DO ISLAMIC VALUS AFFECT MUSLIM DONATION AND FINANCIAL BEHAVIOR?

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(Received 18th March 2026; revised 26th June 2026; accepted 28th July 2026)

Abstract. This study examines the effect of Islamic values on donation and financial behaviors among Muslims in Indonesia and Malaysia; two nations that share cultural similarities yet differ in economic development. Using a quantitative research design, data were gathered from 427 respondents through structured, closed-ended questionnaires and analyzed via Structural Equation Modelling (SEM) with SmartPLS software. The results indicate that while donation behaviors are largely uniform between the two groups, notable differences emerge in their financial practices. These findings suggest that, although a common religious foundation underpins donation behavior, factors such as income levels, financial literacy, and institutional frameworks significantly shape financial decision-making. The study underscores the importance of broadening future research to include additional determinants, such as trust in financial systems, access to Islamic financial services, and socio-psychological factors. Furthermore, expanding comparative analyses to encompass Muslim populations in a wider range of cultural, economic, and regulatory settings would provide deeper insights into how Islamic values interact with contemporary financial behaviors.
Keywords: *Islamic values, financial behavior, Muslim, SmartPLS*

Introduction

The concept of Islam consists of three things: Aqidah (a set of beliefs), Shariah (a set of laws) and Akhlaq (a code of ethics), thus it is considered a complete way of life that considers material and spiritual needs (Ali Nasr, 2015). Currently, the followers of Islam, commonly called Muslim, are considered the largest population with almost one-fifth of the world’s population (Drennan, 2012). Muslim, as the believers of Islam, have guidelines that provide life conduct and path to embrace the worship called Islamic values. Islamic values, origin from the Hadith and the Quran, shape the beliefs and behaviours of Muslim. They also form the foundation of Muslim faith and framework for personal and communal life. Muslim must follow and implement Islamic Values in their daily life. In the framework of Islamic economics and finance, Islamic values shape the way Muslims manage their wealth and make financial decisions (Johan and Canggih, 2024). Moreover, Islamic values also place a strong emphasis on the virtue of almsgiving (Faza and Indriani, 2022). Following the concept of financial behaviour altogether with Islamic wealth management, those actions are part of financial behaviour that consist of consumption investment, and donation process (Madura, 2020; Alam et al., 2017). However, the current trend shows the opposite. Muslims often distinguish between the application of Islamic values in religious worship and in Muamalah. Muslims follow the five pillars of Islam in their religious worship, but they tend to fulfill only the basic rules in Muamalah. Some Muslims believe they must

eISSN: 2716-6481
https://doi.org/10.55197/qjssh.v7si4.1591

adhere only to Islamic regulations related to food consumption. As a result, they often neglect the broader rules and guidance of Islam, particularly in financial matters. The religious influence on daily life seems to diminish as individuals' financial capabilities increase. Moreover, globalization, Islamic capitalism, and Western lifestyles influence Muslim financial behavior (Sehlikoglu and Karakas, 2016).

Moreover, large groups of people, including Muslims, are not able to handle their daily financial management (OECD, 2020). Only 1 in 3 adults worldwide understand basic financial concepts (Klapper et al., 2015). Since managing finances is considered a life-saving skill, it is essential to analyse how an individual handles their donation and financial behaviour (Goyal et al., 2021a; 2021b). Malaysia and Indonesia are two Muslim-majority countries in Southeast Asia, with large Muslim populations (World Population Review, 2023). Both countries also have Religious Affairs Institutions that oversee the practice of Islam. Moreover, both countries support the development of Shariah in Islamic Banking and Finance. Nonetheless, concerns remain about consumers' donations and financial behaviors. Research has consistently shown that Islamic values significantly influence financial and donation behaviors. Thus, this paper aims to analyze the impact of Islamic values on Muslim financial behavior, including donation behavior, in Malaysia and Indonesia.

Donation behavior

Islam encourages people to support one another (Aji and Muslichah, 2023). Septianto et al (2021) found that the higher the degree of religiosity the higher the altruistic behaviour of an individual. Moreover, religiosity turns the people intention to donate into real action (Susanto et al., 2021). Religious person is expected to be more willing to donate, thus more generous that those with lower religiosity (Kashif et al., 2018; Umer, 2023). Moreover, Chetioui et al (2023) explained that Muslim charitable donations are mainly motivated by religious motivation. Thus, this study proposes the following hypothesis.

H1: Islamic values influence Muslim donation behaviour in Indonesia and Malaysia.

Financial behavior

Floren et al (2020) found that financial behaviour of an individual is affected by their religious belief. Moreover, the implementation of Islamic values in daily life, that considered as religiosity, affects financial behaviour of Muslim (Abbas et al., 2020; Zainudin et al., 2019). Furthermore, the elements of Maqasid al shariah, the part of Islamic values implementation, are found to affect financial behaviour (Tumewang et al., 2023). Thus, this study proposes the following hypothesis.

