adopts a cross-sectional data collection approach. Thus, the selected research design aligns with the research objectives.

5.3.1 The Population of the Study

Bryman and Bell (2015) define the term 'population' as the universe of individuals from which a sample is to be selected. The total population assists researchers in determining the appropriate sample for a study in any specific context. This study focuses on Malaysian households residing and working in the Klang Valley area. Klang Valley, located in the central-western region of Peninsular Malaysia, spans an area of

approximately 2,832 square kilometers. As of 2024, Malaysia's population is estimated at 34.1 million, compared to 33.4 million in 2023.



Figure 5.1 Klang Valley Malaysia (All Shaded area)²⁰

Klang Valley represents the central region of Peninsular Malaysia and serves as the country's largest metropolitan population centre. It includes two federal territories, Kuala Lumpur and Putrajaya, as well as neighbouring cities and towns from the state of Selangor. Klang Valley was selected for this study due to its prominence in terms of economic development, as well as the concentration of numerous universities within the region (Boon et al., 2011). This area is one of the most developed regions in Malaysia, having experienced rapid economic growth and population expansion over the past few decades.

According to recent data from Department of Statistics Malaysia (DoSM)²¹, Malaysia had 9.1 millions households in 2024. The Klang Valley, with approximate;y

²⁰ Source: Hamid, Z. A., Hung, F.C., & Rahim, A. H. A. (2017). Retrospective View and Future Initiatives in Industrialized Building Systems (IBS) and Modernization, Mechanization and Industrialization (MMI). Modernization, Mechanization and Industrialization of Concrete Structures, 424.

²¹ Department of Statistics Malaysia (DoSM), 2024

2.14 million households, comprises roughly one-third of all urban households in Malaysia²². Consequently, households within the Klang Valley can be considered a significant representative sample of urban households nationwide.

Table 5.3 Target Population of the Study

State	Households Number	Target Respondents
Klang Valley (Kuala Lumpur, Putrajaya and Selangor)	2.14 million	484 samples

Source: Department of Statistics Malaysia (DoSM), 2024

As previously mentioned, the sampling frame for this study consists of respondents from various household income groups residing and working in the Klang Valley. According to the Department of Statistics Malaysia (DoSM), a household is defined as 'a person or a group of related or unrelated individuals who usually live together and make common provisions for food and other essential living needs.' Therefore, all individuals or members of households who meet this definition and reside within the Klang Valley are considered part of the population for this research.

Within each household, the targeted respondents are typically the head of the household or other individuals involved in financial decision-making, such as the husband, wife, or partner. To ensure that respondents possess a baseline level of formal financial education and knowledge, they must be Malaysian citizens and have completed at least secondary education in Malaysia. This criterion is important as it ensures that the respondents have had access to formal financial education from a relatively young age.

²² Ibid

5.3.2 Sampling

The core principle of sampling is to draw conclusions about an entire population based on a selected subset of elements from that population. As Chua (2015) asserts, sampling is a crucial aspect of research, as improper sampling can undermine the validity and reliability of the study, ultimately affecting the quality of the research findings. A well-defined sampling design is essential for guiding researchers in determining the sampling technique, sampling unit, sampling frame, and sample size.

There are several sampling methods available, including random sampling, non-probability sampling, and mixed sampling designs (Kumar, 2015).

Research typically employs two main types of sampling designs: probability sampling and non-probability sampling. Probability sampling relies on the theory of probability, where participants are selected through random selection, ensuring that each individual in the population has an equal chance of being chosen (Acharya et al., 2013).

Whereas non-probability sampling employs a non-random technique in which the probability that a participant will be selected is unknown, rather participants may be selected due to availability and willingness to participate, often aligned with the research objectives or population of interest. (de Klerk et al., 2023). One limitation of non-probability sampling is that it does not allow for the estimation of sampling errors and may introduce selection bias. Common non-probability sampling techniques also include convenience sampling, purposive sampling, quota sampling, and snowball sampling.

For this study, a non-probability sampling technique was employed for the survey questionnaire to achieve the research objectives. Since the research scope is focused on investigating the Malaysian households who reside or working in Klang

valley area in general, this study employed a convenience sampling strategy for data collection. This approach was based on practical criteria, such as accessibility, availability at a given time, and the willingness of participants to engage, which facilitated the study's purpose and was convenient for the researcher (Cheng & Dörnyei, 2007). Convenience sampling is applicable in both qualitative and quantitative research and is particularly useful when the target population is difficult to access (Hernon, 2004). However, non-probability sampling, while practical for collecting a sufficient number of respondents in a timely and cost-effective manner, has limitations. These include potential issues such as lack of generalizability, bias, and other constraints (de Klerk et al., 2023).

5.3.3 Sample Size

A sample size is defined as the number of observations or respondents included in a sample (Evans & Mathur, 2018). Determining the appropriate sample size is a crucial aspect of research, as it directly impacts the reliability and generalizability of the findings. The sample serves as the group from which the data are drawn, and ensuring it is representative of the population is essential for accurate statistical analysis. A larger sample size typically improves the accuracy of the results, as it better reflects the characteristics of the population being studied. Conversely, a small sample size may yield less reliable correlation coefficients (Tabachnick & Fidell, 1996).

As stated by Creative Research Systems (2003), a random sample of at least 402 people is as accurate as it is "equally useful in examining the opinions of a state of 15,000,000 as it is in examining the opinions of a city of 100,000" with a margin of error of + 5%, assuming the study was completely random. Hair et al. (2006) asserted that the sample size ratio is 5:1, which means that five observations represent each

object's independent variables while the optimal level of independent variables is between 15 and 20 observations.

On the other hand, the rule of thumb for the large population sample size, as suggested by Saunders et al. (2016), is 384. Nonetheless, Saunders et al. (2016) emphasise that the sample size is irrelevant for purposive or judgemental sampling. Although Saunders asserts that sample size is irrelevant for judgmental sampling, it is essential to obtain statistically meaningful findings. Meanwhile, Comrey and Lee (1992) also explain a detailed sample size guideline. They claimed that a sample size of 50 is inferior, 100 is poor, 200 is fair, 300 is good, 500 is very good, and 1,000 or more is outstanding.

However, this research takes one of the methods often done by many researchers in determining the study's sample size by referring to the table Sample Size Determination Krejcie and Morgan (1970). Based on the population of 2.14 million households in Klang Valley, the sample size table of Krejcie and Morgan (1970) suggests a sample size of 384 respondents for any study spanning over one million people with 95% confidence interval and a 2.5% margin of error. This is supported by Hair et al (2017), Nunally (1978) and Kline (2015) whereby the sample size must be sufficiently large to ensure precise, statistically significant results. The relationship between sample size and the total population is shown in Table 5.4 below.

Table 5.4 Determining Sample Size Krejcie and Morgan (1970).

Universe Sample		Universe Sample		Universe Sample		Universe Sample	
10	10	100	80	1,250	294	6,000	361
15	14	200	132	1,500	306	7,500	366
20	19	300	169	2,000	322	10,000	370
30	28	400	196	2,500	333	15,000	375
40	36	500	217	3,000	341	20,000	377
50	40	600	234	3,500	346	30,000	379
60	44	700	248	4,000	351	40,000	380
70	59	800	260	4,500	354	50,000	381
80	66	900	269	5,000	357	75,000	382
90	73	1,000	278	5,500	359	1,000,000	384

Source: adapted from Krejcie, R. and Morgan, D. (1970)

Hence forward, a deliberated sample size of 400 is acceptable and adequate for this research study, given that the sample represents a generalization of the households population group. Subsequently, as this is a cross-sectional study using a quantitative method, the data gathered using the questionnaire survey will be analyse and thus it is possible to assess the generalizability of the results.

Due to time constrain, the period of data collection was also set for three months. This study's data collection methodology and procedures were systematically developed and implemented to ensure strict alignment with the ethical framework of the Belmont Report (1979), prioritizing the fundamental principles of Respect for Persons (Autonomy) (The National Commission, 1979). To uphold Autonomy, the survey design mandated that a detailed Informed Consent page serve as the prerequisite gateway to the instrument. This measure ensured participant autonomy was operationalized by clearly articulating the research purpose, specifying the estimated time commitment, and guaranteeing the unconditional right to withdraw from the study at any point, thereby securing voluntary and fully informed participation (The National Commission, 1979).

We also followed this by strictly adhering to institutional ethical guidelines, such as obtaining approval from the research committee, to ensure our data was collected in a fair and responsible manner. Thus, this study received full ethical approval from the IIUM Institute of Islamic Banking and Finance. Prior the actual survey, a permission letter from IIUM Institute of Islamic Banking and Finance is given to the respondents. The purpose of given the permission letter to the respondents is to allow the non-biased participation and to protect the respondent's interest, as the information obtained from them is used solely to complete the current research. The personal details of respondents also are kept confidential and do not appear in the study when reporting the findings. When entering quantitative data, coding was used, and privacy was respected when commenting on data from the targeted respondents.

5.3.4 Data Collection

Data collection means gathering information to address those critical evaluation questions that the researcher has identified earlier in the evaluation process. In a descriptive study, all the data on both variables will usually be collected within a reasonably short time. Often, the instruments used are administered in a single session or two sessions immediately after the other. This study focuses on primary data collection using survey questionnaire. The nature of the questionnaire depends on quantifiable observation, which later leads to statistical analyses.

There are several methods of questionnaire distribution. For example, Albaum and Oppenheim (1993) identified several distribution methods, including face-to-face, postal, and group-administered questionnaires. While paper-based surveys have traditionally dominated, online surveys have become an increasingly popular method of data collection. Wright (2005) noted that online surveys offer researchers a cost-effective and time-efficient means of reaching respondents. Additionally, Wright

argues that online surveys are particularly advantageous for accessing individuals who may be stigmatized offline or are difficult to reach using traditional methods.

There are several additional advantages to using the online survey method, including its convenience, low administrative costs, and flexibility (Evans & Mathur, 2018). Furthermore, online surveys offer time efficiencies, allowing for rapid deployment and completion by participants, particularly when distributed via social media or email (Ball, 2019). Mertler (2002) further supports this view, noting that while online data collection remains underutilized for this purpose, it provides a cost-effective and efficient alternative to traditional methods of gathering information from respondents. Respondents often prefer completing surveys online, as they can do so at their convenience and at their own pace, which can contribute to higher response rates. Additionally, online data collection minimizes the risk of data loss and facilitates the seamless transfer of responses into a database for analysis. Some scholars even argue that using web-based surveys increases the likelihood of receiving responses.

Moreover, online surveys provide significant time efficiencies, enabling rapid deployment and completion by participants, especially when distributed via social media or email (Ball, 2019). Mertler (2002) further corroborates this view, highlighting that, despite its underutilization, online data collection offers a cost-effective and efficient alternative to traditional methods of gathering respondent information. Respondents often prefer completing surveys online, as this method allows them to respond at their own convenience and pace, which can contribute to higher response rates. Additionally, online data collection reduces the risk of data loss and facilitates the seamless transfer of responses into databases for analysis. Some scholars contend that using web-based surveys increases the likelihood of obtaining responses.

Furthermore, online surveys incur minimal costs, as the delivery of survey questions and the capture of responses are automated, reducing the need for paid researchers to conduct face-to-face interviews or enter data manually. This automation also helps minimize data entry errors (Fowler, 2017) and makes the coding and cleaning of data nearly obsolete (Alessi & Martin, 2010). Additionally, the collected data can be downloaded in various formats and easily imported into analytical software packages. According to Fowler (2017), online surveys may also be particularly appealing to certain demographic groups, such as younger individuals.

Therefore, this study employed both online and face-to-face surveys as methods for distributing the questionnaires and generating data. This decision was made in part due to the focus on the young adult demographic and the study's time constraints. Given that the research specifically aims to assess the level of Islamic financial literacy among adults and its influence on their decision-making regarding Islamic financial products in the context of financial well-being, an online survey platform was selected as the most effective means to reach this target group. This approach offers several advantages, one of which is the ability to access individuals who share specific interests, attitudes, beliefs, and values related to a particular issue, problem, or activity (Wright, 2005).

However, the use of social media and email to distribute survey invitations may also lead to sampling issues (Alessi & Martin, 2010). There is a risk that researchers may share the survey with friends, colleagues, or individuals who share similar interests and perspectives, which could result in the over-representation of a particular viewpoint. Additionally, there is the potential for deceptive practices, such as participants submitting duplicate responses, providing fraudulent information, or deliberately distorting their answers particularly when the survey addresses a topic on

which respondents have strong opinions that they wish to see represented. Detecting such fraudulent behavior in online surveys is extremely challenging.

Thus, the anonymity inherent in online surveys can be both a strength and a limitation. While the challenges associated with online surveys, as outlined, can arise, these can be mitigated by conducting multiple surveys with the same or similar sample targets (Wright, 2005). By doing so, researchers can obtain a more reliable representation of the characteristics of online survey participants and respondents (Wright, 2005).

The data collected from the respondents were used to complete the current study. Subsequently, both online and physical questionnaires were distributed to individuals residing and working in the Klang Valley area, in accordance with the parameters established for selecting respondents through convenience sampling.

5.3.5 Survey Research Method

In alignment with the research objectives, research questions, and hypotheses outlined earlier, this study employed a survey research methodology. Survey research is a widely used method for collecting data directly from a group of subjects. It is particularly suitable when the study aims to gather the opinions and views of a large population, without necessarily exploring the reasons behind those opinions or views. This method is commonly used to predict or understand current societal issues (Chua Yan Piaw, 2011), which aligns with the objective of this study, as it seeks to describe the characteristics of the population using frequency and percentage analysis. Additionally, ordinal and nominal data were utilized to collect demographic information, such as gender, race, marital status, age, educational background, and economic and social status.

Survey research is typically conducted using questionnaires or interviews, where questions are presented either orally or in a paper-and-pencil format. While paper-based survey distribution methods have traditionally been dominant, modern advancements now allow survey questions to be delivered electronically through various media, such as email, mobile applications, chat programs, and social media platforms. Respondents can then submit their answers via mobile phones or computers.

Online survey methods have become a widely used channel for data collection, primarily due to their low cost and ability to reach respondents within limited timeframes (Wright, 2005). Additionally, Wright (2005) highlights that online surveys are particularly beneficial for accessing individuals who may be stigmatized offline and are difficult to engage through traditional methods. Furthermore, online surveys offer several additional advantages, including cost-effectiveness, flexibility, and convenience (Evans & Mathur, 2018). The time required to complete the questionnaire is significantly reduced, and the method is more accessible and appealing to certain age groups, particularly young people (Ball, 2019). However, while the survey method is one of the most frequently used approaches, particularly in quantitative studies, its application can lead to various challenges, especially when inappropriate sample sizes and methodologies are employed. Additionally, surveys may be susceptible to several setbacks, including limitations related to internet access and low response rates (Evans & Mathur, 2018).

There are several methods for collecting data using this approach, including email surveys and website-based surveys (Granello & Wheaton, 2004). In email surveys, respondents receive an email containing the survey questionnaire, which they then return to the sender or researcher. In website-based surveys, participants are

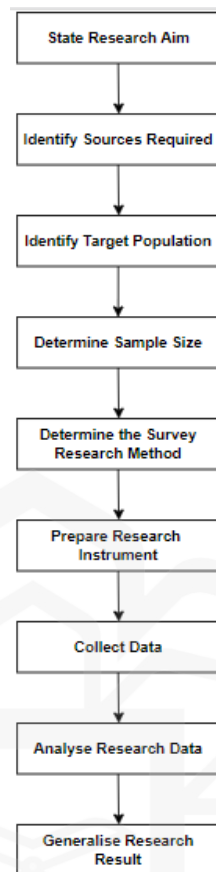
required to visit a website via a provided link, which is typically sent by the researcher through email, WhatsApp, or other digital platforms.

A study conducted by Vasantha and Harinarayana (2016) explains that web-based surveys can be designed and developed for data collection using tools such as Google Forms. Google Forms is a cloud-based data management platform that is widely used for creating web-based questionnaires. It is freely available to the public, allowing users to design and distribute their own surveys. Since this research specifically focuses on households residing and working in the Klang Valley area, it was decided that an online survey would be the most suitable method for data collection. This decision was partly due to the fact that internet access in urban areas is approximately twice as high as in rural areas.²³

In addition, the online survey method was chosen due to the limited timeframe for data collection. For this study, data was gathered through self-administered surveys, distributed via Google Forms, a web-based survey platform. Google Forms was selected for its user-friendly interface, convenience, and ease of use in creating and managing surveys from scratch, as well as for analyzing the collected data. The platform also offers various options for capturing responses, including multiple-answer formats. Respondents are required to complete the survey as soon as they receive the questionnaire. Consequently, it is crucial that the survey items and questions are clear, simple, and easy to understand to ensure the accuracy and reliability of the data collected.

²³ Measuring Digital Development: Facts and Figures Report, 2020

Table 5.5 The Process of Data Collection



Source: Chua (2020), Mastering Research Methods

5.4 RESEARCH INSTRUMENT

The quantitative data for this study were collected using a survey method, with questionnaires serving as the primary research instrument. The survey method is widely employed to gather data systematically, enabling the researcher to obtain structured responses from participants. To achieve the research objectives, the study employs the measurement scale developed by Hair et al. (2019) to create the measurement items based on the literature.

Participation in the study is voluntary, and it is essential for the researcher to ensure that the questionnaire is designed to provide sufficient incentives that encourage respondents to complete and return it within the specified timeframe (Ahmad Shukri,

2002). A well-constructed questionnaire should not cause respondent fatigue but rather engage the respondents, fostering genuine and honest responses.

In this study, the instruments were designed to align with the research objectives and address the research questions outlined earlier. The primary aim was to investigate the role of Islamic financial literacy in influencing financial well-being among Malaysian households. Consequently, each construct and item in the questionnaire was developed in direct response to the research questions and hypotheses. The measurement items, derived from the existing literature, were modified and adapted to fit the context of Islamic financial literacy and financial well-being. An interval scale was employed to assess both the dependent and independent variables.

5.4.1 Scale Development

The primary motivation for developing a psychometric measure is to create a valid instrument for assessing an underlying construct (Clark & Watson, 2015). In this study, the focus is on examining the multidimensionality of Islamic financial literacy and financial well-being. Therefore, an index is an appropriate tool for measuring these variables. Additionally, factors such as demographic and socio-economic characteristics are increasingly recognized as important determinants of both Islamic financial literacy and financial well-being. Consequently, a behavioral perspective is essential for gaining a deeper understanding of actual financial behaviors.

This research incorporates factors from the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT), with a focus on financial self-efficacy and religiosity, as part of the conceptual framework. In situations where a scale measures the strength of a particular indicator or variable (e.g., Islamic financial literacy), the use of composite scores facilitates the identification of trends in complex scenarios, thereby

supporting evidence-based decision-making. The instrument used in this study was a questionnaire adapted from several studies (Gazali, 2018; Lestari, 2020; Idris et al., 2011) and the AKPK Financial Well-Being Survey (2018) to collect data from respondents. The questionnaire consists of eight sections, which are outlined as follows:

- i. Section A: Respondent Demography
- ii. Section B: Islamic Financial Literacy
- iii. Section C: Financial Decision-Making
- iv. Section D: Financial Inclusion
- v. Section E: Religiosity
- vi. Section F: Theory of Planned Behavior
- vii. Section G: Financial Self-Efficacy
- viii. Section H: Financial Well-Being

According to the OECD Handbook on Constructing Composite Indicators (2008), the process of developing an index or scale involves several key steps: the selection of indicators, normalization of those indicators, and the application of weighting and aggregation techniques. In alignment with Hair and Brunsveld (2019), this study employs two measurement scales: the interval scale and the nominal scale. The interval scale is used to assess both the dependent and independent variables. Specifically, the interval scale is chosen because each item on the scale represents the same magnitude of the characteristics being measured across the entire range of the scale.

For this study, the measurement items are adapted and modified to fit the context of Islamic financial literacy and financial well-being. The first draft of the questionnaire will be designed to assess content validity and refine the items. This study intends to use a Likert scale format for the survey questions, which is one of the most commonly employed formats in quantitative research. According to Xie and DeVellis (1992), the Likert scale format presents items in the form of statements, followed by

response options that capture varying degrees of agreement or disagreement with the statement. A five-point Likert scale, ranging from 1 = "strongly disagree" to 5 = "strongly agree," will be used to assess each measurement item.

5.4.2 Questionnaire Design

Birmingham and Wilkinson (2003, p. 9) emphasized that errors and ambiguities in question layout and construction are often overlooked during the design of questionnaires. The design of a questionnaire plays a crucial role in influencing response rates, as well as the reliability and validity of the data collected. To optimize these aspects, the following practices are essential: (i) the careful formulation of individual questions, (ii) the clear and organized layout of the questionnaire, (iii) transparent explanations of the survey's objectives, and (iv) pilot testing. Consequently, meticulous attention was devoted to these principles during the design phase of the questionnaires for this study.

Furthermore, the questionnaire items must be tailored to the respondents' level of understanding and be clearly articulated. The instructions on how to complete the questionnaire should be clear and straightforward to ensure that respondents fully understand what is expected of them. The choice of instrument depends on the specific type of information the researcher aims to collect. However, it is important to acknowledge that, while questionnaires are effective tools for data collection, they have inherent limitations, as they may provide less detailed information compared to interviews.

Since Malaysia is a multiracial and multicultural country, comprising primarily of three major ethnic groups Malay, Chinese, and Indian this study has taken into account the need to prepare the questionnaire in two languages: English and Bahasa Malaysia. The rationale for offering the questionnaire in both languages is to provide

convenience for respondents, enabling them to choose the language in which they are most comfortable and to recheck the meaning of certain statements if necessary. Bahasa Malaysia, being the official language, is widely used in daily communication, while English is also considered an important second language in Malaysia.

5.4.3 The Variables of the Study

This study includes two types of variables: dependent and independent variables. According to Sekaran and Bougie (2016), the dependent variable represents the primary focus of the researcher, as it is the phenomenon or problem to be predicted. In contrast, the independent variables, also referred to as predictor variables, are those that are hypothesized to influence or explain variations in the dependent variable.

The dependent variable in this study is financial well-being, while the independent variables include Islamic financial literacy, financial decision-making, financial inclusion, religiosity, and constructs from the Theory of Planned Behavior namely attitude, subjective norm, perceived behavioral control, and behavioral intention along with financial self-efficacy. In accordance with Churchill Jr. (1979, p. 67), the final measurement items for the study were developed through a combination of literature review and an experience-based survey. The following sections present the measurement items utilized in this study.

5.4.4 Measurement of Demographics

The demographic characteristics of the respondents were assessed by inquiring about the following attributes in Section A: gender, age, educational background, employment status, marital status, number of financial dependents/household size, residential area, personal and household income (grouped), monthly savings, and

current income adequacy. Table 5.6 provides a more detailed presentation of the demographic measurements.

Table 5.6 Measurement of Demographics

Bil	Variables	Measurement
1.	Gender	<ul style="list-style-type: none"> • Male • Female
2.	Age	<ul style="list-style-type: none"> • Below 25 • 25-40 • 41-50 • 51 and above
3.	Education Background	<ul style="list-style-type: none"> • SPM/ Certificate • STAM/STPM/ Diploma • Bachelor's /Professional degree • Master's degree • PhD
4.	Employment Status	<ul style="list-style-type: none"> • Self-Employed • Private • Government • Retiree
5.	Marital Status	<ul style="list-style-type: none"> • Single • Married • Divorced/Widowed
6.	Race	<ul style="list-style-type: none"> • Malay • Chinese • Indian • Others
7.	Number of Financial Dependents/ Household Size	<ul style="list-style-type: none"> • Less than 3 people • 3-5 people • More than 5 people
8.	Household Income (Group)	<ul style="list-style-type: none"> • B40 (Less than RM 3,900) • M40 (RM3,900-RM8,300) • T20 (RM8,301 and above)
9.	Monthly Savings	<ul style="list-style-type: none"> • 0%, • 1-10%, • 10-20%, • >20%
10.	Current Income Adequacy	<ul style="list-style-type: none"> • Not enough • Enough for basic needs • Enough for most things • Enough to buy all the things wished for and could save money

5.4.5 Measurement of Variables

5.4.5.1 Islamic Financial Literacy

The measurement of individual Islamic financial literacy levels in this study was based on ten (10) items adapted from Antara et al. (2017b), Khairunnisa (2020), and M. A. Abdullah & Anderson (2015). The items used in this study were modified and adapted to fit the specific context of the research. Each item was assessed using a five-point Likert scale, with responses ranging from "strongly agree" to "strongly disagree."

Table 5.7 Measurement Items for Islamic Financial Literacy

No.	Islamic Financial Literacy	Source/ Reference	Item Label
1.	I understand the difference between Islamic and conventional banking products.	Adapted from Abdullah & Anderson, (2015)	IFL 1
2.	I understand that Islamic method of finance is interest-free.	Adapted from Antara et al., (2016)	IFL 2
3.	I do not perceive any difference between conventional and Islamic financial products.	Adapted from M. A. Abdullah & Anderson, (2015)	IFL 3
4.	I know that Islamic financial products are based on sale, lease and profit sharing rather than interest.	Adapted from Antara et al., (2016)	IFL 4
5.	I understand that Islamic financial products can only invest in a business that are not prohibited in Islam.	Adapted from Khairunnisa, (2020)	IFL 5
6.	I am aware that Islamic financial products cannot predetermine a guaranteed profit.	Adapted from Khairunnisa, (2020)	IFL 6
7.	I understand the difference between Takaful and an insurance plan.	Adapted from Antara et al., (2017b)	IFL 7
8.	Besides savings in Islamic banking, I am aware of other Islamic investment alternatives such as stocks, unit trust, properties and etc.	Adapted from Khairunnisa, (2020)	IFL 8
9.	Takaful can provide coverage and benefits similar to conventional insurance.	Hassan R., et al. 2018	IFL 9
10.	Islamic banking offers Shariah-compliant credit cards	Adapted from Antara et al., (2017b)	IFL10

5.4.5.2 Financial Decision-Making

The measurement of individual Islamic financial literacy levels in this study is based on seven (7) items adapted from Antara et al. (2017b). Additionally, four items were specifically developed to capture Islamic financial decision-making. The items utilized in this study were modified and adapted to suit the context of the research. Each item was evaluated using a five-point Likert scale, with response options ranging from "strongly agree" to "strongly disagree."

Table 5.8 Measurement Items for Financial Decision-Making

No.	Financial Decision-Making	Source/ Reference	Item Label
1.	I am confident that I would choose Islamic financial products over conventional financial products.	Self-constructed	FDM 1
2.	I always prefer to save my money in the Islamic bank account.	Self-constructed	FDM 2
3.	I only invest my money in Shariah-compliant fund.	Antara et al., (2017b)	FDM 3
4.	I only subscribed Takaful plan to cover my medical expenses/life protection instead of an Insurance plan.	Self-constructed	FDM 4
5.	I would rather make any financing from Islamic banks instead of conventional banks.	Antara et al., (2017b)	FDM 5
6.	If I wanted to subscribe for the credit card, I would rather go for an Islamic credit card instead of a conventional credit card.	Antara et al., (2017b)	FDM 6
7.	I put my retirement/pension funds in the Shariah-compliant fund/ i-KWSP	Self-constructed	FDM 7

5.4.5.3 Financial Inclusion

The measurement for the financial inclusion construct is based on seven (7) items, adapted from the Measuring Financial Inclusion in Malaysia index by Bank Negara Malaysia (BNM)²⁴, with three items specifically developed within the context of Islamic financial inclusion. The measurement tools for the financial inclusion indicators were customized to align with the objectives of this study, defining four key dimensions of financial inclusion: convenient accessibility, uptake rate, responsible usage, and satisfaction level. A five-point Likert scale, ranging from "strongly disagree" to "strongly agree," is used to assess each of the measurement items.

Table 5.9 Measurement Items for Financial Inclusion

No.	Financial Inclusion	Source/ Reference	Item Label
1.	There is at least 1 access point (Islamic bank/ conventional bank at my district area.)	Self-constructed	FI 1
2.	I saved my money in deposit accounts.	Self-constructed	FI 2
3.	I have a financing account including credit cards.	BNM, 2017	FI 3
4.	I have life insurance/ takaful policies.	BNM, 2017	FI 4
5.	I am satisfied with the accessibility of financial services provides- (e.g : <i>e-wallet, online banking, bank branches</i>)	BNM, 2017	FI 5
6.	I am satisfied with the transaction and payment services .	BNM, 2017	FI 6
7.	I am satisfied with the overall financial services.	BNM, 2017	FI 7
8.	Islamic financial products are always accessible to me whenever I want them.	Self-constructed	FI 8

²⁴ Measuring Financial Inclusion in Malaysia by Zarina Abd Rahman, Development Finance and Enterprise Department, Bank Negara Malaysia

5.4.5.4 Religiosity

The measurement of the religiosity construct is based on seven items, which have been adapted from previous studies by Shahzed et al. (2014), Amin (2015), and Gazali (2018). Two additional self-constructed items were developed to capture the specific context of financial well-being. Consequently, the items were modified to align with the objectives of the current study. A five-point Likert scale, ranging from "strongly disagree" to "strongly agree," was used to assess each measurement item.

Table 5.10 Measurement Items for Religiosity

No.	Religiosity	Source/ Reference	Item Label
1.	My wealth is a trust from God.	Adapted from Amin (2015)	RLG1
2.	I participate in religious rituals/occasions on a regular basis.	Adapted from Amin (2015)	RLG2
3.	I avoid using non-Shariah-compliant savings products.	Adapted from Shahzed et. al (2014)	RLG3
4.	Property (house, money, etc.) belongs to God, I only hold it in trust for Him.	Adapted from Amin (2015)	RLG4
5.	It is my obligation to avoid using conventional products that involved prohibition elements like interest and etc.	Self-constructed	RLG5
6.	I save because it is my religious obligation to prepare for any circumstances.	Adapted from Gazali (2018)	RLG6
7.	I still have a skepticism on the application of Islamic banking and finance.	Self-constructed	RLG7

5.4.5.5 Attitude

The measurement of the attitude construct is based on six items, which have been validated and adapted from previous studies by Aboagye et al. (2016), Makanyeza (2017), Zhu et al. (2010), Dusuki and Abdullah (2007), Hung and Hsieh (2010), and M. A. Abdullah and Anderson (2015). Attitude has been identified as a significant factor

in Islamic financial decision-making and financial well-being. Consequently, the items were modified to align with the objectives of the current study. A five-point Likert scale, ranging from "strongly disagree" to "strongly agree," was used to assess each measurement item.

Table 5.11 Measurement Items for Attitude

No.	Attitude	Source/ Reference	Item Label
1.	My first reaction to Islamic financial products was positive.	(Aboagye et al., 2016)	ATT 1
2.	Information on Islamic financial products is sufficient and easily understood.	(Makanyeza, 2017)	ATT 2
3.	I am convinced that I will still choose Islamic financial products even though I am not familiar with them.	(Zhu et al., 2010)	ATT3
4.	I believe Islamic financial products are more secure and reliable as compared to conventional products.	(Dusuki & Abdullah, 2007)	ATT4
5.	Using Islamic financial products and services would give me a better image and higher social status.	(Hung & Hsieh, 2010)	ATT5
6.	I believe Islamic financial products are safer alternative investment products for Muslim.	(M. A. Abdullah & Anderson, 2015)	ATT6

5.4.5.6 Subjective Norms

The subjective norm construct is measured using seven items, which have been adapted and modified from previous studies by Lada et al. (2009), Vaddadi and Pratima (2015), and Ramayah et al. (2009). Subjective norms have been shown to significantly influence financial decision-making and an individual's financial well-being. Consequently, the items were tailored to align with the objectives of this study. A five-

point Likert scale, ranging from "strongly disagree" to "strongly agree," was used to assess each measurement item.

Table 5.12 Measurement Items for Subjective Norm

No.	Subjective Norm	Source/ Reference	Item Label
1.	I adopt Islamic financial products because of the influence of others.	Adapted and modified from Lada et al. (2009)	SN 1
2.	Most people important to me also adopt Islamic financial products.	Adapted and modified from Lada et al. (2009)	SN 2
3.	My decision to adopt Islamic financial products is influenced by my family.	Adapted and modified from Vaddadi & Pratima (2015)	SN 3
4.	My colleagues/peers influence my decisions to adopt Islamic financial products.	Adapted and modified from Vaddadi & Pratima (2015)	SN 4
5.	My spouse/partner/peers influence my decision to adopt Islamic financial products.	Adapted and modified from Vaddadi & Pratima (2015)	SN 5
6.	My family who is important to me would think that choosing Islamic financial products is a good idea.	Adapted and modified from Lada et al. (2009)	SN 6
7.	Most people close to me think adopting Shariah-compliant financial products will be beneficial for me.	Adapted and modified from Lada et al. (2009)	SN 7

5.4.5.7 Perceived Behavioral Control

The construct for perceived behavioral control is designed to reflect respondents' behavior regarding how they manage and control their financial decision-making in the context of Islamic financial products and services. This construct is measured using seven items, which have been adapted from the study by Gopi and Ramayah (2017). A

five-point Likert scale, ranging from "strongly disagree" to "strongly agree," is used to assess each measurement item.

Table 5.13 Measurement Items for Perceived Behavioral Control

No.	Perceived Behavioral Control	Source/ Reference	Item Label
1.	I carefully consider purchasing and subscribing on the any financial products.	Adapted and modified from Gopi and Ramayah (2017)	PCB 1
2.	I have the complete control to choose any financial products in the market.	Adapted and modified from Gopi and Ramayah (2017)	PCB2
3.	I have the resources to subscribe to any financial products in the market.	Adapted and modified from Gopi and Ramayah (2017)	PCB3
4.	I tend to avoid transactions that implicate riba' and other non-compliant transactions.	Self-constructed	PCB4
5.	I am confident that I would only subscribe to Islamic financial products only.	Self-constructed	PCB5
6.	I have the knowledge to adopt Islamic financial products in the current markets.	Adapted and modified from Gopi and Ramayah (2017)	PCB6
7.	I only subscribe to Islamic financial products after gathering some info.	Self-constructed	PCB7

5.4.5.8 Behavioral Intention

The construct for behavioral intention is measured using five items, which have been adapted and modified from previous studies by Antara et al. (2017b), Gosh and Vinod (2017), and self-constructed items. Behavioral intention to use financial products has been identified as a key factor in determining financial well-being. Therefore, the items

have been modified to fit the context of this study. A five-point Likert scale, ranging from "strongly disagree" to "strongly agree," is used to assess each measurement item.

