

## CAN ISLAMIC FINANCIAL LITERACY, RELIGIOSITY, AND FINANCIAL STRESS SHAPE FINANCIAL BEHAVIOR AND WELL-BEING IN HOUSEHOLD FINANCIAL?

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### Abstract

This study examines how Islamic financial behaviour moderates the effects of religiosity, Islamic financial literacy, and financial stress on financial well-being. Data from 247 respondents were collected and analyzed using SEM-PLS. It was found that Islamic financial literacy improves Islamic financial behaviour; however, it had no significant effect on financial well-being. The impact of religiosity is felt on Islamic financial behaviour and not on financial well-being. Financial stress is considered detrimental to financial well-being, whereas Islamic financial behaviour is negligible. Islamic financial behaviour is positively associated with financial well-being. Hence, there is a need to develop Islamic financial literacy and religiosity to positively influence Islamic financial behaviour and increase the financial well-being of Muslim households in Indonesia.

**Keywords:** Islamic Financial Literacy; Religiosity; Financial Stress; Islamic Financial Behavior; Financial Well-Being

### INTRODUCTION

Indonesia has the largest population of Muslims in the world, and therefore holds the most potential for the growth of customers for the Islamic Banking Industry and services. Of the 232.5 million citizens of Indonesia, 87.18 percent identify as Muslims, (Global Islamic Economy Report 2018–2019), which has directly resulted in an increased number of customers for Islamic banks as more people become aware of the services provided by Islamic finance (OJK, 2024). Indonesia's position as one of the top 10 consumers in most of the sub-sectors of the halal industry indicates a high level of demand in the Islamic finance services. With an added productive demographic of 86.7% (around 207 million) people (Sugiarti, 2023), the potential for the



growth of Islamic Banking services in Indonesia. Islamic Bank customers are the most important part of the growth of the Islamic finance industry, and the most important part of the growth of Islamic finance, as they are the real customers of sharia compliant financial products and services (Yaqin et al., 2024).

In Indonesia, there are two types of Islamic banks: Islamic commercial banks and Islamic rural banks (Bank Pembiayaan Rakyat Syariah / BPRS). Even though Indonesia holds the title of the world's most populous Muslim country, the performance of Islamic banks is not nearly as strong as that of conventional banks. According to OJK, as of December 2024, the total assets of Islamic banks are 980.30 trillion rupiah. This is, however, dwarfed by that of conventional commercial banks, which stood at 11,796 trillion rupiah as of December 2024. When it comes to third-party funds, Sharia banks collected Third Party Funds worth Rp753.60 trillion, while the third-party funds of commercial banks were already above Rp8,325 trillion.

Though more people are opening accounts at Islamic banks, Islamic financial illiteracy remains prevalent, as reflected in statistics: the Indonesian Sharia Finance Masterplan (KNES) estimates that the number of financially literate people in Indonesia in 2024 will be 39.11%. Islamic social finance has become a trending topic. Yet, the primary issue is the severe shortage of understanding of Islamic finance and Islamic social finance among customers of Islamic banks. This predicament has led to multiple investigations into the Islamic financial literacy of the Indonesia population (Abbas et al., 2023; Rahayu et al., 2024; Saifurrahman & Kassim, 2021; Santoso et al., 2023; Sukmana & Trianto, 2025). Islamic financial literacy is the ability to achieve financial goals compliant with Islamic law successfully, and it requires proper management of financial resources and knowledge of Islamic finance (Adiyanto et al., 2021). With the current social climate, the demand for Islamic financial literacy is particularly strong among Islamic bank users in Muslim-majority countries (Aziz et al., 2024).

Islamic Financial Literacy has been studied across multiple regions and countries, e.g, Malaysia (Abdullah et al., 2021; Abdullah et al., 2017; Antara et al., 2016; Biplob & Abdullah, 2019; Mahdzan et al., 2024; Nik Azman et al., 2025), Turkey (Durak et al., 2020; Ergün, 2025; Kevser & Doğan, 2021; Pala et al., 2024), and UAE (Albaity & Rahman, 2019). Nevertheless, most of these studies have been conducted in countries with different backgrounds and circumstances than Indonesia (Rahayu et al., 2024). Such a scenario encouraged researchers to explore the effect of Islamic Financial Literacy (IFL) on financial behavior and financial well-being. Previous research has illustrated that the role of financial literacy in influencing financial behavior



and financial well-being has been positive, whereby an increase in an individual's financial knowledge results in more competency and confidence a person will possess in making sound financial decisions and enhancing one's financial well-being (Gunawan et al., 2025; Wage et al., 2025).

