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EXPLORING FACTORS INFLUENCING ISLAMIC FINANCIAL LITERACY AND ITS IMPLICATIONS FOR THE FINANCIAL WELL-BEING OF MUSLIM YOUTH IN MALAYSIA

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Abstract: *Islamic financial literacy provides significant effectiveness for individual financial well-being and for the stability of the economic community of Muslims. Nevertheless, some previous research has shown that the level of Islamic financial literacy among Muslim youth is still very low, thus causing difficulties for them in managing their finances. According to a report by Bank Negara Malaysia, youth bankruptcy rates have been on the rise, increasing 12% over the last five years, and the main contributors to this incapacity to pay include credit card debt and personal loans. Hence, this study was developed with four main objectives: (1) to assess the level of Islamic financial literacy among Muslim youth in the state of Selangor, (2) to identify the key factors contributing to low Islamic financial literacy and negative financial behaviours among Muslim youth, (3) to explore how Islamic financial literacy can influence and improve their financial well-being, and (4) to propose a conceptual framework (I-FINWELL Model) to enhance Islamic financial literacy and promote ethical financial practices aligned with Shariah principles. This qualitative study employed semi-structured interviews with five participants to better understand their experiences in managing financial challenges. The findings reveal that limited Islamic financial education in a formal and structured manner, insufficient guidance from family, and the dominance of conventional financial narratives on social media are the key variables affecting Islamic financial literacy among youth. Additionally, the prevalence of impulsive spending, over-reliance on debt, and lack of Shariah-compliant saving and investment habits were found to hinder their financial well-being. To address these issues, the study introduces the Integrative Model of Islamic Financial Literacy and Financial Well-Being of Muslim Youth (I-FINWELL) as a strategic framework that connects three dimensions: education, social and media influence, and financial behavioural development. Notably, this study contributes to the field by offering a comprehensive and practical conceptual model that bridges education, digital media, and ethical behaviour in the* *context of Islamic financial literacy. The I-FINWELL model can serve as a reference for governments, Islamic financial institutions, and academia in designing impactful strategies to enhance the financial literacy and long-term well-being of Muslim youth.*

Keywords: *Islamic financial literacy, financial behaviour, Islamic financial well-being, I-FINWELL Model, Islamic financial education, social media influence*

Introduction

In the era of globalization and digitalization, Islamic financial literacy (IFL) plays a crucial role in ensuring both individual financial well-being and the economic stability of the Muslim community. Islamic finance literacy not only refers to an understanding of Shariah-compliant financial products and services, but rather the implementation of ethical financial management of resources based on the tenets of *Maqasid al-Shariah*. According to a study by the Organisation for Economic Co-operation and Development (OECD, 2022), More than 60% of youth in developing countries lack sufficient financial knowledge to manage their expenses and debt. This weakness makes them vulnerable to financial crises and unsustainable debt. Although Malaysia is known as a global Islamic finance hub, Muslim youth financial literacy is still alarmingly low. Bank Negara Malaysia (2022) highlights that youth bankruptcy in this country increased by 12% in the last five years, mainly attributed to credit card debt and personal loans. In addition, Ringgit Plus Malaysian Financial Literacy Survey (2023) reported that only 30% of youth have a clear understanding of Islamic financial concepts and how to apply them in their life.

Simultaneously, negative financial behaviour has increasingly been a concern for Muslim youth. This chart tends to be very high spenders, quite relaxed in terms of savings, found themselves extremely indebted without noticing the long-term effect. A 2024 report from the Malaysian Department of Insolvency stated that more than half of bankruptcy cases in Malaysia are caused by bad credit card debt and personal loan debt that is out of control. Similarly, a recent survey claimed that more than 40% of youths in Malaysia did not save money for emergency purposes (AKPK, 2023). The high cost of living, social pressure to spend and low knowledge of Islamic financial planning compound the financial instability among Muslim youth. Therefore, it is crucial that the Muslim youth have a strong foundation of financial literacy from Islamic perspective to make sure that they will be able to make the right financial decisions and lead a responsible life with proper and effective financial practices based on Islamic values.

This study aims to assess the level of IFL among Muslim youth in Selangor, given the growing concern for their financial vulnerability and a lack of exposure to organized Islamic financial education. This study also aims to identify key factors contributing to low levels of IFL and increasing negative financial behaviour among youth. Through this approach, this study also explores how IFL can influence and potentially enhance their financial well-being, by helping them manage financial resources more systematically and adheres to Shariah principles. However, there is still a lack of a comprehensive qualitative study that examines how these factors interact with each other in shaping financial well-being, especially from the true perspective of Muslim youth experiences facing financial challenges in the Malaysian context. Therefore, this study is expected to provide a deeper understanding of supporting strategic interventions based on current value and reality.

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Literature Review

Islamic financial literacy is one of the requirements towards attaining personal financial well-being especially among the Muslim youth. This study aims to review prior studies related to IFL level, the reasons for the low level of IFL, and how Islamic finance literacy can influence the financial well-being of Malaysia's Muslim youth.

Islamic Financial Literacy: Definition and Concept of Islamic Financial Literacy

Islamic Finance Literacy is a concept that is increasingly concerned in contemporary studies because of its role in ensuring the financial well -being of Muslim individuals in line with Shariah principles. In contrast to conventional financial literacy that emphasizes technical skills such as budget, savings and investment, IFL also incorporates religious values in financial behaviour, encourages good financial management, social responsibility, and fair and balanced distribution of property (Dinc et al., 2021). According to Dinc et al. (2021), this literacy includes a comprehensive understanding of the Islamic financial system including Islamic banking products, takaful and Shariah-compliant fund management, which is framed as a combination of shariah -based awareness, knowledge, attitudes and behaviours. Meanwhile, Nawi et al. (2022) defines IFL as a result of a combination of knowledge, attitudes and behaviours of Islamic finance organized in the framework of family resource management theory, including sub-components such as financial management, *zakat*, waqf and selection of Shariah-compliant financial products. Furthermore, this concept brings unique spiritual dimensions such as *al-Falah* (success) and *hayatan tayyibah* (good life), which emphasizes that good financial management is also a religious claim (Nawi et al., 2022). This was further reinforced by Alsayigh and Al-Hayali (2022) who stated that the Islamic financial system required an understanding of Shariah-compliant contracts, rejection of usury and compliance with the principles of sharing of risk and justice in Muamalat.

