



The Impact of Love of Money and Islamic Financial Literacy on Muslims' Financial Self-Management in East Java

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Abstract. This study aims to analyze the influence of Islamic financial literacy and the love of money on Muslims' personal financial management in East Java, both directly and through the mediation of financial self-efficacy. The study used a quantitative approach, employing a survey of Muslims from Generations Y and Z in East Java, selected through purposive sampling. Data analysis was conducted using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results showed that Islamic financial literacy and love of money have a significant positive effect on personal financial management and financial self-efficacy. Financial self-efficacy was shown to have the strongest influence on personal financial management and acts as a partial mediator in the relationship between Islamic financial literacy and love of money with personal financial management. In conclusion, improving Muslim personal financial management requires not only strengthening Islamic financial literacy but also building financial self-confidence. Therefore, an effective Islamic financial literacy program needs to integrate cognitive and psychological aspects simultaneously.

Keywords: Islamic financial literacy, love of money, financial self-efficacy, personal financial management, Muslim.

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INTRODUCTION

Generation Y (1981-1996) and Generation Z (1997-2012) in Indonesia are facing increasingly modern financial management trends due to the rapid advancement of digital technology. Gen Y, known as the Millennial Generation, who are now aged 28-43 years old, are synonymous with digital skills, growing up alongside the development of the internet and information technology, while Gen Z, aged 12-27 years old, are called the *iGeneration*, the net generation or internet generation because they have never known a world without the internet and advanced technology (Tempo, 2024). Current conditions provide easy access to financial products and services, alongside an increasingly robust consumer lifestyle (Ainiyah & Yuliana, 2022). Adiba (2018) describes Generation Y as intelligent, consumption-oriented, and trend-setters, while Amir et al. (2024) describe Generation Z as tech enthusiasts who are careful

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before acting and follow up on satisfaction. Both generations coexist in the current era of digitalization. These technological advancements save time and enable thorough access, which aids personal financial management. Through mobile applications, digital financial technology is transforming how people save, invest, and transact (Hokibank, 2025). The ability to manage personal finances is becoming increasingly important in the complex modern world, particularly for the Muslim population (Amanah et al., 2016). The perspectives of the Muslim community, with respect to Islamic financial literacy as a provider of a framework of values and principles of prudence. Guidelines for forming moral financial thought and behavior are provided by principles such as the ban on usury and the application of sharia contracts to financial items (Nursjanti et al., 2023).

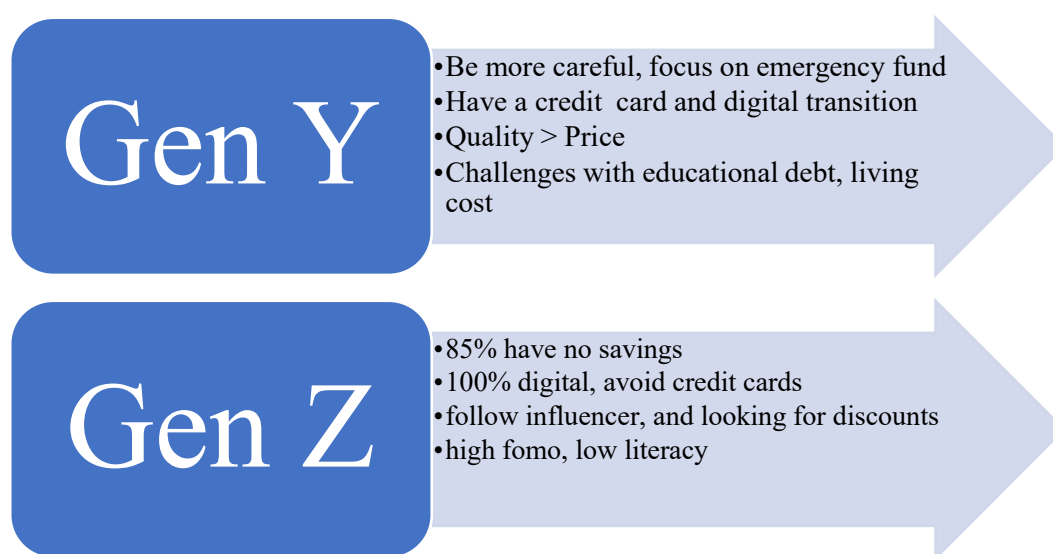


Figure 1. Generation comparison

Source: (BINUS University Bekasi, 2025; Otoritas Jasa Keuangan, 2024) (processed)

The latest data from the Otoritas Jasa Keuangan (2024), the 2024 National Survey on Financial Literacy and Inclusion, shows a significant but still concerning increase. The increase in Islamic financial inclusion remained limited, from 12.88% in the 2024 SNLIK to 13.41% in the 2025 SNLIK (both using the sustainability method and DNKI coverage). Otoritas Jasa Keuangan (2025) The press release stated that the increase in Islamic financial literacy is quite encouraging, from 39.11% in the 2024 SNLIK to 43.42% in the 2025 SNLIK (both through sustainability and DNKI coverage). However, it lags far behind overall financial literacy, which stands at 65.43%. This gap contradicts the fact that 87% of Indonesia's population is Muslim, particularly in East Java, the province with the largest Muslim population in Indonesia, at 96.7% of the 40.7 million people. (Badan Pusat Statistik, 2023).

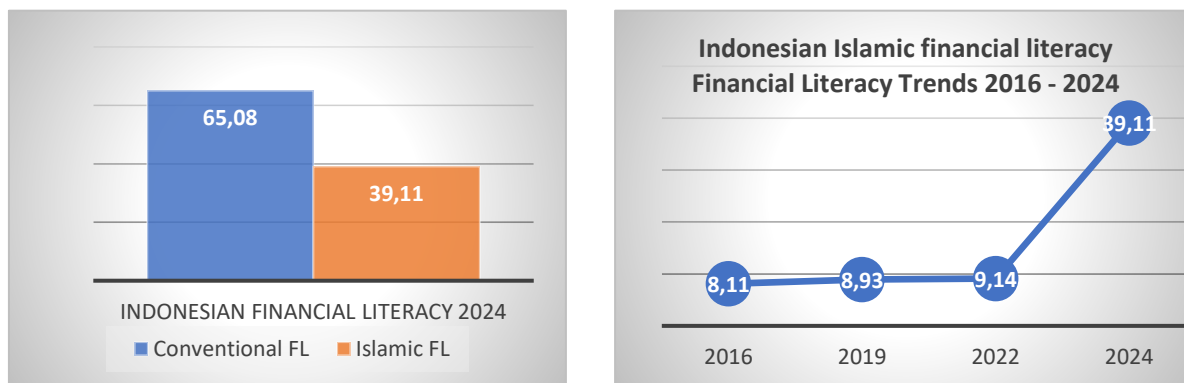


Figure 2. Indonesian Financial Literacy Index

Source: Islamic Banking Statistics, 2014 (processed)

