

**PSYCHOSOCIAL FACTORS AND GENDER INFLUENCING THE LEVEL OF  
ISLAMIC FINANCIAL LITERACY**

**By**

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## **ABSTRACT**

The purpose of this study is to assess the level of Islamic financial literacy among the undergraduate students of Islamic finance and banking in Universiti Utara Malaysia. It aims to examine the influence of psychosocial factors which are hopelessness, religiosity and financial satisfaction as well as gender towards Islamic financial literacy. Hypothesized relationships are tested using survey response from a sample of 200 respondents. The result of this study shows that the level of Islamic financial literacy of the respondents is high. A significant difference in Islamic financial literacy is found between the respondents according to the gender and the respondents' year of study. Specifically, male have a higher level of Islamic financial literacy compared to female. Meanwhile, the third year's students have a higher level of Islamic financial literacy compared to first year and second year students. Additionally, the result indicates that there is a significant relationship between psychosocial factors and Islamic financial literacy. Moreover, it is found that the religiosity, hopelessness and gender have a significant influence towards Islamic financial literacy. Thus, this study suggests that it is important for the community, university administrators, government and financial advisor to increase the level of Islamic financial literacy by implementing various Islamic financial education programmes. Lastly, this study is considered as one of the studies that have contributed to the literature by developing understanding of Islamic financial literacy. More research related to Islamic financial literacy is suggested to be conducted for future research.

**Keywords:** Islamic financial literacy, psychosocial, religiosity

## ABSTRAK

Tujuan kajian ini adalah untuk menilai tahap kecelikan kewangan Islam dalam kalangan pelajar kewangan dan perbankan Islam di Universiti Utara Malaysia. Ia bertujuan untuk mengkaji kesan faktor-faktor psikososial seperti kekecewaan, keagamaan dan kepuasan kewangan serta jantina terhadap kecelikan kewangan Islam. Perhubungan yang dihipotesiskan diuji menggunakan maklumbalas kaji selidik daripada 200 responden. Dapatan kajian menunjukkan tahap kecelikan kewangan Islam oleh responden adalah tinggi. Didapati terdapat perbezaan yang signifikan antara tahap kecelikan kewangan Islam dengan responden mengikut jantina dan juga tahun pengajian responden. Khususnya, lelaki mempunyai tahap kecelikan kewangan Islam yang lebih tinggi berbanding perempuan. Manakala, pelajar tahun tiga mempunyai tahap kecelikan kewangan Islam yang lebih tinggi berbanding pelajar tahun pertama dan kedua. Selain itu, dapatan kajian juga menunjukkan bahawa terdapat hubungan yang signifikan antara faktor-faktor psikososial dan tahap kecelikan kewangan Islam. Tambahan lagi, didapati bahawa faktor keagamaan, kekecewaan dan jantina mempunyai kesan yang signifikan terhadap tahap kecelikan kewangan Islam. Oleh itu, kajian ini mencadangkan bahawa adalah penting bagi komuniti, pentadbiran universiti, kerajaan dan perunding kewangan untuk meningkatkan tahap kecelikan kewangan Islam dengan melaksanakan pelbagai program pendidikan kewangan Islam. Akhir sekali, kajian ini merupakan salah satu kajian yang menyumbang terhadap karya penulisan dalam meningkatkan pemahaman tentang kecelikan kewangan Islam. Oleh itu, kajian ini menyarankan supaya lebih banyak kajian berkaitan dengan tahap kecelikan kewangan Islam dikendalikan bagi kajian akan datang.

**Kata kunci:** Kecelikan kewangan Islam, psikososial, keagamaan

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## TABLE OF CONTENTS

CERTIFICATION OF RESEARCH PAPER.....	ii
PERMISSION TO USE.....	iii
ABSTRACT.....	iv
ABSTRAK.....	v
ACKNOWLEDGEMENT.....	vi
TABLE OF CONTENTS.....	vii
LIST OF TABLES.....	xi
LIST OF FIGURE.....	xii
LIST OF ABBREVIATIONS.....	xiii
<b>CHAPTER 1: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.2 Problem Statement.....	4
1.3 Research Questions.....	7
1.4 Research Objectives.....	7
1.5 Significance of the Study.....	8
1.6 Scope of the Study.....	9
1.7 Limitations of the Study.....	9
1.8 Organization of the Chapters.....	10
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>12</b>
2.1 Introduction.....	12
2.2 Review of Literature.....	12
2.2.1 Financial literacy.....	12
2.2.2 Islamic financial literacy.....	15
2.2.3 Psychosocial Factors.....	18
i) Hopelessness.....	19
ii) Religiosity.....	21

iii)	Financial Satisfaction.....	23
2.2.4	Selected Demographic Factors.....	25
i)	Gender.....	25
ii)	Respondent's Year of Study.....	27
2.3	Conclusion.....	29
<b>CHAPTER THREE: METHODOLOGY.....</b>		<b>30</b>
3.1	Introduction.....	30
3.2	Theoretical Framework.....	30
3.3	Hypotheses Development.....	32
3.4	Research Design.....	34
3.5	Sampling Design.....	35
3.5.1	Population of Study.....	35
3.5.2	Sampling Elements.....	35
3.5.3	Sampling Size.....	36
3.5.4	Sampling Technique.....	36
3.6	Measurement and Validity of the Instrument.....	37
3.6.1	Measurement.....	37
3.6.2	Content Validity of the Instrument.....	38
3.6.3	Factor Analysis.....	43
i)	Factor Analysis for Dependent Variable.....	45
ii)	Factor Analysis for Independent Variables.....	47
3.6.4	Reliability of the Instrument.....	49
3.7	Data Collection Method.....	51
3.8	Questionnaire Design.....	51
3.9	Data Analysis Techniques.....	53
3.9.1	Normality Test.....	54
3.9.2	Descriptive Statistics.....	55
3.9.3	Independent T-test.....	56
3.9.4	One-way ANOVA.....	57

3.9.5	Correlation.....	58
3.9.6	Multiple Regressions.....	60
3.10	Conclusion.....	63
<b>CHAPTER FOUR: FINDINGS.....</b>		<b>64</b>
4.1	Introduction.....	64
4.2	Research Response.....	64
4.3	Demographic Profile of Respondents.....	65
4.4	Level of Islamic Financial Literacy and Psychosocial Factors of Respondents.....	67
4.5	Differences between the Selected Demographic Factors and Islamic Financial Literacy.....	69
4.5.1	Differences between Gender and Islamic Financial Literacy.....	70
4.5.2	Differences between Respondent's Year of Study and Islamic Financial Literacy.....	71
4.6	The Relationship between Psychosocial Factors and Islamic Financial Literacy.....	73
4.7	The Influence of the Psychosocial Factors and Gender towards Islamic Financial Literacy.....	75
4.8	Conclusion.....	80
<b>CHAPTER FIVE: DISCUSSION AND RECOMMENDATIONS.....</b>		<b>81</b>
5.1	Introduction.....	81
5.2	Summary of the Findings.....	81
5.3	Discussions.....	83
5.4	Contribution and Implication of the Study.....	88
5.4.1	Theoretical Contribution.....	89
5.4.2	Policy Implication.....	89
5.5	Recommendations for Future Research.....	91
5.6	Conclusion.....	93
REFERENCES.....		95
APPENDIX A.....		101



APPENDIX B.....	108
APPENDIX C.....	117
APPENDIX D.....	122
APPENDIX E.....	134
APPENDIX F.....	137
APPENDIX G.....	141
APPENDIX H.....	143

## LIST OF TABLES

Table 3.1	List of Items for Islamic Financial Literacy.....	39
Table 3.2	Extraction of the Instruments Based on the Authors.....	41
Table 3.3	List of Items for Psychosocial Factors.....	42
Table 3.4	Factor Loadings for Islamic Financial Literacy.....	46
Table 3.5	Factor Loadings for Psychosocial Factors.....	47
Table 3.6	Results of the Reliability Test.....	50
Table 3.7	Questionnaire's Subdivision.....	52
Table 3.8	Summary of Data Analysis Technique .....	63
Table 4.1	Distribution of the Respondents.....	65
Table 4.2	Level of Islamic Financial Literacy and Psychosocial Factors of Respondents.....	68
Table 4.3	Differences between Gender and Islamic Financial Literacy.....	70
Table 4.4	Differences between Respondent's Year of Study and Islamic Financial Literacy.....	71
Table 4.5	Correlation between Psychosocial Factors and Islamic Financial Literacy.....	74
Table 4.6	The Influence of Psychosocial Factors and Gender towards Islamic Financial Literacy.....	77

## LIST OF FIGURE

Figure 3.1	Theoretical Framework.....	31
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## **LIST OF ABBREVIATIONS**

ANOVA	Analysis Variance
KMO	Kaiser-Meyer-Olkin
MSA	Measurement Sampling Adequacy Value
SPSS	Statistical Package for Social Science
UUM	Universiti Utara Malaysia
VIF	Variance Inflation Factors

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Younger generation nowadays are more likely to bear financial risks in adulthood than their parents. Due to the changes in the marketplace and social welfare systems, this generations are unlikely to be able to learn from past generations and they would prefer to rely on their own knowledge (PISA, 2012). Effort to increase the financial literacy level can be severely limited by a lack of early exposure to financial education. It is therefore significant to give some insight about the necessary to enhance the financial literacy.

One of the most significant current discussions in financial literacy is due to the rising of bankruptcies' cases involving young people (Hamzah, 2013). According to Uenos (2014), the statistic revealed by Malaysian Insolvency Department (MID), indicates that nearly forty-five thousands individuals that below than thirty five-years old in this country have been declared bankrupt within the period of 2011 until 2013. On average, a total of forty-one individual declared to be bankrupt everyday due to the failure to bear the burden of debt. As stated in The Star (2010, July 19), many young adults being declared bankrupt because of failing to observe the basic rule in sound financial management.

The other factor that reinforces the significance of financial literacy is due to the lack of knowledge in personal finance. Based on Utusan Malaysia (2014, March 3) the reasons of youths in Malaysia, having difficulties in managing their financial responsibilities are not only because of the poor level of financial management but also due to the low knowledge about personal finance especially in the aspect related to debt, risk management as well as Islamic finance and banking. A study conducted by Nielson (2014) on the Global Survey of Confidence and Spending Intention 2013 revealed that the confidence level among Malaysian consumers in personal finance had dropped 9 % within the first to fourth quarter of 2013. Based on Idris *et al.* (2013), the statistics had provided a negative indicator on the financial circumstances of Malaysians. Youths nowadays are trapped into situations of credit as they wish to enjoy a more lavish lifestyle which they cannot afford.

Furthermore, it is becoming increasingly difficult to ignore the importance of financial literacy because it could have a positive effect on economic capability and could give an improvement in terms of complexity and recession (Taft *et al.*, 2013). Recession has threatened the financial well-being and caused economic concerns including debts, income, and career advancement in the world. Besides these concerns also give a harmful effect on individual's psychosocial and diminish the concentration and the confidence level of the individuals. Thus, financial literacy should be deliberated as an important component in the economic and financial development.

Besides that, another reason why one must equip oneself with financial literacy and skills are due to the changes in socio-economic and the unprecedented sophistication in financial landscape. At a young age in today's demanding financial environment, consumers must confront complicated financial decisions (Lusardi *et al.* 2010). This is because the consumers nowadays are bombarded with varieties of financial products as compared to twenty years ago where there is nothing to think about. As for today's context, the situation can only get worse with the conventional and Islamic finance industry churning out products relentlessly for the consumer's benefits (Ahmad, 2010).

For instance, In Malaysia, the Islamic finance industry has been established and widely viewed as a competitive alternative to conventional financing (Zin *et al.*, 2011). The evolution and the development of the Malaysian Islamic financial industry are proved by the rapid expansion in new and innovative Islamic financial products that were structured through a various Islamic financial concepts that is in the line with *Shariah* principles. Therefore, due to the rapid growth of Islamic financial products nowadays, it is important to improve the Islamic financial literacy so that the consumers are able to make comparisons and give a better decision across the availability of the complex financial products.

## 1.2 Problem Statement

The necessity of Islamic finance literacy has become rapidly significant for the future growth of the Islamic financial sector in the twenty-first century (Tahir, 2009). According to Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, the Governor of the Central Bank of Malaysia, in her speech at the Affin Islamic Bank Berhad, Kuala Lumpur on 6 June 2006, "Financial literacy on Islamic financial product should be enhanced to facilitate the process for the customers to make well-informed and effective decisions on their financial transactions". This implies that, Islamic financial literacy is acknowledged as an important element to enhance the financial stability and development of each individual.

Furthermore, Ahmad (2010) highlights that a Muslim should pursue to be more literate on Islamic finance because it is a religious duty. Besides, they need to realize about the prohibition of *riba*, *gharar* and *maysir* and stop to consume conventional financial products. This is because, the involvement and perpetuating for the conventional financial product is certainly sinful for Muslim due to the interest bearing system. It is clearly been stated by Allah S.W.T in Surah Al-Baqarah verse 275 that "Allah S.W.T has permitted trading and prohibited *riba*". Therefore all Muslims need to be more literate on the financial transaction that they are dealing with and should place more concern towards the issue of *riba*.



Moreover, in recent years, most of the developed and emerging countries have gained the interest and become increasingly concerned about the level of financial literacy of their populations (PISA, 2012). However, majority of the existing literature are only generally study on financial literacy without taken into consideration about the Islamic teachings (Murphy, 2013; Bashir *et al.*, 2013; Scheresberg, 2013; Ansong & Gyensare, 2012; Oseifuah, 2010).

Additionally, up to date, there has been a little study conducted on Islamic financial literacy. For instance Tahir (2009) has mentioned that Islamic financial literacy is significance for future growth of Islamic finance industry. However in his study, he focuses more on the major challenges of Islamic financial education and do not specifically study about the Islamic financial literacy. Besides that, Ahmad (2010) also emphasizes that Islamic financial literacy should be an issue of concern to everyone. Thus the gaps had been filled by the researcher through this study which intended to focus on Islamic financial literacy.

Lack of financial literacy has existed as a bankruptcy problem for many years. According to Ali (2013), most of the young people are more likely to experience financial distress and the statistic revealed by Malaysian Insolvency Department (MID), indicates that nearly forty-five thousands individuals that below than thirty five-years old in this country have been declared bankrupt within the period of 2011 until 2013 (Uenos, 2014). Since the university students would have an experience in managing their personal finance in the future, thus this study intends to examine their level of Islamic financial literacy.

This study also identifies gaps existing in the study of Murphy (2013) and Bashir *et al.* (2013) on psychosocial factors whereby both studies have revealed the different results especially related to the psychosocial factors of hopelessness and religiosity. Moreover, this study also attempts to measure other psychosocial factor which is financial satisfaction. Even though both studies have considered the psychosocial factors of financial satisfaction in their study, but there is a knowledge gap whereby the study is focusing on the influence of financial satisfaction towards financial literacy and not towards Islamic financial literacy.

An additional psychosocial factor related to saving as suggested by Murphy (2013) is also considered in this study. Other than that, this study also attempts to consider gender as the independent variables in this study because most of the previous literature reveals that gender has giving an impact towards financial literacy (Bushan & Medury (2013); Ansong & Gyensare (2012)). Therefore, in this regard, the researcher also considers that gender would give an influence towards Islamic financial literacy.

The study on the Islamic financial literacy in Malaysia might be an appropriate choice to give some insights to those who are willing to enhance their understanding in this field. Hence, based on the research gaps, this study mainly intended to examine the influence of psychosocial factors namely hopelessness, religiosity, financial satisfaction, and saving behaviour as well as the gender towards the level of Islamic financial literacy.

### **1.3 Research Questions**

The following are the key research questions that this study wants to address:

- 1) Are there any differences between the selected demographic factors (gender, respondent's year of study) and Islamic financial literacy?
- 2) What is the relationship between psychosocial factors (hopelessness, religiosity, financial satisfaction) and Islamic financial literacy?
- 3) What is the influence of psychosocial factors (hopelessness, religiosity, financial satisfaction) and gender towards Islamic financial literacy?

### **1.4 Research Objectives**

The following are the specific purposes given of the study:

- 1) To examine the differences between the selected demographic factors (gender, respondents' year of study) and Islamic financial literacy.
- 2) To investigate the relationship between psychosocial factors (hopelessness, religiosity, financial satisfaction) and Islamic financial literacy.
- 3) To determine the influence of psychosocial factors (hopelessness, religiosity, financial satisfaction) and gender towards Islamic financial literacy.

## **1.5 Significance of the Study**

This study will directly or indirectly gives advantage for several parties. Firstly, this study will help the community especially the youth and parents. It is of great interest for the youth to develop the Islamic financial literacy as it is not violate to the *Shariah* principles and this study could help them to ascertain and improve their level of Islamic financial literacy. Besides that, this study also enables to help parents to guard and guide the Islamic financial behaviours to their children.

This study also will provide the valuable data to the academicians and university administrators, where they would be able to prepare and offer effective courses, seminar and others program to increase the students' level of Islamic financial literacy. Additionally, this study also gives some insight to the academicians to contribute to the new literature related to this study and come out with better outcomes.

Next, this study also significance to the policy maker especially the government to ascertain the factors that might influence the level of Islamic financial literacy so that the government could develop more events on Islamic finance as well as establish more Islamic financial education in Malaysia. Besides, this study also provides an important data to the financial advisor to identify how far they can meet with their client's preference and provide better explanation regarding the importance of Islamic financial literacy.

## **1.6 Scope of the Study**

This study seeks to concentrate on the influence of psychosocial factors and gender towards the level of Islamic financial literacy. The study will be conducted in Universiti Utara Malaysia (UUM) which is located in Sintok, Kedah and it will be focusing on the undergraduates of Islamic finance and banking students. The main reason why this study is to be conducted in UUM is because it is one of the higher public education institution in Malaysia that offers Islamic finance and banking courses (Tahir, 2009). Furthermore, the researcher is currently pursuing her master's studies in UUM, thus it gives an advantage to the researcher to collect the data within the stipulated time. Besides, this study is focusing on Islamic finance and banking students because they are believed to have the basis of Islamic finance due to the background of their study. However, even though they have the knowledge on the Islamic finance, but it is not been guaranteed that they have the ability to use their knowledge to manage their financial resources efficiently and effectively according to Islamic teachings. Thus, it is important for the researcher to conduct a survey on them in order to determine their level of Islamic financial literacy.

## **1.7 Limitation of the Study**

The limitations of the study are discussed to recognize the anticipated possibilities for research. In particular, the study was restricted to only one university in Malaysia which is only in Universiti Utara Malaysia, Sintok, Kedah due to the time constraint. Consequently, this could affect the generalizability of the findings as the sample may not be generalized to the whole population. Furthermore, the researcher had

encountered difficulty in searching for journals and articles to support the study. This is because there are limited sources due to a very little study carried out on this topic. Additionally, most of the published literatures are generally discussed on financial literacy and ignored on the part of Islamic perspectives. Besides that, the researcher encounters some problem in order to design the questionnaire especially for the dependent variables because to the best of the researcher knowledge and effort, the construct and items on Islamic financial literacy from the previous literature were unable to be found. Therefore, much effort and time are needed to develop the new constructs for Islamic financial literacy as there are a few steps that need to be followed.

## **1.8 Organization of the Chapters**

This study is organized into five chapters. In Chapter 1, it is briefly explained the background of the study and the problem statement. It then outlines the research questions, objectives, followed by significance of study, scope and limitation of study and also the organizations of the remaining chapters.

Next, in Chapter 2, it comprises the details review of previous literature which is related to this study. The review accessible in this chapter includes the discussions of Islamic financial literacy as well as the psychosocial factors that might affect the level of Islamic financial literacy such as hopelessness, religiosity, financial satisfaction and savings behaviour. The review on the selected demographic factors such as gender and respondent's year of study also had been discussed.

Furthermore, in Chapter 3, it enlightens the research methodology used in the study, which consists of research design of the study, operational definitions, instrument development and measurement of the variables, as well as sample and data collection. Additionally, the method of data analysis, proposed research framework and the research hypotheses are also described in this chapter.

Besides that, Chapter 4 discusses the findings of the study. The demographic profile of the respondents, the results of descriptive analysis such as the level of Islamic financial literacy and each psychosocial factor among the respondents are presented. Other than that, the results of all hypotheses tested are discussed and presented in the table.

Last but not least, Chapter 5 summarizes the findings of the study followed by the discussions. Some discussions on the theoretical contribution and the policy implications are also had been included in this chapter. It then goes on with the recommendation for future research and conclusion. It can be conclude that, this chapter give the overall scenario regarding to the background of the research concern. Therefore, in the next chapter, the details review of the previous literature that relates to this study will be discussed.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter includes a review of relevant literature, articles or journals related to the Islamic financial literacy and the psychosocial factors such as hopelessness, religiosity, and financial satisfaction. The literature review related to the selected demographic factors such as gender and the respondent's year of study also will be discussed in this chapter.

#### **2.2 Review of Literature**

##### **2.2.1 Financial Literacy**

In general, the definition of financial literacy can be expressed as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (OECD, 2012). Besides that, PISA (2012) defined financial literacy as a contingent on some knowledge and understanding of fundamental elements of financial world. The definition is consistent with the report to the National Foundation of Educational Research in United Kingdom which defined financial literacy as the ability to make informed judgements and to take effective decisions regarding the use and management of money (Worthington, 2004).



According to Ali *et al.* (2013), a serious concern should be given to the level of financial literacy among individuals because it could affect ones' welfare in the future. Therefore, most of the recent studies from the academic community, organizations of the international and the governments have been raising their interest in the field of financial literacy (Olga, 2011).

A recent study by Scheresberg (2013) revealed that, the young adults today have ample borrowing opportunities and access to a wide range of financial products even before entering the job market. From his study, it is found that most of young adults have lack of basic financial knowledge and the level of financial literacy are low among certain demographic groups such as woman and less-educate people.

In another study, Ramasawmy *et al.* (2013) measured the level of awareness of financial literacy among management students at Mauritius University and the result indicate that overall student have a satisfactory level of knowledge and skills in financial literacy. The study also emphasized that more effort is needed in order to encourage people to be more financially literate.

Besides that, Shaari *et al.* (2013) asserts although many studies conducted specifically targeting for university students, it actually has revealed that the level of financial literacy is still low. This study further explain that financial literacy can prevent the university students tied up in extensive debt especially credit card debt.

Therefore, by assessing the level of financial literacy of the students a better understanding about their financial behaviour and habits can be known.

Another study by Ansong and Gyensare (2010) which focused on the university working students' financial literacy at University of Cape Coast in Ghana revealed that, without proper financial literacy, the Ghanaian working student could run into debts in view of their financial challenges. The study, further emphasizes that there is the need to improve financial literacy of individuals especially university students so that they would have positive attitude on financial management before they enter the job market.

Moreover, according to Al-Tamimi and Kalli (2009) the importance of improving financial literacy has increased due to some factors including the development of new financial products. The study had assessed the financial literacy of the UAE individual investors who invest in the local financial markets. The result of the study indicates that the financial literacy of UAE investor is far from the needed level.

