Muqtasid: Jurnal Ekonomi dan Perbankan Syariah, 16(2), 2025:111-132
P-ISSN: 2087-7013 | E-ISSN: 2527-8304
https://ejournal.uinsalatiga.ac.id/index.php/muqtasid
http://dx.doi.org/10.18326/muqtasid.v16i2.111-132

Integrating maqāṣid shariah literacy into the financial capability framework: Evidence from Islamic family financial planning

Dea Aryandhana Mulyana Haris[1*], Ulumuddin Nurul Fakhri[2], Firmansyah[3], Muhammad Ridho Al-Firdausi[4]

[1,3,4] Prodi Ilmu Ekonomi dan Keuangan Islam FPEB Universitas Pendidikan Indonesia, Bandung, Indonesia

[2] Kuliyah of Islamic Finance, Management Sciences and Hospitality, UNISHAMS, Malaysia

Abstract

This study examines the influence of ***maqāṣid shariah*** literacy, institutional trust, and Islamic financial literacy on Islamic family financial planning competence. Previous studies on Islamic financial planning have largely focused on technical financial literacy while overlooking ethical-spiritual dimensions and institutional trust within the financial capability framework. This study addresses this theoretical gap by integrating ***maqāṣid***-based literacy into the financial capability framework, offering a distinct value-oriented perspective rarely explored in prior empirical research. Using a quantitative approach, data were collected from Muslim households in West Java, Indonesia, and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The findings reveal that ***maqāṣid shariah*** literacy and institutional trust significantly influence Islamic family financial planning competence, whereas Islamic financial literacy does not show a significant effect. The study theoretically extends the financial capability framework by incorporating ***maqāṣid***-oriented and ethical-spiritual dimensions into Islamic financial behavior and family financial planning discourse.

Keywords: maqashid shariah literacy, institutional trust, Islamic family financial planning, Islamic financial literacy, financial capability

* Corresponding author: aryaharis@upi.edu

Introduction

Economic inequality in Indonesia, particularly in West Java, highlights the urgent need for solutions rooted in Islamic values. West Java has one of the highest Gini ratios in the country, indicating significant disparities in income distribution. This socio-economic context makes West Java an appropriate locus for examining how sharia-based family financial planning can contribute to household welfare and economic independence. According to data from the Central Statistics Agency (BPS), poverty levels and unequal access to education and financial services are becoming increasingly concerning in this region (Badan Pusat Statistik, 2023).

West Java experiences fluctuating levels of income inequality compared with other Indonesian provinces. In 2024, the Gini index for West Java was around 0.439, indicating an alarming level of inequality and aligning with trends observed in other densely populated provinces, such as DKI Jakarta and Central Java, which had Gini coefficients of 0.431 and 0.392 (Rahman et al., 2023). This indicates an unequal regional income distribution, with significant economic disparities among the population.

In the context of Islamic economics, Sharia-based family financial planning offers a potential solution for achieving sustainable economic independence while remaining compliant with Islamic values. In addition to being a tool for achieving financial goals, well-planned financial planning plays an important role in ensuring that economic activities align with Islamic teachings. However, many Muslim families in West Java lack understanding of Islamic financial literacy and the ***maqashid syariah***, the fundamental objectives of Islamic law aimed at achieving welfare and justice (Bin Isa et al., 2024; Iqbal & Mirakhor, 2011).

Sharia financial planning plays an important role in improving financial independence and ensuring compliance with Islamic principles. One of the main factors influencing the effectiveness of Sharia financial planning is the level of public literacy regarding Sharia finance. Research has shown that increased financial literacy leads to more informed decision-making regarding Islamic financial products and principles, which benefits the economic well-being of individuals and society (Amilahaq et al., 2022; Kementerian Agama, Badan Wakaf Indonesia, & Komite Nasional Ekonomi dan Keuangan Syariah, 2023). The following is the Islamic economic literacy index for the well-literate group according to Bank Indonesia.

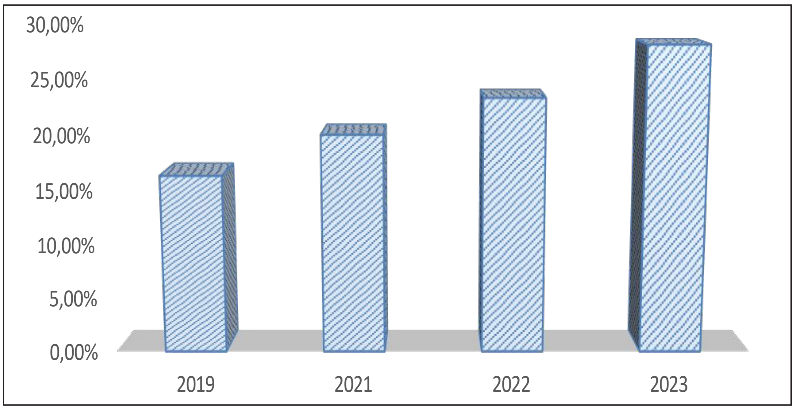

Figure 1. Sharia Economic Literacy Index
(Source: KNEKS, 2024)

Based on data from KNEKS (National Commission for Sharia Economics and Finance), Indonesia's Sharia Economic Literacy Index shows a positive upward trend from 2019 to 2023. In 2019, the literacy index was around 17%, indicating a low level of public understanding of Sharia economics principles and concepts. However, there has been a gradual increase over time. In 2021, the index rose to around 20%, then reached 23% in 2022. This increase reflects the ongoing efforts of various parties to improve public understanding of Islamic economics.

At its peak in 2023, the Islamic economic literacy index reached around 28%, indicating significant progress in public acceptance and understanding of Islamic economics. This surge is likely influenced by intensified educational programs, outreach efforts by Islamic financial institutions, and support from the government and regulators. The increase in Islamic economic literacy is expected to drive the growth of a more inclusive and sustainable Islamic economic ecosystem in Indonesia.

In addition, the dynamics of financial literacy within families are influenced by social factors such as income and education levels. In areas where financial literacy programs have been implemented, such as community training for better financial management, research shows a substantial increase in families' ability to align their financial planning with ***Maqasid Syariah***. For example, (Suci et al., 2022) emphasize that improving financial knowledge through structured training programs can significantly improve family financial behavior and planning capabilities.

Financial illiteracy is a major factor that exacerbates financial problems in households. Research has shown that low levels of financial literacy negatively affect a family's ability to meaningfully engage in financial planning, particularly in ways consistent with Sharia principles (Susanti et al., 2023). There is a significant correlation between financial literacy and effective financial behavior; families with limited understanding are less able to navigate Sharia-compliant financial products and make informed decisions regarding savings, investments, and expenditures (Amilahaq et al., 2022). Inadequate financial management competencies can lead to increased reliance on consumer debt and a failure to allocate sufficient resources for zakat, an important aspect of Shariah finance (Desi & Erdalina, 2023).

In addition, literacy in ***Maqasid Syariah*** in Indonesia plays an important role in shaping Muslim family financial planning strategies, as it encompasses not only financial aspects but also ethical and social dimensions embedded in Islamic financial principles. The concept of ***Maqasid Syariah***, which refers to the higher objectives of Islamic law, has a major influence on household financial behavior and decision-making, emphasizing personal and community welfare, justice, and ethical practices (Nastiti, 2023; Febriana et al., 2020).