Table 5.14 Measurement Items for Behavioral Intention

No.	Behavioral Intention	Source/ Reference	Item Label
1.	I intend to use Islamic financial products even if the charge will be slightly higher as compared to the conventional bank.	Antara et al., (2017b)	BI1
2.	I plan to choose Islamic financial products in forthcoming month.	Antara et al., (2017b)	BI2
3.	I am likely to choose Islamic financial products for my savings, investment and others in the future.	Antara et al., (2017b)	BI3
4.	I intend to continue my subscription and ownership on the current Islamic financial products and services that I'm using.	Self-constructed	BI4
5.	I would strongly recommend others to use Islamic financial products and services.	Self-constructed	BI5
6.	I set financial goals for my own well-being.	Gosh & Vinod (2017)	BI6

5.4.5.9 Financial Self- Efficacy

The construct for financial self-efficacy is measured using six items, which have been developed and tested in previous studies by Lown (2011) and OECD/INFE (2020). According to Lown (2011), assessing financial self-efficacy provides valuable insights for researchers exploring why some individuals are successful at managing their personal finances, while others with similar demographic and economic characteristics may struggle. The development of a financial self-efficacy scale will assist respondents and households in identifying pathways and barriers to effective personal financial

management. A five-point Likert scale, ranging from “strongly disagree” to “strongly agree,” is used to assess each measurement item.

Table 5.15 Measurement Items for Financial Self-Efficacy

No.	Financial Self-Efficacy	Source/ Reference	Item Label
1.	I am confident about managing my personal finances.	OECD/ INFE (2020)	FSE 1
2.	It is challenging to make progress toward my financial goals.	Lown, (2011)	FSE 2
3.	When unexpected expenses occur I usually have to use credit card.	Lown, (2011)	FSE 3
4.	I set financial goals regarding my future well-being.	Lown, (2011)	FSE 4
5.	I lack confidence in my ability to manage my finances.	OECD/ INFE (2020)	FSE 5
6.	I worry about running out of money in retirement.	Lown, (2011)	FSE 6

5.4.5.10 *Financial Well-Being*

The construct for the financial well-being scale is measured using ten items, which have been developed and tested in previous studies, such as the AKPK Financial Behavior (2018) and the OECD/INFE (2020) International Survey of Adult Financial Literacy. The measurement of financial well-being in this context aims to assess an individual’s ability to make ends meet, their comfort with their current financial position, and their financial resilience. This approach seeks to provide a better understanding of the factors that constitute financial well-being. A five-point Likert scale, ranging from "strongly disagree" to "strongly agree," is used to assess each measurement item.

Table 5.16 Measurement Items for Financial Well-Being

No.	Financial Well-Being	Source/ Reference	Item Label
1.	I am satisfied with my current financial situation.	AKPK Financial Behavior (2018)	FWB 1
2.	My salary is enough to pay my monthly payments on bills.	AKPK Financial Behavior (2018)	FWB 2
3.	I can afford to buy the stuff I want.	OECD/ INFE 2020	FWB 3
4.	I am concerned that my money won't last.	OECD/ INFE 2020	FWB 4
5.	I have extra money from my salary at the end of the month after all the bills are paid.	AKPK Financial Behavior (2018)	FWB 5
6.	I have at least RM 1000 for emergency expenses.	AKPK Financial Behavior (2018)	FWB 6
7.	I have an emergency fund that can cover my expenses for two to six months.	AKPK Financial Behavior (2018)	FWB 7
8.	It is difficult for me to have savings due to financial commitments.	AKPK Financial Behavior (2018)	FWB 8
9.	If I'm having financial difficulties, I could manage it for a period of time.	AKPK Financial Behavior (2018)	FWB 9
10.	My finance control my life.	OECD/ INFE 2020	FWB 10

5.4.6 The Panel of Expert Review

The initial literature review identified nine research components to comprise financial well-being: Islamic financial literacy, attitude, perceived behavioral control, subjective norms, religiosity, financial self-efficacy, and financial decision-making. The next step in developing the instrument for this study is questionnaire pretesting. Pretesting a questionnaire is a straightforward technique used to assess in advance whether any issues may arise for respondents or interviewees during the administration of the survey.

An expert review is one of the traditional methods of questionnaire pretesting (Ikart, 2019). It can be conducted at varying levels of organization, where an experienced subject matter expert reviews a draft questionnaire to identify potential

issues with question wording or administration that may lead to measurement errors. Expert review is essential for identifying question-related problems and other potential measurement issues, offering the advantage of being relatively quick and cost-effective. Content validity of a measuring instrument is defined as the extent to which it adequately covers the topic for each construct that will be tested.

The objective of this pretesting method is to have subject matter experts critically review the questions to identify potential issues, such as questionnaire problems, measurement errors, or breakdowns in the question-answering process (Olson, 2010). According to Grealish (2013), expert review offers a fresh perspective, allowing for a critical evaluation of the questions, as developers often become too familiar with the subject matter to identify all potential problems. Furthermore, experts ensure that the questionnaire aligns with the research objectives, adheres to best practices, and is both easy to administer and user-friendly for both respondents and interviewers.

Expert reviewers may rely solely on their own judgment, providing informal assessments that typically result in open-ended comments about the survey items being evaluated (Olson, 2010). However, they can also be guided by a structured, formal appraisal system that outlines a detailed set of potential problem codes (Yan et al., 2012). In contrast, expert reviews incur minimal costs, making them a relatively inexpensive pretesting method. The number of expert reviewers can vary, ranging from two or three to over twenty (Olson, 2010). Lynn (1986) recommended a minimum of three experts, although he suggested that more than ten experts might be unnecessary.

The questionnaire for this study was reviewed by four subject matter experts, including academicians and a representative from the financial industry, to validate the content of the first draft. The expert panel consisted of individuals with extensive

experience in Islamic finance and financial planning. The experts involved in this study are as follows:

Table 5.17 Panel of Experts' Background

Bil	Designation	Organisation
1	Senior Lecturer, Concentration Leader (Islamic Finance) for MBA	Azman Hashim International School, Universiti Teknologi Malaysia (UTM)
2	Senior Strategic Advisor	DDCap Limited Group
3	Head of Islamic Finance Programme	Chartered Institute of Islamic Finance Professionals (CIIF)
4	Senior Lecturer, Islamic Financial Planning and Islamic Banking and Finance	Bank Rakyat School of Business, UNIRAZAK

Each expert was provided with a copy of the draft questionnaire, including the components, to solicit their feedbacks. Content validity was assessed by a panel of experts in the field, who reviewed the instrument in terms of item construction and evaluated the extent to which the items comprehensively cover the content to be tested (Gay & Airasian, 2003). The wording and phrasing of the instrument were carefully revised and modified to minimize potential bias and confusion among respondents. Additionally, the revisions aimed to ensure that the instrument accurately measures the intended variables, specifically the roles of Islamic financial literacy in influencing financial well-being among Malaysian households.

After the panel of expert reviewers has validated the content of the questionnaire, the researcher will finalize the modifications and refinement of the instrument. Table 5.18 below presents the suggestions for improvement made by the experts to enhance the items in the questionnaire prior to the pilot study.

Table 5.18 Suggestions and Comments of Experts

Bil	Feedbacks and Suggestions by the Experts	No. Item
1	Items that are not clear in terms of meaning and are too general	A2, A3,A6, J2
2	Items that have an almost cryptic meaning	A8
3	Items that do not fit the construct to be measured	B3, H2
4	Items has less accurate and appropriate choice of words	A1,D3,D6,E1,E5,I6
5	Items have spelling and grammatical errors	B1,E3,G1,G5,G7,I4, J4, J8, J9
6	Items is not relevant	B7, C2,C3,C4, H1

Table 5.19 elucidated in detail the items that need to be modified based on the experts recommendation:

Table 5.19: Item Modification

No	Original Item	Reason to Modify	Construct	Modified Item
1	I understand the difference between Islamic and conventional banking products.	Need to reword the English	Islamic Financial Literacy	I understand on the difference between Islamic and conventional banking.
2	I understand that Islamic financial products cannot predetermine a guaranteed profit.	Need to reword the English	Islamic Financial Literacy	I know Islamic financial products are not about guaranteed returns
3	I understand the difference between Takaful and insurance plan.	Item is wordiness	Islamic Financial Literacy	Takaful is different than regular insurance.
4	I am confident that I would choose Islamic financial products instead of conventional financial products.	Item is wordiness	Financial Decision Making	I would choose Islamic financial products instead of conventional financial products.
5	I participate in religious rituals/occasions on a regular basis.	Item is vague	Religiosity	I find meaning and purpose in the practice of my faith through regular rituals and observances.

6	I am obligated to avoid using conventional products involving prohibition elements like interest and etc.	Need to reword the English	Religiosity	It is my obligation to avoid using conventional products that involved prohibition elements like interest and etc.
7	My first reaction to Islamic financial products was positive.	The word 'first' is imprecise	Financial Attitude	My initial reaction to Islamic financial products was positive.
8	I am convinced that I will still choose Islamic financial products even though I am not familiar with them.	Need to reword the English	Financial Attitude	Islamic financial products seem appealing to me, even though I'm still learning about them.
9	Using Islamic financial products and services would give me a better image and higher social status.	The word 'using' is imprecise	Financial Attitude	Utilizing Islamic financial products and services would give me a better image and higher social status.
10	I carefully consider purchasing and subscribing on the any financial products.	Item is wordiness	Perceived Behavioral Control	I carefully subscribe to any financial products.
11	I am confident that I would only subscribe to Islamic financial products only.	The word 'only' is redundant.	Perceived Behavioral Control	I am confident that I would subscribe to Islamic financial products only.
12	I only subscribe to Islamic financial products after gathering some info	The word 'info' is imprecise	Perceived Behavioral Control	I only subscribe to Islamic financial products after gathering some information.
13	I intend to use Islamic financial products even if the charge will be slightly higher as compared to the conventional bank.	Item is wordiness	Behavioral Intention	I intend to use Islamic financing products even if the charge will be slightly higher.
14	I plan to choose Islamic financial products in forthcoming month.	The word 'forthcoming' is imprecise.	Behavioral Intention	I plan to choose Islamic financial products in upcoming month.
15	It is hard for me to stick to my spending plan when unexpected expenses arise.	The word 'arise is imprecise.	Financial Self-Efficacy	It is hard for me to stick to my spending plan when unexpected expenses arose.
16	I worry about running out of money in retirement.	The word 'retirement should be added 'years'	Financial Self-Efficacy	I worry about running out of money in my retirement years.

In conclusion, after the content validity process, the final questionnaire for this study comprised the following variables: (1) 10 items for the Islamic financial literacy construct, (2) 7 items for the financial decision-making construct, (3) 7 items for the religiosity construct, (4) 7 items for the financial inclusion construct, (5) 6 items for the attitude construct, (6) 7 items for the perceived behavioral control construct, (7) 6 items for the behavioral intention construct, (8) 7 items for the subjective norm construct, (9) 6 items for the financial self-efficacy construct, and (10) 10 items for the financial well-being construct. In total, 70 items were included in the questionnaire distributed to households in Klang Valley, Malaysia.

5.4.7 Pilot Testing

Pilot testing serves as a preliminary phase of the research process, providing an opportunity to test the research approach with a small group of participants before the main study is conducted (Birmingham & Wilkinson, 2003). The primary purpose of pilot testing is to identify potential weaknesses in the research instrument and to improve content validity through necessary refinements. Additionally, pilot testing helps determine whether respondents fully understand the questions posed by the researcher (Chrysos, 2017).

In the first stage, the survey was reviewed by experienced academics and revised based on their feedback (Chen & Volpe, 2002). Following this, before proceeding with the main survey, the questionnaire underwent validity and reliability testing through pilot testing. According to Cooper and Schindler (2014), the recommended sample size for pilot testing ranges from 25 to 100 participants. Consequently, the pilot testing for this survey was conducted with a sample of 30 participants using a convenience sampling method. The questionnaires for the pilot

testing were administered by the researcher to assess whether respondents could understand the questions clearly.

To enhance the quality of the questionnaire, the researcher invited respondents to provide feedback, suggest modifications, or propose changes to the survey statements. A total of 70 measurement items were developed across 10 variables. In response to the feedback obtained during the pilot testing, minor revisions were made to improve the clarity of certain questions. Some items were eliminated or rephrased to ensure greater precision in the phrasing. Additionally, Cronbach's alpha coefficient was used to assess the reliability of the measurement instrument.

A pilot study was conducted with a sample of 30 participants to assess the reliability of the instrument. The details of the pilot test are presented in Table 5.20.

Table 5.20 Pilot Test Details

Activity	Description
Pilot Test Respondents	30 people
Place	Bangsar, Kuala Lumpur
Date	2 nd October 2022 to 16 th October 2022

Source(s): Author

The reliability of the questionnaire was assessed using Cronbach's alpha coefficient test was done through SPSS 26 via Cronbach's Alpha to test the items' consistency (Cronbach, 1951). If the items are poorly formulated or not strongly correlated, the alpha value will be closer to 0, suggesting low internal consistency. In general, a Cronbach's alpha value of 0.7 or higher is considered acceptable, indicating adequate convergence and internal consistency (Hair et al., 2006).

The Cronbach's alpha values, presented in Table 5.21, indicate that all items achieved a coefficient of at least 0.706. This high score suggests that the questionnaire is reliable and suitable for use as the instrument to collect data. Ensuring the validity and reliability of the questionnaire in its final form confirms that the instrument is ready for use in the study.

Table 5.21 Cronbach Alpha for Pilot Test Instruments

Factors	Cronbach's Alpha	N of Items
Islamic Financial Literacy	0.755	10
Financial Decision Making	0.869	7
Financial Inclusion	0.731	6
Religiosity	0.777	6
Attitude	0.822	6
Subjective Norm	0.778	6
Perceived Behavioral Control	0.803	7
Behavioral Intention	0.837	6
Financial Self-Efficacy	0.706	6
Financial Well-Being	0.861	10

5.5 DATA ANALYSIS

The analysis process included data cleaning, which involved the detection and elimination of missing data and outliers. This was followed by tests for normality, total variance explained (TVE), collinearity, and multicollinearity. Descriptive statistics for the demographic variables and constructs were then verified before proceeding with further analysis using SPSS 26. Subsequently, the measurement and structural models were assessed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0 software.

5.5.1 Data Entry

The final data collection was self-administered, with questionnaires distributed both face-to-face and online via Google Forms. After obtaining a sufficient number of responses for the preliminary pilot study, the data collected through Google Forms were downloaded and stored in Microsoft Excel, then uploaded into the Statistical Package for the Social Sciences (SPSS) for further analysis. The raw data underwent a data processing procedure, which included data entry, coding, and editing, prior to analysis.

5.5.2 Statistical Analyses using SPSS

The first step of the data analysis involved using IBM SPSS 26 software as the primary tool for data entry and preparation. SPSS 26 assisted the researcher in cleaning the data and checking for logical inconsistencies within the dataset. As mentioned earlier, prior to conversion into a data file, all responses were coded. To ensure the validity of the collected data, several data screening procedures were conducted to test for normality, verify the absence of missing values, identify data entry errors, and detect straight-lining or blank responses. Out-of-range values were rechecked, and necessary corrections were made accordingly. The procedure then continued with checking for outliers. Additionally, missing values were addressed using Expectation-Maximization (EM) procedures. Next, the data was tested for assumptions. Once the data was cleaned, the same software was used to run descriptive statistics tests.

5.5.3 Statistical Analyses using Structural Equation Model

In this study, the research model was assessed using the Partial Least Squares (PLS-SEM) method. Compared to Covariance-Based Structural Equation Modeling (CB-SEM), PLS-SEM offers several advantages, which are explained below:

Table 5.22 Rules of Thumb in Selecting between PLS-SEM and CB-SEM

Criteria of evaluate	PLS-SEM	CB-SEM
i. Research Goal		
i. Forecasting key target constructs	√	
ii. Alternatives theories comparison, testing theory or confirmation of theory		√
iii. Exploratory of an existing structural theory	√	
i. Measurement Model Specification		
i. If structural model contains formative constructs	√	
ii. If require additional specification in error terms such as co-variation		√
i. Structural Model		
i. Complex Structural Model	√	
ii. Non-recursive structural model		√
ii. Data Characteristics and Algorithm		
i. Meet the distributional assumptions of data		√
ii. Did not meet the distributional assumptions of data	√	
iii. Consider small sample size	√	
iv. Consider large sample size	√	√
v. Non-normal distribution	√	
vi. Normal distribution	√	√
ii. Model Evaluation		
i. Latent Variable scores are used in subsequent analyses		√
ii. Need global goodness of fit criterion	√	
iii. Measurement model invariance need to be the test	√	

Source(s): Adapted from Hair et al. (2011)

According to the guidelines presented in Table 5.22 above, this study selected PLS-SEM for the assessment of the research model. This technique was chosen based on the following conditions:

- i. The phenomenon under investigation is relatively novel, requiring the development of new measurement models.
- ii. This study integrates the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT), incorporating new variables to develop the research model. Consequently, the primary focus of this research is on theory development and prediction, aligning with the guidelines for the use of Partial Least Squares Structural Equation Modeling (PLS-SEM) in contrast to Covariance-Based SEM (CB-SEM), which primarily emphasizes theory testing.
- iii. PLS-SEM is particularly suitable for complex structural models that involve a large number of variables.

In numerous studies on financial literacy and financial well-being, Partial Least Squares Structural Equation Modeling (PLS-SEM) has been widely used as the primary data analysis technique. PLS-SEM has been employed in several studies, including those by Bhat et al. (2024), Algarni et al. (2024), and Ariwangsa et al. (2024), demonstrating that this methodology is well-suited for the current research.

The interrelationships among the variables in this study were simultaneously modeled using SmartPLS 3.0 software. All variables in the research model were multi-item and conceptualized as reflective rather than formative. Reflective variables aim to identify measures that are intercorrelated, unidimensional, and exhibit strong internal consistency.

The following subsections outline the guidelines used to assess the measurement model. The software employs a two-stage procedure: (i) measurement model assessment, and (ii) structural model estimation. These stages are further elaborated below:

5.5.4 Measurement Model

The assessment of the reflective measurement model followed the steps recommended by Hair et al. (2017). The reflective measurement model, also known as the outer model, enables the evaluation of the reliability and validity of the items and variables. Reliability reflects the stability and consistency of the measurement scale, while validity indicates the extent to which the scale accurately represents the concept being measured (Hair et al., 2017). To operationalize the measurement model, all possible outer and inner paths were specified in SmartPLS 4 software.

The assessment of the measurement model involved the evaluation of indicator reliability, internal consistency, convergent validity and discriminant validity to look into reflective variables. All of these measurement model will be discussed further as follows:

5.5.4.1 Indicator Reliability (Outer Loadings)

According to Urbach and Ahlemann (2010), an indicator is considered reliable if it accurately measures what it is intended to measure. Indicator reliability is assessed to determine the extent to which the indicators consistently reflect the intended construct (Urbach & Ahlemann, 2010). In this study, a cut-off value of 0.5 was applied to assess the significance of each indicator (Hair et al., 2010). Loadings equal to or greater than

0.5 are deemed acceptable, provided the sum of the high-loading scores contributes to average variance extracted (AVE) values greater than 0.5 (Byrne, 2016).

5.5.4.2 *Convergent Reliability*

Convergent validity is typically assessed using the Average Variance Extracted (AVE). According to Fornell and Larcker (1981), for convergent validity to be established in PLS, the AVE of a construct should be at least 0.5. Urbach and Ahlemann (2010) emphasized that convergent validity involves two measures intended to assess the same construct, demonstrating that they are related.

5.5.4.3 *Discriminant Validity*

The Fornell-Larcker criterion (Fornell & Larcker, 1981) and cross-loadings (Chin, 1998b) are two commonly used measures of discriminant validity in PLS-SEM. Discriminant validity evaluates whether two variables that are not expected to be related are, in fact, unrelated (Urbach & Ahlemann, 2010).

Cross-loading occurs when the component score of each latent variable (LV) correlates with all other items (Chin, 1998b). There should be no interchangeability between indicators of different variables; the loading of each indicator on its designated construct should be higher than its loadings on any other construct. According to the Fornell-Larcker criterion, the average variance extracted (AVE) for each LV should exceed the squared correlation between that LV and any other LV, indicating that each LV shares more variance with its assigned indicators than with any other LV.

In addition to these guidelines, Henseler et al. (2015) recommend testing the Heterotrait-Monotrait ratio (HTMT) to determine whether it is significantly different from 1.00 using bootstrapping. Depending on the study context, HTMT can also be

tested at a lower threshold, such as 0.85 or 0.90 (Franke & Sarstedt, 2019). A summary of the guidelines for assessing measurement model validity is provided in Table 5.23.

Table 5.23 Summaries of Indices for Measurement Analysis

No	Assessment	Name of Index	Guidelines
1	Internal Consistency	Composite Reliability (CR)	CR>0.9 (No Desirable) CR>0.7-0.9 (Satisfactory) CR>0.6 (desirable for exploratory research)
2	Indicator Reliability/ Factor Loadings	Outer Loadings	Indicator's outer loadings > 0.7 Indicator's outer loadings 0.4-0.7 is adequate if AVE achieved the suggested treshold value
3	Convergent Validity	Average Variance Extracted (AVE)	AVE >0.50
4	Discriminant Validity	Cross Loading	Loadings of each indicator are the highest for their designated constructs
		Fornell & Larker's Criterion	The square root of AVE of a construct should be larger than the correlations between the construct and other constructs in the model
		HTMT Criterion	<ul style="list-style-type: none"> • HTMT - 0.85 (Kline,2011) • HTMT – 0.9 (Gold et al., 2001) • The confidence interval of HTMT should not include the value of 1 for all combinations of constructs (Hair at al., 2011)

Source: Ramayah, Jacky, Chuah, Ting & Memon (2018)

5.5.5 Structural Model Estimation

The structural model, also referred to as the inner model, illustrates the relationships between latent variables (i.e., it depicts the constructs and their interrelated paths). This step assesses the model's ability to predict one or more target constructs (Hair et al., 2017). According to Hair et al. (2017), there are five steps for evaluating the structural model in PLS-SEM.

The five primary evaluation criteria used to assess the structural model: (1) collinearity issues, (2) significance of the structural model relationships via the path model, (3) coefficient of determination (R^2), (4) effect size (f^2), and (5) level of predictive relevance (Q^2). The main focus of the evaluation in the structural model is to maximize the variance explained (R^2) for the endogenous latent constructs, as well as to determine the size and significance of all path coefficients. This process allows structural equation modeling to assess how well the data supports the hypothesized model (Tabri & Elliott, 2012). These steps are further detailed in Figure 5.2.

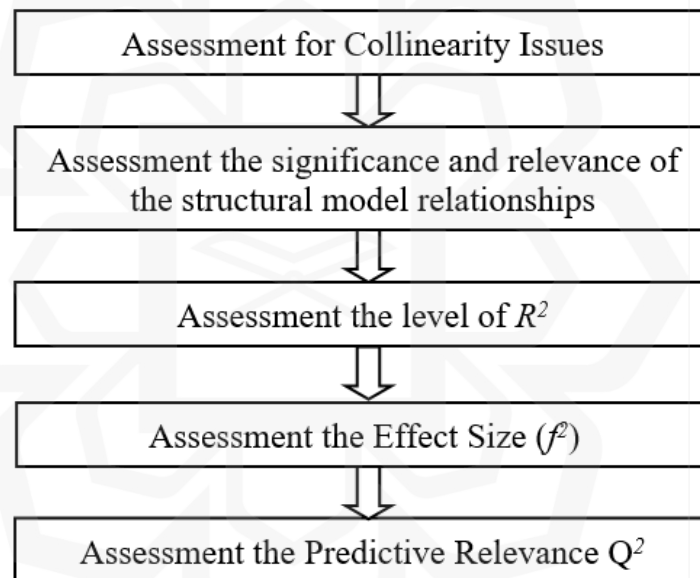


Figure 5.2 Step-by- Steps procedures in the Structural Model

Upon completing the assessment regarding validity and reliability of the measurement model, the structural model is applied in order to test the relationship between the constructs (endogenous and exogenous) and to assess how strong the model is. By performing a bootstrap procedure, PLS-SEM enables the testing of the hypothesis using the path analysis. The results of the structural model would indicate how well the data was gathered to support the theory or concept.

5.5.5.1 Assessment of Collinearity Issues

To ensure that the data do not introduce bias into the regression results, the structural relationships were assessed, and potential collinearity issues were identified. Previous studies suggest that predictor constructs may experience collinearity if the Variance Inflation Factor (VIF) exceeds 5, while others argue that VIF values between 3 and 5 may also indicate collinearity concerns (Becker et al., 2015; Mason & Perreault, 1991). Therefore, it is advisable to aim for a VIF value of 3 or lower. One approach to mitigate collinearity is to develop theory-driven models that are higher-order (Hair et al., 2017).

5.5.5.2 Assessment Path Coefficient

As part of the hypothesis testing in this study, the results of each path relationship in the model were generated using a bootstrapping procedure, a non-parametric test commonly applied in PLS. In bootstrapping, the original sample is replaced by repeated random sampling to obtain standard errors for hypothesis testing and to generate a bootstrapped sample (Hair et al., 2011). Chin (2010) recommended performing bootstrapping with 1,000 re-samples. To test the significance level, the bootstrapping function in SmartPLS 4.0 software was used to generate the t-statistics for all paths. The bootstrapping procedure was set at a 0.05 significance level, with a one-tailed test and 1,000 subsamples. Ramayah et al. (2018) provide guidelines that the critical values for a one-tailed test are 2.33 at the 1% significance level ($\alpha = 0.01$), 1.645 at the 5% significance level ($\alpha = 0.05$), and 1.28 at the 10% significance level ($\alpha = 0.1$). Additionally, weaker relationships correlate with path coefficients close to 0, while stronger positive relationships correlate with values near +1 (Hair, Hult, Ringle, & Sarstedt, 2017).

5.5.5.3 The Coefficient of Determination (R^2)

Next, the model's predictive accuracy was assessed using the coefficient of determination (R^2). The explanatory power of the model can be determined from its R^2 value, which measures the variance explained by each endogenous construct (Shmueli & Koppius, 2011). Rigdon (2012) also noted that in-sample predictive power can be assessed using the R^2 value. In other words, the coefficient of determination (R^2), which ranges from 0 to 1, indicates the model's predictive power. Hair, Hult, Ringle, and Sarstedt (2017) argued that a model with a higher R^2 value demonstrates better predictive accuracy. According to Chin (1998), an R^2 value of 0.67 indicates substantial predictive power, 0.33 indicates moderate predictive power, and 0.19 indicates weak predictive power.

5.5.5.4 Effect Size (f^2)

The f^2 statistic measures the relative impact of a predictor construct on endogenous constructs. As noted by Sullivan and Feinn (2012), it is important not only to report the p-value but also to consider the effect size (substantive significance) alongside statistical significance. Cohen (1988) proposed guidelines for measuring effect size. Table 5.23 presents the effect sizes as defined by Cohen (1988), where values of 0.02, 0.15, and 0.35 correspond to small, medium, and large effect sizes, respectively.

5.5.5.5 Predictive Relevance Assessment (Q^2)

Finally, the blindfolding procedure, as recommended by Hair et al. (2017), was used to assess the predictive relevance (Q^2) of the model (Table 5.24). This process involves a sample re-use technique. Hair et al. (2014) stated that, "For PLS-SEM to exhibit predictive relevance, it must be able to accurately predict the data points of indicators

in reflective measurement models of endogenous constructs and single-item endogenous constructs.” In this context, if $Q^2 > 0$, the model is considered to have sufficient predictive relevance (Fornell & Cha, 1994). Table 5.24 summarizes the guidelines for validating the structural model.

Table 5.24 Summaries of Indices for Structural Model

No	Assessment	Name of Index	Guidelines
1	Lateral Collinearity	Variance Inflator Factor (VIF)	$VIF \leq 5.0$ (Hair et al., 2017)
2	Path Coefficient	Path Coefficient	$p\text{-value} < 0.05$ $t\text{-value} > 1.96$ (two-tailed) $t\text{-value} > 1.645$ (one-tailed)
			$p\text{-value} < 0.01$ $t\text{-value} > 2.58$ (two-tailed) $t\text{-value} > 2.33$ (one-tailed)
			$p\text{-value} < 0.10$ $t\text{-value} > 1.645$ (two-tailed) $t\text{-value} > 1.28$ (one-tailed)
			(Hair et al., 2017)
3	R^2	Coefficient of Determination	0.26 – Substantial 0.13 – Moderate 0.02 – Weak (Hair et al., 2017)
4	f^2	Effect size to R^2	0.35 – Substantial 0.15 – Moderate 0.02 - Weak (Cohen, 1989)
5	Q^2	Stone Geisser Q^2 Predictive relevance	$Q^2 > 0$ indicates that exogenous constructs have predictive relevance for endogenous constructs. (Hair et al., 2017)

Source (s): Ramayah et al. (2018)

5.5.6 Mediation Analysis

Mediation refers to a theoretical model that explains how the primary relationship operates. Mediation tests can be conducted sequentially using multiple regression or simultaneously using Structural Equation Modeling (SEM) path analysis. The main objective of testing the mediating effect of a variable is to determine whether the direct relationship between the dependent and independent variables is not immediately

apparent (James & Brett, 1984). To address the second research question and objective, this study examines whether financial decision-making plays a mediating role between Islamic financial literacy and financial well-being among Malaysian households.

There are four conditions that must be met to confirm whether a variable has a mediating effect on the relationship. For example, let the dependent variable be denoted as Y, the independent variable as X, and the mediator variable as M. The conditions are as follows:

1. X must have a significant effect on Y.
2. X must have a significant effect on M.
3. M must have a significant effect on Y.
3. M must have a significant mediating effect on the relationship between X and Y.

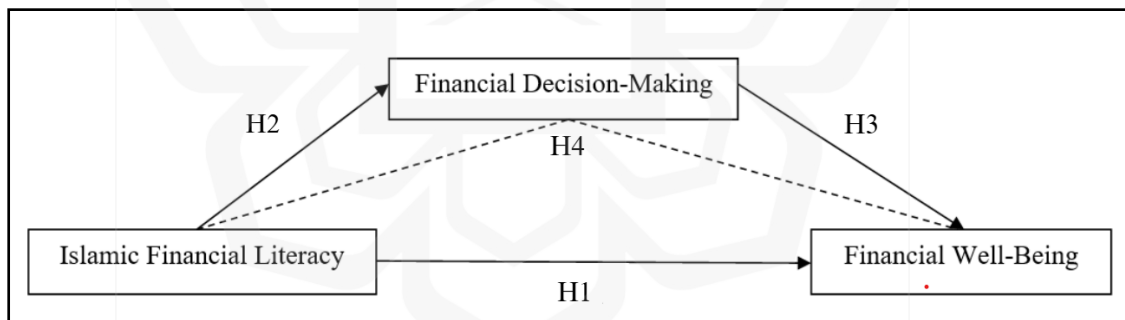


Figure 5.3 Mediation Relationship Framework

To test the mediation effect of financial decision-making on the relationship between Islamic financial literacy and financial well-being, the following hypotheses were formulated:

H₁: Islamic financial literacy has a positive significant relationship with financial well-being (IFL → FWB)

H₂: Islamic financial literacy has a positive significant relationship with financial decision-making (IFL → FDM)

H₃: Financial decision-making has a positive significant relationship with financial well-being (IFL → FWB)

H₄: Financial decision-making mediates the relationship between Islamic financial literacy and financial well-being (IFL → FDM → FWB)

5.6 CHAPTER SUMMARY

This chapter provides a justification for the research methodology and process employed in the current study. To achieve the objectives of this research, a descriptive and surface-level approach was utilized. The study follows a quantitative design and uses a survey method to collect data from the relevant respondents in Malaysia. This chapter outlines the research design, target population, sampling procedure, pilot testing, data collection methods, and data analysis techniques employed in the study. The sample consists of Malaysian households in the Klang Valley, with participants selected randomly by the Department of Statistics Malaysia.

The location for the survey in this study was selected based on the region's economic development capacity. This decision was influenced by resource constraints that limited the ability to extend data collection to other areas of Malaysia. The online survey method was employed to assess the level of Islamic financial literacy and the financial well-being status of participants. A convenience sampling technique was used to target this group, and the ethical considerations for the study are outlined. This chapter also presents the research framework and the hypotheses to be tested.

Finally, this chapter discusses the statistical methods applied to analyze the data collected through the research instrument. Two types of statistical analyses were employed to examine the responses from the participants. Descriptive statistics,

including frequency counts, percentages, and ratios, were used to summarize the data, while a two-step Partial Least Squares Structural Equation Modeling (PLS-SEM) approach was applied for further analysis. The availability of additional data would facilitate the use of structural equation modeling to explore both direct and indirect relationships between the level of Islamic financial literacy and the indicators of financial well-being.



CHAPTER SIX

RESEARCH FINDINGS

6.1 INTRODUCTION

This section outlines the data analysis procedures applied to the data collected through the survey questionnaire in this study. The distribution of the questionnaire via an online survey method necessitated the use of statistical analysis. The chapter begins by presenting an evaluation of the mean and standard deviation in the preliminary studies. Additionally, it focuses on the assessment of the measurement model, which evaluates the validity and reliability of the constructs' measurement items. Subsequently, the structural model is employed to analyze the relationships among the variables under investigation and to address the study's research questions. Before analyzing the model using Partial Least Squares Structural Equation Modeling (PLS-SEM) techniques, it is crucial to examine the data distribution to determine whether the multivariate assumptions are satisfied. The data analysis process in this study comprises three stages. The first stage involves data screening and diagnostic tests to ensure compliance with multivariate assumptions. This stage aims to evaluate the suitability of the data for statistical analysis.

The second stage involves assessing the measurement model to identify the underlying structure of the variables (Ken, 2013) and to illustrate the relationships between the constructs and their indicator variables. In the third stage, the study assesses the structural model, which connects the constructs and demonstrates the relationships (paths) between them. This chapter presents the findings from the data analysis, addressing the study's five research objectives.

6.2 OVERVIEW OF DATA COLLECTED

The data for this study were collected from personnel residing and working in the Klang Valley, a region recognized as Malaysia's economic and urban hub. Although the study focuses on Malaysian households, the Klang Valley was specifically chosen as the target area due to its diverse demographic composition, which includes individuals from various socio-economic backgrounds and professions. This diversity ensures a representative sample that reflects broader household trends across Malaysia, thereby enhancing the generalizability of the findings.

