



## ***Examining Students Perceptions and Expectations of Islamic Economics in Addressing Social Inequality***

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**Abstract:** This study examines how university students in Jakarta perceive and expect Islamic economics to address social inequality. Integrating Social Cognitive Theory (SCT) and Expectation-Confirmation Theory (ECT), it proposes a cognitive-affective-conative framework linking students' understanding, perception, and expectation. A survey involving 522 students was analyzed using PLS-SEM. Results confirm that understanding significantly influences perception ( $\beta = 0.403$ ) and expectation ( $\beta = 0.185$ ), with perception also mediating the relationship ( $\beta = 0.189$ ). Students largely view Islamic economics as fair and effective, especially instruments like zakat and Islamic microfinance. However, gaps exist between expectations and implementation, driven by limited public understanding, inadequate regulation, and digital infrastructure challenges. This research contributes to the theoretical integration of SCT–ECT in Islamic economics and provides actionable insights for policymakers and educators to strengthen financial literacy, reform regulations, and enhance technological access. The findings support a dual approach: conceptual literacy and perceptual alignment are both essential to realize the role of Islamic finance in promoting equity.

## **Introduction**

Social inequality remains a persistent and critical issue, impacting socio-economic stability and social cohesion across diverse populations globally. In Indonesia, particularly in the urban context of Jakarta, rising inequality has been intensified by rapid urbanization and economic disparities, contributing to social fragmentation and heightening vulnerability among marginalized communities (Bapuji et al., 2020; Sakinah et al., 2022). Jakarta's Gini ratio, recorded at 0.423 as of March 2024, reflects a significant degree of income inequality, with large segments of the population facing challenges in accessing basic services and economic opportunities. Addressing this inequality has become an urgent priority, requiring frameworks that foster equitable resource distribution and align with sustainable development goals (SDGs), specifically those focused on reducing poverty and social disparities (Gama et al., 2022).

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Islamic economics, founded on the principles of social justice, equitable wealth distribution, and welfare enhancement, presents a viable framework for addressing social inequality. Unlike conventional economic systems, Islamic economic principles are inherently designed to promote social equity, using tools such as zakat (almsgiving), waqf (endowment), and Islamic microfinance. These mechanisms have demonstrated promise in addressing poverty and improving socio-economic well-being by redistributing wealth in alignment with Islamic values of fairness and community welfare (Halkos & Aslanidis, 2023; Nuryitmawan, 2023).

This study explores the potential of Islamic finance instruments to address social inequality in Jakarta by leveraging a novel approach—analyzing the perceptions, understanding, and expectations of university students regarding Islamic economic principles. This focus on youth perspectives is intended to yield insights into future policy and educational strategies, recognizing that these students represent emerging leaders and influencers within Indonesia's social and economic spheres.

Previous literature emphasizes the effectiveness of Islamic economic instruments, particularly zakat and waqf, in poverty alleviation and wealth redistribution. Studies by Muhammad (2023) and Marasabessy (2022) reveal that zakat not only provides immediate relief but also supports long-term growth, while waqf has been instrumental in funding educational and healthcare initiatives, contributing to sustainable community development. Other research highlights successful implementations of Islamic finance in countries such as Malaysia, where a well-regulated Islamic social finance ecosystem has shown to reduce socio-economic disparities effectively (Jaenudin & Herianingrum, 2022). However, despite these promising outcomes, there are considerable barriers to implementation. Much of the current literature relies on theoretical models without adequate empirical validation in diverse settings, resulting in a limited understanding of the long-term effects of Islamic finance mechanisms (Rahman & Siradjuddin, 2020; Kuanova et al., 2021). Furthermore, many studies focus primarily on the structural and regulatory requirements of Islamic finance but overlook practical challenges such as bureaucratic inefficiencies, limited technological infrastructure, and transparency concerns, which can significantly impede the effectiveness of Islamic economic instruments in practice (Medias et al., 2021).