Financial conduct is greatly influenced by psychological elements, such as a love of money. The love of money construct, created by Tang & Chiu (2003) It gauges how significant money is to an individual. People often overlook Islamic finance's emphasis on justice, blessings, and simplicity when money is the main measure of success (Wilujeng, 2019). The younger generation's financial behavior may also be influenced by financial self-efficacy, or confidence in one's ability to manage money. High self-efficacy individuals are more reliable when it comes to creating and following budgets, conserving money, handling debt, and making investments in line with Islamic beliefs (Rindi & Adiputra, 2022). Another significant mediator between knowledge and real conduct is financial self-efficacy. Therefore, it is believed that financial self-efficacy mitigates the detrimental impacts of love of money on individual financial management practices while mediating the impact of literacy and attitudes toward money (Farrell et al., 2016). According to Lusardi & Mitchell (2014) People who are more financially literate typically plan their finances better and accumulate more wealth. Actually, research by Robbil (2025) shows that financial stress, including consumer debt that does not adhere to Sharia principles, stems from an inability to manage finances effectively. Muslims, who ought to be maximizing financial instruments in line with their beliefs, may find their financial well-being hampered by this disparity.

The connection between personal financial management and financial literacy was examined in a review of multiple studies. Islamic financial literacy has a favorable impact on financial management behavior, according to studies by Alrisqi et al., (2025) dan Wijaya et al. (2024). While there is very little cross-regional empirical data with thorough mediation testing, Putri et al. (2025) concentrated on conventional literacy or a sample of students in a single city. The study by Khoirunnisa & Purnamasari (2024) examined the moderating effect of financial

literacy, but it did not explicitly examine Muslims or incorporate aspects of Islamic financial literacy. The breadth of Gen Z students was not covered in Budiasni & Darmayanti's (2025) study. Adding Muslims to the population creates a difference by including Islamic financial literacy. The absence of a single research model that thoroughly examines the concepts of Islamic financial literacy, love of money, financial self-efficacy, and personal financial management is the most significant research gap, particularly in the geographic and demographic context of Muslims in East Java.

Three primary theories of personal financial management serve as the foundation for this study. According to Ajzen's (1991) The Theory of Planned Behavior : posits that attitudes, behavioral control, and subjective norms all shape an individual's intentions. Its connection to Islamic finance shapes financial behavior, control, and attitudes. According to Bandura's (1986) in Social Cognitive Theory, financial self-efficacy acts as a bridge between conduct and knowledge. The idea of "*love of money*" is related to Tang's (1992) Money Ethic Scale Theory, which describes a person's attitude toward money. The unique aspect of this study is the integration of these three ideas within the framework of Islamic economics. Its contributions include establishing a practical framework for creating an Islamic financial literacy program with a psychological foundation, testing the mediating role of financial self-efficacy in Islamic finance, presenting empirical data on Muslims in East Java, and developing an integrative model of Islamic financial literacy, love of money, financial self-efficacy, and Muslim personal financial management. The purpose of this study is to examine the direct and indirect effects of Islamic financial literacy and love of money on Muslim personal financial management in East Java, using financial self-efficacy as a mediating variable.

LITERATURE REVIEW

Islamic Financial Literacy

According to Setiawati et al., (2018), Islamic financial literacy is a more complicated notion that includes both ordinary financial ideas and the sharia rules that regulate financial transactions in Islam. Islamic literacy encompasses understanding sharia, assessing halal financial products, and making financial decisions based on sharia principles (Amir et al., 2024; Dinc et al., 2021). A focus on maqāṣid al-syarī'ah (benefit) and normative underpinnings such as the proscription of riba (usury), gharar, and maysir (risk), is added by the sharia dimension (Putra, 2017). Islamic financial literacy, according to Saifurrahman & Kassim (2021), reflects

an individual's talents, behaviors, skills, and competencies in managing financial resources in accordance with Islamic Sharia principles. Islamic banking clients' financial conduct is greatly influenced by Islamic financial literacy, especially in Jakarta (Siswanti et al., 2024).

According to a bibliometric analysis by Lubis & Husna (2024) Research on Islamic financial literacy is still in its infancy, but it is expanding in countries such as the US, Malaysia, and Indonesia. According to Adiba's (2021) Research indicates that Islamic financial literacy influences investment choices related to personal financial management but does not affect financial planning. From the enlarged Theory of Planned Behavior (TPB) paradigm, Osman et al. (2024) and Rohmania et al. (2023) distinguished three primary components of Islamic financial literacy: (1) Islamic financial knowledge; (2) financial skills (FS); and (3) self-efficacy. These results show that Islamic financial literacy is increasingly recognized in Indonesia as a critical component of a sustainable Islamic financial environment. Based on the literature review, the following hypotheses can be proposed:

H1: Islamic Financial Literacy has a significant positive effect on Muslim Personal Financial Management.

Love of Money

Love of money is an individual's attitude toward money, including the value they attach to it. It refers to an individual's attitude that places money as something very important in life, more as a "*want/aspiration*" than simply fulfilling a need (Charismawati & Yuyetta, 2011). Individuals who link self-worth to financial success are more susceptible to conflict and decreased relationship satisfaction when faced with economic pressure. This suggests that economic pressure increases financial conflict, which then decreases relationship satisfaction, especially in individuals with a high dependence on financial aspects of self-worth (Ward et al., 2021).

This psychological construct by Tang (1992); Tang & Chiu (2003) is rooted in the Judeo-Christian proposition that "*the love of money is the root of all evil*" (1 Timothy 6:10), but has been developed into a scientific measurement tool applicable across cultures. Love of Money has three main components according to Sesini & Lozza (2023): 1) the affective component (encompassing perceptions of good and evil); 2) cognitive components (including achievement, respect, freedom/power; 3) behavioral components (referring to budgeting). A

study by Sesini et al. (2023) showed that love of money can manifest differently by gender, with important implications for personal financial management and financial education. This acknowledges that love of money is a relatively universal construct with a “double edge”: it can be associated with less desirable outcomes (e.g., unethical behavioral intentions or low job satisfaction) if not supported by strong values and institutions, but it can also support financial discipline when directed towards constructive goals (Verawati & Affandy, 2023). Based on the literature review, the following hypotheses can be proposed:

H2 : Love of Money has a significant positive effect on Muslim Personal Financial Management

Financial Self-Efficacy

This construct is rooted in Social Cognitive Theory (Bandura, 1986; Bandura & Walters, 1977). It is defined as an individual's belief in their ability to manage financial tasks, make sound decisions, and achieve long-term financial goals (Ahamed, 2025). More specifically than self-confidence, it involves beliefs about the concrete ability to achieve specific financial goals. Asebedo (2019) emphasized that FSE focuses on control over financial situations, which has a greater impact on behavior than actual control. Among Generation Y and Z Muslims, this includes confidence in budgeting, saving, and investing according to Sharia principles, managing debt, and being disciplined with long-term financial plans (Novyarni et al., 2024). Other evidence suggests that FSE is more associated with increased savings, greater investment participation, and debt reduction (Farrell et al., 2016).