The Importance and Role of Islamic Financial Literacy

Islamic Finance Literacy is increasingly recognized as an important basis for building individual financial stability and enhancing the socioeconomic well-being of Muslims. According to Biplob and Abdullah (2019), a lack of financial literacy is a major cause of the global financial crisis as it leads to excessive debt and financial mismanagement. From an Islamic perspective, this literacy is not only cognitive but also spiritual obligations that shape ethical decisions in savings, investment and debt management (Ab Rahman et al., 2018). Studies of Kaweesa and Rosman (2024) and Mahdzan et al. (2024) shows that high levels of IFL affect the increase in the intention and use of Islamic banking products, as well as correcting misunderstandings about the cost of the product compared to conventional products. Rambe et al. (2023) found that IFL had a direct and indirect influence on the decision to keep in Bank Islam through the customer's emotional value and belief in the Shariah-compliant system. In the context of entrepreneurship, a study by Masrizal et al. (2024) and Irdiana et al. (2023) confirm that the IFL helps increase access to Islamic financing such as *Mudharabah* and *Musyarakah*, thus increasing the income of micro and medium enterprises (MSME). Fadilah and Lubis (2024) emphasized the importance of this literacy in influencing gene Z's investment decisions, especially when combined with financial incorporation. At the macro level, IFL plays a strategic role in shaping the country's more ethical and shariah -based financial behaviour. Hossain and Abdullah (2024) state that the integration of financial literacy with Islamic values contributes to the well-being of the community through ethical financial planning, prudent spending management and donations. Studies in Malaysia and Indonesia have also shown that high IFL levels are closely linked to increased financial discipline, higher savings, and rejection of unethical financial practices (Ab Rahman et al., 2018; courtesy of Rambe et al., 2023). Thus,

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IFL is not only important for the well-being of the individual, but also to build a fair, inclusive and spiritual financial system.

The Level of Islamic Financial Literacy among Youth

The Islamic Finance Literacy Index (AKPK, UKM & IKIM, 2024) shows that the overall level of IFL among Malaysians is still moderate. The index measures aspects of knowledge, attitudes, and behaviours based on Shariah principles and found that understanding of *zakat*, *faraid*, halal investment, and debt management is still insufficient to mobilize a comprehensive change in financial behaviour in a broader context, Biplob and Abdullah (2019) study emphasizes that although awareness of Islamic finance is still increasing in Malaysia. They often consider Islamic financial products just as conventional without understanding principles such as *riba*, *gharar* and *maysir*. Furthermore, according to Biplob and Abdullah (2024), efforts to strengthen IFL should be the priority of the country as it is not just an economic question, but also a shariah responsibility for Muslims in Malaysia.

Special focus on youth shows bigger challenges. A study by Ab Rahman et al. (2018) shows that Muslim students in Malaysia still do not understand the concept of Islamic finance despite general awareness of the importance of good financial management. The study emphasized the need for structured interventions that can instill Islamic financial values and skills since higher education. This is supported by the study of Md. Sapir & Wan Ahmad. (2020) who found that students exposed to courses related to Muamalat showed better Islamic financial literacy performance, but the number was small. The study by Abdullah et al. (2023) also stated that the constraints of formal education systems, lack of coordination of Islamic literacy content, and the influence of modern lifestyle is a major obstacle to the effectiveness of Islamic finance programs. Furthermore, a study by Faizah et al. (2024) emphasized that young people need more practical IFL to prevent them from getting involved in unhealthy loans and illegal investment through digital platforms

Nawi et al. (2022) argues that the level of IFL can be enhanced through an integrative approach that involves elements of knowledge, attitudes and behaviour simultaneously. The study proposes the strengthening of IFL content in the higher education curriculum. Abdullah et al. (2022) emphasized that increasing IFL is the key to dealing with bankruptcy among Muslims. The study suggested practical training and public awareness campaigns as a key strategy to enhance youth understanding and practice of Islamic financial management. A study by Patrisia et al. (2023) and Osman et al (2024) emphasized that IFL is closely related to Gen Z's financial behaviour, but the level of literacy is still low despite their high tendency to technology and religious commitment. This study shows that while many youths are aware of the importance of IFL, they still tend to choose conventional financial products due to the lack of understanding of Islamic products and strong social influences such as digital media and peers.

These outcomes indicate that IFL among young people requires immediate attention. We need a Strategic and Innovative approach of introducing based on Islamic Education Module, By the top managerial staff of the Institutions consisting of the Temple of Religion and Education as well as the digital and interactive media to create an atmosphere of our economy towards a stronger and sustainable Islamic financial development policy.

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Key Factors Affecting the Level of Islamic Financial Literacy among Muslim Youth

The level of IFL among Muslim youth is still at an alarming rate, influenced by various factors that include the constraints of educational structure, social influence, and the lack of appreciation of Islamic financial principles. According to Abdul Rahim et al. (2016), the absence of a comprehensive Islamic financial module in the higher education system has led students to fail to understand basic aspects such as *riba*, *zakat*, halal investment and debt management. This study also emphasized that the level of religiosity and financial satisfaction also influenced financial literacy, but academic exposure remains a key point in building strong understanding. Limited formal education on Islamic finance has been identified by many studies as a dominant factor in shaping the literacy gap among youth. Azwan Abdullah et al. (2023) and Ab Rahman et al. (2018) argues that despite the awareness of Islamic finance, the implementation of education is still theoretical and not comprehensive. This causes students to fail to apply principles such as *gharar* and *maysir* in the current financial context. In addition, Md. Sapir & Wan Ahmad (2020) found that while students exposed to Muamalat courses showed better literacy levels, most still consider conventional literacy sufficient for daily needs.

