



The Role of Islamic Principles in Shaping Financial Decision-Making

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ABSTRACT

Enhancing financial literacy among secondary school students is crucial for their future economic well-being. However, financial literacy holds deeper significance within Islamic communities as it intersects with religious principles and ethical considerations. Islamic teachings emphasise honesty, responsibility, and equitable wealth distribution, shaping how individuals approach financial decision-making. This research explores how these Islamic values influence financial practices among secondary school students, aiming to contribute to financial education and integrate ethical frameworks into mainstream curricula. Drawing on previous studies that advocate for including Islamic finance principles in education, this research seeks to fill a gap by specifically examining the role of personal beliefs and values in shaping financial behaviours within Islamic contexts. By utilising quantitative methods and analysing data from a sample of 40 students, this study aims to provide practical insights for educators and policymakers to enhance financial literacy programs tailored to the needs of young Muslims. The insights gleaned from the result underscore the profound influence of personal values and religious beliefs on individuals' financial decisions in Islamic finance. The high mean scores across various statements reflect a strong adherence to principles such as seeking Allah's pleasure through financial management, prioritising ethical earning and spending practices, and viewing financial stewardship as an act of worship. These findings suggest that individuals integrate their spiritual convictions into their financial behaviors, striving for alignment between their economic activities and ethical standards derived from Islamic teachings.

Keywords: Financial Literacy, Islamic Finance, Ethical Decision-Making and Islam

1. Introduction

In contemporary society, the importance of financial literacy among secondary school students cannot be overstated. Equipping young individuals with the necessary skills and knowledge to navigate the complex landscape of personal finance is crucial for their future economic well-being. However, within Islamic communities, the significance of financial literacy extends beyond mere economic prosperity; it is deeply intertwined with religious principles and ethical considerations. Islamic teachings emphasise concepts such as honesty, responsibility, and the equitable distribution of wealth, all of which play a vital role in financial decision-making. Consequently, there is a growing recognition of the need to integrate Islamic values into financial education curricula, ensuring that young Muslims are equipped with the practical skills and ethical framework necessary for responsible money management.

This research explores the intersection of Islamic values and financial decision-making among secondary school students. By investigating how Islamic principles influence financial literacy practices, this study aims to contribute to the existing body of knowledge on financial education while providing insights tailored to the needs of Islamic communities. Previous studies have highlighted the importance of integrating Islamic finance education into mainstream financial literacy programs (Dusuki, 2007; Hamid and Nordin, 2001). However, there remains a gap in understanding how Islamic values specifically shape the financial behaviours of youth. By focusing on this aspect, this research aims to identify the role personal values, beliefs, and practices play in shaping individuals' financial decisions and outcomes. Through a comprehensive examination of these questions, this research endeavours to provide practical insights and recommendations for educators, policymakers, and families within Islamic communities, ultimately fostering a generation of financially responsible and ethically conscious individuals.

2. Literature Review

Islamic finance is a system of financial transactions and a framework that integrates ethical values and principles derived from Islamic teachings. Al-Ghazali, a prominent figure in Islamic education, provides foundational insights into the educational aspects of Islamic financial literacy, emphasising character formation and ethical behaviour in financial matters. This literature review explores Al-Ghazali's contributions alongside contemporary research on Islamic financial literacy among secondary school students in Indonesia. Al-Ghazali's teachings, as analysed by Faizah et al. (2024), underscore the importance of aligning financial decisions with Islamic principles. Central to his philosophy is the notion that wealth should be acquired through halal means and used responsibly, reflecting a deep awareness of divine purpose and ethical stewardship of resources. Al-Ghazali advocates for cultivating

virtues such as moderation, generosity, and gratitude in financial dealings, which are integral to Islamic financial literacy education. Faizah et al. (2024) highlight the *ibroh* method—learning through past experiences, examples, storytelling, and habituation—as effective in imparting Islamic financial literacy. This pedagogical approach resonates with Al-Ghazali's emphasis on experiential learning and moral reflection, nurturing students' understanding of the ethical dimensions of financial decisions. By contextualising financial literacy within Islamic ethical frameworks, educators can promote conscientious financial behaviours among secondary school students.

Firdausi and Kasri (2022) emphasize the importance of Islamic finance education in bridging the gap in financial literacy among Muslim youth. The study highlights a stark disparity in financial literacy between conventional and Islamic finance in Indonesia, with the latter significantly lagging behind. Islamic financial literacy encompasses knowledge, attitudes, and behaviours related to Sharia-compliant financial products and practices. They also emphasize the need for targeted educational interventions to enhance Islamic financial literacy among students, suggesting a broader application to younger demographics.