Demographic and socioeconomic characteristics, including age, gender, income, and education, were all included in Ahamed (2025) study. With an emphasis on the mediation of personal financial management behavior (PFMB), Rai et al. (2025) investigated the impact of financial socialization, FSE, and self-control on financial well-being. Additionally, enhancing one's FSE may be linked to strong intrinsic (autonomous) motivation, according to Ryan & Deci's (2006) concept of self-determination. Choosing halal instruments, avoiding usury and gharar, and managing expenditures in accordance with the goals of *maqāṣid al-sharī'ah* are some examples of how FSE might be connected to Islamic finance in the sharia ecosystem. Therefore, financial self-efficacy can both mitigate the influence of the love of money attitude, which tends to drive excessive consumption, and enhance the impact of Islamic financial literacy. Based on the literature review, the following hypotheses can be proposed:

H3 : Islamic Financial Literacy has a significant positive effect on Financial Self-Efficacy

H4 : Love of Money has a significant positive effect on Financial Self-Efficacy

Financial Self-Management

Combines disciplined conduct, attitudes, and knowledge (Lestari, 2020). In order to accomplish both immediate and long-term financial objectives, it is also the process of organizing, overseeing, and managing a person's financial resources (Xiao, 2008). Budgeting, saving, investing, debt management, retirement planning, and insurance protection are all included in PFM, according to Dew & Xiao (2011). PFM is a comprehensive personal financial ecosystem comprising several interconnected dimensions.

Research by Siswanti & Halida (2020) shows that financial knowledge and attitudes significantly influence financial management, both directly and indirectly through self-control, which serves as a partial mediator. Arbetus (2020) found that social environments, such as campuses, can influence students' financial management. Furthermore, they can increase an individual's concentration on a particular topic. Empirical findings suggest that while learning about money management is the most important skill a person possesses, finance addresses individual finances. Individuals with better financial literacy tend to have stronger budget control and make more rational financial decisions (Prihatingsih, 2021). Generation Z in DKI Jakarta confirmed that financial literacy and lifestyle significantly influence personal financial management, highlighting the importance of education accompanied by the formation of healthy financial habits (Sugiharti & Maula, 2019). Based on the literature review, the following hypotheses can be proposed:

H5 : Financial Self-Efficacy has a significant positive effect on Muslim Personal Financial Management

METHOD

Research Approach

This study uses a quantitative approach due to the gap in previous research that does not involve Sharia elements. This aims to examine relationships among variables and test hypotheses formulated based on sample data (Sugiyono, 2019). This study uses a quantitative, explanatory research design to examine the influence of independent variables (Islamic financial literacy

and love of money) on the dependent variable (personal financial management) through a mediating variable (financial self-efficacy). This study is cross-sectional, where data is collected at a certain time (Hair et al., 2019). The following is the framework of thinking in this study.

Data testing was processed through SmartPLS ver 4.1.1.4 by conducting inner model testing, which includes R², Q², Goodness Of Fit testing, followed by outer model testing, which includes convergence validity testing, discriminant validity, composite reliability, Average Variance Extracted (AVE), and in the final stage, by testing the hypothesis.

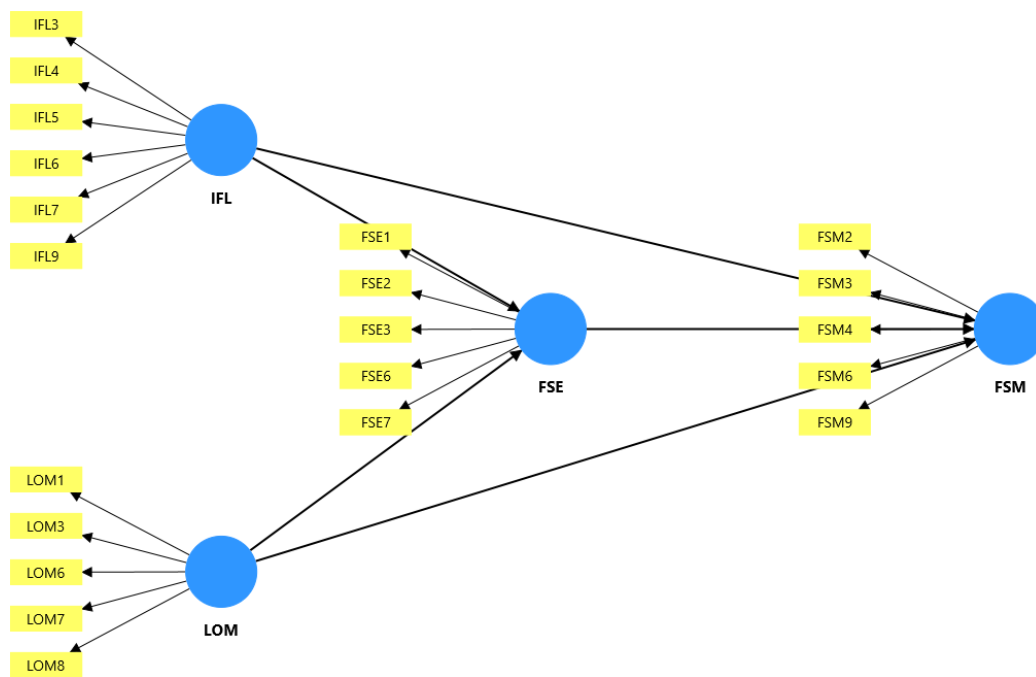


Figure 3. SEM Model Framework
Source : Data Processing on SmartPLS.2025

Population and Sample

The population in this study is Muslims domiciled in East Java. The selection of the research location is based on the consideration that this province has the largest Muslim population in Indonesia, which is around 96.7% of the total 40.6 million people (BPS Provinsi Jawa Timur, 2025). The dominance of research in cities/regencies in East Java that are synonymous with Muslim communities and large populations includes: Surabaya, Malang, Jember, and Sidoarjo, with high population levels (BPS Provinsi Jawa Timur, 2025); and Gresik, Bangkalan, Pasuruan, Jombang, Tuban, which have strong Islamic cultural and religious characteristics,

with coastal characteristics in East Java (Babad Madura, 2025; Hefner, 1987; Turmudi, 1997; Van Bruinessen, 1994), also not leaving out other regencies in the scope of East Java.