The family environment and social influence are also identified as an important determinant of IFL. Patrisia et al. (2023) and Nawi et al. (2022) explained that the lack of structured financial communications in the family has led youth to not receive early guidance on Islamic financial practices. Furthermore, Rahayu et al. (2023) states that parents often do not have enough Islamic finance, thus failing to be a reference model for children. Youths are more likely to trust social media, as shown in the study of Osman et al. (2023), which revealed that financial information on social media influenced youth than Islamic financial institutions, although the information was invalid or mixed with speculative elements.

Consumer behaviour factors also contribute to low levels of literacy. According to Nurlaili (2024) and Khalisharani et al. (2022), practices such as the purchase of impulsive, lack of savings culture, and dependence on debt reflect weaknesses in the appreciation of Shariah principles in financial management. In a study by Biplob and Abdullah (2019), it was found that many of Muslims were unaware of the difference between Islamic and conventional financial products and even tend to believe that both are equal in terms of function. Meanwhile, a study by Puradi et al. (2021) shows that among the millennial generations, the decision to keep in Islamic financial institutions is more influenced by the level of understanding and perception of the quality of service than religious motivation.

Table 1 : Summary of Key Factors Affecting Islamic Financial Literacy among Muslim Youth

Factor	Key Issues Identified	Implications
Formal Education	- Lack of Islamic finance modules in school and university curricula (Rahim et al., 2016; Abdullah et al., 2023) -Education remains theoretical and lacks practical integration (Ab Rahman et al., 2018)	-Youth fail to understand core concepts such as *riba*, *gharar*, and Shariah-compliant investments -Difficulty applying Islamic financial knowledge in daily life
Family Influence	- Limited financial discussions within families - Parents are not role models for Islamic financial practices (Patrisia et al., 2023; Nawi et al., 2022)	- Weak intergenerational transfer of Islamic financial values - Youth lack early Islamic financial guidance

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Social Media & Environment	- Dominance of conventional financial content and materialistic lifestyles - Misinformation from social media is often trusted over Islamic financial institutions (Osman et al., 2023)	- Youth adopt financial behaviors contrary to Islamic principles - Low awareness of Islamic financial products
Knowledge Gaps	-Confusion between Islamic and conventional financial products (Biplob & Abdullah, 2019) - Limited understanding of takaful, zakat, and Islamic estate planning (Ab Rahman et al., 2018)	- Lack of confidence in Islamic finance - Inability to choose products aligned with Islamic values
Personal Attitudes & Behaviour	-Impulsive spending, lack of saving habits, and dependence on credit (Nurlaili, 2023; Khalisharani et al., 2022)	-Financial lifestyle misaligned with Islamic ethics -Inability to build long-term financial discipline
Religiosity Misalignment	-Strong religious identity but weak application of Islamic financial principles (Puradi et al., 2021)	-High religiosity does not necessarily translate into Islamic financial literacy -Financial decisions are not guided by Shariah values

Negative Financial Behaviour Among Muslim Youth

The phenomenon of negative financial behaviour among Muslim youth in Malaysia has become relatively more prominent and threatens their financial stability and sustainability. More specifically, such behaviours are impulsive spending, lack of savings discipline, overdependence on debt and minimum engagement on Shariah compliant financial activities. These problems are often rooted in a generalised low level of financial literacy, but their impact is exacerbated by the pressures of modern living and the influence of the environment. One glaring symptom of this problem is the increasing number of bankruptcy cases among the youth. Between the years of 2020 and March 2024, 26,908 bankruptcy cases were recorded and reported by the Malaysian Department of Insolvency (2024). Among these, 4,465 cases belonged to youth aged 25–34, while 10,489 cases were that of the 35–40 age group, making these populations the most vulnerable to severe financial distress. Such numbers are indicative of not just bad financial planning but systemic behaviours that undermine financial resilience.

The negative financial behaviour is characterised by overconsumption and lifestyle inflation;(utilising maximum resources with least effort) Most youth over spend to "keep up" with a perceived social standard. According to Ringgit Plus Malaysian Financial Literacy Survey (2023), 55% of Malaysians spend more than they earn, and this is largely due to the pressure of living up to social media lifestyle ideals. Social media platforms like Instagram and TikTok underline material success and aspirational lifestyles normalize unrealistic spending behaviour and create a sense of increased pressure to consume.

This problem is compounded by the fact that too many people don’t have money set aside for an emergency. The same survey revealed that 67% of Malaysians don't have enough savings to last over a three-month period and 23% lack savings entirely. These numbers indicate a persistent aversion to financial planning among young people and an alarming reliance on short-term credit to finance their daily consumption. Increasing personal debt, especially from credit cards and personal loans, has become another signature aspect of youth financial behaviour. Many use these types of instruments without a payment plan, which leads to debts overlapping each other and put them in a cycle of lifetime debt.

These concerns have recently mounted with the popularisation of buy now pay later (BNPL) schemes. Though these mechanisms provide temporary relief and consumption flexibility,

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their wrongful utilization primarily without knowledge of repayment obligations gives route to debt layering and financial instability. These behaviours can have far-reaching implications beyond just financial losses. Studies by Obenza et al. (2024) and Riitsalu et al. (2023) found a strong association between undisciplined financial behaviour and all forms of psychological distress, including anxiety, depression and social withdrawal. In effect, prolonged financial stress harms not only interpersonal relationships but overall life satisfaction. For this reason, financial instability is not just an economic problem, it is also a mental and emotional health problem.

Of equal concern is the low take-up of Shariah-compliant financial practices. While Islamic financial products have gained more access than before, it's common youth to be more attracted to conventional products, either because it's a habit, they are influenced by their peers, or they do not trust themselves to use Islamic finance. This behavioural chasm-between what is piously preached and what is practised-hampers attempts to create a financially disciplined and spiritually cognizant generation of youth. Islam reinforces principles that encourage best practices that may help mitigate the damaging effects of such harmful behaviours, but timely interventions are needed.