A study by Idris *et al.* (2013) reviewed on financial literacy level and financial distress among youth in Malaysia. The study point out that, it is essential to have the knowledge in personal financial management so that it could help the youths to make the right short-term decisions to their financial position and proper long-term financial planning

Mahdzan and Tabiani (2013) highlight that financially literate people would have knowledge on how to manage their financing, realize how a financial institution operates and possess some of analytical skills. The study further asserts that an effort in encouraging financial literacy is important by incorporating basic educational programmes regarding financial issues at all level of education.

### **2.2.2 Islamic Financial Literacy**

Up to now, most of the literatures have emerged contradictory study which more generally focus on the financial literacy. In fact the instruments used by the previous study to measure the financial literacy are constructed on the conventional sides and do not specifically focus on the Islamic perspectives. Therefore in this study, the researcher also considered all the characteristics of the financial literacy mentioned by (OECD, 2012) and (PISA, 2012) are appropriate to be used for to explain the conceptual definition of Islamic financial literacy, because the all the definitions does not violate towards the Islamic or *Shariah* law. Hence, for the conceptual definition of Islamic financial literacy in this study, the researcher refers the conceptual definition as the ability of a person to use understanding (PISA, 2012), awareness, knowledge, skill, attitude (OECD, 2012), and to manage their financial resources efficiently and effectively according to the Islamic spirit.

Over the years, the financial industry have expanded beyond a variety of products which permitting individuals to invest in a broad range of assets, borrowing opportunities either in conventional or Islamic financial system. These dramatic

changes especially in Islamic financial system implies a new financial landscape that Muslims today have greater responsibility for their financial well-being than in the past.

The emergence of Islamic finance as a new phenomenon today has become an increasingly substantial segment within the global financial market whereby it is a reflection of the comprehensiveness and completeness of Islam as a religion and it is governed by the Islamic law or *Shariah* which is based on Al-Quran and As-Sunnah (Zin *et al.* 2011).

Principally, the fundamental structure of Islamic finance lays in its eschewing of conventional financial tools such as interest (*riba*), uncertainty (*gharar*) and gambling (*maysir*) that is abhorrence to the principles of the Al-Quran (Ayub, 2007). Indeed, Islamic finance is built upon some distinctive and unique characteristics which are based upon certain principles underlined by *Shariah* such as mutuality of risk sharing, profit-loss sharing, and money as potential capital (Iqbal and Mirakhor, 2011).

Therefore, in order to understand the basic principles of financing in Islam, the differences between *riba* and trade is of essential importance as Allah S.W.T explicitly prohibits the element of *riba* and permitted the trade as been deduced in Surah Al-Baqarah verses 275. Based on the Quranic verse, Muslims have been

reminded to abstain themselves from *riba*, and violating the prohibition constitutes a great sin (INCEIF, 2006).

Besides that, the Muslims also need to avoid the element of *gharar* and *maysir* in their financing. This is because, according to a contemporary scholar who is Sheikh Wahbah al-Zuhaily, the occurrence of *gharar* in financial transaction may result in oppression or injustice and leads the loss of properties to any one of the parties (ISRA, 2012). Besides in Surah Al-Maidah verse 90 to 91, Allah S.W.T has explicitly condemned and prohibits the element of *maysir* because it may invokes enmity in society and distracts believers from worshipping Allah S.W.T.

Other than that, Islamic finance is also constructed upon the principle of brotherhood and cooperation which stands for a mutuality of risk-sharing. Islamic finance, with the aim of offering alternatives to the conventional interest-based system, promotes its own paradigms that are based on the profit-loss sharing (PLS) which is predominantly grounded on the *mudarabah* (profit-sharing) and *musyarakah* (joint venture) concepts of Islamic contracting (Chong & Liu, 2007). It promotes the sharing and cooperation between the provider of funds and the user of funds in returns for profits or losses (Dusuki & Abdullah 2011).

Lastly, the fundamental of Islamic finance is related to the function of money as a potential capital. This means, money should be considered as potential capital rather

than capital. According to Iqbal & Mirakhor (2011), money can only become the actual capital when it is combined with other resources to undertake a productive activity. Additionally, the involvement of risk, human effort as well as the initiative in a venture of productivity, are equally important as the money used to finance it. Hence, money can only become capital when it is invested in any permitted productive venture (Ismail, 2010).

Consequently, for today's financial decision making, the fundamental of Islamic finance should be taken into consideration especially for the Muslims as it is considered as a part of *Ibadah* to Allah S.W.T. Thus, Islamic financial literacy plays a crucial component to enhance their capability in making the financial decision for their future.

### **2.2.3 Psychosocial Factors**

A psychosocial refers to the strengths of the personality and the resources of the environment at strategic points to improve the opportunities available to the individual (Hollis, 1977). In this study, three psychosocial factors such as hopelessness, religiosity and financial satisfaction are taken into consideration in order to determine their influence towards Islamic financial literacy.

**i) Hopelessness**

In his speech at Westin Hotel Cape Town, South Africa on 27<sup>th</sup> and 28<sup>th</sup> October 2011, Mr Rintaro Tamaki, the Deputy Secretary General OECD asserts that, the hopelessness of those who are seriously over-indebted and the desperation of those who have been retrenched could lead to rash decisions and actions with dire consequences.

For instance, a study by Murphy (2013) reported that, hopelessness has underscored a negative effect on several components of financial behaviour and well-being. His results reveal that one of the psychosocial factors which are hopelessness shows a negative correlation towards financial literacy. The researcher also explains that those who unable to concentrate and has no motivation in improving their life may affect the level of financial literacy. Additionally, whoever feels that their goals of retirement are out of reach, they may not have an incentive to work to become more knowledgeable in financing.

Moreover, the study on “hopelessness and risk behaviour among adolescents living in high-poverty inner-city neighbourhoods” written by Bolland (2003) found that the feeling of hopelessness is one of the most important problems faced by the respondents about their future. The researcher had suggested that an effective program should be enhanced to overcome the limitation of hopelessness.

A study conducted by Brown (2011), which examined the possibility of holding negative net worth over a high level of net worth among individuals near retirement, found that a person who has a feeling of depression as well as hopelessness would hold more debts and has less wealth during retirement. Thus, he advises that financial education should be provided in order to protect the insecurity of retirement.

Besides that, the finding by Murphy (2013) contradicts with the findings of Bashir *et al.* (2013), who found that hopelessness has a high positively correlated with financial literacy. The findings also supported the second hypothesis which shows that hopelessness has given impact on financial literacy. Next, he further explains that, the individual who are more hopeless about his future would be more likely to do his best to be financially in a better position in future.

Therefore, in general point of view, it is important to determine how much the psychosocial factor of hopelessness can influence the level of Islamic financial literacy. Based on the review article related to this factor, the researcher assumes that, an individual who are less hopelessness might become more literate in managing their financing according to the *Shariah* principles. In other words, whoever are always be motivated and do not easily regret or depress about their life, they are able to be more literate on Islamic finance. In this context, hopelessness should has an inverse relationship towards Islamic financial literacy.



## ii) **Religiosity**

Basically, religiosity can be defined as the degree to which a person adheres to his or her religious values, belief and practices, and uses them in daily life (Shukor & Jamal, 2013). It can be noted that, there are a few previous literature that study on the psychosocial factor of religiosity towards financial literacy.

One of the examples is the study by Bashir *et al.* (2013) who demonstrates that religiosity was positively correlated with financial literacy in Pakistan. A person who had a strong belief that the God has the absolute power would be believed that they will have fair and positive rewards. Strong religious believers were more persuaded to capitalize in various financial instruments that encouraged them to update their financial understanding and also would assist them to raise their financial literacy. The findings proved their hypothesis that religiosity has influence on financial literacy in Pakistan.

Additionally, Gallery *et al.* (2011) state that there is emerging evidence in the behavioural literature that religion may influence financial literacy. For instance, Sabri (2011) asserts that religion often play a pivotal role in influencing how individuals cope with financial decision. He further emphasizes that whenever a person reacts with their money in any situation, he or she actually fundamentally tied to their religious practices. From his study, he reveals that religion has significant impact on how people handle their finance.

Furthermore, Al-Tamimi & Kalli (2009) also mentioned that the most influential factor of financial literacy is the religious reasons. It is consistent with the findings by Sabri *et al.* (2012) who found that religion has the influence towards personal finance. Next, Hess (2010) studied the impact of religiosity factor on personal financial decisions. He found that, the religiosity is associated and influencing the personal financial decisions.

Besides, Renneboog & Spaenjers (2009) also analysed the relationship of religion and financial decision making. The study found that, those who have religious believe are probably to save and more likely to have little investment in risky assets. By contrast, in the study conducted by Murphy (2013) on the individuals older than 50 and their spouses revealed that the impact of religiosity on financial literacy was negative and less pronounced. However the he believed that religiosity can be considered as a significant independent predictor of financial literacy.

According to the researcher's opinion, it is crucial to conduct a study related to psychosocial factor of religiosity towards Islamic financial literacy. Based on the discussion of related literature, it can be assumed that, an individual who has in faith to Allah S.W.T and has a strong believe on their religion are likely to increase their Islamic financial literacy by making a good decision in their financial aspects.

### **iii) Financial Satisfaction**

Existing research generally categorized financial satisfaction as one of the psychosocial factors (Murphy 2013; Bashir 2013). The study by Murphy (2013) on “psychosocial factors and financial literacy” determines that financial satisfaction was categorized as significant predictors of financial literacy. This is because, from the findings, the study proves that the financial satisfaction was positively correlated with financial literacy.

A recent work by Ali *et al.* (2013) who conducted a pilot study on financial literacy and satisfaction in Malaysia postulates that financial literacy can predict individual’s financial satisfaction. Besides, the study highlighted that by having a satisfactory level of financial well-being can ensure individuals to achieve a higher level of financial literacy either directly or indirectly. The study also emphasizes that, being satisfied of the amount of wealth as well as debt is considered the vital outcome of good financial well-being.

Bashir *et al.* (2013) demonstrates a positive correlation between financial satisfaction and financial literacy. A person who shows a satisfaction on his financial positions and the return of his investments would have a tendency to capitalize the surplus or extra money to explore numerous opportunities and also tends to gather more knowledge about various opportunities and the financial instruments. In this context, the level of financial literacy would be increased. Thus it supported the hypothesis of

the study which expected that financial satisfaction has an impact on financial literacy in Pakistan.

Another study by Falahati *et al.* (2012) examines the relationship of financial literacy and financial satisfaction. Based on the study, the result revealed that there is a high effect on financial literacy of improvement financial satisfaction. Moreover, Bell (2009) found that an individual overall satisfaction with retirement can be enriched by financial planning. In this construct, greater financial satisfaction improves the literacy of finance by assisting individuals to cultivate the talents or skills necessary to meet large expenses, control finances and develop savings goals.

Based on the discussion of related literature regarding the financial satisfaction, it can be assumed that, there would be a relationship between financial satisfaction and Islamic financial literacy. In regards to the influence of financial satisfaction towards Islamic financial literacy, the researcher also assumes that financial satisfaction could influence the Islamic financial literacy. This is because, once a person a satisfied with their financial status or position, he or she would be more literate on making decision either to consume conventional or Islamic products. Thus it is vital to determine the influence between the two variables.

#### **2.2.4 Selected Demographic Factors**

##### **i) Gender**

In general, there are numerous empirical studies have been recognized that gender have influence towards financial literacy. Besides, most of the previous findings also revealed that there is a significant difference between gender and financial literacy. As far as gender was concerned, there are various researchers found that male scored better in the knowledge of finance as compared to the female.

One of the studies is a survey conducted by Ansong & Gyensare (2012) on 250 undergraduates and postgraduates students in Ghana public university. The results showed that male working-students reveal the higher level of financial literacy compared to female working-students. The researchers further discuss that, men are normally responsible of various financial decisions therefore they are more likely to realize the financial concepts better than their female counterparts.

A study carried out by Bushan & Medury (2013) also found that gender has a significant impact on financial literacy. Throughout the findings, the researcher concluded that the performance of males were much better than females in responding to the questions on financial literacy. Thus the result reveals that males were more financially literate.

Next, Al-Tamimi & Kalli (2009) in their study examined the financial literacy of the UAE individual investors who participate in the local financial markets. The results revealed that a significant difference in the level of financial literacy was found between the respondents according to their gender which specifically indicates that female have a lower level of financial literacy than male and they are more illiterate in terms of financial matters.

Other than that, a study conducted Taft *et al.* (2013) in Iran reveals that the assumption of existing difference in financial literacy among men and women is confirmed at the confidence level of 95%. Since the average financial literacy scores of men is greater than women, it can be concluded that the level of financial literacy among men is higher than women. In this study the effect of gender on financial literacy is proved.

Even though most of the previous researches had carried out the test on the difference between the gender and their financial literacy, and found out that male are more literate in terms of financial decision, but there are also contradict findings reveals from a few researches. The different finding had been revealed by Ibrahim *et al.* (2009) who found out that there is no difference between the level of financial knowledge between males and females students.

Besides that, in the study of Shaari *et al.* (2013), the demographic factors of gender were known to be not associated with financial knowledge. The findings of the study show that there is no significant difference between the respondent's gender and the level of financial literacy. Thus the findings proved that there is no different of the financial literacy level among female and male.

Last but not least, from the researcher point of view, it is crucial to assess the level of Islamic financial literacy among the genders. This is because the researcher beliefs that male and females would perform a different level of Islamic financial literacy. This is because the diversity in gender role expectations would provide different strategies to financial decision and consequently the level of Islamic financial literacy among them would differ. Additionally, the researcher also considers that Islamic financial literacy is influenced by gender.

## **ii) Respondent's Year of Study**

In this study, the demographic factor which is the respondent's year of study would be examined in order to meet the first research objective of this study. A survey conducted by Shaari *et al.* (2013) among university students on personal financial literacy, found that there is a significant difference between the respondent's year of study and personal financial literacy. From the study, the result indicates that the seniors which are forth year students have a higher level of personal financial literacy compared to the others.

Next, from the findings of Louw *et al.* (2013), the conclusion can be drawn that the third year students in South Africa operate in a highly protected socio-economic environment and do not have much exposure to financial practices since it seems that their parents take the responsibility for financial issues. Ansong & Gyensare (2012) assert that the year of study did not much contribute the financial literacy. Therefore, in this study, the respondent's year of study would not be analysed in depth regarding the influence towards Islamic financial literacy. However, this study is intended to study the significant difference between respondent's year of study and Islamic financial literacy.

In general point of view, the first year students which are commonly in the range of nineteen to twenty first years old are more liable to have a lower Islamic financial literacy compared the last year students in university. This is because the last year students which consist of the senior are more expected to be more knowledgeable on Islamic finance. Besides, they were expected to demonstrate better Islamic finance attitude and behaviour than the first year students or the junior.



### **2.3 Conclusion**

In the nut shell, this chapter give an overall scenario related to the literature that discussed on dependent and independent variables of the study. The review of literature which is related to the selected demographic factors also had been touched. The literature reviews are important basis in order to develop a theoretical framework for this study. The following chapter will be the continuation of this study that will be discussed on the research methodology.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the research methodology adopted in this study. It begins with the elaboration on the theoretical framework together with the hypotheses development. Then, it further discussed on research design, population and the sample of the study as well as the data collection method that will be adopted in obtaining the data needed for carrying out the study. A discussion on statistical techniques also will be touched at the end of this chapter as it will be used in analysing the information obtained for better findings.

#### **3.2 Theoretical Framework**

Theoretical framework is a set of theoretical assumptions that explain the researcher beliefs on how certain variables are related and associated to each other (Sekaran & Bougie, 2013). It also enables the researcher to expand the knowledge by examining the validity of the theory through various analysis test of the dependent and independent variables according to the proposed theoretical framework. Based on the literature review, the theoretical framework of this study is illustrated in Figure 3.1.

Figure 3.1

*Theoretical Framework*

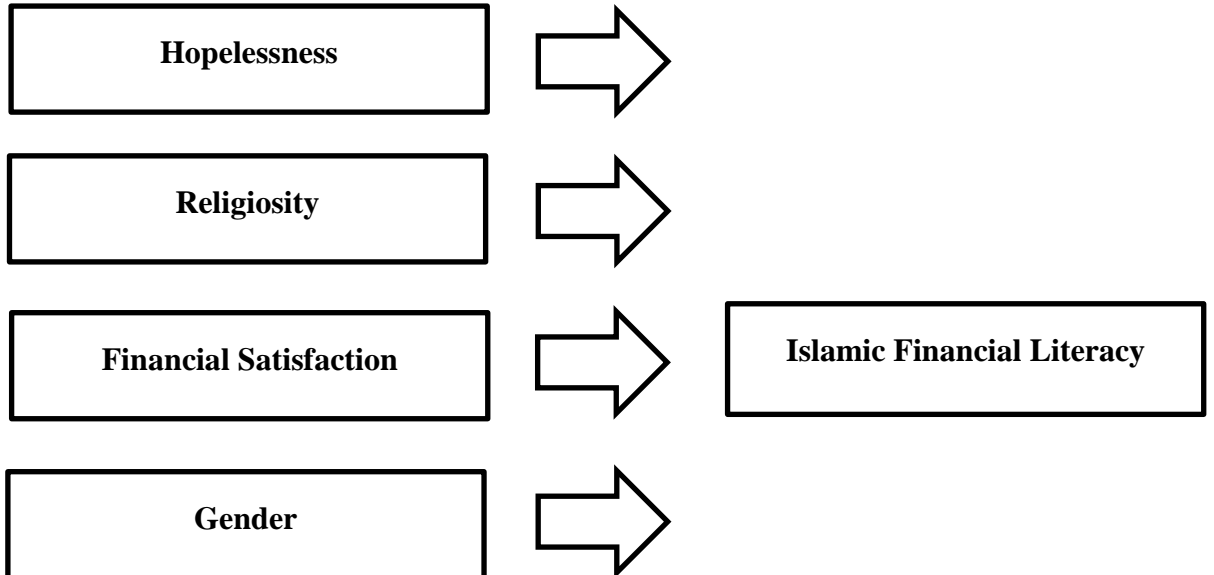


Figure 3.1 shows the proposed theoretical framework for this study which was modified to fit into the objective of this study. Based on the above proposed theoretical framework, the psychosocial factors of hopelessness, religiosity and financial satisfaction as well as gender are chosen as the independent variables while the dependent variable is the Islamic financial literacy. Therefore, four independent variables will be used in order to test their influence towards Islamic financial literacy on undergraduate students of Islamic finance and banking.

### **3.3 Hypotheses Development**

Hypotheses can be defined as logically conjectured relationship between two or more variables expressed in the testable statement form (Sekaran, 2003). For this study, the hypotheses are divided into null and alternate hypothesis. Generally, null hypothesis ( $H_0$ ) can be articulated as no (significant) relationship between two variables or no (significant) difference between two groups. Meanwhile, the alternate hypothesis ( $H_a$ ) indicates the opposite of the null (Sekaran & Bougie, 2013). The following research hypotheses is developed for this study.

#### **Hypothesis 1:**

**To examine the differences between the selected demographic factors (gender, respondent's year of study) and Islamic financial literacy.**

$H_{01}$ : There is no significant difference between the selected demographic factors (gender, respondent's year of study) and Islamic financial literacy.

$H_{a1}$ : There is a significant difference between the selected demographic factors (gender, respondent's year of study) and Islamic financial literacy.

### **Hypothesis 2:**

**To investigate the relationship between psychosocial factors (hopelessness, religiosity, financial satisfaction) and Islamic financial literacy.**

H<sub>02</sub>: There is no significant relationship between psychosocial factors (hopelessness, religiosity, financial satisfaction) and Islamic financial literacy.

H<sub>a2</sub>: There is a significant relationship between psychosocial factors (hopelessness, religiosity, financial satisfaction) and Islamic financial literacy.

### **Hypothesis 3:**

**To determine the influence of psychosocial factors (hopelessness, religiosity, financial satisfaction) and gender towards Islamic financial literacy**

H<sub>03</sub>: Psychosocial factors of hopelessness, religiosity and financial satisfaction as well as gender will not significantly influence the Islamic financial literacy

H<sub>a3</sub>: Psychosocial factors of hopelessness, religiosity and financial satisfaction as well as gender will significantly influence the Islamic financial literacy

### **3.4 Research Design**

In this study, a quantitative approach that conducted through a survey research by distributing the self-administrated questionnaire to the respondents is found to be the most appropriate research strategies to be used in order to meet for the research objectives of this study. The main reason of attempting the quantitative approach is because it is generally less expensive and time consuming than the other research strategies (Sekaran & Bougie, 2013).

Besides, Bhatti *et al.* (2012) asserts that the survey research is the most popular method of the data collection in the quantitative approach and many researchers accepted this method as it provide a possibility for more truthful and unambiguous feedback or responses than other forms of research methodologies. Additionally, most of the self-administered questionnaires will be keep on totally confidential. Thus, the anonymity of the respondents would be high and almost 100% of response rate ensured (Sekaran & Bougie, 2013).

Moreover, the purpose of this study is the descriptive or explanatory study. Since the researcher is interested to study the relationship between psychosocial factors and Islamic financial literacy, thus the descriptive study is designated to reveal the relationship between the variables (Sekaran & Bougie, 2013). Next, the descriptive study also enables the researcher to think systematically about the factors that might influence the level of Islamic financial literacy and offer ideas for further research and probe.

Next, the time horizon that is applied in this study is the cross-sectional studies. This is because the data that been collected for the study is gathered just at one shot in times which is within a week in order to meet the requirement of data collection. Last but not least, the unit of analysis can be expressed as the person who directly involved in the data collection. The appropriate unit of analysis for the investigation of researcher concept is those individuals among the undergraduate students of Islamic finance and banking in Universiti Utara Malaysia, Kedah.

### **3.5 Sampling Design**

#### **3.5.1 Population of Study**

This study aims to study influence of psychosocial factors and gender towards the level of Islamic financial literacy among the university students. Therefore, the population of interest of this study is the university student in Public Higher Education Institution in Kedah especially in Universiti Utara Malaysia. The target population for this study will be focus on the undergraduates students of Islamic finance and banking whereby the total population of them is 340 as currently stated by the human resource department of Islamic business school of Universiti Utara Malaysia.

#### **3.5.2 Sampling Elements**

The researcher is interested in collecting the data specifically towards the undergraduates of Islamic finance and banking students who are currently studying

in Universiti Utara Malaysia. This is due to identify the influence of psychosocial factors and gender towards the level of Islamic financial literacy. Therefore, the appropriate unit of analysis in this study is those individuals among Islamic finance and banking students. Additionally, in order to meet the objectives of this study, the sample was selected according to the following criteria.

- (i) Samples should be currently studying in Islamic finance and banking course of Universiti Utara Malaysia
- (ii) Samples is categorised as undergraduates students
- (iii) Samples can be from various races

### **3.5.3 Sample Size**

Out of 340 of the population, a total of 200 respondents will be considered from the total population which will serve as sample size for the purpose of this study. Sekaran (2003) stated that for a population of 340, a sample size of 191 is required. Additionally, according to Roscoe cited in Sekaran (2003), sample sizes that are more suitable for most research must be above 30 and below 500. Therefore, a total of 200 respondents are sufficient for this research.

