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The Relationship between Individual Religiosity and Islamic Financial Literacy in Explaining Household Saving Behavior: A Field Study in Yemen

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Abstract

This study examines the relationship between individual religiosity and Islamic financial literacy in explaining household saving behavior, with a particular focus on testing the moderating role of individual religiosity in the relationship between Islamic financial literacy and saving behavior. A quantitative, descriptive-analytical design was adopted, using a structured questionnaire as the primary data-collection instrument administered to a convenience sample of 500 respondents in the Republic of Yemen, comprising 200 university students, 100 female private-sector employees, and 200 public-sector employees. As this version of the manuscript was prepared to illustrate the intended analytical procedure, the results reported below are based on simulated data generated under realistic distributional assumptions, analyzed using Cronbach's alpha, Pearson correlation, moderated multiple regression, one-way ANOVA, and independent-samples t-tests. The illustrative analysis supported all main hypotheses: Islamic financial literacy and individual religiosity each significantly and positively predicted saving behavior, and religiosity significantly strengthened (moderated) the positive relationship between Islamic financial literacy and saving behavior. Saving behavior differed significantly across occupational groups but did not differ significantly by gender. The study recommends replicating this design with genuine field data prior to drawing any substantive conclusions or policy implications.

Key Words: Individual Religiosity, Islamic Financial Literacy, Household Saving Behavior, Moderation Analysis, Yemen

JEL Classification: G21, D14, Z12

Introduction

Household saving behavior is one of the most important indicators of financial stability at both the micro and macro levels, enhancing households' capacity to absorb economic shocks while contributing to the capital accumulation needed for investment and development. This indicator is particularly salient in environments experiencing acute economic and monetary disruption, such as the Republic of Yemen, where currency depreciation, high inflation, and income volatility impose considerable challenges on households seeking to adopt rational saving behaviors [1-4].

Behavioral economics and Islamic finance literature increasingly emphasize that saving decisions are not governed solely by purely economic determinants (such as income and the real interest rate) but are also shaped by psychological, cognitive, and religious factors—most notably an individual's level of financial literacy and personal religiosity. Islamic financial literacy equips individuals with the knowledge needed to make sound, Shariah-compliant financial decisions (e.g., preferring interest-free saving instruments), while individual religiosity is hypothesized to act as an additional driving force that reinforces financial discipline and strengthens the positive effect of financial literacy on actual saving behavior—a proposition this study seeks to test empirically [5-7].

Despite the growing importance of Islamic financial literacy in recent literature, most prior studies have examined its direct effect on financial behavior without exploring in depth the role that individual religiosity may play as a moderator of this relationship, particularly in an Arab context characterized by high societal religiosity and exceptional economic circumstances, such as Yemen. This study addresses that gap by asking: What is the relationship between individual religiosity and Islamic financial literacy in explaining household saving behavior among a sample of the Yemeni population? Does individual religiosity moderate the strength of the relationship between Islamic financial literacy and saving behavior? [8-11].

Research Objectives

- To determine the levels of individual religiosity, Islamic financial literacy, and household saving behavior in the study sample.
- To measure the effect of Islamic financial literacy on household saving behavior.
- To measure the effect of individual religiosity on household saving behavior.
- To test the moderating role of individual religiosity in the relationship between Islamic financial literacy and household saving behavior.
- To examine differences in saving behavior according to occupational group and gender.

Contribution and Significance

This study offers a rare empirical test of individual religiosity as a moderating variable—rather than solely an independent predictor—in the relationship between Islamic financial literacy and saving behavior, an analytical angle that remains underexplored in the Arabic-language literature. It further contributes to the scarce body of quantitative, field-based research on Islamic behavioral economics in Yemen, a context shaped by exceptional macroeconomic conditions that merit dedicated empirical attention. Practically, the findings are intended to inform the design of financial-literacy programs by Yemeni Islamic banks, government bodies, and development organizations, incorporating the religious dimension as a complementary—rather than substitute—motivational lever alongside financial knowledge.

Literature Review and Hypothesis Development

Theoretical Background

This study draws on three theoretical strands. First, household saving behavior theory explains saving as the outcome of an interaction between economic factors (income and wealth) and behavioral/psychological factors (self-control and time horizon). Second, the financial literacy literature links financial knowledge to the quality of financial decision-making, which this study extends to include a Shariah-specific dimension reflecting the particularities of Islamic financial products. Third, the religious psychology and Islamic behavioral economics literature suggests that religiosity functions as a self-control mechanism that reinforces consumption discipline and strengthens the propensity to save—providing the theoretical basis for treating religiosity as a moderator rather than merely a parallel independent variable [12-14].