Relationship Between Islamic Financial Literacy and Financial Well-Being

The relationship between Islamic financial literacy and financial well-being is gaining popularity among researchers as it has extensive implications for the well-being of Muslim individuals, especially youth. According to Ab Rahman et al. (2018), low levels of financial literacy can cause youth to make wrong financial decisions, thus affecting their well-being. In the context of Islam, financial well-being not only refers to the ability to meet basic needs but also involves elements of compliance with Shariah principles such as riba avoidance and ethical property management (Biplob & Abdullah, 2019). This is supported by the study of Karyatun et al. (2023) which shows that Islamic financial literacy plays an important role in reducing compulsive purchase behaviour and improving subjective financial well-being among students.

Additionally, some studies have indicated that IFL also influences positive financial behaviour including long-term budget planning, storage practices, and the utilization of Shariah-compliant financial instruments (Hamida et al., 2023; Mulyadi et al., 2023). Mulyadi et al. (2023) found that financial literacy significantly affects financial well-being, and that Islamic religiosity strengthens the relationship between student financial literacy and financial well-being, with students with high levels of literacy and religiosity demonstrating more prayerful and prosperous financial behaviour. Obenza et al. (2024) have also found it worthwhile to highlight that reported that IFL directly affects financial self-efficacy and found the relationship has an impact on students' emotional and psychological stability.

However, Sorgente and Lanz (2017) emphasize that financial well-being is a multi -dimensional concept that not only involves objective financial status but also subjective perceptions of financial stability and security. Their studies suggest that financial well-being among youth cannot be measured solely through income or savings but should take into account the ability to make wise financial decisions and adhere to personal or religious values. Therefore, the integration of Islamic values in financial education is important so that the well-being achieved is not only material, but also spiritual and emotional.

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Methodology

This study adopted and employed a qualitative approach using a Basic Qualitative Inquiry design to explore the factors contributing to low levels of Islamic financial literacy and negative financial behaviour among Muslim youth in the state of Selangor. A Basic Qualitative Inquiry was chosen because it allows for flexibility of the individual's perspective and experience free from the constraints and requirement of statistical measurement of quantitative methods (Merriam & Tisdell, 2016). Using qualitative interviews enables the researcher to obtain the deeper meanings, perceptions, and obstacles of respondents in an integrated way in relation to the purpose of the study, which is to discover how IFL impacts Muslim youth financial well-being. Selection of Selangor as the study location was based on several key aspects. Selangor, the largest state in the country by population, with a diverse socioeconomic spectrum is therefore a more representative sample for learning about the financial realities of Muslim youth in urban and sub-urban settings (Department of Statistics Malaysia, 2023). In addition, the Bank Negara Malaysia Report (2022) mentioned that Selangor had the highest rate of credit card and personal loan usage among youth, making them susceptible to uncontrolled debt and a low level of IFL. Thus, choosing participants from Selangor enables the study to examine the factors that lead to financial difficulties experienced by Muslim youth in an emerging economy.

In this study, purposive sampling method was used where sample for the study was selected based on the pre-defined criteria, Muslim youth aged between 20 and 35 years who are residing and have experience in managing personal finances in the state of Selangor. It is more fundamental to the research questions than random sampling, thus allowing for more intelligent and high-value data collection (Etikan et al., 2016). Five participants were selected because the same main themes began to repeat after five interviews, which was determined based on the saturation principle. Thus, this number was considered enough to comprehend in depth the studied issues without any unnecessary increase in the number of participants. Data was collected in semi-structured interviews, which give the researcher the opportunity to use flexible questions based on the responses of the participants to gather more in-depth information. These interviews were conducted to identify (i) the extent to which Muslim youth consider their IFL, (ii) the causes behind their lagging level of Islamic financial knowledge, and (iii) the effect of negative financial behaviour on their overall financial well-being. In addition to interviews, observations were conducted to assess participants' non-verbal expressions and behaviours as they spoke about their experience of finances. Through this, the interviewer was able to assess using this method the heads of households' attitudes and behaviours around money in a way that may have otherwise remained unexpressed yet assisted in elucidating the context of the study (Thompson 2014).

This study used thematic analysis for data analysis, in which emerging patterns and key themes within the interview data were systematically analysed. The steps were performed following Braun & Clarke (2006) using Microsoft Word manually, specifically: (i) verbatim transcription of interview data, (ii) coding of data based on emerging themes, (iii) grouping of codes into broader categories, and (iv) interpretation of findings based on the relationship between IFL and the financial well-being of Muslim youth. This method was selected because thematic analysis allows for in-depth exploration of qualitative data, enabling the researcher to identify recurring patterns in participants' experiences, which in turn enhances clarity and understanding of the phenomenon being studied. This study also puts the highest priority on ethical considerations. Prior to the interview sessions, informed consent forms were provided to all participants, which outlined the study's purpose, participants' rights, and assurances of full

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confidentiality of the shared information. Data collected were used strictly for academic purposes and identities were anonymised to ensure full protection of the privacy of the respondents. Furthermore, ethical committee approval was gained from the institution's research ethics committee to ensure the study adhered to ethical guidelines for qualitative research (BPS, 2021; APA, 2020).

To ensure the validity and reliability of the data, strategies such as data triangulation, peer review, and member checking were employed in this study. To validate the information collected, data triangulation was performed by comparing the findings of interviews and observations. Member checking promoted accuracy and credibility of data as participants were given their transcribed interview scripts to review and correct with the aim of confirming that the information they provided was accurately captured while peer review assisted in minimising biases when analysing data through independent checks of the analysis by other researchers. To further promote trustworthiness in the analysis, an audit trail was kept; every step of the analytical process was documented in a systematic way that could be followed, ensuring the research process was transparent (Lincoln & Guba, 1985).