To maximize the reach and response rate, a mixed-method approach was employed, utilizing both online and face-to-face data collection methods. The use of online surveys allowed for efficient distribution and collection of responses, particularly among technologically adept respondents, while face-to-face methods ensured inclusivity by capturing responses from those who may have limited access to digital platforms or prefer in-person interactions. This dual approach not only increased the overall participation rate but also reduced potential sampling bias.

The questionnaires were carefully designed to capture comprehensive information on the research constructs and were distributed to 480 respondents in total. The questionnaires were collected from 2nd November 2022 to 25th March 2023. Of these, 412 questionnaires were returned, reflecting a high response rate of 85%. Following data cleaning and screening, 402 responses (97% of returned questionnaires) were deemed usable for further analysis. The sample size of $n=402$ was considered enough for this research. The sample size was determined based on the table by Krecjic and Morgan. Thus, based on the table, the minimum size (n) was 400. The description of the data collection and response rate is shown in Table 6.1.

Table 6.1 Summary of Data Collection and Response Rate

Response	Total
Distributed Questionnaires	480
Returned Questionnaires	412
Response Rate	97%

Source(s) : Author

This robust response rate and the thorough screening process underscore the reliability and validity of the dataset, ensuring that the subsequent analyses are grounded in high-quality data. The finalized dataset was considered valid for subsequent basic analyses, including tests for outliers, normality, and multicollinearity.

6.2.1 Data Cleaning and Screening

Before proceeding with further analysis, the raw data underwent a rigorous processing phase to ensure its accuracy and integrity. The information collected through the questionnaires was systematically coded, processed, and analyzed using Microsoft Excel and the Statistical Package for the Social Sciences (SPSS), version 26.0. Data cleaning and screening in this study were performed to identify and address missing, incomplete or erroneous entries, ensuring the dataset's suitability for subsequent statistical analysis. This process is vital in quantitative research to prevent unclean data from distorting the results or leading to inaccurate conclusions.

In the present study, the data cleaning process comprised several stages. Initially, the accuracy of data entry was verified by examining the range of responses for all variables. To mitigate the methodological errors, particularly non-response in the survey, this study involved a comprehensive strategy spanning both preventative measures and analytical post-hoc checks to safeguard the data's integrity and validity.

A five-point Likert scale was employed, with the expected range of responses falling between 1 and 5. As discussed previously, the decision to use a 5-point Likert scale was based on its suitability for effectively capturing respondents' attitudes, perceptions, and opinions. Any scores falling outside the expected range were reviewed and corrected as necessary. Descriptive statistics generated confirmed that the data for all 70 items had been entered accurately. Subsequently, the data cleaning process proceeded with an analysis of missing data. Outliers were then identified and removed. The final steps involved the analysis of data normality, homoscedasticity, and multicollinearity.

6.2.2 Missing Value

In the data screening process, a comprehensive inspection of the dataset was conducted to identify and address potential errors. Following the initial cleaning, several preliminary analyses were performed. A Missing Value Analysis (MVA) was carried out to ensure that there were no significant patterns of missing data that could introduce bias into the results. Additionally, an assessment of response bias was performed to identify any systematic patterns in participants' responses. Notably, the dataset contained no missing values, which is a positive attribute and greatly facilitated the data analysis process. A detailed description of the missing value analysis is provided in Table 6.2.

Table 6.2 Missing Value

Constructs	N	Mean	Standard deviation	Missings	Percent
IFL1	402	3.997	0.794	0	0.0
IFL2	402	4.165	0.813	0	0.0
IFL3	402	3.011	1.238	0	0.0
IFL4	402	3.961	0.802	0	0.0

IFL5	402	4.317	0.776	0	0.0
IFL6	402	4.017	0.881	0	0.0
IFL7	402	4.121	0.807	0	0.0
IFL8	402	4.16	0.811	0	0.0
IFL9	402	3.898	0.883	0	0.0
IFL10	402	4.135	0.739	0	0.0
FDM1	402	4.209	0.742	0	0.0
FDM2	402	4.275	0.769	0	0.0
FDM3	402	4.251	0.793	0	0.0
FDM4	402	4.16	0.808	0	0.0
FDM5	402	4.163	0.788	0	0.0
FDM6	402	4.171	0.798	0	0.0
FDM7	402	4.193	0.814	0	0.0
FI1	402	4.196	0.812	0	0.0
FI2	402	4.171	0.865	0	0.0
FI3	402	3.647	1.239	0	0.0
FI4	402	4.102	0.998	0	0.0
FI5	402	4.083	0.76	0	0.0
FI6	402	4.135	0.701	0	0.0
FI7	402	4.033	0.727	0	0.0
RLG1	402	4.562	0.663	0	0.0
RLG2	402	4.554	0.651	0	0.0
RLG3	402	3.983	0.84	0	0.0
RLG4	402	4.201	0.768	0	0.0
RLG5	402	4.24	0.81	0	0.0
RGL6	402	4.328	0.731	0	0.0
RLG7	402	3.427	1.182	0	0.0
ATT1	402	4.223	0.706	0	0.0
ATT2	402	3.917	0.788	0	0.0
ATT3	402	4.174	0.782	0	0.0
ATT4	402	4.152	0.732	0	0.0
ATT5	402	3.983	0.872	0	0.0
ATT6	402	4.207	0.711	0	0.0
SN1	402	3.474	1.136	0	0.0
SN2	402	4.05	0.706	0	0.0
SN3	402	3.634	1.086	0	0.0
SN4	402	3.581	1.058	0	0.0
SN5	402	4.174	0.724	0	0.0
SN6	402	3.994	0.708	0	0.0
PCB1	402	4.215	0.662	0	0.0
PCB2	402	4.168	0.698	0	0.0
PCB3	402	4.105	0.757	0	0.0
PCB4	402	4.207	0.73	0	0.0

PCB5	402	4.091	0.761	0	0.0
PCB6	402	4.003	0.815	0	0.0
PCB7	402	4.094	0.694	0	0.0
BI1	402	4.124	0.715	0	0.0
BI2	402	4.102	0.774	0	0.0
BI3	402	4.273	0.704	0	0.0
BI4	402	4.229	0.704	0	0.0
BI5	402	4.223	0.702	0	0.0
BI6	402	4.242	0.729	0	0.0
FSE1	402	4.061	0.702	0	0.0
FSE2	402	4.025	0.733	0	0.0
FSE3	402	3.457	1.281	0	0.0
FSE4	402	3.763	0.964	0	0.0
FSE5	402	3.333	1.122	0	0.0
FSE6	402	3.689	1.101	0	0.0
FWB1	402	3.68	0.901	0	0.0
FWB2	402	3.975	0.828	0	0.0
FWB3	402	3.826	0.84	0	0.0
FWB4	402	3.477	1.071	0	0.0
FWB5	402	3.804	0.838	0	0.0
FWB6	402	3.879	0.963	0	0.0
FWB7	402	3.612	1.029	0	0.0
FWB8	402	3.482	1.053	0	0.0
FWB9	402	3.813	0.777	0	0.0
FWB10	402	3.474	1.035	0	0.0

Sources: Author

6.2.3 Assessment of Outliers

In most cases, the data collected often contains outliers, which can significantly impact the results of statistical analyses (Barabba, 1990). Outliers are defined as extreme values on a variable and can be detected in both univariate and multivariate contexts (Tabachnick & Fidell, 2019). Hair et al. (2019) emphasize the importance of identifying outliers before conducting Partial Least Squares Structural Equation Modeling (PLS-SEM). They recommend taking appropriate actions, such as removing the offending data points, to prevent distortions in the dataset. Similarly, Paltridge (2015) underscores

the necessity of inspecting for outliers prior to analysis, as performing statistical tests on a contaminated dataset can render the results unreliable and invalid.

In this study, multivariate outliers were assessed using Mahalanobis Distance (MD) based on standardized residual values, as recommended by Tabachnick and Fidell (2019). A dataset of 402 cases was utilized to assess univariate outliers using boxplots. "Mild" outliers, indicated by open dots in the boxplot, are defined as scores that fall more than 1.5 times the Interquartile Range (IQR) from the rest of the scores. "Extreme" outliers, shown by asterisks in the boxplots, are defined as scores that fall more than 3 times the IQR from the rest of the scores.

From the analysis of the boxplots for the 70 items, the researchers decided to delete only those cases that exhibited "extreme" outliers. "Mild" outliers were considered legitimate and retained for analysis. According to Osborne and Overbay (2004), legitimate outliers can be retained without violating statistical assumptions, as they are likely to be representative of the population, and therefore should not be discarded. In this study, a total of 402 cases were used, with p-values set at <0.001 . This threshold indicates that any probability values less than 0.001 should be eliminated from the data. However, no "extreme outliers" were identified among the 402 cases. A summary of the p-values is provided in the Appendix III.

6.2.4 Normality Test

A normality test is a statistical procedure used to assess whether a given set of data follows a normal distribution (Tabachnick & Fidell, 2019). This test is crucial for ensuring the validity and meaningfulness of statistical analyses, as non-normal data can distort the results of many statistical procedures.

In Structural Equation Modeling (SEM), normality is particularly important, as the assumptions of multivariate normality underpin the validity of the analysis. According to Hair et al. (2010), while normality is not a strict requirement for every variable, analyses tend to yield better results when the data is normally distributed. If the data deviates from normality, it can lead to biased model outcomes and compromise the validity of the results. However, perfect normality is uncommon in real-world data. Consequently, this study employed an estimation technique based on skewness and kurtosis to assess the normality of the data (Kumar & Upadhaya, 2017). The normality assessment was conducted to determine whether the data followed a normal distribution or exhibited significant deviations from normality.

Hair et al. (2017) suggested that for most statistical analyses, skewness values between -1 and +1, as well as kurtosis values within the range of -1 to +1, are considered acceptable. In line with these guidelines, this study adopted the criterion that skewness values falling between -1 and +1 and kurtosis values within the range of -1 to +1 would be deemed acceptable. The results of the normality test are presented in Table 6.3.

Table 6.3 Multivariate Normality Test

Constructs	Label	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Islamic Financial Literacy	IFL	-0.422	0.128	0.074	0.255
Financial Decision-Making	FDM	0.595	0.128	-0.128	0.255
Financial Inclusion	FI	-0.379	0.128	-0.233	0.255
Religiosity	RLG	-0.67	0.128	-0.046	0.255
Attitude	ATT	-0.46	0.128	-0.279	0.255
Subjective Norm	SN	-0.418	0.128	-0.299	0.255
Perceived Behavioral Control	PCB	-0.253	0.128	-0.557	0.255
Behavioral Intention	BI	-0.301	0.128	-0.602	0.255
Financial Self-Efficacy	FSE	-0.3	0.128	-0.38	0.255
Financial Well-Being	FWB	0.282	0.128	0.758	0.255

Sources: Author

Table 6.3 presents the results of the kurtosis and skewness tests for the following variables: Islamic Financial Literacy (IFL), Financial Decision-Making (FDM), Financial Inclusion (FI), Religiosity (RLG), Attitude (ATT), Subjective Norm (SN), Perceived Behavioral Control (PCB), Behavioral Intention (BI), Financial Self-Efficacy (FSE), and Financial Well-Being (FWB). Based on the normality test results, the skewness values ranged from -0.67 to 0.595, falling within the recommended range of -1 to +1 (Hair et al., 2017). The kurtosis values ranged from -0.602 to 0.758, also within the acceptable range of -1.0 to 1.0 (Hair et al., 2017). Therefore, the data exhibited a normal distribution, with both skewness and kurtosis values within the acceptable ranges.

6.2.5 Total Variance Explained (TVE)

Total Variance Explained (TVE) is a statistical measure that quantifies the proportion of variance in a dependent variable that can be explained by one or more independent variables. It is typically expressed as a percentage. A higher TVE value indicates that the independent variable(s) account for a larger proportion of the variance in the dependent variable, suggesting a stronger explanatory power of the model. If the total variance extracted by a single factor exceeds 50%, it indicates the presence of common method bias in the study.

In this case, there is no issue with common method bias, as the total variance extracted by a single factor is 50%, which is below the recommended threshold of 50%. Common method bias is typically assessed and controlled for through confirmatory factor analysis (CFA). One approach, as suggested by Podsakoff et al. (2003), is to specify each item in the measurement scale not only as an indicator of its substantive construct but also as an indicator of a latent method factor.

Table 6.4 Total Variance Explained

Initial Elgenvalues			Extraction Sums of Squarred Loadings		
Total	% of variance	Cumulative%	Total	% of Variance	Cumulative %
17.89	24.85	24.85	17.89	24.85	24.85

Sources: Author

6.2.6 Multicollinearity Test

Multicollinearity refers to the high correlation or relationship between independent variables, which can adversely affect regression estimates. According to Pallant (2010), multicollinearity occurs when independent variables are highly correlated, typically with a threshold value of $r = 0.9$ or higher. This condition represents a disturbance in the data, and if present, statistical inferences made from the data may be unreliable. Therefore, it is essential to assess and address multicollinearity to ensure the validity and accuracy of regression results.

Table 6.5 presents the correlation results between the independent variables. The correlations between all independent and dependent variables are below the threshold of 0.9, indicating that multicollinearity is not a concern in this study.

Table 6.5 Pearson Correlation

	IFL	FDM	FI	RLG	ATT	SN	PCB	BI	FSE	FWB
IFL	1	0.60	0.50	0.38	0.50	0.26	0.60	0.54	0.30	0.33
FDM	0.60	1	0.14	0.47	0.66	0.26	0.64	0.71	0.12	0.26
FI	0.20	0.47	1	0.42	0.55	0.35	0.55	0.47	0.38	0.37
RLG	0.38	0.47	0.42	1	0.47	0.34	0.14	0.43	0.27	0.38
ATT	0.50	0.67	0.55	0.48	1	0.42	0.65	0.65	0.25	0.37
SN	0.26	0.27	0.34	0.34	0.42	1	0.30	0.28	0.50	0.42
PCB	0.60	0.64	0.55	0.47	0.65	0.29	1	0.73	0.25	0.37
BI	0.54	0.71	0.48	0.43	0.65	0.28	0.73	1	0.20	0.29
FSE	0.30	0.12	0.38	0.27	0.25	0.50	0.25	0.20	1	0.38
FWB	0.33	0.26	0.37	0.38	0.37	0.42	0.37	0.29	0.38	1

Sources: Author

To assess multicollinearity, a collinearity diagnostic test was conducted using tolerance and Variance Inflation Factor (VIF) values. Tolerance reflects the proportion of variance in one predictor variable that is not explained by other predictors in the model (Pallant, 2010). The acceptable threshold for tolerance is 0.10; if the tolerance value falls below this threshold, it indicates a high degree of multicollinearity, suggesting that the variable is highly correlated with other predictors in the model.

Another important measure of multicollinearity is the Variance Inflation Factor (VIF), which is the inverse of the tolerance value. A VIF value greater than 10 typically indicates the presence of multicollinearity (Kline, 2016). Table 6.6 presents the tolerance values for this study, which are all greater than 0.10, and the VIF values are all less than 10. Therefore, these results suggest that no multicollinearity issue exists, as the variables are not highly correlated with one another.

Table 6.6 Collinearity Statistics

Dependent Variable	Model	Collinearity Statistics	
		Tolerance	VIF
FWB	IFL	0.516	1.938
	FDM	0.360	2.782
	FI	0.557	1.796
	RLG	0.675	1.481
	ATT	0.402	2.486
	SN	0.646	1.548
	PCB	0.355	2.816
	BI	0.354	2.824
	FSE	0.664	1.505

Source: Author

6.3 DESCRIPTIVE OF THE DEMOGRAPHIC VARIABLES

This section presents the demographic characteristics of the sample data collected through the survey questionnaire. As previously mentioned, the questionnaire was distributed to respondents involved in household financial decision-making, aligning with the objectives of this research study. Based on the total sample collected, the data indicate a slightly higher proportion of female respondents (215, or 53.4%) compared to male respondents (187, or 46.6%).

Regarding the respondents' age, 66.7% (n = 269) were aged between 25 and 40 years, followed by 9.9% (n = 40) in the 41 to 50 years age group. Additionally, 14.6% (n = 58) of respondents were below 25 years old, while the remaining 8.8% (n = 35) were aged 51 years and above.

In terms of educational level, the majority of respondents held a Bachelor's degree (n = 293, 73%), followed by 15.2% (n = 61), with a Master's degree. A smaller proportion of respondents had earned a Diploma or Certificate (n= 22, 5.2%), while 4.7% (n= 19) had completed their SPM, and 1.9% (n = 7) had obtained a PhD.

Concerning employment status, the majority of respondents in this study were employed in the private sector, comprising 68% (n = 272) of the total sample. This was followed by 25% (n = 101) working in the government sector, while 5.2% (n = 22) were self-employed. The remaining 1.9% (n = 7) of respondents were retirees. With respect to marital status, 51.5% (n = 207) of respondents were single, 47.7% (n = 191) were married, and the remaining 1.1% (n = 4) were either divorced or widowed.

At the time of the survey, 93.4% (n = 375) of the respondents identified as Bumiputera (Malay), while 3.3% were of Chinese and Indian descent (n = 13) for each group). The sample was drawn from households in the Klang Valley area, which is considered an urban region. Although the ethnic distribution in this study does not align

with the general population distribution of Malaysia²⁵, it is consistent with the demographic composition of the Klang Valley as reported in official statistics from 2019 to 2022.

Moreover, regarding the number of financial dependents, 66.1% (n = 265) of the sample reported having fewer than three dependents, 29.5% (n = 119) had between three and five dependents, and the remaining 4.4% (n = 18) reported having more than five dependents.

In terms of monthly household income, 47.4% (n = 191) of respondents fell within the B40 income group, earning below RM 5,249 per month. This was followed by 39.4% (n = 158) in the M40 group, with monthly incomes ranging from RM 5,250 to RM 11,819. The remaining 13.2% (n = 53) of respondents belonged to the T20 group, with incomes of RM 11,819 and above.

The mean household income in the sample was approximately RM 5,000, as calculated from the income ranges selected by the respondents. This figure is somewhat higher than the average household income reported in Selangor and the Federal Territory of Kuala Lumpur according to the Salaries & Wages Report Malaysia 2022 by the Department of Statistics Malaysia (DOSM). Specifically, the average household income in Selangor was RM 3,840, while in Kuala Lumpur, it was RM 5,873 in 2021.

Meanwhile, regarding monthly savings, 249 respondents (62.0%) reported saving between 1-10% of their income, while 22.5% (n = 90) saved 10-20% of their monthly income. Additionally, 9.4% (n = 38) allocated more than 20% of their income to savings, and 6.1% (n = 25) indicated they did not save at all.

²⁵ Share of Population in Malaysia from 2019-2022, published by Statista Research Department, Oct 5 2022

The results revealed that 7.4% (n = 31) of the respondents indicated that their current income is insufficient to meet their needs. In contrast, 54.8% (n = 220) of the respondents reported that their income is only adequate to cover basic necessities. 22.3% (n = 89) stated that their income is sufficient for most expenses, while 15.4% (n = 62) reported that their income is enough to fulfill their desires and still allows them to save a portion of their monthly salary. Table 6.7 presents a detailed breakdown of the respondents' characteristics.

Table 6.7 Demographic Information of the Respondents

Characteristics	n	%
<i>Gender</i>		
Male	187	46.6
Female	215	53.4
<i>Total</i>	402	100
<i>Age</i>		
Below 25	58	14.6
25-40 years old	269	66.7
41-50 years old	40	9.9
51 and Above	35	8.8
<i>Total</i>	402	100
<i>Education Background</i>		
SPM/ Certificate	19	4.7
STAM/STPM/Diploma	22	5.2
Bachelor's/Professional Degree	293	73.0
Master	61	15.2
PhD	7	1.9
<i>Total</i>	402	100
<i>Employment Status</i>		
Self-Employed	22	5.2
Private Sector	272	68
Government Sector	101	25
Retiree	7	1.9
<i>Total</i>	402	100
<i>Marital Status</i>		
Single	207	51.5
Married	191	47.4

Divorced/Widowed	4	1.1
Total	402	100
Number of Financial Dependents		
Less than 3 People	265	66.1
3-5 People	119	29.5
More Than 5 People	18	4.4
Total	402	100
Race		
Bumiputera	375	93.4
Chinese	13	3.3
Indian	13	3.3
Total	402	100
Monthly Household Income (Group)		
B40 (Less than RM 4,850)	191	47.4
M40 (RM4,851-RM 10,970)	158	39.4
T20 (Above RM10,970)	53	13.2
Total	402	100
Monthly Savings		
0%	25	6.1
1-10%	249	62.0
10-20%	90	28.7
>20%	38	9.4
Total	402	100
Current Income Adequacy		
Not Enough	31	7.4
Enough For Basic Needs	220	54.8
Enough For Most Things	89	22.3
Enough To Buy All The Things Wished For And Could Save Money	62	15.4
Total	402	100

Sources: Author

6.4 DESCRIPTIVE STATISTICS OF THE CONSTRUCT

The initial analyses utilized descriptive statistics, including mean, standard deviation, and range scores for the items and variables included in the study. As suggested by Hair et al. (2010), descriptive statistics were used to summarize and interpret the data. As previously noted, this study employed a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) for all constructs.

Table 6.8 indicates that the variable “Financial Well-Being” had the lowest mean score of 3.702, while “Religiosity” exhibited the lowest standard deviation of 0.489. In contrast, the variable “Financial Decision-Making” had the highest mean score of 4.203, followed by “Behavioral Intention” and “Religiosity” with mean scores of 4.199 and 4.185, respectively. Additionally, the standard deviations of the variables tested in this study ranged from 0.489 to 0.664.

Table 6.8 Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
IFL	402	1.00	5.00	3.978	0.497
FDM	402	1.00	5.00	4.203	0.589
FI	402	1.00	5.00	4.052	0.526
RLG	402	1.00	5.00	4.185	0.489
ATT	402	1.00	5.00	4.109	0.556
SN	402	1.00	5.00	3.818	0.623
PCB	402	1.00	5.00	4.126	0.518
BI	402	1.00	5.00	4.199	0.542
FSE	402	1.00	5.00	3.721	0.664
FWB	402	1.00	5.00	3.702	0.534

Source: Author

6.4.1 Assessing the Mean and Standard Deviation

Descriptive statistics were performed using SPSS, and the results include the mean, standard deviation (S.D.), minimum (Min), and maximum (Max) scores. In this study, the mean and standard deviation for the eight variables were analyzed: Islamic Financial Literacy (Table 6.9), Financial Decision-Making (Table 6.10), Financial

Inclusion (Table 6.11), Religiosity (Table 6.12), Attitude (Table 6.13), Subjective Norm (Table 6.14), Perceived Behavioral Control (Table 6.15), Behavioral Intention (Table 6.16), Financial Self-Efficacy (Table 6.17), and Financial Well-Being (Table 6.18). The results of the descriptive statistics for each construct are presented and discussed in further detail below:

Table 6.9 Descriptive Statistics for Islamic Financial Literacy

No	Item	Code	Mean	S.D	Min	Max
1	I understand the difference between Islamic and conventional banking products. (1: Strongly disagree – 5: Strongly agree)	IFL 1	4.00	0.80	2	5
2	I understand that Islamic method of finance is interest-free. (1: Strongly disagree – 5: Strongly agree)	IFL 2	4.17	.814	1	5
3	I see similarities between conventional and Islamic products. (1: Strongly disagree – 5: Strongly agree)	IFL 3	3.01	1.24	1	5
4	I know that Islamic financial products are based on sale, lease and profit sharing rather than interest. (1: Strongly disagree – 5: Strongly agree)	IFL 4	3.96	.803	1	5
5	I understand that Islamic financial products can only invest in a business that are not prohibited in Islam. (1: Strongly disagree – 5: Strongly agree)	IFL 5	4.32	.777	1	5
6	I understand that Islamic financial products cannot predetermine a guaranteed profit. (1: Strongly disagree – 5: Strongly agree)	IFL 6	4.02	.882	1	5
7	Besides savings in Islamic banking, I am aware of other Islamic investment alternatives such as stocks, unit trusts, properties and etc.	IFL 7	4.12	.809	1	5

(1: Strongly disagree – 5: Strongly agree)						
8	I understand the difference between Takaful and an insurance plan. (1: Strongly disagree – 5: Strongly Agree)	IFL 8	4.16	.812	1	5
9	Takaful can provide coverage and benefits similar to conventional insurance. (1: Strongly disagree – 5: Strongly Agree)	IFL 9	3.90	.885	1	5
10	Islamic banking also offers Shariah-compliant credit cards. (1: Strongly disagree – 5: Strongly Agree)	IFL 10	4.13	.740	1	5
Overall mean for Islamic financial literacy		Mean IFL	3.978	0.497	1.00	5.00

Table 6.9 presents the descriptive statistics for Islamic financial literacy. Islamic financial literacy refers to an individual's knowledge, awareness, and skills related to Islamic finance and services, which influence their ability to make financial decisions that align with Islamic principles (Antara et al., 2016). The overall mean for Islamic financial literacy is 3.978, indicating a moderate level of understanding among the respondents. The highest mean score was observed for the statement, "I understand that Islamic financial products can only invest in businesses that are not prohibited in Islam," with a mean of 4.32. This suggests that respondents possess a solid understanding of the core concepts of Islamic finance and recognize that Islamic financial products must adhere to principles that avoid prohibited (haram) elements in Islam.

Table 6.10 Descriptive Statistics for Financial Decision-Making

No	Item	Code	Mean	S.D	Min	Max
1	I am confident that I would choose Islamic financial products instead of conventional financial products. (1: Strongly disagree – 5: Strongly Agree)	FDM 1	4.21	.743	2	5
2	I always prefer to save my money in an Islamic bank account. (1: Strongly disagree – 5: Strongly Agree)	FDM 2	4.28	.770	2	5
3	I only invest my money in Shariah-compliant fund. (1: Strongly disagree – 5: Strongly Agree)	FDM 3	4.25	.794	2	5
4	I only subscribed Takaful plan to cover my medical expenses/life protection instead of an Insurance plan. (1: Strongly disagree – 5: Strongly Agree)	FDM 4	4.16	.809	2	5
5	I would rather make any financing from Islamic banks instead of conventional banks. (1: Strongly disagree – 5: Strongly Agree)	FDM 5	4.16	.789	1	5
6	If I wanted to subscribe for the credit card, I would rather use an Islamic credit card instead of a conventional one. (1: Strongly disagree – 5: Strongly Agree)	FDM 6	4.17	.800	1	5
7	I put my retirement/pension funds in the Shariah-compliant fund/ i-KWSP. (1: Strongly disagree – 5: Strongly Agree)	FDM 6	4.19	.815	1	5
Overall mean for financial decision-making		Mean FDM	4.203	0.589	1.00	5.00

The construct of financial decision-making refers to the process or activities through which individuals make choices that influence their overall financial well-being. In this study, the highest mean was observed for the item, "I am confident that I would choose Islamic financial products instead of conventional financial products," with a mean

value of 4.24. Table 6.10 shows that the overall mean for financial decision-making was 4.20. This indicates that respondents have a relatively high level of confidence in their financial decision-making, particularly in relation to choosing Shariah-compliant products over conventional alternatives.

Table 6.11 Descriptive Statistics for Financial Inclusion

No	Item	Code	Mean	S.D	Min	Max
1	There is at least 1 access point (Islamic bank/ conventional bank at my district area.) (1: Strongly disagree – 5: Strongly Agree)	FIN 1	4.20	0.851	1	5
2	I saved my money in deposit accounts. (1: Strongly disagree – 5: Strongly Agree)	FIN 2	4.17	0.882	1	5
3	I have a financing account including credit cards	FIN 3	3.65	1.062	1	5
4	I have life insurance/ takaful policies. (1: Strongly disagree – 5: Strongly Agree)	FIN 4	4.10	0.781	1	5
5	I am satisfied with the accessibility of financial services providers- (e.g : e-wallet, online banking, bank branches) (1: Strongly disagree – 5: Strongly Agree)	FIN 5	4.08	0.707	2	5
6	I am satisfied with the current transaction and payment services. (1: Strongly disagree – 5: Strongly Agree)	FIN 6	4.13	0.744	1	5
7	I am satisfied with the overall financial services. (1: Strongly disagree – 5: Strongly Agree)	FIN 7	4.10	0.720	1	5
Overall mean for financial inclusion		Mean FI	4.052	0.526	1.00	5.00

Financial inclusion refers to the extent to which individuals have access to financial products and services. In the context of this study, the construct of financial inclusion is reflected in Table 6.11, which shows a total mean of 4.13, indicating that respondents generally have high access to financial products and services. The item with the highest mean in this construct is: "There is at least one access point (Islamic bank/conventional bank) in my district area," with a mean value of 4.20. This suggests that Malaysian households have access to a variety of useful and affordable financial products and services, including payment facilities, transactions, savings accounts, credit, and Takaful (Islamic insurance).

Table 6.12 Descriptive Statistics for Religiosity

No	Item	Code	Mean	S.D	Min	Max
1	My wealth is a trust from God. (1: Strongly disagree – 5: Strongly Agree)	RLG 1	4.56	0.658	2	5
2	Property (house, money, etc.) belongs to God, I only hold it in trust for Him. (1: Strongly disagree – 5: Strongly Agree)	RLG 2	4.55	0.639	2	5
3	I participate in religious rituals/occasions on a regular basis. (1: Strongly disagree – 5: Strongly Agree)	RLG 3	3.98	0.851	1	5
4	I save because it is my religious obligation to prepare for any circumstances. (1: Strongly disagree – 5: Strongly Agree)	RLG 4	4.20	0.775	2	5
5	I avoid using non-Shariah-compliant savings products. (1: Strongly disagree – 5: Strongly Agree)	RLG 5	4.24	0.863	1	5
6	I am obligated to avoid using conventional products involving prohibition elements like interest and etc. (1: Strongly disagree – 5: Strongly Agree)	RLG 6	4.33	0.758	1	5

7	I still have a skepticism on the application of Islamic banking and finance (1: Strongly disagree – 5: Strongly Agree)	RLG 7	4.43	1.183	1	5
Overall mean for religiosity		Mean RLG	4.185	0.489	1.00	5.00

Religiosity refers to the extent to which an individual adheres to their religious beliefs, particularly in relation to wealth management and financial planning. In this study, Table 6.12 presents a total mean of 4.32, indicating that respondents are strongly influenced by religiosity in their financial decisions. The item with the highest mean for religiosity is: "My wealth is a trust from God," which has a mean value of 4.58. This suggests that respondents recognize and firmly believe that the wealth they possess is ultimately a trust from Allah, and they are merely stewards of that wealth. Consequently, they feel a responsibility to use and manage their wealth in a manner consistent with Shariah principles. This belief also implies that respondents are likely to avoid spending on non-Shariah-compliant goods and services.

Table 6.13 Descriptive Statistics for Attitude

No	Item	Code	Mean	S.D	Min	Max
1	My first reaction to Islamic financial products was positive. (1: Strongly disagree – 5: Strongly agree)	ATT 1	4.22	0.716	2	5
2	Information on Islamic financial products is sufficient and easily understood. (1: Strongly disagree – 5: Strongly agree)	ATT 2	3.92	0.837	1	5
3	I am convinced that I will still choose Islamic financial products even though I am not familiar with them. (1: Strongly disagree – 5: Strongly agree)	ATT 3	4.17	0.799	2	5

4	I believe Islamic financial products are more secure and reliable as compared to conventional products. (1: Strongly disagree – 5: Strongly agree)	ATT 4	4.15	0.760	2	5
5	Using Islamic financial products and services would give me a better image and higher social status. (1: Strongly disagree – 5: Strongly agree)	ATT 5	3.98	0.912	1	5
6	I believe Islamic financial products are safer alternative investment products for Muslim (1: Strongly disagree – 5: Strongly agree)	ATT 6	4.21	0.725	2	5
Overall mean for attitude		Mean ATT	4.109	0.556	1.00	5.00

Table 6.13 presents the mean and standard deviation for attitude. Attitude plays a critical role in shaping individuals' behavior, as it is directly and positively related to their actions. A positive attitude typically leads to favorable outcomes, whereas a negative attitude is often associated with undesirable results. The total mean for attitude in this study is 4.11, suggesting that respondents generally exhibit a strong sense of self-control in their attitude toward financial decisions. The highest mean values were found for the items: "My first reaction to Islamic financial products was positive" and "I believe Islamic financial products are a safer alternative investment for Muslims," both of which have a mean value of 4.24. These findings indicate that respondents have a high level of trust and understanding of Islamic financial products, and are likely to choose them over conventional financial products due to the positive influence of this attitude.

Table 6.14 Descriptive Statistics for Subjective Norm

No	Item	Code	Mean	S.D	Min	Max
1	I adopt Islamic financial products because of the influence of others. (1: Strongly disagree – 5: Strongly Agree)	SN 1	3.47	1.139	1	5
2	Most people important to me also adopt Islamic financial products. (1: Strongly disagree – 5: Strongly Agree)	SN 2	4.05	0.707	1	5
3	My decision to adopt Islamic financial products is influenced by my family. (1: Strongly disagree – 5: Strongly Agree)	SN 3	3.63	1.09	1	5
4	My colleagues/peers influence my decisions to adopt Islamic financial products. (1: Strongly disagree – 5: Strongly Agree)	SN 4	3.58	1.059	1	5
5	My family who is important to me would think that choosing Islamic financial products is a good idea. (1: Strongly disagree – 5: Strongly Agree)	SN 5	4.17	0.725	1	5
6	Most people close to me think adopting Shariah-compliant financial products will be beneficial for me. (1: Strongly disagree – 5: Strongly Agree)	SN 6	3.99	0.709	1	5
Overall mean for subjective norm		Mean SN	3.818	0.623	1.00	5.00

Subjective norm refers to an individual's perceptions of social influences that may encourage or discourage them from performing a specific behavior. These social influences can stem from various sources such as family members, friends, peers, colleagues, or partners. Table 6.14 presents the mean and standard deviation for subjective norm, with a total mean of 3.77, indicating that respondents are moderately influenced by this factor when making financial decisions. The highest mean for subjective norm is for the item: "My family, who is important to me, would think that

choosing Islamic financial products is a good idea," which has a mean value of 4.13. This suggests that family plays a significant role in influencing an individual's financial decisions.