Furthermore, Saputra, and Rahmatia, (2021) discover in their study that the comprehensive study measuring Islamic financial literacy among students underscores critical findings that necessitate targeted interventions in educational frameworks. By analyzing dimensions, variables, and indicators through both qualitative and quantitative methods, the research reveals a significant deficiency in financial literacy among students, with interpretation levels below 40%. Despite employing valid and reliable measures, this gap underscores the urgent need for enhanced educational strategies focused on Islamic finance literacy. Moreover, the study's exploration of interrelationships among variables and supporting indicators highlights the complexity of financial literacy development. Each component influences the others, emphasizing the interconnected nature of knowledge acquisition, attitudes formation, and behavioral practices in Islamic financial contexts. This holistic understanding is crucial for designing effective educational programs that not only impart technical knowledge but also foster ethical values and responsible financial behaviors among students. The development of a financial literacy index as a measuring tool underscores the research's contribution to bridging Sustainable Development Goals (SDGs) in Islamic finance. By advocating for increased understanding and integration of Islamic finance principles within literacy education, the study advocates for leveraging educational initiatives as a means to achieve broader societal benefits. This approach not only prepares students to navigate financial landscapes ethically and responsibly but also positions them to contribute meaningfully to sustainable economic development grounded in Islamic ethical principles.

In conclusion, this literature review underscores the significance of integrating Islamic ethical values into financial education among secondary school students in Indonesia. Al-Ghazali's teachings emphasize acquiring wealth through halal means and practicing virtues like moderation and gratitude, essential for Islamic financial literacy. Faizah et al. (2024) and Firdausi and Kasri (2022) highlight effective educational strategies, including the *ibroh* method and targeted interventions, to bridge the gap in financial literacy, particularly in Sharia-compliant practices. Additionally, Saputra and Rahmatia (2021) reveal a critical deficiency in students' financial literacy levels, necessitating enhanced educational frameworks. Understanding the interconnectedness of knowledge acquisition, attitudes, and behaviors in Islamic financial contexts is crucial for fostering responsible financial practices. The development of a financial literacy index further emphasizes the need to align educational initiatives with Sustainable Development Goals (SDGs) in Islamic finance, preparing students to contribute ethically to sustainable economic development. Integrating these insights supports the imperative of educating future generations on ethical financial decision-making grounded in Islamic principles.

3. Methodology

This research employs a quantitative approach to investigate the impact of Islamic values on the financial decision-making of secondary school students and to explore financial literacy within Islamic communities. A cluster sampling technique was employed to collect data from 40 secondary school students selected. Data was gathered using a structured questionnaire comprising closed-ended questions designed to quantify financial behaviours, knowledge, attitudes, and the influence of Islamic values on financial decisions. Administered in print by school administrators, the questionnaire covers demographic information, financial decision processes, literacy practices, financial education perceptions, and Islamic values' role. Data analysis involves descriptive statistics (frequencies, percentages, measures of central tendency, dispersion) to examine participant demographics, financial literacy levels, and attitudes. Statistical software like SPSS version 29 will facilitate rigorous analysis, offering insights into how Islamic values shape financial behaviours among youth and informing tailored educational strategies within Islamic contexts.

4. Finding and Discussion

Table 1: Demographic information on Sample

Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Gender				
Male	16	40.0	40.0	40.0
Female	24	60.0	60.0	100.0

Level of Financial Literacy				
Low	4	10.0	10.0	10.0
Moderate	14	35.0	35.0	45.0
Good	21	52.5	52.5	97.5
Excellent	1	2.5	2.5	100.0
Family Size				
Three people	1	2.5	2.5	2.5
Four People	3	7.5	7.5	10.0
Five people and more	36	90.0	90.0	100.0
Family Monthly Income				
Less than RM2000	10	25.0	25.0	25.0
RM2000 to RM5000	18	45.0	45.0	70.0
RM5001 to RM10000	8	20.0	20.0	90.0
More than RM10000	4	10.0	10.0	100.0
Accommodation Status				
Renting	5	12.5	12.5	12.5
Owner	32	80.0	80.0	92.5
Stay with other family members	3	7.5	7.5	100.0
Total	40	100.0	100.0	100.0

Table 1 summarizes demographic and financial literacy data from a sample of 40 individuals. It details respondents' characteristics across several categories: Gender, Level of Financial Literacy, Family Size, Family Monthly Income, and Accommodation Status. Female respondents constitute the majority at 60%, compared to males at 40%. Most respondents perceive their financial literacy as Good (52.5%) or Moderate (35%), with smaller proportions rating it as Low (10%) or Excellent (2.5%). Family sizes primarily consist of five members or more (90%), with fewer respondents having four members (7.5%) or three members (2.5%). In terms of monthly income, the largest group earns between RM2000 to RM5000 (45%), followed by those earning less than RM2000 (25%), RM5001 to RM10000 (20%), and more than RM10000 (10%). Additionally, a significant majority of respondents are homeowners (80%), while a smaller percentage rent (12.5%) or live with other family members (7.5%). This data offers insights into the demographic composition and financial characteristics of the surveyed individuals, highlighting variations across gender, financial literacy levels, family sizes, income brackets, and accommodation statuses within the sample.