Research has shown a direct relationship between ***Maqasid Syariah*** literacy and effective personal financial management. Families with a strong understanding of these principles will be better prepared to develop comprehensive financial plans that facilitate savings and investment in Sharia-compliant products. For example, Setyowati et al. (2018) research identified that an increase in explicit Shariah financial literacy is correlated with an increase in personal financial management skills, enabling individuals to make sound economic decisions. This has significant implications for economic independence, as families can better navigate financial markets and access resources that align with their values and aspirations.

Level of education and income also play a significant role in a family's ability to apply Sharia principles in financial planning. Individuals with higher education generally have better access to and understanding of financial products and services and can make better decisions regarding financial management. Similarly, families with higher income levels tend to have more resources to invest and more complex financial planning (Hidajat & Hamdani, 2017).

West Java is one of the provinces with significant potential for the development of the Islamic economy and finance due to its large Muslim population. However, the level of Islamic financial literacy remains relatively low. A study by Fitri (2022) found that the Islamic financial literacy rate in West Java was only 4.7%, while the Islamic financial inclusion rate reached 22.3%. This gap between access to Islamic financial services and the public's understanding of Islamic financial principles may affect households' ability to develop financial plans aligned with Islamic values. Therefore, this study aims to examine the influence of Islamic financial literacy, Islamic ***maqashid*** literacy, and financial problems on Islamic family financial planning, with education level and income level serving as moderating variables. Using a quantitative survey-based approach, this study is expected to provide a more comprehensive understanding of the factors influencing Islamic family financial planning among Muslim households in West Java.

Financial literacy, especially in the context of Sharia financial products and investments, has been shown to significantly influence individuals' decision-making. Fauzi and Rafik (2024) suggest that sharia financial literacy positively influences investment decisions regarding sharia-compliant products, aligning with findings from other scholars who note a similar relationship. This literacy facilitates a greater understanding of financial products and enhances confidence in making informed financial decisions, thereby contributing to the proper management of family finances within an Islamic framework (Mutiara et al., 2023).

Moreover, ***maqashid syariah*** literacy, which refers to the understanding of the purposes and objectives of Islamic law in financial matters, further enriches family financial planning by guiding families towards choices that uphold Islamic principles. Studies have shown that integrating ***maqashid syariah*** into financial planning can lead to improved financial behavior and adherence to Islamic ethical standards, including wealth preservation and equitable distribution (Rahmanita et al., 2020; Pusparini, 2023).

Educational attainment and income levels are also significant determinants of financial literacy, which in turn affects financial planning. Research highlights that higher educational attainment correlates with increased financial literacy, which is critical for effective financial decision-making (Nopiah & Utami, 2023; Khasanah et al., 2022). Additionally, individuals with higher income levels often have greater exposure to financial literacy resources and opportunities for financial education, which can mitigate financial problems facing families (Hasanah et al., 2023). This relationship cultivates a vibrant environment where families can learn and apply sophisticated financial strategies, greatly influencing their overall financial health.

Regarding financial challenges, the literature indicates that inadequate financial literacy can lead to resource mismanagement and even financial crises within families (Widiyati et al., 2018). Hence, Sharia financial literacy not only empowers families to make better investment choices but also equips them with the necessary knowledge to avoid financial pitfalls. This interconnection underscores the importance of targeted educational programs designed to enhance financial literacy and promote the principles of ***maqashid syariah*** among Muslim families (Muslichah & Sanusi, 2019).

Despite the growing literature on Islamic financial literacy and family financial planning, previous studies have predominantly focused on the cognitive dimension of financial knowledge, such as understanding Islamic financial products, investment, and financial management skills. Limited attention has been given to the value-based dimension of financial behavior, particularly ***maqāṣid shariah*** literacy as a distinct value-driven construct influencing household financial behavior. Unlike Islamic financial literacy, which mainly emphasizes cognitive and technical financial understanding, ***maqāṣid*** literacy highlights ethical-spiritual awareness, social responsibility, and the preservation of welfare (maṣlaḥah) in financial decision-making.

Moreover, prior findings remain inconclusive regarding whether financial literacy alone is sufficient to influence financial behavior in Muslim households. Existing studies also rarely position institutional trust as a central determinant within the financial capability framework, despite its theoretical importance in shaping confidence in Shariah-compliant financial systems. Therefore, this study addresses these gaps by integrating ***maqāṣid*** shariah literacy into the financial capability framework proposed by Abdullah et al. (2025) and by examining the role of institutional trust in Islamic family financial planning. In addition, this study contributes empirically by testing the moderating roles of education and income among Muslim households in West Java, Indonesia.

Hypotheses

The influence of Islamic financial literacy on Islamic family financial planning

The interplay between Islamic financial literacy and Islamic financial planning is crucial in fostering sound financial behaviors and decision-making within Muslim communities. Islamic financial literacy encompasses not only knowledge of financial concepts aligned with Islamic principles but also the skills needed to navigate financial products and make informed choices. Studies have demonstrated that individuals with higher levels of Islamic financial literacy exhibit better personal financial planning capabilities, which are essential for achieving long-term financial sustainability and well-being (Setyowati et al., 2018).

H1: Islamic financial literacy has a positive impact on Islamic Family financial planning.

The influence of *maqashid syariah* literacy on Islamic family financial planning

There is a positive correlation between financial literacy and household economic welfare, according to a study examining maternal financial literacy from the perspective of ***maqashid al-shariah***. The results show that higher financial literacy enables moms to make wise financial choices that support ***maqashid*** objectives, thereby improving the welfare of the entire family (Azizah & Salam, 2021). According to Ratih and Ridho (2023), this bolsters the idea that empowerment through education and literacy under ***maqashid shariah*** not only enables better financial decisions but also aligns family spending with communal welfare goals, thereby satisfying societal obligations.

H2: *Maqashid syariah* literacy positively impacts Islamic financial planning.

The influence of the level of Trust in Sharia Financial Institutions on Islamic family financial planning

The level of trust in Sharia financial institutions is a critical factor in the financial planning of Islamic families. Trust influences customer engagement, as clients are more likely to participate in financial planning when they have confidence in the services' integrity and reliability. Waldelmi and Aquino emphasize that trust is fundamental for Islamic financial institutions, particularly within ***Baitul Mal wa Tamwil*** (BMT), where customer confidence is reflected in their willingness to engage in financial transactions, driven primarily by the need for safety and security (Waldelmi & Aquino, 2021).

Additionally, public perception surrounding the use of digital financial technology (fintech) services in Sharia financial institutions indicates that accessibility and modern service features enhance trust levels among potential customers. Yuspita et al. (2019) found that communities tend to favor Sharia financial options that incorporate fintech because these services are viewed as more accessible and user-friendly, fostering trust in their operations. Thus, enhanced trust through technological interfaces allows for better engagement in family financial planning, as individuals feel supported and informed in their decisions.

H3: The level of trust in Sharia financial institutions has a positive impact on Islamic financial planning.

Education and income levels moderating impact in *maqashid syariah* literacy, Islamic financial literacy, and financial problems on Islamic financial planning.