Table 6.15 Descriptive Statistics for Perceived Behavioral Control

No	Item	Code	Mean	S.D	Min	Max
1	I carefully consider purchasing and subscribing on the any financial products. (1: Strongly disagree – 5: Strongly Agree)	PCB 1	4.21	0.663	2	5
2	I have the complete control to choose any financial products in the market. (1: Strongly disagree – 5: Strongly Agree)	PCB 2	4.17	0.699	2	5
3	I have the resources to subscribe to any financial products in the market (1: Strongly disagree – 5: Strongly Agree)	PCB 3	4.10	0.758	1	5
4	I tend to avoid transactions that implicate riba' and other non-compliant transactions. (1: Strongly disagree – 5: Strongly Agree)	PCB 4	4.21	0.731	1	5
5	I am confident that I would only subscribe to Islamic financial products only. (1: Strongly disagree – 5: Strongly Agree)	PCB 5	4.09	0.762	2	5
6	I have the knowledge to adopt Islamic financial products in the current markets. (1: Strongly disagree – 5: Strongly Agree)	PCB 6	4.00	0.816	1	5
7	I only subscribe to Islamic financial products after gathering some info. (1: Strongly disagree – 5: Strongly Agree)	PCB 7	4.09	0.695	1	5
Overall mean for perceived behavioral control		Mean PCB	4.126	0.518	1.00	5.00

Perceived behavioral control refers to an individual's perception of their ability to perform a specific behavior, which can predict their actual behavior. Table 6.15 presents the total mean for perceived behavioral control, which is 4.12, suggesting that this variable has a strong influence on the financial decisions made by the respondents. The item with the highest mean in this construct is: "I carefully consider purchasing and subscribing to any financial products," with a mean value of 4.24. This indicates that respondents are highly thoughtful and deliberate when making financial decisions, particularly when it comes to purchasing or subscribing to financial products.

Table 6.16 Descriptive Statistics for Behavioral Intention

No	Item	Code	Mean	S.D	Min	Max
1	I intend to use Islamic financial products even if the charge will be slightly higher as compared to the conventional bank. (1: Strongly disagree – 5: Strongly Agree)	BI 1	4.12	0.716	2	5
2	I plan to choose Islamic financial products in the forthcoming month. (1: Strongly disagree – 5: Strongly Agree)	BI 2	4.10	0.775	1	5
3	I am likely to choose Islamic financial products for my savings, investment and others in the future. (1: Strongly disagree – 5: Strongly Agree)	BI 3	4.27	0.705	2	5
4	I intend to continue my subscription and ownership of the current Islamic financial products and services I use. (1: Strongly disagree – 5: Strongly Agree)	BI 4	4.23	0.705	2	5
5	I would strongly recommend others to use Islamic financial products and services.	BI 5	4.22	0.703	2	5

	(1: Strongly disagree – 5: Strongly Agree)					
6	I set financial goals for my own well-being. (1: Strongly disagree – 5: Strongly Agree)	BI 6	4.24	0.730	1	5
Overall mean for behavioral intention		Mean BI	4.20	0.542	1.00	5.00

Table 6.16 presents the mean and standard deviation for behavioral intention. Behavioral intention is influenced by attitudes and subjective norms in determining an individual's likelihood of engaging in a particular behavior. The total mean for this variable is 4.20, indicating that it has a significant influence on the respondents' financial decision-making. The item with the highest mean is: "I am likely to choose Islamic financial products for my savings, investment, and other financial needs in the future," with a mean value of 4.27. This suggests that respondents have a strong intention to adopt Islamic financial products for their financial planning.

Table 6.17 Descriptive Statistics for Financial Self-Efficacy

No	Item	Code	Mean	S.D	Min	Max
1	I am confident about managing my personal finances. (1: Strongly disagree – 5: Strongly Agree)	FSE 1	4.06	0.703	2	5
2	It is challenging to make progress toward my financial goals. (1: Strongly disagree – 5: Strongly Agree)	FSE 2	4.02	0.734	1	5
3	When unexpected expenses occur, I usually have to use credit card. (1: Strongly disagree – 5: Strongly Agree)	FSE 3	3.46	1.283	1	5
4	It is hard for me to stick to my spending plan when unexpected expenses arise. (1: Strongly disagree – 5: Strongly Agree)	FSE 4	3.76	0.966	1	5

5	I lack confidence in my ability to manage my finances. (1: Strongly disagree – 5: Strongly Agree)	FSE 5	3.33	1.123	1	5
6	I worry about running out of money in retirement. (1: Strongly disagree – 5: Strongly Agree)	FSE 6	3.69	1.102	1	5
Overall mean for financial self-efficacy		Mean FSE	3.721	0.664	1.00	5.00

Financial self-efficacy refers to an individual's belief in their ability to achieve financial goals. Table 6.17 presents the descriptive statistics for financial self-efficacy. The total mean for this variable is 3.70, indicating that the respondents were moderately influenced by their level of financial self-efficacy in their financial decision-making. The item with the highest mean is: "I am confident about managing my personal finances," with a mean value of 4.08. Overall, the respondents' belief in their ability to achieve financial goals has a moderate influence on their financial decision-making.

Table 6.18 Descriptive Statistics for Financial Well-Being

No	Item	Code	Mean	S.D	Min	Max
1	I am satisfied with my current financial situation. (1: Strongly disagree – 5: Strongly Agree)	FWB 1	3.68	0.967	1	5
2	My salary is enough to pay my monthly payments on bills. (1: Strongly disagree – 5: Strongly Agree)	FWB 2	3.98	0.884	1	5
3	I can afford to buy the stuff I want. (1: Strongly disagree – 5: Strongly Agree)	FWB 3	3.83	0.870	1	5
4	I am concerned that my money won't last at the end of the month. (1: Strongly disagree – 5: Strongly Agree)	FWB 4	3.48	1.095	1	5

5	I have extra money from my salary at the end of the month after all the bills are paid. (1: Strongly disagree – 5: Strongly Agree)	FWB 5	3.80	0.920	1	5
6	I have at least RM 1000 for emergency expenses. (1: Strongly disagree – 5: Strongly Agree)	FWB 6	3.88	1.011	1	5
7	I have an emergency fund that can cover my expenses for two to six months. (1: Strongly disagree – 5: Strongly Agree)	FWB 7	3.61	1.127	1	5
8	It is difficult for me to have savings due to financial commitments. (1: Strongly disagree – 5: Strongly Agree)	FWB 8	3.48	1.084	1	5
9	If I'm having financial difficulties, I could manage it for a period of time. (1: Strongly disagree – 5: Strongly Agree)	FWB 9	3.81	0.827	1	5
10	My finance controls my life. (1: Strongly disagree – 5: Strongly Agree)	FWB 10	3.47	1.036	1	5
Overall mean for financial well-being		Mean FWB	3.702	0.534	1.00	5.00

Financial well-being refers to an individual's financial situation and their sense of security and control over their finances, both in the present and in the future. Table 6.18 presents the descriptive statistics for financial well-being, with a total mean of 3.69, indicating that the respondents' financial well-being is moderate. The item with the highest mean is: "My salary is enough to pay my monthly payments on bills," which has a mean value of 3.98. This suggests that, while the majority of respondents feel reasonably secure in meeting their basic financial obligations, there may still be concerns regarding long-term financial security or savings. A moderate mean value for financial well-being indicates that while many respondents are managing to cover their essential expenses, they may not feel fully confident or secure in their overall financial

position. This highlights the importance of improving financial literacy and providing financial planning tools to enhance the financial well-being of households in Malaysia.

6.4.2 Reliability of Construct

The reliability test was done through SPSS 26 via Cronbach's Alpha to test the items' consistency (Cronbach, 1951). Cronbach's alpha is widely used as a reliable measure of internal consistency among items within a scale (Hair et al., 2006). It is based on the inter-item correlations, where a high value of Cronbach's alpha indicates that the items are strongly correlated with one another, thus demonstrating good internal consistency. If the items are poorly formulated or not strongly correlated, the alpha value will be closer to 0, suggesting low internal consistency. In general, a Cronbach's alpha value of 0.7 or higher is considered acceptable, indicating adequate convergence and internal consistency (Hair et al., 2006).

During the analysis, Cronbach's alpha was also used to assess the internal consistency of the ten factors: Islamic financial literacy, financial decision-making, financial inclusion, religiosity, attitude, subjective norm, perceived behavioral control, behavioral intention, financial self-efficacy, and financial well-being. The reliability indices are summarized in Table 6.19.

Table 6.19 The Reliability Statistics

Factors	Cronbach's Alpha	N of Items
Islamic Financial Literacy	0.755	10
Financial Decision Making	0.869	7
Financial Inclusion	0.731	6
Religiosity	0.777	6
Attitude	0.822	6
Subjective Norm	0.778	6
Perceived Behavioral Control	0.803	7
Behavioral Intention	0.837	6
Financial Self-Efficacy	0.706	6
Financial Well-Being	0.861	10

The analysis revealed that the 70 items were successfully loaded onto ten factors. All 70 items exhibited strong item-total correlations, with a Cronbach's alpha value exceeding 0.7. This high reliability score indicates that the questionnaire is suitable for use as an instrument in this study to collect reliable data. The confirmation of the validity and reliability of the items in their final form ensures that the instrument is ready for use.

6.5 MEASUREMENT MODELS (PLS-SEM)

Measurement model analysis is crucial for establishing construct validity. It links items to their respective constructs, allowing for the evaluation of relationships between observed and unobserved variables (Barabba, 1990). To assess the connection between constructs and items, as well as the validity and reliability of the constructs, model parameters need to be estimated.

There are two main types of measurement models: reflective and formative. A reflective model is used when the indicators or items are seen as effects of the construct, while a formative model is applied when the indicators are considered causes of the latent variable. The following section discusses two key components of construct validity: convergent validity and discriminant validity.

6.5.1 Convergent Validity

Convergent validity refers to the extent to which a measurement is positively correlated with alternative measures of the same construct (Hair et al., 2014). It is typically assessed using factor loadings, composite reliability, and average variance extracted (AVE) (Husin & Rahman, 2016). Convergent validity is established when each measurement item correlates strongly with its respective theoretical construct.

Sufficient convergent validity is achieved when the AVE for a construct is at least 0.5, indicating that the construct explains more than 50% of the variance among the scale indicators (Hair et al., 2017).

6.5.1.1 *Assessment of the Reflective Measurement Model: Before and After Deletion*

Factor loading represents the correlation between an observed variable and a factor in factor analysis, indicating the strength and direction of their relationship. Hair et al. (2011) recommend removing indicators with loadings between 0.4 and 0.7 if doing so

enhances the composite reliability of the construct. Additionally, composite reliability values should exceed 0.7, while the average variance extracted (AVE) should be greater than 0.5 (Hair et al., 2010).

Some items in this study's research model have low loadings, which indicates a weak relationship between the item and the overall construct. We decided to delete these items for several reasons. First, removing them improves the overall internal consistency and reliability of the scale. Items with low loadings don't contribute much to measuring the intended concept and can introduce measurement error. Second, deleting them helps ensure that each construct is distinct from the others, a concept known as discriminant validity. Low-loading items can sometimes confuse the model by weakly relating to other constructs. By removing these items, the model becomes more accurate, reliable, and easier to interpret.

In this study, ten reflective constructs were identified: Islamic financial literacy, financial decision-making, financial inclusion, religiosity, attitude, subjective norm, perceived behavioral control, behavioral intention, financial self-efficacy, and financial well-being. To evaluate the relationships between these variables, the Partial Least Squares (PLS) algorithm was applied for further analysis.

Table 6.20 PLS Factor Loading of Islamic Financial Literacy

No	Item	Code	Before	After
			Deletion	Deletion
			Loadings	Loadings
1	I understand the difference between Islamic and conventional banking products.	IFL 1	0.640	0.706
2	I understand that the Islamic method of finance is interest-free.	IFL 2	0.671	0.744
3	I see similarities between conventional and Islamic products.	IFL 3	0.055	Deleted
4	I know that Islamic financial products are based on sale, lease and profit sharing rather than interest.	IFL 4	0.664	Deleted
5	I understand that Islamic financial products can only invest in a business that are not prohibited in Islam.	IFL 5	0.550	Deleted
6	I understand that Islamic financial products cannot predetermine a guaranteed profit.	IFL 6	0.617	Deleted
7	Besides savings in Islamic banking, I am aware of other Islamic investment alternatives such as stocks, unit trusts, properties and etc.	IFL 7	0.643	Deleted
8	I understand the difference between Takaful and an insurance plan.	IFL 8	0.678	0.691
9	Takaful can provide coverage and benefits similar to conventional insurance.	IFL 9	0.708	0.754
10	Islamic banking also offers Shariah-compliant credit cards.	IFL 10	0.719	Deleted
			AVE	0.525
			CR	0.815

***Bold values indicate outer loading <0.6*

Table 6.20 presents the measurement items for "Islamic Financial Literacy" before and after deletion. As previously mentioned, the recommended threshold values for factor loadings, AVE, and composite reliability (CR) are 0.5 and 0.7, respectively. It was observed that the factor loadings for IFL3 and IFL5 were below the threshold of 0.5. The final results indicate that all factor loadings, AVE, and CR exceed their recommended thresholds of 0.5 and 0.7, respectively. Therefore, the convergent validity of the items has been established.

Table 6.21 PLS Factor Loading of Financial Decision Making

No	Item	Code	Factor Loadings
1	I am confident that I would choose Islamic financial products instead of conventional financial products.	FDM 1	0.759
2	I always prefer to save my money in an Islamic bank account.	FDM 2	0.793
3	I only invest my money in Shariah-compliant fund.	FDM 3	0.764
4	I only subscribed Takaful plan to cover my medical expenses/life protection instead of an Insurance plan.	FDM 4	0.724
5	I would rather make any financing from Islamic banks instead of conventional banks.	FDM 5	0.758
6	If I wanted to subscribe for the credit card, I would rather use an Islamic credit card instead of a conventional one.	FDM 6	0.789
7	I put my retirement/pension funds in the Shariah-compliant fund/ i-KWSP.	FDM 7	0.650
		AVE	0.561
		CR	0.899

Table 6.21 presents the measurement items for "Financial Decision Making." It was found that all factor loading values exceeded the recommended threshold of 0.5 for AVE, and the composite reliability (CR) values surpassed the threshold of 0.7. Therefore, no items were deleted, as all items demonstrated adequate convergent validity.

Table 6.22 PLS Factor Loading of Financial Inclusion

No	Item	Code	Before	After
			Deletion	Deletion
			Loadings	Loadings
1	There is at least 1 access point (Islamic bank/ conventional bank at my district area.)	FI 1	0.552	0.577
2	I saved my money in deposit accounts.	FI 2	0.508	Deleted
3	I have a financing account including credit cards.	FI 3	0.454	Deleted
4	I have life insurance/ takaful policies.	FI 4	0.618	0.598
5	I am satisfied with the accessibility of financial services providers-(e.g : e-wallet, online banking, bank branches)	FI 5	0.787	0.776
6	I am satisfied with the current transaction and payment services.	FI 6	0.716	0.776
7	I am satisfied with the overall financial services.	FI 7	0.775	0.837
			AVE	0.391
			CR	0.813

****Bold values indicate outer loading <0.6**

Table 6.22 presents the measurement items for "Financial Inclusion." Some of the factor loadings were found to be below the recommended threshold of 0.5, and the average variance extracted (AVE) was less than 0.5. As a result, the items coded as FIN 1, FIN 2, and FIN 3 were removed to improve the AVE of the "Financial Inclusion" construct. After the removal of these items, the factor loadings exceeded the threshold value of 0.5, and both the AVE and composite reliability (CR) values surpassed the recommended thresholds of 0.5 and 0.7, respectively. Consequently, convergent validity of the model has been established.

Table 6.23 PLS Factor Loading of Religiosity

No	Item	Code	Before	After
			Deletion	Deletion
			Loadings	Loadings
1	My wealth is a trust from God.	RLG 1	0.603	Deleted
2	Property (house, money, etc.) belongs to God, I only hold it in trust for Him.	RLG 2	0.663	0.641
3	I participate in religious rituals/occasions on a regular basis.	RLG 3	0.726	0.726
4	I save because it is my religious obligation to prepare for any circumstances.	RLG 4	0.717	0.737
5	I avoid using non-Shariah-compliant savings products.	RLG 5	0.766	0.787
6	I am obligated to avoid using conventional products involving prohibition elements like interest and etc.	RLG 6	0.667	0.696
7	I still have a skepticism on the application of Islamic banking and finance.	RLG 7	0.210	Deleted
			AVE	0.409
			CR	0.820
				0.528
				0.870

Table 6.23 presents the measurement items for "Religiosity." In accordance with the previously mentioned cut-off guidelines, two items (RLG 1 and RLG 7) were deleted due to low factor loadings. After the removal of these items, the factor loadings, average variance extracted (AVE), and composite reliability (CR) values improved and exceeded the recommended thresholds of 0.5 and 0.7, respectively. Therefore, convergent validity for the construct has been established.

Table 6.24 PLS Factor Loading of Attitude

No	Item	Code	Factor Loadings
1	My first reaction to Islamic financial products was positive.	ATT 1	0.686
2	Information on Islamic financial products is sufficient and easily understood.	ATT 2	0.677
3	I am convinced that I will still choose Islamic financial products even though I am not familiar with them.	ATT 3	0.765
4	I believe Islamic financial products are more secure and reliable as compared to conventional products.	ATT 4	0.763
5	Using Islamic financial products and services would give me a better image and higher social status.	ATT 5	0.743
6	I believe Islamic financial products are safer alternative investment products for Muslim	ATT 6	0.720
		AVE	0.528
		CR	0.870

Table 6.24 presents the measurement items for "Attitude." Based on the results, all factor loadings, average variance extracted (AVE), and composite reliability (CR) values exceeded the recommended thresholds of 0.5 and 0.7, respectively. Therefore, all measurement items are retained. The results indicate that the variables meet the acceptance criteria, establishing convergent validity.

Table 6.25 PLS Factor Loading of Subjective Norm

No	Item	Code	Before	After
			Deletion	Deletion
			Loadings	Loadings
1	I adopt Islamic financial products because of the influence of others.	SN 1	0.567	Deleted
2	Most people important to me also adopt Islamic financial products.	SN 2	0.725	0.811
3	My decision to adopt Islamic financial products is influenced by my family.	SN 3	0.702	0.545
4	My colleagues/peers influence my decisions to adopt Islamic financial products.	SN 4	0.669	Deleted
5	My family who is important to me would think that choosing Islamic financial products is a good idea.	SN 5	0.709	0.829
6	Most people close to me think adopting Shariah-compliant financial products will be beneficial for me.	SN 6	0.667	0.751
AVE			0.456	0.552
CR			0.833	0.828

Table 6.25 reports the measurement items for "Subjective Norms." Due to low factor loadings and average variance extracted (AVE) values, two items (SN 1 and SN 4) were removed in accordance with the previously specified cut-off criteria. After the deletion of these items, both the AVE and composite reliability (CR) values increased, surpassing the threshold values of 0.5 and 0.7, respectively. Consequently, the construct items have demonstrated convergent validity.

Table 6.26 PLS Factor Loading of Perceived Behavioral Control

No	Item	Code	Before	After
			Deletion	Deletion
			Loadings	Loadings
1	I carefully consider purchasing and subscribing on the any financial products.	PCB 1	0.642	Deleted
2	I have the complete control to choose any financial products in the market.	PCB 2	0.702	0.683
3	I have the resources to subscribe to any financial products in the market	PCB 3	0.7698	0.708
4	I tend to avoid transactions that implicate riba' and other non-compliant transactions.	PCB 4	0.665	0.660
5	I am confident that I would only subscribe to Islamic financial products only.	PCB 5	0.755	0.764
6	I have the knowledge to adopt Islamic financial products in the current markets.	PCB 6	0.758	0.781
7	I only subscribe to Islamic financial products after gathering some info.	PCB 7	0.703	0.696
			AVE	0.496
			CR	0.873

The measurement items for "Perceived Behavioral Control" are presented in Table 6.26. When the average variance extracted (AVE) value was found to be less than 0.5, one of the factor loadings also fell below the recommended threshold of 0.5. To improve the AVE measurement of Perceived Behavioral Control (PCB), the item categorized as PCB1 was removed. After this deletion, the factor loadings exceeded the threshold value of 0.5, and both the AVE and composite reliability (CR) values surpassed the recommended thresholds of 0.5 and 0.7, respectively. Consequently, the model's convergent validity has been established.

Table 6.27 PLS Factor Loading of Behavioral Intention

No	Item	Code	Factor Loadings
1	I intend to use Islamic financial products even if the charge will be slightly higher as compared to the conventional bank.	BI 1	0.802
2	I plan to choose Islamic financial products in forthcoming month.	BI 2	0.722
3	I am likely to choose Islamic financial products for my savings, investment and others in the future.	BI 3	0.761
4	I intend to continue my subscription and ownership of the current Islamic financial products and services I use.	BI 4	0.789
5	I would strongly recommend others to use Islamic financial products and services.	BI 5	0.735
6	I set financial goals for my own well-being.	BI 6	0.673
		AVE	0.560
		CR	0.884

Table 6.27 reports the measurement items for “Behavioral Intention”. A complete factor loading results indicated that all values are above the threshold values of 0.50. AVE and CR value have exceeded the recommended values of 0.5 and 0.7 respectively. Thus, all items are retained for further analyses and this has established the convergent validity for the model.

Table 6.28 PLS Factor Loading of Financial Self-Efficacy

No	Item	Code	Before	After
			Deletion	Deletion
			Loadings	Loadings
1	I am confident about managing my personal finances.	FSE 1	0.773	0.945
2	It is challenging to make progress toward my financial goals.	FSE 2	0.653	0.599
3	When unexpected expenses occur, I usually have to use credit card.	FSE 3	0.607	Deleted
4	It is hard for me to stick to my spending plan when unexpected expenses arise.	FSE 4	0.424	Deleted
5	I lack confidence in my ability to manage my finances.	FSE 5	0.407	Deleted
6	I worry about running out of money in retirement.	FSE 6	0.328	Deleted
			AVE	0.308
			CR	0.710
				0.625
				0.761

Table 6.28 presents the measurement items for "Financial Self-Efficacy." Several factor loadings in the table fall below the recommended threshold of 0.5. To improve the average variance extracted (AVE) for Financial Self-Efficacy (FSE), the items FSE 2, FSE 3, FSE 4, FSE 5, and FSE 6 were removed. After the removal of these items, factor loadings significantly increased, exceeding the threshold value of 0.5, and both the AVE and composite reliability (CR) values surpassed the recommended thresholds of 0.5 and 0.7, respectively. Consequently, convergent validity for the model has been established.

Table 6.29 PLS Factor Loading of Financial Well-Being

No	Item	Code	Before	After
			Deletion Loadings	Deletion Loadings
1	I am satisfied with my current financial situation.	FWB 1	0.763	0.761
2	My salary is enough to pay my monthly payments on bills.	FWB 2	0.757	0.760
3	I can afford to buy the stuff I want	FWB 3	0.801	0.799
4	I am concerned that my money won't last at the end of the month.	FWB 4	0.118	Deleted
5	I have extra money from my salary at the end of the month after all the bills are paid.	FWB 5	0.745	0.748
6	I have at least RM 1000 for emergency expenses.	FWB 6	0.663	0.674
7	I have an emergency fund that can cover my expenses for two to six months.	FWB 7	0.714	0.723
8	It is difficult for me to have savings due to financial commitments.	FWB 8	0.045	Deleted
9	If I'm having financial difficulties, I could manage it for a period of time.	FWB 9	0.702	0.700
10	My finance controls my life.	FWB 10	0.429	Deleted
			AVE	0.423
			CR	0.844

Table 6.29 presents the measurement items for "Financial Well-being." Several factor loadings in the table fall below the recommended threshold of 0.5. To improve the average variance extracted (AVE) for Financial Well-being (FWB), the items FWB 4, FWB 8, and FWB 10 were removed. After the removal of these items, factor loadings increased significantly, surpassing the threshold value of 0.5, and both the AVE and composite reliability (CR) values exceeded the recommended thresholds of 0.5 and 0.7, respectively. As a result, convergent validity for the model has been established.

Therefore, a summary of the assessment of the reflective measurement model, including the Average Variance Extracted (AVE) and Composite Reliability (CR) for the research scales, is presented in Table 6.30 below:

Table 6.30 Summary of Measurement Model Analysis

Variables	Initial Items	Final no. of items	Convergent Validity		Internal Consistency Reliability	
			(FL>0.5)	(AVE >0.5)	(CR>0.7)	α
IFL	10	4	0.691-0.754	0.525	0.815	0.755
FDM	7	7	0.650-0.793	0.561	0.899	0.869
FI	7	5	0.577-0.837	0.510	0.836	0.731
RLG	7	5	0.641-0.787	0.528	0.870	0.752
ATT	6	6	0.677-0.765	0.527	0.824	0.822
SN	6	4	0.545-0.829	0.524	0.774	0.719
PCB	7	6	0.660-0.781	0.514	0.863	0.825
BI	6	6	0.673-0.802	0.560	0.884	0.863
FSE	6	3	0.599-0.945	0.625	0.761	0.732
FWB	10	7	0.674-0.799	0.546	0.894	0.861

Note: IFL=Islamic Financial Literacy, FDM=Financial Decision Making, FI=Financial Inclusion, RLG= Religiosity, ATT=Attitude, SN= Subjective Norm, PCB=Perceived Behavior Control, BI=Behavioral Intention, FSE=Financial Self Efficacy, FWB= Financial Well-being; CR=Construct Reliability, Average Variance Extracted=AVE, FL= Factor Loading

Overall, the tests were conducted in two rounds to establish the measurement scale for the variables, with the analysis of the measurement model focusing on construct validity. In the first round, the factor loadings, Average Variance Extracted (AVE), and Composite Reliability (CR) values were assessed. Items with low factor loadings and values below the recommended thresholds were removed. Following this deletion, the remaining measurement items met the criteria for both convergent validity.

6.5.2 Discriminant Validity

After establishing the convergent validity of the measurement items in the reflective model, the next step is to assess discriminant validity. Discriminant validity refers to the extent to which a construct is distinct from other variables, ensuring that it does not overlap or reflect other constructs. This is indicated by low correlations between constructs (Rouibah et al., 2001). Problems with discriminant validity occur when observed variables within a construct correlate more highly with variables from different constructs, or when a latent variable is better explained by other observed variables.

Another way to assess discriminant validity is through the square root of the Average Variance Extracted (AVE), which should reflect low correlations between the construct of interest and other constructs (Hair et al., 2010). For discriminant validity to be considered adequate, the diagonal values in the correlation matrix should exceed 0.707 (Hair et al., 2010). Additionally, the Fornell-Larcker Criterion suggests that a construct's AVE must be higher than its squared correlation with other constructs (Henseler, 2017).

To further strengthen the assessment of discriminant validity, Henseler et al. (2015) recommend using the Heterotrait-Monotrait Ratio of Correlations (HTMT). The HTMT is calculated as the mean of all correlations between indicators across constructs that measure different constructs, relative to the mean of the average correlations of indicators measuring the same construct. This approach provides a more accurate estimate of the true correlation between two constructs, assuming they are perfectly measured and reliable.

In this study, discriminant validity was assessed using three methods: cross-loadings, the Fornell-Larcker Criterion (Fornell & Larcker, 1981), and the Heterotrait-Monotrait Ratio (HTMT) Criterion. These methods were employed to ensure that the constructs measured in the study are distinct and capture unique concepts.

6.5.2.1 Assessment of Cross Loadings

Cross-loadings measure discriminant validity by examining the correlation between an indicator's outer loadings and its loadings on other constructs. A discriminant validity issue arises if the cross-loadings exceed the indicator's outer loadings. As shown in Table 6.31, the results of the cross-loadings indicate that the outer loadings of the indicators on their respective constructs are greater than their loadings on other constructs. Therefore, the results confirm the discriminant validity of the constructs.

Table 6.31 PLS Discriminant Validity for Cross Loadings

	ATT	BI	FSE	FWB	FDM	FI	IFL	PCB	RLG	SN
ATT1	0.701	0.562	0.375	0.298	0.535	0.398	0.415	0.477	0.394	0.382
ATT2	0.666	0.318	0.281	0.29	0.337	0.408	0.348	0.423	0.288	0.388
ATT3	0.768	0.496	0.299	0.319	0.561	0.398	0.383	0.47	0.462	0.432
ATT4	0.765	0.547	0.345	0.23	0.538	0.422	0.374	0.514	0.448	0.416
ATT5	0.729	0.388	0.267	0.259	0.425	0.356	0.297	0.364	0.36	0.434
ATT6	0.726	0.571	0.319	0.232	0.538	0.394	0.396	0.496	0.355	0.419
BI1	0.537	0.787	0.346	0.359	0.572	0.419	0.45	0.546	0.492	0.433
BI2	0.419	0.688	0.311	0.273	0.418	0.319	0.39	0.494	0.334	0.415
BI3	0.57	0.778	0.367	0.261	0.619	0.433	0.427	0.583	0.448	0.442
BI4	0.52	0.801	0.361	0.269	0.542	0.348	0.425	0.58	0.376	0.36
BI5	0.500	0.764	0.28	0.216	0.62	0.305	0.395	0.528	0.343	0.375
BI6	0.408	0.689	0.389	0.225	0.447	0.3	0.313	0.47	0.292	0.328
FSE1	0.392	0.418	0.955	0.404	0.32	0.319	0.316	0.459	0.285	0.26
FSE2	0.307	0.307	0.572	0.146	0.254	0.275	0.281	0.349	0.242	0.306
FWB1	0.289	0.238	0.349	0.762	0.201	0.193	0.231	0.311	0.252	0.221
FWB2	0.351	0.306	0.261	0.760	0.292	0.24	0.305	0.327	0.303	0.207
FWB3	0.276	0.255	0.321	0.799	0.203	0.222	0.252	0.346	0.277	0.24
FWB5	0.235	0.291	0.258	0.748	0.196	0.19	0.23	0.359	0.194	0.234
FWB6	0.242	0.267	0.251	0.673	0.324	0.237	0.241	0.28	0.318	0.242
FWB7	0.197	0.193	0.231	0.723	0.175	0.175	0.186	0.241	0.275	0.232
FWB9	0.341	0.318	0.333	0.701	0.266	0.232	0.301	0.379	0.327	0.288
FDM1	0.59	0.596	0.332	0.238	0.766	0.394	0.453	0.517	0.462	0.373
FDM2	0.567	0.541	0.281	0.279	0.789	0.368	0.469	0.492	0.433	0.443
FDM3	0.51	0.545	0.314	0.252	0.768	0.356	0.441	0.494	0.446	0.384
FDM4	0.439	0.484	0.211	0.253	0.722	0.325	0.477	0.412	0.343	0.274
FDM5	0.524	0.511	0.277	0.211	0.755	0.341	0.482	0.514	0.387	0.392
FDM6	0.513	0.572	0.255	0.247	0.788	0.317	0.416	0.454	0.397	0.415
FDM7	0.368	0.489	0.179	0.195	0.647	0.32	0.375	0.409	0.314	0.332
FI1	0.371	0.479	0.222	0.172	0.381	0.577	0.274	0.354	0.32	0.241
FI4	0.344	0.277	0.228	0.194	0.276	0.598	0.309	0.35	0.242	0.225

FI5	0.358	0.29	0.309	0.187	0.289	0.747	0.295	0.374	0.317	0.326
FI6	0.422	0.323	0.214	0.16	0.392	0.776	0.343	0.385	0.315	0.366
FI7	0.446	0.353	0.295	0.283	0.335	0.837	0.314	0.438	0.367	0.406
IFL1	0.308	0.381	0.249	0.186	0.374	0.285	0.718	0.414	0.244	0.194
IFL2	0.392	0.419	0.293	0.28	0.436	0.276	0.760	0.404	0.302	0.256
IFL8	0.35	0.402	0.233	0.2	0.497	0.348	0.692	0.452	0.287	0.283
IFL9	0.407	0.367	0.26	0.293	0.425	0.338	0.732	0.451	0.337	0.285
PCB2	0.46	0.513	0.388	0.282	0.402	0.459	0.364	0.687	0.329	0.306
PCB3	0.403	0.415	0.384	0.357	0.323	0.409	0.405	0.702	0.346	0.318
PCB4	0.472	0.544	0.329	0.22	0.548	0.385	0.407	0.668	0.387	0.362
PCB5	0.527	0.597	0.362	0.349	0.598	0.403	0.428	0.766	0.517	0.477
PCB6	0.435	0.512	0.403	0.37	0.428	0.341	0.48	0.776	0.368	0.403
PCB7	0.434	0.512	0.286	0.264	0.447	0.329	0.458	0.7	0.392	0.355
RGL6	0.489	0.457	0.254	0.217	0.482	0.374	0.379	0.548	0.703	0.3
RLG2	0.456	0.42	0.178	0.197	0.466	0.355	0.287	0.355	0.649	0.291
RLG3	0.253	0.259	0.214	0.322	0.238	0.26	0.229	0.329	0.715	0.278
RLG4	0.356	0.329	0.219	0.272	0.321	0.305	0.22	0.34	0.736	0.298
RLG5	0.429	0.451	0.282	0.317	0.478	0.335	0.381	0.491	0.791	0.332
SN2	0.466	0.464	0.285	0.29	0.447	0.393	0.31	0.44	0.396	0.824
SN3	0.217	0.058	0.14	0.166	0.07	0.134	0.079	0.142	0.134	0.590
SN5	0.482	0.511	0.264	0.279	0.476	0.385	0.358	0.484	0.346	0.845
SN6	0.481	0.429	0.234	0.199	0.4	0.363	0.24	0.403	0.3	0.763

Source: Author

6.5.2.2 Assessment of Fornell-Larcker Criterion

Table 6.32 presents the results of the Fornell-Larcker Criterion for this study. The findings indicate that the square root of each construct's Average Variance Extracted (AVE) is greater than its highest correlation with any other construct. Therefore, the Fornell-Larcker Criterion confirms the discriminant validity of the constructs.

Table 6.32 PLS Discriminant Validity Fornell-Larcker Criterion

	ATT	BI	FSE	FWB	FDM	FI	IFL	PCB	RLG	SN
ATT	0.727									
BI	0.658	0.752								
FSE	0.433	0.455	0.787							
FWB	0.38	0.365	0.393	0.739						
FDM	0.673	0.713	0.354	0.322	0.749					
FI	0.546	0.478	0.36	0.29	0.462	0.714				
IFL	0.51	0.538	0.359	0.342	0.594	0.427	0.726			

PCB	0.629	0.71	0.504	0.439	0.627	0.537	0.59	0.718
RLG	0.531	0.518	0.32	0.379	0.533	0.441	0.409	0.721
SN	0.567	0.526	0.319	0.324	0.499	0.446	0.354	0.744

Source: Author

6.5.2.3 Assessment of Heterotrait-Monotrait Ratio (HTMT)

The confirmation of discriminant validity for this study also included the use of the Heterotrait-Monotrait Ratio (HTMT). As previously mentioned, HTMT is a relatively new criterion for assessing discriminant validity, introduced by (Henseler et al., 2014). This method calculates the average correlation between constructs and compares it to the mean of the average correlations within the items of the respective constructs (Voorhees et al., 2016). There are two key advantages of using HTMT to confirm discriminant validity. First, HTMT is based on the available data and measures, making it a flexible and efficient approach. Second, the interpretation of HTMT is relatively straightforward, as values above a threshold of 0.90 or 0.85 indicate potential issues with discriminant validity, suggesting that the constructs may not be sufficiently distinct (Henseler et al., 2014). This simplicity in interpretation makes HTMT a valuable tool for ensuring that constructs in the model are conceptually distinct and measured accurately.

