

Beyond Financial Literacy: The Role of Maqāṣid Shariah Literacy and Institutional Trust in Islamic Family Financial Planning

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Abstract.

This study examines the influence of Islamic Financial Literacy, Maqāṣid Shariah Literacy, and Trust in Islamic Financial Institutions on Competency in Islamic Family Financial Planning among Muslim households in West Java, Indonesia. A quantitative explanatory approach with a cross-sectional survey design was employed. Data were collected from 200 respondents through purposive sampling and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results reveal that Maqāṣid Shariah Literacy ($\beta = 0.370, p < 0.001$) and Trust in Islamic Financial Institutions ($\beta = 0.455, p < 0.001$) significantly enhance Islamic family financial planning competence, whereas Islamic Financial Literacy does not have a significant effect ($\beta = 0.093, p = 0.257$). The model accounts for 76.6% of the variance in the endogenous variable, indicating substantial explanatory power. These findings suggest that ethical values embedded in maqāṣid principles and institutional trust are more critical than technical financial knowledge in shaping Islamic financial capability. The study enriches the financial capability literature by emphasizing the role of value-based literacy and institutional confidence in promoting sustainable Islamic household financial management.

Keywords: *Islamic financial literacy; maqāṣid shariah literacy; institutional trust; Islamic family financial planning; PLS-SEM.*

Abstrak.

Penelitian ini bertujuan untuk menganalisis pengaruh Literasi Keuangan Islam, Literasi Maqāṣid Syariah, dan Kepercayaan terhadap Lembaga Keuangan Syariah terhadap Kompetensi Perencanaan Keuangan Keluarga Islami pada rumah tangga Muslim di Jawa Barat, Indonesia. Penelitian ini menggunakan pendekatan kuantitatif eksplanatori dengan desain survei potong lintang (cross-sectional). Data dikumpulkan dari 200 responden melalui teknik purposive sampling dan dianalisis menggunakan Partial Least Squares Structural Equation Modeling (PLS-SEM). Hasil penelitian menunjukkan bahwa Literasi Maqāṣid Syariah ($\beta = 0,370; p < 0,001$) dan Kepercayaan terhadap Lembaga Keuangan Syariah ($\beta = 0,455; p < 0,001$) berpengaruh positif dan signifikan terhadap kompetensi perencanaan keuangan keluarga Islami, sedangkan Literasi Keuangan Islam tidak menunjukkan pengaruh yang signifikan ($\beta = 0,093; p = 0,257$). Model penelitian mampu menjelaskan 76,6% variasi pada variabel endogen,

yang menunjukkan daya jelas model yang kuat. Temuan ini mengindikasikan bahwa nilai-nilai etis yang terkandung dalam prinsip *maqāsid syariah* serta kepercayaan terhadap institusi keuangan syariah memiliki peran yang lebih penting dibandingkan pengetahuan keuangan teknis semata dalam membentuk kapabilitas keuangan Islami. Penelitian ini memperkaya literatur mengenai kapabilitas keuangan dengan menekankan pentingnya literasi berbasis nilai dan kepercayaan institusional dalam mendukung pengelolaan keuangan keluarga Muslim yang berkelanjutan.

Kata Kunci : literasi keuangan Islam; literasi *maqāsid syariah*; kepercayaan terhadap lembaga keuangan syariah; perencanaan keuangan keluarga Islami; PLS-SEM.

Introduction

The development of Islamic finance in Indonesia and globally has underscored that Islamic financial literacy (IFL) is not merely an intermediary variable but rather a fundamental element in shaping financial planning capabilities that are aligned with Islamic principles, including the prohibition of *riba* (usury), *gharar* (uncertainty), and the application of risk-sharing mechanisms such as *mudharabah* and *musyarakah* (McGregor & Alghamdi, 2024; Hoque et al., 2022; Sevriana et al., 2022; Fithrie et al., 2022).

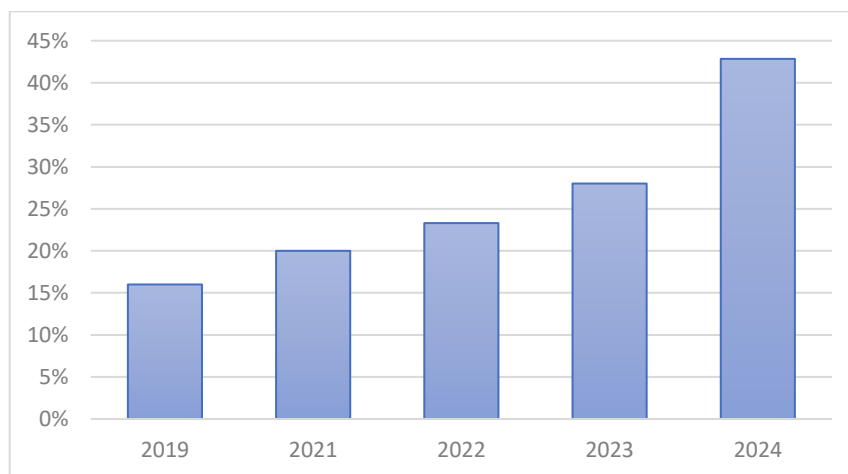


Figure 1. Islamic Economic Literacy Index 2019–2024 (Well Literate)