H2: Islamic values influence Muslim financial behaviour in Indonesia and Malaysia

Thus, the relationship between Islamic values, donation behaviour, and financial behaviour shows in *Figure 1*.

eISSN: 2716-6481
https://doi.org/10.55197/qjssh.v7si4.1591

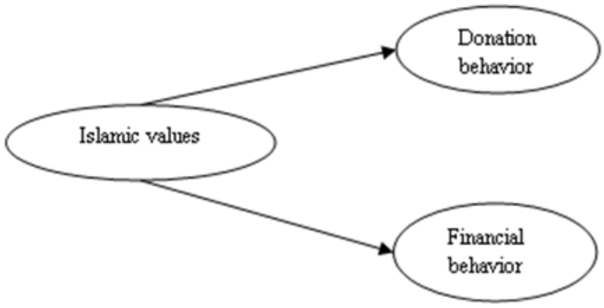

Figure 1. *Conceptual framework.*

Materials and Methods

This quantitative research used an associative approach to analyse the impact of Islamic value to donation and financial management behaviour in Muslim communities in Indonesia and Malaysia. The population of this study were Muslims who live in Indonesia and Malaysia with the criteria: 18-55 years old, had income either from salary/wage/business profit, stayed in Surabaya Raya (Indonesia) or Klang Valley (Malaysia). The sample selection used a non-probability sampling technique, that was, convenience sampling. The number of minimum samples was determined using G*power with a 5% standard of error parameters (Faul et al., 2007). The data was collected by distributing closed questionnaires containing research questions according to the indicators specified to respondents who meet the criteria. A self-administered questionnaire using Google Forms was distributed to 446 respondents, of which only 427 were usable; 243 were from Surabaya Raya (Indonesia), and 184 were from Klang Valley (Malaysia). A pretesting to ensure the clarity and understandability of the intended items was conducted with 30 respondents selected. According to the pretesting comments, all items were straightforward and clearly understood. The analytical method to test the research hypothesis was Partial Least Square-Structural Equation Modelling (PLS-SEM). According to Hair et al (2019a) PLS-SEM was a better approach for social science problems and works with both large and small samples. PLS-SEM did not require the normality of data assumptions and is appropriate for poor theoretical basis models (Darmansyah et al., 2021). Several significant elements, including the loading factor value, average variance extracted (AVE), and discriminant validity, also known as Cronbach's alpha. The study used partial least squares (PLS) modelling using the SmartPLS 4.0.9 version (Ringle et al., 2024) as a statistical tool to examine the measurement and structural model.

Results and Discussion

There were 427 respondents from Malaysia and Indonesia as shown in *Table 1*.

eISSN: 2716-6481
https://doi.org/10.55197/qjssh.v7si4.1591

***Table 1**. Demographic profile of the respondents.*

KlangValley		Frequency	Percentage (%)	Surabaya Raya		Frequency	Percentage (%)
Gender	Male	68	37	Gender	Male	91	37.4
	Female	116	63		Female	152	62.6
Age	18 years old – 27 years old	63	34.2	Age	18 years old – 27 years old	112	46.1
	28 years old – 37 years old	64	34.8		28 years old – 37 years old	39	16.0
	38 years old – 47 years old	42	22.8		38 years old – 47 years old	46	18.9
	48 years old – 57 years old	11	6.0		48 years old – 57 years old	37	15.2
	58 years old and above	4	2.2		58 years old and above	9	3.7
Marital status	Single	98	53.3	Marital status	Single	102	42
	Married	84	44.2		Married	135	55.6
	Divorced	1	0.5		Divorced	2	0.8
	Widow	1	0.5		Widow	3	1.2
	Widower	-	-		Widower	1	0.4
Monthly income	Less than RM2,500	72	39.1	Monthly income	< Rp. 1.000.000, -	61	25.1
	RM2,500 - RM4,500	55	29.9		Rp. 1.000.001, - Rp. 2.000.000, -	88	36.2
	RM4,501 - RM6,500	22	12.0		Rp. 2.000.001, - Rp. 3.000.000, -	29	11.9
	RM6,501 - RM8,500	12	6.5		Rp. 3.000.001, - Rp. 4.000.000, -	21	8.6
	RM8,501 - RM10,500	12	6.5		> Rp. 4.000.001	44	18.1
	More than RM 10,500	11	6.0				

Prior to testing the hypothesis, Common Method Bias was tested, since the data collection was using a single source. It follows the suggestions of Kock (2015) and Kock and Lynn (2012) by testing the full collinearity. It is declared free of bias if the variance inflation factor (VIF) ≤ 3.3. *Table 2* displays that analysis yielded a VIF of less than 3.3; thus, single-source bias is not an issue with the data.