According to Gold et al. (2001), an HTMT value above 0.90 indicates a potential lack of discriminant validity, suggesting that the constructs may not be sufficiently distinct. The recommended threshold for HTMT is 0.85 or below HTMT_{.85}, indicating that the constructs are sufficiently distinct from one another and that discriminant validity is established. A HTMT value less than 1 or more specifically 0.85 offers adequate evidence of the discriminant validity (Henseler et al., 2014). Hence, Voorhees et al. (2016) confirmed that HTMT technique performed the best with low arbitrary violation rates. Therefore, any HTMT values exceeding this threshold would require further investigation to ensure that the constructs are correctly measured and

conceptually distinct. Based on the results presented in Table 6.33, the HTMT values for all constructs are below the threshold of 0.85. Therefore, discriminant validity is confirmed and has been established for the measurement model. With the criteria for discriminant validity met, the model satisfies the necessary reliability and validity requirements.

Table 6.33 PLS Discriminant Validity Heterotrait-Monotrait Ratio (HTMT)

	ATT	BI	FSE	FWB	FDM	FI	IFL	PCB	RLG	SN
ATT										
BI	0.788									
FSE	0.704	0.715								
FWB	0.436	0.411	0.528							
FDM	0.792	0.831	0.556	0.368						
FI	0.693	0.598	0.616	0.346	0.583					
IFL	0.653	0.688	0.633	0.416	0.757	0.592				
PCB	0.776	0.863	0.809	0.505	0.760	0.689	0.777			
RLG	0.688	0.643	0.543	0.448	0.670	0.593	0.551	0.689		
SN	0.727	0.637	0.603	0.404	0.606	0.599	0.463	0.649	0.539	

Source: Author

Since all criteria for discriminant validity, including cross-loadings, the Fornell-Larcker Criterion, and the Heterotrait-Monotrait Ratio (HTMT), have been met, the model satisfies the necessary reliability and validity requirements. With a reliable and valid model established, the next step is to assess the structural model, which will provide evidence for hypothesis testing.

6.6 ASSESSMENT OF STRUCTURAL MODEL

The structural model, which is also known as the inner model, reflects the relationships between the latent variables (Hair et al. 2017). Upon completing the assessment regarding validity and reliability of the measurement model is applied in order to test the

relationship between the constructs (endogenous and exogenous) and to assess how strong the model is.

The structural model is developed based on several criteria, including theoretical foundations, research experience, and accumulated knowledge. In path models, the sequence typically follows a left-to-right direction. Independent variables are positioned on the left side of the model, while dependent variables are located on the right. Additionally, variables in the middle of the path model represent those that serve both as independent and dependent variables, depending on their relationships with other constructs.

In this chapter, Partial Least Squares Structural Equation Modeling (PLS-SEM) is employed to test the hypothesized relationships. By performing a bootstrap procedure, PLS-SEM facilitates hypothesis testing through path analysis. The results of the structural model will indicate how well the collected data support the research theory or concept. There are several key criteria used to assess the validity of the developed research model. Following the guidelines provided by Ramayah et al. (2018), the analysis included the following five steps: (1) assessment of collinearity issues, (2) evaluation of the significance of the structural model relationships via path analysis, (3) calculation of the coefficient of determination (R^2), (4) examination of effect size (f^2), and (5) evaluation of predictive relevance (Q^2).

The primary focus in the evaluation of the structural model is to maximize the variance explained, or the R^2 , for the endogenous latent constructs, as well as to assess the size and significance of the path coefficients. A higher R^2 value indicates better predictive power of the model. Another important criterion to consider is Q^2 , which assesses the predictive relevance of the model. A Q^2 value greater than zero indicates that the model has predictive relevance (Tabri & Elliott, 2012).

The assessment of is confirmed by the 5000 bootstrap sample in order to obtain the confidence interval (Hair et al., 2011). Table 6.34 below presents the rule of thumb in measuring the structural equation model recommended by Hair, et al., (2011, p. 186).

Table 6.34 Summaries of Indices for Structural Model

No	Test	Name of Index	Guidelines
1	Lateral Collinearity	Variance Inflator Factor (VIF)	VIF < 5.0 Hair et al. (2017)
2	Path coefficients (β)	Path Coefficient	p value < 0.05 t value > 1.96 (two-tailed) t value > 1.645 (one-tailed) Hair et. al (2017)
3	R^2	The explanatory power	$r=0.25$ (weak) $r=0.50$ (moderate) $r=0.75$ (substantial)
4	(Q^2)	The predictive relevance	Value larger than 0 indicates that exogenous constructs have predictive relevance for endogenous constructs. Hair et al. (2017)
5	The effect size of (f^2)		$f^2 = 0.02$ (small) $f^2 = 0.15$ (medium) $f^2 = 0.35$ (large)

Source: Ramayah et al. (2018)

6.6.1 Assessment of Collinearity Statistics

The first step in evaluating the structural model is to examine the collinearity among exogenous constructs. The purpose of this step is to assess the potential bias in the path coefficients and to determine whether there is significant collinearity among the predictor constructs (Hair et al., 2017).

Table 6.35 presents the Variance Inflation Factor (VIF) values for all the exogenous constructs in the structural model. Nine constructs were tested for collinearity: Islamic financial literacy, financial decision-making, financial inclusion,

religiosity, attitude, subjective norm, perceived behavioral control, behavioral intention, and financial self-efficacy. The results indicate that the VIF values for all constructs were ranged from 1.414 to 2.851 which are below the recommended threshold value of 5.0, suggesting that no collinearity issues exist among the exogenous constructs in the model. Therefore, all constructs remain in the model, and the indicators for the nine measurement models are considered valid and reliable.

Table 6.35 Results of VIF values

Constructs	VIF
Islamic Financial Literacy	1.793
Financial Decision Making	2.711
Financial Inclusion	1.636
Religiosity	1.639
Attitude	2.541
Subjective Norm	1.649
Perceived Behavioral Control,	2.777
Behavioral Intention	2.851
Financial Self-Efficacy	1.414

Source: Author

6.6.2 Assessment of Path Coefficient

The next step involved assessing the significance of the structural model relationships. To this end, PLS bootstrapping was performed to evaluate the path coefficients and their corresponding confidence intervals. The path coefficients indicate the effect size, reflecting the strength of the relationship between each variable and financial well-being.

In Structural Equation Modeling (SEM), the β value represents the path coefficient, which quantifies the relationship between a predictor variable (exogenous latent variable) and a dependent variable (endogenous latent variable). It indicates both

the strength and direction of the relationship between the two constructs. A positive β value suggests a direct relationship, while a negative β indicates an inverse relationship (Hair et al., 2021). Larger β values (e.g., 0.5 or higher) signify a stronger relationship between the variables. Table 6.36 presents the path coefficients for the structural model, the significance of the results, and the bootstrap confidence intervals, which were assessed to confirm the stability of the findings.

Table 6.36 Results of Path Coefficient and Hypotheses Testing

Research Hypotheses	Relationship	Path Coefficient	Std. deviation	t-value	p-value	Decision
H₁ Islamic financial literacy → Financial Well-Being	IFL →FWB	0.385	0.168	2.288	0.002	Supported
H₂ Islamic financial literacy → Financial decision making	IFL →FDM	0.790	0.039	20.113	0.000	Supported
H₃ Financial decision making → Financial Well-Being	FDM→FWB	-0.385	0.159	2.419	0.012	Supported
H₄ Islamic financial literacy → Financial decision making → Financial Well-Being	IFL→FDM →FWB	0.770	0.087	4.343	0.000	Supported
H₅ Financial inclusion → Financial Well-Being	FI→FWB	0.525	0.070	2.351	0.013	Supported
H₆ Religiosity → Financial Well-Being	RLG→FWB	0.766	0.066	2.525	0.016	Supported
H₇ Attitude → Financial Well-Being	ATT→FWB	-0.072	0.084	0.860	0.195	Not Supported
H₈ Subjective Norm → Financial Well-Being	SN→ FWB	-0.080	0.073	1.101	0.135	Not Supported

H₉	Perceived Control Behavior → Financial Well-Being	PCB→FWB	0.470	0.088	2.314	0.026	Supported
H₁₀	Behavioral Intention → Financial Well-Being	BI→FWB	-0.015	0.087	3.221	0.434	Not Supported
H₁₁	Financial Self-efficacy → Financial Well-Being	FSE→FWB	0.203	0.059	4.558	0.000	Supported

Source: Author Note: *Significant at p-value <0.05 ; t-value > 1.96

The results presented in Table 6.36 illustrate the relationships between the determinants of financial well-being, which include Islamic financial literacy, financial decision-making, financial inclusion, religiosity, attitude, subjective norms, perceived behavioral control, behavioral intention, and financial self-efficacy

The results for Hypothesis 1 (H₁) indicate a significant relationship between Islamic financial literacy and financial well-being, with a p-value of 0.002, which is statistically significant at the 5% level ($p < 0.05$). The path coefficient ($\beta = 0.385$) further supports this relationship, demonstrating that Islamic financial literacy directly contributes to explaining the variance in financial well-being.

For Hypothesis 2 (H₂), the relationship between Islamic financial literacy and financial decision-making shows a significant positive effect ($\beta = 0.790$, $p < 0.05$) with a p-value of 0.000. Similarly, Hypothesis 3 (H₃) reveals that the effect of financial decision-making on financial well-being is also significant ($\beta = 0.385$, $p < 0.05$), with p-value of 0.012 .

Additionally, bootstrapping techniques were used to test the mediating effect of financial decision-making. The findings confirm that financial decision-making acts as

a significant mediator (H₄) between Islamic financial literacy and financial well-being ($\beta = 0.770$, $p < 0.05$). Therefore, Hypotheses 1, 2, 3, and 4 are all supported.

Meanwhile, for Hypothesis 5 (H₅), the relationship between financial inclusion and financial well-being also yields a positive result, with a p-value of 0.013, which is statistically significant at the 5% level ($p < 0.05$). The path coefficient ($\beta = 0.525$) further supports this relationship, confirming that financial inclusion directly influences financial well-being. Therefore, Hypothesis 5 (H₅) is supported.

Similarly, the results for Hypothesis 6 (H₆) show that religiosity is significantly associated with financial well-being, with a p-value of 0.016, which is statistically significant at the 5% level ($p < 0.05$). The path coefficient ($\beta = 0.166$) further supports this finding, demonstrating that religiosity contributes directly to explaining the variance in financial well-being. Hence, Hypothesis 6 (H₆) is also supported.

From the Theory of Planned Behavior, Hypothesis 7 (H₇) examines the relationship between attitude and financial well-being. The results indicate that attitude ($\beta = -0.072$) has no direct effect on financial well-being, with a p-value of 0.195, which is statistically insignificant at the 5% level ($p > 0.05$). Therefore, H₇ is not supported.

Similarly, Hypothesis 8 (H₈) explores the relationship between subjective norms and financial well-being. The results show an insignificant relationship ($\beta = -0.080$) with a p-value of 0.135, which is not statistically significant at the 5% level ($p > 0.05$). As a result, H₈ is not supported, indicating that subjective norms do not directly contribute to explaining the variance in financial well-being.

In contrast, for Hypothesis 9 (H₉), the results reveal a significant relationship between perceived behavioral control and financial well-being. The path coefficient ($\beta = 0.170$) and the p-value of 0.026 indicate statistical significance at the 5% level ($p < 0.05$).

However, for Hypothesis 10 (H₁₀), the results indicate that behavioral intention is insignificantly associated with financial well-being, with a p-value of 0.434, which is statistically insignificant at the 5% level ($p > 0.05$). The path coefficient ($\beta = -0.233$) further supports this finding, demonstrating that behavioral intention does not contribute directly to explaining the variance in financial well-being. Therefore, Hypothesis 10 is not supported.

Nevertheless, financial self-efficacy, as proposed in the Social Cognitive Theory, demonstrates a significant relationship with financial well-being. The results show a p-value of 0.000, which is statistically significant at the 5% level ($p < 0.05$). Additionally, the path coefficient ($\beta = 0.203$) indicates a positive and significant relationship between financial self-efficacy and financial well-being. Therefore, Hypothesis 11 (H₁₁) is supported, confirming that financial self-efficacy directly influences financial well-being.

6.6.3 Assessment of Coefficient of Determination (R^2)

The R^2 value explains the variance in the endogenous latent variables within the structural model (Hair, Ringle, et al., 2011, p. 147). The coefficient of determination, R^2 , serves as an indicator of the model's overall predictive power. Table 6.37 presents the R^2 values for both the initial and modified models.

Table 6.37 Results of R^2

Factor	N	R^2	Adjusted R^2	Categories
Financial Well-Being	9	0.468	0.490	Moderate

Source: Author

Based on the results presented, the R^2 values for the initial and modified models were 0.468 and 0.490, respectively. The slight increase in the R^2 value from the initial

to the modified model can be attributed to the removal of items with outer loadings below 0.6.

The results indicate that the initial model explains and predicts 46.8% of the total variation in the endogenous construct (financial well-being) through the exogenous constructs (Islamic financial literacy, financial decision-making, financial inclusion, religiosity, attitude, behavioral intention, perceived behavioral control, subjective norm, and financial self-efficacy) associated with it.

After removing several items from the model, the R^2 value increased to 0.490, indicating that 49.0% of the total variation in financial well-being is explained and predicted by the exogenous constructs. This increase reflects a substantial improvement in the model's predictive accuracy, consistent with Cohen's (1989) guidelines. In summary, the R^2 findings suggest that the model demonstrates a good level of predictive capability for the independent variables.

6.6.4 Assessment of Effect Size (f^2)

In addition to R^2 , the effect size, f^2 , was also assessed. The purpose of evaluating f^2 is to determine the impact of an explanatory variable on the dependent variable (Amin, 2015). According to Cohen (1988, p. 284), the cut-off values for f^2 are categorized into three levels: small (0.02), medium (0.15), and large (0.35) effects.

Furthermore, f^2 provides insight into how the removal of specific independent variables from the model affects R^2 . The effect size of the structural model was examined to assess whether the increase in R^2 corresponds to the proportion of variance that remains unexplained in the endogenous construct (Hair et al., 2017). Essentially, f^2 measures the influence of a selected predictor construct on the R^2 values of an endogenous construct. The results of the f^2 analysis are presented in Table 6.38.

Table 6.38 Results of Effect Size of f^2

No.	Factor	Effect Size (f^2)	Categories
1	IFL →FWB	0.04	Small Effect
2	FDM→FWB	0.00	No effect
3	FIN→FWB	0.00	No effect
4	RLG→FWB	0.06	Small Effect
5	ATT→FWB	0.01	No effect
6	SN→FWB	0.01	No effect
7	PCB→FWB	0.06	Small Effect
8	BI→FWB	0.00	No effect
9	FSE→FWB	0.14	Small Effect

Table 6.38 indicate that five items (financial decision-making, financial inclusion, attitude, subjective norm, and behavioral intention) have zero effects on R^2 .

Meanwhile, Islamic financial literacy, religiosity, perceived behavioral control and financial self-efficacy have small effects over the R^2 , following the guidelines by Cohen (1988). The variability of the effect sizes across the relationships among the constructs indicates that the magnitude of effects of the exogenous variables on the endogenous variable could be influenced by various factors associated with any of the variables.

6.6.5 Assessment of Predictive Relevance (Q^2)

The final step in evaluating the structural model is to assess the Stone-Geisser predictive relevance of theoretical model value (Q^2). Q^2 measures the model's predictive accuracy, and a Q^2 value greater than 0 indicates that the model has predictive relevance (Hair et al., 2017). Since Q^2 is applicable only to endogenous constructs with a reflective measurement model, the blindfolding procedure in SmartPLS 4 software provides Q^2 values exclusively for financial well-being.

Table 6.39 Results of Q^2

Factor	N	Q^2
Financial Well-Being	9	0.201

In this study, the result presented in Table 6.39 shows a Q^2 value of 0.201 for financial well-being. Since this value is greater than zero, it confirms that the structural model has predictive relevance for the endogenous construct. Therefore, the model developed for this study demonstrates substantial predictive relevance for the endogenous constructs.

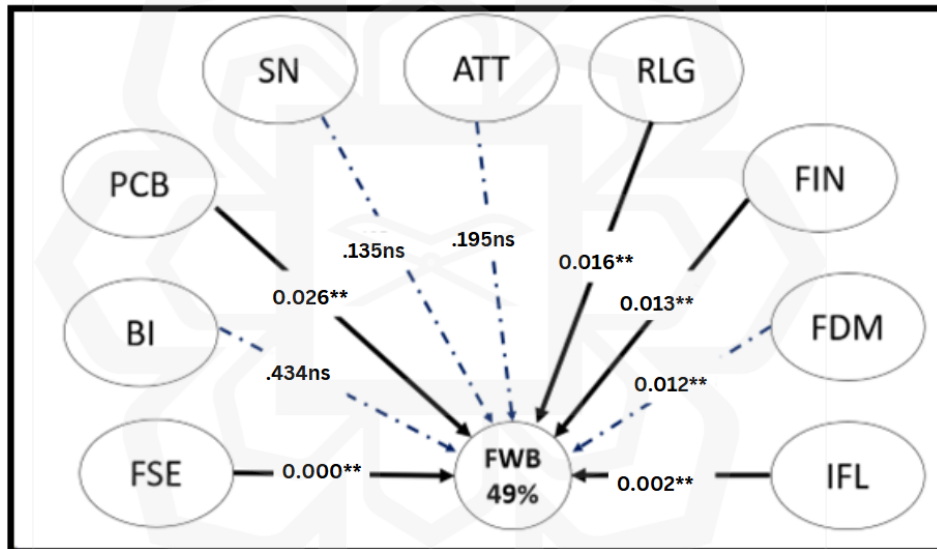


Figure 6.1 Structural Model

Note: * $p > 0.01$, ** $p < 0.05$, ns not significant

—▶ Significant path

- - -▶ Non-significant path

Note: *FWB*= Financial well-being, *IFL*= Islamic Financial Literacy, *FDM*= Financial Decision-Making, *FIN*= Financial Inclusion, *RLG*= Religiosity, *ATT*= Attitude, *SN*= Subjective Norm, *PCB*= Perceived Control Behavioral, *BI*= Behavioral Intention, *FSE*= Financial Self-Efficacy

6.7 HYPOTHESIS TESTING AND RESULTS

The study was designed to test the hypotheses presented in the preceding chapter (Chapter Four). The primary objective was to examine the role of Islamic financial literacy in influencing financial decision-making and its impact on achieving financial well-being among Malaysian households. Table 6.40 provides a summary of the hypothesis testing results presented earlier.

Table 6.40 Summary Results of Hypotheses Testing

No	Pathway	Hypotheses	Result
1.	Islamic financial literacy → Financial well-being	H ₁	Supported
2.	Islamic financial literacy → Financial decision making	H ₂	Supported
3.	Financial decision making → Financial well-being	H ₃	Supported
4.	Islamic financial literacy → Financial decision making → Financial Well-Being	H ₄	Supported
5.	Financial Inclusion → Financial well-being	H ₅	Supported
6.	Religiosity → Financial well-being	H ₆	Supported
7.	Attitude → Financial well-being	H ₇	Not Supported
8.	Subjective Norm → Financial well-being	H ₈	Not Supported
9.	Perceived Control Behavioral → Financial well-being	H ₉	Supported
10.	Behavioral Intention → Financial well-being	H ₁₀	Not Supported
11.	Financial self-efficacy → Financial well-being	H ₁₁	Supported

Source: Author

Of the 11 hypotheses tested, nine were found to be significant. However, three extended variables namely, attitude, subjective norm, and behavioral intention were found to have no significant direct relationship with financial well-being. Further interpretation of these hypotheses and findings are presented in the following sections, where both the theoretical and practical implications are discussed, together with the mediation affect, along with possible explanations for the observed insignificant relationships.

H1: Islamic financial literacy has a positive significant relationship with financial well-being (IFL → FWB)

Hypothesis 1 (H1) examines the relationship between Islamic financial literacy and financial well-being. This study found a significant positive relationship ($\beta = 0.385$, p -value = 0.002), suggesting that higher levels of Islamic financial literacy are associated with greater financial well-being. Specifically, individuals with stronger Islamic financial literacy tend to exhibit superior money management skills and engage in more effective financial planning.

These findings align with previous research by Respati et al. (2023) and Urkash et al. (2020), who also found a positive link between financial literacy particularly Islamic financial literacy and financial well-being. Similar to our results, their studies emphasized that individuals with greater financial knowledge are better equipped to make informed financial decisions, leading to improved financial outcomes. Hypothesis 1 was supported, demonstrating a significant positive association between Islamic Financial Literacy and financial well-being, suggesting that enhanced Islamic financial literacy contributes to improved financial outcomes and overall financial well-being.

H2: Islamic financial literacy has a positive significant relationship with financial decision-making (IFL→ FDM)

Hypothesis 2 (H2) investigates the relationship between Islamic financial literacy (IFL) and financial decision-making. The study's findings reveal a significant positive impact of IFL on financial decision-making ($\beta = 0.790$, $p\text{-value} = 0.000$), indicating that individuals with higher levels of IFL are more likely to make informed financial decisions in line with Islamic principles. This result emphasizes the critical role that Islamic financial literacy plays in guiding financial decisions within Muslim communities.

These findings are consistent with previous research by Mufidah et al. (2022), who also highlighted the significance of IFL in empowering Muslims to make decisions that align with Islamic Sharia. Furthermore, Sajid et al. (2024) demonstrated that financial decision-making mediates the relationship between financial literacy and household financial outcomes, reinforcing the idea that improved financial literacy can lead to better financial decision-making and, ultimately, improved financial outcomes for households.

The findings of Hypothesis 2 confirmed a significant positive relationship between Islamic Financial Literacy (IFL) and financial decision-making, indicating that individuals with higher IFL levels are more likely to make informed financial choices aligned with Islamic principles,

H3: Financial decision-making has a positive significant relationship with financial well-being (FDM→ FWB)

Hypothesis 3 (H3) examines the relationship between financial decision-making and financial well-being. The results of this study indicate that financial decision-making

has a significant impact on financial well-being ($\beta = -0.385$, p-value = 0.012). This finding suggests that financial decision-making is a key factor influencing financial well-being. Furthermore, the current results align with previous research by Martinez and Andal (2022), which has consistently shown a positive relationship between financial decision-making and financial well-being.

Recent research by Martinez and Andal (2022) demonstrated that financial decision-making skills are essential for achieving financial well-being among public school teachers in the Philippines. Similarly, Osman et al. (2019) found that individuals who are capable of analyzing and utilizing financial information are more likely to make sound financial decisions, thereby enhancing their financial well-being.

The results from this hypothesis is consistent with previous research by Sinha et al. (2024), which suggests that households making prudent financial decisions, including managing debts effectively, saving regularly, and planning for retirement, report significantly higher levels of financial well-being. Additionally, Zaimah (2019) also identified a significant relationship between financial product decisions and financial well-being. The findings from this study highlighting the crucial role of sound financial decision-making in achieving improved financial outcomes.

H4: Financial decision-making mediates the relationship between Islamic financial literacy and financial well-being (IFL → FDM → FWB)

To test the mediation effect of the financial decision-making on the relationship between Islamic financial literacy and financial well-being, the bootstrapping method was used through PLS-SEM The findings are presented in Table 6.41.

Table 6.41 Bootstrapping Mediation Result

Hypothesis	Original Sample	Standard Deviation	t-statistics	P-values	Boostrapping Mediation Result
IFL→ FDM→ FWB	0.380	0.087	4.343	0.000	Partial Mediation

Source: Author

The benchmark for assessing the mediating effect is as follows: 0.25 for a large effect, 0.09 for a medium effect, and 0.01 for a small effect. In this study, Hypothesis 4 (H4) was supported and thus accepted. As shown in Table 6.41, the p-value for the mediation effect was significant (p-value < 0.05), with the effect size reaching 0.380. This indicates that financial decision-making enhances the effect of Islamic financial literacy on financial well-being.

Consequently, financial decision-making serves as a partial mediator, strengthening the relationship between Islamic financial literacy and financial well-being. These results align with previous studies, which have demonstrated that financial decision-making significantly mediates the relationship between financial literacy and household financial outcomes (Sajid et al., 2024). These findings suggest that improved financial decision-making can positively influence individuals' decisions to subscribe to Islamic financial products and services, ultimately contributing to better financial well-being.

H₅: Financial Inclusion has a positive significant relationship with financial well-being (FI→ FWB)

Hypothesis 5 (H₅) investigates the relationship between financial inclusion and financial well-being. The results of this study indicate a significant positive relationship between financial inclusion ($\beta = 0.525$, p-value = 0.013) and financial well-being. This

finding aligns with previous research, such as the study by Selvia et al., (2021), which reported that financial inclusion has a significant impact on financial well-being.

Similarly, Nutassey et al., (2023) found a significant positive relationship between financial inclusion and financial well-being. Furthermore, Rashid et al. (2022) also identified a significant relationship, highlighting that financial inclusion facilitates access to credit, which in turn supports business activities. These findings collectively suggest that financial inclusion plays a crucial role in addressing the financial needs of households, particularly in accessing Shariah-compliant formal financial services.

H₆: Religiosity has a positive significant relationship with financial well-being (RLG → FWB)

H₆ refers to the relationship between religiosity and financial well-being. The results of the hypothesis indicate that religiosity ($\beta = 0.766$, p-value = 0.016) is statistically significant. Similarly, this finding corroborates the results of Kose and Cinar (2020), who found a positive relationship between religiosity and financial well-being.

Furthermore, this finding is consistent with the work of Muat and Henry (2023), who demonstrated that religiosity predicted financial well-being among lecturers in Pekanbaru, Indonesia. The current study, therefore, supports the importance of religiosity as a significant factor influencing financial well-being among Malaysian households. It suggests that an increase in religiosity may have a positive impact on financial well-being.

H7: Attitude has a positive significant relationship with financial well-being (ATT→FWB)

H₇ examines the relationship between attitude and financial well-being. The results for H₇ indicate that the relationship is statistically insignificant ($\beta = -0.072$, p-value = 0.195). Contrary to expectations, this study did not find a significant link between attitude and financial well-being.

This finding contrasts with previous research, such as that by Utkarsh et al., (2020), which identified attitude toward financial matters as a strong predictor of financial well-being. Similarly, Rai et al. (2019) found that a favorable financial attitude, which reflects an individual's confidence in making sound financial decisions, contributes to improved financial outcomes and a higher standard of living, ultimately enhancing financial well-being. Additionally, Ratnawati et al. (2023) also concluded that there is a direct effect of financial attitude on financial well-being. Furthermore, Bhatia and Singh (2023) also found a significant relationship between a positive attitude and financial well-being.

However, the results of this study align with Seong, Kai, and Joo's (2011) finding, which suggested that attitudes do not significantly influence the financial well-being of Malaysian savers, in contrast to other studies on the relationship between attitude and financial well-being. One possible explanation for this discrepancy is that the respondents in this study did not express significant anxiety or insecurity regarding their financial situation, which may explain why their attitudes had no observable impact on their financial well-being.

H₈: Subjective Norms has a positive significant relationship with financial well-being (SN → FWB)

Hypothesis 8 (H₈) examined the relationship between subjective norms and financial well-being. The results indicated that the relationship was statistically insignificant ($\beta = -0.080$, p -value = 0.135). While the negative direction suggests a contrary to expectation relationship, further investigation is needed to confirm this unexpected finding.

This finding contrasts with previous research. Abdul Jamal et al. (2015) found a significant positive relationship between family and peer influence on saving behavior, contributing to improved financial well-being among university and college students. Similarly, Davis and Hustvedt (2012) demonstrated that subjective norms significantly influenced individuals' retirement savings decisions in the United States.

However, this study aligns with a recent study by Widjaja et al. (2020), which found that subjective norms did not directly influence saving behavior or contribute to the financial well-being of workers in DKI Jakarta. These contrasting findings suggest that the impact of subjective norms on financial well-being may vary across contexts, demographic groups, and cultural settings. Further research is warranted to explore the nuances of this relationship and identify the specific conditions under which subjective norms exert a significant influence on financial well-being.

H₉: Perceived Control Behavioral has a positive significant relationship with financial well-being (PCB → FWB)

Hypothesis 9 (H₉) examines the relationship between perceived behavioral control and financial well-being. The results indicate that the hypothesis is significant ($\beta = 0.470$, p -value = 0.026), with a positive relationship between the constructs. These findings

are consistent with previous research, such as that by Shim et al. (2009), which suggested that an individual's perceived behavioral control is strongly related to financial well-being. Specifically, those who have a greater sense of control over their financial decisions tend to be more satisfied with their financial status. Similarly, Low (2020) found that perceived behavioral control contributes to predicting subjective financial well-being. Moreover, the current findings align with the study by Sari et al. (2021), which demonstrated that strong perceived behavioral control positively influences financial well-being.

However, this study contrasts with the findings of She et al. (2023), who suggested that perceived behavioral control, in conjunction with financial behavior, mediates a negative relationship with financial well-being. This is also supported by Mansor et al. (2022), who found that financial behavior was significantly negatively related to financial stress, which in turn reflects overall financial well-being in five major regions in Malaysia.

Overall, the results of this study align closely with previous research that examines the effect of perceived behavioral control on financial well-being. Therefore, this study confirms that perceived behavioral control in the selection of Islamic financial products and services plays a significant role in influencing respondents' financial well-being.

H₁₀: Behavioral Intention has a positive significant relationship with financial well-being (BI → FWB)

Hypothesis 10 (H₁₀) examines the relationship between behavioral intention to use Islamic financial products and services and financial well-being. The results indicate that H₁₀ is insignificant ($\beta = -0.015, p\text{-value} = 0.434$). Specifically, the findings suggest

that there is a negative relationship between behavioral intention to use Islamic financial products and services and financial well-being among Malaysian households. Surprisingly, these results imply that the degree of an individual's behavioral intention does not necessarily increase the likelihood that the desired behavior will occur. In other words, although respondents may express interest in the Islamic financial products and services available in the market, this interest does not guarantee an improvement in their financial well-being.

However, previous studies have shown that behavioral intention significantly mediates the relationship between financial behavior and financial well-being. Sabri et al. (2023) found a positive relationship between these variables. Consequently, the findings suggest that behavioral intention, in this context, does not accurately predict a household's financial well-being.

H11: Financial Self-efficacy has a positive significant relationship with financial well-being (FSE → FWB)

Hypothesis 11 (H11) explores the relationship between financial self-efficacy and financial well-being. The results indicate that the relationship is significant ($\beta = 0.203$, $p\text{-value} = 0.000$), with a positive association between the two constructs. Specifically, individuals with higher levels of financial self-efficacy tend to report higher levels of financial well-being. This finding aligns with previous research by Tong and Song (2004), which demonstrated that individuals with stronger general self-efficacy exhibit higher financial well-being. Furthermore, this result is consistent with Dare et al., (2023) study, which found that executive financial self-efficacy is positively related to financial well-being, driven by positive financial behavior.

The findings of this study are consistent with previous research by Lone et al. (2022), who found that financial self-efficacy partially mediates the effect of financial literacy on financial well-being. Similarly, the results of this study support the empirical findings of Sabri et al. (2020), which highlighted a positive association between self-efficacy and financial well-being. These findings suggest that financial self-efficacy plays a significant role in influencing the financial well-being of households.

6.8 CHAPTER SUMMARY

The measurement model was established, and no issues were found within it. The analysis aligned seamlessly, and there were no issues regarding convergent and divergent validity. Furthermore, all factors, including composite reliability, exceeded the recommended thresholds, indicating that all constructs were both reliable and valid. The model of this study is validated through the use of R^2 and Q^2 metrics. The empirical findings indicated that the R^2 and Q^2 values fall within a satisfactory range. The R^2 values demonstrate that the model exhibits significant predictive potential regarding financial well-being, confirming its strong predictive capabilities. Moreover, the Q^2 values demonstrate that the variables and parameters suggested for the study are valid, as the Q^2 levels satisfied predictive significance.

The hypothesis model was presented subsequent to the measurement model. The entire hypothesis model was subsequently interpreted. The initial hypothesis (H_1) indicates that Islamic financial literacy significantly affects the financial well-being of Malaysian households. For hypotheses 2 (H_2) through 4 (H_4), the bootstrap technique was employed to assess the mediating effect of financial decision-making on the relationship between Islamic financial literacy and financial well-being.

Hypothesis 2 shown that Islamic financial literacy directly influences financial decision-making; hence, Hypothesis 2 is accepted. Hypothesis 3 (H₃) demonstrated a substantial positive correlation between financial decision-making and financial well-being; thus, Hypothesis 3 is accepted. Hypothesis 4 (H₄) indicates that financial decision-making mediates the association between Islamic financial literacy and financial well-being.

According to Hypothesis 5, the findings indicate that financial inclusion has a strong positive correlation with financial well-being. This is also applicable to hypothesis 6 (H₆), which shows that religiosity has a significant relationship with financial well-being. Consequently, H₅ and H₆ were approved. Subsequently, Hypothesis 7 (H₇) until Hypothesis 10 (H₁₀) pertain to the expanded Theory of Planned Behaviour (TPB), which comprises the constructs of Attitude (H₇), Subjective Norm (H₈), Perceived Behavioural Control (H₉), and Behavioural Intention (H₁₀). Among the four additional constructs examined, only perceived behavioural control (PCB) demonstrated significant effects on financial well-being within the framework of the Theory of Planned Behaviour (TPB). The remaining three determinants of the Theory of Planned Behaviour (attitude, subjective norm, and behavioural intention) exhibit no significant correlation with financial well-being. Consequently, hypotheses 7, 8, and 10 are rejected.

Finally, the Social Cognitive Theory suggests that self-efficacy (H₁₁) has a positive significance on financial well-being. In summary, nine of the eleven research hypotheses tested in this study produced significant results (H₁, H₂, H₃, H₄, H₅, H₆, H₉ and H₁₁), whilst the remaining four hypotheses offered insignificant results (H₇, H₈ and H₁₀).