In general, the research methodology in this paper was well planned and connected to the aims of the research, leading to the discovery of significant data. Qualitative approach: applied Basic Qualitative Inquiry design which enabled the study through in-depth exploration of variables accountable for low levels of IFL and their influence on the financial well-being of Muslim youth. This study contributes to a greater understanding of the financial challenges faced by Muslim youth in a nuanced way while paving the way for future research in IFL and financial well-being using semi-structured interviews, observations and manual thematic analysis.

Research Findings

This study aimed to explore the level of IFL among Muslim youth in the state of Selangor Malaysia and to investigate the factors behind low IFL level and negative financial behaviour. The semi-structured interviews with five participants revealed several major themes and several key themes were identified, which pertained and relating to (1) Islamic finance knowledge, (2) factors influencing IFL, (3) negative financial behaviours, and (4) the role of IFL in transforming the financial management patterns of Muslim youth.

Key Findings and Observations

The findings of this study are summarised into four main themes, as presented in Table 2 below.

Table 2: Thematic Coding and Key Findings of the Study

Theme	Coding	Description
Level of Islamic Financial Literacy	Low Basic Knowledge, Limited Information Sources	Most participants only understood basic concepts of Islamic finance but lacked in-depth comprehension.
Factors Influencing Financial Literacy	Lack of Emphasis in Formal Education, Limited Family Exposure, Social Media Influence	Islamic financial literacy was not prioritized in education, while families and media played minimal roles.
Negative Financial Behaviour	Overspending, No Savings, Uncontrolled Debt	Most participants struggled with spending control, lacked savings, and were burdened by debt.
The Role of Islamic Financial Literacy	Need for Islamic Financial Education, Awareness Campaigns, Practical Modules	Islamic financial literacy can aid in financial management but requires systematic and expanded implementation.

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Level of Islamic Financial Literacy

The findings show that the level of IFL among Muslim youth in Selangor is still low to moderate. Although most participants expressed awareness of the concept of Islamic finance, they had only a basic understanding of terms such as *Riba*, *Gharar*, *Maysir*, *Zakat* and Shariah-compliant investment, without knowing how to get in depth how these concepts were applied in current financial products. For example, P1 and P2 say that they know that usury is illegal but is unable to identify how these elements exist in modern transactions such as bank loans or Islamic credit cards. Concepts such as *Gharar* and *Maysir* are almost misunderstood, and most participants have only heard of this term through religious talks or social media without deep enlightenment. P4 states*: "Kalau riba tu saya tahu haram, tapi macam mana nak elak saya tak pasti sangat."* This proves that there is a confusion about the method of avoiding Shariah-compliant elements in daily financial products. Others like P3 and P5 also point out that they have received some kind of formal Islamic financial education, but it does not come reinforced by practice. For example, P3 admits he has studied in religious schools, but his knowledge is fading and not practiced: *"Zakat tu saya tahu wajib, tapi nak kira betul-betul pun malas."* In fact, P5 explains that although he reads about Islamic finance, he is not sure whether to avail of it as he fears getting defrauded or misunderstood. This indicates that confidence in the Islamic finance system is still vulnerable, especially among the young. Similarly, this finding is consistent with the results of the IFL Index study conducted by AKPK, UKM and IKIM (2024), which showed that the knowledge dimensions are the weakest elements of youth respondents, particularly in relation to zakat management, property purification and halal investment. According to Ringgit Plus (2023) Malaysian Financial Literacy Survey, only 30% of youths know about Islamic banking with real comprehension, whereas the others still hold misunderstanding about conventional and Islamic products. This shows that the level of exposure to Islamic finance among Muslim youth is still superficial and passive. In addition, the OECD (2022) report emphasized that the gap in early financial education was a major factor contributing to the weaknesses of financial literacy among the younger generation. In the context of Islam, the absence of a special curriculum on Shariah-compliant finance from the early stages of learning contributes to the failure of youth to connect Islamic values with the reality of their daily financial management. Overall, the findings of this study emphasized the urgent need to strengthen IFL education in a more systematic, structured and relevant form of context so that youths not only understand but are able to practice Shariah principles in their financial management confidently and effectively.

Factors Influencing the Level of Islamic Financial Literacy

The findings of qualitative studies have discovered major factors which induce low IFL among Muslim youth. These factors include a lack of exposure in the formal education system, limited family involvement in Islamic finance education, as well as the influence of social media that highlights conventional financial content than shariah-compliant content. An overwhelming majority of the participants stated that they did not receive enough education regarding Islamic finance in schools or institutions of higher learning. P1 and P2 highlight that Islamic economics and religion only scratch the surface of this topic and do not offer attention to more practically oriented issues, such as Islamic financial planning, *zakat* calculation, halal investment. P4 states that there are no special classes on these issues, nor special Islamic finance modules, and so what knowledge has been gained has been extremely limited; This scenario is consistent with the study of Azwan Abdullah et al. (2023) refer to the absence of Islamic finance education in Malaysia, unlike the case in Indonesia (Patrisia et al., 2023). The role of family in shaping early awareness of Islamic finance was also very weak. P2 and P5 state that Islamic finance has never been discussed in the family, while their own parents practice the use of conventional financial

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products without considering Shariah-compliant elements. This shows the absence of exemplary models in the family on Islamic financial management. A study by Rahayu et al. (2023) supports this finding by arguing that intergenic communication on Islamic financial principles is low and unstable, causing youth to fail to form a strong understanding of the early understanding.

Youths now rely heavily on social media as the main source of financial information, but most of the content displayed is more profit-oriented quickly and is not shariah. P3 and P5 acknowledge that they learn a lot about finance through TikTok and YouTube but are not sure how valid the information is. In fact, P5 said: *"Saya ada baca sikit pasal kewangan Islam, tapi saya tak berapa yakin nak guna. Takut kena tipu."* A study by Kusumawati et al. (2023) confirmed that youths are more likely to trust social media influence than Islamic financial institutions, although the content may not be valid. This poses a high risk in shaping the wrong perception of Islamic financial products. In addition, peer influence also does not help much to promote IFL. P5 states that it is difficult to discuss this issue as friends also have no knowledge of it. This vacancy has made youth more dependent on the online community that may not be authorized, thus maintaining a low level of literacy among them. Overall, this finding confirms that the level of IFL among youths is not only influenced by the absence of specialized curriculum but also challenged by the weakness of social support and digital media dominance promoting the lifestyle of consumerism.

