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THE INFLUENCE OF ISLAMIC EDUCATION ON SHARIA FINANCIAL BEHAVIOR THROUGH ISLAMIC ECONOMIC LITERACY: THE MODERATING ROLE OF RELIGIOSITY

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ABSTRAK

Pesatnya perkembangan layanan keuangan digital telah meningkatkan pentingnya pembentukan perilaku keuangan syariah pada Generasi Z, namun mekanisme bagaimana pendidikan Islam membentuk perilaku tersebut masih belum dipahami secara komprehensif. Penelitian ini bertujuan menganalisis pengaruh pendidikan Islam terhadap perilaku keuangan syariah melalui literasi ekonomi Islam serta menguji peran religiusitas sebagai variabel moderasi. Penelitian menggunakan pendekatan kuantitatif dengan desain survei potong lintang (cross-sectional). Data dikumpulkan melalui kuesioner dari 150 responden Generasi Z di Kota Palopo, Indonesia, yang dipilih menggunakan teknik purposive sampling. Analisis data dilakukan menggunakan Partial Least Squares Structural Equation Modeling (PLS-SEM) dengan bantuan SmartPLS 3. Hasil penelitian menunjukkan bahwa pendidikan Islam berpengaruh positif dan signifikan terhadap literasi ekonomi Islam, sedangkan literasi ekonomi Islam berpengaruh positif dan signifikan terhadap perilaku keuangan syariah. Sebaliknya, pengaruh langsung pendidikan Islam terhadap perilaku keuangan syariah tidak signifikan, sehingga literasi ekonomi Islam terbukti memediasi secara penuh hubungan tersebut. Selain itu, religiusitas berperan sebagai variabel moderasi yang signifikan pada hubungan antara literasi ekonomi Islam dan perilaku keuangan syariah, menunjukkan bahwa tingkat komitmen keagamaan memengaruhi bagaimana literasi ekonomi Islam diterjemahkan ke dalam perilaku keuangan yang sesuai dengan prinsip syariah. Model penelitian juga memiliki kemampuan penjelasan dan prediksi yang kuat. Temuan ini memberikan kontribusi teoretis dengan memperluas literatur pendidikan Islam dan ekonomi Islam melalui pengembangan model yang mengintegrasikan dimensi pendidikan, kognitif, dan religius dalam menjelaskan perilaku keuangan syariah. Secara praktis, hasil penelitian merekomendasikan penguatan literasi ekonomi Islam dalam kurikulum pendidikan Islam serta penguatan nilai-nilai religius untuk mendorong terbentuknya perilaku keuangan syariah yang berkelanjutan di kalangan Generasi Z.

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Keywords:
Islamic education; Islamic economic literacy; Sharia financial behavior; religiosity

ABSTRACTS

The rapid expansion of digital financial services has increased the importance of promoting Sharia-compliant financial behavior among Generation Z, yet the mechanisms through which Islamic education shapes such behavior remain insufficiently understood. This study investigates the influence of Islamic education on Sharia financial behavior through the mediating role of Islamic economic literacy while examining the moderating role of religiosity. A quantitative research design was employed using a cross-sectional survey of 150 Generation Z respondents in Palopo City, Indonesia. Data were collected through a structured questionnaire and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3. The results indicate that Islamic education has a significant positive effect on Islamic economic literacy, and Islamic economic literacy significantly enhances Sharia financial behavior. However, the direct effect of Islamic education on Sharia financial behavior is not significant, indicating that Islamic economic literacy fully mediates this relationship. Furthermore, religiosity significantly moderates the relationship between Islamic economic literacy and Sharia financial behavior, demonstrating that the influence of financial literacy on behavior varies according to individuals' levels of religious commitment. The proposed model also exhibits substantial explanatory and predictive power, confirming the robustness of the integrated framework. These findings contribute to the Islamic education and Islamic finance literature by demonstrating that value-based education promotes ethical financial behavior primarily through the development of Islamic economic literacy rather than through direct influence. Practically, the study suggests that educational institutions and policymakers should strengthen Islamic economic literacy within Islamic education curricula while reinforcing religious values to foster sustainable Sharia financial behavior among Generation Z in the digital era.