CHAPTER SEVEN

CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

This chapter presents a comprehensive summary of the major findings from this research, consolidating the discussions and results from Chapters Five and Six. The first section highlights the summary of the findings. Next, the contribution of research are specified, especially for range of stakeholders, including the consumers, industry practices, policy makers and related government agencies. This is followed by a discussion of the policy implications and implementation derived from the findings, aimed at addressing the issues identified throughout the study. The insights gained from this research are crucial in supporting the objectives outlined in the Financial Sector Blueprint 2022-2026. The chapter concludes by acknowledging the limitations of the research and offering suggestions for future studies to overcome these constraints, ensuring the continued development of this field.

7.2 SUMMARY OF FINDINGS

This study employs multiple robustness measures to evaluate the sensitivity of the results. The Islamic financial literacy framework was developed based on existing literature and subsequently validated through a questionnaire administered to experts. Following this validation, the questionnaire was distributed to participants residing and working in the Klang Valley area. Data collection was conducted using both online and face-to-face methods, with a convenience sampling approach.

However, it is important to note that the use of convenience sampling carries certain limitations. This method involves selecting individuals who are more accessible or willing to participate, which introduces a risk of bias. Specifically, the non-random selection of participants may result in the overrepresentation of certain demographics or groups that are easier to reach, such as individuals from specific geographic areas, socio-economic backgrounds, or with particular interests. Consequently, this could lead to skewed findings. Despite these limitations, several strategies were employed to mitigate potential biases and enhance the validity of the study. These include the use of supplementary methods, larger sample sizes, cross-validation techniques, transparency in reporting, and statistical adjustments.

This study employed statistical analysis using SPSS and PLS-SEM, which serves two key purposes: firstly, it enabled the preparation of initial data and descriptive statistics, and secondly, it facilitated the modeling of complex relationships and testing of the hypothesized paths. The results from these analyses will offer valuable insights into the role of financial literacy in enhancing financial well-being and inform future interventions in financial education.

The **first objective** of this study was to examine the relationship between Islamic financial literacy and financial well-being among Malaysian households. To achieve this, the constructs of Islamic financial literacy and financial well-being were tested across various socioeconomic groups within the sample. The empirical findings indicated a significant relationship, confirming that a higher level of Islamic financial literacy is positively associated with improved financial well-being. The findings clearly demonstrate a significant relationship between Islamic financial literacy and financial well-being, highlighting the important role that Islamic financial literacy plays in influencing individuals' financial well-being. In this study, Islamic financial literacy

is defined as the level of financial knowledge pertaining to Islamic finance among the respondents. This includes their understanding of the fundamental principles of Islamic finance, awareness of the variety of Islamic financial products available in the market, and familiarity with the terms and contracts associated with these products.

The findings of this study also suggest that the households who possess higher levels of Islamic financial literacy are more likely to experience better financial outcomes, demonstrating improved financial decision-making, financial planning, and resource management in alignment with Islamic principles. The study highlights the importance of Islamic financial literacy as a key factor in enhancing financial well-being, emphasizing that greater awareness and understanding of Shariah-compliant financial products and practices lead to more informed financial decisions, ultimately contributing to the long-term financial security and stability of individuals.

Moreover, this may be attributed to the fact that most respondents in this study are Muslims and hold a bachelor's degree, which likely contributes to their higher level of Islamic financial literacy. However, despite these factors, there remains a significant need for enhanced Islamic financial education and awareness among Malaysian households. This is particularly important in areas that have been identified as critical for improvement, including debt management, wealth purification through practices such as Zakat for savings and Wakaf, wealth protection (e.g., safeguarding against financial scams, the importance of Takaful), and wealth distribution (e.g., Hibah, Wasiat, and Faraid).

It is also essential for individuals to understand the distinctions between the conventional and Islamic financial systems, as well as the diverse range of products and services available. Without this understanding, individuals may unknowingly subscribe to financial products without fully comprehending the processes or potential

consequences involved. The lack of awareness indicates a deficiency in knowledge and information, which prevents customers from considering Islamic financial products as their primary choice when subscribing to financial products.

Overall, the findings of this study emphasize the critical role of Islamic financial literacy in empowering individuals to manage their finances effectively. The development of a comprehensive Islamic financial literacy framework for the financial industry is proposed, incorporating both the financial literacy structure and alignment with Islamic principles. The inclusion of relevant items, supported by expert consensus and content validity assessments, strengthens the framework's accuracy and applicability in promoting Islamic financial literacy within the industry.

The **second objective** of this study is to examine the mediating effect of financial decision-making on the relationship between Islamic financial literacy and financial well-being among Malaysian households. To test this mediating effect, the study utilizes the bootstrapping method, which provides a reliable assessment of the indirect impact of financial decision-making on the relationship between Islamic financial literacy and financial well-being.

The results from the first stage of the bootstrapping method suggest that individuals with a strong understanding of Islamic financial principles are better equipped to make informed and appropriate financial decisions, thereby enhancing their financial well-being. These findings are consistent with the work of Zaara and Chowdhury (2024), which also found that higher levels of financial literacy result in more informed and effective financial decisions. Consequently, such decisions contribute to improved financial outcomes and overall financial well-being.

The positive association between financial decision-making and financial well-being indicates that households engaged in informed financial practices, such as

planning, budgeting, and saving, are more likely to experience higher financial well-being. This finding aligns with previous research by Sinha et al. (2024), which suggests that households making prudent financial decisions, including effective debt management, regular savings, and retirement planning, report significantly higher levels of financial well-being. Such households also experience lower financial stress and a greater sense of financial security. This highlights the crucial role of sound financial decision-making in enhancing financial well-being, contributing to long-term financial stability and security.

To achieve the second objective of the study, which aimed to examine the mediation effect of financial decision-making on the relationship between Islamic financial literacy and financial well-being, the analysis was conducted. The results revealed that financial decision-making partially mediates the relationship between Islamic financial literacy and financial well-being. This suggests that financial decision-making plays a pivotal role in facilitating the impact of Islamic financial literacy on financial well-being.

The mediation effect highlights the significance of financial decision-making as a key factor that bridges the gap between knowledge and tangible financial outcomes. By illustrating how Islamic financial literacy influences decision-making behavior, the study offers valuable insights into how informed financial choices can enhance the financial stability and well-being of Malaysian households. Consequently, the findings underscore the importance of integrating financial education and decision-making strategies to improve the financial health of individuals and families, especially within the context of Islamic finance. In other words, while financial literacy provides the necessary knowledge and understanding for effective financial management, it is the

ability to make informed and prudent financial decisions that ultimately determines whether these benefits are translated into improved financial outcomes (Bai, R., 2023).

This finding underscores that even individuals with high levels of financial literacy may still experience poor financial outcomes if they fail to make effective financial decisions. The results are consistent with previous studies, which have shown that financial decision-making plays a significant mediating role between financial literacy and household financial outcomes (Sajid et al., 2024). This emphasizes that acquiring financial knowledge alone is not enough; individuals must apply it effectively in their daily financial decisions to achieve favorable financial results.

Therefore, the second objective of this study emphasizes the importance of considering the mediating effect of financial decision-making when assessing the impact of Islamic financial literacy on financial well-being. It also highlights the complexity of these relationships in multivariate analysis. As a result, the second objective was successfully achieved, offering valuable insights and guidance on how financial decision-making serves as a mediator in this context. These findings can assist the financial industry in enhancing financial products and services.

The **third objective** of this study was to examine the factors influencing financial well-being among Malaysian households, with two hypotheses being tested. The analysis revealed that factors such as financial inclusion and religiosity positively affect the financial well-being of Malaysian households. As a result, the third objective was successfully met. Both financial inclusion and religiosity were found to play a significant role in enhancing the financial well-being of these households.

The results indicate a significant positive relationship between financial inclusion and financial well-being. Specifically, the study found that financial inclusion through its dimensions of availability, accessibility, usage, and quality improves access

to financial services, thereby positively influencing welfare outcomes, particularly among lower-income households. These findings are consistent with previous research by Kumar et al. (2024) and Kamble et al. (2024).

Improved financial inclusion is essential not only for sustaining living standards but also for directly enhancing household welfare by facilitating consumption smoothing during unanticipated negative shocks and providing access to financial services. For example, the respondents in this study reported high access to financial products and services, indicating that households in the Klang Valley area benefit from a wide range of accessible, affordable financial products. These services enable them to meet various financial needs, such as making payments, conducting transactions, saving, obtaining credit, and securing coverage through Takaful and insurance. This results confirmed the findings that financial well-being can be achieved through financial inclusion, even in the absence of financial literacy (Nandru et al., 2021).

The widespread availability of the internet and digital platforms has also significantly contributed to raising awareness of Islamic financial products and services, providing individuals with easy access to relevant information. Digital tools such as online banking platforms, mobile apps, and educational websites have played a pivotal role in enhancing individuals' understanding and engagement with Islamic finance. The combination of traditional and digital information sources is strongly linked to the respondents' level of Islamic financial literacy.

Religiosity has also been shown to positively influence financial well-being. This indicates that religious teachings often promote values such as frugality, prudence, and generosity, which can enhance an individual's financial well-being. For instance, many religions, especially Islam, encourage living within one's means, avoiding

excessive debt, and saving for the future. These behaviors foster a sense of financial security and contribute to the achievement of overall financial well-being.

Households with stronger religious beliefs have been shown to engage in more prudent financial behaviors, leading to improved financial stability. Religiosity fosters a sense of financial resilience, motivating households to prioritize financial planning, maintain ethical financial practices, and manage their finances in accordance with Islamic values. These practices play a significant role in reducing financial stress and enhancing long-term financial security. These findings align with the research conducted by Cakhyaneu et al. (2024) and Wijaya et al. (2024). The results carry important theoretical implications, suggesting that religious values can influence financial decision-making by guiding individuals to avoid certain financial practices. A higher level of religious orientation may serve as a motivating factor for individuals to engage with Islamic financial products and services, perceiving such participation not only as a religious obligation but also as a way to avoid conventional financial practices.

The current findings contrast with several studies that did not support the prominent role of religion in the intention to adopt Islamic financial products and services (Suci & Hardi, 2020; Junaidi et al., 2022). However, in the context of this study, respondents exhibited a higher level of religiosity and a strong sense of fear towards Allah. This heightened religiosity seems to place greater emphasis on ethical financial practices, leading individuals to make more informed financial decisions that align with their religious values. Furthermore, their fear of engaging in interest-based financial transactions, such as those offered by conventional banks, reflects a profound concern for both their spiritual and financial integrity. This religious motivation can lead to improved financial management, reduced debt, and a stronger sense of financial security, all of which contribute to enhanced financial well-being.

Given Malaysia's success in the development of Islamic finance, the findings of this study will be valuable to policymakers and regulators in other Islamic finance jurisdictions as they work to enhance Islamic financial inclusion. Key factors within financial inclusion, such as access to affordable credit, participation in formal savings and investment products, and usage of financial services are proven to be essential to improving financial well-being. The study will also be relevant to development practitioners providing technical assistance and advisory services to client countries, offering insights into effective strategies for fostering Islamic financial literacy. Additionally, the findings contribute to improving the financial sector's role in economic growth and poverty reduction, thereby enhancing the financial well-being of households.

The **fourth objective** of this study is to analyze the effects of the Theory of Planned Behavior (TPB) within the context of Islamic financial literacy and its impact on financial well-being. According to Ajzen (1991), the components of TPB which consists of attitude, subjective norm, perceived behavioral control, and behavioral intention, each contribute independently to behavioral outcomes. However, it is anticipated that some of these factors may not significantly influence financial well-being in the context of this study.

The present study found that attitude towards the Islamic financial products is insignificantly related to financial well-being. In the context of this study, attitude refers to an individual's overall evaluation of financial practices, including saving, investing, and the preference for selecting Islamic financial products and services. One of the primary reasons for a negative attitude towards Islamic financial products is the negative perceptions, skepticism, or simply the lack of motivation to learn about alternative financial systems can inhibit individuals from adopting Islamic financial

products. If individuals do not have confidence in these products, they are less likely to use them, which, over time, could negatively affect their financial well-being. This concept reflects how individuals perceive and feel about engaging in these financial behaviors, which may be influenced by personal beliefs, values, and cultural factors. However, attitude alone may not necessarily result in improved financial well-being, as external factors such as income levels, economic conditions, and access to financial education play a significant role in determining financial outcomes. These factors can prevent individuals from effectively applying positive financial attitudes to their financial practices, thereby limiting their ability to achieve financial well-being.

The results of this study appear to contradict those of Anggarwal et al. (2022) and Kumar et al. (2024), whose research identified a positive relationship between financial attitude and financial well-being. However, other studies with similar objectives have found no significant relationship between financial attitude and financial well-being (Manalo et al., 2024). These discrepancies suggest that financial attitude may not always be consistent, as it can be influenced by various factors, such as socioeconomic conditions, information about financial products in the market, the availability of Islamic financial products and services, and individuals' perceptions of these products. Such factors may occasionally influence one's financial attitude.

Furthermore, the insignificant results observed in the present study may be attributed to individuals' perceptions that Islamic financial products and services are, in some cases, difficult to understand and differentiate from their conventional counterparts. Specifically, some respondents view Islamic financial products as more burdensome, primarily due to the higher fees associated with these products compared to conventional alternatives. These additional fees are often attributed to the extra operational and regulatory costs that Islamic financial institutions incur to ensure

compliance with Shariah principles. As a result, these additional costs are seen as a barrier, with many individuals prioritizing the preservation of funds for future consumption over opting for financial products with higher charges. Consequently, a significant proportion of respondents prefer lower-cost financial products with fewer fees. Regarding financial attitude, the findings suggest that respondents do not perceive Islamic financial products and services as significantly contributing to their financial well-being.

Subjective norms were also found to have no significant relationship with financial well-being. These findings contradict studies by She et al. (2024) and Junça et al. (2024), which suggested that subjective norms do have a significant relationship with financial well-being, depending on the nature of social influences and the financial behaviors they promote.

Several factors may contribute to this finding, including the possibility that reduced social and peer pressure may encourage greater participation in Islamic financial products and services, thereby potentially enhancing financial well-being. Social pressures or perceptions about what is deemed financially acceptable or expected by others (such as family, peers, or society) do not significantly influence an individual's financial well-being. One reason could be that individuals may be more affected by external economic factors (such as inflation, employment status, or economic uncertainty) than by subjective norms. In an environment where economic challenges take precedence, personal financial stability and well-being may become more of an individual concern, irrespective of societal expectations. While social influences are often important in many areas of life, they may not always play a decisive role in shaping financial well-being.

These results suggest that while subjective norms can influence social behaviors in various contexts, an individual's financial well-being is often highly personal and shaped by a range of factors, such as income, education, and personal goals. In some cases, individuals may prioritize personal values or past experiences over the expectations of others when making financial decisions, which could account for the weaker relationship between subjective norms and financial well-being. Thus, the decision to subscribe to Islamic financial products and services is considered a personal matter, primarily influenced by an individual's knowledge and experience. In contrast, input and opinions from family, peers, and friends may not align with the respondent's choices, indicating that external influences have a limited impact on shaping their financial decisions.

The study next examined the relationship between perceived behavioral control (PBC) and financial well-being. The results indicate that PBC has a significant positive impact on financial well-being. Specifically, individuals who feel in control of their financial decisions whether through the ability to save, invest, manage debt, or plan for retirement are more likely to experience improved financial outcomes and enhanced overall well-being. This finding highlights the concept of behavioral consistency where individuals with higher levels of perceived control tend to engage in positive financial behaviors more consistently over time. Such consistency, in turn, contributes to long-term financial health, allowing individuals to effectively manage both short-term and long-term financial needs.

When individuals believe that they have the ability to effectively manage financial products, they are more inclined to adopt them, resulting in improved financial outcomes that align with both their financial objectives and religious principles (She et al., 2024). This is consistent with the results of the present study, which indicate that

respondents with higher levels of perceived behavioral control are more likely to engage with Islamic financial products and services, thereby enhancing their financial well-being. Furthermore, the study reinforces the notion that individuals who possess the requisite knowledge and to adopt Islamic financial products and services, as well as those with a successful history of saving and investing, are more likely to experience improved financial well-being.

In summary, perceived behavioral control is a key determinant of financial well-being. Individuals who perceive greater control over their financial situation are more likely to engage in positive financial behaviors, which, in turn, leads to improved financial outcomes and enhanced financial security. The relationship between perceived behavioral control and financial well-being is crucial for understanding how individuals can enhance their financial circumstances, particularly within the context of Islamic finance.

The last hypothesis for this objective examines the relationship between behavioral intention and financial well-being. The results of this study indicate that behavioral intention does not have a significant relationship with financial well-being. This suggests that an increase in respondents' intention to participate in Islamic financial products and services does not significantly influence their financial well-being. Behavioral intention towards Islamic financial products could also be a reflection of individuals' desire to align their financial practices with their faith. However, if these products do not effectively meet the immediate financial needs of the consumer such as better returns, access to credit, or liquidity, they may not lead to improved financial well-being.

This finding aligns with Lin (2007), who emphasized that while the antecedents of the TPB effectively explain variations in behavioral intentions, the actual translation of intentions into actions can be complex and influenced by various factors. While Albaity & Rahman (2019) found that behavioral intention can effectively predict compliance with Islamic financial products and services and financial planning, our results suggest that the relationship between intention and actual behavior may be more nuanced and require further investigation.

These findings underscore the importance of exploring the factors that mediate the relationship between behavioral intention and actual behavior in the context of Islamic finance. Further research should investigate potential barriers to action, such as perceived risks, lack of access, or competing priorities, that may hinder individuals from translating their intentions into actual engagement with Islamic financial products and services

This finding may be attributed to the fact that behavioral intention is influenced by attitudes and subjective norms. As this study has demonstrated, attitude has a negative relationship with financial well-being, and subjective norms were found to be insignificant. These factors likely affect the relationship between behavioral intention and financial well-being (Manalo et al., 2024). This suggests that, while behavioral intention is an important aspect of decision-making, it may not fully capture the complexities involved in achieving financial well-being. For example, an individual may intend to make sound financial decisions but still face challenges in managing debt or saving for the future, which ultimately affects their financial well-being.

Therefore, behavioral intention alone may not serve as a sufficient predictor of financial well-being, particularly when other influential factors are not accounted for. The lack of significant findings in this study suggests that additional variables, such as

financial knowledge, personal goals, and economic constraints, must be considered when examining the relationship between behavioral intention and financial well-being. Moreover, a comprehensive understanding of the barriers to adopting Islamic financial products and services is crucial for accurately assessing the impact of intention on financial outcomes. Specifically, our findings suggest that, even with a strong intention to engage with Islamic financial products and services, if these products are not seen as adequately meeting consumers' financial needs or goals, the impact on financial well-being may be minimal.

Based on the findings above, this study validates the applicability of the Theory of Planned Behavior (TPB) in understanding individuals' actual behaviors in relation to their participation in Islamic financial products and services. Furthermore, it demonstrates how such participation can influence their financial well-being. These insights are valuable in addressing existing gaps in Islamic financial literacy and can guide the development of more effective educational campaigns.

Lastly, the **fifth objective** of this study is to examine the relationship between Social Cognitive Theory, specifically financial self-efficacy, and financial well-being among Malaysian households. The results of this study indicate that financial self-efficacy is significantly related to financial well-being among Malaysian households. Specifically, individuals with higher levels of financial self-efficacy defined as their confidence in their ability to manage financial tasks are more likely to experience improved financial well-being. Confidence in using Islamic financial products plays a crucial role in achieving financial well-being, as individuals with higher self-efficacy are more proactive in managing their finances. They are more likely to set and achieve long-term financial goals, invest in ethical financial products, and avoid risky or interest-based products that may undermine their financial security. These findings

align with previous research, which has demonstrated a positive association between financial self-efficacy and financial well-being (Lone & Bhat, 2022; Sabri et al., 2020).

Moreover, it is understood that individuals who possess greater confidence in managing their financial resources, particularly within the context of Islamic finance, are more inclined to make decisions that align with both their financial and ethical goals. This sense of self-efficacy ultimately leads to more secure and fulfilling financial futures, thereby enhancing overall financial well-being. This finding aligns with previous research in the field of financial psychology, which suggests that individuals who feel more confident in their financial management abilities tend to report improved financial outcomes (Saygılı et al., 2024). Furthermore, the results of this study provide valuable insights for policymakers and financial institutions. By promoting financial education, offering supportive tools, and encouraging behaviors that enhance self-efficacy, Malaysia can strengthen the financial resilience of its households, ultimately improving their long-term economic well-being.

Table 7.1 Summary of Major Findings

Research Objectives	Research Questions	Findings / Achievement of the Objectives
<p>1. To examine how Islamic financial literacy influences the financial well-being of Malaysian households.</p>	<p>RQ1: How does Islamic financial literacy influence the financial well-being of Malaysian households?</p>	<p>Islamic financial literacy is shown a positive and significant impact on the level of financial well-being.</p> <ul style="list-style-type: none"> • Households who possess higher levels of Islamic financial literacy are more likely to experience better financial outcomes, emphasizing that greater awareness and understanding of Shariah-compliant financial products and practices lead to more informed financial decisions, ultimately contributing to the long-term financial security and stability of individuals. • The findings underscore the critical role of Islamic financial literacy in empowering individuals to manage their finances effectively, reduce financial stress, and achieve a higher sense of financial well-being in accordance with Islamic teachings.
<p>2. To determine the mediating effect of financial decision-making on the relationship between Islamic financial literacy and financial well-being of Malaysian households.</p>	<p>RQ2: Does the financial decision-making mediate the relationship between Islamic financial literacy and financial well-being of Malaysian households?</p>	<p>Financial decision-making has a mediating effect on the relationship between Islamic financial literacy and financial well-being among Malaysian households.</p> <ul style="list-style-type: none"> • Households with higher levels of Islamic financial literacy are more likely to make informed financial decisions, which in turn positively impacts their overall financial well-being. • This mediation effect underscores the importance of financial decision-making as a critical factor that bridges the gap between knowledge and actual financial outcomes. By demonstrating how Islamic financial literacy influences decision-making behavior, the study contributes to a better understanding of how informed financial choices can enhance the financial stability and well-being of Malaysian households.

<p>3. To investigate the determining factors of financial well-being of Malaysian households.</p>	<p>RQ3: What are the determining factors of financial well-being among Malaysian households?</p>	<p>Financial inclusion is proven to be positively affect the level of financial well-being among Malaysian households.</p> <ul style="list-style-type: none"> • Access to affordable financial product and services, participation in formal savings and investment products, and usage of financial services are proven to be essential to improving financial well-being.
<p>4. To analyse the application of the Theory of Planned Behavior constructs of attitude, subjective norm, perceived behavioral control, behavioral intention predict financial well-being among Malaysian households.</p>	<p>RQ4: How do the Theory of Planned Behavior constructs (attitude, subjective norm, perceived behavioral control and behavioral intention) predict the financial well-being of Malaysian households?</p>	<p>Religiosity is proven to be positively impact the financial well-being among Malaysian households.</p> <ul style="list-style-type: none"> • Households with stronger religious beliefs is proven to engage in more prudent financial behaviors, leading to enhanced financial stability. • Higher level of religiosity also fosters a sense of financial resilience, encouraging households to prioritize financial planning, maintain ethical financial practices, and manage finances in a way that aligns with Islamic values. These practices contribute to reducing financial stress and enhancing long-term financial security. <p>Attitude towards Islamic financial products is proven to negatively affect towards the level of financial well-being.</p> <ul style="list-style-type: none"> • One of the primary reasons for a negative attitude towards Islamic financial products is the negative perceptions, scepticism, or simply the lack of motivation to learn about alternative financial systems can inhibit individuals from adopting Islamic financial products. • If individuals do not have confidence in these products, they are less likely to use them, which, over time, could negatively affect their financial well-being. <p>Subjective norm has no significant influence on financial well-being.</p> <ul style="list-style-type: none"> • Social pressures or perceptions about what is deemed financially acceptable or expected by others (such as family, peers, or society) do not significantly influence an individual's financial well-being.

		<ul style="list-style-type: none"> • One reason could be that individuals may be more affected by external economic factors (such as inflation, employment status, or economic uncertainty) than by subjective norms. • In an environment where economic challenges take precedence, personal financial stability and well-being may become more of an individual concern, irrespective of societal expectations. While social influences are often important in many areas of life, they are not always play a decisive role in shaping financial well-being.
		<p>Perceived behavioral control has a positively impact financial well-being.</p> <ul style="list-style-type: none"> • When individuals feel that they have control over their financial decisions whether through the ability to save, invest, manage debt, or plan for retirement, they are more likely to experience better financial outcomes and overall well-being. • The relationship between PBC and financial well-being also supports the idea of behavioral consistency. • Individuals with higher levels of perceived behavioral control are more likely to consistently engage in positive financial behaviors over time. This consistency contributes to long-term financial well-being, enabling individuals to manage both short-term and long-term financial needs.
		<p>Behavioral intention towards Islamic financial products has no significant influence on financial well-being.</p> <ul style="list-style-type: none"> • Behavioral intention towards Islamic financial products could also be a reflection of individuals' desire to align their financial practices with their faith. However, if these products do not effectively meet the immediate financial needs of the consumer such as better returns, access to credit, or liquidity, they may not lead to improved financial well-being. • Even with the intention to engage with Islamic financial products, if these products are not seen as adequately meeting consumers' financial needs or goals, the impact on financial well-being may be minimal.

<p>5. To investigate the influence financial self-efficacy, a core construct within Social Cognitive Theory on financial well-being among households.</p>	<p>RQ5: How does financial self-efficacy, a core construct within Social Cognitive Theory, influence the financial well-being of Malaysian households?</p>	<p>Financial self-efficacy is proven to have a significant impact on financial well-being.</p> <ul style="list-style-type: none"> • Confidence in using Islamic financial products plays a crucial role in achieving financial well-being, as individuals with higher self-efficacy are more proactive in managing their finances. They are more likely to set and achieve long-term financial goals, invest in ethical financial products, and avoid risky or interest-based products that may undermine their financial security. • Understanding that individuals with greater confidence in managing their financial resources, especially in the context of Islamic finance, are more likely to make decisions that align with both their financial and ethical goals. This self-efficacy ultimately leads to more secure and satisfied financial futures, which enhance overall financial well-being.
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7.3 CONTRIBUTIONS OF RESEARCH

The results of this study offer several important contributions and implications for a range of stakeholders, including consumers, industry practitioners, policymakers, and relevant government agencies. Policymakers, in particular, play a critical role in enhancing the financial well-being of Malaysians by promoting and encouraging the adoption of Islamic finance. Moreover, this research contributes valuable practical insights to the existing body of knowledge, offering theoretical and methodological advancements. The study further provides recommendations for consumers, financial institutions, industry players, regulators, and policymakers.

7.3.1 Practical Contributions

The following practical implications and policy options should be considered by a range of consumers, financial institutions, industry players, regulators, and policymakers:

i. Practical Contributions to Consumers

Firstly, financial literacy initiatives should focus on Islamic finance principles, ensuring that consumers or households, especially in Muslim-majority regions, gain a comprehensive understanding of the benefits and mechanisms behind Shariah-compliant products.

With increased Islamic financial literacy, consumers are more likely to engage in proactive financial planning. They can effectively manage their finances, avoid excessive debt, and build savings for long-term goals, such as retirement. This contributes to better financial security for Malaysian households, reducing the vulnerability to financial shocks.

Furthermore, the study also underscores the critical importance of targeted financial literacy programs in encouraging the wider adoption of Islamic financial products and services. These programs should go beyond basic financial concepts such as savings, budgeting, and investments, and emphasize key Islamic finance principles, including Takaful (Islamic insurance), Shariah-compliant retirement plans (i-KWSP), Zakat (charitable giving), Wasiyyah and Faraid (Islamic inheritance law), and Waqaf (endowment). These elements are essential for improving financial well-being and supporting poverty alleviation efforts. By incorporating Islamic financial education into broader financial literacy initiatives, Malaysia can cultivate a more inclusive financial ecosystem. This will empower households with the knowledge and tools needed to make informed financial decisions that are in line with their values, thereby enhancing their financial well-being.

These programs should also prioritize individuals from underserved and marginalized communities, educating them about the benefits, opportunities, and unique value propositions offered by Islamic finance. This can be particularly beneficial in promoting Islamic financial products and services within an emerging economy such as Malaysia, thereby facilitating greater financial inclusion and security for households. By equipping individuals with the necessary knowledge and understanding, these programs can empower them to make informed financial decisions, improve their financial well-being, and participate more effectively in the growing Islamic finance ecosystem.

ii. Practical Contributions to Financial Institutions and Industry Players

Next, the findings provide valuable practical implications for financial institutions and industry players, particularly Islamic banks, in designing financial products and services that address the specific needs of consumers who prioritize Islamic principles. Islamic financial institutions should focus on develop and disseminate affordable, Shariah-compliant products and services or micro-finance products by streamlining operational costs and leveraging social finance instruments like Zakat or Waqf funds, to reduce the effective cost of capital for low-income customers. For example, a financial institution can utilize Waqf funds to cover the administrative fees or a portion of the principal repayment risk associated with a Qard al-Hasan (benevolent loan) or a Murabahah (cost-plus-profit sale) contract for a low-income customers. By deploying these social funds, the effective cost of capital charged to the client is significantly reduced or eliminated, transforming the product from a merely accessible offering to a genuinely affordable and sustainable source of seed capital for low-income micro-entrepreneurs. This approach is likely to increase the adoption rate of Islamic financial products, leading to higher customer satisfaction and loyalty, and ultimately contributing to improved financial outcomes for households.

Supportive actions by financial institutions, especially those targeting low-income households, are critically important. Consequently, the financial industry is mandated to form strategic partnerships with social finance institutions and community centres to maximize outreach and efficacy. This collaboration creates alternative, lower-cost distribution channels that bypass the need for establishing expensive physical bank branches in remote or underserved areas. For example, a participating financial institution in the i-Tekad program could partner with a Zakat collection centre, local mosque or a community hall which already maintains regular, trusted contact with

low-income micro-entrepreneurs. The community centre can serve as a low-cost touchpoint for initial application collection, basic financial literacy training, and periodic loan monitoring. This approach significantly reduces the bank's operational expenditure related to outreach and client verification, allowing the institution to channel those savings into offering more affordable, Shariah-compliant products with lower administrative fees or subsidized rates.

Besides, by supporting, promoting and providing more access to microfinance institutions such as Amanah Ikhtiar Malaysia (AIM), TEKUN Nasional or Majlis Amanah Rakyat (MARA) together with other commercial Islamic banks via the i-Tekad initiatives that offer Shariah-compliant financial products and financing also can empower underserved populations to overcome poverty, build sustainable livelihoods, and improve their overall well-being. This aligns with the core values of many financial institutions that seek to make a positive social impact while adhering to ethical and responsible business practices.

iii. Practical Contributions to Regulators and Policy Makers

The findings of this study offer valuable guidance for regulators and policymakers, in crafting and implementing policies that support the growth and sustainability of the Islamic finance sector within the national financial system. A key factor in the successful development and regulation of Islamic finance is the creation of comprehensive, clear policy models and regulatory frameworks. These frameworks must specifically address the unique principles and characteristics that define Islamic financial products and services.

One of the recommended practical contributions from policymakers is the decision to mandate the systematic integration of Islamic financial literacy modules into

the national education curriculum and vocational training programmes. This is not merely an optional addition but a strategic imperative to equip the population with the foundational knowledge of Shariah-compliant concepts specifically the prohibition of Riba' or interest, the avoidance of Gharar (excessive uncertainty), and the rejection of Maysir (gambling). This core knowledge is necessary to make informed ethical financial decisions and to effectively utilize available products, such as Murabahah financing or Takaful. For instance, integrating a module on basic Islamic banking contracts into secondary school economics classes or vocational business training ensures future entrepreneurs and consumers can distinguish between permissible and impermissible financial dealings, thereby enabling them to fully benefit from the ethical financial products offered by institutions. This tailored approach will not only enhance the understanding of Islamic finance within the regulatory landscape but also promote sustainable growth in the academic sector.

Moreover, regulators and policymakers also can strategically establish formal regulatory platforms and Public-Private Partnerships (PPPs) to enhance collaboration with the financial sector. This institutionalised cooperation is vital for co-developing standardised, affordable, and inclusive Shariah-compliant products and simultaneously streamlining the delivery of financial literacy and micro-financing initiatives. The most salient example of this is the i-Tekad programme itself, where Bank Negara Malaysia (the regulator) facilitates partnerships between participating financial institutions (the private sector) and social finance agencies. Through this platform, a standardized, blended financing model is created, leveraging the banks' capital and infrastructure while utilizing the social agencies' on-the-ground reach. This partnership approach maximizes the programme's impact on underserved communities by reducing redundant efforts, ensuring product consistency, and efficiently delivering support that

combines low-cost financing with essential business training. These microfinance initiatives possess the capacity to significantly enhance the financial well-being of underserved populations and low-income households by either providing immediate direct financial assistance or facilitating long-term wealth creation. When strategically coupled with robust Islamic financial literacy, it can transform into a potent instrument for poverty alleviation. Consequently, this integrated approach holds substantial potential to profoundly improve overall financial well-being, particularly within Muslim-majority countries like Malaysia.

iv. Practical Contributions to Government and NGOs

Lastly, the comprehensive findings of this study offer significant practical contributions that can inform policy formulation and implementation strategies by government agencies and Non-Governmental Organizations (NGOs). The government and NGOs must collaborate on a two-pronged strategy focused on systemic change and targeted community outreach.

The first pillar is curriculum and institutional strengthening, requiring the government, via the Ministry of Education (MoE) and related agencies, to mandate the systematic integration of compulsory modules on Islamic financial literacy into the national education curriculum and vocational training programmes. This initiative is vital for building a financially discerning population by equipping individuals with foundational knowledge of Shariah-compliant concepts such as understanding the contractual differences between *Takaful* (Islamic insurance) and conventional insurance, and how to manage debt ethically without resorting to *riba'* (interest).

Additionally, the government must strengthen Shariah-compliant retirement frameworks by collaborating with statutory bodies like the Employees Provident Fund (EPF). For example, they should launch targeted educational campaigns to actively expand the i-KWSP Shariah programme, ensuring contributors are educated on, and encouraged to utilise, the Shariah-compliant retirement savings options, thereby aligning long-term financial security with ethical principles.