Table 2: Beliefs, Practices, And Individual Awareness In Islamic Financial Management.

No	Items	Mean	Standard
1	I am confident that the purpose of managing finances is to seek the pleasure of Allah SWT.	4.45	.783
2	I believe that sincere efforts will result in blessed sustenance.	4.90	.304
3	I will strive to enhance my knowledge of Islamic financial management.	4.55	.639
4	I prioritize charity in my financial management.	4.25	.776
5	I must seek lawful income.	4.88	.404
6	I must be responsible and honest in the process of earning money.	4.80	.516
7	I believe in spending moderately and avoiding wastefulness.	4.45	.714
8	I believe that the best financial planner for me is Allah SWT.	4.85	.427

9	I pray for Allah to protect my finances.	4.88	.335
10	I believe that managing finances based on Islamic principles is an act of worship.	4.75	.494

Table 2 presents a comprehensive overview of individuals' attitudes and beliefs towards Islamic financial management, offering insights into how personal values and religious practices influence financial decisions. Each item in the table reflects a specific aspect of Islamic finance, from the purpose of managing finances to ethical considerations in earning and spending money. The high mean scores across statements indicate a strong alignment with Islamic principles among the respondents. For instance, the belief that managing finances is a means to seek Allah's pleasure (Mean = 4.45) underscores the spiritual motivation behind financial stewardship. Similarly, the emphasis on seeking lawful income (Mean = 4.88) and the commitment to honesty and responsibility in earning (Mean = 4.80) highlight ethical considerations that guide financial practices.

The findings from this table are significant for understanding the role of personal values and religious beliefs in shaping financial behaviours. Research indicates that individuals who integrate religious principles into their financial decision-making prioritize ethical practices and long-term financial sustainability. For instance, the strong belief that sincere efforts lead to blessed sustenance (Mean = 4.90) suggests a confidence in the spiritual rewards of honest labor, influencing how individuals approach career choices and income generation. Likewise, the commitment to charity (Mean = 4.25) reflects a proactive stance towards wealth distribution and community welfare, integral to Islamic social responsibility teachings.

Moreover, these findings highlight the holistic nature of Islamic finance, where financial decisions are not merely economic but also moral and spiritual acts. The high mean scores across statements such as relying on Allah as the best financial planner (Mean = 4.85) and viewing financial management as an act of worship (Mean = 4.75) emphasize the integration of faith into everyday financial practices. This holistic approach suggests that individuals perceive financial stewardship as an opportunity to align their material resources with their spiritual beliefs, aiming for both worldly success and spiritual fulfillment. Understanding these dynamics is crucial for financial educators and advisors seeking to support clients in aligning their financial goals with their personal values and religious principles.

5.0 Conclusion

In conclusion, the insights gleaned from the table underscore the profound influence of personal values and religious beliefs on individuals' financial decisions within the context of Islamic finance. The high mean scores across various statements reflect a strong adherence to principles such as seeking Allah's pleasure through financial management, prioritizing ethical earning and spending practices, and viewing financial stewardship as an act of worship. These findings suggest that individuals integrate their spiritual convictions into their financial behaviors, striving for alignment between their economic activities and ethical standards derived from Islamic teachings. Moreover, the emphasis on sincerity in efforts, lawful income-seeking, and charitable giving highlights a holistic approach to financial decision-making that extends beyond mere profitability to encompass social responsibility and spiritual fulfillment. This holistic perspective not only shapes individual financial outcomes but also contributes to community welfare and the promotion of ethical practices within financial systems. Moving forward, these insights are invaluable for developing tailored financial education programs and advisory services that resonate with individuals' religious and ethical frameworks. By understanding and respecting the role of personal values and beliefs in financial decision-making, practitioners can better support clients in achieving both their financial goals and their aspirations for moral integrity and spiritual well-being. This approach enhances financial literacy and fosters a deeper appreciation for the ethical dimensions of wealth management in diverse cultural and religious contexts.

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