A. INTRODUCTION

The rapid expansion of the digital economy has transformed financial decision-making, particularly among Generation Z, who are characterized by high digital engagement and extensive use of financial technologies (Patrisia et al., 2023). While digital financial services have improved accessibility, they have also increased the complexity of financial decision-making, highlighting the importance of Islamic financial behavior that aligns with Sharia principles. Consequently, strengthening Islamic economic literacy has become a strategic priority for ensuring that financial decisions reflect both economic rationality and Islamic ethical values (Mahmoud et al., 2025).

The sustainable growth of the Islamic finance industry depends not only on expanding financial access but also on improving individuals' understanding of Islamic economic principles (Mansyur et al., 2025). Islamic economic literacy extends beyond knowledge of Islamic financial products by incorporating values such as justice *(adl),* social welfare *(maslahah),* and the prohibition of riba, gharar, and maysir in economic activities. Previous studies have demonstrated that higher levels of Islamic financial literacy positively influence financial inclusion, business performance, and responsible financial decision-making among Muslims (Aisyah et al., 2024). Likewise, Islamic financial literacy has been found to strengthen business competitiveness by encouraging the adoption of Sharia-compliant financial practices (Masrizal et al., 2024).

Despite these findings, Generation Z continues to face challenges in translating Islamic financial knowledge into actual financial behavior. Their financial decisions are frequently influenced by digital platforms, social media, and rapidly evolving financial innovations, making financial literacy alone insufficient to ensure Sharia-compliant behavior. Empirical evidence suggests that Islamic financial literacy significantly shapes financial behavior and financial product preferences among young Muslims, yet the effectiveness of this relationship depends on broader educational and social contexts (Patrisia et al., 2023).

Islamic education provides a comprehensive framework for developing not only cognitive competence but also moral and spiritual values that guide economic behavior. Unlike conventional financial education, Islamic education integrates ethical, religious, and social dimensions into the learning process, fostering individuals who are capable of applying Islamic values in their financial decisions. In the contemporary era, Islamic education is increasingly expected to adapt to technological developments while preserving its fundamental objectives of character formation and value internalization (Dalimunthe et al., 2023). Moreover, Islamic education promotes tolerance, responsibility, and ethical awareness, which are essential for developing sustainable financial behavior among Muslim youth (Aderibigbe et al., 2023).

Although previous studies have separately examined Islamic education, Islamic financial literacy, religiosity, and financial behavior, limited research has integrated these constructs into a comprehensive framework, particularly among Generation Z in Indonesia. This study addresses this gap by investigating how Islamic education influences Sharia financial behavior through Islamic economic literacy while examining the moderating role of religiosity. Such an integrated perspective is expected to enrich the Islamic education and Islamic finance literature by explaining the mechanism through which educational values are translated into Sharia-compliant financial behavior.

Islamic economic literacy has emerged as a fundamental determinant of financial decision-making because it enables individuals to evaluate financial products and services based on Sharia principles rather than purely economic considerations. Recent studies consistently report that individuals with higher Islamic financial literacy demonstrate greater confidence in selecting Sharia-compliant financial products, stronger financial management capabilities, and improved financial well-being (Wijaya et al., 2024). Furthermore, Islamic financial literacy enhances entrepreneurial performance and promotes sustainable economic development by encouraging ethical financial practices and informed financial choices (Mujiatun et al., 2025).

Although the positive contribution of Islamic financial literacy has been widely acknowledged, its development is strongly influenced by educational processes. Islamic education provides a value-based learning environment that integrates religious knowledge with economic ethics, allowing learners to internalize Islamic principles before applying them in daily financial activities (Lahmar, 2020). In Indonesia, the continuous transformation of Islamic education has strengthened its role in developing students' intellectual, moral, and spiritual competencies, making it a strategic instrument for cultivating economically responsible Muslim citizens (Kosim et al., 2023).

Previous empirical studies have largely focused on the direct effects of Islamic financial literacy on financial inclusion, business performance, technology adoption,

and investment decisions (Srisusilawati et al., 2022). Other studies have examined the influence of family, social environments, and educational backgrounds on Islamic financial literacy (Rahayu et al., 2024). However, limited attention has been given to Islamic education as an antecedent capable of systematically shaping Islamic economic literacy and subsequently influencing Sharia financial behavior. This omission leaves an important theoretical question regarding the mechanism through which educational values are translated into practical financial behavior.