### **3.5.4 Sampling Technique**

For the sampling technique, the researcher had used the probability sampling method. In selecting 200 respondents to represent the sample size, the exact procedure for selecting the samples is done by using a restricted probability or more



commonly known as stratified random sampling design. Through this sampling technique the population will be divided into mutually exclusive groups that are relevant, appropriate and meaningful in the context of the study. Therefore, in this study, the population is divided according to their years of study. Specifically, the researcher specified the sampling technique into disproportionate stratified sampling.

According to Sekaran & Bougie, (2013), the operational definition can be done by observing at the behaviour dimensions, facets or properties designated by the concept in order to develop an index of measurement. Therefore, the operational definition of each variable need to be discuss because the researcher had developed a few construct on the variables of the study such as Islamic financial literacy, hopelessness, religiosity and financial satisfaction.

### **3.6 Measurement and Validity of the Instrument**

#### **3.6.1 Measurement**

The instruments of the dependent and independent variables in this study are measured based on five-point likert scale ranging from 1 “strongly disagree” to 5 “strongly agree”. In this study, the respondents are able to choose either to agree or disagree regarding the instruments stated in the questionnaire according to their opinion and preference.

### **3.6.2 Content Validity of the Instrument**

Islamic financial literacy is the main focus in this study, where the researcher intends to determine the influence of psychosocial factors and gender towards Islamic financial literacy. However, the researcher is having difficulties in finding for the instrument of Islamic financial literacy, because most of the existing and previous literature are only developed the instrument of financial literacy from the conventional perspectives and generally defined the concept of financial literacy. Therefore, in this study, the researcher had developed her own instrument of Islamic financial literacy by following a few procedures.

Firstly, a definition of the concepts is measured clearly and precisely by implementing the face validity and content validity. Next, the identification of the components or characteristic of the concept is constructed. Then, the selection of the appropriate scales to measure the items or characteristics is done. During all the process, the researcher had been consulted by a few experts. They are Assoc. Prof. Dr. Abu Bakar Hamed and Dr. Rosemaliza Ab Rashid who always gives continuous ideas and support in order to develop the new instruments.

From conventional perspectives, the definition of financial literacy can be expressed as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (OECD, 2012). Also, as defined by PISA (2012), financial literacy can be stated as contingent on some knowledge and understanding of fundamental elements of

financial world. In terms of Islamic perspectives, the researcher also considered the characteristics mentioned by (OECD, 2012) and (PISA, 2012). The researcher believed that the characteristics are appropriate to be used to explain for the conceptual definition of Islamic financial literacy, because the all the definitions does not against the Islamic or *Shariah* law.

Therefore, for the conceptual definition of Islamic financial literacy in this study, the researcher refers as the ability of a person to use understanding (PISA, 2012), awareness, knowledge, skill, attitude (OECD, 2012), and to manage their financial resources efficiently and effectively according to Islamic teachings. Initially, the researcher had developed thirteen items to measure Islamic financial literacy. However, after been revised, discussed and checked for the content validity with the expertise, the parties agreed to delete a few of the items. Table 3.1 shows the list of items that had been used to measure Islamic financial literacy.

Table 3.1

*List of Items for Islamic Financial Literacy*

<b>List of Items</b>
1) I know that I might or might not receive any return when the contract is concluded
2) I acknowledge uncertainty on sanctity of financial contract is strictly prohibited in Islam
3) I always make sure that there is no element of interest in all financial transactions that I made
4) I understand that all Islamic financing must be backed by asset
5) I can only invest in permissible activities or services
6) I am aware on the availability of Islamic instrument in the market
7) In Islam, I only transact with people that I trust

On the other hand, for psychosocial factors, the researcher adopted some of the items from the existing instruments used by previous researchers. Unfortunately, the validity of those instruments is unable to be determined since the previous researcher did not mention about the construct validity in their research. Thus, the researcher needs to conduct face, content as well as construct validity in order to identify the concept of each psychosocial factor.

Generally, the conceptual definition of psychosocial refers to the strengths of the personality and the resources of the environment at strategic points to improve the opportunities available to the individual (Hollis, 1977). In this study, there are three dimensions for psychosocial factor which is divided into hopelessness, religiosity and financial satisfaction. In this study, hopelessness can be operationalized as a feeling of depression, less motivation and inability to concentrate on their future goals. According to Murphy (2013), hopelessness is defined as the negative effects on various component financial behaviour and well-being.

Secondly, religiosity can be operationally defined as the ethical belief and spiritual conduct that reflects in the daily routine of the individuals. This definition is supported by (Alam *et al.* 2011) which indicate that the religion is one of the most universal and influential social institutions that have significant influence on people's value, behaviours as well as attitude. It further being supported by (Shukor & Jamal, 2013) who defined religiosity as the degree to which a person adheres to his or her religious values, belief and practices, and uses them in daily life.

Lastly, financial satisfaction is operationalized as the sense associated with the attainment of financial goals that one has set for oneself and gives an immense of relief. This definition is supported by Ali *et al.* (2013), who gives the definition of financial satisfaction as being satisfied regardless of the amount of wealth and debt.

After the conceptual definition of independent variables is defined, the researcher had combined a few construct from different literature and also developed additional instruments which were deemed appropriate to determine the characteristics of each psychosocial factor. This is because the researcher found that, the characteristics of the existing instruments were not enough to explain the concept of each psychosocial factor. Table below indicates the extraction of all the instruments according to the authors while Table 3.3 lists 21 instruments of psychosocial factors that had been compiled from previous literature including those additional items that developed by the researcher.

Table 3.2

*Extraction of the Instruments Based on the Authors.*

<b>Psychosocial Factors</b>	<b>Authors</b>	<b>No of Instruments</b>
Hopelessness	Murphy (2013), Bolland (2003)	1-7
Religiosity	Alam <i>et al.</i> (2011), Shukor & Jamal (2013)	8-14
Financial Satisfaction	Ali <i>et al.</i> (2013), Additional items added by Researcher	15-21

Table 3.3

*List of Items for Psychosocial Factors*

---

<b>List of Items</b>	
1)	I feel it is impossible for me to reach the goals that I would like to strive for
2)	The future seems hopeless to me and I can't believe that things are changing for the better
3)	I don't expect to get what I really want
4)	There's no use in really trying to get something I want because I probably won't get it.
5)	All I see ahead of me are bad things, and not good things
6)	I might as well give up because I can't make things better for myself
7)	I never get what I want, so it's dumb to want anything
8)	I believe in a Allah/God who determines pre-destination
9)	Doing something contrary to Islam is forbidden by Allah/God.
10)	I pray mainly to gain relief and protection
11)	I find strength and comfort in my religion
12)	I try to follow my religious beliefs in all matters of my life
13)	I always keep myself away from earning through haram (prohibited) means
14)	I always perform my duties as a servant of Allah/God
15)	I rarely run short of money
16)	I am satisfied with my current financial situation
17)	If I'm having financial difficulties I could manage it for a period of time
18)	Based on my current financial status, I could easily obtain loans if I need one
19)	I am satisfied with my ability to meet my financial obligations**
20)	I have an effort to improve my current financial situation**
21)	Sometimes I feel the amount of loans received are sufficient to cover my living costs**

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Note: the star (\*\*) symbol is an additional instrument added by the researcher

When all the instruments are compiled, the researcher had run a pilot test on the other respondents who deemed to have the similar characteristics with the real respondents by focusing to those who have the background of Islamic finance. The pilot test in this study involved 60 respondents from postgraduates of Islamic finance and banking students at Universiti Utara Malaysia. It is conducted to assess whether the respondents are able to understand the question before the real set of questionnaires distributed to the real respondents. Besides that, the aim of the pilot study is to determine the difficulties in wording, sentences as well as the translation in the questionnaire.

### **3.6.3 Factor Analysis**

In this study, a factor analysis is necessary to be conducted in order to fulfill the third requirement of validity which is construct validity. According to Hair *et al.* (1998), he recommended that a sample size of more than hundred is more preferable to conduct for factor analysis. Therefore in this study, the researcher had conducted a factor analysis on two hundred respondents through statistical software (SPSS version 20) after the data had been collected.

Essentially, factor analysis is conducted in order to identifying the factors that explain the patterns of relationships within set of observed variables (Yaacob, 2011). Factor analysis had been implemented in this study throughout all the variables involved in order to confirm for the construct validity of the instruments. This analysis is required because the previous literature did not mention about the content

validity of their instruments. The factor analysis is also important in this study because there is a combination of instrument from different previous literature that the researcher believes it would explain the characteristics of the same variables. Furthermore the factor analysis is also essential to be done in this study because there are a few additional items that have been included by the researcher.

In carrying out factor analysis, the measurement sampling adequacy value (MSA) under Kaiser-Meyer-Olkin (KMO) as well as Bartlett's test of sphericity must first to be determined (Bhatti *et al.*, 2012) to measure the degree of correlation between variables and also to test for the presence of correlation between the variables (Hair *et al.*, 1998).

According to Bhatti *et al.* (2012), the factor analysis is appropriate and the sample is adequate if MSA value is greater than 0.60. Specifically, Hair *et al.* (1998), interpret the value of MSA according to the subsequent guidelines: MSA value more than 0.80 is meritorious, 0.70 or above is measurable, 0.60 or above is mediocre, 0.50 or above is miserable and below 0.50 cannot be acceptable and should be excluded. Besides that, for Bartlett's test of sphericity, it must be significant in which the value needs to be less than 0.05. When the value is smaller than 0.05, then factor analysis can be conducted.



Next, in terms of assessing the significance level for the interpretation of loadings, the factor loadings should be evaluated at considerably stricter level. As referred to Hair *et al.* (1998), when a sample size is two hundred, the factor loading of 0.40 is required for significance. Therefore, in this study, all the items were analysed under the factor loading of 0.40. It should be noted that, those items which display a factor loading below than 0.40 would be automatically removed, while those items that loaded higher than 0.40 would be maintained.

**i) Factor Analysis for Dependent Variable**

Refers to the factor analysis of Islamic financial literacy that had been conducted by the researcher, the Bartlett's Test of sphericity indicates a significant value where the p-value is less than 0.001. Meanwhile the Kaiser-Meyer-Olkin (KMO) measure of sampling of the variables is 0.832 which indicates the meritorious results. Besides that, it is noted that there is no existence of multicollinearity since the determinant value is 0.224 which is greater than 0.00001 (refers Appendix B).

Table 3.4

*Factor Loadings for Islamic Financial Literacy*

<b>Factor</b>	<b>Eigen-value</b>	<b>Items Loading</b>	<b>Loading</b>	<b>Percentage of Variance</b>
Islamic Financial Literacy	3.014	I know that I might or might not receive any return when the contract is concluded	0.566	43.057
		I acknowledge uncertainty on sanctity of financial contract is strictly prohibited in Islam	0.677	
		I always make sure that there is no element of interest in all financial transactions that I made	0.673	
		I understand that all Islamic financing must be backed by asset	0.620	
		I can only invest in permissible activities or services	0.751	
		I am aware on the availability of Islamic instrument in the market	0.701	
		In Islam, I only transact with people that I trust	0.586	

Based on Table 3.4, the results show all the seven items are found to be in single factor. As far as the eigenvalues are concerned, only one factor is found to be extracted due to the eigenvalue is greater than 1. This means this factor has explained 43.057 % of the variations in the items. Besides that, the selected point of significant loading is 0.4 as proposed by Hair *et al.* (1998). All the items consist of more than 0.5 factors loading. Additionally, it cannot be rotated because only one component is extracted. Thus, it can be concluded that all the items of Islamic financial literacy are valid to be used in this study.

**ii) Factor Analysis for Independent Variables**

For the factor analysis of psychosocial factors, the Bartlett’s Test of sphericity indicates a significant value where the p-value is less than 0.001 while the Kaiser-Meyer-Olkin (KMO) measure of sampling of the variables is 0.896 which is considered as good. Moreover, it is noted that there is no existence of multicollinearity since the determinant value shows a figure of 1.80E-006 or 0.00180 which is greater than 0.00001. This indicates that the variables are not related to each other. Besides, the range of anti-image correlation matrix which is between 0.794 until 0.931 shows a sufficient correlation among the items involved.

Table 3.5

*Factor Loadings for Psychosocial Factors*

<b>Factor</b>	<b>Eigen-value</b>	<b>Items Loading</b>	<b>Loading</b>	<b>Percentage of Variance</b>
Religiosity	7.737	I believe in a Allah/God who determines pre-destination	0.748	23.460
		Doing something contrary to Islam is forbidden by Allah/God	0.854	
		I pray mainly to gain relief and protection	0.818	
		I find strength and comfort in my religion	0.839	
		I try to follow my religious beliefs in all matters of my life	0.825	
		I always keep myself away from earning through haram (prohibited) means	0.745	
		I always perform my duties as a servant of Allah/God	0.608	

Hopelessness	3.366	I feel it is impossible for me to reach the goals that I would like to strive for	0.541	20.933
		The future seems hopeless to me and I can't believe that things are changing for the better	0.778	
		I don't expect to get what I really want	0.728	
		There's no use in really trying to get something I want because I probably won't get it.	0.802	
		All I see ahead of me are bad things, and not good things	0.776	
		I might as well give up because I can't make things better for myself	0.760	
		I never get what I want, so it's dumb to want anything	0.721	
Financial Satisfaction	1.637	I rarely run short of money	0.746	16.277
		I am satisfied with my current financial situation	0.750	
		If I'm having financial difficulties I could manage it for a period of time	0.627	
		Based on my current financial status, I could easily obtain loans if I need one	0.690	
		I am satisfied with my ability to meet my financial obligations	0.693	
		I have an effort to improve my current financial situation	0.619	
		Sometimes I feel the amount of loans received are sufficient to cover my living costs	0.721	

According to Table 3.5, there are three factors were extracted because the eigenvalues are greater than 1. As refer to Appendix B, the cumulative percentage for the three factors is 60.670 %. Specifically, religiosity factor indicates the highest percentage of total variance which is 23.460 % compared to the others. This show that the first factor explain the major amount of variance meanwhile the others explain only a minor amount of variance. Therefore, based on the factor loadings, all the factors are named accordingly as religiosity, hopelessness and financial satisfaction.

#### **3.6.4 Reliability of the Instrument**

Reliability refers to the extent to which a scale produces consistent results if repeated measurements are made (Bhatti *et al.* 2012). In this test, one of the common reliability coefficients used is Cronbach's Alpha (Coakes & Steed, 2007) which is used to identify how well a set of items measures a single one dimensional latent construct (Malhorta & Peterson, 2006).

Generally, the coefficient varies from 0 to 1, and the value of 0.6 or less indicates that the internal consistency reliability is unsatisfactory. The closer the Cronbach's Alpha is to 1, the higher the reliability of internal consistency. The value of Cronbach's Alpha can be increased if the average inter-item correlation is increased (Shaari *et al.*, 2013).

Furthermore, the alpha coefficient of more than 0.9 is considered as having an excellent reliability. Next, the reliability can also be considered as very strong when the coefficient is in between 0.8 to 0.9 meanwhile between the ranges of 0.7 to 0.8, the reliability is considered to be strong. When the alpha coefficient is in between 0.6 to 0.7, it is considered as moderately strong in term of reliability. Lastly, when the coefficient is below than 0.6, it is considered as poor. The researcher has conducted the reliability test to all independent and dependent variables. The detail of the reliability analysis results is shown in Table 3.4.

Table 3.6

*Results of the Reliability Test*

<b>Variables (N=200)</b>	<b>No of Items</b>	<b>Cronbach's Alpha Value</b>
Islamic Financial Literacy	7	0.773
Hopelessness	7	0.893
Religiosity	7	0.920
Financial Satisfaction	7	0.820

(Please refer Appendix C for details output)

Table 3.6 shows the results of the reliability test for each of the variables. As a measure, if Cronbach's Alpha is 0.60 and above, the item scales can be considered as reliable (Bhatti *et al.*, 2012). Therefore, based on the table above, the value of Cronbach's Alpha for all variables is in the range between 0.773 up to 0.920 indicates that all the variables have a good reliability of internal consistency.

### **3.7 Data Collection Method**

Both primary and secondary sources are considered important in order to provide the information related to this study. Thus, this study intends to source for data from secondary sources like various journals, literatures and proceedings. Besides that the primary sources also would be used to collect the data and facts related to the study such as self-administered questionnaires may consider in this regard.

In this study, the self-administered questionnaires are randomly distributed to the undergraduate students of Islamic finance and banking. The researcher had approached the respondent's classes and asked about their background of study as well as year of study so that the data collected are easily gathered based on the disproportionate stratified sampling.

### **3.8 Questionnaire Design**

In collecting the data, the researcher employs survey research through distributing the questionnaire to the respondents. Distributing questionnaire is the most appropriate methods in dealing with 200 respondents. More importantly, many researchers adopted this method as it is less expensive. In a real field of study, the revised questionnaire was distributed after the validity of the instrument is done through a numerous processes such as pilot study, factor analysis and reliability analysis.

The questionnaires consist of seven pages which included the front pages which contains a brief explanation regarding the aim of the study as well as the consent message. The researcher had developed the questionnaire in dual languages which are English and Malay. This is to facilitate the respondents to answer the question according to their preferences. The questionnaire is divided into three parts which consist of demographic profile, Islamic financial literacy, independent variables of psychosocial factors and open ended question. Table 3.7 shows the subdivision of the questionnaire.

Table 3.7

*Questionnaire's Subdivision*

<b>Parts</b>	<b>Items</b>	<b>No of Question</b>
A	Demographic Profile	2-6
B	Islamic Financial Literacy	7-13
C	1) Hopelessness	14-20
	2) Religiosity	21-27
	3) Financial Satisfaction	28-34

(Please refer Appendix A for details output)



The measurement of the demographic items is based on nominal scale, while the measurement for each item on dependent and independent variables are by using interval scales based on a five point Likert scale format which ranging from 1 “strongly disagree” to 5 “strongly agree”. Lastly, there is also an open ended question in the questionnaire which allows the respondents to give any feedback related to the study. However, the purpose of the question is to find any suggestion or recommendation in order to improve the level of Islamic financial literacy among university students.

### **3.9 Data Analysis Techniques**

As a first step, the raw data collected by the researcher through the distribution of questionnaire had been key-in and analyse in one of the statistical software called SPSS version 20. Through the software, the researcher was able to analyse the factor analysis, reliability analysis to test if the variables are reliable, as well as the normality test to ensure the normal distribution of the data.

Besides that, descriptive analysis will be used in order to know the level of Islamic financial literacy and psychosocial factors among the respondents. Next, independent t-test will be used to analyse the differences between gender namely male or female on Islamic financial literacy. Thirdly, this study also needs to apply one-way ANOVA test to examine the differences between respondent’s years of study on Islamic financial literacy.

Other than that, Pearson correlation also would be used in this study in order to examine the relationship between independent and dependent variables. Lastly, multiple regressions will be applied to help the researcher to understand how much variance in the dependent variable that being affected by the independent variables and the gender.

### **3.9.1 Normality Test**

According to Hair *et al.* (1998), one of the important data analysis technique when conducting a research is related to the normality of data which is aimed to determine whether the data is normally distributed or not. The normal distribution is particularly important because it provides the underlying basis for the inferences made by the researcher.

There are a few statistics available to test normality such as normal Q-Q plot, histograms, stem-and leaf plots, skewness and kurtosis and a few more (Coaked & Steed, 2007). Skewness and kurtosis are the most popular ways used by many researchers for describing the shape of the data distribution. If the observed distribution is exactly normal, it means the values for skewness and kurtosis are zero. Additionally, the positive values for skewness indicate a positive skew, while positive values for kurtosis show a distribution that is peaked (leptokurtic). Likewise, the negative values for skewness indicate a negative skew, while negative values for kurtosis indicate a distribution that is flatter (platykurtic).

For the purpose of this study, all the variables involved were tested to ensure that there is no violation of normality assumption using a certain procedures laid down under SPSS. Under the normal Q-Q plot, the data distribution will form a straight diagonal line and the plotted data values are parallel to the diagonal. Therefore, from the normal Q-Q of all variables, almost all the data distributions were plotted closely and form a straight diagonal line (Appendix D). From the result, it can be concluded that all the data used in this study did not interrupt the normality assumption.

### **3.9.2 Descriptive Analysis**

The descriptive analysis technique presents a description of the overall responses obtained from the data collected. In this study, descriptive analysis may be particularly useful in order to carry out the data analysis of the demographic profile and to identify the overall level of Islamic financial literacy as well as each psychosocial factor of the respondents.

By using SPSS, the frequencies, percentage value, as well as the measure of central tendency like mean and standard deviation have been provided for all the classification variables. In this study, the frequencies have been computed to analyse demographic profiles in terms of gender, age, race, year of study, and educational financing.

Besides that, in order to measure the level of dependent and independent variables of the respondents, the mean value of each variables as well as the standard deviation were provided. In general, the standard deviation could describe the distribution of the score of the mean. For instance, if the more lower the standard deviation, the responses in a sample distribution of number fall very closely to the mean (Hair *et al.*, 2007).

### **3.9.3 Independent t-test**

Independent t-test analysis is appropriate for examining the differences between two means of a metric scale order to detect whether there is any statistically significant difference between the means. For the purpose of this study, t-test is used to analyse the differences between gender (male or female) towards the dependent variable which is the level of Islamic financial literacy. Based on the observation on the mean value of the result, the researcher could identify either male or female would have been more literate on Islamic financial literacy.

According to Coakes & Steed (2007), they assert that a certain assumptions of each statistical test must be met before data analysis is done. More importantly, the accuracy of test interpretation depends on whether assumptions are violated. A few assumptions that need to be taken into considerations are related to the scale of measurement, random sampling, normality, independence of groups as well as homogeneity of variance.

As stated by Coakes & Steed (2007), the first basic assumptions underlying all types of t-test is the data should be at the ratio or interval level of measurement. The second assumption is the scores should be randomly sampled from the population as well as normally distributed in the population. Additionally, the respondents should be appearing in only one group and the group should not be related to each other. Lastly, the group should come from the population with equal variance. For this assumption, the Levene's test for equality of variance is used in this study.

#### **3.9.4 One-way ANOVA**

An analysis of variance or known as ANOVA is one of the statistical techniques used to examine the differences between the means of two or more groups. In this study, this test is applied to assess the differences between the respondents' years of study and Islamic financial literacy. It is appropriate for the researcher to analyse the data by using this technique since there are three groups representing the year of study. The basic procedure in order to interpret the output in this analysis is by looking at the value of F statistics (Blaikie, 2003). There are statistically significant differences between the groups on the dependent variables when the F-value is below the significance level ( $p < 0.05$ ). In contrast, if the significance level ( $p > 0.05$ ), the results indicates that there is no significant difference between the groups on the dependent variables.

Similar to independent t-test, there are a few criteria that need to be performed before conducting One-way ANOVA. According to Coakes & Steed (2007), the first assumption that needs to be taken into consideration is regarding the population normality. This means that, the population from which the sample is drawn should be normal. The second assumption relates to the homogeneity of variance in which the scores in each group should have homogeneous variance by referring to the Levene's test.

### **3.9.5 Correlation**

The Pearson correlation is a statistical technique which measures the linear association between two metric variables (Hair *et al.*, 2003). Generally, it is used to examine whether there is a relationship between the dependent and independent variables. In addition, it also indicates the strength of the relationship. In this study, the researcher has applied this technique to examine the relationship between psychosocial factors of hopelessness, religiosity, financial satisfaction and saving behaviour with Islamic financial literacy.