Negative Financial Behaviour

The findings of this study found that negative financial behaviour among Muslim youth is a worrying and increasingly concerned phenomenon. Interview participants' responses showed that there was an unpredictable financial management pattern, including impulsive spending tendency, failure to save, dependence on short -term debt such as personal loans and Buy Now Pay Later (BNPL) facilities, as well as the absence of clear financial planning. For example, P1 states that his salary is often depleted of unimportant expenses such as online purchases, so it is difficult to save: *"Kadang-kadang ada RM50 je dalam bank hujung bulan."* Meanwhile P2 acknowledges that he is more motivated to buy as much as he needs: *"Saya suka beli barang yang saya nak, bukan yang saya perlu."* P3 reports that he has a burdensome personal loan and does not keep it because his income is often expired. Meanwhile, P4 and P5 admit that they have never made a budget or emergency savings and even consider money in the account as free to use while the balance is still available. This marks the absence of healthy and systematic financial management. This behaviour clearly reflects the influence of strong culture of consumerism and inability to rationally evaluate financial priorities. The Malaysian Insolvency Department (2024) report confirmed that more than 50% of bankruptcy cases involving youth are due to reckless use of credit cards and personal loans. The AKPK (2023) report also shows that over 40% of youths have no emergency savings. This is in line with the findings of the study showing that while youth are aware of the importance of storing and avoiding unhealthy debt, they are still stuck because of the lack of strong financial discipline. In addition, this study also identifies that although Muslim youth are aware of the existence of Islamic financial concepts, such as Shariah-compliant investment and Shariah-compliant property management, its implementation is very weak. P5 states that he only chooses a traditional investment platform because it is easier to achieve in digital applications, although it is uncertain of his sharia status. Furthermore, P4 states that he will only keep *"jika ada lebihan"*, showing the absence of consistent and principled financial system or routine.

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Observations during the interview session also found that many participants showed that expressions were unsure when asked about savings or investments. This shows a lack of confidence in their ability to make wise financial decisions, as well as the lack of early exposure to Islamic financial management. The study of Khalisharani et al. (2022) also stated that most youth failed to apply Islamic financial knowledge in real life due to social pressure, peer influence, and lifestyle influenced by digital media. However, there is a ray of hope that P5 suggests that a more interesting approach to social media can attract youth: *"Kalau ada influencer yang promote kewangan Islam dengan cara yang menarik, saya rasa ramai yang akan ikut."* This shows that if the approach to the digital lifestyle is used, IFL has the potential to improve negative financial behaviour and improve the well -being of Muslim youth.

The Role of Islamic Financial Literacy in Transforming Financial Management Patterns and Ensuring Financial Well -Being

Although the level of IFL among youth is still at an alarming rate, the findings of this study show that Muslim youth are aware of the potential of IFL in shaping better, ethical, and prosperous financial management patterns. All participants in the interview stated that if they had the early exposure and practical Islamic finance education and youth-friendly, they were confident of making smarter financial decisions and avoiding mistakes such as the purchase of impulsive and unnecessary loans. P1 states: *"Kalau saya belajar pasal kewangan Islam dari awal, mesti saya boleh urus duit lebih baik. Mmm… mungkin boleh buat content dekat TikTok ke, senang orang nak faham."* This response shows that the need for Islamic financial education is not only important in terms of content, but also to be conveyed in a medium and style close to youth life. P2 and P3 emphasize the need for Islamic finance to be taught since school and supported by digital applications and practical workshops. P3 says: *"Kalau saya faham benda ni awal-awal, mungkin saya boleh elak buat pinjaman yang tak perlu."* P4, on the other hand, suggested using social media influence to disseminate Islamic financial messages effectively *"Kalau ada influencer yang promote kewangan Islam dengan cara yang menarik, saya rasa ramai yang akan ikut."* P5 believes more needs to be done by Islamic financial institutions like Shariah-compliant banks in conducting specific programs for youths. This shows a necessity for a more strategic, inclusive and integrated strategy in promoting and implement IFL. The study of Abdullah et al. (2023) supports this finding emphasized that program Islamic Finance Literacy in the digital form such as online courses and multimedia content proved to positively impact on increasing awareness and understanding of youth against ethical Islamic financial management. Indeed, the study in Obenza et al. (2024) further highlights that high financial literacy, in conjunction with self-efficacy, can improve financial well-being in terms of optimal budget practices, excessive debt evasion, and a savings behaviour trend. These findings show that IFL is not only focused on enhancing the technical ability of managing finances, but also the spirit and ethics of youth. In principle, this ensures more substantial financial health in the long term thus advocating a secure, sustainable yet sensible way of life. While this literacy needs to be executed, it needs well-planned overall interventions like formal education and digital social campaigns, along with financial and governmental institutions lending a helping hand to the youth.

Unexpected Findings

However, a few of the findings were contrary to what was expected, although most participants appreciated the importance and significance of IFL. The most notable finding was that, in terms of financial knowledge, Muslim youth were more likely to trust social media than official sources. P5, for example, said that they would be more likely to receive financial advice from TikTok influencers than Islamic financial institutions. This is consistent with the results

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reported by Lusardi et al. (2021), digital channels are favoured by the younger generations, even though they may be less accurate or have less credibility. That Islamic finance did not always correlate positively with better financial practices was another surprise. Aptitude like issue, P3 realize that saving and Shariah compliant investment practice must be followed but still out spending due to lack of financial discipline. This points to a gap between knowledge and a change in behaviour, underscoring the need for rich behavioural change that helps individuals & institutions work through motivation, habits and the alignment of lifestyles with financial ethics. It brings to note that knowing something isn't enough, what is required is scalable enabling system with values driven reiteration to make them practice it overtime. Results of this study indicate that the level of IFL among Muslim youth is at a concerning level. Despite recognising the value of Islamic finance, the majority have yet to grasp its basic concepts and to be sufficiently exposed to both the education system and the family, as well as generally engaging in counterproductive behaviour and finance ethics. While social media play a significant role in youths' understanding of finance, the study said Islamic finance content was limited. Furthermore, familiarity with the Islamic financial principles does not guarantee anyone to change behaviour positively, thus indicating that Islamic financial education needs to be systematic and holistic.