Religiosity has increasingly been recognized as a critical contextual factor influencing individual financial decisions. From the perspective of Islamic behavioral theory, religiosity reinforces individuals' commitment to complying with Islamic norms and ethical principles when making economic decisions. Empirical evidence indicates that religiosity strengthens the relationships between financial literacy, financial management behavior, investment decisions, and financial well-being among Muslim communities (Mulyadi et al., 2023). Likewise, religiosity has been shown to moderate the adoption of Islamic financial products and technologies by increasing individuals' trust and adherence to Sharia principles (Atal et al., 2022).

Despite growing evidence regarding the role of religiosity, previous studies have predominantly positioned religiosity as an independent predictor rather than as a boundary condition that strengthens the effectiveness of Islamic economic literacy. Recent studies suggest that individuals with similar levels of financial literacy may exhibit different financial behaviors depending on their degree of religious commitment (Hadi, 2024). This indicates that Islamic economic literacy alone may not sufficiently explain Sharia financial behavior unless supported by strong religious values that encourage the practical implementation of Islamic economic principles.

Another limitation of previous research is its primary focus on entrepreneurs, SME owners, investors, or users of Islamic financial services (Alharbi et al., 2022). Comparatively fewer studies have investigated Generation Z, despite this generation representing the future of Indonesia's Islamic economy and demonstrating the highest exposure to digital financial innovation. Their unique characteristics require a more comprehensive model that simultaneously explains the educational, cognitive, and religious dimensions underlying Sharia financial behavior. Addressing these gaps is expected to provide a more holistic understanding of how Islamic education fosters Islamic economic literacy and how religiosity strengthens the translation of that literacy into Sharia-compliant financial behavior.

Although previous studies have confirmed the importance of Islamic financial literacy in shaping financial behavior, several research gaps remain. Most studies emphasize the direct effects of Islamic financial literacy, religiosity, or financial inclusion while overlooking the indirect mechanism through which Islamic education influences Sharia financial behavior. As a result, the mediating role of Islamic economic literacy in translating educational values into financial practices remains underexplored (Fitriani et al., 2025). Moreover, existing empirical research has predominantly focused on entrepreneurs, investors, and users of Islamic financial institutions, with relatively limited attention given to Generation Z, despite this cohort representing the largest group of digital financial service users and a key driver of the future Islamic economy (Naqvi et al., 2025). Given their strong reliance on digital technology and social media for financial information, Generation Z requires an integrated framework that captures

the educational, cognitive, and religious factors influencing Sharia financial behavior (Sari et al., 2024).

Another limitation concerns the role of religiosity. Although widely recognized as a determinant of financial decisions, religiosity has primarily been examined as an independent predictor or a simple moderator. Limited evidence explains how religiosity strengthens the effect of Islamic economic literacy on Sharia financial behavior, despite religious commitment being essential for translating financial knowledge into Sharia-compliant practices (Nazir & Saqib, 2026). Accordingly, incorporating religiosity as a moderating variable offers a more comprehensive explanation of when Islamic economic literacy is most effective in promoting ethical financial behavior (Alsmadi, 2024).

To address these gaps, this study proposes an integrated framework in which Islamic education serves as the antecedent of Sharia financial behavior, Islamic economic literacy functions as the mediating mechanism, and religiosity acts as a moderator. By integrating educational, cognitive, and religious perspectives, this model extends previous research that has largely examined Islamic financial literacy from economic or technological viewpoints (Hudiyani et al., 2026). Theoretically, this study contributes to the Islamic education and Islamic finance literature by explaining the mechanism through which Islamic education shapes Sharia financial behavior and by identifying religiosity as a key boundary condition. Practically, the findings provide insights for educational institutions and policymakers to strengthen Islamic economic literacy through value-based education while reinforcing religiosity to encourage sustainable Sharia financial behavior (Markarma & Megandani, 2022; Nik Azman et al., 2025). Accordingly, this study investigates the influence of Islamic education on Sharia financial behavior through Islamic economic literacy while examining the moderating role of religiosity among Generation Z in Palopo City, Indonesia.