Besides IFL, the other area of focus has been evaluating the effect of financial stress on an individual's financial behavior and financial well-being. Financial stress has been studied to have a substantial effect on one's financial behavior and financial well-being. A person needs to manage both their finances and their emotions in order to avoid unnecessary stress. Financial stress can be defined as a combination of a person's psychological arousal and an unhealthy approach to thinking about, working with, or controlling their finances (Grable et al., 2015). Financial and psychological stress are inversely related, with a greater disparity in the higher income brackets (Choi et al., 2020). Financial stress was also found to be inversely related to financial well-being amongst low-income Malaysians (Rahman et al., 2021).

Religiosity is strongly linked to a range of factors in people's lives. Subjective well-being has been connected to religiosity (Muzakkiyah & Suharnan, 2016), interest in halal products (Miftahuddin et al., 2020; Mutmainah, 2018), mental health (Pastwa-Wojciechowska et al., 2021). More recently, religiosity has been positively correlated with subjective life satisfaction (Esteban et al., 2021). Subjective well-being is an antiquated term also equivalent to QoL. Subjective well-being (SWB) is defined as an individual's overall cognitive evaluation of their life According to Diener (2000), Additionally, other researchers have confirmed the positive effect of religiosity on subjective well-being (Awaworyi Churchill et al., 2019; Evrensel, 2018).

This research analyzes the effect of religions, Islamic financial literacy, financial strain, and Islamic Banking behavior on the Islamic financial well-being of Islamic Banking customers in Indonesia. By examining the interplay among Islamic financial literacy, financial stress, and religiosity, this research advances the literature on Islamic financial well-being. This study focuses on improving the financial well-being model by adding to the literature the roles of religiosity and financial stress as psychological and moral components of financial behavior, and by using the Islamic social finance framework in Islamic banking. Contextually, this research focuses on Islamic banking customers in Indonesia and empirically confirms the interplay of Islamic social finance, considering the Islamic values and social norms that guide financial behavior. By integrating the religious, financial, and educational components, this study promotes Islamic financial literacy and the Islamic financial well-being of Muslim customers. This research identifies the challenges and



prospects of integrating religious, financial, and educational components to enhance the sustainable financial well-being of Muslims customers.

## **LITERATURE REVIEW**

### **Islamic Financial Literacy**

Islamic Financial Literacy, according to KKNES, means having awareness, knowledge, skills, attitude, and behavior in managing, investing, and allocating finances to sustain needs and achieve *falah* (happiness in this world and the hereafter), and is also compliant with shariah laws. (Abdullah et al., 2016). state that Islamic financial literacy means having the capability to understand the financial system and the definitions of Islamic Sharia. According to Antara et al. (2016), state that Islamic financial literacy entails knowledge of Islamic-compliant financial products and services and the application of Islamic principles when making financial decisions. The Islamic financial system is built on a no-interest foundation, meaning that all financial services and products offered are free of interest, which is a sin in Islam.

### **Religiosity**

Religiosity is commonly defined as the process of incorporating a particular religion's values into one's daily activities, whether expressed verbally or through action (Budiyanto et al., 2024). Islamic religiosity refers to a Muslim's commitment to the fundamental tenets of Islam and to daily practice. One's personal integration of spiritual beliefs into day-to-day practices is referred to as religiosity (Radiman et al., 2025). When the principles of the Qur'an and Sunnah are internalized, they become a guide to one's conduct, and, as a result, religiosity influences it.

### **Financial Stress**

Financial stress is the psychological strain experienced by an individual or family unit due to economic challenges (Heo et al., 2020; Rosso et al., 2024; Worthington, 2006). The challenges or difficulties result from conflicting situations in the control of available financial resources, the loss of a financial contributor, and financial instability. Financial stress in a family unit may result in the inability to provide for basic needs, including food, and is attributed to diverse factors, including the family's configuration, economic capacity, or the prevailing level of indebtedness (Rosso et al., 2024).

### **Islamic Financial Behavior**

Britt et al. (2012) suggest that individual financial conduct refers to the specific strategies an individual employs to handle and manage finances.