While the theoretical and potential benefits of Islamic finance are well-documented, there is a clear need to bridge the gap between conceptual frameworks and their practical applications, particularly in Jakarta's context. Regulatory limitations, inadequate public awareness, and infrastructural challenges hinder the widespread implementation of Islamic finance as a solution for social inequality. For instance, studies by Nurfadilah & Samidi (2021) and Muryanto (2022) reveal that poor inter-agency coordination and a lack of supportive technological infrastructure pose significant obstacles to effective zakat and waqf management. Even in regions where Islamic finance is supported by well-defined policies, scalability and accessibility issues persist, limiting the impact of these mechanisms on socio-economic disparities (Putri, 2021).

This study addresses the gaps in earlier research by using a theoretical approach that integrates Social Cognitive Theory (SCT) and Expectation-Confirmation Theory (ECT) to assess how university students view and expect Islamic finance to help reduce social inequality in Jakarta. SCT emphasizes that the formation of economic behavior is based on a cognitive-affective process, where understanding gained through social interaction and education influences perceptions of the fairness and effectiveness of the system. ECT complements the framework by explaining how expectations are formed and modified based on perceptions of the actual performance of the system. In the context of Islamic economics, students' understanding of the principles of zakat, waqf, and Islamic microfinance is expected to shape affective perceptions that will confirm or adjust their expectations of the contribution of these instruments in reducing social inequality. Using a quantitative SEM-based approach, this study analyzes the relationship structure between understanding, perception, and expectation. It offers a comprehensive, theory-based cognitive framework explaining how university students engage as future socio-economic actors in supporting the sustainability of Islamic social finance.

The research objectives are structured around four key goals: first, to assess the level of understanding among university students in Jakarta regarding Islamic economic principles and their application in addressing social equity; second, to evaluate students' perceptions of the effectiveness of Islamic finance instruments in reducing social inequality; third, to identify key barriers to the effective implementation of Islamic finance, including regulatory, infrastructural, and technological challenges;

and fourth, to propose strategic recommendations for integrating Islamic economic principles into mainstream systems, with a particular focus on digital innovation and regulatory reform.

A distinctive aspect of this research is its focus on university students, who not only represent the next generation of leaders but also reflect evolving societal values and expectations. By exploring student perceptions, this study contributes to the growing body of literature on youth engagement in Islamic economics and provides valuable insights for policymakers and educational institutions aiming to promote social justice through Islamic finance. This approach aligns with studies by [Nuryitmawan \(2023\)](#) and [Syukur \(2022\)](#), which emphasize the role of education and public awareness in shaping positive perceptions of Islamic finance.

In addressing these research objectives, the study highlights the role of Islamic finance in promoting inclusive economic development and reducing social disparities in Jakarta. The findings are expected to inform a range of stakeholders, including policymakers, educational leaders, and practitioners, about the potential of Islamic economic principles as a framework for fostering social equity and community welfare. Furthermore, the study emphasizes the role of digital technologies in enhancing transparency and accessibility, particularly in managing zakat and waqf, which can strengthen public trust and engagement in Islamic finance. This aligns with the perspective of [Dirie et al. \(2023\)](#), who underscore the transformative potential of digital platforms in expanding access to Islamic financial services.

In sum, this research contributes to an underexplored area within Islamic economics by focusing on the practical challenges and opportunities associated with implementing Islamic finance to address social inequality. By integrating empirical findings with theoretical insights, the study offers a clearer roadmap for bridging the gap between the promise of Islamic finance and its practical applications. Addressing these barriers not only requires supportive policies and technological advancements but also a commitment to fostering broader public understanding and participation. The insights gained from this research are intended to support more effective strategies for integrating Islamic economic principles into Jakarta's economic framework, ultimately promoting social justice and equitable wealth distribution.

## Literature Review and Hypothesis Development

### *Theoretical Foundations: Bridging Social Cognitive Theory and Expectation-Confirmation Theory*

The research's theoretical framework integrates Social Cognitive Theory (SCT) ([Bandura, 1986](#)) and Expectation-Confirmation Theory (ECT) ([Oliver, 1980](#)) to explain how students form their perceptions and expectations about the effectiveness of Islamic social financial instruments in addressing social inequality. SCT assumes that individual behavior is determined not only by external conditions but also by the dynamic interaction between cognition (knowledge), affect (emotions/perceptions), and the social environment. In this context, students' understanding of Islamic financial principles such as zakat, waqf, and Islamic microfinance is formed through observation, education, and social experiences that are internalized into their cognitive structures. Self-efficacy—confidence in one's ability to understand and apply Islamic economic values—is also an important dimension in shaping perceptions of the fairness, efficiency, and alignment of these instruments with Islamic social values.