B. METHOD

This study adopted a quantitative approach using a cross-sectional survey design to examine the influence of Islamic education on Sharia financial behavior through Islamic economic literacy, with religiosity as a moderating variable. The population comprised Generation Z residing in Palopo City, Indonesia. A purposive sampling technique was employed based on the following criteria: (1) aged 17–27 years, (2) residing in Palopo City, and (3) having knowledge or experience related to Islamic financial products or services. A total of 150 valid responses were collected and analyzed using SmartPLS 3.

Data were collected through a structured questionnaire using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). All measurement items were adapted from validated instruments in previous studies and modified to fit the context of Generation Z. All constructs were measured using validated indicators adapted from previous studies (Alrasyid & Sultan, 2024). The questionnaire items were refined to suit the research context without altering the theoretical dimensions of each construct. The measurement indicators and their corresponding references are summarized in Table 1.

Table 1. Measurement Items and Sources

Variable	Indicators	References
Islamic Education	Understanding Islamic teachings; Internalization of Islamic values; Learning Islamic economic principles; Application of Islamic teachings in decision-making; Practice of Islamic values in daily life.	Lahmar (2020); Kosim et al. (2023)
Islamic Economic Literacy	Understanding Islamic economic principles; Knowledge of Islamic financial products; Ability to distinguish halal and non-halal transactions; Understanding of *riba*, *gharar*, and *maysir*; Application of Islamic economic knowledge in financial decisions.	Aisyah et al. (2024); Masrizal et al. (2024)
Religiosity	Commitment to Islamic beliefs; Religious practices; Adherence to Islamic values; Islamic considerations in financial decisions; Avoidance of prohibited financial practices.	Wijaya et al. (2024); Mulyadi et al. (2023)
Sharia Financial Behavior	Sharia-based financial planning; Saving and budgeting behavior; Preference for Sharia financial products; Avoidance of interest-based transactions; Ethical financial management.	Fitriani et al. (2025); Wijaya et al. (2024)

The proposed model consists of one exogenous variable (Islamic Education), one mediating variable (Islamic Economic Literacy), one moderating variable (Religiosity), and one endogenous variable (Sharia Financial Behavior). Data were analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. The measurement model was evaluated through indicator loadings, Cronbach's alpha, composite reliability (CR), average variance extracted (AVE), and discriminant validity using the heterotrait–monotrait ratio (HTMT). The structural model was assessed by examining collinearity (VIF), coefficient of determination (R^2), predictive relevance (Q^2), effect size (f^2), and hypothesis testing using the bootstrapping procedure with 5,000 subsamples.

C. RESULT AND DISCUSSION

Result

Description of respondents

The demographic characteristics of the respondents were analyzed to provide an overview of the sample used in this study. The analysis includes gender, education level, and occupation, which are considered relevant characteristics for understanding the profile of Generation Z respondents in Palopo City. The distribution of respondents is presented in Table 2.

Table 2. Description of respondents

Variable	Cases (%)	Variable	Cases (%)
Gender		**Occupation**	
Male	68 (45.3%)	Student	96 (64.0%)
Female	82 (54.7%)	Private Employee	24 (16.0%)
Education Level		Entrepreneur	18 (12.0%)
Senior High School	26 (17.3%)	Civil Servant/Others	12 (8.0%)
Diploma	18 (12.0%)		
Bachelor's degree	101 (67.3%)		
Postgraduate	5 (3.4%)		

As shown in Table 2, female respondents constituted the majority of the sample, accounting for 82 respondents (54.7%), while 68 respondents (45.3%) were male, indicating a relatively balanced gender distribution. In terms of educational attainment, most respondents held a bachelor's degree (67.3%), followed by senior high school graduates (17.3%), diploma holders (12.0%), and postgraduate degree holders (3.4%). This distribution suggests that the respondents generally possessed an educational background that enabled them to understand issues related to Islamic education and Sharia financial behavior.

Regarding occupation, the majority of respondents were students (64.0%), reflecting the dominant characteristics of Generation Z in the study area. The remaining respondents were private employees (16.0%), entrepreneurs (12.0%), and civil servants or individuals in other occupations (8.0%). The diversity of occupations indicates that the sample represents Generation Z with varying socioeconomic backgrounds and financial experiences, thereby providing an appropriate basis for examining the relationships among Islamic education, Islamic economic literacy, religiosity, and Sharia financial behavior.