Kamalbatcha et al. (2024) find that financial behaviours, such as saving, spending, debt management, and financial forecasting, influence young adults' financial wellness. Loix et al. (2005) posit that financial behaviour reflects how a person manages and controls his/her income and financial situation; for instance, a person's orientation towards day-to-day monetary issues. The ability to successfully deal with financial problems is what other scholars consider to be prosperous financial behaviour (Falahati et al., 2012).

### **Financial Well-Being**

The financial well-being of an individual reflects their perception of their finances and the level of satisfaction associated with them (Riitsalu & Van Raaij, 2022; Sorgente et al., 2022; Sorgente & Lanz, 2025). Based on other studies, financial well-being is also defined as the level of satisfaction an individual has about their financial situation, which is a function of both psychological dimensions and individual financial conduct (Netemeyer et al., 2018; Thomas & Gupta, 2021). Looking ahead, financial well-being also encompasses an individual's perceived financial security and stability (Collins & Urban, 2021; Netemeyer et al., 2018). Ultimately, financial well-being is the state in which an individual is financially literate, has adequate emergency funds, and can realize their financial aspirations.

### **Hypothesis Development**

Islamic financial literacy (IFL) has been shown to positively impact financial behaviors and financial well-being of different demographics, such as students and community members (Wijaya et al., 2024; Wijaya et al., 2023). Financial literacy plays an essential role in individual financial decision-making, as effective management of financial resources hinges on sound financial knowledge and the ability to sidestep financial predicaments and stress (Abdullah et al., 2021; Wijaya et al., 2024). The author has formulated the following hypotheses based on prior studies: Islamic financial literacy has a significant effect on financial well-being (H1).

Islamic financial literacy encompasses understanding Islamic financial products vis-à-vis conventional financial products (Albaity & Rahman, 2019). This comprehension affects financial decision-making behaviors, a significant aspect of an individual's life (Wijaya et al., 2024; Wijaya et al., 2023). Sharia-compliant financial instruments do not involve *riba* "riba" (interest), "Gharar" (uncertainty), and investment in "Illegal" (forbidden) activities (Hassan & Lewis, 2009). Muslim individuals with Islamic financial literacy are empowered to make sharia-compliant and sound decisions (Biplob &



Abdullah, 2019). H2: Islamic financial literacy has a significant effect on Islamic financial behavior.

Studies have stressed the importance of religion as a positive factor in an individual's psychological well-being, as it reduces anxiety and instills a sense of purpose (Green & Elliott, 2010; Phillips et al., 2023). Green & Elliott (2010), suggested that self-identified religious people who are more involved in religious practice are more likely to report better health and greater happiness. These findings are consistent with several other studies examining the positive relationship between religion and well-being (Hu & Cheng, 2023). In consideration of the above studies, the researcher provides the following third hypothesis: Religiosity has a significant effect on financial well-being (H3).

There is a relationship between Religiosity and Muslims' investment behaviors. More committed Muslims tend to be interested in socially responsible investments -- which, in this case, would mean investments that are Shariah-compliant (Newaz et al., 2016; Tahir & Brimble, 2011). Muslims tend to manage their finances more effectively and, as a result, achieve a better financial status (H. R. Wijaya et al., 2024). Purchase intention or purchasing behavior towards Islamic financial products is positively influenced by Religiosity (Newaz et al., 2016). The higher the level of Religiosity, the greater the use of the Islamic financial system (Soomro, 2019). Based on the previous studies, the hypotheses that the researcher aims to prove are: Religiosity has a significant effect on Islamic financial behavior (H4).

Difficulty in finances, such as unpaid bills, mounting debt, and a limited range of financial options, increases mental stress (anxiety and depression) (Hossain & Gupta, 2023). Financial stress leads to losing control of spending, making poor financial decisions, and poor planning, further worsening the situation (Althnian, 2021). Financial stress can also contribute to physical health problems, leading to an overall decline in well-being (Thangaraj et al., 2025). Financial stress significantly adversely affects an individual's financial satisfaction (Lee & Dustin, 2021). In households, financial stress has a significant impact on overall life satisfaction, as it is the dominant source of subjective stress (Brzozowski & Spotton Visano, 2020). Hypotheses the researcher has developed based on prior studies include the following: Financial Stress Negatively Affects Financial Well-Being (H5).