Development of a Problem-Solving Model

A combination of factors, as discussed in the findings, contributes to the prevalence of low levels of IFL and negative financial behavior among Muslim youth. Among these are lack of Islamic Finance Education in the formal education system, low family influence in financial awareness, and low social content delivery of Islamic Finance on social media, as well as lack of financial discipline in spending and savings. So, a conceptual model to tackle this issue in a systematic and holistic way is required that encompasses education, media, and aspects of behavior affecting financial practices of Muslim youth. The model proposed in this study is called *the Integrative Model of Islamic Financial Literacy and Financial Well-Being of Muslim Youth* (i-Finwell). The model development was based on the findings of a study which highlighted the requirement for enhancing IFL and ability of Muslim youth to understand and manage the finances in a better way. A study by Abdullah et al. (2023) highlights that youth understanding of financial management and principles of *Maqasid al-Shariah* can be improved with structured Islamic finance education. Hence, the i-Finwell model integrates three components comprising a holistic strategic framework as addressing of these issues much better to formulate: Islamic Finance Education, Social and Media Influence, and financial behaviour.

Financial Education as a Foundational Element

Islamic Finance Education is a key step in the formation of The Integrative Model of Islamic Financial Literacy and Financial Well-Being of Muslim Youth (i-Finwell). The absence of comprehensive exposure to Islamic finance in the formal education system has been identified as a dominant factor contributing to the low level of IFL among youth (Rahim et al., 2016; Abdullah et al., 2023). Therefore, the I-Finwell model proposes that the Islamic Finance Literacy module be systematically implemented from primary to higher education. This implementation not only involves teaching in the classroom but also needs to be expanded through experience-based approaches such as outdoor workshops, financial simulation, and community projects. According to a study by Patrisia et al. (2023), in Indonesia, the application of Islamic financial education from the beginning has successfully increased the understanding of concepts such as *riba*, *zakat* and halal investment among students. This indicates that consistent early exposure can form a strong understanding of Shariah principles in finance. In

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the Malaysian context, the findings of the Islamic Finance Literacy Index (2024) emphasize that the delivery of IFL should be tailored to the learning style of the younger generation. Thus, the use of technologies such as online learning modules, interactive mobile applications and gamification can serve as a tool to enhance the accessibility and involvement of youth in learning. This recommendation is also supported by OECD (2022) which states that digital courses and interactive learning methods are more effective in enhancing financial knowledge among the younger generation today. In addition, the provision of focused short courses, such as budget-making skills training, Shariah-compliant debt management, as well as selection of Shariah-compliant investment products, need to be developed by higher education institutions, collaborative preaching and Islamic financial institutions. These programs should be modular, flexible, and accessible to all walks of life including the B40 and rural groups, so that they will not be exclusively on access to Islamic finance. Structured, practical and inclusive Islamic finance education is the key to the development of Shariah-compliant financial management patterns. This element not only helps develop technical skills in making financial decisions, but also instills ethical values, responsibilities and trust in managing sustenance as worship. This is the basis for the strength of the i-Finwell model to start changes from the root of education.

The Role of Social and Media Influence in Islamic Financial Literacy

In this fast -paced digital age, social and media influence plays an increasingly important role in shaping Muslim youth financial behaviour. This study found that the majority of youths are more likely to obtain financial information through social media and informal channels than official Islamic financial institutions. This is supported by the findings of Kusumawati et al. (2023), which states that social media content is more promoting conventional finances compared to Islamic finances, making it difficult for youth to make choices based on Shariah principles. Recognizing this fact, the i-Finwell model proposes a strategic approach that integrates social and media influence as a key presentation tool for IFL messages. Among the suggested strategies are active collaboration between Islamic financial institutions, Shariah financial experts, universities, and Muslim influencers in producing quality, youth-friendly and easy-to-understand digital content. This content can include various important topics such as introduction to Islamic banking products, halal investments, zakat and wakaf planning, and Shariah debt management. Platforms such as TikTok, YouTube, Instagram and interactive podcasts can be used as an effective channel of disseminating knowledge as they are visual, simple and in line with the digital lifestyle of the younger generation. This proposal is in line with the findings of Osman et al. (2023) and Rahayu et al. (2023) emphasizing that current financial literacy strategies should move in line with the technological and digital culture of young people. The model also proposed collaboration between Islamic universities and financial institutions to create a youth-friendly learning platform, so that the learning of IFL can be done from anywhere and anytime. If this strategy is implemented in a comprehensive and integrated way, it will not only raise the awareness and understanding of the youth of Islamic finance, but it also can curb the spread of illegal or speculative financial information in the digital world. IFL formed through strategic social media and based on Islamic values will give birth to a more intelligent, responsible and financially prosperous generation.

Cultivating Financial Discipline through Spending and Saving Management

Unspecial financial behaviour among Muslim youth, such as spending impulsively, owing uncontrolled, and failing to save consistently, is an increasingly concerned issue. This study found that while the youth were aware of the importance of IFL, most of them still failed to practice it in daily financial management. The Malaysian Insolvency Department's report (2024) shows the seriousness of financial management issues among the younger generation.

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In this regard, the i-Finwell model proposes a strategic approach based on the formation of Islamic financial discipline through three main forms of intervention:

Islamic Financial Management Training

Programs that include topics such as budget planning, Shariah-compliant debt management, and consistent storage practices. This training not only conveys technical knowledge but also inculcates the value of trust and responsibility in every financial decision.