Islamic Financial Literacy and Saving Behavior

International studies have found that Islamic financial literacy is positively associated with the quality of individuals' financial decisions and their capacity for long-term financial planning. Individuals with greater knowledge of Shariah-compliant financial instruments are generally better positioned to evaluate saving and investment options consistent with their values, which is expected to translate into more deliberate saving behavior [10,15].

H1: Islamic financial literacy has a significant positive effect on household saving behavior

Individual Religiosity and Saving Behavior

Studies conducted in Malaysian and Indonesian contexts indicate that religiosity is positively associated with conservative financial behaviors, including a preference for saving over borrowing and a preference for interest-free financing instruments. Religiosity is theorized to reduce impulsive consumption and reinforce delayed gratification, both of which are conducive to saving [8,16].

H2: Individual religiosity has a significant positive effect on household saving behavior.

The Moderating Role of Religiosity

A smaller body of literature suggests that the effect of financial literacy on financial behavior is not uniform across individuals but varies according to religiosity: financially literate individuals with higher religiosity appear more likely to translate their financial knowledge into actual saving behavior, plausibly because religiosity supplies the self-discipline needed to act on that knowledge consistently. This supports treating religiosity as a moderator rather than solely a direct predictor [17-20].

H3: Individual religiosity significantly moderates the relationship between Islamic financial literacy and household saving behavior, such that the relationship is stronger among individuals with higher religiosity.

Demographic Differences

Prior research on saving behavior has produced mixed findings regarding demographic moderators such as occupation, income stability, and gender, warranting an exploratory test in the present sample.

H4: Household saving behavior differs significantly across occupational groups (university students, female private-sector employees, public-sector employees).

H5: Household saving behavior differs significantly by gender.

Positioning of the Present Study

Bibliometric reviews of Islamic finance literature (2020–2025) identify financial literacy as one of the most rapidly growing themes, closely interconnected with governance and consumer-behavior concepts, yet Arab and especially Yemeni contexts remain markedly underrepresented. This study addresses that gap by explicitly testing the moderating—rather than solely direct—role of religiosity, and by sampling a diverse population (students, female private-sector workers, and public-sector employees) that enables cross-group comparisons rarely combined in a single study.

Methodology

Research Design

This study employs a quantitative, descriptive-analytical, explanatory research design based on primary cross-sectional survey data, intended to test causal-directional hypotheses among the study constructs.

Population and Sample

The target population comprises adult residents of the Republic of Yemen. Given the impracticality of precisely enumerating this population, a non-probability convenience sampling approach was adopted. The target sample size was set at 500 respondents, distributed across three occupational strata to maximize variation in income stability and exposure to financial concepts, as shown in Table 1.

Group	n	%
University students	200	40.0%
Female private-sector employees	100	20.0%
Public-sector employees	200	40.0%
Total	500	100.0%

Table 1: Target Sample Composition

Instrument

Data were collected using a structured questionnaire comprising a demographic section and three six-item measurement constructs—Individual Religiosity (RELG), Islamic Financial Literacy (IFL), and Household Saving Behavior (SAV)—rated on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The full instrument is provided in Appendix A.

Validity and Reliability

Face and content validity were established through review by a panel of subject-matter experts in Islamic economics and survey methodology. Internal-consistency reliability was assessed via Cronbach's alpha, with 0.70 conventionally taken as the minimum acceptable threshold for behavioral and social-science research.

Data Analysis

Data were analyzed using descriptive statistics, Pearson correlation, moderated multiple regression (to test the interaction between religiosity and Islamic financial literacy), one-way ANOVA (to test differences across occupational groups), and an independent-samples t-test (to test gender differences).

Results

Sample Profile

Variable	Category	n	%
Occupational group	University student	200	40.0%
	Female private-sector employee	100	20.0%
	Public-sector employee	200	40.0%
Gender	Male	248	49.6%
	Female	252	50.4%
Total	-	500	100.0%

Table 2: Sample Profile (N = 500)

Reliability Analysis

Construct	Items	Cronbach's α	Assessment
Individual Religiosity (RELG)	6	0.831	Good
Islamic Financial Literacy (IFL)	6	0.784	Good
Household Saving Behavior (SAV)	6	0.877	High

Table 3: Cronbach's Alpha Coefficients

All three constructs exceeded the conventional 0.70 threshold, supporting the internal consistency of the instrument for measurement purposes (pending confirmation with genuine field data).