Determining the number of samples in this study uses the infinite-population method (Lameshow). The formula used to determine the minimum sample size is as follows (Lemeshow, 2025) :

$$n = \frac{Z^2 \times p \times q}{d^2}$$

Where:

n = number of samples

Z = standard normal value (1.96 for a 95% confidence level)

p = estimated population proportion (0.5 for the maximum proportion)

q = 1 – p (0.5)

d = tolerable error rate (0.10 or 10%)

Calculation:

$$n = \frac{(1.96)^2 \times 0.5 \times 0.5}{(0.10)^2}$$

$$n = \frac{3.8416 \times 0.25}{0.01}$$

$$n = \frac{0.9604}{0.01}$$

$n = 96.04 \approx 96$ respondents

To anticipate the possibility of incomplete, invalid data, or outliers that must be removed, this study added a buffer of 10% of the minimum sample size (Hill, 1998; Sekaran & Bougie, 2016):

$$n_{final} = 96 + (96 \times 10\%)$$

$$n_{final} = 96 + 9.6$$

$$n_{final} = 105.6 \approx 106$$
 respondents

The sample calculation results obtained a minimum sample size of 106 respondents. A total of 304 respondents were successfully collected for this study. Based on the screening results, 2 respondents did not meet the criteria, so the final number of respondents used in this study was

302. The sampling technique used was purposive sampling, which is a sampling technique based on certain criteria (Sugiyono, 2019). The respondent criteria in this study included being a Muslim domiciled in East Java, belonging to the millennial generation (1981-1996) or generation Z (1997-2012), and having an income or pocket money. These criteria were established to ensure that respondents had experience in managing personal finances and were relevant to the research context on personal financial management. Gresik, Bangkalan, Pasuruan, Jombang, Tuban.

Description of Respondent Characteristics

Table 1. Demography Respondent

Gender	Count	Percentage
Male	142	47
Female	160	53
Domicile	Count	Percentage
Surabaya	27	8.9
Malang	24	7.9
Jember	16	5.3
Sidoarjo	19	6.3
Gresik	24	7.9
Bangkalan	55	18.2
Jombang	37	12.3
Pasuruan	24	7.9
Tuban	25	8.3
Other	51	16.9
Generation	Count	Percentage
Gen Y (1881 – 1996)	146	48.5
Gen Z (1997 – 2012)	155	51.5
Income	Count	Percentage
< Rp. 1.000.000	79	26.2
Rp. 1.000.000 – Rp. 5.000.000	115	38.2
>Rp. 5.000.000	107	35.5

Source: Respondent Data on Google Forms, 2025

The results of respondent data in other areas of East Java who participated in the questionnaire include: Mojokerto (16); Lamongan (7); Sumenep (6); Sampang (4); Bojonegoro (3); Nganjuk (3); Magetan (2); Pamekasan (2); Probolinggo (2); Situbondo (2); Blitar (1); Madiun (1); Ponorogo (1); and Tulungagung (1).

Data Collection and Analysis Techniques

Primary data were obtained directly from respondents via a structured online questionnaire (Google Form). The questionnaire was designed based on indicators for each research variable, adapted from previous research (Churchill & Iacobucci, 2006). Secondary data was obtained from various scientific publication sources, including accredited national journals, reputable international journals, textbooks, research reports, and statistical data from the Central Statistics Agency (BPS) and other related institutions, used as theoretical references and the research's conceptual framework (Sekaran & Bougie, 2016).

Measured with a 4-point Likert scale. The use of a 4-point Likert scale (even) was chosen to avoid respondents' tendency to choose neutral or uncertain answers (central tendency bias), thereby forcing them to indicate their agreement or disagreement with the given statement. The 4-point Likert scale categories used are: (1) = Strongly Disagree (STS); (2) = Disagree (TS); (3) = Agree (S); (4) = Strongly Agree (SS). According to Mantell & Jacoby(1971) A Likert scale with an even number of points can increase measurement validity by eliminating the middle option that respondents often select due to uncertainty or reluctance to express a clear opinion.

Variable Operational Definitions

Table 2. Variable Operational Definitions

No.	Operational Definition	Indicators
1.	Islamic Financial Literation (X1) Understanding of sharia-based financial products and services that reflect understanding, insight, and capabilities that are in accordance with Islamic values (Alrisqi et al., 2025).	IFL3 : I understand the concept of profit sharing in a contract in Islamic finance, along with the risks/rewards. IFL4 : I believe that transactions in Islamic banks are free from elements of usury, gharar, and maysir. IFL5 : I believe that the financial funds paid for zakat can help maintain social balance. IFL6 : I am sure that Islamic financial institutions are free from prohibited things because various parties supervise them. (exp. DPS, DSN-MUI). IFL7 : I consider Sharia aspects in every financial decision. IFL9 : I feel responsible for managing the assets I own. (Azraha, 2025; Gibson, 2020; Sholihin, 2020)
2.	Love Of Money (X2) It is a symbol of achievement and success, as well as a good factor in financial management (Tang & Chiu, 2003).	LOM1 : Money is the main measure of success for me. LOM3 : I believe that money is very important to achieve happiness and a better quality of life. LOM6 : I work hard to earn a lot of money. LOM7 : I am motivated to learn to increase my income. LOM8 : I believe that money is the main motivation in my career. (Ismayanti, 2020; Tang et al., 2006; Ward et al., 2021)
3.	Financial Self-Efficacy (M) Refers to an individual's belief in his or her ability to perform tasks and achieve goals (Ahamed, 2025).	FSE1 : I am confident in my ability to plan for and manage income and expenses. FSE2 : I am able to control impulsive shopping urges when it is not within my budget. FSE3 : I am confident that I can manage my finances in an emergency. FSE6 : I was able to solve some of the financial problems, although not completely. FSE7 : I have a reserve fund to deal with emergency situations. (Lown, 2011; Widiawati, 2020)

4. Financial Self-Management (Y)		
The process of planning, managing and controlling a person's finances for financial decision-making of individual units (Ismayanti, 2020)	FSM2 : FSM3 : FSM4 : FSM6 : FSM9 :	I review all income and expenses regularly. I adjust the budget if there are changes in income or expenses. I set clear personal financial goals. I prioritize needs and avoid impulsive desires (spontaneous without thinking). I can set aside some of my income to save or invest. (Farrell et al., 2016; Natalia et al., 2019; Widiawati, 2020)