Measurement Model Evaluation

The measurement model was evaluated to assess the reliability and validity of the research constructs before testing the structural relationships. Convergent validity was examined using factor loadings and the average variance extracted (AVE), while internal consistency reliability was assessed through Composite Reliability (CR) and Cronbach's alpha (α). Following the recommendations of Hair et al. (2022), factor loadings should exceed 0.70, AVE should be greater than 0.50, and both CR and Cronbach's alpha should be above 0.70. The results of the convergent validity assessment are presented in Table 3.

Table 3. Convergent Validity

Constructs	Items	Factor loading	Average variance extracted (AVE)	Composit Reliability (CR)	Cronbach's alpha (α)
Islamic Education	IE1	0.876	0.717	0.927	0.901
	IE2	0.829			
	IE3	0.879			
	IE4	0.811			
	IE5	0.838			
	IEL1	0.787	0.680	0.914	0.882

	IEL2	0.815			
Islamic Economic	IEL3	0.832			
Literacy	IEL4	0.840			
	IEL5	0.848			
Religiosity	R1	0.845	0.651	0.903	0.866
	R2	0.824			
	R3	0.755			
	R4	0.813			
	R5	0.792			
	SFB1	0.856	0.681	0.914	0.881
Sharia Financial	SFB2	0.855			
Behavior	SFB3	0.855			
	SFB4	0.845			
	SFB5	0.703			

As shown in Table 3, all measurement items exhibited factor loadings ranging from 0.703 to 0.879, exceeding the recommended threshold of 0.70, thereby confirming satisfactory indicator reliability. Among the constructs, Islamic Education demonstrated the highest factor loading (0.879), whereas the lowest loading was observed for SFB5 (0.703), which remained within the acceptable range.

The AVE values ranged from 0.651 to 0.717, indicating that each construct explained more than 50% of the variance of its respective indicators. Specifically, the AVE values were 0.717 for Islamic Education, 0.680 for Islamic Economic Literacy, 0.651 for Religiosity, and 0.681 for Sharia Financial Behavior. These findings confirm that all constructs possess adequate convergent validity. Furthermore, the results demonstrate strong internal consistency reliability. Composite Reliability values ranged from 0.903 to 0.927, while Cronbach's alpha values ranged from 0.866 to 0.901, both exceeding the recommended threshold of 0.70. Overall, the findings indicate that all constructs are reliable and valid for subsequent structural model analysis.

Structural Model and Hypotheses Testing

After establishing the reliability and validity of the measurement model, the structural model was evaluated to examine the proposed hypotheses. The assessment included path coefficients, t-statistics, p-values, the coefficient of determination (R^2), predictive relevance (Q^2), mediation effects, and moderation effects using the bootstrapping procedure with 5,000 resamples. The structural model results are presented in Table 4.

Table 4. Hypothesis testing

Hypotheses	Relationships	Path Coefficients	T statistics	R Square	Q^2	P values	Decision
Direct effect							
H1	IE → IEL	0.862	27.375**			0.000**	Supported
H2	IEL → SFB	0.384	4.460**			0.000**	Supported
H3	IE → SFB	0.041	0.512 ns			0.609 ns	Not Supported
Mediating Effects							
H4	IE → IEL → SFB	0.331	4.293**			0.000**	Supported
Moderating Effects							
H5	IEL*R → SFB	-0.077	3.041**			0.002**	Supported
	IE			0.743	0.497		

SFB		0.825	0.546

Note: ** is statistically significant at the 5%; ns is not significant.

As reported in Table 4, the results provide substantial support for the proposed research model. Islamic Education had a strong positive and significant effect on Islamic Economic Literacy ($\beta = 0.862$, $t = 27.375$, $p < 0.001$), supporting H1. This finding indicates that Islamic education plays a crucial role in enhancing Generation Z's understanding of Islamic economic principles. Furthermore, Islamic Economic Literacy exerted a positive and significant influence on Sharia Financial Behavior ($\beta = 0.384$, $t = 4.460$, $p < 0.001$), supporting H2. These results suggest that individuals with higher levels of Islamic economic literacy are more likely to demonstrate financial behavior consistent with Sharia principles.