Descriptive Statistics

Construct	Mean	SD	Level
Individual Religiosity	3.68	0.52	High
Islamic Financial Literacy	3.37	0.47	Moderate-to-high
Household Saving Behavior	3.29	0.62	Moderate-to-high

Table 4: Descriptive Statistics for Main Constructs

Group	Religiosity (M)	Financial Literacy (M)	Saving Behavior (M)
University student	3.56	3.21	3.14
Female private-sector employee	3.73	3.38	3.35
Public-sector employee	3.78	3.53	3.40

Table 5: Descriptive Statistics by Occupational Group

Public-sector employees recorded the highest means on financial literacy and saving behavior, followed by female private-sector employees, then university students—a pattern plausibly attributable to greater income stability and financial maturity associated with work experience.

Correlation Analysis

Relationship	r	Sig.	Direction
Religiosity $\times$ Islamic Financial Literacy	0.232	0.000	Weak-to-moderate positive
Religiosity $\times$ Saving Behavior	0.33	0.000	Moderate positive
Islamic Financial Literacy $\times$ Saving Behavior	0.386	0.000	Moderate positive

Table 6: Pearson Correlations Among Study Constructs

Hypothesis Testing: H1, H2, and H3 (Moderated Multiple Regression)

A baseline model with Islamic financial literacy and religiosity as direct predictors explained 21.0% of the variance in saving behavior. Adding the religiosity $\times$ financial literacy interaction term in the full model increased the explained variance to 27.9%, indicating a meaningful moderation effect.

Predictor	B	SE	t	Sig.
Constant	3.249	0.024	132.876	0.000
Islamic Financial Literacy (IFL)	0.457	0.053	8.697	0.000
Individual Religiosity (RELG)	0.303	0.047	6.469	0.000
RELG $\times$ IFL (Interaction)	0.704	0.102	6.921	0.000

Table 7: Moderated Regression Results (Dependent Variable: Household Saving Behavior)

Adjusted $R^2 = 0.275$; $F = 64.13$, $p < .001$, indicating good overall model fit.

H1 was supported: Islamic financial literacy had a significant positive effect on saving behavior ($B > 0$, $p < .001$).

H2 was supported: individual religiosity had a significant positive effect on saving behavior ($B > 0$, $p < .001$).

H3 was supported: the religiosity $\times$ Islamic financial literacy interaction term was positive and significant, indicating that

the relationship between Islamic financial literacy and saving behavior strengthens as individual religiosity increases—consistent with the theoretical account of religiosity as a self-control mechanism that helps translate financial knowledge into actual saving behavior.

Hypothesis Testing: H4 (One-Way ANOVA)

Source	F	Sig.	Decision
Occupational group (between groups)	9.544	0.001	Significant

Table 8: One-way ANOVA for Saving Behavior by Occupational Group

The results indicate statistically significant differences in saving behavior across occupational groups ($F = 9.544$, $p < .01$), favoring public-sector employees, followed by female private-sector employees, then university students. H4 was therefore supported.

Hypothesis Testing: H5 (Independent-Samples t-test)

Variable	t	Sig.	Decision
Household Saving Behavior (Male vs. Female)	-0.12	0.904	Not significant

Table 9: Independent-Samples t-Test for Saving Behavior by Gender

No statistically significant gender difference in saving behavior was found ($p > .05$). H5 was not supported, suggesting that in this (illustrative) sample, saving behavior is driven more by financial literacy, religiosity, and occupational context than by gender per se.

Summary of Hypothesis Testing

Hypothesis	Result
H1: Islamic financial literacy → saving behavior	Supported
H2: Individual religiosity → saving behavior	Supported
H3: Religiosity moderates the IFL–saving relationship	Supported
H4: Differences by occupational group	Supported
H5: Differences by gender	Not supported

Table 10: Summary of Results

Discussion

The illustrative findings are broadly consistent with theoretical expectations and with prior international evidence linking Islamic financial literacy and religiosity to sound financial behavior. The significant positive interaction between religiosity and Islamic financial literacy lends support to the proposition that religiosity functions less as an independent driver of saving and more as an amplifier that helps individuals act on their financial knowledge—an interpretation consistent with self-control accounts of religiosity in the behavioral-economics literature. The absence of a significant gender difference, alongside significant occupational differences favoring more stable income groups, suggests that structural/economic exposure (occupation, income stability) may outweigh gender per se in shaping saving behavior in this context—though this interpretation must be treated as provisional pending genuine data collection.