Data were analyzed using SmartPLS to assess the measurement and structural models, as well as the mediation effect of financial self-efficacy (FSE). Measurement model tests included outer loading ≥ 0.70 (can be 0.60–0.70 if CR ≥ 0.70 and AVE ≥ 0.50), reliability (Cronbach's alpha/CR ≥ 0.70), convergent validity (AVE ≥ 0.50), and discriminant validity (Fornell-Larcker, and Cross Loading); multicollinearity was controlled with VIF < 3.3 and global model fit through SRMR ≤ 0.08 . Structural model tests assessed path coefficients, R^2 (explanatory accuracy), f^2 (0.02/0.15/0.35 = small/medium/large), and Q^2 (predictive > 0) via blindfolding; calculating Goodness Of Fit to test model suitability. The significance of direct and indirect effects was tested by bootstrapping 5,000 resamplings (95% bias-corrected CI); FSE mediation was declared present if the indirect effect was significant and the direction of the relationship was consistent (optional VAF calculation). Relevant demographic variables were included as controls in the structural model.

RESULTS

Evaluation of Measurement Model (Outer Model)

Convergence Validity

Reliability and validity can be assessed using Cronbach's Alpha (α), Rho_a, Rho_C, and AVE (Hair Jr et al., 2017). Cronbach's Alpha measures the internal consistency of the indicators that form the construct. According to Hair et al. (2019), a Cronbach's Alpha value in the range of 0.70-0.90 is considered ideal, because a value that is too high (>0.95) can actually indicate item redundancy. Composite Reliability (CR) provides a superior reliability estimate to Cronbach's Alpha because it accounts for the actual factor loadings of each indicator.

Table 3. Reliability and Convergence Validity Test

Variabel	Item	Outer Loading	Cronbachs Alpha	Rho_a	Rho_C	AVE	Conclusion
Islamic Financial Literation			0.824	0.826	0.872	0.531	Reliable
	IFL3	0.758					Reliable
	IFL4	0.727					Reliable
	IFL5	0.701					Reliable
	IFL6	0.747					Reliable
	IFL7	0.701					Reliable
Love Of Money	IFL9	0.738					Reliable
	LOM1	0.702	0.800	0.810	0.860	0.553	Reliable
	LOM3	0.751					Reliable
	LOM6	0.701					Reliable
	LOM7	0.774					Reliable
	LOM8	0.785					Reliable
Financial Self-Efficacy			0.788	0.789	0.855	0.542	Reliable
	FSE1	0.728					Reliable
	FSE2	0.729					Reliable
	FSE3	0.752					Reliable
	FSE6	0.762					Reliable
	FSE7	0.708					Reliable
Financial Self-Management			0.755	0.757	0.836	0.505	Reliable
	FSM2	0.725					Reliable
	FSM3	0.712					Reliable
	FSM4	0.730					Reliable
	FSM6	0.673					Reliable
	FSM9	0.713					Reliable

Source: Data Processing on SmartPLS. 2025

Shows the results of convergent validity and reliability testing. All indicators have outer loading values above 0.70 or close to 0.70 with the lowest value of 0.673 in the FSM6 indicator, which is still acceptable because the AVE and composite reliability (Rho_C) values have met the criteria (Hair et al., 2019). Cronbach's alpha > 0.755, indicating good internal consistency. Composite reliability (Rho_C) values range from 0.836 to 0.872, all thresholds >0.70. The Average Variance Extracted (AVE) values for all variables are > 0.50, ranging from 0.505 to 0.553; these results confirm that all research variables meet the VA criteria.

Discriminant Validity

Tested using two methods, the Fornell-Larcker Criterion and Cross Loading (Hair, 2014). The Fornell-Larcker Criterion assesses discriminant validity by comparing the \sqrt{AVE} of each construct with the correlation value between constructs. Cross-loading testing assesses discriminant validity by comparing the loading factor of each indicator on its latent construct

with the loading factor on another construct (Hair, 2014; Hensler et al., 2014). is met if the loading factor of each indicator on the intended construct is higher than its loading on another construct, with a minimum difference of 0.10.

Table 4. Discriminant Validity Fornell-Larcker Criterion

Variabel	FSE	FSM	IFL	LOM	Conclusion
FSE	0.736				Valid
FSM	0.724	0.711			Valid
IFL	0.599	0.648	0.729		Valid
LOM	0.504	0.552	0.424	0.744	Valid

Source: Data Processing on SmartPLS. 2025

The Fornell-Larcker results indicate that the construct meets the requirements for discriminant validity. The \sqrt{AVE} value of FSE is 0.736, which is higher than its correlation with FSM (0.724), IFL (0.599), and LOM (0.504). Similarly, FSM and IFL also show clear uniqueness from other constructs, and LOM (0.744) has excellent discrimination. Thus, there is no multicollinearity among latent constructs, and each variable measures a different dimension.

Table 5. Discriminant Cross-Loading

Variabel	Item	Indicator				Conclusion
		FSE	FSM	IFL	LOM	
Financial Self-Efficacy (M)	FSE1	0.728	0.548	0.399	0.400	Valid
	FSE2	0.729	0.515	0.462	0.381	Valid
	FSE3	0.752	0.520	0.445	0.319	Valid
	FSE6	0.762	0.556	0.463	0.420	Valid
	FSE7	0.708	0.523	0.432	0.330	Valid
Financial Self-Management (Y)	FSM2	0.516	0.725	0.454	0.400	Valid
	FSM3	0.549	0.712	0.493	0.445	Valid
	FSM4	0.544	0.730	0.477	0.417	Valid
	FSM6	0.433	0.673	0.471	0.291	Valid
Islamic Financial Literation (X1)	FSM9	0.519	0.713	0.407	0.394	Valid
	IFL3	0.436	0.440	0.758	0.268	Valid
	IFL4	0.399	0.438	0.727	0.286	Valid
	IFL5	0.392	0.476	0.701	0.306	Valid
	IFL6	0.499	0.501	0.747	0.323	Valid
Love Of Money (X2)	IFL7	0.414	0.433	0.701	0.323	Valid
	IFL9	0.464	0.533	0.738	0.342	Valid
	LOM1	0.259	0.315	0.251	0.702	Valid
	LOM3	0.407	0.434	0.307	0.751	Valid
	LOM6	0.368	0.372	0.299	0.701	Valid
	LOM7	0.446	0.513	0.361	0.774	Valid
LOM8	0.349	0.370	0.338	0.785	Valid	

Source: Data Processing on SmartPLS. 2025

All indicators had the highest factor loadings on their latent constructs compared to other constructs, with substantial differences (generally >0.15). Discriminant validity was met very

well, strengthening the conclusion that the research instrument has strong differentiation capabilities between constructs.