For this techniques Pearson's correlation coefficient, rho ( $r$ ) is the measure of association between two variables. It is noted that the Person's correlation coefficient can vary from -1.0 through 0.0 to +1.0 (Gliner *et al.*, 2009). Generally, when the value of  $r$  is more than zero, it indicates positive relationship while the value of  $r$  is less than zero indicates negative relationship.

However when the value of  $r$  is equal to zero, it indicate no relationship. This means that the variables are independent and not related to each other. In addition, the value of  $-1.0$  shows perfect negative correlation and  $+1.0$  indicates perfect positive correlation. For instance, if the Pearson's coefficient has a tendency to be closer to  $+1.0$ , the strength of the relationship between the variables is strong towards positive correlation. In contrast, when the Pearson's coefficient has a tendency to be closer to  $-1.0$ , the strength of the relationship between the variables is strong towards negative correlation.

Similar to others data analysis techniques, there are five underlying assumption of Pearson's correlation analysis. Firstly, the data must be collected in related pairs. Secondly, the data should be interval or ratio in nature. Next, the score of each variable should be normally distributed and also the relationship between the two variables must be linear. Lastly, the variability in scores for one variable should be roughly the same at all values of the other variable (Coakes & Steed, 2007).

### 3.9.6 Multiple Regressions

Multiple regressions can be considered as an extension of bivariate correlation. This technique is regularly used by most of the researcher in analysing data when involving several independent variables with one dependent variable (Gliner *et al.*, 2009). Moreover, this regression analysis also can help the researcher to expand their understanding on how much variance in the dependent variable that being affected by the independent variables. It shows the effect an independent variable has on the dependent variable when one of the independent variable is varied while other remains fixed (Shaari *et al.*, 2013).

In regression analysis, the value of R square shows the explanatory power of the model from 0 to 1.00. According to Bhatti *et al.* (2012) the higher the value the better however, it should be less than 1.00. One must be sanctioned that a high R square can be higher but it does not exactly indicate that the change in dependent variables is caused by the independent variables.

According to Coakes & Steed (2007), there are four main criteria underpinning the use of regression. The first requirement in this analysis is the ratio of cases to independent variables. The number of cases needed should preferably be twenty times more than the predictors, while the minimum requirement is to have at least five times more cases that independent variables.



Next, the second assumption for regression analysis is outliers. “The extreme cases are needed to be taken into consideration in this analysis either it should be deleted or modified to reduce their influence. Additionally, in terms of multivariate outliers, it can be deleted using statistical methods such as Mahalanobis distance and also by using graphical methods such as residual scatter plots”. Both of the statistical method can help researcher to identify the outliers in the data. However, the decision to remove the outliers from the data set must be made with care because their deletion often results in the generation of further outlying cases.

The third assumption relates to linearity, normality, homoscedasticity and independence of residuals. The linearity is easily examined through scatter plot in which it is assumed that all the variables are normally distributed (Appendix H). It is also assumed that the independent variables have a linear relationship with the predicted dependent variables scores and that the variance of the independent variables is the same for all predicted scores.

The last assumption relates to multicollinearity. Multicollinearity can be defined as high correlations among the independent variables whereas singularity occurred when perfect correlation exists among independent variables (Caokes & Steed, 2007). It must be avoided because it could affect the interpretation of the relationship between independent and dependent variables.

All the assumption is important for the researcher to conduct the multiple regression analysis in order to meet the last objective of this study. Importantly to know that, the research also selected gender as significant demographic factor that might influence the Islamic financial literacy. In this study, the researcher needs to use dummy to create the modified data for gender where the value of 0 indicates female while 1 indicates male. This is because the data of gender is categorical. Hence dummy variable is required for the analysis. From the discussion, the researcher simply expanded the formulation of multiple regressions models as shown below.

$$IFL = \alpha + \beta_1 (H) + \beta_2 (R) + \beta_3 (FS) + \beta_4 (G)$$

Where;  $\alpha$  = Intercepts (constant value)

$\beta$  = Unstandardized beta coefficient

Based on the multiple regression formula, IFL represents the dependent variable of this study which is the Islamic financial literacy while the label of H, R, FS and G represent the independent variables of this study, namely hopelessness, religiosity, financial satisfaction and gender respectively. Furthermore, the researcher assumed that the variance of the Islamic financial literacy can be explained by all psychosocial factors and gender. In other words, the increase of one unit of each psychosocial factor and gender contributes to increase a certain units of the level of Islamic financial literacy.

Table 3.8

*Summary of Data Analysis Technique*

No	Area of Investigations	Tests
1	The demographic profile, the level of Islamic financial literacy and psychosocial factors of the respondents.	Descriptive Analysis
2	The differences between the selected demographic factors (gender, respondents' year of study) and the Islamic financial literacy.	T-test One way ANOVA
3	The relationship between psychosocial factors (hopelessness, religiosity, financial satisfaction) and Islamic financial literacy.	Pearson Correlation
4	The influence of psychosocial factor (hopelessness, religiosity, financial satisfaction) and gender towards Islamic financial literacy.	Multiple Regression

**3.10 Conclusion**

In this chapter, all parts of the research methodology applied in this study had been briefly discussed. The researcher discussed all the methodologies which are related to the data collection as well as the statistical tools that were used. All the data collection method and data analysis techniques are very important for the researcher to further analyse the results which will be reported in the next chapter.

## **CHAPTER FOUR**

### **FINDINGS**

#### **4.1 Introduction**

This chapter describes the results obtained from the data analysis of the study. Based on the data collected, the researcher has conducted a factor analysis in order to validate the instruments which then followed by reliability test. The discussion also includes a description of the respondent's demographic profile, the level of Islamic financial literacy and each psychosocial factor of the respondent. Therefore in order to analyse them, a descriptive statistical analysis will be used. The results of the inferential analysis which presents the hypotheses tests will also be reported in this chapter.

#### **4.2 Research Response**

For the purpose of data collection, a total of 230 sets of questionnaires were distributed to the respondents. However, the researcher found that only 200 questionnaires were usable. The total of the usable questionnaires represent 87% of response rate. Furthermore, according to Sabri *et al.* (2012), the response rate within the universal range is from 46% to 96%. Therefore, it can be considered adequate for the researcher to conduct the data analysis.

### 4.3 Demographic Profile of Respondents

The respondents participated in the study consists of the undergraduates of Islamic finance and banking students in Universiti Utara Malaysia, Sintok, Kedah. Table 4.1 provides the distribution of the respondents who participated in this study.

Table 4.1

*Distribution of the Respondents*

<b>Demographic Profile</b>	<b>Categories</b>	<b>Frequency (N=200)</b>	<b>Percentage (%)</b>
Gender	Male	83	41.5
	Female	117	58.5
Age	Below 21 years	57	28.5
	21-22 years	104	52.0
	Above 22 years	39	19.5
Race	Malay	186	93.0
	Others	14	7.0
Year of Study	First Year	56	28.0
	Second Year	67	33.5
	Third Year	77	38.5
Educational Financing	Loan	126	63.0
	Parent/Family	29	14.5
	Scholarship	45	22.5

(Please refer Appendix E for detailed output)

In this study, the questionnaire asked each respondent to provide demographic data such as gender, age, race, year of study and also educational financing. Thus, the results in Table 4.1 revealed the demographic profile of 200 respondents consisting of the undergraduate students of Islamic finance and banking who currently studying in Universiti Utara Malaysia. Based on the table, the results showed that the numbers of female respondents are more than the numbers of male respondent. Out of 200 respondents, 117 (58.5%) of them are female while the other 83 (41.5%) are male. This show the differences between the number of male and female respondents is about 34 (17%).

With respect to age, 57 (28.5%) of the respondents were below 21 years old, 104 (52%) were 21 to 22 years old, and 39 (19.5%) were above 22 years old. Therefore, the finding indicates that the respondent's age category of 21 to 22 years old is the largest number of respondents in this study followed by the age category below 21 years old as well as the respondent above 22 years old.

In terms of race, most of the respondents are Malay whereby the number of the respondents is about 186 which is equivalent to 93.0%. From the data collection, it is reported that there is no Chinese or Indian respondents participated in this study. However, there are 14 (7.0%) respondents from other races such as Somalia, Australian, Kazakhstan as well as Dusun participated in this study. From the data descriptive analysis, it can be concluded that most of the respondents are Muslim.

As for the respondents' year of study, the results showed that the involvement of third year students was the highest which represents 77 (38.5%) of the total number of respondents. This is followed by second year students where the numbers of respondents involved are 67 which is equivalent to 33.5%. Meanwhile, 56 of 200 respondents involved in this study are from the first year student with the percentage of 28%.

Besides that, for educational financing, it is reported that about 126 (63%) of the total respondents are take loans in order to support their educational financing. The second highest form of educational financing is scholarship where 45 (22.5%) of the respondents have scholarships for their education, while the remaining 29 (14.5%) receive the educational financing from their parents or family.

#### **4.4 Level of Islamic Financial Literacy and Psychosocial Factors of Respondents**

This section required the researcher to determine the level of Islamic financial literacy and the psychosocial factors of the respondents such as hopelessness, religiosity, financial satisfaction and saving behaviour. Table 4.2 provide the results of the overall respondent's level on Islamic financial literacy and each psychosocial factor.

Table 4.2

*Level of Islamic Financial Literacy and Psychosocial Factors of Respondents*

<b>Variables (N=200)</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Standard Deviation</b>
Islamic Financial Literacy	2.57	5.00	3.98	0.56
Hopelessness	1.00	4.29	1.93	0.78
Religiosity	3.14	5.00	4.63	0.51
Financial Satisfaction	1.56	5.00	3.39	0.64

(Please refer Appendix E for detailed output)

Table 4.2 shows the minimum and maximum mean value of the respondents, the overall mean and the standard deviation of all variables. Looking at the mean value of Islamic financial literacy and each psychosocial factors, the result indicates that most of the mean values are in the range 1.93 to 4.63. Based on the results, it revealed that the level of Islamic financial literacy among the undergraduate students of Islamic finance and banking is considered high. This is because the mean values for Islamic financial literacy is 3.98 which is closer to 4. Besides, the value of standard deviation for Islamic financial literacy which indicates the distribution of the score of the mean is 0.56. One of the reasons why the respondents have a higher level of Islamic financial literacy is because of they have a background on Islamic finance and have an early exposure on Islamic financial education.



Next, the result also shows that the religiosity factor recorded the highest mean value among the other psychosocial factors which is 4.63. This result reveals that the level of religiosity among the respondent is high. This is due to the fact that the majority of the respondents are Muslims and they might agree with the statements related to their religious beliefs. In overall, the level of psychosocial factor of the respondents such as religiosity and financial satisfaction was found to be high. In contrast, the mean value of hopelessness is found to be the lowest compared to the other two psychosocial factors which indicates the mean value of 1.93. It can be concluded that the level of hopelessness among the respondents is low because most of the respondent do not agree with the items of the hopelessness factor. In addition, the values of standard deviation for the all psychosocial factors are 0.78, 0.51, and 0.64 respectively.

#### **4.5 The Differences between the Selected Demographic Factors (Gender, Respondent's Year of Study) and Islamic Financial Literacy**

This part of analysis corresponds to the first research question as well as to achieve the first objective of this study. Previously mentioned, the first research objective is to examine the differences between the selected demographic factor (gender, respondent's year of study) and the dependent variables of this study. Therefore, the independent group t-test analysis is applied to test the hypothesis related to gender in this study meanwhile the analysis of variance which is one-way ANOVA is conducted to test the hypothesis related to the respondents' year of study.

#### 4.5.1 Differences between Gender and Islamic Financial Literacy

Table 4.3

*Differences between Gender and Islamic Financial Literacy*

<b>Variable</b>	<b>Gender</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>t-value</b>	<b>Sig.</b>
Islamic Financial Literacy	Male	4.12	0.49	2.915	0.004
	Female	3.89	0.60		

(Please refer Appendix F for detailed output)

Table 4.3 shows the differences of mean and standard deviation between male and female with the Islamic financial literacy. The results indicate that the mean value and standard deviation for male is 4.12 and 0.49 respectively. Meanwhile, mean value for female is 3.89 and its standard deviation is 0.60.

Additionally, from the independent group t-test analysis, significant value of Islamic financial literacy in a Levene's test shows the figure of 0.044 (Appendix F). This means the equality of variance between male and female is not the same. Since the value is less than 0.05, the researcher further refer to the significant (2-tailed) value as well as the t-value under the 'equal variances not assumed' section which state the value of 0.004 and 2.915 respectively. From the significant (2-tailed) value, it shows that the value of 0.004 is less than the value of 0.05. Therefore it can be concluded that there is a significant difference between genders and the Islamic financial literacy in this study.

Based on the results, it indicates that the null hypothesis ( $H_{01}$ ) is rejected while the alternate hypothesis ( $H_{a1}$ ) is accepted. From the mean value, the researcher found that male respondents are more literate on Islamic financial literacy compared to female respondents. Additionally, the result is consistent with the researcher's expectation that there would be a significance difference between genders on the Islamic financial literacy.

#### 4.5.2 Differences between Respondent's Year of Study and Islamic financial Literacy

Table 4.4

*Differences between Respondent's Year of Study and Islamic Financial Literacy*

Variable	Year of Study	Mean	Standard Deviation	F	Sig.
Islamic Financial Literacy	First Year	3.92	0.50	7.559	0.001
	Second Year	3.83	0.60		
	Third Year	4.17	0.53		

(Please refer Appendix F for detailed output)

Based on Table 4.4, it shows the value of mean and standard deviation between first year, second year and third year students with the Islamic financial literacy. The table illustrates that the mean value for third year students are the highest, followed by first year and second year students. Besides that, the table also illustrate the F-value and significant value of the differences between year of study and Islamic financial literacy. It indicates that the F-value is 7.559 and the significant value is 0.001. This

showed that there is a significance differences between year of study and Islamic financial literacy since the significant value is below than 0.05. Therefore, in this analysis, the null hypothesis ( $H_{01}$ ) should be rejected while the alternate hypothesis ( $H_{a1}$ ) is accepted.

Moreover, even though the result shows that the mean of the first year students is slightly higher than the second year, but further analysis from the Post Hoc test shows that there is no significant difference between first year and second year students. Interestingly, from the Post Hoc test, the results revealed that only the third year and first year students as well as the third year and second year students are found to be significant at 0.01 and 0.00 respectively (Appendix F). Additionally, the result shows that the mean difference is significant at 0.05 levels. This meant there is significant difference between third year and first year students as well as third year and second year students with Islamic financial literacy. Specifically, the Post Hoc test indicates that the third year students have a higher Islamic financial literacy compared to the first and second year students.

This result is consistent with the earlier assumption made by the researcher that there is a significant difference between the respondent's years of study and Islamic financial literacy. Thus, it can be concluded that there is a significant difference between the respondents' years of study and Islamic financial literacy.

#### **4.6 The Relationship between Psychosocial Factors and Islamic Financial Literacy**

In this section, the analysis corresponds to answer the second research question which is to determine the relationship between psychosocial factors (hopelessness, religiosity, financial satisfaction) and the Islamic financial literacy. Therefore, the Pearson correlation analysis is used to identify the relationship that exists between the two variables in this study.

Before that, the researcher needs to fulfill a few assumptions that previously mentioned in chapter three. It is noted that there is no violation to the assumption testing since the measurement of the data are in the interval scale and most of the data are normally distributed (Appendix D). Besides that, based on the analysis of linearity, the single scatter plots show that there is no curvilinear relationship between the two variables involved. Thus, the assumptions of linearity for all variables involved in this study are met (Appendix H).

As for the last assumption of the correlation which is related to the homoscedasticity, the scatter plots show that there are no obvious patterns that show the homoscedasticity in the set of independent variables (Appendix H). Therefore, this study is applicable to run for the correlation analysis since all the assumptions are cleared.

Table 4.5

*Correlation between Psychosocial Factors and Islamic Financial Literacy*

<b>Variable</b>	<b>Correlation</b>	<b>Sig.</b>
Hopelessness	-0.502**	0.000
Religiosity	0.587**	0.000
Financial Satisfaction	0.150*	0.036

\*\*Correlation is significant at the 0.01 level (2-tailed)

\* Correlation is significant at the 0.05 level (2-tailed)

Table 4.5 shows the result for the correlation between psychosocial factors (hopelessness, religiosity, and financial satisfaction) and Islamic financial literacy. The star (\*\*) sign shows that there is a significant relationship at the confidence level of 99% where the value of significance is 0.01 or less while the star (\*) sign shows that there is a significant relationship at the confidence level of 99% where the value of significance is 0.05 (Appendix G).

Based on the table shown, the result indicates that the correlation between hopelessness and Islamic financial literacy is -0.502 which is significant at 0.01 levels and the significant value between both variables is 0.000. This indicates that there is a moderate negative relationship between hopelessness and the Islamic financial literacy. Thus, the null hypothesis ( $H_{02}$ ) is rejected while the alternate hypothesis ( $H_{a2}$ ) failed to be rejected.

As for psychosocial factor of religiosity and the Islamic financial literacy, the correlation between both variables is 0.587 in which the correlation is significant at 0.01 levels. In addition, the significant value for correlation of religiosity is 0.000. This shows that there is a moderate positive relationship between religiosity and the Islamic financial literacy. As a result, the alternate hypothesis ( $H_{a2}$ ) is accepted and the null hypothesis ( $H_{o2}$ ) is rejected.

Lastly, the result of correlation matrix between financial satisfaction and Islamic financial literacy is also shown in Table 4.5. It can be seen that, the correlation of those variables is 0.150 whereby the correlation is significant at 0.05 levels. Besides that, the significant value for the correlation is 0.036. So, it can be confirmed that there is a positive relationship between both variables. However, the relationship between those variables can be considered as low. As a result, the null hypothesis ( $H_{o2}$ ) is rejected and the alternate hypothesis ( $H_{a2}$ ) is accepted.

#### **4.7 The Influence of the Psychosocial Factors and Gender towards Islamic Financial Literacy**

In this analysis, the researcher had conducted the multiple regression tools in order to answer the last research question which is related to the influence of psychosocial factors and gender towards Islamic financial literacy. In this regression analysis, any violation of the basic assumptions such as ratio of cases to independent variables, outlier, linearity, normality as well as multicollinearity (Coakes & Steed, 2007) need to be firstly examined.

The number of cases needed should ideally be twenty times more cases than predictors whereas the minimum requirement is to have at least five times more cases than independent variables. There are 4 independent variables as well as 200 respondents involved in this study which indicate 50 times cases than independent variables. Besides that, the assumption related to the outliers should also be taken into consideration in which the extreme cases should be deleted from this study in order to reduce their influence. In this study, there are four multivariate outliers were deleted to prevent considerable impact on the regression (Appendix H).

Normality is also one of the assumption underpin the use of regression. In order to test this assumption, the normal Q-Q plot of residual need to be tested. Therefore, based on the normal Q-Q plot (Appendix D), the plotted data values closely formed a straight diagonal line which directly indicates that the residual are normally distributed. Furthermore, the partial regression plot is examined to deal with another assumption which is linearity. Based on the single scatter plots, there is no obvious curvilinear relationship shown and the result indicates that all of the variables have a linear relationship (Appendix H). Regarding multicollinearity assumption, the tolerance value and also the variance inflation factor are observed. For this analysis, it is noted that the values of tolerance and the variance inflation factor values show that there is zero multicollinearity (Appendix H). The result is consistence with Hair *et al.* (2007) who recommended that tolerance value need to be greater than 0.1 while Hair *et al.* (1998) suggest that a cut off value 10.00 as acceptable for variance inflation factor.



Table 4.6

*The Influence of Psychosocial Factors and Gender towards Islamic Financial Literacy*

<b>Variables</b>	<b>B</b>	<b>t</b>	<b>Sig.</b>
(Constant)	1.592	3.151	0.002
Hopelessness	-0.132	-2.234	0.027
Religiosity	0.501	5.805	0.000
Financial Satisfaction	0.070	1.385	0.168
Gender	0.185	2.888	0.004

$R^2 = 0.396$  F value = 31.303 Significant value = 0.000

(Please refer Appendix H for detailed output)

Table 4.6 presents the result of a multiple regression analysis which is used to test the influence of the psychosocial factors namely hopelessness, religiosity and financial satisfaction as well as gender towards Islamic financial literacy. Based on the table, the value of F statistic produced (F=31.303) was significant at the 0.000 level. Thus the alternate hypothesis ( $H_{a3}$ ) is substantiated meanwhile the null hypothesis ( $H_{03}$ ) is rejected. From the result, the regression model indicates that 39.6% of the variance in the Islamic financial literacy has been significantly explained by four independent variables which are hopelessness, religiosity, financial satisfaction and gender. Meanwhile, the remaining percentage of variation which is 60.4% explained by the other variables.

Closely check for each of the variables, there are three independent variables which found to be significant at p-value less than 0.05. This meant the factors that have a significant influence towards Islamic financial literacy are religiosity, hopelessness and gender. The result also indicates that the religiosity and gender have positive influence while hopelessness factor show a negative influence towards Islamic financial literacy.

Specifically, in this analysis, the unstandardized beta coefficient ( $\beta$ ) attempted to compare and explain which of the independent variable that gives more influence towards Islamic financial literacy. From the result, the highest value of beta ( $\beta$ ) is religiosity ( $\beta=0.501$ ), followed by gender ( $\beta=0.185$ ), and hopelessness ( $\beta=-0.132$ ). Thus, the result revealed that the religiosity factor is the most influential independent variable towards Islamic financial literacy. The result also permits the researcher to develop the multiple linear regression equation as below.

$$IFL = \alpha + \beta_1 (H)^{**} + \beta_2 (R)^{**} + \beta_3 (FS) + \beta_4 (G)^{**}$$

Where;       $\alpha$  = Intercepts (constant value)  
                    $B$  = Unstandardized beta coefficient  
                   IFL = Islamic financial literacy  
                   H = Hopelessness  
                   R = Religiosity  
                   FS = Financial Satisfaction  
                   G = Gender

Therefore;  $IFL = 1.592 - 0.132H^{**} + 0.501R^{**} + 0.070FS + 0.185G^{**}$

**\*\*Significant at the 0.01 level**

From the equation above, it can be explained that, one unit of religiosity increase contributes to increase of 0.501 units of Islamic financial literacy. In contrast, the result also reveals that when one unit of hopelessness increase would contribute to decrease of 0.132 units of Islamic financial literacy. The equation also shows that male students have a higher Islamic financial literacy than female students by the different of 0.185 units. For example, when female students contribute to increase of 1 unit of Islamic financial literacy, male students would contribute to increase of 1.185 unit of Islamic financial literacy.

Therefore, from the analysis, the most influential factors that give an impact towards the Islamic financial literacy are religiosity followed by gender and hopelessness factor. Therefore, this factor should become the area of concern and need for the further discussion in the next chapter.