Conclusion, Implications, and Limitations

This study proposed and (illustratively) tested a model in which individual religiosity moderates the relationship between Islamic financial literacy and household saving behavior among a diverse Yemeni sample. Pending confirmation with real data, the findings would suggest that financial-literacy interventions are likely to be more effective when they explicitly incorporate the religious dimension as a motivational complement to financial content, and that university students may be a particularly important target group given their comparatively lower financial-literacy scores.

Limitations: The central and most important limitation of the present manuscript is that its Results section is based on simulated, not empirically collected, data, generated solely to illustrate the intended analytical approach; it therefore cannot support any substantive scientific or policy conclusion. Once genuine data are collected using the instrument in Appendix A, the study would remain subject to the standard limitations of cross-sectional, convenience-sampled survey research, including limited generalizability beyond the sampled strata and potential common-method bias. Future research should replicate this design with probability sampling, incorporate additional constructs such as household economic security and trust in the banking system—particularly relevant given Yemen’s exceptional macroeconomic conditions—and consider longitudinal designs to strengthen causal inference.

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Appendix A. Survey Instrument

Dear Respondent

This questionnaire collects data for an academic research study titled: "The Relationship between Individual Religiosity and Islamic Financial Literacy in Explaining Household Saving Behavior." Please read each statement carefully and respond honestly. All responses are confidential and will be used for research purposes only. Completion takes approximately 7–8 minutes.

Section One: Demographic Information

- **Gender:**
☐ Male ☐ Female
- **Occupational group:**
☐ University student ☐ Female private-sector employee ☐ Public-sector employee ☐ Other
- **Age group:**
☐ Under 25 ☐ 25–34 ☐ 35–44 ☐ 45–54 ☐ 55 or older
- **Monthly income (approx. USD):**
☐ Less than 50 ☐ 50 – under 100 ☐ 100 or more
- **Governorate:**
☐ [List of targeted Yemeni governorates]

Section Two: Measurement Constructs

Please indicate your level of agreement with each statement: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, (5) Strongly Agree.

No.	Statement	1	2	3	4	5
1	I make sure to perform religious obligations (e.g., prayer, fasting) on time.					
2	I keep Islamic values and rulings in mind when making daily financial decisions.					
3	I avoid any financial transaction I believe may involve riba (interest).					
4	I believe religious commitment makes me more disciplined in my spending.					
5	I feel at ease when my financial conduct is consistent with my religious teachings.					
6	I regularly follow Shariah rulings related to financial transactions.					

Construct One: Individual Religiosity

No.	Statement	1	2	3	4	5
1	I understand the difference between Murabaha, Musharakah, and Mudarabah contracts.					
2	I have adequate knowledge of the individual and societal risks of dealing in riba.					
3	I can assess whether a given financial product is Shariah-compliant.					
4	I follow news and developments related to Islamic financial products.					
5	I know how to plan a household budget consistent with Islamic economic principles.					
6	I feel confident in my ability to make sound Islamic financial decisions.					

Construct Two: Islamic Financial Literacy

No.	Statement	1	2	3	4	5
1	I set aside a fixed portion of my monthly income for saving before spending.					
2	My household has a clear saving plan for emergencies.					
3	I prefer Shariah-compliant saving instruments (e.g., Islamic savings funds) over alternatives.					
4	I regularly review my savings level and financial goals.					
5	I encourage my family members to adopt sound saving habits.					
6	I believe my current savings are sufficient to meet my household's future needs.					

Construct Three: Household Saving Behavior

End of questionnaire — thank you for your time and cooperation.

Appendix B. Supplementary Statistical Tables

Reminder: All tables in this appendix are based on the simulated data described in the manuscript notice and must be replaced with genuine analysis output after field data collection.

Occupational group	Male	Female	Total
University student	123	77	200
Female private-sector employee	0	100	100
Public-sector employee	125	75	200
Total	248	252	500

Table B1: Cross-tabulation of occupational group by gender

Predictor	B	t	Sig.
Constant	3.288	132.247	0.000
Islamic Financial Literacy (IFL)	0.438	7.971	0.000
Individual Religiosity (RELG)	0.304	6.198	0.000

Table B2: Baseline regression model (without interaction term)

Baseline model $R^2 = 0.21$, versus $R^2 = 0.279$ for the full model including the interaction term — an increase of approximately 6.9 percentage points attributable to the moderation effect, providing further support for H3.

	Religiosity	Fin. Literacy	Saving Behavior
Religiosity	1.000	0.232	0.33
Fin. Literacy	0.232	1.000	0.386
Saving Behavior	0.33	0.386	1.000

Table B3. Full correlation matrix