Analysis Structural Model Assignment and Robustness (Inner Model)

Collinearity (VIF)

To detect the presence or absence of high correlations between predictor variables in a structural model, which can bias path coefficient estimates and reduce the model's predictive power (Hair et al., 2019), the VIF value should be <3.3 for PLS-SEM research, while a more conservative threshold is 5.0 (Becker et al., 2015). A high VIF (>5) indicates multicollinearity, which can result in unstable and unreliable path coefficients.

Table 6. VIF

Item	VIF	Conclusion	Item	VIF	Conclusion
IFL3	1.708	Valid	FSE1	1.467	Valid
IFL4	1.581	Valid	FSE2	1.501	Valid
IFL5	1.462	Valid	FSE3	1.631	Valid
IFL6	1.640	Valid	FSE6	1.557	Valid
IFL 7	1.482	Valid	FSE7	1.499	Valid
IFL9	1.543	Valid			
LOM1	1.641	Valid	FSM2	1.417	Valid
LOM3	1.605	Valid	FSM3	1.344	Valid
LOM6	1.491	Valid	FSM4	1.406	Valid
LOM7	1.547	Valid	FSM6	1.344	Valid
LOM8	1.871	Valid	FSM9	1.414	Valid

Source: Data Processing on SmartPLS. 2025

Test results show that all indicators in the research model have excellent VIF values, ranging from 1.344 to 1.871. All VIF values are well below the critical threshold of 3.3. This condition meets the basic assumptions for valid structural analysis.

Explanatory Y Power (R^2 dan f^2)

The coefficient of determination (R^2) measures the proportion of endogenous variables that exogenous variables can explain in a structural model (Chin, 1998). R^2 values range from 0 to 1, with higher values indicating better predictive ability. According to Hair et al. (2019), R^2 values of 0.75, 0.50, and 0.25 in PLS-SEM research are categorized as substantial, moderate, and weak, respectively. However, interpretation of R^2 values must consider the research and the phenomenon being studied. Effect size (f^2) measures the substantive contribution of each

predictor variable to the R^2 of the endogenous variable, indicating whether the removal of a particular exogenous variable will have a substantial impact on the endogenous variable. Cohen (2013) sets f^2 values of 0.02, 0.15, and 0.35 as indicators of small, medium, and large effect sizes, respectively.

Table 7. R-Square, F-Square

Item	R-Square	R-Square Adjusted	Conclusion
FSE	0.435	0.431	Moderate
FSM	0.625	0.622	Substantial

Path	FSM (Y)	FSE (M)	Conclusion
FSE→FSM	0.298	-	Medium Effect
IFL→FSM	0.145		Small Effect
IFL→FSE		0.319	Medium Effect
LOM→FSM	0.079		Small Effect
LOM→FSE		0.135	Small Effect

Source: Data Processing on SmartPLS. 2025

The R^2 and adjusted R^2 values were in the moderate range, indicating that both predictor variables explained almost half of the variance in FSE. The minimal difference between R^2 and adjusted R^2 indicates that the model did not overfit and remained stable even with additional predictor variables.

Effect size analysis indicated that the majority of IFL influence on FSM operates through the mediation of financial self-efficacy. LOM showed small effect sizes for both FSE ($f^2 = 0.135$) and FSM ($f^2 = 0.079$), indicating that, although statistically significant, its substantive impact is relatively limited compared to other variables.

Predictive Accuracy (PLSPredict)

The Q^2 value indicates how well the model reconstructs the observed values and how well its parameters are estimated. According to Hair et al. (2019), a Q^2 value > 0 indicates the model has predictive relevance, while a Q^2 value ≤ 0 indicates a lack of predictive relevance. More specifically, Q^2 values of 0.25, 0.50, and 0.75 indicate low, medium, and high predictive relevance, respectively (Hair Jr et al., 2017).

Table 8. Q^2 predict, RMSE, MAE

Item	Q^2 Predict	RMSE	MAE	Conclusion
FSE	0.419	0.771	0.586	$Q^2 > 0.25$ medium predict
FSM	0.498	0.717	0.542	$Q^2 > 0.25$ medium predict

Source: Data Processing on SmartPLS. 2025

The Q² value for Financial Self-Efficacy of 0.419 is above the threshold of 0.25, indicating medium to near-large predictive relevance. The model's excellent predictive ability for the study's primary variables enables it to predict nearly 50% of the FSM variables on unseen data, surpassing many similar studies in the personal financial management literature.

GOF

The overall evaluation of model suitability (Goodness of fit) is carried out through a combination of several indicators to assess how well the overall model replicates the observed data by looking at the R² value, Q² Predict, SRMR, PLS Predict values from RMSE and MAE, and CVPAT (Hensler et al., 2014). Root Mean Square Error (RMSE) and Mean Absolute Error (MAE) values are additional metrics that measure prediction error, where lower values indicate better predictive accuracy (Guenther et al., 2023). According to Hu & Bentler (1999) An SRMR value <0.08 is considered a good fit, though <0.10 is still acceptable. The Cross-Validated Predictive Ability Test (CVPAT) compares the predictive ability of a PLS model with a benchmark linear model; a negative value indicates that the PLS model has superior predictive ability (Sharma et al., 2023).

Table 9. Goodness Of Fit Criteria

Item	R-Square	Q ² Predict	SRMR	RMSE	MAE	CVPAT
FSE	0.435	0.419	0.067	0.771	0.586	-0.098
FSM	0.625	0.498		0.717	0.542	-0.119

Source: Data Processing on SmartPLS. 2025

The SRMR value of 0.067 is at a threshold <0.08, indicating that the model has a good fit and minimal residuals between the observed and predicted correlations. The negative CVPAT values for FSE (-0.098) and FSM (-0.119) indicate that the PLS-SEM model has superior predictive ability compared to the benchmark linear model. The relatively low RMSE and MAE values for both endogenous variables indicate minimal prediction errors, confirming the model's accuracy. The research model has a good fit, strong explanatory ability, and reliable predictive ability.

Hypothesis Test

The hypothesis is supported if the t-statistic value is > 1.96 (for a significance level of $\alpha = 0.05$, two-tailed test) or the p-value is < 0.05. The path coefficient indicates the strength and direction of the relationship between variables; positive values indicate a unidirectional relationship, and

negative values indicate an inverse relationship (Hair Jr et al., 2017). The following are the direct results of the hypothesis.