Prior research indicates that financial anxiety negatively affects financial behavior, hindering individuals from making sound financial choices and compromising their overall financial health (Badrudin et al., 2025; Fahlevi et al., 2024; Thangaraj et al., 2025). Financial stress, in varying degrees, evokes several behavioral adaptations, including attempts to increase one's income,

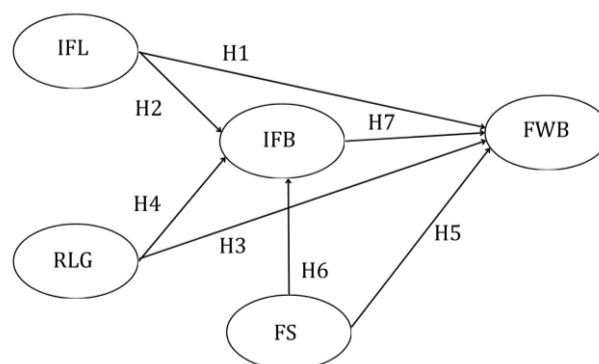


decrease outgoings, and minimize outstanding liabilities (Fiksenbaum et al., 2017). In light of previous studies, the researcher posits the following hypotheses: Financial Stress Negatively Affects Islamic Financial Behavior (H6).

Financial behavior and financial well-being constitute the dual driving force of financial decision-making (Chavali et al., 2021). Research conducted with university students indicates that financial behavior is a significant determinant of financial well-being (Kamalbatcha et al., 2024). This is further evidenced by the finding that, particularly in a society characterized by mass consumption, behavioral financial activities serve as the single most important determinant of improved financial welfare (Budiyanto et al., 2024). H7: Islamic financial behavior has a significant effect on financial well-being. All hypotheses and the research framework are shown in Figure 1

**METHOD**

This study incorporates quantitative explanatory design research that attempts to analyze the impact of Islamic Financial behaviors on financial well-being, with the variables of financial stress, financial literacy, and the degree of spirituality of the individual. A cross-sectional design was utilized as data on the rendered questionnaires was collected and analyzed once. The customers of Islamic banks located in Indonesia serve as the basis of this study’s population. This population is assumed to have at least an intermediate comprehension of Islamic finance, as well as an active involvement in Islamic finance transactions, and thus, is considered relevant to research objectives. Given that respondents are chosen according to the following criteria, a non-probability purposive sampling technique was utilized: (1) Muslim, (2) Islamic Bank account holder, and (3) experience in making financial decisions.



**Figure 1. Research Model**

Note: IFL= Islamic Financial Literacy, IFB= Islamic Financial Behavior, FS=Financial Stress, RLG=Religiosity, FWB= Financial Well-being



The questionnaire was completed and returned by 247 respondents. This sample size is justified as meeting the minimum requirement for PLS-SEM analysis based on the ten-fold guideline (Hair et al., 2021), which states that the sample size must be greater than the specified number of pathways in the model. Thus, the sample size is considered adequate for estimating intricate structural models. Further analysis is warranted.

Structural Equation Model (SEM) serves as one of the tools to quickly approximate the possible strength of hypothetical relationships between the variables of a particular theoretical model (Hair et al., 2018). Whether the relationships are direct or through interceding or moderating variables. In the meantime, Hair et al., (2018) mentioned that structural equation modeling can evaluate several dependent relationships at once. This study will implement SEM-PLS (Ghozali, 2008), which cites that the PLS method is deemed to be able to illustrate latent variables, and is measured through items of each variable. The researcher employs PLS since this study incorporates latent variables that are measurable through indicators or items, so that the researcher can perform the analysis using more refined and/or elaborate calculations. This testing employs the smart-PLS software. This research includes the assessment of the outer model and the inner model. The assessment of the outer model will assess the indicators of convergent validity, discriminant validity, composite reliability (CR), and average variance extracted (AVE). Convergent validity is related to the loading factor that the latent variable has with its indicator or item.