In this study, income and education levels are the moderating variables to be examined. Education has long been established as a fundamental determinant of financial literacy. For instance, a study by Sirisakdakul and Khornjamnong (2020) finds that individuals with higher levels of education tend to exhibit greater financial literacy, which enhances their capacity for retirement planning. This trend is echoed by Fauziyah et al. (2024), who demonstrate that increasing financial education integrates ***maqashid syariah*** principles into family financial management, thereby enhancing financial stability and household harmony. The synthesis of these findings suggests that educational interventions aimed at bolstering financial literacy could effectively align familial financial behaviors with the principles of ***maqashid syariah***.

Furthermore, the impact of income on financial literacy cannot be understated. Larisa et al. (2020) argue that higher income levels indirectly foster better financial literacy, thereby enhancing retirement planning capabilities. This indicates that financial resources may provide individuals with access to financial education and planning tools that are essential for effective financial decision-making. Ranteallo et al. (2022) also support this by demonstrating that both education and income are crucial for effective financial behavior related to funding children's education. Collectively, these studies suggest that socioeconomic factors, including education and income, significantly moderate the effectiveness of financial literacy initiatives and their application to financial planning.

H4a: The relationship between Islamic financial literacy and Islamic family financial planning is moderated by education level.

H4b: The relationship between *maqashid syariah* literacy and Islamic family financial planning is moderated by education level.

H4c: The relationship between the level of trust in Sharia financial institutions and Islamic family financial planning is moderated by education level.

H5a: The relationship between Islamic financial literacy and Islamic family financial planning is moderated by income level.

H5b: The relationship between *maqashid syariah* literacy and Islamic family financial planning is moderated by income level.

H5c: The relationship between the level of trust in Sharia financial institutions and Islamic family financial planning is moderated by income level.

Conceptual Framework

Integrating Financial Capability, Human Capital, and *Maqāṣid*-Based Capability

This study integrates Financial Capability Theory (Sherraden, 2013), Human Capital Theory (Becker, 1964), and ***Maqāṣid al-Shariah*** to explain Islamic family financial planning competence. While conventional financial capability literature emphasizes financial knowledge, skills, and access to financial institutions as determinants of effective financial behavior, Islamic family financial planning requires a broader framework that incorporates ethical, spiritual, and social dimensions.

According to Sherraden (2013), financial capability is determined not only by individual financial literacy but also by access to institutional structures that enable sound financial decisions. From this perspective, individuals require both the ability and the opportunity to act. However, within Muslim households, financial decisions are not solely guided by economic rationality. Financial behavior is also influenced by religious values, ethical commitments, and the pursuit of welfare (maṣlaḥah), which are embedded within the framework of ***maqāṣid al-shariah***.

Therefore, this study extends the conventional financial capability framework by introducing ***Maqāṣid Shariah* Literacy** as a **normative,** or **value-based, capability**. Unlike Islamic financial literacy, which focuses primarily on knowledge of Islamic financial products and technical financial management, ***maqāṣid*** literacy reflects an individual's understanding of the higher objectives of Islamic law, including the protection of faith (ḥifẓ al-dīn), life (ḥifẓ al-nafs), intellect (ḥifẓ al-'aql), family (ḥifẓ al-nasl), and wealth (ḥifẓ al-māl). This normative capability guides households in making financial decisions not only on efficiency and profitability but also on justice, responsibility, and long-term welfare.

Consequently, ***maqāṣid*** literacy is conceptualized as a value-driven capability that transforms financial knowledge into ethically grounded financial behavior. Households with higher ***maqāṣid*** literacy are expected to demonstrate greater competence in Islamic family financial planning, as they possess both technical understanding and normative guidance for managing financial resources.

Method

Research Design and Data Collection

This study employs a quantitative research design using a cross-sectional survey approach. The study utilizes **primary data** collected directly from Muslim households in West Java, Indonesia, through a structured questionnaire. A cross-sectional design was selected because it enables the measurement of respondents' perceptions, literacy levels, and financial planning competence at a single point in time, which is appropriate for examining the relationships among latent constructs within the Financial Capability Framework.

Data were collected between January and March 2026 using a self-administered questionnaire distributed both online and offline. All measurement items were assessed using a six-point Likert scale ranging from 1 (strongly disagree) to 6 (strongly agree). The six-point scale was adopted to minimize neutral responses and encourage respondents to express a clear position regarding each statement (Beglar & Nemoto, 2014).

Data Source

Population and Sampling

The target population consisted of Muslim household heads and married adults residing in West Java Province who were actively involved in household financial decision-making.

Because a complete sampling frame of Muslim households in West Java was unavailable, this study employed **purposive** rather than simple random sampling. Respondents were selected based on the following criteria:

1. Muslim adult (minimum age 21 years);
2. Married or responsible for household financial management;
3. Residing in West Java for at least one year;
4. Having experience in managing household finances.

The minimum sample size was determined using the recommendation of Hair Jr et al. (2021), which suggests that PLS-SEM studies should have a sample size of at least 10 times the largest number of structural paths directed at a latent construct. Given the complexity of the research model, a minimum of 200 respondents was considered sufficient. The final dataset consisted of 210 valid responses.

Operational Definition of Variables

Table 1. Operational Definition of Variables

Variable	Definition	Dimensions/Indicators	Measurement Type	Source
Islamic Financial Literacy (FL)	Individual understanding of Islamic financial concepts, products, and financial management principles.	Knowledge of Islamic financial products, budgeting, saving, investment, risk management, zakat and halal finance.	Reflective	Adapted from Setyowati et al. (2018); Hidajat & Hamdani (2017)
Maqāṣid Shariah Literacy (ML)	Individual understanding of ***maqāṣid shariah*** values in financial decision-making.	Wealth preservation (ḥifẓ al-māl), welfare enhancement (maṣlaḥah), justice, social responsibility, ethical financial behavior.	Reflective	Adapted from Azizah & Salam (2021); Pusparini (2023); Rahmanita et al. (2020)
Institutional Trust (LTIFI)	Degree of confidence in Islamic financial institutions.	Integrity, transparency, sharia compliance, reliability, institutional reputation.	Reflective	Adapted from Waldelmi & Aquino (2021); Yuspita et al. (2019)
Competency in Islamic Family Financial Planning (CIFFP)	Household capability to plan, manage, and evaluate finances according to Islamic principles.	Budgeting, savings planning, investment planning, risk management, zakat allocation, long-term financial goals.	Reflective	Adapted from Setyowati et al. (2018); Susanti et al. (2023)
Education Level	Highest educational attainment.	Diploma, Bachelor, Master, Doctoral degree.	Single-item	Respondent profile
Income Level	Monthly household income.	Income categories.	Single-item	Respondent profile

Measurement Items

Table 2. Construct Measurement and Number of Items

Construct	Number of Items	Example Indicator	Adapted From
Islamic Financial Literacy (FL)	5 items	Understanding Islamic savings and investment principles	Setyowati et al. (2018)
Maqāṣid Shariah Literacy (ML)	5 items	Financial decisions should promote family welfare and social benefit	Azizah & Salam (2021); Pusparini (2023)