Providing incentives to Youth

Incentives in the form of tax deductions for Shariah-compliant investments or special rewards from Islamic financial institutions for youths who show consistent storage habits and choosing Islamic financial products. This approach aims to create continuous motivation to practice responsible financial management.

The Youth Islamic Finance Mentor Guidance

Program is given access to the ongoing guidance of Islamic financial experts who act as a mentor. They will help youth plan short and long-term financial goals, as well as provide regular advice to adjust financial strategies to current needs and Shariah principles.

A study by Barus et al. (2024) shows that youths involved in financial training programs are more likely to avoid uncontrolled debt and show more disciplined spending patterns. This proves that financial discipline can not only be formed through knowledge, but also through consistent and strategic support interventions. Through this approach, the i-Finwell model not only offers solutions to the weaknesses of Islamic financial literacy but also builds a strong foundation for establishing a generation of literacy, disciplined, and ethical in the management of sustenance, in line with the principles of *Maqasid al-Shariah*, in particular *Hifz al-Mal* (property preservation).

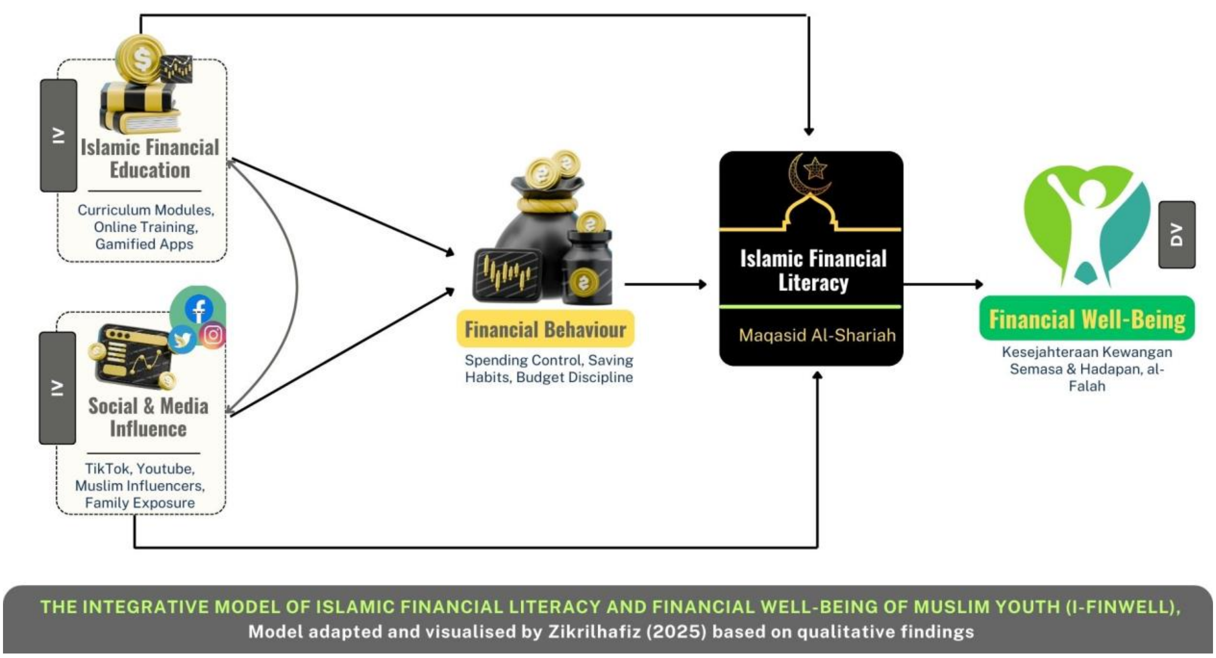

Figure 1: The Integrative Model of Islamic Financial Literacy and Financial Well-Being of Muslim Youth (I-FINWELL)

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Conclusion

This study confirms that the level of IFL among Muslim youth in Selangor is still at an alarming rate. Despite the awareness of Shariah -based financial importance, most youths only master the basic knowledge without a deep understanding of its implementation in real life. These weaknesses are driven by several key factors such as the lack of Islamic financial education in formal curriculum, lack of family guidance, and the dominance of social media content that emphasizes conventional finance. In addition, negative financial behavior is also a significant issue, where youths tend to spend impulsively, do not save, and depend on short -term debt. The findings of the study clearly support the statement of the problem and the objectives of the study, and can be formulated in four main themes: (1) low IFL levels in terms of understanding and practical applications; (2) external factors such as the education system, family and social media that influence the level of literacy; (3) Negative financial behavior such as lack of savings and excessive purchases; and (4) the potential of IFL in improving financial management patterns and contributing to the well-being of Muslim youth. These findings provide empirical evidence of systematic and comprehensive intervention requirements to enhance Shariah-compliant financial practices among the younger generation.

The main contribution of this study was the development of the Integrative Model of Islamic Finance Literacy and the Welfare of the Muslim Youth (i-Finwell), which combines three key elements: Islamic Finance Education, Social and Media Influence, and financial behavior. The model not only provides strategic suggestions for educational intervention and culture of ethical financial practices, but also provides practical guidance to governments, Islamic financial institutions and other stakeholders to formulate more effective policies and programs. However, this study acknowledges some limitations. The small sample size and geographical focus on the state of Selangor have made the results of this study unallowable. In addition, the qualitative approach provides in-depth understanding but requires quantitative advanced studies to strengthen the findings. Therefore, future studies should involve broader samples, various demographic backgrounds, and use mixed methodologies to enrich data and deepen analysis. Practically, this study proposes the development of a more comprehensive Islamic financial curriculum and the implementation of youth-friendly financial education programs through an interactive digital platform. The role of Islamic financial institutions and social media influence is also very important in delivering the message of IFL more effectively. With the implementation of a comprehensive and collaborative strategy, IFL among youth can not only be enhanced but can also be a catalyst for a balanced long-term financial well-being and based on the principles of *Maqasid al-Shariah*.

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