(Source: isef, 2024)

According to the Islamic Economic Literacy Index (well literate) for the period 2019–2024, the level of Islamic economic literacy among Indonesians has shown a consistent upward trend. The proportion of individuals categorized as well literate increased from 16.3% in 2019 to 20.0% in 2021, followed by 23.3% in 2022, 28.01% in 2023, and eventually reaching 42.84% in 2024. Overall, this represents an increase of 26.54 percentage points over five years, reflecting a

growing public understanding of Islamic economic concepts and practices. Despite this significant improvement, the majority of the population still does not fall within the well-literate category, indicating the need for broader and more sustainable Islamic economic literacy programs (Muthoifin et al., 2024; Hidayat et al., 2021; Kaban & Purnawarman, 2024).

Although Islamic Financial Literacy (IFL) has consistently been recognized as an important determinant of financial behaviour and financial capability, existing studies predominantly conceptualize it as technical knowledge of Islamic financial products, contracts, and Shariah compliance. Such an approach emphasizes procedural understanding but pays limited attention to the ethical objectives underlying Islamic financial decision-making. Recent work in *Tazkia Islamic Finance and Business Review* argues that effective Islamic financial planning requires not only knowledge of Shariah-compliant financial products but also a deep understanding of Islamic values and principles that govern wealth management. Islamic financial planning fundamentally differs from conventional financial planning because it is guided by the objectives of *maqāsid al-sharī'ah*, emphasizing justice, social welfare, and holistic well-being rather than merely maximizing financial returns (Fitriani et al., 2025; Amalia et al., 2024).

This theoretical perspective suggests that technical literacy alone may not adequately translate into competent Islamic family financial planning. Individuals may understand Islamic financial products and contracts but still fail to internalize the ethical purposes of wealth preservation, social responsibility, and sustainable financial decision-making. Likewise, recent empirical evidence in *TIFBR* confirms that Islamic financial literacy contributes to financial behaviour and financial resilience; however, its operationalization remains largely focused on product knowledge and Shariah compliance rather than on the value-based objectives of Islamic law (Amalia et al., 2024).

Public trust in Islamic financial institutions constitutes another critical factor influencing Islamic financial behavior and financial planning decisions at both individual and household levels. Such trust is shaped by various external determinants, including service quality, information transparency, adherence to Sharia principles, and institutional reputation. Higher levels of service quality and transparency are likely to strengthen public confidence in utilizing Islamic financial products and services as instruments for long-term financial planning (Setiyaningsih & Pramuka, 2022; Suwarsi et al., 2022; (Abdullah & Kadir, 2020).

Furthermore, individuals' ability to formulate effective Islamic financial plans is influenced not only by financial literacy but also by socioeconomic conditions, such as income, educational attainment, and employment status. These factors may either reinforce or constrain the influence of Islamic financial literacy on household financial management behavior, thereby requiring a more contextual understanding of the complex relationships among literacy, trust, and financial behavior across different segments of Indonesian society (Maniam., 2024; Alsayigh & Al-Hayali, 2022; Setyowati et al., 2018).

Despite the growing literature on Islamic financial literacy and financial behaviour, three important theoretical gaps remain. **First**, previous studies have predominantly conceptualized Islamic financial literacy as technical knowledge concerning Islamic financial products, contracts, and financial services, while giving limited attention to the ethical objectives (*maqāṣid al-sharī'ah*) that should guide financial decision-making (Fitriani et al., 2025). **Second**, recent studies on Islamic financial planning emphasize that successful financial planning requires the integration of Shariah-compliant financial instruments with a deep understanding of Islamic values and principles (Amalia et al., 2024). Nevertheless, these ethical dimensions have rarely been operationalized as measurable constructs in empirical models of Islamic family financial planning. **Third**, although Islamic financial literacy, institutional trust, and socioeconomic factors have frequently been examined as determinants of financial behaviour, little empirical evidence explains why technically

knowledgeable Muslims do not always possess strong Islamic family financial planning capability (Zaerofi & Marits, 2025). This indicates that financial knowledge alone may be insufficient unless it is supported by an ethical value system that guides financial decisions. Therefore, this study introduces **Maqāṣid Shariah Literacy** as a value-driven construct that complements conventional Islamic Financial Literacy and explains how ethical understanding transforms financial knowledge into competent Islamic family financial planning capability.