Construct	Number of Items	Example Indicator	Adapted From
Institutional Trust (LTIFI)	5 items	Islamic financial institutions operate according to sharia principles	Waldelmi & Aquino (2021)
Islamic Family Financial Planning Competence (CIFFP)	5 items	My family has a clear long-term financial plan based on Islamic principles	Susanti et al. (2023)

PLS-SEM model

PLS-SEM is the tool used in the empirical test of this study. The steps in the analysis using the PLS-SEM model are as follows (Al-Emran et al., 2019):

Research Variables and the Path Model

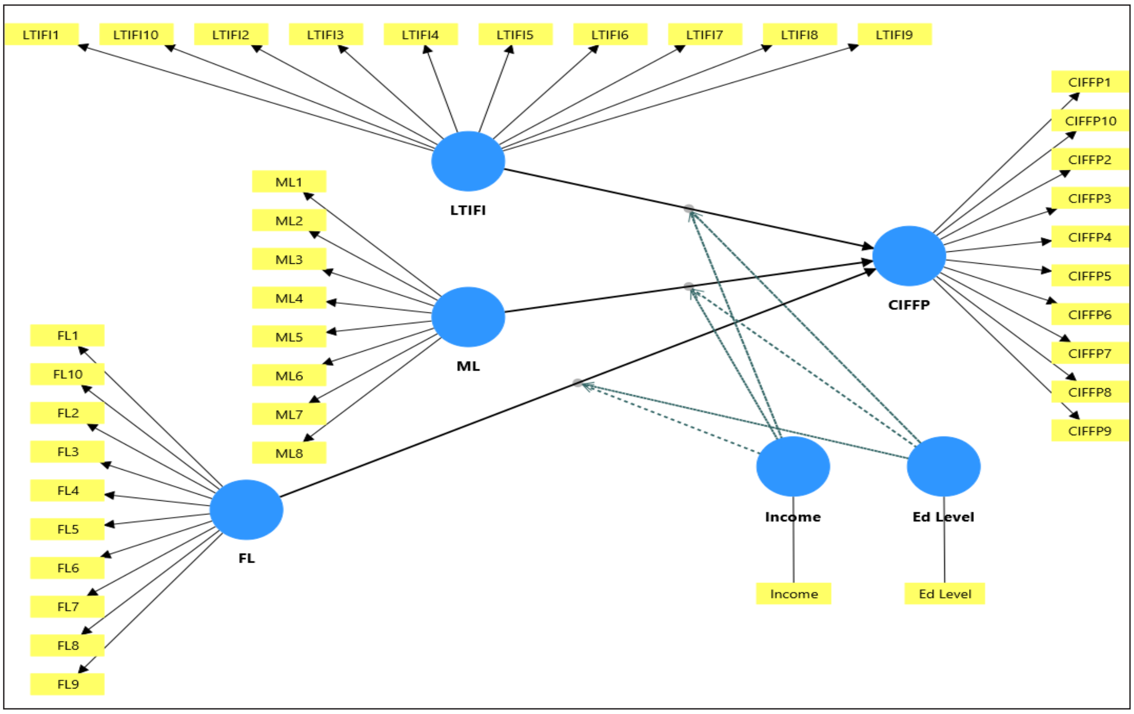

Figure 2. Research Variables and the Path Model
(Source: PLS-SEM)

The initial stage was to construct an SEM PLS Structural Model, which involved determining path analysis, direct effects, and indirect effects. The path model, illustrated in Figure 1 above, was used in this study.

Convergent Validity

According to Cable and DeRue (2002), the extent to which measurement results for one concept show a positive correlation with another concept—which may also show a positive relationship—is known as the level of convergent validity. Convergent validity measures the level of correlation between latent variables and constructs (Cheah et al., 2018). One can assess the level of convergence among individual item reliability tests by calculating standardized factor loadings. It is preferable that the indicators accurately evaluate the construct, as indicated by factor loadings greater than 0.7. The model is considered when the standardized factor loading is greater than 0.5; it is not considered when it is less than 0.5.

Discriminant Validity

The discriminant validity of the reflective model was then confirmed by comparing the AVE values and the squares of the correlations between constructs, or the AVE roots and the correlations between constructs. Becker et al. (2022) stated that another indication of discriminant validity is that the AVE root is greater than the correlation between constructs and other constructs, or that the AVE is greater than the square of the correlation between constructs. Data validity is demonstrated if the AVE result is greater than 0.5, as required by the AVE rule (Hair Jr et al., 2021). Data will be deleted or discarded if the AVE rule indicates it is invalid.

Construct Reliability

According to Taber (2018), the coefficient of latent variables can be used to calculate composite reliability. Cronbach's alpha and composite reliability will both be provided by these results. Both must have a reliability greater than 0.70. Variables will be removed if the Cronbach's alpha value is less than 0.7.

Structural Model Evaluation (Inner Model)

The coefficient of variation (CV), R2, and model fit test (Mit model) are considered when evaluating structural models (inner models). How well a model fits the data is determined by this model fit test. The average path coefficient (APC), average R-squared (ARS), and average variance factor (AVIF) are the three indices used in the model fit test. For APC and ARS, the p-value must be less than 0.05 or significant. In addition, AFIV must be less than 5 to be an indicator of multicollinearity (Kane et al., 2016).

Result and Discussion

This section presents the results of the data analysis carried out using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. The analysis begins with evaluating the measurement model through validity and reliability testing to ensure the robustness of the constructs and indicators. Upon meeting the required criteria, the structural model is assessed through path analysis to examine the relationships among latent variables. Subsequently, hypothesis testing is performed to identify the significance and strength of these relationships. The findings are then discussed comprehensively, integrating statistical results with theoretical perspectives and prior empirical evidence to provide a deeper understanding of the phenomena under investigation.

Path Model Result

During the assessment of the outer measurement model, the evaluation focused on the reliability of each indicator in representing its latent construct. Indicators with loading values greater than 0.70 were considered to have sufficient convergent validity, thereby justifying their retention in the model. Conversely, indicators with loading values below the 0.70 threshold were regarded as weak in capturing the underlying construct and were subsequently removed to enhance the overall model fit and measurement accuracy (Hair et al., 2018). The refined results from this measurement stage are shown in the following image.