The second initiatives focuses on Outreach and Community Engagement to bridge the gap between financial services and vulnerable communities. The government must partner with NGOs and religious authorities to enhance and coordinate national Islamic financial literacy outreach. This formal partnership leverages the NGOs' community presence and trust, transforming locations like mosques or community centres into low-cost, trusted distribution hubs. For example, a local Zakat collection centre (a government-linked religious authority) could partner with a microfinance-focused NGO to host regular, practical workshops for low-income micro-entrepreneurs.

These workshops, rather than being theoretical, would offer practical assistance in financial planning, the proper management of Zakat obligations, and guidance on applying for Shariah-compliant financing like the i-Tekad micro-finance loans. This collaborative model significantly reduces the banks' outreach costs, ensures training is culturally and religiously sensitive, and maximizes the uptake of ethical financial services among underserved households.

In summary, the practical contributions of Islamic financial literacy and financial well-being studies are critical for enhancing financial decision-making, inclusion, security and resilience within Malaysian households, while also ensuring that individuals' financial choices align with their religious and ethical values. It is hoped that the findings of this study will contribute to the realization of the MADANI national

development agenda, specifically in positioning Malaysia as a global leader in Islamic finance. By fostering a financial system that is fair, just, and based on the principles of Maqasid Shariah, this research aims to facilitate wealth creation while simultaneously enhancing access to essential financial services for underserved segments of society, driving inclusive economic growth and elevating the financial well-being of Malaysian households.



Table 7.2 Summary of Practical Contributions and Recommendations

Stakeholders	Contributions	Practical Recommendations
Consumer	<ul style="list-style-type: none"> • Empowers informed decision-making • Enhance individual financial well-being 	<ul style="list-style-type: none"> • Actively seek financial education • Consciously select Shariah-Compliant products and services
Financial Institutions and Industry Players	<ul style="list-style-type: none"> • Drives products innovation and user friendly • Builds customer trust and loyalty 	<ul style="list-style-type: none"> • Innovate simplified and cost-effective Shariah-compliant basic banking services • Form strategic partnerships with social finance institutions and community centres
Policymakers and Regulators	<ul style="list-style-type: none"> • Improves financial inclusion strategies • Leverage digital platform for outreach 	<ul style="list-style-type: none"> • Integrating Islamic Finance into National Literacy Frameworks • Collaborating with Banking and Financial Institutions
Government and NGOs	<ul style="list-style-type: none"> • Support national economic resilience • Align with national development goals 	<ul style="list-style-type: none"> • Embed compulsory Islamic financial literacy & retirement planning in national curriculum, strengthen i-KWSP Shariah programme • Enhance Islamic financial literacy through outreach and community engagement.

7.3.2 Theoretical Contribution

This study makes significant theoretical contributions to the field of financial well-being by addressing a notable gap in the literature. It examines the factors influencing financial well-being among Malaysian households, with a particular focus on Islamic financial literacy. Thus, this study goes beyond merely identifying the determinants of financial well-being; it delves deeper into the underlying causes and reasons behind it, emphasizing the potential of Islamic finance as a tool for enhancing the financial well-being of Malaysian households.

Moreover, this study integrates two prominent theories, the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT) into a unified research model. The primary objective is to investigate the determinants of financial well-being among Malaysian households. The findings affirm the relevance of combining TPB and SCT to explain the impact of Islamic financial literacy on financial decision-making, particularly within the context of a developing country like Malaysia. Both TPB and SCT are effectively applied to the constructs of Islamic Financial Literacy (IFL) and Financial Well-Being (FWB) for Malaysian households. Given the increasing popularity and expansion of Islamic financial products and services in Malaysia, this study emphasizes the importance of understanding Islamic financial literacy and consumer behavior towards these products. Such understanding is essential for improving the adoption and subscription rates of Islamic banking products in Malaysia. Therefore, the present study contributes to the understanding of the mechanism that explore the role of Islamic financial literacy on financial well-being among the Malaysian households by combining these two theories.

Second, prior research on financial well-being has made efforts to develop indices for measuring financial well-being. A key theoretical contribution of this study

is the addition of valuable information regarding Islamic financial literacy, which significantly supports the research objective of examining the role of Islamic financial literacy in financial well-being, particularly in the context of Malaysian households. By incorporating the level of Islamic financial literacy into the analysis, this study provides new demographic data and explores its impact on financial well-being.

Most existing literature has focused on examining the impact of financial literacy on the financial well-being of individuals or households in developing countries, particularly in Muslim-majority countries such as Indonesia, Brunei, Pakistan, and the MENA (Middle East and North Africa) region. The findings of this study contribute to the theoretical contribution to the literature, being the first to examine the role of Islamic financial literacy in enhancing financial well-being especially within emerging economies such as Malaysia. By elaborating on the Islamic financial literacy strategies, this study is adding reference to help future research.

This study also paves the way for future research by encouraging the exploration of additional determinants and the impact of Islamic financial literacy on social norms, particularly regarding financial literacy within specific segments of society in Malaysia. While some of the findings of this study align with previous research, notable differences also emerged, highlighting the complexity of the relationship between Islamic financial literacy and financial well-being.

Moreover, the study supports the application of Social Cognitive Theory, specifically the concept of financial self-efficacy, in the context of financial well-being. This research is among the first to employ Social Cognitive Theory to examine the relationship between financial self-efficacy and financial well-being from an Islamic finance perspective, particularly within the context of Malaysian households. The

findings underscore the relevance of financial self-efficacy in shaping individuals' financial behaviors and improving their financial well-being.

Overall, this study represents a significant contribution to the literature on the role of Islamic financial literacy in enhancing financial well-being, with a particular focus on financial decision-making as a mediating factor. The findings of this research have important implications for scholars, practitioners, policymakers and government, emphasizing the need for further exploration and investment in the development of financial literacy programs. Specifically, the study highlights the importance of tailoring these programs to effectively increase awareness and knowledge across all levels of Malaysian society.

7.3.3 Methodology Contributions

This study represents one of the first comprehensive attempts to examine the relationship between Islamic financial literacy and financial well-being by integrating the Theory of Planned Behavior (TPB) and the Social Cognitive Theory (SCT) of financial self-efficacy. These two theoretical frameworks have been extended to enhance the predictive capacity of models that assess financial well-being from an Islamic finance perspective. While both TPB and SCT have been widely applied across various domains, their application in the context of Islamic financial literacy remains relatively underexplored. This methodological innovation provides a comprehensive framework that connects cognitive and behavioral factors such as attitudes, subjective norms, financial self-efficacy, and perceived behavioral control to financial well-being, specifically within the domain of Islamic finance. By employing these theories, this study offers a deeper understanding of the psychological mechanisms that drive financial decision-making in Islamic contexts. Consequently, it makes a significant contribution to the field of financial literacy research, particularly in Muslim-majority

countries such as Malaysia. Therefore, this study contributes to the existing literature by advancing and refining the measurement scales for Islamic financial literacy and financial well-being.

Secondly, much of the existing literature on financial literacy, particularly in Muslim-majority countries, predominantly relies on generic financial literacy models that fail to account for the distinctive characteristics of Islamic financial systems. Research focusing specifically on Islamic financial literacy remains scarce, and there is a notable lack of developed scales for measuring financial well-being from an Islamic perspective (Rahman et al., 2018). Therefore, this study addresses this gap by contributing to the development and refinement of scales for Islamic financial literacy, which are crucial for more accurately predicting financial well-being in Islamic contexts.

The statistical software used in this study is PLS-SEM (Partial Least Squares Structural Equation Modeling) to test both direct and indirect relationships, specifically focusing on examining the mediating effect of financial decision-making on the relationship between Islamic financial literacy and financial well-being. SEM (Structural Equation Modeling) is a robust statistical technique that enables the modeling of complex relationships among multiple variables, commonly applied in fields such as business, social sciences, marketing, and other related disciplines (Hair et al., 2019). By utilizing PLS-SEM, this study offers a comprehensive understanding of how Islamic financial literacy influences financial well-being, not only directly but also through mediated pathways, such as financial decision-making.

The PLS method was chosen for several reasons, as recommended by Hair et al. (2017). First, PLS focuses on the predictive aspects or variance explanations of the model, making it particularly suitable for this study. Additionally, PLS is ideal for

handling smaller sample sizes, which is a key advantage in this research. Lastly, PLS accounts for measurement errors when assessing the structural model and does not assume multivariate normality.

The inclusion of mediation analysis further enriches the understanding of how financial decision-making serves as a critical mechanism through which Islamic financial literacy influences financial well-being. Therefore, this study contributes to the existing literature on the applicability of PLS-SEM in the context of Islamic financial literacy and financial well-being.

7.4 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study has several limitations. Based on the findings, future research should address gaps in the fields of Islamic financial literacy and financial well-being to ensure continued development in these areas.

Firstly, regarding the demographic context, this study used a quantitative approach to specifically measure the level of Islamic financial literacy among Malaysian households, focusing on those residing and working in the Klang Valley. Consequently, the findings of this study possess inherent limitations regarding their generalizability across the broader Malaysian population. The sample may not adequately reflect diverse geographical regions, such as specific states or rural communities, nor does it fully account for varied socio-economic strata, particularly concerning existing disparities in income and wealth distribution.

Additionally, the study employed a convenience sampling strategy, which, while cost-effective and time-efficient, limits the generalizability of the findings. Future research could replicate and expand this study by incorporating additional segments and populations, and using qualitative tools and methods to gain deeper insights. Such an approach may yield different results depending on the demographic characteristics

of the respondents. It is also recommended that future studies explore the role of digital technology in enhancing Islamic financial literacy. A broader comparative analysis across different regions and demographic groups within Malaysia would offer a more comprehensive understanding of the factors influencing financial well-being in the context of Islamic finance.

Secondly, the use of both online questionnaires and face-to-face surveys may have influenced the quality of the data collected and the overall response rate. This study also utilized online survey tools to reach the target population, consisting of households in the Klang Valley area. However, several studies have shown that online surveys often yield lower response rates compared to traditional face-to-face surveys. Therefore, future research could explore alternative tools and data collection methods, such as in-person interviews or mixed-methods approaches, which may capture a broader and more diverse range of perspectives on Islamic financial literacy and financial well-being. With increased participation, additional analytical techniques, such as concept-mapping analysis, could be used to gain deeper insights into the experiences and views of different sample groups.

The role of Islamic financial literacy in this study does not fully address its growing significance, particularly in the application of financial technology and Islamic social finance (e.g., Sadaqah, Waqf, Wassiyah, and Faraid). These areas can help various population segments make informed financial decisions and provide platforms for information dissemination and knowledge sharing. Increasing awareness and enhancing cyber-related education for underserved groups should be a key focus of future research. It would also be valuable to compare the experiences of different income groups in their involvement with financial technology and Islamic social finance, including all segments of Sadaqah, Waqf, Wassiyah, and Faraid, to assess

their participation. Additionally, future studies could explore how many individuals in Malaysia are currently engaged with the Islamic financial system and whether they would continue to do so if they had a better understanding of Islamic finance options. Investigating this would help quantify the contribution of Islamic financial literacy to financial inclusion and overall financial well-being in the country.

Future research in this area could explore geographic and demographic segmentation. Regions and demographic groups that currently lag in Islamic financial literacy should be studied to identify and address remaining barriers, even in countries that are already inclusive, in order to support the broader financial inclusion agenda. Additionally, research could examine the role of Islamic financial literacy in improving access to the financial system for populations motivated by financial considerations, convenience, or other factors, rather than solely by religious motivations. This aligns with the agenda set by the Islamic Financial Services Board (IFSB), which advocates for transparency and disclosure in Islamic finance, particularly regarding product structures and the varying rights of contracting parties as governed by Shariah. Such transparency is essential for mitigating challenges related to financial illiteracy and information asymmetry.

Furthermore, it is important to note that this study measured financial self-efficacy within the framework of the extended Social Cognitive Theory (SCT) constructs using a Likert scale. This approach differs from previous studies, which typically focused on Islamic financial perspectives and demographic factors such as income levels to assess Islamic financial literacy. In contrast, this study emphasized individuals' perceptions and their understanding of financial decision-making as key factors influencing their financial well-being. Therefore, future research should incorporate additional control variables such as economic environment, access to

technology and digital tools, and social support, and utilize more financial well-being indicators (e.g., income stability, debt management, and consumption/expenditure patterns) to further examine the relationship between financial self-efficacy and financial well-being. Additionally, since this study was conducted in the post-COVID period, the results may have been influenced by the prevailing economic conditions at that time. Future research could also investigate the measurable benefits of improving financial literacy, particularly Islamic financial literacy, in the current economic landscape.

7.5 CONCLUSIONS

Overall, all five objectives of the study have been achieved, and all research questions have been answered. The findings carry important policy implications for policymakers, practitioners, and industry stakeholders, derived from the key results of the study. In other words, this research significantly contributes to the understanding of Islamic financial literacy within the Malaysian context, as well as the financial well-being of Malaysian households.

Furthermore, this study examines the role of Islamic financial literacy in shaping financial well-being, using the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT) as theoretical frameworks. Although some variables from these theories were not significant, the study provides valuable insights into financial well-being from both psychological perspectives. The findings suggest that while the assumptions of TPB and SCT require further testing, they serve as a useful starting point for understanding the factors that influence financial decision-making in the context of Islamic finance.

Eleven hypotheses were proposed in this study, nine of which showed significant relationships, validating the model's ability to predict financial well-being.

This empirical evidence provides a foundation for developing a robust theory that incorporates Islamic financial literacy and its impact on household financial well-being. The findings are also critical for shaping policies and practical interventions aimed at promoting Islamic financial products and services, thereby enhancing financial outcomes for consumers.

This study contributes additional empirical evidence on the factors influencing financial well-being from an Islamic financial perspective. The findings are discussed in relation to their implications for the Theory of Planned Behavior, Social Cognitive Theory, financial planners, financial institutions, industry players, policymakers, and government agencies. The study underscores the importance of understanding how Islamic financial literacy and its related factors influence financial well-being, offering valuable insights for practitioners in designing targeted programs, campaigns, products, and services to improve financial planning and decision-making skills among Malaysians.

As with any research, this study acknowledges several limitations and offers suggestions for future work. Future research could further investigate the role of Islamic financial literacy and its impact on financial decision-making, particularly in enhancing financial well-being. This could assist practitioners in designing initiatives that help Malaysians make more informed financial decisions. Additionally, the findings are significant for the Malaysian government, as they highlight the current state of Islamic financial literacy among the population and emphasize the need for educational initiatives focused on Shariah-compliant financial concepts. By promoting greater financial literacy, policymakers and relevant stakeholders can empower individuals to make better financial decisions, ultimately improving their financial well-being.

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- Zulfaka, A., & Kassim, S. (2024). Determinants of Intention to Comply with Islamic Financial Planning: An Exploratory Study. *Journal of Islamic Social Finance*, 2(1), 39-51. IIUM Institute of Islamic Banking and Finance. eISSN: 3009-0687. <https://doi.org/10.31436/jislamicsocfin.v2i1>
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- Zulfaka, A., & Kassim, S. (2025). Integrating Financial Decision-Making into Islamic Financial Literacy as A Mediating Factor: Implications for Enhancing Financial Well-Being. *Journal of Islamic Finance*, 14(2), 58–69. Retrieved from <https://journals.iium.edu.my/iiibf-journal/index.php/jif/article/view/1027>
- Zulfaka, A., & Kassim, S. (2025). The Roles of Islamic Financial Literacy, Financial Inclusion and Financial Decision-Making in Explaining the Financial Well-Being among Malaysian Households. [Manuscript publication in process, submitted to *Scopus Q2*]

Conference:

- Zulfaka, A., & Kassim, S. (2024). *Roles of Islamic Financial Literacy on Decision-Making in Achieving Financial Well-Being Among Malaysian Households* [Paper presentation]. Virtual International Seminar on Islamic Finance and PhD Colloquium (VISIF 2024).
- Zulfaka, A., & Kassim, S. (2024, October). *The Roles of Islamic Financial Literacy, Financial Inclusion and Financial Decision-Making in Explaining the Financial Well-Being among Malaysian Households* [Paper presentation]. 2nd International Conference on Islamic Financial Literacy (ICiFIL) 2024, Langkawi Island, Malaysia [**Best Paper Award**]

- Zulfaka, A., & Kassim, S. (2023). *Roles of Islamic Financial Literacy on Decision-Making in Achieving Financial Well-Being Among Malaysian Households* [Paper presentation]. Virtual International Seminar on Islamic Finance and PhD Colloquium (VISIF 2023).
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- Zulfaka, A., & Kassim, S. (2022). *Roles of Islamic Financial Literacy on Decision-Making in Achieving Financial Well-Being Among Malaysian Households* [Paper presentation]. Virtual International Seminar on Islamic Finance and PhD Colloquium (VISIF 2022).
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- Zulfaka, A., & Kassim, S. (2021). *Roles of Islamic Financial Literacy on Decision-Making in Achieving Financial Well-Being Among Malaysian Households* [Paper presentation]. Virtual International Seminar on Islamic Finance and PhD Colloquium (VISIF 2021).

APPENDIX I: COPIES OF COVER LETTER AND RESEARCH QUESTIONNAIRE FOR RESPONDENTS

Cover letter for respondent

Auni Zulfaka
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IIUM Institute of Islamic Banking and Finance (IIiBF)
International Islamic University Malaysia
Jalan Gombak, Selangor
53100, Kuala Lumpur

Assalamualaikum w.b.,t

Dear respondents,

You are invited to participate in this research survey about Islamic financial literacy and financial well-being. This research is undertaken as a part of a Doctoral Degree at IIUM Institute of Islamic Banking and Finance, International Islamic University Malaysia. The research examines the roles of Islamic financial literacy in financial decision-making and its relation to financial well-being among Malaysian households.

Thank you for your willingness to participate in answering this survey questionnaire. The questionnaire would take up to 10 minutes of your time to complete. Please note that your participation in this research is completely voluntary. It is highly recommended that you read the instructions carefully and respond to the question as accurately as possible. Your answers are vital for the accuracy of the study. Please do not worry about the questions that seemingly look alike.

All responses are confidential and will only be used for research and academic purposes. If you need assistance, have any questions, or need further information and clarification, please do not hesitate to contact the main researcher, Auni Zulfaka. Your kind corporation in this study is highly appreciated.

Once again, thank you very much for your contribution, and have a nice day!

Warm regards,
Auni Zulfaka
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Surat lampiran kepada responden

Auni Zulfaka
Calon PhD
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Universiti Islam Antarabangsa Malaysia (UIAM)
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Assalamualaikum w.b.,t

Responden yang dihormati,

Kami menjemput anda untuk mengambil bahagian dalam kaji selidik kajian ini yang berkaitan dengan peranan literasi kewangan Islam mencapai tahap kesejahteraan kewangan dalam kalangan penduduk isi rumah di Malaysia. Kajian ini merupakan sebahagian daripada syarat untuk melengkapkan Ijazah Kedoktoran di UIAM Institut Perbankan dan Kewangan Islam, Universiti Islam Antarabangsa Malaysia.

Terima kasih diatas kerjasama anda dalam mengambil bahagian untuk menjawab soal selidik ini. Soal selidik ini akan mengambil masa sekurang-kurangnya 10 minit untuk dilengkapkan. Penyertaan anda dalam kajian ini adalah secara sukarela. Anda disarankan untuk membaca arahan dengan teliti dan memberikan jawapan yang paling relevan dengan situasi dan pengetahuan anda. Jawapan anda adalah penting untuk ketepatan kajian. Anda juga tidak perlu bimbang akan bentuk soalan yang kelihatan hamper sama.

Kesemua jawapan anda adalah sulit dan hanya akan digunakan untuk tujuan akademik dan penyelidikan semata-mata. Sekiranya anda memerlukan bantuan, pertanyaan mahupun penjelasan lanjut, anda disarankan untuk menghubungi penyelidik utama, Auni Zulfaka untuk mendapatkan penerangan yang seterusnya.

Kerjasama anda dalam kajian ini amatlah dihargai.

Sekian, terima kasih.

Yang benar,
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INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
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1st October 2022

Survey Questionnaire

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SECTION A: ISLAMIC FINANCIAL LITERACY
SEKSYEN A: LITERASI KEWANGAN ISLAM

The series of statement listed below represent **ISLAMIC FINANCIAL LITERACY**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

*Senarai pernyataan di bawah mewakili tahap LITERASI KEWANGAN ISLAM terhadap KESEJATERAAN KEWANGAN dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item Item	SCALE SKALA				
		1	2	3	4	5
1.	I understand the difference between Islamic and conventional banking products. <i>Saya mempunyai pengetahuan akan perbezaan antara produk perbankan Islam dan konvensional.</i>	1	2	3	4	5
2.	I understand that Islamic method of finance is interest-free. <i>Saya memahami kewangan Islam menggunakan konsep bebas dari kadar faedah.</i>	1	2	3	4	5
3.	I do not see any difference between the conventional and Islamic products. <i>Saya tidak melihat sebarang perbezaan antara produk kewangan Islam dan konvensional.</i>	1	2	3	4	5
4.	I know that Islamic financial products are based on sale, lease and profit sharing rather than interest. <i>Saya mempunyai pengetahuan akan produk kewangan Islam berlandaskan asas jual beli, sewaan dan perkongsian keuntungan semata-mata dan tidak berkaitan dengan kadar faedah.</i>	1	2	3	4	5
5.	I understand that Islamic financial products can only invest in a business that are not prohibited in Islam. <i>Saya mempunyai pengetahuan bahawa produk kewangan Islam hanya boleh dilaburkan dalam perniagaan yang tidak bercanggah dengan elemen yang diharamkan dalam Islam.</i>	1	2	3	4	5
6.	I understand that Islamic financial products cannot predetermine a guaranteed profit. <i>Saya mempunyai pengetahuan bahawa produk kewangan Islam tidak boleh menjamin dan menentukan sebarang bentuk keuntungan terlebih dahulu.</i>	1	2	3	4	5
7.	Besides savings in Islamic banking, I am aware of other Islamic investment alternatives such as stocks, unit trust, properties and etc. <i>Selain produk simpanan di Perbankan Islam, saya juga sedia maklum akan produk pelaburan Islam yang lain seperti saham, unit amanah, hartanah dan lain-lain lagi.</i>	1	2	3	4	5
8.	I understand the difference between Takaful and insurance plan. <i>Saya mempunyai pengetahuan bahawa terdapat berbezaan antara produk Takaful dan pelan insurans.</i>	1	2	3	4	5
9.	Takaful can provide coverage and benefits similar to conventional insurance. <i>Produk Takaful juga mempunyai kadar perlindungan dan faedah yang sama seperti yang ditawarkan oleh plan insurans.</i>	1	2	3	4	5
10.	Islamic banking offers Shariah-compliant credit cards. <i>Perbankan Islam juga menawarkan produk kredit kad secara patuh Shariah.</i>	1	2	3	4	5

SECTION B: FINANCIAL DECISION MAKING
SEKSYEN B: MEMBUAT KEPUTUSAN KEWANGAN

The series of statement listed below represent **FINANCIAL DECISION-MAKING**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

Senarai pernyataan di bawah mewakili konstruk MEMBUAT KEPUTUSAN KEWANGAN dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya SATU alternatif untuk setiap pernyataan.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item Item	SCALE SKALA				
		1	2	3	4	5
1.	I am confident that I would choose Islamic financial products instead of conventional financial products. <i>Saya yakin akan memilih produk kewangan Islam daripada produk kewangan dari bank konvensional.</i>	1	2	3	4	5
2.	I always prefer to save my money in the Islamic bank account. <i>Saya lebih suka menyimpan wang saya di bank simpanan Islam.</i>	1	2	3	4	5
3.	I only invest my money in Shariah-compliant fund. <i>Saya hanya melabur wang saya di dana yang patuh Syariah sahaja.</i>	1	2	3	4	5
4.	I only subscribed Takaful plan to cover my medical expenses/life protection instead of an Insurance plan. <i>Saya hanya melanggan pelan Takaful untuk perlindungan dan perbelanjaan medikal/ perlindungan nyawa daripada pelan insuran.</i>	1	2	3	4	5
5.	I would rather make any financing from Islamic banks instead of conventional banks. <i>I lebih suka membuat pinjaman kewangan daripada bank Islam daripada bank konvensional.</i>	1	2	3	4	5
6.	If I wanted to subscribe for the credit card, I would rather go for an Islamic credit card instead of a conventional credit card. <i>Jika saya ingin melanggan kad kredit, saya lebih suka melanggan kad kredit Islamik berbanding kad kredit konvensional.</i>	1	2	3	4	5
7.	I put my retirement/pension funds in the Shariah-compliant fund/ i-KWSP. <i>Saya menyimpan dana pencen saya di pelaburan patuh Syariah/i-KWSP.</i>	1	2	3	4	5

SECTION C: FINANCIAL INCLUSION
SEKSYEN C: MEMBUAT KEPUTUSAN KEWANGAN

The series of statement listed below represent **FINANCIAL INCLUSION**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

*Senarai pernyataan di bawah mewakili konstruk INKLUSIVITI KEWANGAN dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item Item	SCALE SKALA				
		1	2	3	4	5
1.	There is at least 1 access point (Islamic bank/ conventional bank at my district area.) <i>Terdapat sekurang-kurangnya satu pusat akses kewangan Perbankan Islam / bank Konvensional di kawasan daerah rumah saya.</i>	1	2	3	4	5
2.	I saved my money in deposit accounts. <i>Saya memang menyimpan wang saya di akaun bank.</i>	1	2	3	4	5
3.	I have a financing account including credit cards. <i>Saya mempunyai akaun pinjaman termasuklah kredit kad.</i>	1	2	3	4	5
4.	I have life insurance/ takaful policies. <i>Saya melanggan insuransi nyawa/ takaful polisi.</i>	1	2	3	4	5
5.	I am satisfied with the accessibility of financial services providers- (e.g : e-wallet, online banking, bank branches) <i>Saya berpuas hati dengan kemudahan akses terhadap servis kewangan seperti e-wallet, perbankan atas talian dan akses ke cawangan bank.</i>	1	2	3	4	5
6.	I am satisfied with the current transaction and payment services. <i>Saya berpuas hati dengan servis transaksi dan pembayaran masa kini.</i>	1	2	3	4	5
7.	I am satisfied with the overall financial services. <i>Saya berpuas hati dengan servis kewangan secara keseluruhannya.</i>	1	2	3	4	5

SECTION D: RELIGIOSITY
SEKSYEN D: UNSUR KEAGAMAAN

The series of statement listed below represent **RELIGIOSITY**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement. *Senarai pernyataan di bawah mewakili konstruk KEAGAMAAN dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item Item	SCALE SKALA				
		1	2	3	4	5
1.	My wealth is a trust from God. <i>Harta yang saya peroleh adalah amanah daripada Tuhan.</i>	1	2	3	4	5
2.	Property (house, money, etc.) belongs to God, I only hold it in trust for Him. <i>Segala harta (rumah, wang tunai dan sbg.) hanya milik Tuhan, dan saya hanya menggunakan dan menjaganya seperti yang diamanahkan Tuhan.</i>	1	2	3	4	5
3.	I participate in religious rituals/occasions on a regular basis. <i>Saya sering menyertai acara keagamaan secara berkala. (eg: Ceramah agama, tazkirah, Solat berjemaah di masjid dll.)</i>	1	2	3	4	5
4.	I save because it is my religious obligation to prepare for any circumstances. <i>Saya menabung kerana ia sudah menjadi kewajipan agama saya untuk bersiap sedia dalam apa jua keadaan.</i>	1	2	3	4	5
5.	I avoid using non-Shariah-compliant savings products. <i>Saya menghindari daripada melanggan produk simpanan yang tidak patuh Syariah.</i>	1	2	3	4	5
6.	It is my obligation to avoid using conventional products that involved prohibition elements like interest and etc. <i>Ianya merupakan satu kewajipan untuk saya menghindari daripada menggunakan produk kewangan konvensional yang terdiri daripada unsur Riba' Gharar dan Maysir.</i>	1	2	3	4	5
7.	I still have a skepticism on the application of Islamic banking and finance <i>Saya masih ragu-ragu terhadap aplikasi perbankan dan kewangan Islam.</i>	1	2	3	4	5

SECTION E: FINANCIAL ATTITUDE
SEKSYEN E: SIKAP KEWANGAN

The series of statement listed below represent construct of **FINANCIAL ATTITUDE**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

*Senarai pernyataan di bawah mewakili konstruk SIKAP TERHADAP KEWANGAN dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item <i>Item</i>	SCALE <i>SKALA</i>				
		1	2	3	4	5
1.	My first reaction to Islamic financial products was positive. <i>Reaksi awal saya terhadap produk kewangan Islam adalah positif.</i>	1	2	3	4	5
2.	Information on Islamic financial products is sufficient and easily understood. <i>Segala informasi berkenaan produk kewangan Islam adalah cukup dan mudah difahami.</i>	1	2	3	4	5
3.	I am convinced that I will still choose Islamic financial products even though I am not familiar with them. <i>Saya yakin saya tetap akan memilih produk kewangan Islam walaupun saya tidak biasa dengannya.</i>	1	2	3	4	5
4.	I believe Islamic financial products are more secure and reliable as compared to conventional products. <i>Saya percaya produk kewangan Islam lebih selamat dan boleh dipercayai berbanding produk konvensional.</i>	1	2	3	4	5
5.	Using Islamic financial products and services would give me a better image and higher social status. <i>Menggunakan produk dan perkhidmatan kewangan Islam akan memberikan saya imej yang lebih baik dan status sosial yang lebih tinggi.</i>	1	2	3	4	5
6.	I believe Islamic financial products are safer alternative investment products for Muslim. <i>Saya percaya produk kewangan Islam adalah produk pelaburan alternatif yang lebih selamat untuk Muslim.</i>	1	2	3	4	5

SECTION F: SUBJECTIVE NORM
SEKSYEN F: Norma Subjektif

The series of statement listed below represent construct of **SUBJECTIVE NORM**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

*Senarai pernyataan di bawah mewakili konstruk NORMA SUBJEKTIF dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item Item	SCALE SKALA				
		1	2	3	4	5
1.	I adopt Islamic financial products because of the influence of others. <i>Saya mengamalkan produk kewangan Islam kerana pengaruh orang lain.</i>	1	2	3	4	5
2.	Most people important to me also adopt Islamic financial products. <i>Kebanyakan orang yang penting bagi saya juga mengamalkan produk kewangan Islam.</i>	1	2	3	4	5
3.	My decision to adopt Islamic financial products is influenced by my family. <i>Keputusan saya untuk mengguna pakai produk kewangan Islam dipengaruhi oleh keluarga saya.</i>	1	2	3	4	5
4.	My colleagues/peers influence my decisions to adopt Islamic financial products. <i>Rakan sekerja/rakan sebaya saya mempengaruhi keputusan saya untuk mengguna pakai produk kewangan Islam.</i>	1	2	3	4	5
5.	My spouse/partner influence my decision to adopt Islamic financial products. <i>Pasangan saya mempengaruhi keputusan saya untuk menggunakan produk kewangan Islam.</i>	1	2	3	4	5
6.	My family who is important to me would think that choosing Islamic financial products is a good idea. <i>Keluarga saya yang penting bagi saya akan berpendapat bahawa memilih produk kewangan Islam adalah idea yang baik.</i>	1	2	3	4	5
7.	Most people close to me think adopting Shariah-compliant financial products will be beneficial for me. <i>Kebanyakan orang yang rapat dengan saya berpendapat penggunaan produk kewangan patuh Syariah akan memberi manfaat kepada saya.</i>	1	2	3	4	5

SECTION G: PERCEIVED BEHAVIORAL CONTROL
SEKSYEN G: KAWALAN TINGKAH LAKU

The series of statement listed below represent construct of **PERCEIVED BEHAVIORAL CONTROL**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

*Senarai pernyataan di bawah mewakili konstruk KAWALAN TINGKAH LAKU dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item Item	SCALE SKALA				
		1	2	3	4	5
1.	I carefully consider purchasing and subscribing on the any financial products. <i>Saya mempertimbangkan dengan teliti untuk membeli dan melanggan mana-mana produk kewangan.</i>	1	2	3	4	5
2.	I have the complete control to choose any financial products in the market. <i>Saya mempunyai kawalan sepenuhnya untuk memilih mana-mana produk kewangan di pasaran.</i>	1	2	3	4	5
3.	I have the resources to subscribe to any financial products in the market. <i>Saya mempunyai sumber untuk melanggan sebarang produk kewangan di pasaran.</i>	1	2	3	4	5
4.	I tend to avoid transactions that implicate riba' and other non-compliant transactions. <i>Saya cenderung untuk mengelakkan transaksi yang melibatkan riba' dan transaksi tidak patuh lain.</i>	1	2	3	4	5
5.	I am confident that I would only subscribe to Islamic financial products only. <i>Saya yakin saya hanya akan melanggan produk kewangan Islam sahaja.</i>	1	2	3	4	5
6.	I have the knowledge to adopt Islamic financial products in the current markets. <i>Saya mempunyai pengetahuan untuk mengguna pakai produk kewangan Islam dalam pasaran semasa.</i>	1	2	3	4	5
7.	I only subscribe to Islamic financial products after gathering some info. <i>Saya hanya melanggan produk kewangan Islam selepas mengumpul beberapa maklumat.</i>	1	2	3	4	5

SECTION H: BEHAVIORAL INTENTION
SEKSYEN H: NIAT

The series of statement listed below represent construct of **BEHAVIORAL INTENTION**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

*Senarai pernyataan di bawah mewakili konstruk NIAT dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree <i>Sangat Tidak Setuju</i>	Disagree <i>Tidak Setuju</i>	Neutral <i>Neutral</i>	Agree <i>Setuju</i>	Strongly Agree <i>Sangat Setuju</i>
1	2	3	4	5

No.	Item <i>Item</i>	SCALE <i>SKALA</i>				
		1	2	3	4	5
1.	I intend to use Islamic financial products even if the charge will be slightly higher as compared to the conventional bank. <i>Saya berhasrat untuk menggunakan produk kewangan Islam walaupun caj akan lebih tinggi sedikit berbanding dengan bank konvensional.</i>	1	2	3	4	5
2.	I plan to choose Islamic financial products in forthcoming month. <i>Saya bercadang untuk memilih produk kewangan Islam pada bulan akan datang.</i>	1	2	3	4	5
3.	I am likely to choose Islamic financial products for my savings, investment and others in the future. <i>Saya berkemungkinan akan memilih produk kewangan Islam untuk simpanan, pelaburan dan lain-lain saya pada masa hadapan.</i>	1	2	3	4	5
4.	I intend to continue my subscription and ownership on the current Islamic financial products and services that I'm using. <i>Saya berhasrat untuk meneruskan langganan dan pemilikan saya pada produk dan perkhidmatan kewangan Islam semasa yang saya gunakan.</i>	1	2	3	4	5
5.	I would strongly recommend others to use Islamic financial products and services. <i>Saya amat mengesyorkan orang lain untuk menggunakan produk dan perkhidmatan kewangan Islam.</i>	1	2	3	4	5
6.	I set financial goals for my own well-being. <i>Saya menetapkan matlamat kewangan untuk kesejahteraan saya sendiri.</i>	1	2	3	4	5

SECTION I: FINANCIAL SELF-EFFICACY
SEKSYEN I: KECEKAPAN KEWANGAN DIRI

The series of statement listed below represent construct of **FINANCIAL SELF-EFFICACY**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

*Senarai pernyataan di bawah mewakili konstruk KECEKAPAN KEWANGAN DIRI dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item <i>Item</i>	SCALE <i>SKALA</i>				
		1	2	3	4	5
1.	I am confident about managing my personal finances. <i>Saya yakin untuk menguruskan kewangan peribadi saya.</i>	1	2	3	4	5
2.	It is challenging to make progress toward my financial goals. <i>Saya merasakan ianya sesuatu yang mencabar untuk membuat mencapai matlamat kewangan saya.</i>	1	2	3	4	5
3.	When unexpected expenses occur I usually have to use credit card. <i>Apabila berlaku keadaan perbelanjaan yang tidak dijangka, saya biasanya perlu menggunakan kad kredit.</i>	1	2	3	4	5
4.	It is hard for me to stick to my spending plan when unexpected expenses arise. <i>Sukar untuk saya berpegang kepada rancangan perbelanjaan saya apabila berlaku sebarang perbelanjaan yang tidak dijangka.</i>	1	2	3	4	5
5.	I lack confidence in my ability to manage my finances. <i>Saya kurang yakin dengan kemampuan saya untuk menguruskan kewangan saya sendiri.</i>	1	2	3	4	5
6.	I worry about running out of money in retirement. <i>Saya bimbang kehabisan wang semasa bersara.</i>	1	2	3	4	5

SECTION J: FINANCIAL WELL-BEING
SEKSYEN J: KESEJAHTERAAN KEWANGAN

The series of statement listed below represent construct of **FINANCIAL WELL-BEING**. Please indicate the extents to which you agree with each of the following statements by circling only **ONE** of the alternatives for each statement.