Literature Review

Islamic Financial Literacy and Financial Planning Capability

Islamic Financial Literacy (IFL) refers to an individual's ability to understand and apply Islamic financial principles, including the prohibition of *riba*, avoidance of *gharar* and *maysir*, and the utilization of Sharia-compliant financial products and instruments (Hoque et al., 2022). Unlike conventional financial literacy, Islamic financial literacy encompasses both financial knowledge and adherence to Islamic ethical values in economic activities. Individuals with higher levels of Islamic financial literacy tend to make more informed financial decisions, including budgeting, saving, investing, and risk management that align with Islamic teachings (Fithrie et al., 2022). Previous studies have demonstrated that financial literacy positively influences household financial planning and financial well-being because knowledgeable individuals are more capable of managing their financial resources efficiently and preparing for future uncertainties (Lusardi & Mitchell, 2014; Hoque et al., 2022). Therefore, Islamic financial literacy is expected to enhance competency in Islamic family financial planning by providing the knowledge necessary to make sound and Sharia-compliant financial decisions.

Maqāṣid Shariah Literacy and Islamic Financial Planning

Maqāṣid Shariah Literacy (MSL) extends beyond technical financial knowledge by emphasizing an understanding of the objectives and wisdom underlying Islamic law. The concept of *maqāṣid al-shariah* focuses on the

preservation of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*), all of which provide ethical guidance for financial behavior (Auda, 2008). In the context of financial planning, *hifz al-mal* encourages prudent wealth management, long-term planning, and the responsible allocation of resources for both worldly and spiritual objectives. Recent studies argue that literacy based on maqāṣid principles strengthens individuals' commitment to ethical financial practices and encourages financial decisions that prioritize sustainability, social welfare, and religious compliance (McGregor & Alghamdi, 2024; Abdullah et al., 2025). Consequently, individuals possessing stronger Maqāṣid Shariah Literacy are expected to demonstrate greater competency in Islamic family financial planning.

Trust in Islamic Financial Institutions

Trust in Islamic Financial Institutions (TIFI) refers to the confidence of customers that Islamic financial institutions operate transparently, ethically, and in accordance with Sharia principles. Trust has long been recognized as a critical determinant of financial behavior because financial transactions inherently involve uncertainty and information asymmetry (Morgan & Hunt, 1994). In Islamic finance, trust is even more significant because customers not only evaluate economic benefits but also assess religious compliance and institutional integrity (Abdullah & Kadir, 2020). Factors such as service quality, transparency, reputation, and adherence to Islamic principles contribute significantly to public trust toward Islamic financial institutions (Setiyaningsih & Pramuka, 2022; Suwarsi et al., 2022). Higher levels of trust encourage individuals to utilize Islamic financial products and services, which subsequently facilitate better financial planning and long-term financial management. Therefore, trust is considered an important predictor of competency in Islamic family financial planning.

Socioeconomic Factors as Contextual Variables

Socioeconomic characteristics, including education level, income, and employment status, have been widely recognized as determinants of financial

capability and planning behavior. Individuals with higher educational attainment generally possess greater access to financial knowledge and stronger analytical skills, enabling them to implement more effective financial strategies (Lusardi & Mitchell, 2014). Similarly, higher income levels provide greater financial flexibility and opportunities for saving and investment, whereas stable employment increases financial security and future planning orientation (Alsayigh & Al-Hayali, 2022). Within the Islamic context, these socioeconomic factors may either strengthen or weaken the influence of Islamic financial literacy and institutional trust on financial planning capability (Desiyanti & Kassim, 2020; Maniam., 2024). Accordingly, incorporating socioeconomic variables into the analytical framework provides a more comprehensive understanding of how financial knowledge and trust translate into actual financial planning behavior among Muslim households.

Competency in Islamic Family Financial Planning

Competency in Islamic Family Financial Planning (CIFFP) refers to the ability of individuals or households to organize, allocate, and manage financial resources according to Islamic principles to achieve both material welfare and spiritual well-being. Islamic financial planning encompasses budgeting, saving, investing, debt management, wealth preservation, zakat fulfillment, and inheritance planning in accordance with Sharia guidelines (Sevriana et al., 2022). Unlike conventional financial planning, Islamic financial planning integrates economic objectives with moral and religious responsibilities, ensuring that financial activities contribute to *falah* (success in this world and the hereafter). Previous studies suggest that financial competency is shaped by a combination of cognitive factors, such as financial literacy, affective factors, including trust and values, and contextual socioeconomic conditions (Hoque et al., 2022; McGregor & Alghamdi, 2024). Therefore, understanding these interrelationships is essential for developing a comprehensive model of Islamic family financial planning capability.

Hypothesis Development

The Relationship between Islamic Financial Literacy and Competency in Islamic Family Financial Planning

Islamic financial literacy refers to individuals' knowledge and understanding of Sharia-compliant financial concepts, products, and services, enabling them to make informed financial decisions consistent with Islamic principles. Financial literacy has been recognized as a crucial determinant of financial behavior and long-term financial well-being because it enhances individuals' ability to manage resources effectively and plan for future needs (Lusardi & Mitchell, 2014). In the Islamic context, such literacy extends beyond conventional financial knowledge by incorporating principles related to the prohibition of *riba*, *gharar*, and unethical financial practices (Hoque et al., 2022).