IFL measurement using Antara et al. (2016) study adopted 17 items covering *Mudarabah*, *Musharakah*, *Ijarah*, *Murabahah*, *Istisna*, and *Quard Hassan*. IFL scoring is based on the measurement scale of questions being answered as "true" and "false" and will be given value accordingly. The measurement of participant's religiosity and financial well-being will utilize the same items as Strömbäck et al. (2017) and lie within the scope of Wijaya et al. (2024). The financial stress measurement is based on Ali et al. (2023) study and the same applies for the financial behavior measurement. The financial behavior measurement is based on the modified items of Aisyah et al. (2025). In addition to IFL, the study used a 5-Likert Scale of 1= "Strongly Disagree" and 5="Strongly Agree".

## RESULTS

Table 1 shows the respondent profile. Based on the 311 questionnaires, 247 respondents were selected according to the predetermined criteria, with a gender split evenly at 61.1% for both males and females, and the 17-28 age group was the majority at 78.5%.



### Validity and Reliability Tests

The SEM-PLS method is necessary to test the validity and reliability of the variables the researcher wants to measure to confirm that the tools used accurately and consistently measure the constructs. Overall, validity and reliability are divided into validity and reliability (Table 2).

The reliability and validity of each construct are evaluated using the loading factor. The accepted loading factor is 0.7 or higher. The loading factor value of 0.7 and above is considered to significantly contribute to the construct being measured. This study included 4 items with loadings below 0.7, which were therefore removed from the model and the construct, rendering the construct invalid.

The testing for reliability of the instrument will determine the reliability coefficient as a metric for the overall consistency of the measurement items. For an instrument of construct to be considered reliable, the values for Construct reliability (CR) and Cronbach's alpha statistics must be no less than 0.70 (Dahlan, 2014). Construct reliability (CR) of a value  $\geq 0.70$ , and the  $AV \geq E$  value of 0.50, are the parameters set by Hair et al. (2010) for having good reliability for a construct. Hair et al. (2010) also posited that a construct reliability value greater than 0.40 is considered good. Using the following formula, the Construct Reliability (CR) of a given measurement is calculated (Hair et al., 2010; Wijayanto, 2008). The overall outcomes of the validity and reliability tests indicate that the model applied to the study is of good quality, as the constructs are valid and reliable, and top-tier indicators are used to accurately measure them.

### Goodness of Fit (GoF)

The GoF test results for SEM-PLS show how well the estimated model explains the observed data (Table 3). GoF test indicators included in this study are SRMR,  $dULS$ ,  $dG$ , Chi-square, and NFI. The SRMR (Standardized Root Mean Squared Residual) value for the estimated model is 0.073, which is slightly higher than the ae value for the saturated model which is 0.072. An SRMR value less than 0.08 implies a good match between model and data. The GoF test results were conclusive for how well the estimated model fit the observed data and that the model explained the data.

### Hypothesis Test

The value of R Square ( $R^2$ ) shows how independent variables in the research model explain the variation of dependent variables. For this research study,  $R^2$  helps explain how the model helps explain variation in Financial Well-Being and Islamic Financial Behavior.  $R^2$  value for Financial Well-Being =



0.163 = 16.3% variation in Financial Well-Being. The value shows how the model's explainable factor (variation) is positively contributing to Financial Well-Being, and it is not a high value. The  $R^2$  value for Islamic Financial Behavior is 0.178, which is 17.8% of the variation of the Islamic Financial Behavior. The value explains that even with the model of variables, the factors of Islamic Financial Behavior are mostly not explained in this model.

Empirical evidence indicated that the association between IFL and Financial Well-Being was insignificant, and as such H1 was rejected (Table 4). On the positive side, IFL impacted Islamic Financial Behavior positively meaning that H2 is acceptable. Moreover, the link between religiosity and Financial Well-Being was also insignificant, and hence H3 was rejected. On the contrary, the positive impact of religiosity on Islamic Financial Behavior, made H4 acceptable. The impact of Financial Stress on Financial Well-Being was highly positive, thus H5 is accepted, while the Financial Stress had no significant impact on Islamic Financial Behavior, hence H6 was rejected. Last, Islamic Financial Behavior positively impacted Financial Well-Being, thus H7 is accepted.