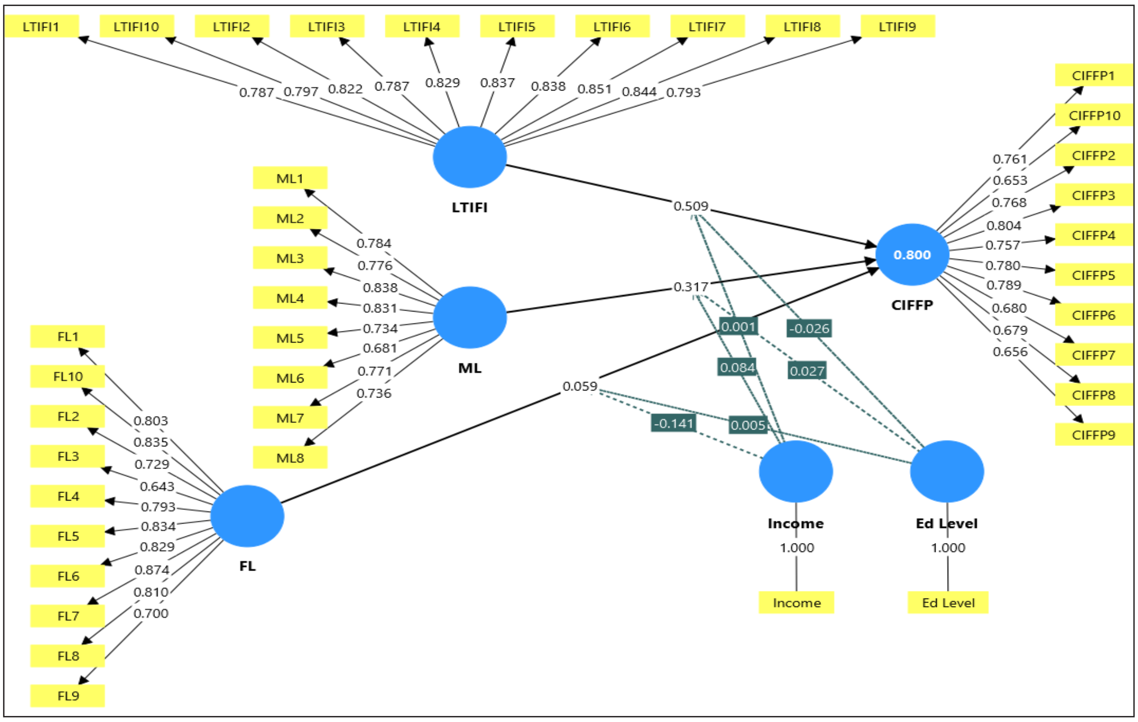

Figure 3. Path Model Result

Source: PLS-SEM

The evaluation of the outer measurement model indicates that most indicators had factor loadings above the recommended threshold of 0.70, thereby confirming their validity in measuring the respective latent constructs (Hair et al., 2018). For instance, the construct of financial literacy (FL) demonstrates strong indicator loadings, such as FL2 (0.803), FL3 (0.835), FL5 (0.834), and FL6 (0.874), while a few indicators, including FL4 (0.643) and FL7 (0.700), are slightly lower yet still acceptable within the model. Similarly, the construct of Islamic financial information transformation literacy (LTIFI) presents consistently high values ranging from 0.787 to 0.851, reflecting satisfactory convergent validity. In addition, management literacy (ML) records loading values ranging from 0.681 to 0.838, with ML5 (0.681) slightly below the ideal threshold but retained due to theoretical relevance.

The construct of customer islamic family financial planning (CIFFP) also reveals adequate convergent validity, with its strongest indicator loading at 0.804 (CIFFP4). Nonetheless, several indicators, such as CIFFP6 (0.680), CIFFP8 (0.679), and CIFFP9 (0.656), show only marginal weakness, suggesting they capture the construct less effectively. Despite these variations, the majority of indicators meet the minimum requirement of 0.70, thereby justifying the continuation of the analysis to the structural model stage. Overall, the outer model results confirm the reliability and validity of the constructs, providing a robust foundation for subsequent hypothesis testing and evaluation of the structural relationships among latent variables.

Composite Reliability and Discriminant Validity

The results of reliability testing indicate that all constructs achieved strong internal consistency, as reflected by Cronbach's alpha values exceeding the recommended threshold of 0.70 (Hair et al., 2018). Specifically, CIFFP (0.904), FL (0.931), LTIFI (0.945), and ML (0.901) demonstrate highly reliable measurement scales, suggesting that the items within each construct consistently capture their intended latent variable. This finding is further reinforced by the composite reliability values, with both rho_a and rho_c for all constructs exceeding 0.90, thereby confirming the constructs' robustness with respect to indicator reliability. Such high levels of consistency indicate that the constructs are stable and capable of producing replicable results across different measurement contexts.

In addition, convergent validity was assessed through the average variance extracted (AVE), with results showing that all constructs exceeded the minimum threshold of 0.50, indicating that more than half of the variance in the indicators is explained by the respective latent constructs. CIFFP recorded an AVE of 0.540, FL at 0.621, LTIFI at 0.671, and ML at 0.593, all of which demonstrate satisfactory convergent validity. Notably, LTIFI achieved the highest AVE, reflecting particularly strong indicator convergence, while CIFFP presented the lowest but still acceptable value. Overall, these results confirm that the constructs meet the required psychometric standards of reliability and validity, thereby providing a solid foundation for advancing to structural model evaluation and hypothesis testing. The refined results from this measurement stage are shown in the following table.

Table 3. Composite Reliability and Discriminant Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
CIFFP	0,904	0,909	0,921	0,540
FL	0,931	0,937	0,942	0,621
LTIFI	0,945	0,946	0,953	0,671
ML	0,901	0,905	0,921	0,593

Source: PLS-SEM

Partial Least Squares Structural Equation Modeling (PLS-SEM) Results

This study aims to investigate the influence of financial literacy, ***maqāṣid*** literacy, and trust in sharia financial institutions on competency in Islamic family financial planning, with income and education level as moderating variables. The refined results of this measurement stage are depicted in the following table.

Table 4. Partial Least Squares Structural Equation Modeling (PLS-SEM) Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Ed Level -> CIFFP	-0,017	-0,016	0,033	0,531	0,595
Ed Level x FL -> CIFFP	0,005	-0,009	0,102	0,045	0,964
Ed Level x LTIFI -> CIFFP	-0,026	-0,011	0,116	0,224	0,823
Ed Level x ML -> CIFFP	0,027	0,031	0,115	0,236	0,814
FL -> CIFFP	0,059	0,076	0,095	0,624	0,533
Income -> CIFFP	0,084	0,079	0,035	2,383	0,017
Income x FL -> CIFFP	-0,141	-0,129	0,089	1,581	0,114
Income x LTIFI -> CIFFP	0,001	-0,004	0,104	0,009	0,993
Income x ML -> CIFFP	0,084	0,077	0,104	0,804	0,421
LTIFI -> CIFFP	0,509	0,500	0,102	5,008	0,000
ML -> CIFFP	0,317	0,322	0,099	3,204	0,001

Source: PLS-SEM

The structural model indicates that ***maqāṣid shariah*** literacy (ML) and the level of trust in Islamic financial institutions (LTIFI) significantly influence competency in Islamic family financial planning (CIFFP), supporting H2 and H3, while Islamic financial literacy (FL) does not show a significant effect, leading to the rejection of H1. Furthermore, neither education level nor income significantly moderates the relationships among FL, ML, LTIFI, and CIFFP, leading to the rejection of H4a–H4c and H5a–H5c.

These findings suggest that effective Islamic family financial planning extends beyond technical financial knowledge and is more strongly driven by value-based literacy and institutional trust. The significant role of ***maqāṣid shariah*** literacy aligns with previous studies that emphasize the importance of ***maṣlaḥah***, wealth preservation (ḥifẓ al-māl), and ethical responsibility in financial decision-making (Azizah & Salam, 2021; Pusparini, 2023). Likewise, the positive role of institutional trust supports Financial Capability Theory, highlighting that confidence in the integrity and Sharia compliance of financial institutions encourages greater engagement in long-term financial planning (Yuspita et al., 2019).