Previous studies have demonstrated that higher levels of Islamic financial literacy positively influence personal financial planning and household financial management among Muslim communities (Setyowati et al., 2018; Rahmanita et al., 2020). Individuals with adequate financial knowledge are generally better equipped to formulate financial goals, allocate resources efficiently, and select appropriate Sharia-compliant financial instruments. Therefore, the following hypothesis is proposed:

H1: Islamic Financial Literacy positively influences Competency in Islamic Family Financial Planning.

The Relationship between Maqāṣid Shariah Literacy and Competency in Islamic Family Financial Planning

Maqāṣid Shariah Literacy reflects individuals' understanding of the objectives and ethical foundations of Islamic law, particularly those related to the protection and development of wealth (*ḥifẓ al-māl*), social welfare (*maṣlaḥah*), and intergenerational responsibility. According to Auda (2008), maqāṣid al-shariah provides a holistic framework for understanding Islamic legal principles and emphasizes human well-being as the ultimate objective of economic activities.

Individuals who possess a strong understanding of maqāṣid principles are expected to adopt financial behaviors that prioritize sustainability,

responsibility, and social justice. Previous research indicates that maqāṣid-oriented financial knowledge contributes to better wealth management practices and encourages responsible consumption patterns within Muslim households (Diniyya et al., 2020; Pusparini, 2023). Consequently, maqāṣid literacy may strengthen individuals' competence in planning family finances in accordance with Islamic values. Therefore, the following hypothesis is formulated:

H2: Maqāṣid Shariah Literacy positively influences Competency in Islamic Family Financial Planning.

The Relationship between Trust in Islamic Financial Institutions and Competency in Islamic Family Financial Planning

Trust in Islamic financial institutions represents the confidence that individuals place in the integrity, transparency, and Sharia compliance of financial service providers. The Commitment-Trust Theory proposed by Morgan and Hunt (1994) suggests that trust constitutes a fundamental element in establishing long-term relationships and influencing behavioral intentions.

In the Islamic financial sector, public trust plays a significant role in encouraging the adoption of financial products and services that support effective financial planning. Studies by Yuspita et al. (2019) and Setiyaningsih and Pramuka (2022) demonstrate that greater trust in Islamic financial institutions increases individuals' willingness to utilize Sharia-compliant financial services and strengthens their financial commitment. Therefore, individuals who have higher levels of trust in Islamic financial institutions are more likely to engage in systematic and sustainable family financial planning. Accordingly, the following hypothesis is proposed:

H3: Trust in Islamic Financial Institutions positively influences Competency in Islamic Family Financial Planning.

Conceptual Framework

Based on the literature, this study proposes that Islamic Financial Literacy (IFL), Maqāṣid Shariah Literacy (MSL), and Trust in Islamic Financial Institutions (TIFI) directly influence Competency in Islamic Family Financial

Planning (CIFFP). Furthermore, socioeconomic factors, particularly education, income, and employment status, are considered contextual variables that may strengthen or weaken these relationships. The study employs the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach to examine the direct and contextual effects among these constructs within the Indonesian Muslim community.

Method

Research Approach

This study adopts a quantitative explanatory design to investigate the relationships among Islamic Financial Literacy, Maqāṣid Shariah Literacy, Trust in Islamic Financial Institutions, and Competency in Islamic Family Financial Planning. The explanatory approach was selected because it enables the empirical testing of causal relationships among latent variables and facilitates theory validation within the context of Islamic household financial behaviour. The research employed a cross-sectional survey, whereby data were collected from respondents at a single period to capture their perceptions, experiences, and financial competencies within the prevailing socio-economic environment.

Research Setting and Data Collection

The research was conducted in West Java Province, Indonesia, considering its large Muslim population and the rapid development of Islamic financial institutions in the region. Primary data were obtained through structured questionnaires administered both digitally and through direct distribution to respondents. The data collection process was carried out from February to April 2026. Each statement item was measured using a six-point Likert scale ranging from 1 (strongly disagree) to 6 (strongly agree), allowing respondents to express a clear preference without selecting a neutral midpoint.

Population and Sampling Technique

The population of this study comprised Muslim households residing in West Java who actively participate in family financial decision-making processes. Since an official sampling frame covering all Muslim households was unavailable, a purposive sampling method was employed. Respondents were selected based on the following criteria:

1. Muslim individuals aged at least 21 years;
2. Married or responsible for managing household finances;
3. Living in West Java for a minimum of one year; and
4. Having experience in planning or allocating family financial resources.

The determination of the minimum sample size followed the recommendation proposed by Hair et al. (2021), which suggests that PLS-SEM analysis requires at least ten times the largest number of structural relationships directed toward a latent construct. Considering the complexity of the proposed model, a minimum sample of 200 respondents was deemed adequate for robust statistical analysis.