**Table 1. Respondent Profile**

	Freq	(%)
<i>Gender</i>		
Male	96	38.9
Female	151	61.1
<i>Education Background</i>		
School	146	59.1
Diploma	6	1.6
Undergraduate	71	28.7
Master degree	18	7.3
Doctoral	8	3.2
<i>Age</i>		
17-28 years old	208	84.2
29-44 years old	36	14.6
45-60 years old	3	1.2
<i>Homes</i>		
Urban	129	52.2
Village	118	47.8
<i>Job</i>		
Private Companies	21	8.50
Government Employees	34	13.77
SOEs	6	2.43
Student	164	66.40
Squirrelly	8	3.24
Others	14	5.67

Source: Data Processed by Researchers (2025)

**Table 2. Validity and Reliability Tests**

Item/Variable	Loading Factor	Cronbach's alpha	CR	AVE
Islamic Financial Behavior (IFB)		0.835	0.846	0.599
IFB1. I am trying to pay the installments on time	0.782			
IFB2. I am able to set aside funds for long-term purposes	0.717			
IFB5. I am trying to pay off debts/installments/bills	0.782			
IFB6. I am able to pay <i>zakat</i> ( <i>zakat fitrah</i> /profession/maal)	0.792			
IFB7. I am grateful for giving alms	0.795			
Financial Stress (FS)		0.888	0.909	0.752
FS1. I feel stressed with my personal finances in general	0.886			
FS2. I'm worried about the ability to meet monthly financial needs	0.906			
FS3. I'm worried about having enough money to pay for daily expenses	0.924			
FS5. I feel helpless in dealing with the financial problems in my life	0.740			
Financial Well-Being (FWB)		0.744	0.743	0.662
FWB4. I feel secure with my current financial situation	0.769			
FWB5. I feel confident in my financial future	0.856			
FWB6. I feel confident that I have enough money to support myself in retirement, no matter how long I live	0.813			
Islamic Financial Literacy (IFL)				
IFL_SCORE	1.000	1.000	1.000	1.000
Religiosity (RLG)				
RLG1. I believe in Allah SWT who determines destiny	0.890			
RLG2. I pray specifically for His help and protection	0.906			
RLG3. I find strength and comfort in Islam	0.912			
RLG4. I have always carried out my duties as a servant of Allah SWT	0.788	0.897	0.899	0.766

Source: Data Processed by Researchers (2025)

**Table 3. Goodness of Fit (GoF)**

	Saturated Model	Estimated Model
SRMR	0.072	0.073
d_ULS	0.804	0.818
d_G	0.254	0.254
Chi-square	385.726	384.917
NFI	0.825	0.826

Source: Data Processed by Researchers (2025)

**Table 4. Direct Impact Test**

Assumptions	Effect (B-Value)	Standard Deviation	T-Value	P-Value	Decision
H1. IFL → FWB	-0.069	0.051	1.362	0.173	Rejected
H2. IFL → IFB	0.194	0.094	2.073	0.038	Accepted
H3. RLG → FWB	-0.035	0.051	0.692	0.489	Rejected
H4. RLG → IFB	0.371	0.108	3.450	0.001	Accepted
H5. FS → FWB	-0.340	0.071	4.812	0.000	Accepted
H6. FS → IFB	-0.037	0.067	0.554	0.579	Rejected
H7. IFB → FWB	0.217	0.062	3.467	0.001	Accepted

Source: Data Processed by Researchers (2025)

**Table 5. Indirect Impact Test**

	Effect (B-Value)	Standard Deviation	T-Value	P-Value	Decision
FS → IFB → FWB	-0.008	0.015	0.534	0.593	Rejected
IFL → IFB → FWB	0.042	0.027	1.541	0.123	Rejected
RLG → IFB → FWB	0.080	0.034	2.355	0.019	Accepted

Source: Data Processed by Researchers (2025)

## DISCUSSION

The results of this research contribute to understanding the impact of Islamic financial literacy, financial stress, religiosity, and Islamic financial behaviors on the financial well-being of Indonesian Muslim households. Results suggest that an individual's psychological and behavioral factors outweigh the impact of knowledge of financial concepts on their financial well-being. The impact of Islamic financial literacy on respondents' financial well-being is too trivial to provide meaningful evidence that understanding finance improves a person's financial situation. While the individuals surveyed may know the Islamic finance-related concepts of *riba*, *zakat*, and ethical investments, this understanding is not reflected in their financial behavior. Findings are contrary to those of numerous earlier studies (Wijaya et al., 2024; Gunawan et al., 2025). that upheld Islamic financial literacy as an important explanatory variable for one's financial well-being. This suggests that the effects of financial literacy may be behavioral and structural.