However, the direct relationship between Islamic Education and Sharia Financial Behavior was not significant ($\beta = 0.041$, $t = 0.512$, $p = 0.609$), leading to the rejection of H3. This finding implies that Islamic education alone is insufficient to directly shape Sharia financial behavior. Instead, its influence operates primarily through the development of Islamic economic literacy.

The mediation analysis confirmed that Islamic Economic Literacy significantly mediated the relationship between Islamic Education and Sharia Financial Behavior ($\beta = 0.331$, $t = 4.293$, $p < 0.001$), thereby supporting H4. Given the insignificant direct effect (H3) and the significant indirect effect (H4), the results indicate full mediation, suggesting that Islamic economic literacy serves as the primary mechanism through which Islamic education is translated into Sharia-compliant financial behavior.

The moderation analysis further revealed that the interaction between Islamic Economic Literacy and Religiosity significantly influenced Sharia Financial Behavior ($\beta = -0.077$, $t = 3.041$, $p = 0.002$), supporting H5. Although the interaction coefficient was negative, the significant moderating effect indicates that religiosity changes the strength of the relationship between Islamic economic literacy and Sharia financial behavior. This finding suggests that the relationship between Islamic economic literacy and financial behavior varies across different levels of religiosity, highlighting the importance of religious commitment as a contextual factor in explaining Sharia financial behavior.

Regarding the explanatory power of the model, Islamic Education explained 74.3% of the variance in Islamic Economic Literacy ($R^2 = 0.743$), indicating substantial explanatory power. Meanwhile, the combined effects of Islamic Education, Islamic Economic Literacy, and Religiosity explained 82.5% of the variance in Sharia Financial Behavior ($R^2 = 0.825$), suggesting that the proposed model has strong predictive capability. Moreover, the Q^2 values of 0.497 for Islamic Economic Literacy and 0.546 for Sharia Financial Behavior exceeded zero, confirming that the model possesses satisfactory predictive relevance.

Discussion

The findings provide empirical evidence that Islamic education plays a fundamental role in enhancing Islamic economic literacy among Generation Z in Palopo City. The significant positive relationship between Islamic education and Islamic economic literacy supports the argument that Islamic educational institutions not only transmit religious knowledge but also develop students' understanding of Sharia economic principles and ethical financial decision-making. This finding aligns with the view that

Islamic education promotes the integration of moral, spiritual, and economic values into everyday life, enabling individuals to internalize Islamic principles before applying them in financial activities (Lahmar, 2020). It also reinforces recent evidence that the transformation of Islamic education has strengthened its contribution to developing competencies relevant to contemporary socioeconomic challenges (Kosim et al., 2023).

The results further demonstrate that Islamic economic literacy significantly improves Sharia financial behavior. This finding indicates that Generation Z with a better understanding of Islamic economic concepts is more likely to engage in financial planning, saving, spending, and financial product selection in accordance with Sharia principles. Islamic economic literacy therefore serves as a cognitive foundation that enables individuals to translate Islamic values into practical financial behavior. This result is consistent with previous studies reporting that Islamic financial literacy positively influences financial decision-making, financial inclusion, and financial well-being among Muslim communities (Aisyah et al., 2024; Wijaya et al., 2024). Likewise, Masrizal et al. (2024) argued that Islamic financial literacy contributes to sustainable economic outcomes by encouraging ethical financial practices.

Interestingly, the direct effect of Islamic education on Sharia financial behavior was not statistically significant. This finding suggests that Islamic education alone does not automatically influence financial behavior unless individuals first develop sufficient Islamic economic literacy. In other words, educational exposure must be transformed into practical knowledge before it can affect financial decisions. This finding extends previous research by demonstrating that the effectiveness of Islamic education depends on its ability to enhance students' economic literacy rather than merely increasing religious knowledge. Consequently, educational programs should place greater emphasis on experiential learning, financial case studies, and practical applications of Islamic economics to bridge the gap between knowledge acquisition and behavioral outcomes.