## **4.8 Conclusion**

In this chapter, the researcher conducted the descriptive analysis, correlation as well as regression analysis. Generally, the descriptive analysis indicates that level of Islamic financial literacy among the respondents is high. For t-test and one-way ANOVA analysis, the results show there are significant differences between the selected demographic factors (gender, respondent's year of study) and Islamic financial literacy. Next, in terms of correlation, the religiosity and financial satisfaction show a positive correlation meanwhile the hopelessness shows a negative correlation. Lastly, in the regression analysis, the result revealed that the religiosity, gender and hopelessness factor are significantly influencing the level of Islamic financial literacy.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter will recapitulate and discuss the findings of the study. The theoretical contribution and policy implication for the future research would also be deliberated in this chapter. It is followed by a few recommendations for the future research related to the study.

#### **5.2 Summary of the Findings**

Previously mentioned, this study was conducted in order to achieve three research objectives. The first objective is to examine the differences between the selected demographic factors (gender, respondent's year of study) and Islamic financial literacy. The second objective is to investigate the relationship between psychosocial factors namely hopelessness, religiosity and financial satisfaction with the Islamic financial literacy. Finally this study is conducted in order to determine the influence of psychosocial factors such as hopelessness, religiosity, and financial satisfaction as well as gender towards Islamic financial literacy.

In consideration of the first objective of the study, the result reveals that there is a significant difference between gender and Islamic financial literacy. From the data analysis, the result revealed that male students are more literate on Islamic finance compared to female. Additionally, the result also shows that there is a significant difference between the respondent's year of study and Islamic financial literacy. From the Post Hoc test, the result indicates that the third year students have a higher level of Islamic financial literacy compared to the first year and second year students.

Furthermore, with respect to the second objective of the study, the finding illustrates that all the psychosocial factors namely hopelessness, religiosity, and financial satisfaction have a significant relationship with Islamic financial literacy. There are two psychosocial factors such as religiosity and financial satisfaction show a positive relationship while hopelessness shows a negative relationship with Islamic financial literacy.

Lastly, regression analysis is undertaken in order to achieve the last research objective of the study. Closely check for each variable, the result shows that only three independent variables are significantly influence towards Islamic financial literacy. Specifically, the result indicates that the religiosity and gender show a positive influence while hopelessness factor show a negative influence towards Islamic financial literacy.

### 5.3 Discussions

Based on the findings of the descriptive analysis in chapter four, the overall level of Islamic financial literacy of the respondents is high. The result is consistent with the researcher's expectation that all the respondents would have good Islamic financial literacy. Basically, all the respondents have a background in Islamic finance studies. Thus, they should have a high level of Islamic financial literacy and aware about the importance of Islamic financial literacy very well. On the part of psychosocial factors, the religiosity factor of the respondent show the highest outcome. This is because majority of the respondents are Muslim and they are encouraged to have a good attitude and concern towards their religion. In contrast, the levels of the hopelessness among the respondents show the lowest outcome whereby an individual that less hopelessness are more likely to do better in their future financial position. Meanwhile, the level of financial satisfaction of the respondents is respectively high.

Next, based on the independent group t-test analysis it shows that there is a significant difference between gender and Islamic financial literacy which confirmed the findings of Taft *et al.* (2013), Bashir *et al.* (2013), Bushan & Medury (2013), Ansong & Gyensare (2012), and Al-Tamimi & Kalli (2009). Consequently, the result is consistent with the researcher's expectation that there would be a significant difference between gender and Islamic financial literacy. From the analysis, the finding shows that male students have a higher level of Islamic financial literacy compared to female students (Appendix F). Even though female make up the majority university undergraduates and are progressively making strides in the

workforce, there is still a growing and significant gender gap when it comes to Islamic financial literacy. According to Worthington (2008), female are intrinsically a right brain thinker which serves them better in nurturing roles as wives, mothers and homemakers rather than financial matters. Thus, it can be considered as one of the reasons why performances of males were much better than females in responding to the questions on Islamic financial literacy.

Similarly, the finding from One-way ANOVA analysis also shows that there is a significance differences between respondent's year of study and Islamic financial literacy. This result is found to be consistence with the study conducted by Shaari *et al.* (2013). Specifically, based on the Post Hoc test (Appendix F), the only significant differences of Islamic financial literacy is found to be between the third year students and first year students as well as the third year and second year students. From the analysis, the third year students are found to be more literate in Islamic finance compared to the second and first year students whereby the result is consistent with the researcher expectation. This is because a person who possesses a longer period of studies would have greater understanding, knowledge and ability to use their skills in managing their financial according to the Islamic teachings. Thus they would tend to have high Islamic financial literacy.

In addition, based on the Pearson correlation analysis, the finding shows that all psychosocial factors have a significant relationship with Islamic financial literacy (Appendix G). The highest strength of positive association with the Islamic financial



literacy is religiosity factor. Majority of the respondents appear to have a greater determination towards Islamic financial literacy based on their religion. It meant a person can increase his Islamic financial literacy by having a strong believe on his religion. This finding is consistent with studies conducted by Bashir *et al.* (2013), Hess (2010), and Renneboog & Spaenjers (2009). On the other hand, this result contradicts the studies of Murphy (2013) who founds that religiosity has a negative relationship with financial literacy.

In contrast, the highest strength of negative association with the Islamic financial literacy was found to be psychosocial factor of hopelessness. This result indicates that there is an inverse relation between hopelessness and Islamic financial literacy. In other word, when the hopelessness among respondent decrease, the level of Islamic financial literacy would increase. Thus, the result illustrates that an individual that are less hopelessness are more likely to do better in their future financial position. The finding of the study is supported by Murphy (2013) who indicates that hopelessness and financial literacy was negatively related. However, the finding of the study contradicts the studies conducted by Bashir *et al.* (2013) who found that hopelessness has a positive significance correlation with financial literacy.

Additionally, from the correlation analysis, the financial satisfaction also was found to be positively correlated with Islamic financial literacy. The findings related to financial satisfaction was supported by Bashir *et al.* (2013), Murphy (2013), Falahati *et al.* (2012), and Bell *et al.* (2009). The reason due to this finding is that, there are

respondents who satisfied with their financial position and would tend to explore more opportunities and gather more knowledge on Islamic financial instruments. In this regards the level of Islamic financial literacy would be increased.

Other than that, on the multiple regression analysis, about 39.6% of the variation in Islamic financial literacy can be explained by psychosocial factors and gender. Closely check for each variable, only the factor of religiosity and hopelessness as well as the gender are significantly influencing the Islamic financial literacy (Appendix H).

The finding is consistent to the researcher expectation whereby the religiosity factor is believed to have the influence towards Islamic financial literacy. Besides, the finding is also has been supported by Al-Tamimi & Kalli (2009) who mentioned that the most influential factors that affect the financial literacy is religious reasons. Additionally, the finding of this study is also consistent to the finding of Shaari (2011), Sabri *et al.* (2012) and Hess (2010). This is because ones who possess a strong religious belief or attitude in their life may have a greater determination to be more literate in making Islamic financial decisions.

In Islam, the Muslims are encouraged to make a good decision and concern towards the relationship with Allah S.W.T through man's conduct. For instance, they need to take into consideration regarding the prohibition of *riba*, *gharar* and *maysir* when dealing with financial transaction. Therefore, this result is verified because most of

the respondents are Muslims and they would have a positive perception on Islamic finance due to their Islamic believes. Thus, the finding is substantiated that the level of Islamic financial literacy could be influenced by the religiosity factor.

Likewise, gender is also found to be significantly influence the Islamic financial literacy. Specifically, from the analysis, it is found that the level of Islamic financial literacy has been influenced by the male students (Appendix H). This finding is also been supported by Ansong & Gyensare (2012) and Bushan & Medury (2013). According to Ansong & Gyensare (2012), male are more likely to be more responsible on various financial decisions and realize the financial concepts better than female.

In this study, it is assumed that the male students have been given earlier exposure in regards to the Islamic finance. Besides that, from the findings, the researcher assumes that the male students are more likely to find new opportunities in improving their living standards. This is because they realize that in Islam, men have a greater responsibility to support their family and to prepare for their happiness compared to female. Therefore, in this study, it can be seen that the male studets are more literate on Islamic finance and the level of Islamic financial literacy has been influenced by them.

In addition, hopelessness factor is also significantly influence the Islamic financial literacy. The finding is supported by Bashir *et al.* (2013) who found that hopelessness has significant impact on financial literacy. However, this finding is contradicted in terms of the direction of the correlation because the result indicates that the hopelessness has inverse relation towards the influence of Islamic financial literacy while Bashir *et al.* (2013) found that hopelessness has parallel relation towards the influence of financial literacy.

Interestingly, this finding is consistent to Murphy (2013) who found that hopelessness has inverse relation towards financial literacy. Based on the findings, a person who has a lower hopelessness would tend to increase his Islamic financial literacy. This meant that, when a person has a greater motivation in their life especially regarding their future financial planning and able to avoid the depression feelings, he would tend to find an opportunity to be more financially literate by following the Islamic teachings.

#### **5.4 Contribution and Implication of the Study**

There are a few theoretical contributions and policy implication that can be derived from the findings of this study. A part of the theoretical contribution and policy implication can be explained as the following.

#### **5.4.1 Theoretical Contribution**

From theoretical perspectives, the contribution of the research lies through determining the influence of psychosocial factors and gender towards Islamic financial literacy. Majority of the previous and existing literature are generally study on financial literacy and do not take into consideration regarding the Islamic financial literacy. Besides, there is a very little study that emphasize on Islamic financial literacy. Thus, this study contributes to the literature by examining the influence of psychosocial factor and gender towards Islamic financial literacy.

Additionally, this study also contributes to the validation of the instruments as regards to Islamic financial literacy and the instruments of each psychosocial factor. This is because most of the existing studies include the instrument of *riba* (interest) to measure the financial literacy and it is clearly contradicted to the *Shariah* principles. Besides that, the existing literature also did not mentioned about the validation of each psychosocial factor's instrument in their studies. Thus this study has taken a further step to develop and validate the instruments of all variables involved in this study.

#### **5.4.2 Policy Implication**

The findings of the study also give several implications to the community. After accounting for the selected demographic factor of gender, the difference in Islamic financial literacy between male and female remains sizeable and statistically

significant, therefore, this study suggesting that women youth could be the ideal targets for Islamic financial education programs. Besides that the male youth also could play their role in advising the women to takes Islamic financial responsibility seriously.

The findings confirm the feeling of hopelessness in regard to their future goals would lead to decrease the Islamic financial literacy level. Therefore, parents should understand their crucial role in the financial life of their children and should take a more active role in reinforcing their children that Islamic financial education is a life-long pursuit.

Next, the findings from the study also provided important data to the academicians and university administrators, where they should pay more attention to provide more Islamic education opportunities for students. They are recommended to prepare and offer effective courses, seminar, workshop and other Islamic financial programmes based on the needs and the students' level of Islamic financial literacy. In this way, it would be able to help the students to make effective decisions on their finance and at the same time could increase their Islamic financial literacy.

The findings of study are also important for policy makers especially the government. Having identified the importance of Islamic financial literacy the government should play their role in introducing the event of "Islamic Financial Literacy Month" in Malaysia. The main emphasis of the event is to highlight the

importance of Islamic financial literacy and teach the society on how to establish and maintain the *barakah* financial habits. Besides that, the government also need to introduce the Islamic financial literacy programmes in primary and secondary schools. The need to introduce Islamic financial literacy at early stage is important, so that the people can assume greater responsibility for their financial well-being. Besides that this study also recommend the government to establish more Islamic financial education in Malaysia in view of growing concerns over rising youth debts in the country.

Last but not least, this study also would benefit the financial advisor and planner to gain better understanding of Islamic financial literacy. The findings enlighten them to know which factor that has more influence towards Islamic financial literacy so that they could know on how to look after their client's interests and to understand their customer's personal preference or sentimental value.

## **5.5 Recommendations for Future Research**

In particular, the study was restricted to only one university in Malaysia in which the scope of the respondents is restricted to Islamic finance and banking students. Thus, this study could be improved in the future research by conducting a survey research on other university in Malaysia. Instead of that, the future research also needs to expand the scope of the respondents to the respondents who have a various backgrounds of education rather than focusing on the respondents who have Islamic studies background only.

Consequently, a more comprehensive study should be carried out in the future with a larger sample size so that the generalizability of the findings would not be affected as the sample is generalized to the whole population. In other word, the findings would be much better and accurate if the sample size of the study increased. Furthermore, since the researcher has encountered difficulty in searching for journals and articles to support the study due to the limited sources and a very little work done on this topic, thus this study suggests that more future study related to Islamic financial literacy need to be carried out. This is important to take into consideration so that the future studies would be able to have more references regarding Islamic financial literacy.

Additionally, the future research also needs to cater the students of other religions as potential respondents. This is because there is non-Muslims students from the total population that not being selected to represent as the respondents in this study. Moreover, future research regarding the potential influence from other independent variables can also be carried out in order to reveal other implication towards influencing the level of Islamic financial literacy.

Lastly, a qualitative study may also be conducted for future research to enable the researcher to make judgments about the levels of Islamic financial literacy of individuals to confirm the findings of present study. It is further hope that the study can expand the knowledge on the related fields and can be a benchmark for Islamic financial literacy in Malaysia.



## **5.6 Conclusion**

The main purpose of this study was to assess the level of Islamic financial literacy among undergraduates of Islamic finance and banking students which involved several psychosocial factors such as hopelessness, religiosity and financial satisfaction as well as gender.

The finding indicates that all psychosocial factors except for hopelessness shows a positive relationship with Islamic financial literacy meanwhile hopelessness shows a negative relationship. The findings also revealed that there are three factors that significantly influence towards Islamic financial literacy. Among of them are religiosity, hopelessness and gender. Specifically, the finding on gender indicates that the male respondents have higher Islamic financial literacy compared to female.

It is recommended that the university administrators and the policy maker to prepare and offer effective courses such as seminar and workshop related to Islamic finance in order to achieve a high level of Islamic financial literacy among society and university students. Moreover, this study also will enable the parents to evaluate the level of Islamic financial literacy of their children and reinforce them that Islamic financial education is a life-long pursuit.

In a nut shell, this study has provided insight on how each of psychosocial factors and gender influencing the level of Islamic financial literacy among undergraduate students of Islamic finance and banking in Universiti Utara Malaysia. Thus, it is essential for future research to conduct an in depth study on Islamic financial literacy since the Islamic finance is foreseen as a vital issue for most of the country nowadays.

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# **APPENDIX A**

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## Questionnaire

1. CODE				
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**“PSYCHOSOCIAL FACTORS AND GENDER INFLUENCING THE LEVEL OF ISLAMIC FINANCIAL LITERACY”**

Dear Respondents,

This questionnaire is intended to determine the influence of psychosocial factors and gender towards the level of Islamic financial literacy. The information obtained from this questionnaire is very important for researcher to meet the research objectives in fulfilling the requirements of study for Master in Islamic Finance and Banking at Universiti Utara Malaysia. This questionnaire is addressed specifically to the Islamic finance and banking students only.

All of the information and respondents identity will be kept **STRICTLY CONFIDENTIAL** and will be used for **ACADEMIC RESEARCH PURPOSES** only. Thank you for your kind participation and cooperation towards this study.

Your Sincerely,

Siti Hafizah Binti Abdul Rahim  
Master in Islamic Finance and Banking (MIFB)  
Universiti Utara Malaysia.  
Email: sitihafizah90@gmail.com

**PART A/Bahagian A**

Please tick (✓) your answer in appropriate box.

*Sila tandakan (✓) jawapan anda di kotak yang sesuai.*

**2. Gender/Jantina**

Male/*Lelaki*

Female/*Perempuan*

**3. Age/Umur**

Please specify/*Sila nyatakan* \_\_\_\_\_

**4. Race/Bangsa**

Malay/*Melayu*

Indian/*India*

Chinese/*Cina*

Others, please specify/  
*Lain-lain, sila nyatakan*

---

**5. Year of Study/Tahun Pengajian**

First Year/*Tahun Pertama*

Third Year/*Tahun Ketiga*

Second Year/*Tahun Kedua*

Others, please specify/  
*Lain-lain, sila nyatakan*

---

**6. Educational Financing /Pembiayaan Pendidikan**

Loan/*Pinjaman*

Scholarship/*Biasiswa*

Parent or Family/  
*Ibu bapa atau keluarga*

Others, please specify/  
*Lain-lain, sila nyatakan*

---

Please circle (O) your answer according to the scale outline below

Sila bulatkan (O) jawapan anda berdasarkan skala di bawah.

Strongly disagree <i>Sangat tidak bersetuju</i>	Disagree <i>Tidak setuju</i>	Neither Agree Nor Disagree <i>Antara setuju atau tidak setuju</i>	Agree <i>Setuju</i>	Strongly Agree <i>Sangat setuju</i>
1	2	3	4	5

**PART B/Bahagian B**

7	I know that I might or might not receive any return when the contract is concluded <i>Saya tahu bahawa saya mungkin atau tidak mungkin beroleh pulangan apabila kontrak dimeterai</i>	1	2	3	4	5
8	I acknowledge uncertainty on sanctity of financial contract is strictly prohibited in Islam <i>Saya mengakui ketidakpastian terhadap kesucian kontrak kewangan adalah dilarang dalam Islam</i>	1	2	3	4	5
9	I always make sure that there is no element of interest in all financial transactions that I made <i>Saya sentiasa memastikan bahawa tidak ada unsur faedah dalam semua transaksi kewangan yang telah saya lakukan</i>	1	2	3	4	5
10	I understand that all Islamic financing must be backed by asset <i>Saya faham bahawa semua kewangan Islam perlu disandarkan kepada asset</i>	1	2	3	4	5
11	I can only invest in permissible activities or services <i>Saya hanya boleh melabur dalam aktiviti atau perkhidmatan yang dibenarkan</i>	1	2	3	4	5
12	I am aware on the availability of Islamic instrument in the market <i>Saya sedar akan ketersediaan instrumen Islam dalam pasaran</i>	1	2	3	4	5
13	In Islam, I only transact with people that I trust <i>Dalam Islam, saya hanya berurusan dengan orang yang saya percaya</i>	1	2	3	4	5

**PART C/Bahagian C**

14	I feel it is impossible for me to reach the goals that I would like to strive for <i>Saya rasa ia adalah agak mustahil bagi saya untuk mencapai matlamat yang saya ingin usahakan</i>	1	2	3	4	5
15	The future seems hopeless to me and I can't believe that things are changing for the better <i>Masa depan saya seolah-olah tiada harapan dan saya tidak percaya bahawa ia akan berubah menjadi lebih baik</i>	1	2	3	4	5
16	I don't expect to get what I really want <i>Saya tidak berharap untuk mendapatkan apa yang saya mahukan</i>	1	2	3	4	5
17	There's no use in really trying to get something I want because I probably won't get it. <i>Tidak ada gunanya dalam mencuba untuk mendapatkan sesuatu yang saya mahu kerana saya mungkin tidak akan mendapatnya.</i>	1	2	3	4	5
18	All I see ahead of me are bad things, and not good things <i>Semua yang saya lihat di hadapan saya adalah perkara yang buruk, dan bukan perkara yang baik.</i>	1	2	3	4	5
19	I might as well give up because I can't make things better for myself <i>Saya mungkin akan berputus asa kerana saya tidak mampu membuat perkara yang lebih baik untuk diri saya</i>	1	2	3	4	5
20	I never get what I want, so it's dumb to want anything <i>Saya tidak pernah mendapat apa yang saya mahu, jadi ia adalah teruk untuk mahu mendapatkan sesuatu</i>	1	2	3	4	5
21	I believe in a Allah/God who determines pre-destination <i>Saya percaya kepada Allah/Tuhan yang menentukan Qada and Qadar</i>	1	2	3	4	5
22	Doing something contrary to Islam is forbidden by Allah/God. <i>Melakukan sesuatu yang bertentangan dengan Islam adalah dilarang oleh Allah.</i>	1	2	3	4	5
23	I pray mainly to gain relief and protection <i>Saya selalu berdoa untuk mendapatkan ketenangan dan perlindungan</i>	1	2	3	4	5
24	I find strength and comfort in my religion <i>Saya mendapat kekuatan dan keselesaan dalam agama saya</i>	1	2	3	4	5

25	I try to follow my religious beliefs in all matters of my life <i>Saya cuba untuk mengikuti kepercayaan agama saya dalam semua aspek kehidupan saya</i>	1	2	3	4	5
26	I always keep myself away from earning through haram (prohibited) means <i>Saya sentiasa menjaga diri saya daripada beroleh pendapatan melalui cara haram (dilarang).</i>	1	2	3	4	5
27	I always perform my duties as a servant of Allah/God <i>Saya sentiasa melaksanakan tugas saya sebagai seorang hamba kepada Allah/Tuhan</i>	1	2	3	4	5
28	I rarely run short of money <i>Saya jarang menghadapi masalah kewangan</i>	1	2	3	4	5
29	I am satisfied with my current financial situation <i>Saya berpuas hati dengan keadaan kewangan saya sekarang</i>	1	2	3	4	5
30	If I'm having financial difficulties I could manage it for a period of time <i>Jika saya menghadapi masalah kewangan, saya boleh menguruskannya dalam tempoh masa tersebut</i>	1	2	3	4	5
31	Based on my current financial status, I could easily obtain loans if I need one <i>Berdasarkan kepada status kewangan saya sekarang, saya mudah untuk mendapatkan pinjaman jika saya memerlukannya</i>	1	2	3	4	5
32	I am satisfied with my ability to meet my financial obligations <i>Saya berpuas hati dengan keupayaan saya untuk memenuhi tanggungan kewangan saya</i>	1	2	3	4	5
33	I have an effort to improve my current financial situation <i>Saya mempunyai usaha dalam memperbaiki keadaan kewangan saya sekarang</i>	1	2	3	4	5
34	Sometimes I feel the amount of loans received are sufficient to cover my living costs <i>Kadang-kadang saya rasa jumlah pinjaman yang diterima adalah mencukupi untuk menampung kos sara hidup saya</i>	1	2	3	4	5

Any suggestion about how to upgrade the level of Islamic financial literacy among students  
*Sebarang pandangan mengenai cara untuk meningkatkan tahap kecelikan kewangan Islam  
dalam kalangan pelajar.*

I suggest/*Saya cadangkan,*

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**THANK YOU FOR YOUR COOPERATION**

*TERIMA KASIH DI ATAS KERJASAMA ANDA*

# **APPENDIX B**

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## Factor Analysis of Dependent Variables & Independent Variables



# 1) Factor Analysis of Dependent Variables

Correlation Matrix<sup>a</sup>

	L1	L2	L3	L4	L5	L6	L7	
Correlation	L1	1.000	.313	.275	.307	.325	.194	.294
	L2	.313	1.000	.382	.352	.417	.361	.247
	L3	.275	.382	1.000	.273	.470	.362	.282
	L4	.307	.352	.273	1.000	.352	.348	.248
	L5	.325	.417	.470	.352	1.000	.484	.296
	L6	.194	.361	.362	.348	.484	1.000	.401
	L7	.294	.247	.282	.248	.296	.401	1.000
Sig. (1-tailed)	L1		.000	.000	.000	.000	.003	.000
	L2	.000		.000	.000	.000	.000	.000
	L3	.000	.000		.000	.000	.000	.000
	L4	.000	.000	.000		.000	.000	.000
	L5	.000	.000	.000	.000		.000	.000
	L6	.003	.000	.000	.000	.000		.000
	L7	.000	.000	.000	.000	.000	.000	

a. Determinant = .224

Inverse of Correlation Matrix

	L1	L2	L3	L4	L5	L6	L7
L1	1.260	-.185	-.103	-.208	-.201	.123	-.234
L2	-.185	1.396	-.239	-.217	-.239	-.179	-.026
L3	-.103	-.239	1.409	-.046	-.408	-.143	-.119
L4	-.208	-.217	-.046	1.298	-.153	-.218	-.061
L5	-.201	-.239	-.408	-.153	1.640	-.456	-.031
L6	.123	-.179	-.143	-.218	-.456	1.542	-.381
L7	-.234	-.026	-.119	-.061	-.031	-.381	1.286

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.832
Approx. Chi-Square		293.289
Bartlett's Test of Sphericity	df	21
	Sig.	.000

**Anti-image Matrices**

		L1	L2	L3	L4	L5	L6	L7
Anti-image Covariance	L1	.794	-.105	-.058	-.127	-.097	.063	-.144
	L2	-.105	.716	-.121	-.120	-.104	-.083	-.015
	L3	-.058	-.121	.710	-.025	-.177	-.066	-.066
	L4	-.127	-.120	-.025	.770	-.072	-.109	-.037
	L5	-.097	-.104	-.177	-.072	.610	-.180	-.015
	L6	.063	-.083	-.066	-.109	-.180	.648	-.192
	L7	-.144	-.015	-.066	-.037	-.015	-.192	.778
Anti-image Correlation	L1	.815 <sup>a</sup>	-.139	-.077	-.163	-.140	.088	-.184
	L2	-.139	.865 <sup>a</sup>	-.170	-.161	-.158	-.122	-.020
	L3	-.077	-.170	.853 <sup>a</sup>	-.034	-.269	-.097	-.089
	L4	-.163	-.161	-.034	.869 <sup>a</sup>	-.105	-.154	-.047
	L5	-.140	-.158	-.269	-.105	.818 <sup>a</sup>	-.287	-.021
	L6	.088	-.122	-.097	-.154	-.287	.794 <sup>a</sup>	-.271
	L7	-.184	-.020	-.089	-.047	-.021	-.271	.820 <sup>a</sup>

a. Measures of Sampling Adequacy(MSA)

**Communalities**

	Initial	Extraction
L1	1.000	.320
L2	1.000	.458
L3	1.000	.453
L4	1.000	.385
L5	1.000	.564
L6	1.000	.492
L7	1.000	.343

Extraction Method: Principal Component Analysis.