Meanwhile, ECT complements the SCT framework by emphasizing the evaluative process that occurs after individuals form initial expectations. According to ECT, students' expectations about the impact of Islamic finance on social inequality are based on their perceptions of how these instruments perform in actual practice. When their experiences or perceptions align with or exceed initial expectations (confirmation), their level of satisfaction and confidence in the system increases. However, if there is a discrepancy (disconfirmation), expectations may decrease, resulting in skepticism or reluctance to engage.

In the context of Islamic economics, the integration of SCT and ECT provides a comprehensive cognitive-affective-conative framework for understanding how students not only learn about instruments such as zakat and waqf but also evaluate their effectiveness and develop expectations about their social implementation. This is crucial because students are positioned as future agents of social transformation, whose current perceptions of Islamic finance will determine their level of participation and advocacy in equitable policy and development schemes. Therefore, this theory is highly relevant

for explaining not only how understanding is formed but also how perceptions and expectations evolve as a result of the interaction between education, religious values, and the realities of public policy.

### ***Zakat and Waqf: Redistributive Mechanisms and Public Perceptions***

Zakat and waqf are two main instruments in the Islamic financial redistribution architecture that are specifically designed to reduce socio-economic disparities. Empirically, zakat has been proven to play an important role in poverty alleviation by supporting short-term consumption and strengthening long-term economic resilience, as shown by Jaenudin & Herianingrum (2022). Follow-up studies by Muhammad (2023) and Marasabessy (2022) confirm that effective zakat distribution can increase the stability of mustahik's income and aligns with SDG 1's goal of eradicating poverty. On the other hand, waqf functions as a long-term redistribution instrument by funding essential sectors such as education, health, and social infrastructure (Karimah, 2023). However, the effectiveness of waqf still faces serious obstacles due to bureaucratic barriers, legal limitations, and administrative inefficiencies (Mohaiyadin et al., 2022). Within the framework of cognitive-affective theory, particularly based on the Social Cognitive Theory (SCT) approach, people's understanding of the function and value of zakat-wakaf is not only rooted in aspects of formal knowledge but also shaped through social interaction and normative environment. This understanding then transforms into a positive perception of the justice and usefulness of the instrument. In relation to Expectation-Confirmation Theory (ECT), the perception that develops is not only rooted in formal knowledge but also formed through social interaction and normative environment.

### ***Islamic Microfinance: Youth Financial Inclusion and Ethical Framing***

Islamic microfinance (IMF) has emerged as a transformative tool for empowering marginalized communities by offering financial services grounded in Shariah principles. Unlike conventional microfinance, IMF prohibits *riba* and promotes profit-loss sharing, aligning with Islamic ethical values and fostering trust among Muslim youth (Nuryitmawan, 2023). Empirical studies demonstrate that IMF significantly supports entrepreneurship, particularly among women and low-income groups (Anis et al., 2022). For university students, IMF represents a tangible embodiment of Islamic economics in practice. A high level of understanding of IMF is positively associated with strong perceptions of fairness and social justice, validating Social Cognitive Theory (SCT) that knowledge influences behavior. Consistent with Expectation-Confirmation Theory (ECT), when the actual performance of IMF meets or exceeds students' expectations, they are more inclined to advocate for its expanded integration into national development strategies. However, IMF's potential remains limited by challenges such as restricted outreach, weak institutional capacity, and sustainability concerns (Khan et al., 2020).