Variable Measurement and Operationalization

The study involves four principal latent constructs. Islamic Financial Literacy (IFL) refers to respondents' understanding of Islamic financial concepts, products, and financial management practices in accordance with Sharia principles. Maqāṣid Shariah Literacy (MSL) represents knowledge concerning the objectives of Islamic law, particularly those related to wealth preservation, social welfare, justice, and ethical responsibility. Trust in Islamic Financial Institutions (TIFI) denotes the degree of confidence in the integrity, transparency, and Sharia compliance of Islamic financial institutions. Meanwhile, Competency in Islamic Family Financial Planning (CIFFP) reflects the capability of households to formulate, implement, and evaluate financial plans based on Islamic values.

All latent variables were operationalized as reflective constructs. Measurement indicators were adapted and modified from previous empirical

studies to ensure contextual suitability and content validity within the Indonesian Muslim household setting.

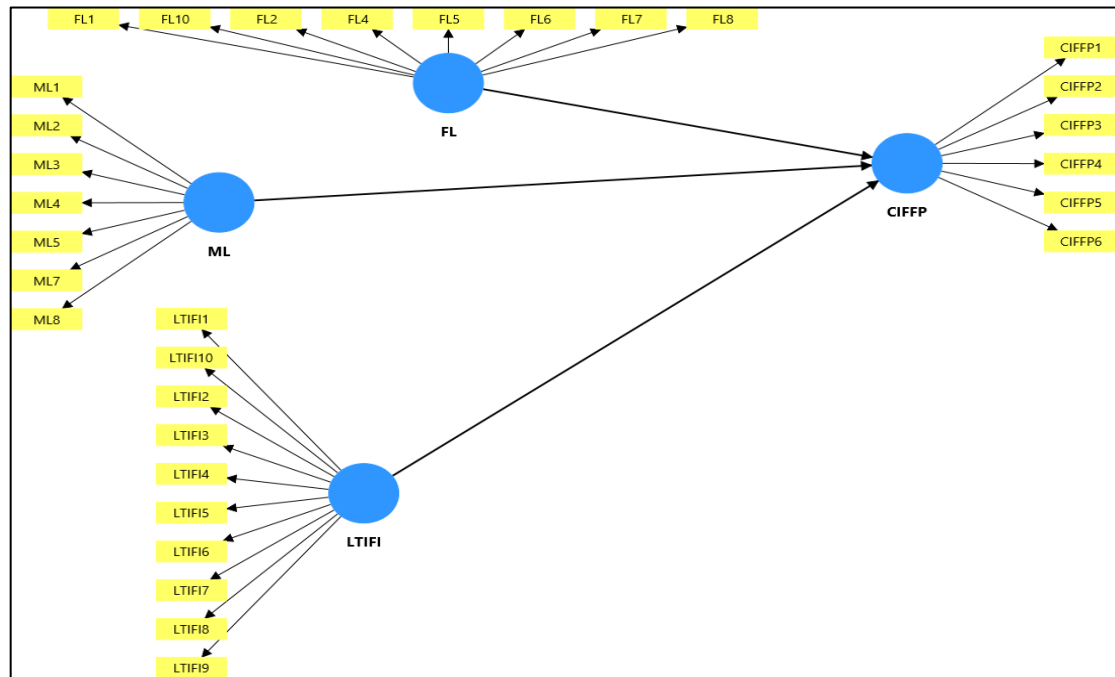
Table 1. Presents The Operational Definitions And Measurement Characteristics Of The Variables.

Variable	Definition	Main Indicators	Measurement Type
Islamic Financial Literacy (IFL)	Understanding of Islamic financial concepts and practices	Islamic savings, investment, budgeting, zakat, risk management	Reflective
Maqāṣid Shariah Literacy (MSL)	Knowledge of maqāṣid values in financial decisions	Maṣlaḥah, justice, ethical behaviour, wealth preservation	Reflective
Trust in Islamic Financial Institutions (TIFI)	Confidence in Islamic financial institutions	Integrity, transparency, reliability, Sharia compliance	Reflective
Competency in Islamic Family Financial Planning (CIFFP)	Household capability in Islamic financial management	Budgeting, savings, investment, zakat planning, long-term goals	Reflective

Data Analysis Technique

The empirical analysis employed Partial Least Squares–Structural Equation Modeling (PLS-SEM) using SmartPLS software. PLS-SEM was selected because it is suitable for predictive research models involving multiple latent variables, does not require strict assumptions regarding data normality, and performs effectively with relatively moderate sample sizes (Hair et al., 2021; Cheah et al., 2018).

The Path Model



Picture 1. Path Model

(Source: PLS-SEM)

The analytical procedure consisted of two major stages: outer model evaluation and inner model evaluation. The measurement model was assessed through indicator reliability, convergent validity, discriminant validity, and internal consistency reliability. Factor loadings greater than 0.70 indicate satisfactory indicator reliability, while Average Variance Extracted (AVE) values above 0.50 confirm convergent validity (Cheah et al., 2018). Internal consistency was evaluated using Composite Reliability and Cronbach's Alpha, both of which should exceed the threshold value of 0.70 (Taber, 2018).