**Component Matrix<sup>a</sup>**

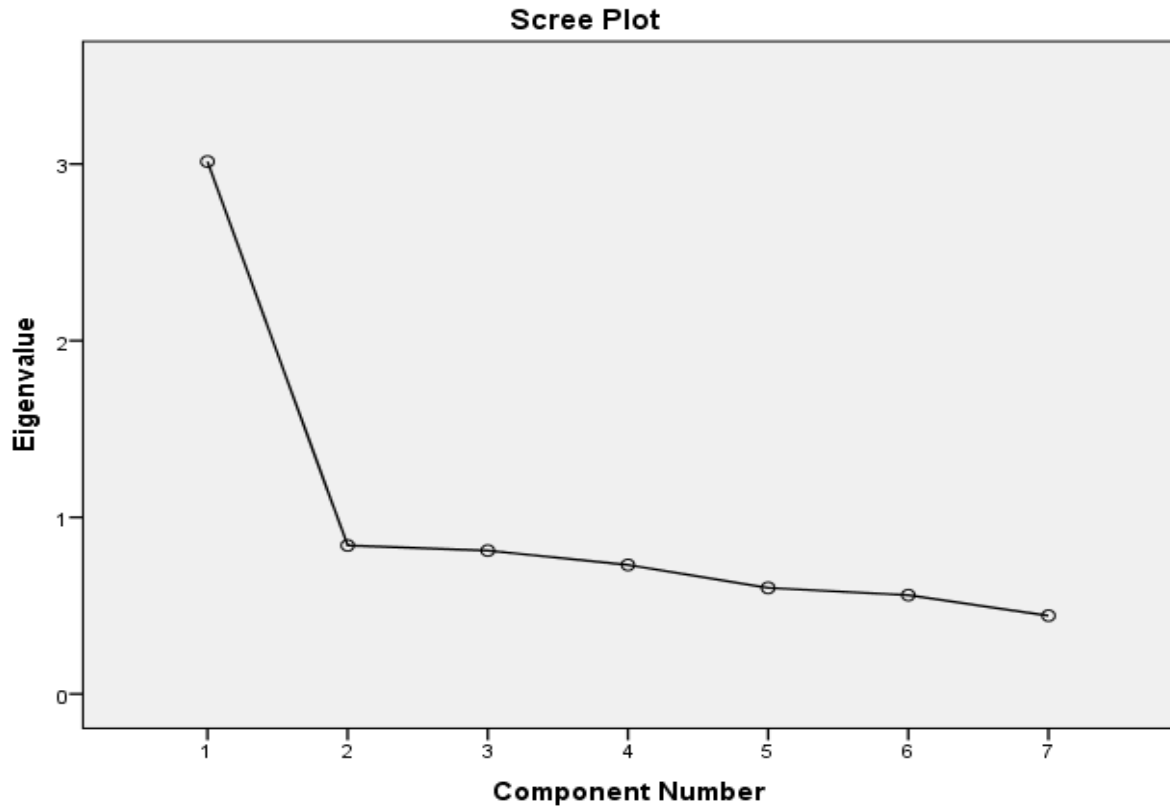
	Component
	1
L5	.751
L6	.701
L2	.677
L3	.673
L4	.620
L7	.586
L1	.566

Extraction Method:  
Principal Component  
Analysis.  
a. 1 components  
extracted.

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.014	43.057	43.057	3.014	43.057	43.057
2	.841	12.009	55.066			
3	.812	11.596	66.662			
4	.731	10.437	77.099			
5	.601	8.580	85.679			
6	.559	7.993	93.672			
7	.443	6.328	100.000			

Extraction Method: Principal Component Analysis.



**Reproduced Correlations**

		L1	L2	L3	L4	L5	L6	L7
Reproduced Correlation	L1	.320 <sup>a</sup>	.383	.381	.351	.425	.397	.331
	L2	.383	.458 <sup>a</sup>	.455	.420	.508	.475	.396
	L3	.381	.455	.453 <sup>a</sup>	.417	.505	.472	.394
	L4	.351	.420	.417	.385 <sup>a</sup>	.466	.435	.363
	L5	.425	.508	.505	.466	.564 <sup>a</sup>	.527	.440
	L6	.397	.475	.472	.435	.527	.492 <sup>a</sup>	.411
	L7	.331	.396	.394	.363	.440	.411	.343 <sup>a</sup>
Residual <sup>b</sup>	L1		-.070	-.106	-.044	-.100	-.203	-.037
	L2	-.070		-.073	-.067	-.091	-.114	-.150
	L3	-.106	-.073		-.144	-.036	-.109	-.112
	L4	-.044	-.067	-.144		-.114	-.087	-.116
	L5	-.100	-.091	-.036	-.114		-.042	-.144
	L6	-.203	-.114	-.109	-.087	-.042		-.010
	L7	-.037	-.150	-.112	-.116	-.144	-.010	

Extraction Method: Principal Component Analysis.

a. Reproduced communalities

b. Residuals are computed between observed and reproduced correlations. There are 16 (76.0%) nonredundant residuals with absolute values greater than 0.05.

## 2) Factor Analysis of Independent Variables

### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.896
Approx. Chi-Square		2528.976
Bartlett's Test of Sphericity	df	210
	Sig.	.000

### Communalities

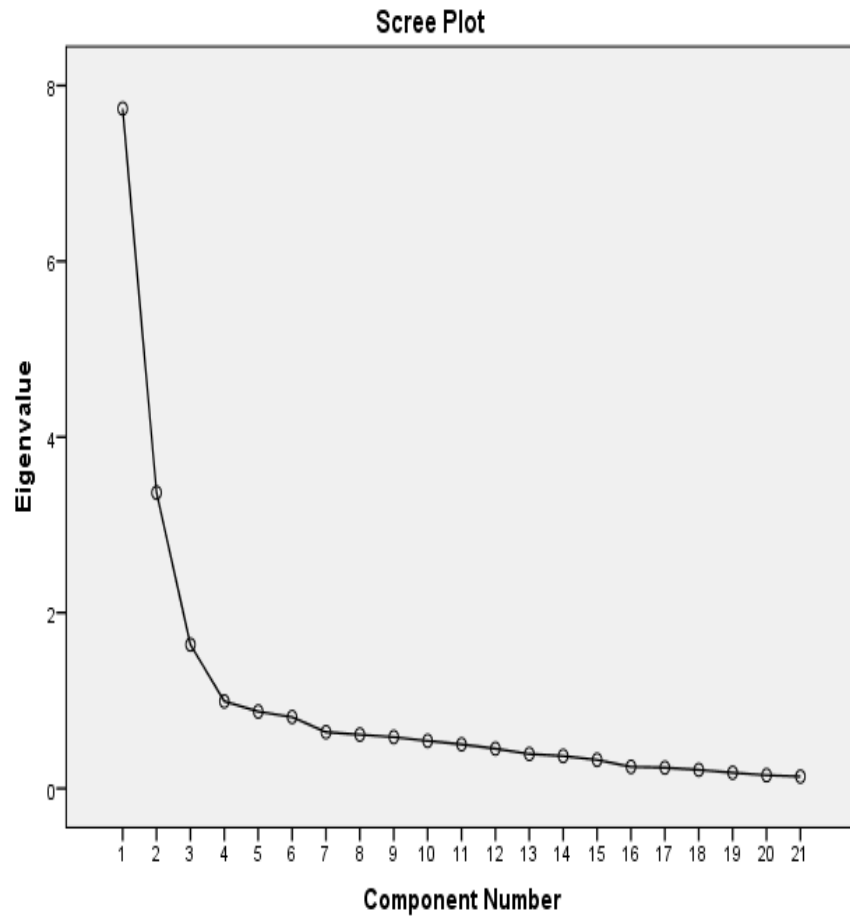
	Initial	Extraction
H1	1.000	.317
H2	1.000	.682
H3	1.000	.570
H4	1.000	.732
H5	1.000	.756
H6	1.000	.689
H7	1.000	.652
R1	1.000	.632
R2	1.000	.788
R3	1.000	.739
R4	1.000	.797
R5	1.000	.783
R6	1.000	.650
R7	1.000	.424
FS1	1.000	.572
FS2	1.000	.568
FS3	1.000	.399
FS4	1.000	.504
FS5	1.000	.511
FS6	1.000	.444
FS7	1.000	.533

Extraction Method: Principal  
Component Analysis.

**Total Variance Explained**

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.737	36.845	36.845	4.927	23.460	23.460
2	3.366	16.031	52.876	4.396	20.933	44.393
3	1.637	7.794	60.670	3.418	16.277	60.670
4	.992	4.724	65.394			
5	.875	4.167	69.562			
6	.813	3.870	73.431			
7	.640	3.050	76.481			
8	.613	2.918	79.399			
9	.585	2.784	82.184			
10	.541	2.577	84.761			
11	.502	2.392	87.153			
12	.453	2.156	89.309			
13	.392	1.865	91.173			
14	.369	1.756	92.930			
15	.325	1.548	94.477			
16	.246	1.172	95.650			
17	.237	1.128	96.778			
18	.211	1.006	97.784			
19	.180	.855	98.639			
20	.150	.716	99.355			
21	.136	.645	100.000			

Extraction Method: Principal Component Analysis.



### Component Matrix<sup>a</sup>

	Component		
	1	2	3
R5	.821		
R4	.819		
H5	-.810		
R2	.786		.403
R3	.780		
H6	-.756		
R6	.752		
H7	-.750		
H4	-.745		
R1	.726		
H2	-.725		
H3	-.631		
R7	.603		
H1	-.467		
FS1		.750	
FS2		.738	
FS4		.705	
FS7		.700	
FS5		.665	
FS3		.632	
FS6		.583	

Extraction Method: Principal Component Analysis.  
 a. 3 components extracted.

**Rotated Component Matrix<sup>a</sup>**

	Component		
	1	2	3
R2	.854		
R4	.839		
R5	.825		
R3	.818		
R1	.748		
R6	.745		
R7	.608		
H4		.802	
H2		.778	
H5		.776	
H6		.760	
H3		.728	
H7		.721	
H1		.541	
FS2			.750
FS1			.746
FS7			.721
FS5			.693
FS4			.690
FS3			.627
FS6			.619

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

**Component Transformation Matrix**

Component	1	2	3
1	.734	-.669	.115
2	-.045	.120	.992
3	.678	.733	-.058

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.



# **APPENDIX C**

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## Reliability Test

# 1) Reliability Test for Islamic Financial Literacy

**Case Processing Summary**

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.773	.777	7

**Inter-Item Correlation Matrix**

	L1	L2	L3	L4	L5	L6	L7
L1	1.000	.313	.275	.307	.325	.194	.294
L2	.313	1.000	.382	.352	.417	.361	.247
L3	.275	.382	1.000	.273	.470	.362	.282
L4	.307	.352	.273	1.000	.352	.348	.248
L5	.325	.417	.470	.352	1.000	.484	.296
L6	.194	.361	.362	.348	.484	1.000	.401
L7	.294	.247	.282	.248	.296	.401	1.000

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
L1	24.46	12.250	.422	.206	.759
L2	23.93	10.799	.521	.284	.741
L3	23.75	11.709	.512	.290	.741
L4	24.04	12.169	.468	.230	.749
L5	23.61	11.897	.599	.390	.726
L6	23.75	12.008	.537	.352	.737
L7	23.81	12.469	.431	.222	.756

## 2) Reliability Test for Hopelessness

**Case Processing Summary**

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.893	.896	7

**Inter-Item Correlation Matrix**

	H1	H2	H3	H4	H5	H6	H7
H1	1.000	.493	.249	.345	.412	.374	.329
H2	.493	1.000	.527	.664	.693	.631	.518
H3	.249	.527	1.000	.700	.514	.472	.607
H4	.345	.664	.700	1.000	.656	.600	.621
H5	.412	.693	.514	.656	1.000	.800	.679
H6	.374	.631	.472	.600	.800	1.000	.706
H7	.329	.518	.607	.621	.679	.706	1.000

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
H1	11.14	23.816	.442	.258	.908
H2	11.62	21.433	.752	.611	.870
H3	11.54	22.230	.638	.549	.884
H4	11.56	21.253	.765	.648	.868
H5	11.73	21.746	.802	.724	.865
H6	11.65	21.838	.757	.699	.870
H7	11.63	22.455	.730	.617	.873

### 3) Reliability Test for Religiosity

**Case Processing Summary**

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.920	.922	7

**Inter-Item Correlation Matrix**

	R1	R2	R3	R4	R5	R6	R7
R1	1.000	.769	.599	.659	.578	.556	.398
R2	.769	1.000	.680	.796	.712	.653	.443
R3	.599	.680	1.000	.716	.756	.590	.608
R4	.659	.796	.716	1.000	.784	.653	.501
R5	.578	.712	.756	.784	1.000	.747	.495
R6	.556	.653	.590	.653	.747	1.000	.466
R7	.398	.443	.608	.501	.495	.466	1.000

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
R1	27.72	9.899	.706	.608	.913
R2	27.73	9.314	.819	.756	.901
R3	27.76	9.382	.799	.682	.903
R4	27.78	9.057	.835	.741	.899
R5	27.79	8.893	.832	.758	.899
R6	27.86	8.949	.735	.601	.911
R7	27.86	9.940	.566	.393	.926

#### 4) Reliability Test for Financial Satisfaction

**Case Processing Summary**

		N	%
Cases	Valid	200	100.0
	Excluded <sup>a</sup>	0	.0
	Total	200	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.820	.821	7

**Inter-Item Correlation Matrix**

	FS1	FS2	FS3	FS4	FS5	FS6	FS7
FS1	1.000	.573	.403	.413	.425	.301	.429
FS2	.573	1.000	.309	.384	.520	.387	.455
FS3	.403	.309	1.000	.390	.278	.317	.369
FS4	.413	.384	.390	1.000	.375	.338	.408
FS5	.425	.520	.278	.375	1.000	.401	.421
FS6	.301	.387	.317	.338	.401	1.000	.424
FS7	.429	.455	.369	.408	.421	.424	1.000

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
FS1	20.57	14.055	.617	.422	.787
FS2	20.29	14.106	.634	.455	.784
FS3	20.32	15.638	.481	.259	.810
FS4	20.68	15.252	.544	.302	.799
FS5	20.36	15.288	.573	.359	.795
FS6	19.85	16.691	.504	.279	.807
FS7	20.29	14.782	.593	.359	.791

# **APPENDIX D**

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## Normality Test

**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Mean_L	200	100.0%	0	0.0%	200	100.0%
Mean_H	200	100.0%	0	0.0%	200	100.0%
Mean_R	200	100.0%	0	0.0%	200	100.0%
Mean_FS	200	100.0%	0	0.0%	200	100.0%

**Descriptives**

		Statistic	Std. Error
	Mean	3.9843	.03991
95% Confidence Interval for Mean	Lower Bound	3.9056	
	Upper Bound	4.0630	
	5% Trimmed Mean	3.9992	
	Median	4.0000	
	Variance	.318	
Mean_L	Std. Deviation	.56435	
	Minimum	2.57	
	Maximum	5.00	
	Range	2.43	
	Interquartile Range	.86	
	Skewness	-.300	.172
	Kurtosis	-.552	.342

		Statistic	Std. Error
	Mean	1.9250	.05493
95% Confidence Interval for Mean	Lower Bound	1.8167	
	Upper Bound	2.0333	
	5% Trimmed Mean	1.8786	
	Median	1.8571	
	Variance	.603	
Mean_H	Std. Deviation	.77680	
	Minimum	1.00	
	Maximum	4.29	
	Range	3.29	
	Interquartile Range	1.29	
	Skewness	.672	.172
	Kurtosis	-.303	.342

		Statistic	Std. Error
Mean_R	Mean	4.6307	.03579
	95% Confidence Interval for Mean	Lower Bound 4.5601	
		Upper Bound 4.7013	
	5% Trimmed Mean	4.6841	
	Median	4.8571	
	Variance	.256	
	Std. Deviation	.50620	
	Minimum	3.14	
	Maximum	5.00	
	Range	1.86	
	Interquartile Range	.57	
	Skewness	-1.351	.172
	Kurtosis	.707	.342

		Statistic	Std. Error
Mean_FS	Mean	3.3900	.04515
	95% Confidence Interval for Mean	Lower Bound 3.3010	
		Upper Bound 3.4790	
	5% Trimmed Mean	3.3921	
	Median	3.3571	
	Variance	.408	
	Std. Deviation	.63851	
	Minimum	1.57	
	Maximum	5.00	
	Range	3.43	
	Interquartile Range	.71	
	Skewness	.002	.172
	Kurtosis	.248	.342

#### Tests of Normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Mean_L	.093	200	.000	.975	200	.001
Mean_H	.117	200	.000	.925	200	.000
Mean_R	.263	200	.000	.749	200	.000
Mean_FS	.084	200	.001	.985	200	.029



a. Lilliefors Significance Correction

Extreme Values			Case Number	Value
Mean_L	Highest	1	1	5.00
		2	18	5.00
		3	111	5.00
		4	164	5.00
		5	170	5.00
	Lowest	1	72	2.57
		2	69	2.57
		3	75	2.71
		4	68	2.71
		5	66	2.71
Mean_H	Highest	1	162	4.29
		2	192	4.00
		3	193	4.00
		4	183	3.86
		5	10	3.57 <sup>a</sup>
	Lowest	1	189	1.00
		2	177	1.00
		3	165	1.00
		4	164	1.00
		5	159	1.00 <sup>b</sup>
Mean_R	Highest	1	3	5.00
		2	4	5.00
		3	8	5.00
		4	10	5.00
		5	12	5.00 <sup>c</sup>
	Lowest	1	109	3.14
		2	75	3.14
		3	188	3.29
		4	73	3.29
		5	72	3.29 <sup>d</sup>
Mean_FS	Highest	1	32	5.00
		2	33	5.00
		3	55	5.00
		4	110	4.86
		5	182	4.71
	Lowest	1	92	1.57
		2	154	1.86
		3	136	2.00
		4	94	2.00
		5	93	2.00

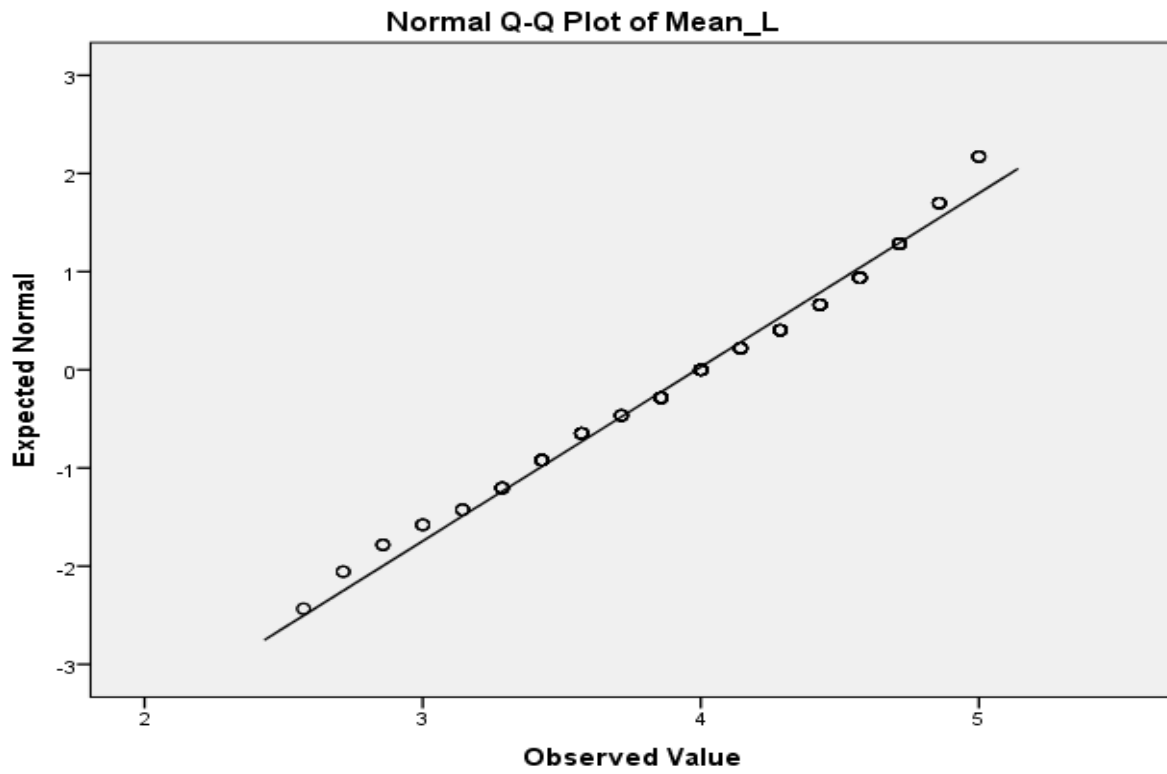
a. Only a partial list of cases with the value 3.57 are shown in the table of upper extremes.

b. Only a partial list of cases with the value 1.00 are shown in the table of lower extremes.

c. Only a partial list of cases with the value 5.00 are shown in the table of upper extremes.

d. Only a partial list of cases with the value 3.29 are shown in the table of lower extremes.