In contrast, the insignificant effect of Islamic financial literacy indicates that technical knowledge alone may not be sufficient to translate into financial behavior, suggesting a knowledge–behavior gap. This result also implies that ethical orientation and trust may play a more influential role than cognitive literacy in Muslim households in West Java. The absence of moderating effects from education and income further suggests that ***maqāṣid***-based values and institutional trust operate consistently across socioeconomic groups. Overall, the findings extend the financial capability framework by demonstrating the importance of integrating ethical-spiritual values and institutional trust alongside conventional financial literacy in explaining Islamic family financial planning.

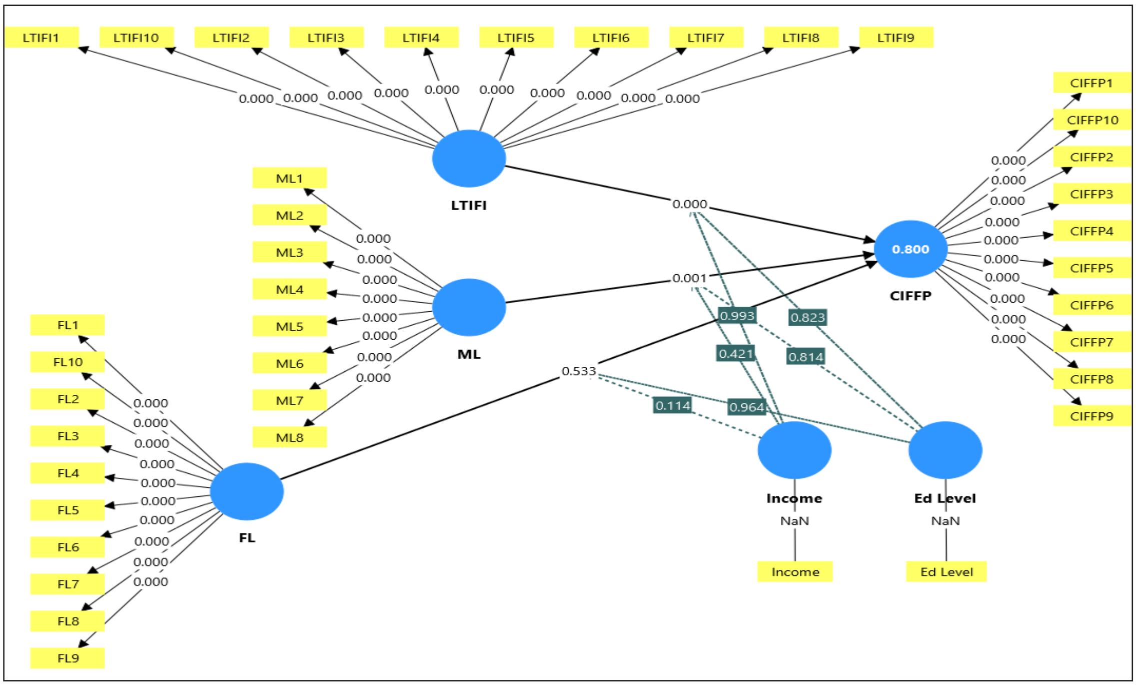

Figure 4. Partial Least Squares Structural Equation Modeling (PLS-SEM) Results.
(Source: PLS-SEM)

Discussion

The findings reveal that ***maqāṣid shariah*** literacy (ML) and trust in Islamic financial institutions (LTIFI) significantly influence competency in Islamic family financial planning (CIFFP). These results support the growing body of literature emphasizing that financial decision-making among Muslim households is not solely driven by technical financial knowledge but also by value-based and institutional factors. From the perspective of ***maqāṣid al-shariah***, financial planning is closely related to the preservation of wealth (ḥifẓ al-māl), family welfare, and the realization of ***maṣlaḥah*** (Budiman et al., 2017; Diniyya et al., 2020; Nafisah & Haryono, 2024). Therefore, households with stronger ***maqāṣid*** literacy are more likely to perceive financial planning not merely as an economic activity but as a religious and ethical responsibility.

The significant effect of institutional trust further reinforces Sherraden's proposition (2013) that financial capability depends not only on individual abilities but also on enabling institutional environments. In the Islamic financial context, trust reflects confidence in the integrity, transparency, governance quality, and Shariah compliance of financial institutions. This finding is consistent with previous studies demonstrating that trust serves as a critical determinant of financial participation and long-term financial commitment (Baloch & Chimenya, 2023). The result suggests that even financially capable households may hesitate to engage in financial planning when confidence in financial institutions is weak. A particularly interesting finding is the lack of a significant effect of Islamic financial literacy (IFL) on Islamic family financial planning competence.

This result contrasts with numerous studies conducted in Indonesia, Malaysia, and other Muslim-majority countries, which generally report a positive relationship between Islamic financial literacy and financial behavior (Setyowati et al., 2018; Handayani et al., 2021). The finding, therefore, invites a deeper reflection on the mechanisms linking knowledge and behavior in Islamic financial planning.

One possible explanation is the existence of a value-action gap or knowledge-behavior gap. Possessing knowledge about Islamic financial concepts does not necessarily lead to the implementation of Islamic financial practices. Individuals may understand concepts such as ***zakat***, the prohibition of ***riba***, halal investment, and Islamic savings products, yet fail to translate this knowledge into consistent financial planning behavior. Similar findings have been reported in behavioral finance literature, where financial knowledge often exhibits weaker effects on actual behavior than psychological, social, and value-related factors (Xiao & Porto, 2017). In this regard, knowledge may be a necessary condition, but it is not sufficient to produce meaningful behavioral change. The result may also reflect the unique socio-cultural context of West Java. Although West Java has one of the largest Muslim populations in Indonesia and demonstrates increasing access to Islamic financial services, previous reports indicate that Islamic financial inclusion has grown faster than Islamic financial literacy. This suggests that participation in Islamic financial products may be driven more by religious identity, social influence, trust, and community norms than by a detailed understanding of finance. In such a context, households may choose Islamic financial products because they perceive them as religiously appropriate rather than because they possess sophisticated financial knowledge. Consequently, ***maqāṣid*** literacy—which captures ethical-spiritual awareness and value orientation—becomes more influential than technical financial literacy.

Conclusion

This study reveals that ***maqāṣid shariah*** literacy (ML) and trust in Islamic financial institutions (LTIFI) are the most influential factors shaping competency in Islamic family financial planning (CIFFP). In contrast, Islamic financial literacy (FL) has no significant effect, suggesting that technical financial knowledge alone may be insufficient to promote effective financial planning behavior among Muslim households. The findings suggest that financial decisions are influenced not only by cognitive understanding but also by ethical and spiritual values and by confidence in Islamic financial institutions. In West Java, where financial practices are strongly embedded in religious norms, community networks, and collective trust, value-based considerations appear to play a more prominent role than technical financial knowledge.

Furthermore, the study finds that education and income do not significantly moderate the relationships among literacy, trust, and CIFFP. This finding challenges conventional perspectives derived from Human Capital Theory and Financial Capability Theory, which generally emphasize the importance of educational attainment and economic resources in shaping financial behavior. Instead, the results indicate that Islamic family financial planning competence is more strongly influenced by normative and institutional factors than by socioeconomic characteristics.