### ***Youth Literacy and the Role of Higher Education***

Youth—particularly university students—play a pivotal role in shaping the trajectory of Islamic finance, yet limited research has explored how they comprehend, assess, and form expectations about Islamic economic systems. Previous studies (Syukur, 2022; Gutiérrez-Romero & Ahamed, 2021) have highlighted the importance of educational institutions in advancing financial literacy and cultivating ethical economic behavior rooted in Islamic principles. This study builds on the premise that cognitive understanding informs affective perception, which subsequently shapes behavioral expectations—a progression aligned with the constructs of Social Cognitive Theory (SCT) and Expectation-Confirmation Theory (ECT), thereby supporting the mediation model proposed. By integrating Islamic economics into university curricula, institutions can foster a new generation of knowledgeable advocates who not only understand but actively promote Islamic financial inclusion as a strategic socio-economic necessity.

### ***Technological Infrastructure and Digital Literacy in Islamic Finance***

Digitalization presents a significant opportunity to address persistent challenges in zakat and waqf distribution, including inefficiency, limited traceability, and administrative constraints. Emerging technologies such as blockchain and mobile-based zakat platforms have demonstrated potential in enhancing system transparency and institutional accountability (Mohaiyadin et al., 2022; Kanwal, 2023). As digital natives, university students are uniquely positioned to engage with and promote these

innovations. However, perception acts as a critical gatekeeper in this adoption process. Students' expectations toward digital zakat platforms are closely tied to their perceptions of data security, usability, and Shariah compliance. These factors correspond directly with Expectation-Confirmation Theory (ECT), wherein perceived performance and its alignment or misalignment with initial expectations determine behavioral responses. Therefore, students' cognitive understanding of fintech features plays a pivotal role in shaping their perceptions, which subsequently influence whether digital tools are perceived as effective or fall short of expectations in delivering Islamic social finance objectives.

### ***Regulatory Ecosystem and Trust in Institutional Governance***

Despite strong theological underpinnings, the successful implementation of Islamic finance mechanisms—particularly zakat and waqf—relies heavily on coherent institutional and regulatory frameworks. In Indonesia, fragmentation among regulatory bodies and inconsistent policy execution have significantly undermined the operational effectiveness of these institutions (Putri, 2021; Muryanto, 2022). Beyond functionality, regulatory robustness plays a crucial role in shaping public perception and institutional trust, especially among younger demographics. Existing literature emphasizes that perceived institutional credibility and procedural justice act as mediators between individual understanding and institutional expectation (Zouari et al., 2021). This means that even when students possess a solid grasp of Islamic finance principles, their expectations for effective real-world application may remain low if institutional governance is perceived as flawed, inefficient, or lacking transparency. These findings highlight the dual necessity of regulatory reform and strategic public education to reinforce both the cognitive-affective (SCT) and evaluative (ECT) pathways essential for fostering long-term trust and engagement in Islamic finance.

### **Hypothesis Development**

This study draws on Social Cognitive Theory (SCT) and Expectation-Confirmation Theory (ECT) to conceptualize the interrelationships among students' understanding, perception, and expectation regarding Islamic economic instruments in addressing social inequality. These variables form a sequential cognitive-affective-conative framework, in which understanding (knowledge acquisition) informs perception (judgment of fairness and effectiveness), which, in turn, shapes expectation (anticipated future performance or outcome).

### ***Understanding and Perception***

SCT states that cognitive awareness and conceptual understanding shape affective responses and assessments of individual behavior in specific social contexts (Bandura, 1986). Within the framework of Islamic economics, students with a deep conceptual understanding of zakat, waqf, and Islamic microfinance tend to develop more positive perceptions of the fairness, ethics, and effectiveness of these instruments in addressing socioeconomic inequality. Several empirical studies, such as Syukur (2022), show that increased literacy in Islamic financial principles is significantly correlated with higher levels of trust and positive assessments of the system. However, most existing studies only document the correlation between literacy levels and acceptance of the Islamic financial system in general, without specifically examining how students' cognitive processes—in the form of understanding—contribute to the formation of their affective perceptions of the effectiveness of Islamic economic instruments. In other words, there is a gap in the literature that has not explicitly examined the role of understanding as a direct determinant of perceptions in the context of students as a transformative generation. Based on these theoretical arguments and preliminary evidence, the following hypothesis is proposed:

H1: Students' understanding of Islamic economic principles positively influences their perception of Islamic economics.