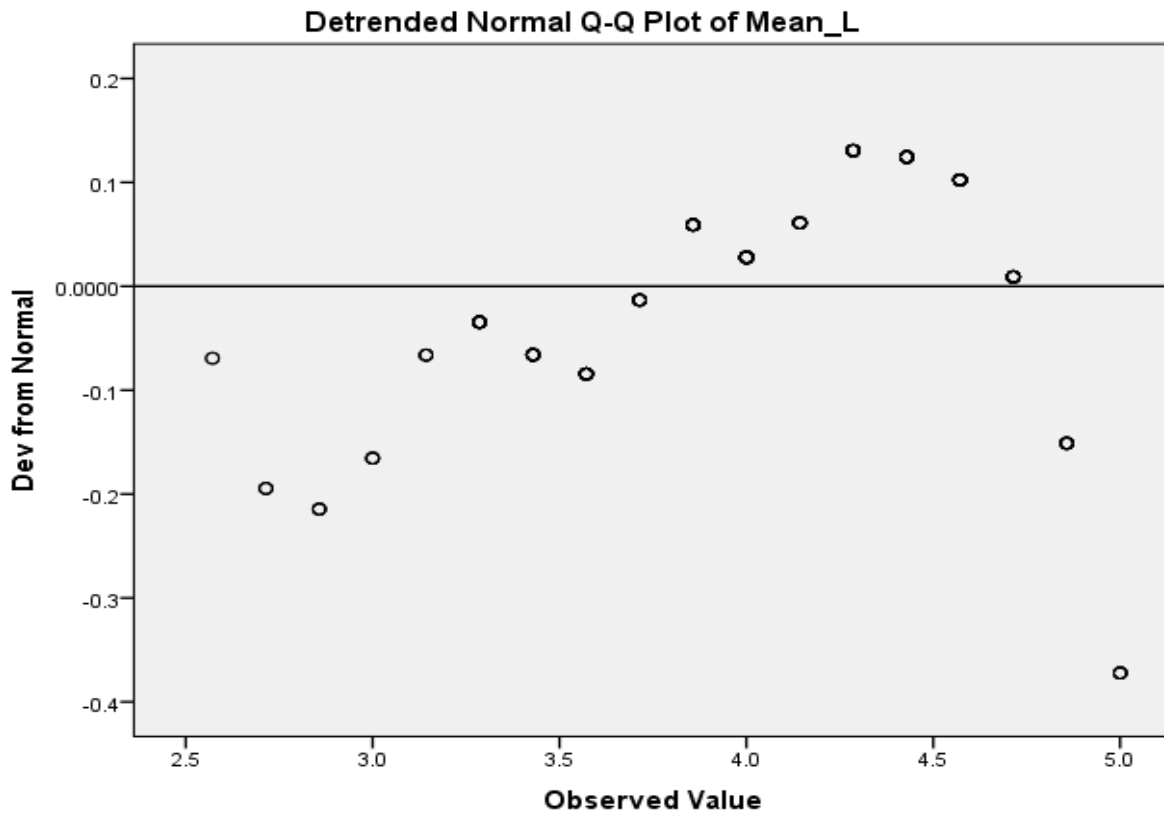
# 1) Normality Test for Islamic Financial Literacy



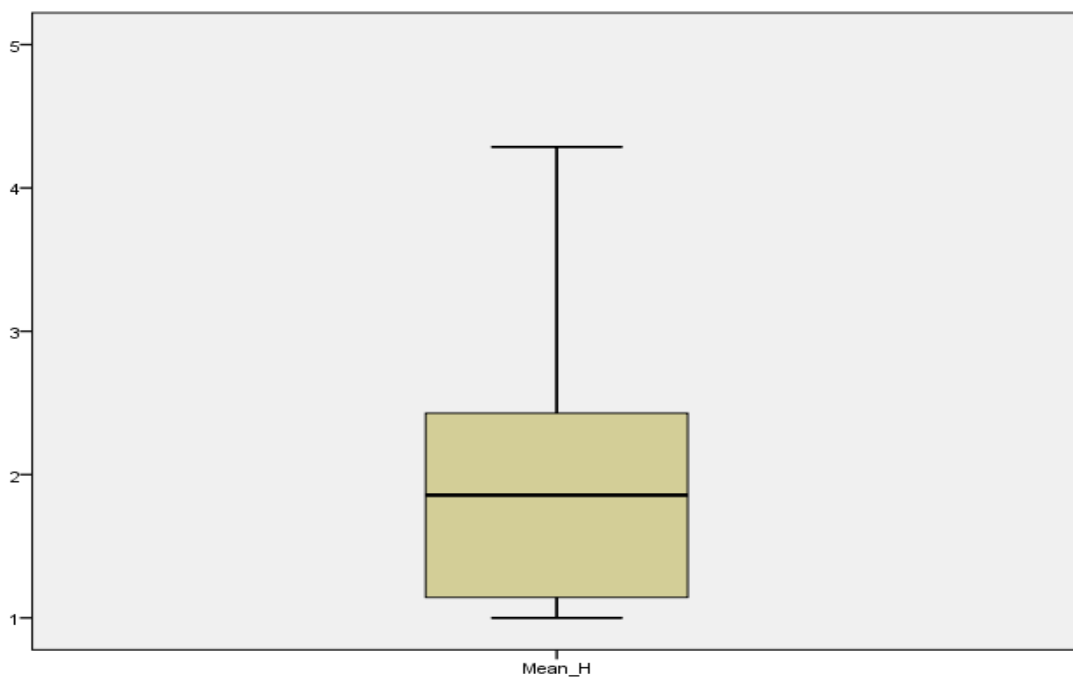
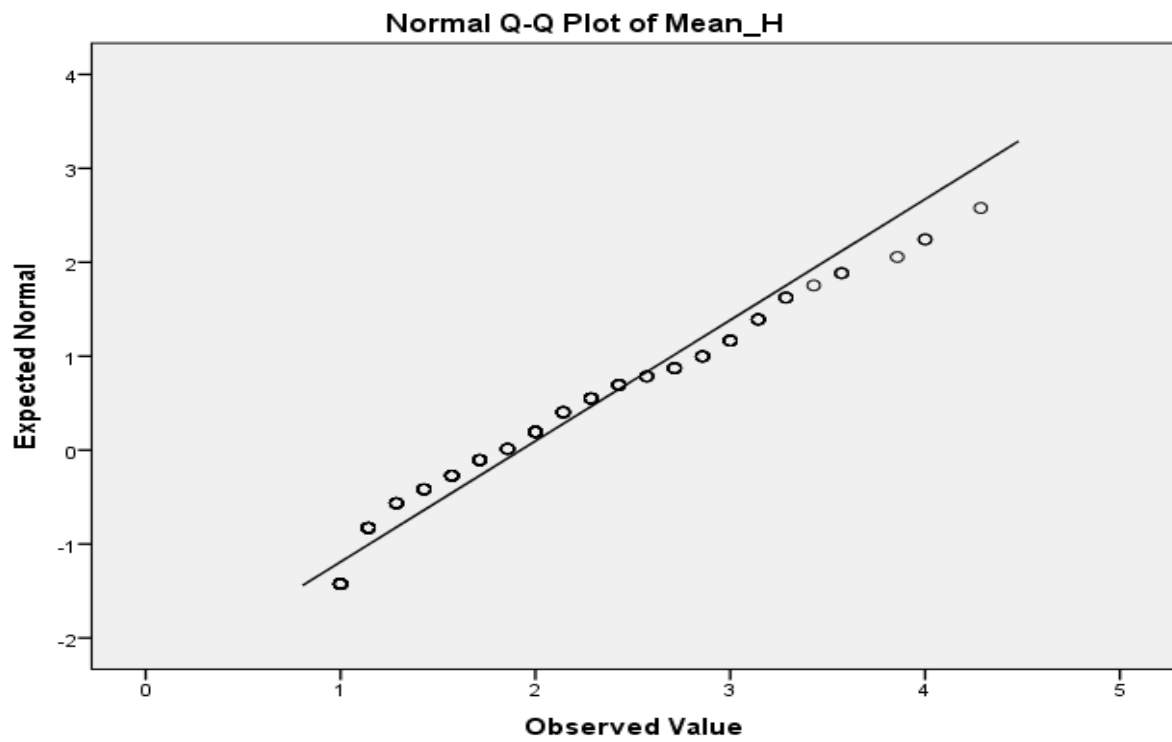
Mean\_L Stem-and-Leaf Plot

Frequency	Stem & Leaf
2.00	2 . 55
3.00	2 . 777
4.00	2 . 8888
8.00	3 . 00001111
11.00	3 . 2222222222
32.00	3 . 44444444444444445555555555555555
8.00	3 . 77777777
19.00	3 . 888888888888888888888888
35.00	4 . 0000000000000000000000000111111111
19.00	4 . 22222222222222222222
32.00	4 . 444444444444444444455555555555555
15.00	4 . 7777777777777777
7.00	4 . 88888888
5.00	5 . 00000

Stem width: 1.00  
 Each leaf: 1 case(s)



## 2) Normality Test for Hopelessness

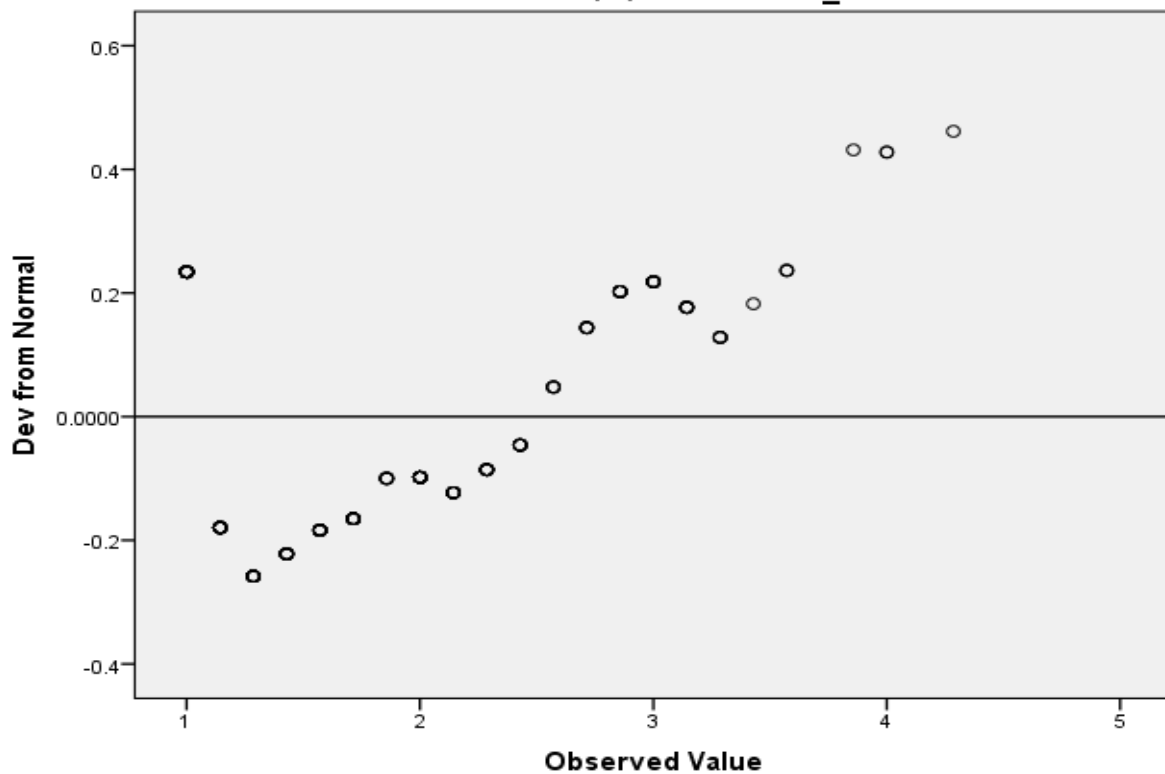


Mean\_H Stem-and-Leaf Plot

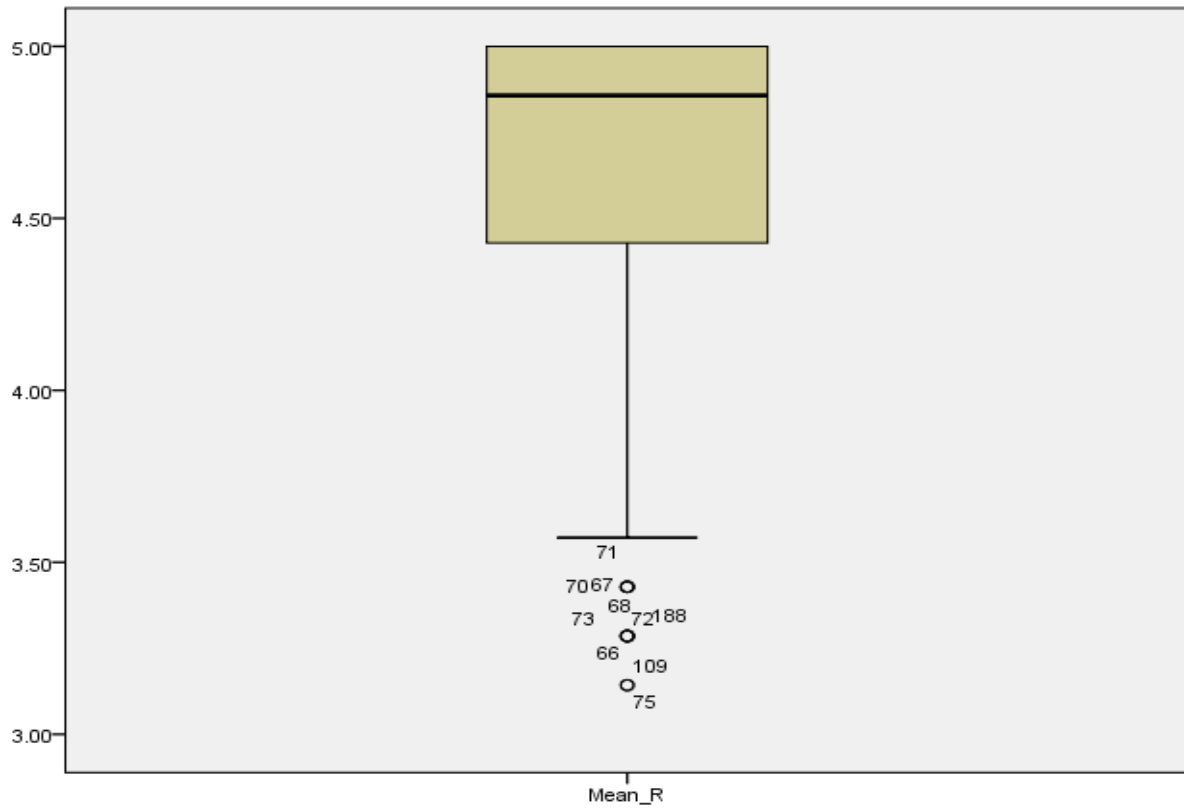
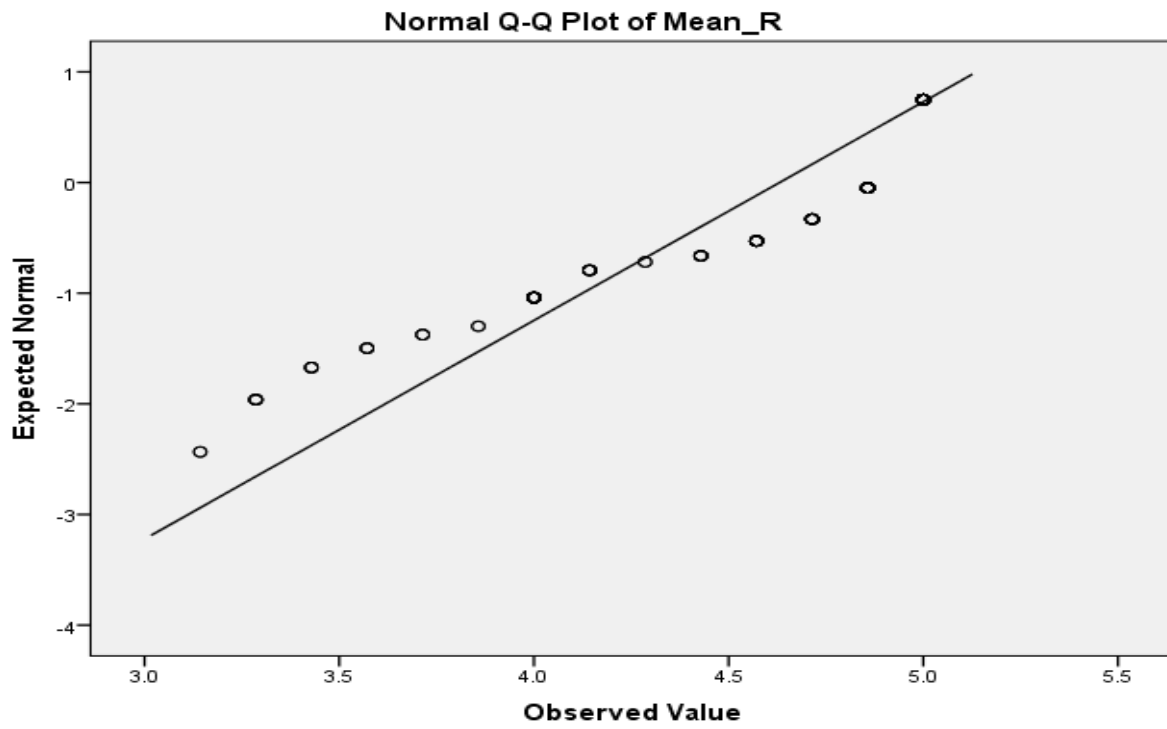
Frequency	Stem &	Leaf
51.00	1 .	00000000000000000000000000011111111111111111111
12.00	1 .	222222222222
22.00	1 .	4444444445555555555555
13.00	1 .	7777777777777
6.00	1 .	888888
32.00	2 .	000000000000000000000111111111
12.00	2 .	222222222222
11.00	2 .	44444445555
6.00	2 .	777777
7.00	2 .	8888888
16.00	3 .	0000000011111111
4.00	3 .	2222
4.00	3 .	4555
.00	3 .	
1.00	3 .	8
2.00	4 .	00
1.00	4 .	2

Stem width: 1.00  
Each leaf: 1 case(s)

Detrended Normal Q-Q Plot of Mean\_H

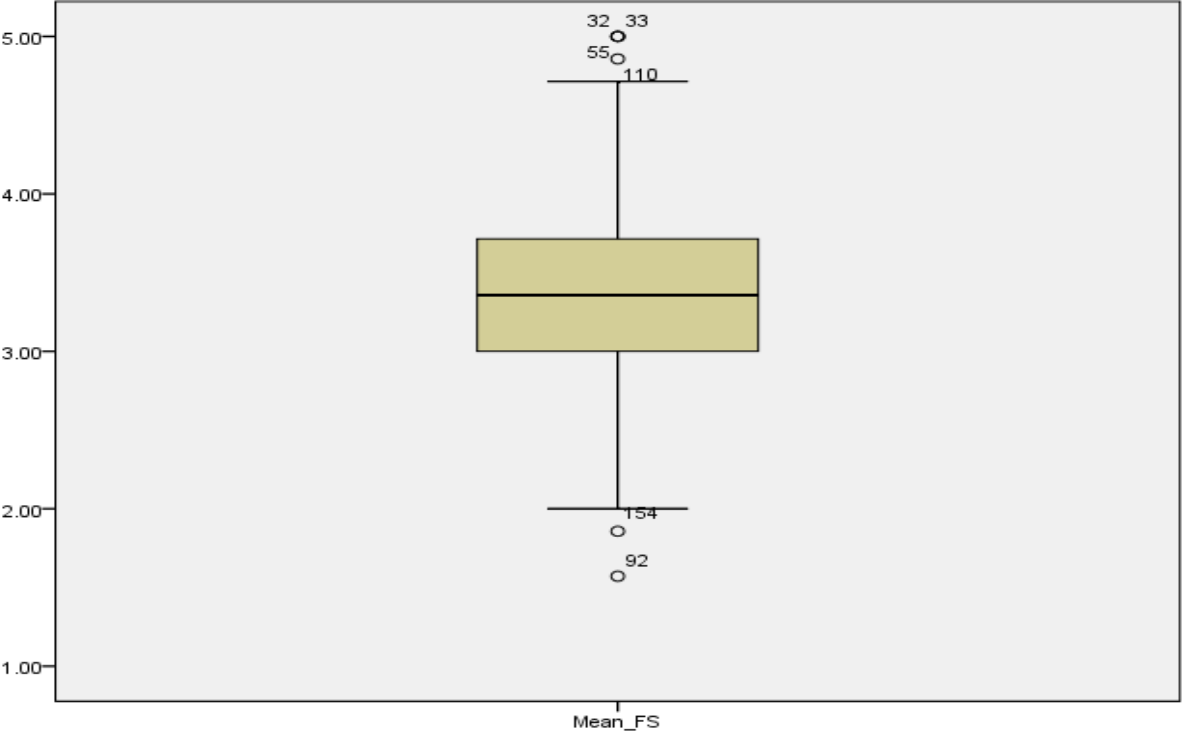
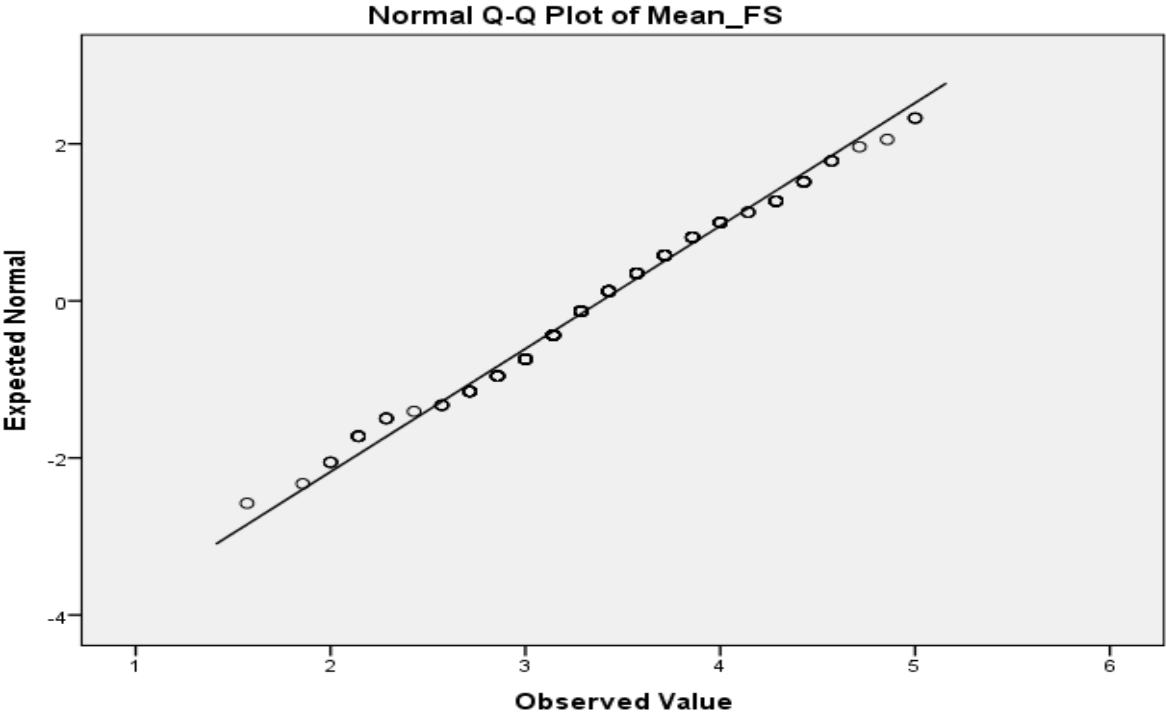