The mediation analysis provides stronger evidence for this mechanism by confirming that Islamic economic literacy fully mediates the relationship between Islamic education and Sharia financial behavior. This finding implies that Islamic education influences financial behavior indirectly through the development of Islamic economic literacy. From a theoretical perspective, the result explains the psychological process through which educational values are transformed into actual behavior, thereby extending the literature on Islamic education and Islamic finance. Unlike previous studies that primarily examined direct relationships between education and financial outcomes, this study demonstrates that literacy functions as the key cognitive mechanism linking educational experiences with ethical financial practices (Fitriani et al., 2025). The finding also supports studies emphasizing that literacy represents a strategic capability for improving financial behavior in Muslim societies (Patrisia et al., 2023).

Another important finding concerns the moderating role of religiosity. The interaction effect was statistically significant, indicating that religiosity changes the relationship between Islamic economic literacy and Sharia financial behavior. This result confirms that financial knowledge alone is insufficient to explain Sharia-compliant financial behavior because the application of such knowledge is influenced by an individual's level of religious commitment. Religiosity therefore functions as an important contextual factor that shapes how Islamic economic literacy is translated into

financial decisions. This finding is consistent with previous studies highlighting the moderating role of religiosity in Islamic financial behavior and financial management (Alsmadi, 2024; Mulyadi et al., 2023). Furthermore, it supports the argument that religious values strengthen individuals' motivation to comply with Islamic ethical principles when making financial decisions (Nazir & Saqib, 2026).

The high explanatory power of the structural model (R^2 = 0.825) indicates that the proposed framework successfully explains a substantial proportion of the variance in Sharia financial behavior among Generation Z. This finding suggests that integrating Islamic education, Islamic economic literacy, and religiosity provides a more comprehensive explanation of Sharia financial behavior than examining these variables independently. The study therefore contributes to the growing literature by offering an integrated educational–behavioral framework that combines educational, cognitive, and religious dimensions within a single model.

This study also offers important practical implications. Educational institutions should strengthen Islamic economic education by integrating financial literacy into Islamic curricula through contextual and practice-oriented learning approaches. Universities and schools may incorporate financial planning, Islamic banking, halal investment, and digital Islamic finance into learning activities to improve students' financial competencies. In addition, policymakers and Islamic financial institutions should collaborate in designing literacy programs specifically targeting Generation Z, considering their extensive exposure to digital financial platforms. Such initiatives are expected to encourage more responsible and sustainable Sharia financial behavior while supporting the long-term development of the Islamic financial ecosystem in Indonesia.

D. CONCLUSION

This study examined the influence of Islamic education on Sharia financial behavior through the mediating role of Islamic economic literacy and the moderating role of religiosity among Generation Z in Palopo City, Indonesia. The findings demonstrate that Islamic education significantly enhances Islamic economic literacy, which subsequently promotes Sharia financial behavior. However, the direct relationship between Islamic education and Sharia financial behavior was not significant, indicating that Islamic economic literacy fully mediates this relationship. These results suggest that Islamic education contributes to Sharia-compliant financial behavior only when its educational values are successfully transformed into practical economic knowledge and financial competencies. In addition, religiosity significantly moderated the relationship between Islamic economic literacy and Sharia financial behavior, confirming that religious commitment plays an important role in shaping how financial knowledge is translated into actual financial practices.

This study contributes to the literature by proposing an integrated framework that combines educational, cognitive, and religious perspectives to explain Sharia financial behavior among Generation Z. Unlike previous studies that primarily focused on direct relationships, this research highlights Islamic economic literacy as the underlying mechanism through which Islamic education influences financial behavior while identifying religiosity as an important contextual factor. These findings provide practical implications for educational institutions, policymakers, and Islamic financial

institutions to strengthen Islamic economic literacy through value-based educational programs that are relevant to the needs of the digital generation.

Despite these contributions, this study has several limitations. The sample was limited to Generation Z in Palopo City, which may restrict the generalizability of the findings to other demographic groups or geographical contexts. Furthermore, the cross-sectional design does not allow causal relationships to be examined over time. Future studies are therefore encouraged to employ longitudinal or mixed-method approaches involving broader populations across different regions of Indonesia. Future research may also incorporate additional variables, such as digital financial literacy, Islamic financial self-efficacy, financial technology adoption, or family financial socialization, to provide a more comprehensive understanding of the factors influencing Sharia financial behavior in the digital era.

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