### ***Perception and Expectation***

Expectation-Confirmation Theory (ECT) emphasizes that perceptions of a system's performance serve as a cognitive-affective foundation that shapes or adjusts individual expectations about the system's outcomes or benefits (Oliver, 1980). In the context of Islamic finance, students' perceptions of the



system's inclusive, fair, and sharia-compliant characteristics have significant potential to increase their expectations regarding the system's ability to be broadly integrated into national development policies. A study by [Marasabessy \(2022\)](#) showed that positive perceptions of transparency and fairness in zakat and waqf management significantly contribute to public support for expanding the adoption of Islamic financial instruments. However, most previous studies have focused on the relationship between perceptions and satisfaction or behavioral intentions (e.g., product usage) and have not explicitly examined the link between students' systemic perceptions and their expectations regarding the macro impact of Islamic finance, particularly in the context of reducing social inequality. Furthermore, little research has explored how perceptions formed through the interaction of Islamic values and educational experiences can directly predict strategic expectations about Islamic economics as a structural solution. Considering this gap, the following hypothesis is proposed:

H2: Students' perception of Islamic economic principles positively influences their expectation of Islamic economics.

### ***Understanding and Expectation***

While ECT emphasizes that expectations are primarily shaped by perceptions of a system's actual performance, Social Cognitive Theory (SCT) suggests that cognitive knowledge—especially when coupled with high self-efficacy—can directly influence behavioral intentions and outcome expectations ([Bandura, 1986](#)). In the context of Islamic economics, students who have a good understanding of the mechanisms and objectives of zakat, waqf, or Islamic microfinance tend to develop optimistic expectations about the social impact and sustainability of these systems, even before empirical experience or evaluative perceptions are formed. [Nuryitmawan \(2023\)](#) supports this view by showing that students' technical familiarity with Islamic financial instruments is positively correlated with their optimism about their application in development contexts. However, prior literature has largely positioned perception as the sole intermediary variable in the formation of expectations, while the direct role of understanding has not been widely independently tested. This gap is important because in populations like students—who generally have a high reflective capacity and access to formal knowledge sources—theoretical understanding can be a strong predictor of expectations even without passing through the filter of affective perceptions. Therefore, this study proposes the following hypotheses to fill the gap:

H3: Students' understanding of Islamic economic principles positively influences their expectation of Islamic economics.

### ***Perception as a Mediator***

Integrating Social Cognitive Theory (SCT) and Expectation-Confirmation Theory (ECT) implies that perception acts as a mediating variable, bridging the gap between understanding and expectations. SCT emphasizes that cognitive learning influences affective judgments (perceptions), while ECT states that these perceptions subsequently shape or adjust expectations toward a particular system or policy. In the context of Islamic economics, the higher students' understanding of the principles of zakat, waqf, and Islamic microfinance, the more likely they are to form positive perceptions of the fairness, effectiveness, and ethics of these financial systems. These perceptions then serve as an evaluative basis for forming their expectations about the potential of Islamic economics to reduce social inequality. Previous studies, such as those by [Widiastuti et al. \(2022\)](#), have shown that perception can act as a cognitive-affective filter that mediates the process of expectation formation in various contexts of financial behavior. However, most empirical studies are still limited to examining direct relationships between variables without explicitly examining the role of perception as a mediating mechanism—particularly in a student population uniquely situated in a cognitive transition toward socioeconomic influence. This gap suggests the need for a structured mediation modeling approach to better understand how student knowledge is translated into expectations through perception. Therefore, the following hypothesis is proposed:

H4: Students' perception mediates the relationship between understanding and expectation of Islamic economic principles