Table 10. path coefficient

	Original Sample (o)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P-Values	Conclusion
FSE→FSM	0.445	0.443	0.059	7.493	0.000	Supported
IFL→FSE	0.469	0.468	0.062	7.595	0.000	Supported
IFL→FSM	0.296	0.294	0.054	5.465	0.000	Supported
LOM→FSE	0.305	0.307	0.060	5.056	0.000	Supported
LOM→FSM	0.202	0.207	0.055	3.648	0.000	Supported

Source: Data Processing on SmartPLS. 2025

H1 states that IFL has a positive effect on FSM ($\beta = 0.296$; $t = 5.465$; $p < 0.001$). H2 states that LOM has a positive effect on FSM ($\beta = 0.202$; $t = 3.648$; $p < 0.001$). H3 states that IFL has a positive effect on FSE ($\beta = 0.469$; $t = 7.595$; $p < 0.001$). H4 states that LOM has a positive effect on FSE ($\beta = 0.305$; $t = 5.056$; $p < 0.001$). H5 states that FSE has a positive effect on FSM ($\beta = 0.445$; $t = 7.493$; $p < 0.001$). All path coefficients were significant at the $\alpha = 0.001$ level ($p < 0.001$), far exceeding the conventional threshold of $\alpha = 0.05$, confirming the robustness of the research findings and providing high confidence that the observed relationships were not due to sampling error or chance.

Indirect testing can be identified from the results of specific indirect effects. According to Preacher dan Hayes (2008), mediation occurs when an independent variable influences a dependent variable through one or more mediator variables. The type of mediation is determined by the significance of the direct and indirect effects: full mediation occurs when the direct effect is insignificant, but the indirect effect is significant; partial mediation occurs when both are significant; and non-mediation occurs when the indirect effect is insignificant (Zhao et al., 2010). According to Menurut Hair et al. (2017), the variance accounted for (VAF) can be calculated to measure the proportion of the mediated effect: $VAF = (\text{indirect effect}) / (\text{direct effect} + \text{indirect effect})$. A VAF value between 20% and 80% indicates partial mediation.

Table 11. Specific Indirect Effects

	Original Sample (o)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P-Values	Conclusion
IFL→FSE→FSM	0.209	0.207	0.041	5.139	0.000	Partial Mediation
LOM→FSE→FSM	0.136	0.136	0.033	4.075	0.000	Partial Mediation

Source: Data Processing on SmartPLS. 2025

Regarding the mediating effect of IFL, comparing the direct effect of IFL → FSM ($\beta = 0.296$) with the indirect effect of IFL → FSE → FSM ($\beta = 0.209$) indicates that Financial Self-Efficacy partially mediates the relationship between Islamic financial literacy and personal financial management. The Variance Accounted For (VAF) calculation of 41.4% $[(0.209/(0.296+0.209)) \times 100\%]$ indicates that 41.4% of the total effect of IFL on FSM operates through the indirect pathway of FSE.

Regarding the mediation effect of LOM, the comparison of the direct effect of LOM → FSM ($\beta = 0.202$) and the indirect effect of LOM → FSE → FSM ($\beta = 0.136$), with both significant, indicates partial mediation. VAF of 40.2% $[(0.136/(0.202+0.136)) \times 100\%]$ shows that Financial Self-Efficacy mediates about 40% of the total influence of LOM on FSM.

DISCUSSION

(H1) The Influence of Islamic Financial Literacy on Muslim Personal Financial Management

A person with adequate Islamic financial literacy not only understands basic concepts such as zakat, infaq, sedekah, and the prohibition of usury, but also translates this understanding into more deliberate and responsible daily financial decisions. The empirical evidence suggests that Islamic financial literacy positively affects Muslim personal financial management, as evidenced by a path coefficient of 0.296 ($t = 5.465$; $p < 0.001$). This finding aligns with Ajzen, (1991) Theory of Planned Behavior, which emphasizes that knowledge and understanding shape attitudes and behavioral control, which in turn influence actual behavior. This finding is consistent with Osman et al. (2024), who demonstrated that Islamic financial knowledge positively influences financial management intentions among Muslim millennials in Malaysia, both directly and through attitudes, subjective norms, and behavioral control. Similar findings were also reported by Alamsyah et al. (2025), who demonstrated the positive influence of Islamic financial literacy on Islamic financial inclusion among Generation Z through interest,

and by Rohmania et al. (2023), who demonstrated that Islamic financial literacy improves Islamic financial behavior and the financial well-being of MSMEs in Indonesia, especially when supported by digital financial technology. However, the relatively small effect size ($f^2 = 0.145$) for the direct effect of literacy on financial management, despite its statistical significance, indicates that the mechanism of influence is not entirely direct. This finding underscores the importance of intermediary mechanisms, in this case, the FSE, in maximizing the impact of literacy on actual behavior. There is still much room for improvement through systematic, sustainable, and evidence-based education programs.

(H2) The Influence of Love of Money on Muslim Personal Financial Management

A love of money within reasonable and constructive limits encourages a person to be more disciplined in recording expenses, avoiding waste, setting a budget, and actively seeking investment and savings opportunities. The results of this study indicate that love of money has a positive and significant effect on Muslim personal financial management ($\beta = 0.202$; $t = 3.648$; $p < 0.001$). This finding confirms that money orientation, when understood as a motivation to achieve well-being and a better quality of life, can encourage more disciplined and planned financial behavior. These results align with Tang (1992), which views love of money as a motivator for positive financial behavior when directed constructively. Although other literature, such as Tang & Chiu (2003); Ward et al.(2021) It suggests that excessive love of money can have negative consequences. Within the context of religious values, love of money can actually encourage financial discipline and long-term planning (Verawati & Affandy, 2023). Despite its significant influence, love of money had a smaller effect size ($f^2 = 0.079$) than Islamic financial literacy ($f^2 = 0.145$) and, especially, financial self-efficacy ($f^2 = 0.298$). This suggests that in the Muslim community in East Java, religious knowledge and self-confidence are more dominant in shaping financial behavior than material orientation. This finding confirms that Islamic financial education grounded in values and spirituality is more effective than approaches that emphasize only technical aspects or material motivations.