From a theoretical perspective, this study contributes to the development of Islamic Financial Capability Theory by demonstrating that ***maqāṣid shariah*** literacy serves as a normative capability that extends beyond conventional financial literacy. Unlike technical financial knowledge, ***maqāṣid***-based literacy provides ethical guidance and a value orientation that shapes household financial behavior toward achieving ***maṣlaḥah*** (social welfare) and preserving wealth (ḥifẓ al-māl). Accordingly, this study proposes that Islamic financial capability should be conceptualized not only as the combination of financial knowledge, skills, and access to financial services, but also as the internalization of Islamic values that guide financial decision-making.

The findings also contribute to the growing literature on Islamic behavioral finance by integrating ***maqāṣid al-shariah*** into the financial capability framework. The evidence suggests that value-based literacy and institutional trust may serve as more powerful predictors of financial competence than technical financial literacy alone. This highlights the need to broaden existing financial capability models by incorporating ethical-spiritual dimensions and institutional legitimacy as central elements of Islamic financial behavior.

Practically, the findings imply that policymakers, Islamic financial institutions, and financial educators should move beyond conventional literacy-based interventions and place greater emphasis on strengthening ***maqāṣid***-oriented financial education, ethical financial awareness, and institutional trust. Such an approach may be more effective in enhancing household financial resilience and promoting sustainable Islamic financial planning practices.

References

Abdullah, A., Mohd Salleh, M. Z., Zakaria, M. N., Muhammad, M. Z., & Mohd Shamma, S. H. (2025). Aligning Financial Literacy Framework Accordance to Maqasid Shariah Principle for Malaysia's B40. ***Akademika, 95***(2), 171–183. https://doi.org/10.17576/akad-2025-9502-10

Al-Emran, M., Mezhuyev, V., & Kamaludin, A. (2019). PLS-SEM in information systems research: A comprehensive methodological reference. In ***Advances in Intelligent Systems and Computing*** (Vol. 845, Issue March 2023). Springer International Publishing. https://doi.org/10.1007/978-3-319-99010-1_59.

Amilahaq, F., Wijayanti, P., & Pertiwi, B. C. (2022). Managing Islamic financial planning inclusion in Indonesia. ***Tazkia Islamic Finance and Business Review***, ***15***(1), 40-66. https://doi.org/10.30993/tifbr.v15i1.243.

Azizah, S. N., & Salam, A. N. (2021). Determinants of mother's financial literacy on family economic welfare: Maqashid sharia analysis. ***Journal Research of Social Science Economics and Management***, ***1***(2), 163–181. https://doi.org/10.36418/jrssem.v1i2.12.

Badan Pusat Statistik. (2023). ***Perekonomian Jawa Barat Tahun 2023***. https://jabar.bps.go.id/id/news/2024/02/05/657/perekonomian-jawa-barat-tahun-2023.html.

Baloch, B. A., & Chimenya, A. (2023). Ethical dimensions of Islamic finance and their relevance in contemporary business practices. ***International Journal of Islamic Banking and Finance Research***, ***11***(2), 32-39. https://doi.org/10.46281/ijibfr.v11i2.2125.

Becker, G. S. (1964). ***Human capital: A theoretical and empirical analysis, with special reference to education***. National Bureau of Economic Research.

Becker, J. M., Cheah, J. H., Gholamzade, R., Ringle, C. M., & Sarstedt, M. (2022). PLS-SEM's most wanted guidance. ***International Journal of Contemporary Hospitality Management, 35***(1), 321–346. https://doi.org/10.1108/IJCHM-04-2022-0474.

Beglar, D., & Nemoto, T. (2014). Developing Likert-scale questionnaires. ***JALT2013 Conference Proceedings***, 1–8.

Bin Isa, M. Z., Ahmad, N. H., Maamor, S., Ahmad, Z., & Bakar, N. A. A. (2024). The role of Islamic financial literacy from the perspective of maqasid al-shariah: A case study of community of Naka in KEDAH. ***International Journal of Islamic Business, 9***(2), 26–42. https://doi.org/10.32890/ijib2024.9.2.3.

Budiman, M. A., Amin, R. M., Yusoff, S. A., & Adeyem, A. A. (2017). Measuring maqasid al-shariah at micro level with special reference to the preservation of wealth. ***Media Syari'ah: Wahana Kajian Hukum Islam dan Pranata Sosial***, ***17***(2), 271-292. https://doi.org/10.22373/jms.v17i2.1936.

Cable, D. M., & DeRue, D. S. (2002). The convergent and discriminant validity of subjective fit perceptions. ***Journal of Applied Psychology***, ***87***(5), 875–884. https://doi.org/10.1037/0021-9010.87.5.875.

Cheah, J.-H., Sarstedt, M., Ringle, C. M., Ramayah, T., & Ting, H. (2018). Convergent validity assessment of formatively measured constructs in PLS-SEM. ***International Journal of Contemporary Hospitality Management***, ***30***(11), 3192–3210. https://doi.org/10.1108/IJCHM-10-2017-0649.

Desi, D. S. A., & Erdalina, E. (2023). Islamic financial planning: Alternative for Msme expansion in Indonesia. ***Ihtiyath: Jurnal Manajemen Keuangan Syariah***, ***7***(1), 1–17. https://doi.org/10.32505/ihtiyath.v7i1.5682.

Diniyya, A. A., Yasin, R. F. F. Y. F., & Mahmud, M. W. (2020). The significance of financial literacy for family wealth management: A critical study from Maqasid perspective. ***Journal of Islam in Asia***, ***17***(3), 198-215. https://doi.org/10.31436/jia.v17i3.993.

Fauzi, A. S., & Rafik, A. (2024). The impact of sharia financial literacy, religiosity, and perceived quality on investment decisions on sharia-compliant products. ***International Journal of Economics and Management Sciences***, ***1***(2), 156–173. https://doi.org/10.61132/ijems.v1i2.56.

Fauziyah, F., Qosiim, A., & Naadhira, N. (2024). The Influence of the Implementation of the Maqashid Syariah Principles in Family Economic Management. ***Seriat Ekonomisi,*** ***1***(4), 123–130. https://doi.org/10.35335/jvbkm748.

Febriana, S., Meutia, I., & Meirawati, E. (2020). Islamic bank performance (Maqasid sharia approach). ***Integrated Journal of Business and Economics***, ***4***(3), 320-335. https://doi.org/10.33019/ijbe.v4i3.327.

Fitri, Y. S. (2022). Literasi keuangan syariah, tingkat keberagamaan dan inklusi keuangan syariah terhadap kinerja UMKM di Jawa Barat**.** ***Doctoral Thesis***. UIN Sunan Gunung Djati. https://digilib.uinsgd.ac.id/50997/.

Hair, J. F., Ringle, C. M., Gudergan, S. P., Fischer, A., Nitzl, C., & Menictas, C. (2018). Partial least squares structural equation modeling-based discrete choice modeling: An illustration in modeling retailer choice. ***Business Research, 12***, 115-142. https://doi.org/10.1007/s40685-018-0072-4.

Hair Jr, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (2021). ***Partial least squares structural equation modeling (PLS-SEM) using R: A workbook.*** Springer.