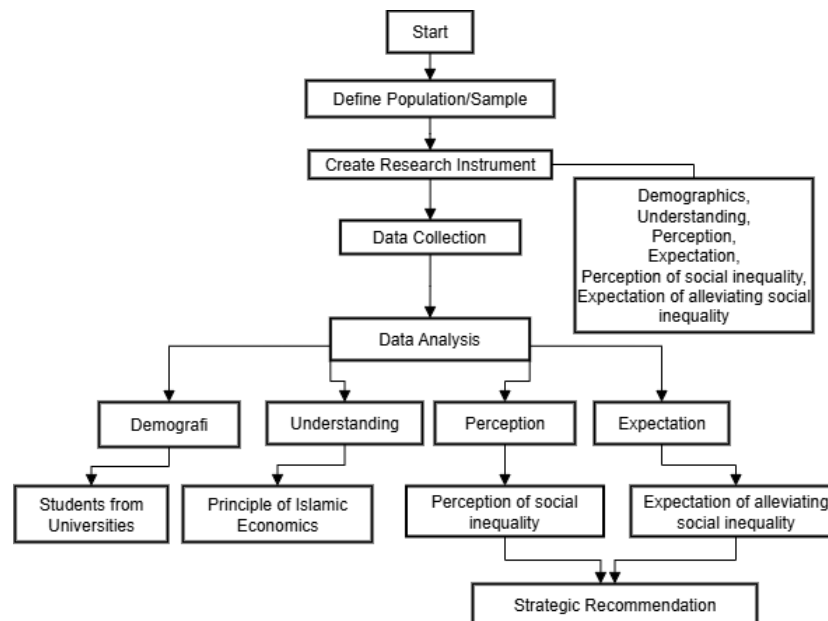
## Method

This study employed a quantitative approach to explore the relationships among students' understanding, perceptions, and expectations of Islamic economics in addressing social inequality in Jakarta. A structured survey was distributed to a representative sample of 522 students from universities across the Jabodetabek region (Jakarta, Bogor, Depok, Tangerang, Bekasi) using random sampling.

The survey, designed following an extensive literature review, consisted of sections addressing demographic information, understanding of Islamic economic principles, perceptions regarding their role in reducing social inequality, and expectations for Islamic economics. All items were measured on a 4-point Likert scale (1 = Strongly disagree to 4 = Strongly agree), intentionally omitting a neutral option to encourage definitive responses. While this design choice may increase response polarization, it was deemed appropriate for the target group, who possess a baseline familiarity with Islamic economic discourse. However, future research may consider comparing results with a balanced 5- or 7-point scale to assess response bias and central tendency effects.

Data were collected via online forms from July 10 to July 24, 2024, supplemented by reminders to maximize participation. Collaboration with student organizations also boosted response rates, ensuring a sufficient sample size for SEM analysis. Prior to full deployment, the survey underwent pilot testing to verify clarity, reliability, and alignment with research objectives, following protocols suggested by [Dillman et al. \(2014\)](#). The reliability of the research instrument was confirmed through Cronbach's Alpha ( $\geq 0.70$ ) and composite reliability ( $\geq 0.80$ ) scores, while validity was assessed through outer loading values above 0.70 and AVE (Average Variance Extracted) values exceeding 0.50 for each construct.

**Figure 1. Research flowchart**



Data analysis was conducted using SPSS for descriptive statistics and SmartPLS 4.0 for model testing using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. This method was chosen because it is suitable for exploratory and predictive purposes, and can handle complex models with latent variables. PLS-SEM is also more tolerant of non-normal data and perception-based samples. Model evaluation included outer loading, AVE, composite reliability, SRMR, and bootstrapping of 5,000 samples. This approach was deemed most appropriate for examining the relationship between students' understanding, perceptions, and expectations of Islamic economic principles comprehensively and theoretically. Figure 1 is the research flowchart.

## Analysis and Discussion

### Result

#### Demographic Profile of Respondents

The demographic analysis of the 522 students surveyed provides insights into the representativeness of the sample. The majority of respondents (97.7%) were aged between 18-25 years, aligning with typical university student demographics in the Jabodetabek region. Educational background showed that 86.2% held high school diplomas, 11.1% had completed a bachelor's degree, and 2.3% held diplomas, indicating a predominantly undergraduate student base. Monthly income levels of respondents were low, with 87% reporting an income below IDR 5 million, consistent with student economic status (Bapuji et al., 2020). Most respondents resided in Jakarta (63%), with others from surrounding cities: Tangerang (12.1%), Depok (10.6%), Bekasi (7.7%), and Bogor (6.5%). These characteristics underscore the sample's diversity and its relevance to understanding Islamic economic perceptions in a major urban setting. (See Table 1)