In contrast, behavior in terms of Islamic finance is influenced by Islamic finance literacy. More literate respondents display greater responsibility in decision-making, more effective income management, and greater implementation of Sharia-compliant transactions. Hence, this aligns with prior studies (Wijaya et al., 2024; Wijaya et al., 2023) indicating that Islamic finance literacy is strongly correlated with the ability to make Sharia- and ethical-based decisions. Furthermore, this shows that the knowledge in question



serves as the basis for adopting the desired behavior, in this case, the opportunity to implement it in everyday life. The absence of a notable effect of religiosity on a person's financial well-being implies that, while the spiritual dimension may offer moral and emotional reassurance, it does not, in itself, lead to financial well-being. This is in contrast to Budiyanto et al. (2024), who stated that religiosity has a direct, positive impact on one's financial well-being. In the case of Indonesia, the religious value observed is generally a practice rather than a maelstrom of economic decision-making; it may affect the well-being of individuals indirectly, through behavior rather than directly.

The influence of religiosity on Islamic financial conduct is both powerful and positive. A person's faith leads to greater self-control and financial accountability. This is consistent with previous research (Newaz et al., 2016; Tahir & Brimble, 2011), that found religiosity has a constructive influence on ethical financial conduct and increases the likelihood of conforming to Islamic financial conduct. Given that it is commonplace in Indonesia to find religious principles in everyday practices, where self-control (thus financial discipline and a constructive, protective religious ethical conduct) is internalized through religiosity, this internalized self-control and discipline extends to the restriction of the use of financial resources. The financial distress that one experiences clearly indicates the psychological damage (low perception of financial status, low financial satisfaction) of the individual, and in this case, it is even more obvious considering the status of the individuals as students, and this also underscores the degree of exposure to financial pressure and the uncertainty on it. An individual's financial satisfaction and emotional stability are also affected by the financial stress he or she experiences (Thangaraj et al., 2025).

Islamic financial behavior remains unchanged during periods of financial stress. This may indicate that respondents experience financial stress regardless of external influences. This aligns with Fiksenbaum et al., (2017) and Gunawan et al. (2025) who found that individuals with high religiosity are less likely to engage in irresponsible financial behavior and are less likely to deviate during financial stress. Community and cultural factors may also act as external protective factors against the behavioral impact of stress. Despite financial stress, Muslims' financial behaviors improve their financial well-being. The practice of Islam and ethically responsible financial behaviors are rational, and in Indonesia, they are also related to financial stress and/or satisfaction. This behavior has been reflected in Budiyanto et al. (2024) and Kamalbatcha et al., (2024) in which financially responsible behaviors are associated with religiosity and/or spirituality, and are integrally linked to ethical and responsible financial behaviors in Islam and Judaism.



## CONCLUSION

The research found that Islamic Financial Literacy does not greatly affect Financial Well-Being, but does positively affect Islamic Financial Behavior. Islamic Financial Behavior exerts a positive influence, while Financial Well-Being exerts none. Financial Stress negatively influences Financial Well-Being but does not influence Islamic Financial Behavior. Islamic Financial Behavior has a positive influence on Financial Well-Being. Furthermore, a positive association between Islamic Financial Behavior and Financial Well-Being suggests that those with greater Islamic Financial Behavior also demonstrate greater Financial Well-Being. Additionally, although some other factors did not show a significant impact, the study still demonstrates the impact of Islamic Financial Behavior and the scope of religiosity on Financial Well-Being.

The research shows that Islamic financial literacy has not greatly affected Financial Well-Being; however, growing Islamic financial literacy positively influences Islamic financial behavior. Therefore, other institutions, particularly Islamic finance institutions, can develop activities to improve Islamic financial literacy for the community. Furthermore, this growing community's Islamic financial literacy can lead to improved financial management in accordance with Islamic law.

Finances are controlled by Religion, and Islamic Financial Behaviour reinforces the importance of this relationship. Financial service institutions that are Sharia-compliant can offer more religiously motivated products and services targeting religious consumers. Additionally, the more people participate in Islamic finance activities, the more motivated they are by the integration of finance and religion in training and workshops.

The negative relationship between financial stress and financial well-being underscores the need for organizations to implement stress-lowering activities. Because financial planning and financial counseling are stress-relieving, they should be promoted more in organizations so people can better manage their finances.

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