Subsequently, the structural model was evaluated through the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and hypothesis testing using the bootstrapping procedure. The significance of structural relationships was determined using t-statistics greater than 1.96 and p-values below 0.05 at the 95 percent confidence level (Hair et al., 2021). This analytical framework enables a comprehensive understanding of both direct effects and the contextual influence of socioeconomic characteristics on Islamic family financial planning capability

Common Method Bias Assessment

Since all variables in this study were collected from a single source using self-reported questionnaires, the possibility of common method bias (CMB) was assessed. Following Kock (2015), a full collinearity assessment was conducted by examining the variance inflation factor (VIF) values of all latent constructs. A VIF value below indicates that common method bias is unlikely to threaten the validity of the results. In addition, Harman's single-factor test was performed to verify whether a single factor accounted for the majority of the total variance. The findings showed that no single factor explained more than 50 percent of the variance, suggesting that common method variance did not pose a significant concern in this study (Podsakoff et al., 2003) These procedures enhance the robustness and credibility of the empirical findings derived from the PLS-SEM analysis.

Results and Discussion

This section presents the empirical findings obtained from the PLS-SEM analysis. The evaluation includes the assessment of the measurement model to confirm the validity and reliability of the constructs, followed by the examination of the structural model and hypothesis testing. The results are subsequently interpreted by relating them to relevant theories and previous studies to provide a comprehensive understanding of the research phenomenon.

Composite Reliability and Validity

The reliability and validity assessment demonstrates that all constructs satisfy the recommended criteria for internal consistency and convergent validity, indicating that the measurement model is robust and appropriate for further structural analysis. The results of Cronbach's alpha, Composite Reliability (ρ_a and ρ_c), and Average Variance Extracted (AVE) confirm that the indicators consistently represent their respective latent variables.

Tabel 2. Composite Reliability and Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
CIFFP	0,884	0,887	0,912	0,634
FL	0,931	0,933	0,943	0,674
LTIFI	0,945	0,946	0,953	0,671
ML	0,897	0,900	0,919	0,619

(Source: PLS-SEM)

The construct of Competency in Islamic Family Financial Planning (CIFFP) records a Cronbach's alpha value of 0.884, composite reliability (rho_c) of 0.912, and an AVE value of 0.634. These values exceed the minimum thresholds of 0.70 for reliability and 0.50 for convergent validity, suggesting that the indicators used to measure Islamic family financial planning competence possess strong internal consistency and adequately explain the underlying construct (Hair et al., 2021). Similarly, Islamic Financial Literacy (FL) demonstrates excellent reliability, with Cronbach's alpha reaching 0.931 and composite reliability of 0.943, while its AVE of 0.674 indicates that a substantial proportion of indicator variance is captured by the construct.

The construct of Trust in Islamic Financial Institutions (LTIFI) exhibits the highest reliability among all variables, with Cronbach's alpha and composite reliability values of 0.945 and 0.953, respectively. Its AVE value of 0.671 further confirms strong convergent validity, implying that respondents consistently perceive institutional trust through the indicators employed in this study. Likewise, Maqāṣid Shariah Literacy (ML) achieves satisfactory measurement quality, as reflected by Cronbach's alpha (0.897), composite reliability (0.919), and AVE (0.619), indicating that the construct effectively captures respondents' understanding of maqāṣid-oriented financial values and ethical considerations.

Overall, the findings indicate that all latent constructs meet the recommended psychometric standards proposed by Hair et al. (2021), where Cronbach's alpha and composite reliability values exceed 0.70 and AVE values are above 0.50. Therefore, the measurement model can be considered reliable

and valid, providing a solid foundation for evaluating the structural relationships and testing the proposed hypotheses in the subsequent analysis.

Common Method Bias Assessment

The Variance Inflation Factor (VIF) analysis was conducted to assess the presence of multicollinearity among the indicators and to examine the potential influence of common method bias in the measurement model. According to Kock (2015), VIF values below 3.3 indicate that common method bias is unlikely to be a serious concern, while Hair et al. (2021) suggest that VIF values below 5.0 demonstrate an acceptable level of multicollinearity.

Tabel 3. Variance Inflation Factor VIF

	VIF		VIF
CIFFP1	2,016	LTIFI3	2,434
CIFFP2	1,881	LTIFI4	2,800
CIFFP3	2,295	LTIFI5	3,392
CIFFP4	1,849	LTIFI6	3,128
CIFFP5	2,185	LTIFI7	3,184
CIFFP6	2,034	LTIFI8	2,971
FL1	2,457	LTIFI9	2,599
FL10	2,952	ML1	2,556
FL2	1,973	ML2	2,594
FL4	2,233	ML3	2,568
FL5	2,853	ML4	2,426
FL6	2,854	ML5	1,761
FL7	3,707	ML7	1,995
FL8	2,621	ML8	1,697
LTIFI1	2,585		
LTIFI10	2,589		
LTIFI2	2,760		

(Source: PLS-SEM)

The results show that most indicators exhibit VIF values ranging from 1.697 to 3.392, indicating satisfactory levels of collinearity and supporting the independence of the measurement items. Although the indicator FL7 records the highest VIF value of 3.707, it remains below the critical threshold of 5.0, suggesting that multicollinearity does not threaten the stability of the model estimates. Similarly, the indicators within the LTIFI construct, which range from 2.434 to 3.392, demonstrate acceptable collinearity levels despite reflecting closely related dimensions of institutional trust.