*Senarai pernyataan di bawah mewakili konstruk KESEJAHTERAAN KEWANGAN dalam kalangan isi rumah. Sila nyatakan sejauh mana anda bersetuju dengan setiap pernyataan berikut dengan membulatkan hanya **SATU** alternatif untuk setiap pernyataan.*

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<i>Sangat Tidak Setuju</i>	<i>Tidak Setuju</i>	<i>Neutral</i>	<i>Setuju</i>	<i>Sangat Setuju</i>
1	2	3	4	5

No.	Item Item	SCALE SKALA				
		1	2	3	4	5
1.	I am satisfied with my current financial situation. <i>Saya berpuas hati dengan keadaan kewangan saya sekarang.</i>	1	2	3	4	5
2.	My salary is enough to pay my monthly payments on bills. <i>Gaji saya cukup untuk membayar bil bulanan saya.</i>	1	2	3	4	5
3.	I can afford to buy the stuff I want. <i>Saya mampu untuk membeli barangan yang saya mahukan.</i>	1	2	3	4	5
4.	I am concerned that my money won't last at the end of the month. <i>Saya bimbang wang saya tidak akan bertahan pada setiap hujung bulan.</i>	1	2	3	4	5
5.	I have extra money from my salary at the end of the month after all the bills are paid. <i>Saya mempunyai wang tambahan daripada gaji saya pada akhir bulan selepas semua bil dibayar.</i>	1	2	3	4	5
6.	I have at least RM 1000 for emergency expenses. <i>Saya ada sekurang-kurangnya RM 1000 untuk perbelanjaan kecemasan.</i>	1	2	3	4	5
7.	I have an emergency fund that can cover my expenses for two to six months. <i>Saya mempunyai tabung kecemasan yang boleh menampung perbelanjaan saya selama dua hingga enam bulan.</i>	1	2	3	4	5
8.	It is difficult for me to have savings due to financial commitments. <i>Sukar untuk saya mempunyai simpanan kerana komitmen kewangan.</i>	1	2	3	4	5
9.	If I'm having financial difficulties, I could manage it for a period of time. <i>Jika saya menghadapi masalah kewangan, saya boleh menguruskannya untuk satu tempoh masa.</i>	1	2	3	4	5
10.	My finance controls my life. <i>Kewangan saya mengawal kehidupan saya.</i>	1	2	3	4	5

SECTION K: DEMOGRAPHIC BACKGROUND

SEKSYEN K: LATAR BELAKANG DEMOGRAFI

Listed below are items about the RESPONDENT DEMOGRAPHIC BACKGROUND for this study. Please tick (/) in the appropriate box below.

Berikut adalah merupakan senarai maklumat LATAR BELAKANG DEMOGRAFI para respondent bagi kajian ini. Sila tandakan (/) dalam kotak bagi maklumat yang berkenaan.

1. Gender (<i>Jantina</i>) a. Male (<i>Lelaki</i>) b. Female (<i>Perempuan</i>)	6. Race (<i>Bangsa</i>) a. Malay b. Others (Please state): _____ <i>Lain-lain (Sila Nyatakan)</i> _____
2. Age Group (<i>Kumpulan Umur</i>) a. Below 25 (<i>bawah 25</i>) b. 26-40 c. 41-50 d. 51 and above (<i>dan keatas</i>)	7. Number of Financial Dependents/Households Size (<i>Jumlah Tanggungan</i>) a. Less than 3 person (<i>kurang daripada tiga orang</i>) b. 3-5 person (<i>3-5 orang</i>) c. More than 5 person (<i>lebih daripada 5 orang</i>)
3. Education Background (<i>Tahap Pendidikan</i>) a. SPM/Certificate b. STAM/ STPM/ Diploma c. Bachelor Degree (<i>Sarjana Muda</i>) d. Master (<i>Sarjana</i>) e. PhD	8. Monthly Household Income Range (Group) (<i>Anggaran Pendapatan Bulanan Isi Rumah</i>) a. B40 (less than RM 4,850) b. M40 (RM 4,851-RM10,970) c. T20 (more than RM 10, 971)
4. Employment Status (<i>Status Pekerjaan</i>) a. Student (<i>Pelajar</i>) b. Not Working (<i>Tidak Bekerja</i>) c. Self-Employed (<i>Bekerja Sendiri</i>) d. Private Sector (<i>Sektor Swasta</i>) e. Government (<i>Sektor Kerajaan</i>)	9. Monthly Savings (<i>Peratusan Simpanan Bulanan</i>) a. 0% b. 1-10% c. 10%-20% d. More than 20%
5. Marital Status (<i>Status Perkahwinan</i>) a. Single (<i>Bujang</i>) b. Married (<i>Berkahwin</i>) c. Divorced/Widowed (<i>Berpisah</i>)	10. Current Income Adequacy (<i>Kecukupan Pendapatan Semasa</i>) a. Not enough b. Enough for basic needs c. Enough for most things d. Enough to buy the things wished for and could save money

*Email address: _____

Alamat email

(optional/tidak wajib)

THANK YOU
YOUR CORPORATION IS HIGHLY APPRECIATED

APPENDIX II: RESEARCH OUTPUT OUTLIERS

Name	N	Missings	Mean	Standard deviation
IFL1	402	0	3.997	0.794
IFL2	402	0	4.165	0.813
IFL3	402	0	3.011	1.238
IFL4	402	0	3.961	0.802
IFL5	402	0	4.317	0.776
IFL6	402	0	4.017	0.881
IFL7	402	0	4.121	0.807
IFL8	402	0	4.16	0.811
IFL9	402	0	3.898	0.883
IFL10	402	0	4.135	0.739
FDM1	402	0	4.209	0.742
FDM2	402	0	4.275	0.769
FDM3	402	0	4.251	0.793
FDM4	402	0	4.16	0.808
FDM5	402	0	4.163	0.788
FDM6	402	0	4.171	0.798
FDM7	402	0	4.193	0.814
FI1	402	0	4.196	0.812
FI2	402	0	4.171	0.865
FI3	402	0	3.647	1.239
FI4	402	0	4.102	0.998
FI5	402	0	4.083	0.76
FI6	402	0	4.135	0.701
FI7	402	0	4.033	0.727
RLG1	402	0	4.562	0.663
RLG2	402	0	4.554	0.651
RLG3	402	0	3.983	0.84
RLG4	402	0	4.201	0.768
RLG5	402	0	4.24	0.81
RGL6	402	0	4.328	0.731
RLG7	402	0	3.427	1.182
ATT1	402	0	4.223	0.706
ATT2	402	0	3.917	0.788
ATT3	402	0	4.174	0.782
ATT4	402	0	4.152	0.732
ATT5	402	0	3.983	0.872
ATT6	402	0	4.207	0.711
SN1	402	0	3.474	1.136

SN2	402	0	4.05	0.706
SN3	402	0	3.634	1.086
SN4	402	0	3.581	1.058
SN5	402	0	4.174	0.724
SN6	402	0	3.994	0.708
PCB1	402	0	4.215	0.662
PCB2	402	0	4.168	0.698
PCB3	402	0	4.105	0.757
PCB4	402	0	4.207	0.73
PCB5	402	0	4.091	0.761
PCB6	402	0	4.003	0.815
PCB7	402	0	4.094	0.694
BI1	402	0	4.124	0.715
BI2	402	0	4.102	0.774
BI3	402	0	4.273	0.704
BI4	402	0	4.229	0.704
BI5	402	0	4.223	0.702
BI6	402	0	4.242	0.729
FSE1	402	0	4.061	0.702
FSE2	402	0	4.025	0.733
FSE3	402	0	3.457	1.281
FSE4	402	0	3.763	0.964
FSE5	402	0	3.333	1.122
FSE6	402	0	3.689	1.101
FWB1	402	0	3.68	0.901
FWB2	402	0	3.975	0.828
FWB3	402	0	3.826	0.84
FWB4	402	0	3.477	1.071
FWB5	402	0	3.804	0.838
FWB6	402	0	3.879	0.963
FWB7	402	0	3.612	1.029
FWB8	402	0	3.482	1.053
FWB9	402	0	3.813	0.777
FWB10	402	0	3.474	1.035

APPENDIX III: RESEARCH NORMALITY OUTPUT

Responden t	MAH_1	PValue e	Responden t	MAH_1	PValue e	Responden t	MAH_1	PValue e	Responden t	MAH_1	PValue e
1	30.7797	1.000	101	56.9926	0.902	201	36.178745	1.000	301	43.35872	0.997
2	29.6890	1.000	102	44.5102	0.996	202	43.514937	0.997	302	91.33022	0.062
3	22.8129	1.000	103	47.0839	0.990	203	97.586391	0.024	303	68.36909	0.599
4	46.6586	0.991	104	46.2737	0.992	204	63.058378	0.765	304	89.78153	0.076
5	49.9051	0.978	105	52.2790	0.961	205	55.354277	0.927	305	100.50067	0.015
6	29.6942	1.000	106	56.2923	0.913	206	73.375713	0.433	306	79.40609	0.257
7	41.6233	0.998	107	57.1523	0.899	207	97.641093	0.024	307	83.75666	0.162
8	16.8944	1.000	108	26.2989	1.000	208	58.064814	0.883	308	101.48366	0.013
9	34.3162	1.000	109	61.0421	0.818	209	105.21061	8	309	49.11481	0.982
10	41.1876	0.999	110	59.3350	0.857	210	84.756770	0.144	310	92.22781	0.054
11	43.0920	0.997	111	50.7210	0.973	211	73.832955	0.418	311	65.45098	0.694
12	45.8627	0.993	112	26.9151	1.000	212	83.987918	0.158	312	77.66191	0.303
13	41.9953	0.998	113	26.8822	1.000	213	103.30135	6	313	53.05651	0.954
14	50.6862	0.973	114	46.4836	0.992	214	48.228574	0.986	314	48.45297	0.985
15	42.8429	0.998	115	40.4336	0.999	215	78.933122	0.269	315	93.70527	0.044
16	39.5850	0.999	116	48.4892	0.985	216	51.672009	0.966	316	66.66655	0.655
17	51.2274	0.970	117	60.5511	0.830	217	40.578052	0.999	317	100.48890	0.015
18	53.3400	0.951	118	50.5398	0.974	218	56.596731	0.909	318	78.57292	0.279
19	43.0960	0.997	119	50.3773	0.975	219	49.654611	0.979	319	68.34346	0.600
20	40.8588	0.999	120	52.1132	0.963	220	70.462055	0.529	320	49.61255	0.980
21	53.0913	0.954	121	40.2233	0.999	221	100.06412	8	321	114.89289	0.001
22	51.6367	0.967	122	44.2970	0.996	222	97.197461	0.026	322	69.62647	0.557
23	41.8693	0.998	123	68.2559	0.603	223	61.160008	0.815	323	106.23804	0.005

							100.15812				
24	38.7260	1.000	124	62.7041	0.775	224	3	0.016	324	72.43419	0.463
25	46.4825	0.992	125	39.6626	0.999	225	54.481534	0.938	325	97.52719	0.024
26	55.6843	0.922	126	57.9132	0.886	226	66.291967	0.667	326	102.55246	0.010
							112.79265				
27	36.6249	1.000	127	61.1335	0.816	227	1	0.002	327	78.68247	0.276
28	56.8311	0.905	128	37.1696	1.000	228	89.815947	0.076	328	94.45403	0.039
							104.87573				
29	51.7180	0.966	129	49.4122	0.981	229	0	0.007	329	48.82822	0.983
30	41.6702	0.998	130	57.1479	0.899	230	83.683665	0.163	330	107.82571	0.004
31	37.8158	1.000	131	43.6491	0.997	231	48.551401	0.985	331	80.02352	0.242
32	55.6519	0.923	132	45.7751	0.993	232	66.592932	0.658	332	95.28174	0.035
33	41.7897	0.998	133	46.6579	0.991	233	48.132672	0.986	333	116.23549	0.001
34	48.4018	0.985	134	66.1508	0.672	234	61.864405	0.797	334	60.46149	0.832
							104.76273				
35	48.1093	0.986	135	50.4769	0.975	235	2	0.007	335	83.18807	0.173
36	50.3257	0.976	136	61.5424	0.805	236	74.076648	0.410	336	114.93485	0.001
							103.10605				
37	43.2619	0.997	137	73.5433	0.427	237	4	0.010	337	72.74958	0.453
38	32.6957	1.000	138	62.3114	0.785	238	80.289542	0.235	338	86.87900	0.112
39	27.9730	1.000	139	49.1552	0.982	239	54.011430	0.944	339	115.78759	0.001
40	41.5802	0.998	140	70.0401	0.543	240	69.266128	0.569	340	66.95080	0.646
41	44.7816	0.995	141	47.3382	0.989	241	54.686401	0.936	341	109.33148	0.003
42	55.5096	0.925	142	60.5133	0.831	242	33.214274	1.000	342	71.33045	0.500
43	40.1590	0.999	143	32.2110	1.000	243	57.613831	0.891	343	112.89565	0.001
44	38.2707	1.000	144	52.3800	0.960	244	94.804479	0.037	344	81.47192	0.208
45	48.2418	0.986	145	40.4924	0.999	245	67.217433	0.638	345	53.55265	0.949
46	45.4714	0.994	146	64.5796	0.721	246	55.665726	0.923	346	91.64015	0.059
47	51.0736	0.971	147	70.8675	0.516	247	67.330482	0.634	347	116.17925	0.001
48	54.3041	0.941	148	35.8745	1.000	248	68.389769	0.599	348	72.75129	0.453
							102.66023				
49	40.8940	0.999	149	83.5924	0.165	249	0	0.010	349	110.25500	0.003

50	48.6832	0.984	150	59.8033	0.847	250	87.255160	0.106	350	115.05999	0.001
51	65.9304	0.679	151	65.4386	0.694	251	83.265080	0.171	351	83.40315	0.169
52	40.6392	0.999	152	66.1002	0.674	252	79.242625	0.261	352	94.28224	0.040
53	57.2907	0.897	153	61.0990	0.817	253	63.623548	0.749	353	65.30682	0.698
54	60.6213	0.828	154	83.6181	0.165	254	65.988070	0.677	354	115.04731	0.001
55	44.6276	0.995	155	63.0723	0.765	255	87.150012	0.108	355	100.78587	0.014
56	49.4250	0.981	156	89.7472	0.077	256	56.046898	0.917	356	108.51198	0.004
57	45.7445	0.993	157	51.2807	0.969	257	91.927601	0.057	357	103.43515	0.009
							102.75387				
58	46.0770	0.993	158	60.9980	0.819	258	8	0.010	358	84.38825	0.151
59	44.0817	0.996	159	52.2470	0.962	259	77.168849	0.317	359	117.06109	0.001
60	43.4090	0.997	160	53.3737	0.951	260	52.690575	0.958	360	69.22672	0.571
61	44.1020	0.996	161	69.1148	0.575	261	76.051283	0.349	361	94.91805	0.037
62	40.6861	0.999	162	83.9197	0.159	262	68.497046	0.595	362	80.55721	0.229
63	17.9708	1.000	163	64.5151	0.723	263	81.560491	0.206	363	84.93196	0.141
64	53.3932	0.951	164	69.0691	0.576	264	74.892567	0.385	364	39.9918	0.999
65	54.4040	0.939	165	58.7619	0.869	265	87.102948	0.108	365	33.6394	1.000
66	56.9723	0.902	166	45.9189	0.993	266	69.011039	0.578	366	54.4870	0.938
67	43.9835	0.996	167	52.8164	0.956	267	73.021433	0.444	367	57.2504	0.898
68	47.6271	0.988	168	74.5553	0.395	268	36.952513	1.000	368	44.9611	0.995
69	46.0293	0.993	169	62.7352	0.774	269	76.400791	0.339	369	43.9342	0.996
70	61.6446	0.803	170	80.3351	0.234	270	59.744403	0.848	370	48.5926	0.984
							113.57621				
71	47.6251	0.988	171	62.0809	0.792	271	5	0.001	371	41.9077	0.998
							100.03819				
72	52.0110	0.964	172	67.9637	0.613	272	8	0.016	372	38.1980	1.000
73	58.1247	0.882	173	60.8669	0.822	273	79.956562	0.243	373	38.9223	0.999
74	48.0617	0.987	174	56.9965	0.902	274	87.322216	0.106	374	46.9104	0.990
75	35.6695	1.000	175	31.9693	1.000	275	93.089836	0.048	375	41.8693	0.998
76	48.9723	0.983	176	73.3735	0.433	276	42.275946	0.998	376	38.7260	1.000
							103.48342				
77	57.4572	0.894	177	54.6545	0.936	277	8	0.009	377	46.4825	0.992

78	38.8726	1.000	178	85.4907	0.132	278	96.830588	0.027	378	55.6843	0.922
79	45.7430	0.993	179	52.0478	0.963	279	65.527140	0.692	379	36.6249	1.000
80	25.5536	1.000	180	81.1118	0.216	280	89.679041	0.078	380	56.8311	0.905
81	29.6389	1.000	181	72.9575	0.446	281	38.083208	1.000	381	51.7180	0.966
82	44.8779	0.995	182	57.3520	0.896	282	79.915849	0.244	382	41.6702	0.998
83	48.7453	0.984	183	51.8123	0.965	283	59.181405	0.861	383	62.7041	0.775
84	53.0030	0.955	184	82.6479	0.184	284	93.870858	0.043	384	39.6626	0.999
85	64.4499	0.725	185	38.0402	1.000	285	63.426758	0.755	385	57.9132	0.886
86	39.8835	0.999	186	94.2793	0.040	286	56.606464	0.908	386	61.1335	0.816
87	55.1506	0.930	187	69.8300	0.551	287	75.166435	0.376	387	37.1696	1.000
88	39.9918	0.999	188	58.8693	0.867	288	88.600686	0.089	388	49.4122	0.981
							114.85764				
89	33.6394	1.000	189	94.7191	0.038	289	7	0.001	389	57.1479	0.899
90	54.4870	0.938	190	69.8547	0.550	290	90.739643	0.067	390	43.6491	0.997
91	57.2504	0.898	191	31.9313	1.000	291	67.522743	0.628	391	45.7751	0.993
							101.99768				
92	44.9611	0.995	192	51.0447	0.971	292	0	0.012	392	46.6579	0.991
93	43.9342	0.996	193	30.3791	1.000	293	58.771391	0.869	393	73.375713	0.433
94	48.5926	0.984	194	74.1242	0.409	294	59.133298	0.862	394	97.641093	0.024
95	41.9077	0.998	195	50.7507	0.973	295	62.421304	0.782	395	58.064814	0.883
							112.33850			105.21061	
96	38.1980	1.000	196	36.6254	1.000	296	4	0.002	396	8	0.007
				110.855							
97	38.9223	0.999	197	9	0.002	297	92.337942	0.054	397	84.756770	0.144
				101.084							
98	46.9104	0.990	198	9	0.013	298	82.343510	0.190	398	70.0401	0.543
							104.96673				
99	58.4028	0.876	199	61.8028	0.799	299	4	0.007	399	47.3382	0.989
100	31.1165	1.000	200	64.7368	0.716	300	74.875010	0.385	400	60.5133	0.831
									401	32.2110	1.000
									402	57.1523	0.899

APPENDIX IV: FREQUENCY FOR THE RESPONDENT

6.5.1.1.1.1.1.1 Gender

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Male	187	46.6	46.6	45.8
Female	215	53.4	53.4	100.0
Total	402	100.00	100.00	

6.5.1.1.1.1.1.2 Age Group

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Below 25	58	14.6	14.6	14.6
25-40	269	66.7	66.7	81.3
41-50	40	9.9	9.9	91.2
51 and above	35	8.8	8.8	100.00
Total	402	100.00	100.00	

6.5.1.1.1.1.1.3 Education Background

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
SPM/Certificate	19	4.7	4.7	
STAM/STPM/Diploma	22	5.2	5.2	
Bachelor Degree	293	73.0	73.0	
Master	61	15.2	15.2	
PhD	7	1.9	1.9	100.00
Total	402	100.00	100.00	

6.5.1.1.1.1.1.4 Employment Status

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Self-Employed	22	5.2	5.2	
Private Sector	272	66.7	66.7	
Government Sector	101	18.2	18.2	
Retiree	7	1.9	1.9	100.00
Total	402	100.00	100.00	

6.5.1.1.1.1.1.5 Marital Status

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Single	207	51.5	51.5	
Married	191	47.4	47.4	
Divorced/ Widowed	4	1.1	1.1	100.00
Total	402	100.00	100.00	

6.5.1.1.1.1.1.6 Number of Financial Dependents/ Household Size

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 3 person	265	66.1	66.1	
3-5 person	119	29.5	29.5	
More than 5 person	18	4.4	4.4	100.00
Total	402	100.00	100.00	

6.5.1.1.1.1.1.7 Monthly Household Income Range

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
B40 (below RM 4,850)	191	47.4	47.4	
M40 (RM4,851-RM 10,970)	158	39.4	39.4	
T20 (RM10,971 and above)	53	13.2	13.2	100.00
Total	402	100.00	100.00	

6.5.1.1.1.1.1.8 Monthly Savings

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
0%	25	6.1	6.1	
1%-10%	249	62.0	62.0	
10%-20%	90	28.7	28.7	
More than 20%	38	9.4	9.4	100.00
Total	402	100.00	100.00	

6.5.1.1.1.1.1.9 Current Income Adequacy

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Not Enough	31	7.4	7.4	
Enough for basic needs	220	54.8	54.8	
Enough for most things	89	22.3	22.3	
Enough to buy all the things I wished for and could save money	62	15.4	15.4	100.00
Total	402	100.00	100.00	

APPENDIX V: RESEARCH OUTPUT TOTAL VARIANCE EXPLAIN

Total Variance Explained

Initial Elgenvalues			Extraction Sums of Squared Loadings		
Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
17.89	24.85	24.85	17.89	24.85	24.85

APPENDIX VI: OUTPUT FACTOR LOADINGS BEFORE DELETION

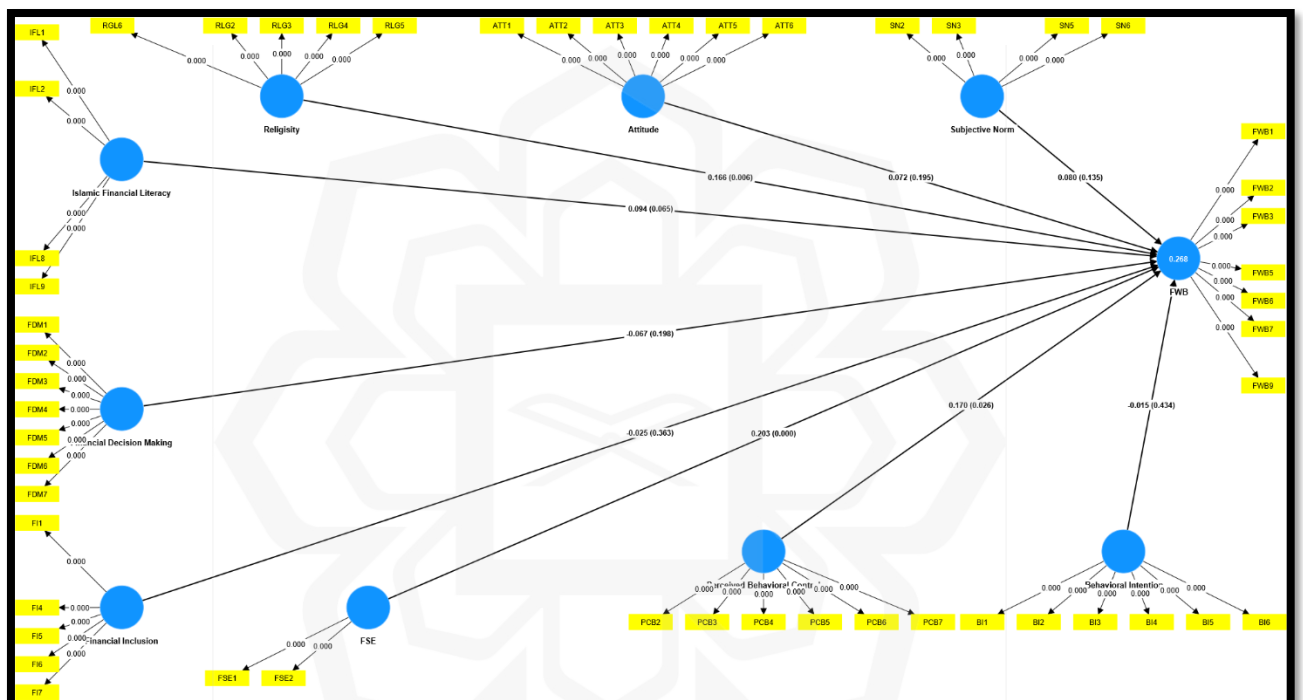
Construct	Items	Loadings	AVE	CR
Islamic Financial Literacy (IFL)	IFL1	0.640	0.388	0.815
	IFL2	0.671		
	IFL3	0.055		
	IFL4	0.664		
	IFL5	0.550		
	IFL6	0.617		
	IFL7	0.43		
	IFL8	0.678		
	IFL9	0.708		
	IFL10	0.719		
Financial Decision Making (FDM)	FDM1	0.759	0.561	0.899
	FDM2	0.793		
	FDM3	0.764		
	FDM4	0.24		
	FDM5	0.758		
	FDM6	0.789		
	FDM7	0.650		
Financial Inclusion (FIN)	FIN1	0.552	0.391	0.813
	FIN2	0.508		
	FIN3	0.454		
	FIN4	0.618		
	FIN5	0.787		
	FIN6	0.716		
	FIN7	0.775		
Religiosity (RLG)	RLG1	0.603	0.409	0.820
	RLG2	0.663		
	RLG3	0.726		
	RLG4	0.717		
	RLG5	0.766		
	RLG6	0.667		

	RLG7	0.210		
Attitude (ATT)	ATT1	0.686	0.528	0.870
	ATT2	0.677		
	ATT3	0.765		
	ATT4	0.763		
	ATT5	0.743		
	ATT6	0.720		
Subjective Norm (SN)	SN1	0.567	0.456	0.833
	SN2	0.725		
	SN3	0.702		
	SN4	0.669		
	SN5	0.709		
	SN6	0.667		
Perceived Behavioral Control (PCB)	PCB1	0.642	0.496	0.873
	PCB2	0.702		
	PCB3	0.770		
	PCB4	0.665		
	PCB5	0.755		
	PCB6	0.758		
	PCB7	0.703		
Behavioral Intention (BI)	BI1	0.802	0.560	0.884
	BI2	0.722		
	BI3	0.761		
	BI4	0.789		
	BI5	0.735		
	BI6	0.673		
Financial Self-Efficacy (FSE)	FSE1	0.773	0.308	0.710
	FSE2	0.653		
	FSE3	0.607		
	FSE4	0.424		
	FSE5	0.407		
	FSE6	0.328		
Financial Well-Being (FWB)	FWB1	0.763	0.423	0.844
	FWB2	0.757		
	FWB3	0.801		
	FWB4	0.118		
	FWB5	0.745		
	FWB6	0.663		
	FWB7	0.714		
	FWB8	0.045		
	FWB9	0.702		
	FWB10	0.429		

**APPENDIX VII: RESEARCH OUTPUT FACTOR LOADINGS
AFTER DELETION**

Construct	Items	Loadings	AVE	CR
Islamic Financial Literacy (IFL)	IFL1	0.706	0.525	0.815
	IFL2	0.744		
	IFL8	0.691		
	IFL9	0.754		
Financial Decision Making (FDM)	FDM1	0.759	0.561	0.899
	FDM2	0.793		
	FDM3	0.764		
	FDM4	0.24		
	FDM5	0.758		
	FDM6	0.789		
	FDM7	0.650		
Financial Inclusion (FIN)	FIN1	0.577	0.510	0.836
	FIN4	0.598		
	FIN5	0.776		
	FIN6	0.776		
	FIN7	0.837		
Religiosity (RLG)	RLG2	0.641	0.528	0.870
	RLG3	0.726		
	RLG4	0.737		
	RLG5	0.787		
	RLG6	0.696		
Attitude (ATT)	ATT1	0.686	0.528	0.870
	ATT2	0.677		
	ATT3	0.765		
	ATT4	0.763		
	ATT5	0.743		
	ATT6	0.720		
Subjective Norm (SN)	SN2	0.811	0.552	0.828
	SN3	0.545		
	SN5	0.829		
	SN6	0.751		
Perceived Behavioral Control (PCB)	PCB2	0.683	0.514	0.863
	PCB3	0.708		
	PCB4	0.660		
	PCB5	0.764		
	PCB6	0.781		
	PCB7	0.696		
Behavioral Intention (BI)	BI1	0.802	0.560	0.884
	BI2	0.722		
	BI3	0.761		
	BI4	0.789		
	BI5	0.735		
	BI6	0.735		
	BI7	0.673		
Financial Self-Efficacy (FSE)	FSE1	0.945	0.625	0.761
	FSE2	0.599		

Financial Well-Being (FWB)	FWB1	0.761	0.546	0.894
	FWB2	0.760		
	FWB3	0.799		
	FWB5	0.748		
	FWB6	0.674		
	FWB7	0.723		
	FWB9	0.700		



APPENDIX VIII: EXPERT'S VALIDITY ACKNOWLEDGEMENT FORM

EXPERT'S VALIDITY ACKNOWLEDGEMENT FORM

I, Dr Razli Ramli hereby acknowledged that I have confirmed and verified the research instrument titled: *"Roles of Islamic Financial Literacy on Financial Decision-Making on Financial Well-Being among Malaysian Households"*.

Signature,



.....
Name : DR RAZLI RAMLI

Position/ Designation : SENIOR LECTURER

Institution : UNIVERSITI TEKNOLOGI MALAYSIA

Experience in the Field of Expertise (years) : 30 YEARS

Professional Qualification (Highest) : PHD

Date : 15 MARCH 2023

EXPERT'S VALIDITY ACKNOWLEDGEMENT FORM

I, ZANARIAH ZAHARI hereby acknowledged that I have confirmed and verified the research instrument titled: ***"Roles of Islamic Financial Literacy on Financial Decision-Making on Financial Well-Being among Malaysian Households"***.

Signature,



Name : ZANARIAH ZAHARI

Position/ Designation : HEAD, PROGRAMME

Institution : CIIF

Experience in the Field of Expertise (years) : More than 20 Years

Professional Qualification (Highest) : Degree

Date : 31.3.2023

EXPERT'S VALIDITY ACKNOWLEDGEMENT FORM

I, **LATIFAH BINTI ABDUL LATIFF** hereby acknowledged that I have confirmed and verified the research instrument titled: *"Roles of Islamic Financial Literacy on Financial Decision-Making on Financial Well-Being among Malaysian Households"*.

Signature,



Name : **LATIFAH BINTI ABDUL LATIFF**

Position/ Designation : **PROGRAM DIRECTOR**
BBA (ISLAMIC FINANCIAL PLANNING)(HONS)
BBA (ISLAMIC BANKING AND FINANCE)(HONS)

Institution : **UNIVERSITI TUN ABDUL RAZAK (UNIRAZAK)**

Experience in the Field of
Expertise (years) : **25 Years**

Professional Qualification
(Highest) : **MASTER DEGREE**

Date : **3 APRIL 2023**

GLOSSARY OF TERM

<i>Sadaqah</i>	Voluntary charity
<i>Waqf</i>	Islamic endowment which, is a voluntary and irrevocable endowment of Shariah-compliant assets for Shariah-compliant purposes.
<i>Riba</i>	Prohibition of interest. The premium (interest) must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for atension.
<i>Gharar</i>	Prohibition of speculative behavior. Uncertainty in contractual terms and conditions is forbidden. However, risk-taking is allowed when all the terms and conditions are clear and known to all parties.
<i>Takaful</i>	Takaful is an arrangement for the joint guarantee, whereby a group of participants agrees to support one another jointly for losses arising from identified risks. Under this arrangement, participants contribute a sum of money as a commitmtinto a common fund that will be used mutually to assist the members against specificec type of loss or damage.
<i>Hifz al-mal</i>	Achieve the goal of property care
<i>Maqasid Shariah</i>	Objectives of Shariah
<i>Da'wah</i>	A practice or policy of conveying the message of Islam to non-Muslims