**Table 1. Demographic Data**

Type	Description	Percentage
Education	High school	86.2
	Bachelor's	11.1
	Diploma	2.3
	Master	0.4
Age	18-25 years	97.7
	26-35 years	2.3
Income/allowance	<5 million	87.0
	5-10 million	9.8
	10-20 million	1.3
	20-50 million	0.6
Domicile	<50 million	1.3
	Jakarta	63.0
	Tangerang	12.1
	Depok	10.6
	Bekasi	7.7
	Bogor	6.5

Source: Processed primary data

#### Validity Test and Reliability Testing

Prior to hypothesis testing, the validity and reliability of the measurement model were assessed. Convergent validity was confirmed with outer loading values exceeding 0.70, AVE values above 0.50, and significant t-values for all indicators. Specifically, indicators for understanding (U1, U2, etc.), perception (P1, P2, etc.), and expectation (E1, E2, etc.) demonstrated satisfactory loadings, indicating strong correlation with their constructs. (See Table 2 and 3).

**Table 2. First Outer Loading**

	Expectation	Understanding	Perception
E1	0.794		
E2	0.828		
E3	0.82		
E4	0.794		
E5	0.769		
U2		0.796	
U3		0.616*	



	Expectation	Understanding	Perception
U4		0.77	
U5		0.777	
P1			0.731
P2			0.762
P3			0.679*
P4			0.8
P5			0.658*
U1		0.8	

\*Invalid, value below 0.7

Source: Processed primary data

Items with factor loadings below 0.70 were removed after confirmatory analysis, consistent with [Hair et al. \(2021\)](#) recommendation. Specifically, one item from the “understanding” and two from the “perception” constructs were excluded due to insufficient outer loadings (U3, P3, P5 < 0.7), resulting in a more parsimonious and valid measurement model.

**Table 3. Second Outer Loading**

	Expectation	Understanding	Perception
E1	0.79		
E2	0.827		
E3	0.82		
E4	0.793		
E5	0.775		
U2		0.82	
U4		0.812	
U5		0.796	
P1			0.808
P2			0.817
P4			0.823
U1		0.832	

Source: Processed primary data

Reliability analysis further supported this, with Cronbach’s Alpha values exceeding 0.70 for all constructs (expectation: 0.861, understanding: 0.832, perception: 0.750) and composite reliability values also above 0.80. Thus, the measurement model was deemed fit for hypothesis testing. (See Table 4)

**Table 4. Reliability Test**

	Reliability		Fornell-Larcker criterion		
	Cronbach's Alpha	AVE	Expectation	Perception	Understanding
<b>Expectation</b>	0.861	0.642	0.801		
<b>Understanding</b>	0.832	0.664	0.544	0.816	
<b>Perception</b>	0.75	0.666	0.374	0.403	0.815

Source: Processed primary data

Analysis using the Fornell-Larcker criterion confirms discriminant validity, as the square root of AVE for each construct (Expectation = 0.801; Perception = 0.816; Understanding = 0.815) exceeds all inter-construct correlations (maximum 0.544). The significant difference between the square roots of AVE and correlation coefficients demonstrates that these three variables are distinct and unique, confirming that the research instrument validly measures each construct discriminately. (See Table 4).

### Structural Model Evaluation

The structural model was evaluated using path coefficients, t-statistics (via bootstrapping with 5,000 samples), and model fit indices. Key model fit indicators include Standardized Root Mean Square Residual (SRMR) = 0.067. Normed Fit Index (NFI) = 0.851. An SRMR value below 0.08 and NFI above 0.80 indicate an acceptable model fit (Henseler et al., 2016), reinforcing the model's structural adequacy (See Table 5).

**Table 5. Model Fit**

	Saturated model	Estimated model
SRMR	0.067	0.067
NFI	0.851	0.851

Source: Processed primary data

### The Relationship Between Construct

To evaluate the hypothesized structural model, path analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM) was conducted in SmartPLS 4.0. The results provided empirical support for all proposed hypotheses and offered insights into the strength and significance of the relationships among the latent constructs.