Furthermore, the indicators associated with Maqāṣid Shariah Literacy (ML) present relatively low VIF values, ranging from 1.697 to 2.594, indicating strong discriminating power among the items used to capture maqāṣid-based financial values. The CIFFP indicators also exhibit stable VIF values below 2.5, confirming that the dimensions of Islamic family financial planning competence are sufficiently distinct while still representing the same latent construct.

Overall, the findings indicate that all measurement items satisfy the recommended VIF criteria, implying the absence of problematic multicollinearity and suggesting that common method bias is not a significant issue in this study. Therefore, the measurement model can be considered statistically robust and appropriate for subsequent structural model evaluation and hypothesis testing.

Result

The structural model was evaluated to examine the effects of Islamic Financial Literacy (FL), Maqāṣid Shariah Literacy (ML), and Trust in Islamic Financial Institutions (LTIFI) on Competency in Islamic Family Financial Planning (CIFFP). The model demonstrates substantial explanatory power, with an R^2 value of 0.766, indicating that 76.6% of the variance in CIFFP can be explained by the three exogenous variables. According to Hair et al. (2021), an R^2 value above 0.75 reflects a substantial level of predictive accuracy, suggesting that the proposed framework effectively captures the key determinants of Islamic family financial planning competence.

Table 4. PLS-SEM Result

Hypothesis	Path	β (O)	T-Statistic	P-Value	Decision
H1	FL \rightarrow CIFFP	0.093	1.134	0.257	Rejected
H2	ML \rightarrow CIFFP	0.370	3.940	0.000	Accepted
H3	LTIFI \rightarrow CIFFP	0.455	5.253	0.000	Accepted

(Source: PLS-SEM)

H1: The Effect of Islamic Financial Literacy on Competency in Islamic Family Financial Planning

The results indicate that Islamic Financial Literacy (FL) does not have a significant effect on Competency in Islamic Family Financial Planning ($\beta = 0.093$; $t = 1.134$; $p = 0.257$). Since the p-value exceeds the 0.05 significance level, H1 is rejected. This finding suggests that possessing knowledge of Islamic financial products and concepts alone is insufficient to improve an individual's ability to manage family finances according to Islamic principles.

This result supports the argument of Xiao & Porto (2017), who state that financial knowledge does not necessarily translate into financial capability or behavior without the support of other psychological and institutional factors. Similarly, Rahmanita et al. (2020) found that the implementation of Islamic financial planning is influenced by additional variables, such as personality traits and behavioral aspects, rather than financial literacy alone. The finding, however, differs from Setyowati et al. (2018), who reported a positive relationship between Islamic financial literacy and personal financial planning among Indonesian Muslims. Such differences may reflect variations in socio-cultural contexts, sample characteristics, and the inclusion of value-based variables such as maqāṣid literacy and institutional trust in the present study.

H2: The Effect of Maqāṣid Shariah Literacy on Competency in Islamic Family Financial Planning

The findings reveal that Maqāṣid Shariah Literacy (ML) has a positive and significant influence on CIFFP ($\beta = 0.370$; $t = 3.940$; $p < 0.001$). Therefore, H2 is accepted. This result indicates that individuals who understand the objectives and ethical foundations of Islamic law are more capable of organizing and implementing family financial plans that align with Islamic values.

The result is consistent with Pusparini (2023), who argued that maqāṣid-based financial planning promotes responsible consumption and sustainable household financial management. Likewise, Diniyya et al. (2020) emphasized that understanding maqāṣid principles contributes to better wealth management and strengthens family welfare. The present findings therefore reinforce the importance of integrating ethical and spiritual dimensions into

financial literacy programs, suggesting that value-oriented literacy may be more influential than technical knowledge alone.

H3: The Effect of Trust in Islamic Financial Institutions on Competency in Islamic Family Financial Planning

Trust in Islamic Financial Institutions (LTIFI) exhibits the strongest positive effect on CIFFP ($\beta = 0.455$; $t = 5.253$; $p < 0.001$), leading to the acceptance of H3. The findings indicate that greater confidence in the integrity, transparency, and Sharia compliance of Islamic financial institutions significantly enhances households' ability to conduct effective Islamic financial planning.