***Table 2**. Common method bias.*

Category	VIF	Category	VIF
DB1	1.891	FMB9	1.554
DB2	1.884	IV1	2.143
DB4	1.354	IV10	2.543
FMB11	1.520	IV11	2.565
FMB12	1.417	IV2	3.149
FMB6	1.188	IV3	3.147

Measurement model

The model were tested using 2-step approach following the suggestion of Anderson and Gerbing (1988). The first step is testing the validity and reliability of the

eISSN: 2716-6481
https://doi.org/10.55197/qjssh.v7si4.1591

instruments used, following the guidelines of Hair et al. (2019a) and Ramayah et al. (2018). The second is the structural model to test the hypothesis developed. The loadings, average variance extracted (AVE) and the composite reliability (CR) for the measurement model were assessed and the result met all the requirements, as shown in *Table 2*. *Table 3* shows the AVEs are all higher than 0.5 and the CRs are higher than 0.7. The loadings were also acceptable, with only two loadings (Malaysia) and three loadings (Indonesia) less than 0.708 (Hair et el., 2019b). Indonesians appear to be less inclined towards anonymous donations compared to Malaysians. While Malaysian and Indonesian respondents contribute less to retirement funds, they sometimes spend more than their budget allows. Most Malaysian respondents maintain emergency savings funds compared to Indonesian respondents. Thus, the financial behaviour items that contributed money to retirement funds and stayed within the budget have low loadings, which lead to low CR and AVE of 0.5020 and 0.4425, respectively.

***Table 3**. Measurement model.*

Model Construct	Measurement Item	Loading		CR		AVE	
		MYR	IDN	MYR	IDN	MYR	IDN
Donating Behaviour	I made donations frequently	0.833	0.923	0.8109	0.888	0.7132	0.6786
	I made donations personally without an agency	0.853	0.884				
	I made donations anonymously	0.847	0.633				
Financial Behaviour	Saved money for a long-term goal such as buying a car, education purpose, purchasing a house, etc.	0.854	0.795	0.7547	0.5020	0.5564	0.4425
	Contributed money to a retirement fund	0.650	0.610				
	Stayed within the budget	0.676	0.710				
	Maintained emergency saving fund	0.785	0.512				
Islamic Values	I work hard to perform my tasks because I know that God is constantly watching me	0.775	0.809	0.9229	0.917	0.6991	0.6889
	I take the responsibility entrusted to me seriously	0.857	0.817				
	I perform my tasks properly and efficiently as I always feel accountable to God	0.829	0.827				
	Even though my performance is good, I always strive to perform better	0.851	0.860				
	I commit myself to continuously improving my performance	0.876	0.845				
	The blessings that I receive in my life encourage me to perform better	0.825	0.821				

Structural model

As Jammalamadaka et al. (2021) recommended, the study assessed multivariate skewness and kurtosis. The results showed that the data collected was not multivariate normal; Mardia's multivariate skewness (β=259.833, $p<0.01$) and Mardia's multivariate kurtosis (β=1783.116, $p<0.01$). Thus, following the suggestions of Hair et al. (2022) reporting the path coefficients, the standard errors, t-values, and p-values for the structural model using a 10,000-sample re-sample bootstrapping procedure. The result as shown in *Figure 2* and *Figure 3*.

eISSN: 2716-6481
https://doi.org/10.55197/qjssh.v7si4.1591

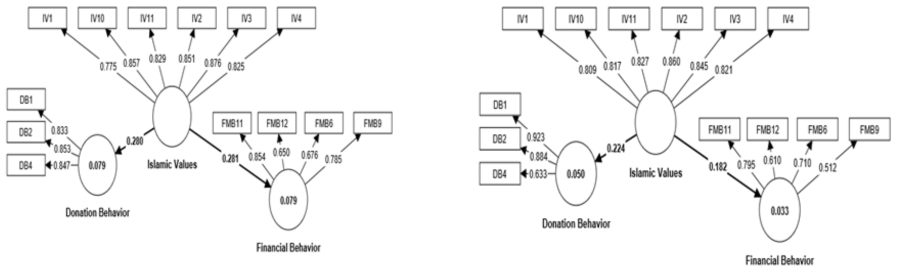

Figure 2. *Results of the path analysis – Malaysia and Indonesia.*

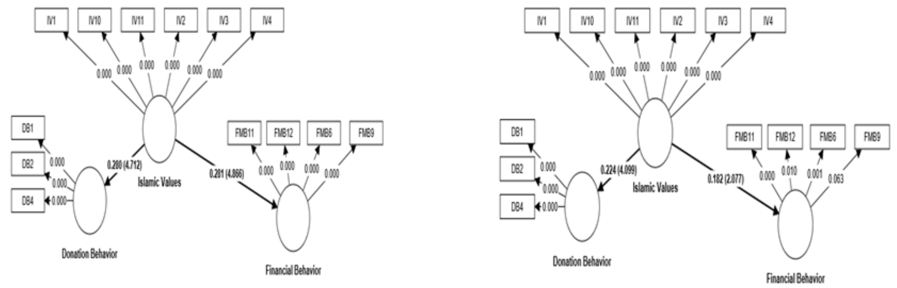

Figure 3. *Results of the Bootstrapping - Malaysia and Indonesia.*

Table 4 shows the summary of the criteria for hypothesis testing. H1 were supported for both countries; however, H2 was supported for Malaysia but not Indonesia.