### 3) Normality Test for Religiosity





#### 4) Normality Test for Financial Satisfaction



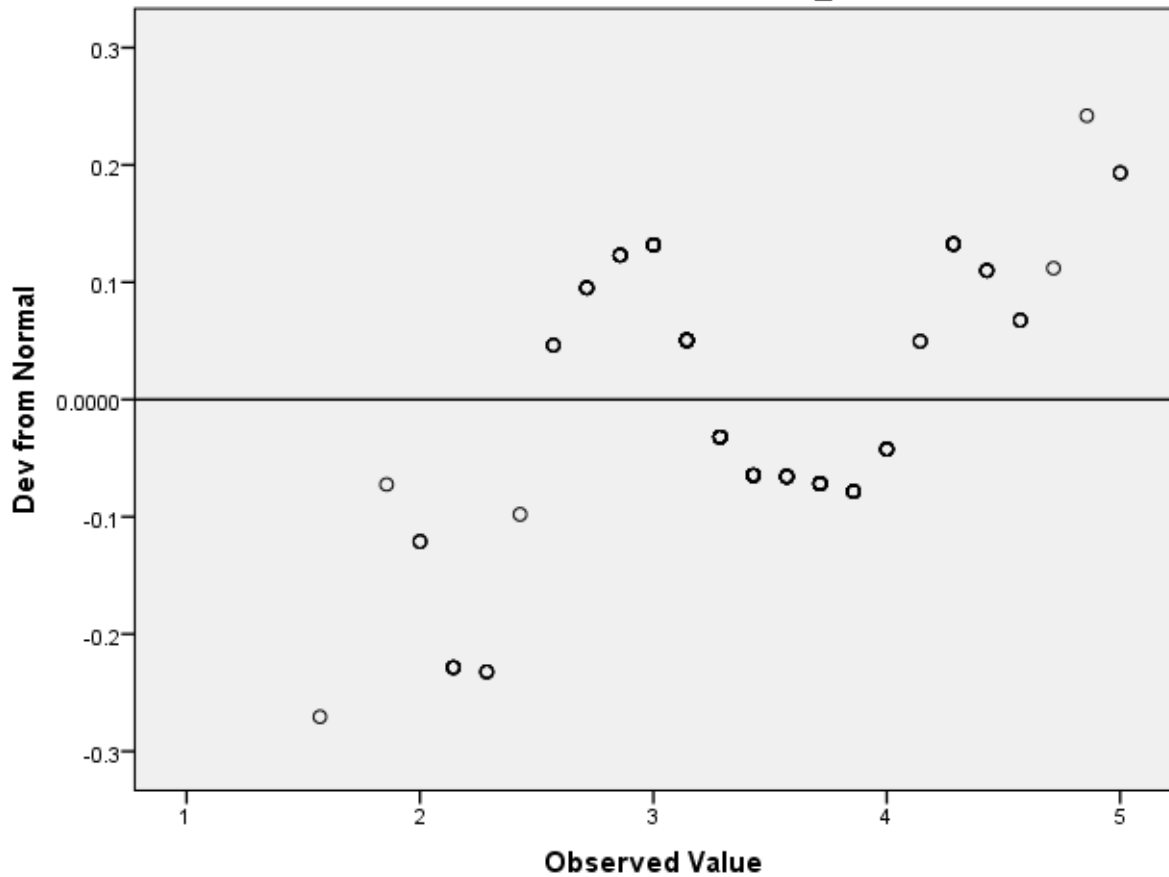


Mean\_FS Stem-and-Leaf Plot

Frequency	Stem &	Leaf
2.00	Extremes	(=<1.9)
9.00	2 .	000111111
4.00	2 .	2222
5.00	2 .	45555
9.00	2 .	777777777
9.00	2 .	888888888
41.00	3 .	0000000000000001111111111111111111111
21.00	3 .	22222222222222222222
35.00	3 .	4444444444444444444444555555555555555
18.00	3 .	777777777777777777
11.00	3 .	88888888888
12.00	4 .	000000000111
8.00	4 .	22222222
11.00	4 .	44444445555
1.00	4 .	7
4.00	Extremes	(>=4.9)

Stem width: 1.00  
Each leaf: 1 case(s)

Detrended Normal Q-Q Plot of Mean\_FS



# **APPENDIX E**

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## Descriptive Statistic

**A) Frequency Table for Gender**

		<b>Gender</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	83	41.5	41.5	41.5
Valid	Female	117	58.5	58.5	100.0
	Total	200	100.0	100.0	

**B) Frequency Table for Age**

		<b>AgeGroup</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
	20 and below	57	28.5	28.5	28.5
Valid	21-22	104	52.0	52.0	80.5
	22 above	39	19.5	19.5	100.0
	Total	200	100.0	100.0	

**C) Frequency Table for Race**

		<b>Race</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
	Malay	186	93.0	93.0	93.0
Valid	Others	14	7.0	7.0	100.0
	Total	200	100.0	100.0	

**D) Frequency for Respondent's Year of Study**

		<b>Ystudy</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First Year	56	28.0	28.0	28.0
	Second Year	67	33.5	33.5	61.5
	Third Year	77	38.5	38.5	100.0
	Total	200	100.0	100.0	

**E) Frequency for Educational Financing**

		<b>EduFinancing</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Loan	126	63.0	63.0	63.0
	Parent or Family	29	14.5	14.5	77.5
	Scholarship	45	22.5	22.5	100.0
	Total	200	100.0	100.0	

**F) Level of Islamic Financial Literacy and Each Psychosocial Factors of Respondents**

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Mean_L	200	2.57	5.00	3.9843	.56435
Mean_H	200	1.00	4.29	1.9250	.77680
Mean_R	200	3.14	5.00	4.6307	.50620
Mean_FS	200	1.57	5.00	3.3900	.63851
Valid N (listwise)	200				

# **APPENDIX F**

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T-test (Gender)

One-way ANOVA (Year of Study)

## A) Independent T-test (Gender)

**Group Statistics**

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Mean_L	Male	83	4.1153	.48546	.05329
	Female	117	3.8913	.59898	.05538

**Independent Samples Test**

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances assumed	4.111	.044	2.813	198	.005	.22399	.07962	.06698	.38100
Equal variances not assumed			2.915	194.442	.004	.22399	.07685	.07242	.37555

## B) One-way ANOVA(Year of Study)

### Descriptives

Mean\_L

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
First Year	56	3.9184	.49626	.06632	3.7855	4.0513	2.86	5.00
Second Year	67	3.8273	.60330	.07370	3.6801	3.9744	2.57	4.86
Third Year	77	4.1688	.52934	.06032	4.0487	4.2890	3.00	5.00
Total	200	3.9843	.56435	.03991	3.9056	4.0630	2.57	5.00

### ANOVA

Mean\_L

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.517	2	2.259	7.559	.001
Within Groups	58.862	197	.299		
Total	63.379	199			

**Test of Homogeneity of Variances**

Mean\_L

Levene Statistic	df1	df2	Sig.
1.767	2	197	.173

**Post Hoc Tests**

**Multiple Comparisons**

Dependent Variable: Mean\_L

LSD

(I) Ystudy	(J) Ystudy	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
First Year	Second Year	.09108	.09897	.359	-.1041	.2863
	Third Year	-.25046*	.09600	.010	-.4398	-.0611
Second Year	First Year	-.09108	.09897	.359	-.2863	.1041
	Third Year	-.34154*	.09132	.000	-.5216	-.1614
Third Year	First Year	.25046*	.09600	.010	.0611	.4398
	Second Year	.34154*	.09132	.000	.1614	.5216

\*. The mean difference is significant at the 0.05 level.



# **APPENDIX G**

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## Relationship Between Islamic Financial Literacy and Psychosocial Factors

**Correlations**

		Mean_L	Mean_H	Mean_R	Mean_FS
Mean_L	Pearson Correlation	1	-.502**	.587**	.150*
	Sig. (2-tailed)		.000	.000	.036
	N	196	196	196	196
Mean_H	Pearson Correlation	-.502**	1	-.691**	-.090
	Sig. (2-tailed)	.000		.000	.208
	N	196	196	196	196
Mean_R	Pearson Correlation	.587**	-.691**	1	.110
	Sig. (2-tailed)	.000	.000		.125
	N	196	196	196	196
Mean_FS	Pearson Correlation	.150*	-.090	.110	1
	Sig. (2-tailed)	.036	.208	.125	
	N	196	196	196	196

\*\* . Correlation is significant at the 0.01 level (2-tailed).

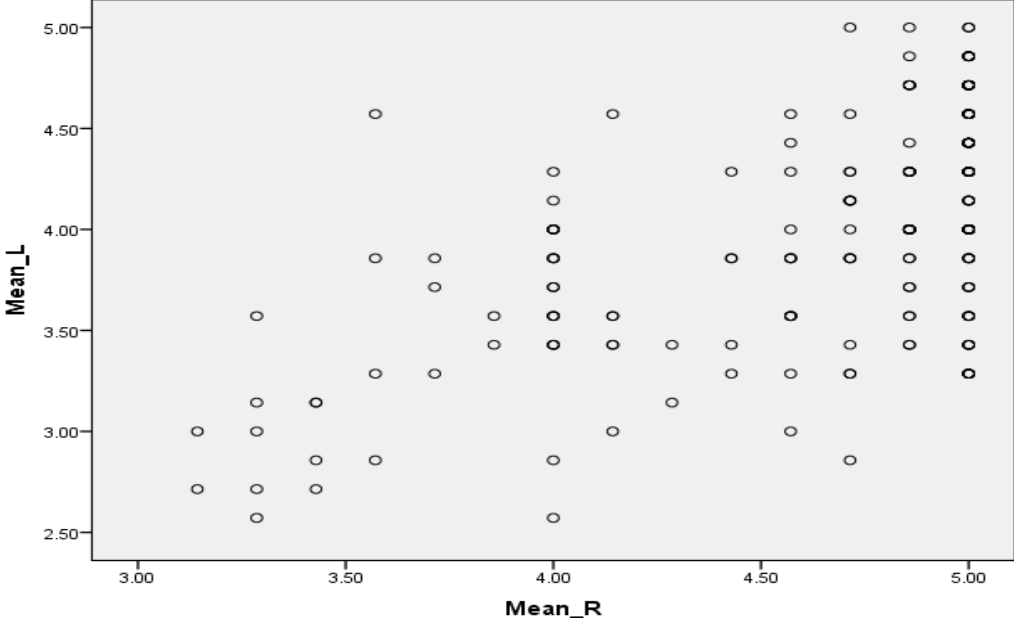
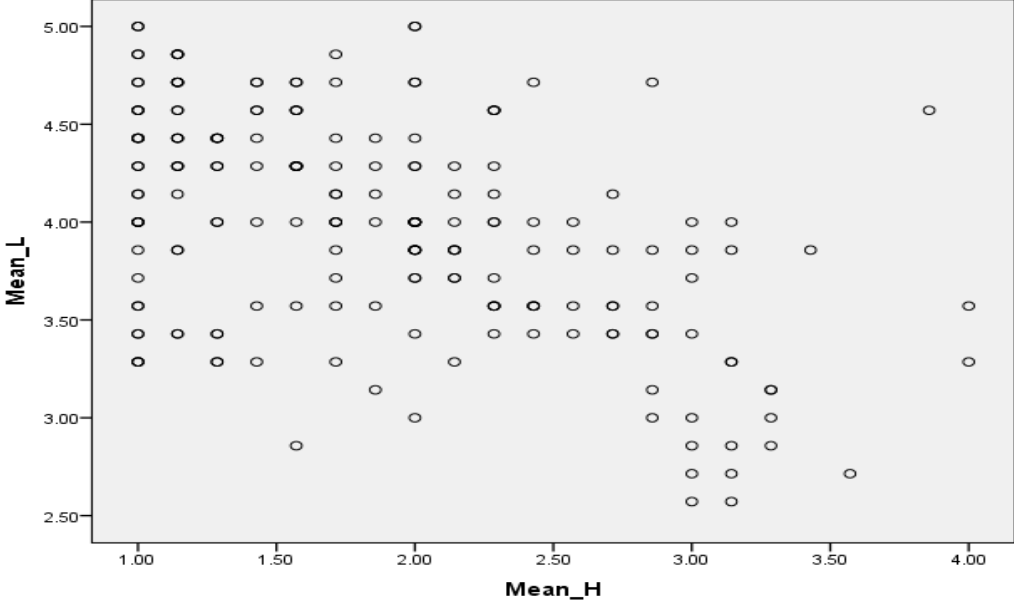
\* . Correlation is significant at the 0.05 level (2-tailed).

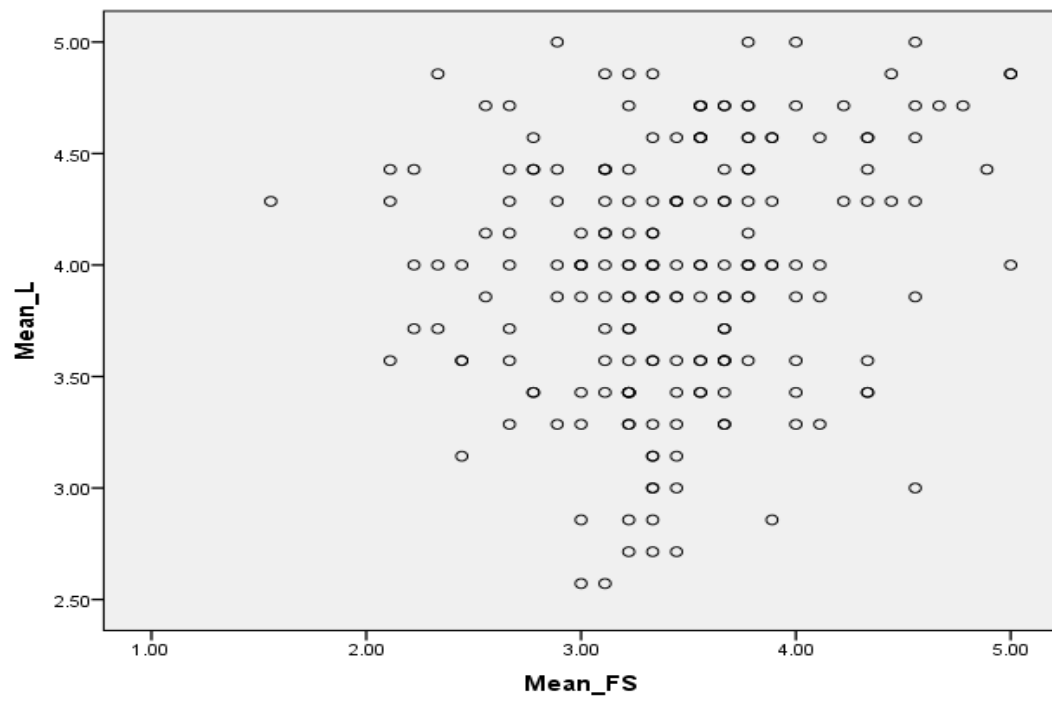
# APPENDIX H

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Linearity (Single Scatter Plots), Multicollinearity  
and Multiple Regressions, Normal P-P Plot, Scatter  
Plot, Partial Regression Plot

# 1) Linearity (Single Scatter Plots)





## 2) Multicollinearity & Multiple Regressions

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	Gender, Mean_FS, Mean_H, Mean_R <sup>b</sup>		Enter

a. Dependent Variable: Mean\_L

b. All requested variables entered.

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.629 <sup>a</sup>	.396	.383	.44128	1.742

a. Predictors: (Constant), Gender, Mean\_FS, Mean\_H, Mean\_R

b. Dependent Variable: Mean\_L

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.383	4	6.096	31.303	.000 <sup>b</sup>
	Residual	37.194	191	.195		
	Total	61.576	195			

a. Dependent Variable: Mean\_L

b. Predictors: (Constant), Gender, Mean\_FS, Mean\_H, Mean\_R

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
	(Constant)	1.592	.505		3.151	.002	
1	Mean_H	-.132	.059	-.174	-2.234	.027	.521
	Mean_R	.501	.086	.453	5.805	.000	.520
	Mean_FS	.070	.050	.078	1.385	.168	.987
	Gender	.185	.064	.163	2.888	.004	.996

a. Dependent Variable: Mean\_L

**Collinearity Diagnostics<sup>a</sup>**

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	Mean_H	Mean_R	Mean_FS	Gender
1	1	4.324	1.000	.00	.00	.00	.00	.02
	2	.527	2.865	.00	.01	.00	.00	.96
	3	.124	5.907	.00	.40	.01	.02	.02
	4	.023	13.614	.02	.00	.06	.95	.00
	5	.002	42.218	.98	.58	.93	.03	.00

a. Dependent Variable: Mean\_L

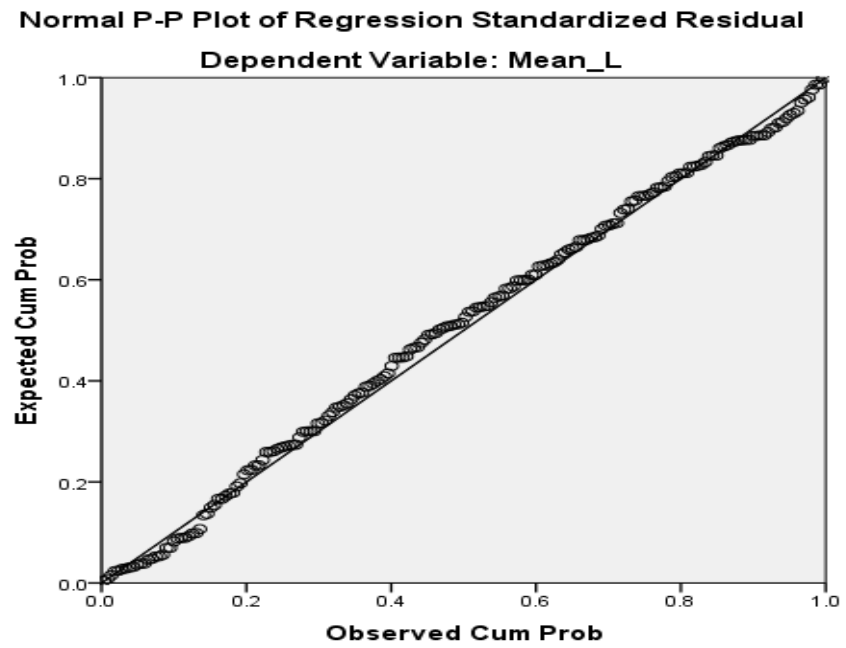
**Residuals Statistics<sup>a</sup>**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.9846	4.4462	3.9713	.35359	196
Std. Predicted Value	-2.791	1.342	-.001	1.000	196
Standard Error of Predicted Value	.042	.111	.069	.015	196
Adjusted Predicted Value	2.9975	4.4345	3.9709	.35373	196
Residual	-1.15584	1.27647	.00032	.43673	196
Std. Residual	-2.619	2.893	.001	.990	196
Stud. Residual	-2.636	2.970	.001	1.002	196
Deleted Residual	-1.17095	1.34527	.00072	.44789	196
Stud. Deleted Residual	-2.679	3.033	.001	1.007	196
Mahal. Distance	.731	11.307	3.978	2.313	196
Cook's Distance	.000	.095	.005	.009	196
Centered Leverage Value	.004	.058	.020	.012	196

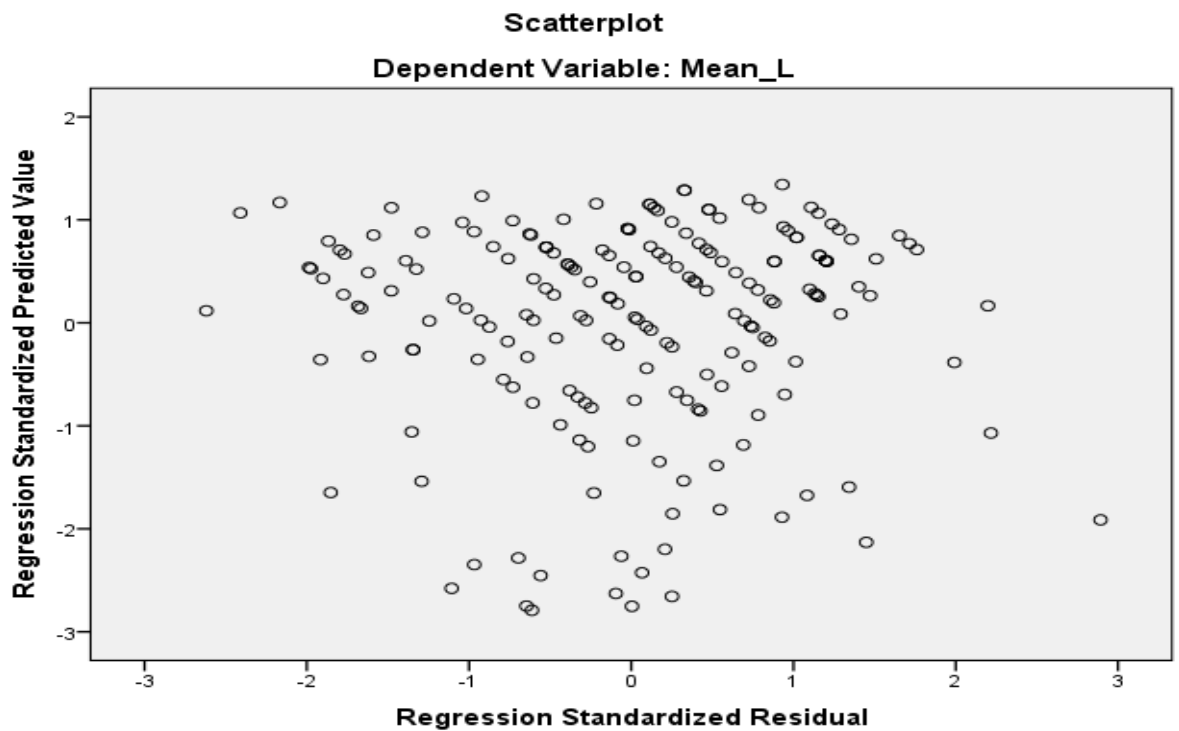
a. Dependent Variable: Mean\_L



## 1) Normal of P-P Plot of Regression



## 2) Scatter Plot



### 3) Partial Regression Plot