Handayani, L., Ainun, B., & Fahmi, M. Y. (2021). The effect of Islamic financial literacy and financial inclusion toward financial planning among millennial: Financial behaviour as an intervening variable. ***International Journal of Emerging Issues in Islamic Studies, 1***(2), 62-69. https://doi.org/10.31098/ijeiis.v1i2.762.

Hasanah, N., Juwita, R., Fitriana, A. N., Syahidah, M. R., & Djiwandono, R. M. D. (2023). Determinants of sharia retirement financial planning millennial generation in Indonesia. ***Journal of Business Studies and Management Review***, ***7***(1), 112–117.

https://doi.org/10.22437/jbsmr.v7i1.29182.

Hidajat, T., & Hamdani, M. (2017). Measuring Islamic financial literacy. ***Advanced Science Letters***, ***23***(8), 7173–7176. https://doi.org/10.1166/asl.2017.9321.

Iqbal, Z., & Mirakhor, A. (2011). ***An introduction to Islamic finance: Theory and practice*** (Second Edition). John Wiley & Sons.

Kane, S. N., Mishra, A., & Dutta, A. K. (2016). Combined loadings and cross-dimensional loadings timeliness of presentation of financial statements of local government. ***Journal of Physics: Conference Series***, ***755***(1), 5–10. https://doi.org/10.1088/1742-6596/755/1/011001.

Khasanah, M., Aminullah, R., & Setianingsih, D. (2022). Determinants of Islamic financial literacy index: Comparison based on ethnographic studies in Yogyakarta, Indonesia. ***Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies***, ***18***(1), 185-206. https://doi.org/10.18196/afkaruna.v18i1.12584.

Kementrian Agama, Badan Wakaf Indonesia, & Komite Nasional Ekonomi dan Keuangan Syariah. (2023). ***Peta Jalan Wakaf Nasional 2024-2029***.

Larisa, L. E., Anastasia, N., & Wijaya, S. (2020). Female workers' readiness for retirement planning: An evidence from Indonesia. ***Review of Behavioral Finance***, ***13***(5), 566–583. https://doi.org/10.1108/rbf-04-2020-0079.

Mutiara, N., Askafi, E., Yani, A., Aquinas, F., & Setyawan, W. H. (2023). Sharia financial literacy: decoding the nexus of civil servants' investment choices. ***Journal of Innovation in Business and Economics***, ***7***(1), 61–68. https://doi.org/10.22219/jibe.v7i01.29022.

Muslichah, I., & Sanusi, S. (2019). The effect of religiosity and financial literacy on intention to use Islamic banking products. ***Asian Journal of Islamic Management, 1***(2), 85–92. https://doi.org/10.20885/ajim.vol1.iss2.art2.

Nafisah, Z., & Haryono, S. (2024). Review of maqashid sharia as a basis family financial planning. ***Proceedings International Collaboration Conference Law, Sharia, and Society***, 255-268.

Nastiti, A. S. (2023). Exploring the dynamics of maqashid performance in Indonesian Islamic banking. ***Share: Jurnal Ekonomi dan Keuangan Islam***, ***12***(2), 367-385. https://doi.org/10.22373/share.v12i2.16950.

Nopiah, R., & Utami, Y. (2023). Sharia financial literacy analysis: Case study of traditional market in Yogyakarta. ***Jurnal Ekonomi Manajemen dan Akuntansi***, ***9***(3), 1008–1016. https://doi.org/10.35870/jemsi.v9i3.1228.

Pusparini, M. D. (2023). Maqasid sharia-based financial plan to prevent conspicuous consumption among muslim household. ***Al-Tijary***, ***8***(1), 15–30. https://doi.org/10.21093/at.v8i1.5040.

Rahman, A., Tanjung, A. A., Ramli, R., & Arif, M. (2023). Determinants of income inequality in a time perspective in Indonesia. ***Economics Development Analysis Journal***, ***12***(2), 231–242. https://doi.org/10.15294/edaj.v12i2.62755.

Rahmanita, N. D., Kusnendi, K., & Utami, S. A. (2020). Moderating effect of personality traits on the influence of Islamic financial literacy on the implementation of Islamic financial planning. ***The International Journal of Business Review (The Jobs Review), 3***(1), 37-46. https://doi.org/10.17509/tjr.v3i1.26568.

Ranteallo, A. T., Herawati, N., & Mulyani, A. S. (2022). Education for financial literacy on children educational fund among housewives in West Jakarta. ***Jurnal Ilmiah Ilmu Pendidikan***, ***5***(12), 5304–5307. https://doi.org/10.54371/jiip.v5i12.1233.

Ratih, I. S., & Ridho, Z. (2023). Islamic family finance: An in-depth analysis of financial management practices. ***Indonesia Journal of Education and Social Studies, 1***(2), 111–123. https://doi.org/10.33650/ijess.v1i2.7218.

Sherraden, M. S. (2013). ***Building blocks of financial capability***. Oxford University Press.

Setyowati, A., Harmadi, H., & Sunarjanto, S. (2018). Islamic financial literacy and personal financial planning: A socio-demographic study. ***Jurnal Keuangan dan Perbankan, 22***(1), 63-72. https://doi.org/10.26905/jkdp.v22i1.1625.

Sirisakdakul, T., & Khornjamnong, B. (2020). Financial literacy and retirement planning of working-age people. ***GATR Journal of Finance and Banking Review***, ***5***(3), 99–107. https://doi.org/10.35609/jfbr.2020.5.3(4).

Suci, S. C., Anwar, C. J., Zahara, V. M., & Ginanjar, R. A. F. (2022). Financial literacy improvement through family financial planning management training. ***Move: Journal of Community Service and Engagement, 1***(6), 160–167. https://doi.org/10.54408/move.v1i6.113.

Susanti, H., Suharti, S., & Pratiwi, I. K. (2023). Influence of Islamic financial literacy and demographic factors on Islamic financial planning (Case study in Central Lombok, West Nusa Tenggara). ***Iqtishaduna***, ***14***(1), 125–139. https://doi.org/10.20414/iqtishaduna.v14i1.7916.

Taber, K. S. (2018). The use of Cronbach's Alpha when developing and reporting research instruments in science education. ***Research in Science Education***, ***48***(6), 1273–1296. https://doi.org/10.1007/s11165-016-9602-2.

Waldelmi, I., & Aquino, A. (2021). The influence of needs and trust factors on objective behaviors on BMT. ***Inovbiz: Jurnal Inovasi Bisnis***, ***9***(1), 48-53. https://doi.org/10.35314/inovbiz.v9i1.1779.

Widiyati, S., Wijayanto, E., & Prihartiningsih, P. (2018). Financial literacy model at micro, small, and medium enterprises (MSMEs). ***Mimbar Jurnal Sosial dan Pembangunan***, ***34***(2), 255–264. https://doi.org/10.29313/mimbar.v34i2.2914.

Yuspita, R., Pebruary, S., & Kamala, A. Z. H. (2019). The society's perceptions on the use of fintech services in sharia financial institutions. ***Jurnal Ekonomi & Keuangan Islam***, ***5***(2), 87–92. https://doi.org/10.20885/jeki.vol5.iss2.art6.

Xiao, J. J., & Porto, N. (2017). Financial education and financial satisfaction: Financial literacy, behavior, and capability as mediators**. *International Journal of Bank Marketing, 35,*** 805-817**.**