Table 4*. Results of hypothesis testing.*

Hypothesis	Relationship	Coefficient	T values	P values	Decision
H1	Islamic values influence Muslim donation behaviour in Indonesia and Malaysia	IDN:0.224 MYR:0.280	IDN:4.099 MYR:4.712	IDN:0 MYR:0	Supported Supported
H2	Islamic values influence Muslim financial management behaviour in Indonesia and Malaysia	IDN:0.182 MYR:0.281	IDN:2.077 MYR:4.866	IDN:0.035 MYR:0	Not supported Supported

The findings in *Table 3* show that both countries have a high level of composite reliability (CR) have a high level of CR for Islamic values. Moreover, the role of Islamic values impacting donation and financial management behaviour in Indonesia and Malaysia is also high. However, the CR in the role of Islamic values impacting financial management behaviour is lower for Indonesia than for Malaysia. Indonesians contribute less to a retirement fund and may not maintain an emergency savings fund when about 61% of the Indonesian respondents earn a monthly income between Rp. 1.000.001 to Rp. 2.000.000. The respondents could require additional reserves for emergency and retirement funds. The ability of individuals to make charity is confined by income disparities. A person's ability to contribute may be limited if they have trouble paying for monthly expenses including housing, transportation, food and drink, and other costs. *Figures 2* and *Figure 3* postulate that the model fit for Malaysia is higher, with an R2 of 0.079, compared to Indonesia with an R2 of 0.033 (Johan et al., 2022). The proposed model suits Malaysia more than Indonesia. This could be due to the gross domestic product (GDP), economic factors, income per capita, and

eISSN: 2716-6481
https://doi.org/10.55197/qjssh.v7si4.1591

government initiatives providing aid and subsidies to B40, 40% of households nationwide with a net income below RM4,850.

Moreover, both countries' age and income factors influence financial behaviour, especially in contributing to retirement funds, spending within budget, and maintaining emergency savings funds. These oppose the findings of (Khalisharani et al., 2022), who found a significant difference in financial behaviour between Indonesian and Malaysian students. Those in the age range between 18 years old to 37 years old in Klang Valley and Surabaya Raya most likely have tertiary education, and with an average of 7 years of working experience; the cost of living in the cities may impinge on donation and financial behaviours. Likewise, both countries follow the principles of Islam outlined in the Quran and Hadith. Furthermore, the core five pillars of Islam: Shahada, Salah, Zakat, Sawm, and Hajj are seriously observed by Muslims in both countries. Conversely, Islamic law has a presence in the legal systems and may vary in the application and interpretation of Shariah, the Maqasid al shariah, which aims to preserve essential human interests, such as religion, life, intellect, progeny, and property. The application and interpretation of Shariah and Maqasid al shariah may influence the financial inclusion and may not be fully utilized.

Conclusion

The findings of this study indicate that the Islamic values, donation behaviors, and financial management practices of Muslims in Indonesia and Malaysia are largely similar. Both countries share common cultural values and strong family ties, which significantly influence financial decisions, particularly with regard to the welfare of extended family members. The majority of Indonesian respondents fall within the lower-middle income group, earning less than IDR 2,600,000 per month, while most Malaysian respondents belong to the B40 income bracket, with monthly incomes below MYR 4,500. Despite these modest income levels, respondents in both countries generally manage to support themselves, although some still face financial difficulties—challenges that may be exacerbated by the lingering effects of the COVID-19 pandemic on earnings and living standards. It is important to note that this study employed a quantitative approach and focused solely on individual donation and financial management behaviors among Muslims in Indonesia and Malaysia, two countries with similar cultural and religious backgrounds. For a more comprehensive understanding, future research should explore additional determinants of donation and financial management behavior and expand the analysis to include Muslim populations from countries with different cultural contexts. This broader approach would provide deeper insights into the interplay between Islamic values and financial behaviors across diverse settings.

Acknowledgement

This research is self-funded.

Conflict of interest

The authors confirm that there is no conflict of interest involve with any parties in this research study.

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eISSN: 2716-6481
https://doi.org/10.55197/qjssh.v7si4.1591