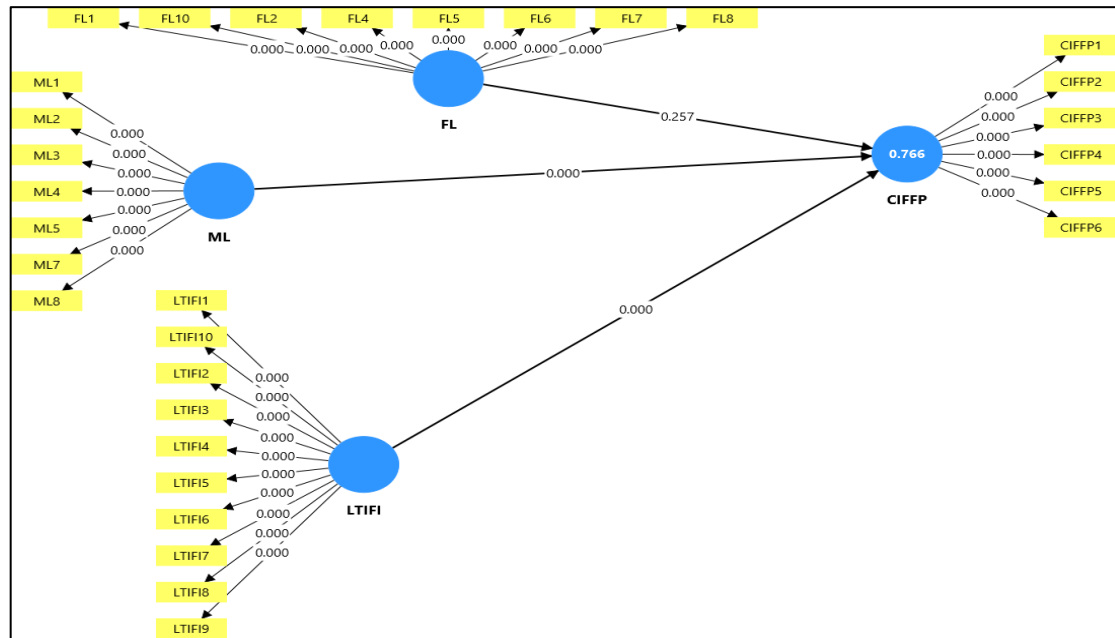
This finding is in line with the Commitment-Trust Theory proposed by Morgan & Hunt (1994), which emphasizes trust as a fundamental determinant of long-term behavioral commitment. It also supports the findings of Yuspita et al. (2019), who demonstrated that trust encourages the adoption of Islamic financial services, as well as Waldelmi & Aquino (2021), who found that trust positively influences financial behavior within Islamic financial institutions. The strong effect observed in this study suggests that institutional credibility remains a critical factor in encouraging Muslim households to engage in systematic and sustainable financial planning practices.

Discussion

Overall, the findings demonstrate that Maqāṣid Shariah Literacy and Trust in Islamic Financial Institutions are the primary determinants of Islamic family financial planning competence, while Islamic Financial Literacy alone does not significantly influence financial capability. These results imply that effective Islamic financial behavior is shaped not only by cognitive knowledge but also by ethical understanding and institutional confidence.

The study extends Financial Capability Theory proposed by Sherraden (2013), which argues that financial capability emerges from the interaction between individual competencies and supportive institutional structures. In the context of Islamic finance, the findings suggest that maqāṣid-oriented values and trust in Sharia-compliant institutions constitute essential

dimensions of financial capability. Therefore, policymakers and Islamic financial institutions should prioritize programs that strengthen ethical literacy and institutional credibility alongside conventional financial education to foster more sustainable Islamic household financial management.



Picture 2. PLS-SEM Result

Conclusion

This study examined the influence of Islamic Financial Literacy, Maqāṣid Shariah Literacy, and Trust in Islamic Financial Institutions on Competency in Islamic Family Financial Planning among Muslim households in West Java using the PLS-SEM approach. The findings reveal that Maqāṣid Shariah Literacy and Trust in Islamic Financial Institutions significantly and positively affect Islamic family financial planning competence, whereas Islamic Financial Literacy does not demonstrate a significant effect. Among the examined variables, trust in Islamic financial institutions emerges as the strongest determinant, highlighting the importance of institutional credibility and confidence in encouraging effective financial planning practices.

The results further indicate that ethical and value-based dimensions play a more substantial role than technical financial knowledge in shaping Islamic financial capability. Understanding the objectives of Islamic law and maintaining trust in Sharia-compliant financial institutions appear to

strengthen households' ability to manage finances in accordance with Islamic principles. These findings extend the financial capability framework by emphasizing the integration of maqāṣid values and institutional trust as essential components of Islamic financial behavior.

From a practical perspective, policymakers, educational institutions, and Islamic financial service providers should not rely solely on conventional financial literacy programs but should also promote maqāṣid-oriented financial education and enhance public trust through transparency, accountability, and strict Sharia compliance. Such efforts may contribute to more sustainable Islamic family financial planning and improve the financial resilience of Muslim households. Future studies are encouraged to incorporate additional behavioral and psychological factors, such as religiosity, financial attitudes, and self-efficacy, and to expand the research scope to different regions and demographic groups to improve the generalizability of the findings.

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