(H3) The Effect of Islamic Financial Literacy on Financial Self-Efficacy

Adequate knowledge reduces uncertainty and anxiety in financial decision-making, allowing individuals to feel more competent and able to manage their finances independently and in accordance with Islamic principles. Logically, this relationship can be understood through the mechanism of knowledge-based self-efficacy formation. It was shown that Islamic financial literacy had a significant, favorable impact on financial self-efficacy ($\beta = 0.469$; $t = 7.595$; $p <$

0.001). The best predictor of financial self-efficacy among all variables in the model is Islamic financial literacy, according to this most reliable finding, which has the highest t-statistic and a medium-to-large effect size ($f^2 = 0.319$). These findings are consistent with Social Cognitive Theory Bandura, (1986), which bases the development of self-efficacy on knowledge and abilities. Muslims are generally more comfortable managing their money in accordance with Islamic principles when they are aware of Islamic financial practices and principles, such as profit-sharing schemes, the ban on *riba* and *gharar*, and the use of Islamic products. These findings align with those of Philippas & Avdoulas (2021), who found that financial literacy was the most reliable indicator of financial self-efficacy in all contexts and nations. The practical relevance is that Islamic financial literacy programs should be created to foster confidence in applying the information and enhance technical proficiency. Lectures alone are considered less effective at increasing financial self-efficacy than experiential learning techniques, such as case studies, decision-making simulations, mentorship, and social learning. By providing people with practical experience and psychological support, these tactics promote the regular application of Islamic financial knowledge in daily life.

(H4) The Effect of Love of Money on Financial Self-Efficacy

This relationship can be understood through the intrinsic motivational mechanisms that drive the development of financial competence. Individuals with a strong money orientation (love of money) tend to view money as a symbol of achievement, security, and freedom. Psychologically, this motivates them to actively seek out financial information, learn asset management strategies, and hone their financial planning and decision-making skills. According to the study, financial self-efficacy is significantly positively impacted by love of money ($\beta = 0.305$; $t = 5.056$; $p < 0.001$). According to this research, those with a strong money orientation typically have higher levels of financial self-efficacy. This makes sense since people who see money as a sign of success and a higher standard of living are usually more driven to become more financially competent, actively seek out information, and learn about money management, all of which boost their self-confidence (Tang & Chiu, 2003). A strong material orientation may also result in psychological vulnerability when people experience financial stress or failure. This relationship is not linear and should be evaluated cautiously (Ward et al., 2021). Understanding the relationship between financial self-efficacy and a love of money in the Muslim context requires consideration of Islamic wealth-management principles and the importance of moderation (*wasatīyyah*). If not counterbalanced by religion, a strong financial emphasis can lead to conflict between material and spiritual ideals. Money

must therefore be viewed as a tool, not an end in itself, for achieving *falah* and social welfare. In Muslim communities, the development of financial self-confidence is more strongly influenced by cognitive pathways grounded in knowledge and religious values than by purely material motivations, as evidenced by the relatively small effect size ($f^2 = 0.135$) compared with Islamic financial literacy ($f^2 = 0.319$).

(H5) The Effect of Financial Self-Efficacy on Muslim Personal Financial Management

The psychological mechanism between self-confidence and concrete actions from an individual's perspective. Individuals with high financial self-efficacy tend to be more courageous in taking the initiative in financial planning, more consistent in implementing a predetermined budget, and more persistent in facing financial challenges and obstacles. This belief serves as an internal driver that motivates a person to not only acquire financial knowledge but also to apply it in real life. Financial self-efficacy can also translate family values, religion, and Islamic financial knowledge into financial-management practices that align with Islamic teachings, such as avoiding usury, choosing halal goods, and paying zakat regularly. Financial self-efficacy has the strongest direct influence on the model's dependent variable, with a medium effect size ($f^2 = 0.298$). There is significant evidence that it has a favorable effect on Muslim personal financial management ($\beta = 0.445$; $t = 7.493$; $p < 0.001$). This result is consistent with the Social Cognitive Theory Bandura (1986; 1977), which views self-efficacy as the main mechanism connecting conduct and knowledge. Positive financial habits, such as developing and following a budget, regularly saving and investing, managing debt responsibly, and making sound long-term financial decisions, are more common among those with high financial self-efficacy. Additionally, several empirical studies demonstrate that financial self-efficacy plays a critical mediating role between knowledge, financial socialization, and real behavior, and directly affects personal financial management (Philippas & Avdoulas, 2021; Rai et al., 2025; Setiani et al., 2023).

Financial Self-Efficacy's Mediating Role

Logically, the mediating role of financial self-efficacy in this relationship can be understood through a gradual chain of cause and effect. Islamic financial literacy and a love-of-money orientation are essentially contributing factors. However, knowledge and motivation alone do not automatically result in sound financial management behavior. Both require a connecting psychological mechanism that transforms this potential into concrete action, and this is where financial self-efficacy plays a crucial cognitive role. The empirical confirmation of the partial

mediating role of financial self-efficacy in the relationship between Islamic financial literacy and personal financial management (β indirect = 0.209; VAF = 41.4%) and between love of money and personal financial management (β indirect = 0.136; VAF = 40.2%) is one of the study's most significant findings. At $p < 0.001$, both indirect effects were significant, suggesting that robustness had a mediating role. This result supports the claim that, in the absence of sufficient self-efficacy, Islamic financial literacy and money orientation do not always convert into successful financial management practices. The percentage of VAF was about 40%. Partial mediation is indicated by VAF values between 20% and 80%; in this study, the VAF was precisely in the middle of this range, suggesting an ideal ratio of direct to indirect effects. These results suggest that, in practice, the best interventions are those that integrate the enhancement of Islamic financial literacy with a methodical approach to boosting self-efficacy. As is frequently the case with traditional financial literacy programs, which enhance information but do not significantly alter behavior, educational programs that only concentrate on knowledge transfer without fostering self-efficacy will have little effect on real behavior change. On the other hand, treatments that incorporate conative learning (developing skills and confidence), affective learning (motivation and attitudes), and cognitive learning (knowledge) will have a more significant and long-lasting effect on individual financial management behavior.

CONCLUSION

All five hypotheses in this study were successfully validated, with convincing empirical evidence that Islamic financial literacy and a love of money significantly improve personal financial management among Muslims in East Java. Both variables were shown to positively affect financial self-management, with financial self-efficacy serving as a crucial partial mediator, accounting for approximately 40% of the overall effect and exerting the largest impact on individual financial management. These findings emphasize that understanding Islamic banking alone is not enough; individuals must also have strong confidence in their ability to manage their finances so that this knowledge can be effectively applied in their daily lives. Based on these findings, it is recommended that Islamic financial literacy programs should not only convey technical knowledge but also integrate confidence-boosting techniques through practical learning approaches such as case studies, financial simulations, and mentoring programs. Future research is recommended to test the effectiveness of various Islamic financial education intervention techniques in improving both financial knowledge and

confidence among a broader Muslim population, and to investigate other contextual factors that contribute to financial self-efficacy, such as religiosity, family support, and social environment.

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