### Structural Path Coefficients

As presented in Table 6, all three direct paths in the model were statistically significant at the 0.001 level. Understanding positively influenced Perception ( $\beta = 0.403$ ,  $t = 8.082$ ,  $p < 0.001$ ), confirming H1. Perception, in turn, significantly predicted Expectation ( $\beta = 0.470$ ,  $t = 9.492$ ,  $p < 0.001$ ), validating H2. Understanding also had a direct effect on Expectation ( $\beta = 0.185$ ,  $t = 3.693$ ,  $p < 0.001$ ), supporting H3.

**Table 6. Path Coefficients**

Path	$\beta$ (Original Sample)	t-value	p-value	Hypothesis	Supported
Understanding → Perception	0.403	8.082	<0.001	H1	Yes
Perception → Expectation	0.470	9.492	<0.001	H2	Yes
Understanding → Expectation	0.185	3.693	<0.001	H3	Yes

Source: Processed primary data

### Predictive Power

The analysis reveals that the model exhibits moderate explanatory power for Expectation ( $R^2 = 32.5\%$ ) and weak predictive capacity for Perception ( $R^2 = 16.2\%$ ). The positive  $Q^2$  values confirm the model's predictive relevance for these constructs, suggesting its utility in forecasting while indicating opportunities for further refinement through additional variables or theoretical adjustments. (see Table 7).

**Table 7. Predictive Power**

Endogenous Construct	$R^2$	$R^2$ Adjusted	$Q^2$ (=1-SSE/SSO)
Expectation	0.325	0.322	0.202
Perception	0.162	0.161	0.104
Understanding			0.000

Source: Processed primary data

### Mediation Analysis

The mediation effect of the perception variable on the relationship between understanding and expectation was analyzed using indirect and specific indirect effect estimation through a bootstrapping procedure of 5,000 samples. The results in Table 8 indicate that the mediation is significant ( $\beta = 0.189$ ;  $t = 5.919$ ;  $p < 0.001$ ), which validates hypothesis H4. In addition, the direct effect of understanding on expectation remains significant ( $\beta = 0.185$ ;  $t = 3.693$ ;  $p < 0.001$ ), which indicates that the mediation is partial, not complete. This means that although perception plays a role as a strong mediator, understanding still has a direct influence on expectation independently. This supports the theoretical framework that combines Social Cognitive Theory (SCT), which recognizes the direct influence of cognition on conation (intention/expectation), and Expectation-Confirmation Theory (ECT), which places perception as the main determinant of expectations. Thus, these results strengthen the argument that efforts to increase students' understanding of Islamic economics will have both direct and indirect impacts on their expectations through the formation of positive perceptions.

**Table 8. Mediation Variable**

Indirect Path	$\beta$ (Original Sample)	$t$ -value	$p$ -value	Type	Hypothesis	Supported
Understanding → Perception → Expectation	0.189	5.919	<0.001	Specific	H4	Yes

Source: Processed primary data

Furthermore, the analysis results show that the total effect of Understanding on Expectations is significant ( $\beta = 0.374$ ;  $t = 8.434$ ;  $p < 0.001$ ), which includes contributions from the direct pathway ( $\beta = 0.185$ ) and the indirect pathway through Perception as a mediator ( $\beta = 0.189$ ). This indicates that the effect of understanding on expectations is composite, consisting of two mutually reinforcing pathways. The direct pathway reflects the influence of cognition on intention (conation) in accordance with the principles of Social Cognitive Theory (SCT), while the indirect pathway illustrates the role of affective appraisal within the Expectation-Confirmation Theory (ECT) framework. With a total effect of 0.374, these results indicate that students with high understanding not only tend to hold high expectations directly but also do so indirectly through the positive perceptions they develop toward the Islamic financial system. This finding emphasizes the importance of a dual approach—both increasing conceptual literacy and strengthening perceptions—in shaping students' expectations regarding the contribution of Islamic economics in reducing social inequality. See Table 9.

**Table 9. Total Effect**

Total Effect Path	$\beta$ (Original Sample)	$t$ -value	$p$ -value
Understanding → Expectation	0.374	8.434	<0.001
Perception → Expectation	0.470	9.492	<0.001
Understanding → Perception	0.403	8.082	<0.001

Source: Processed primary data

### Interpretation

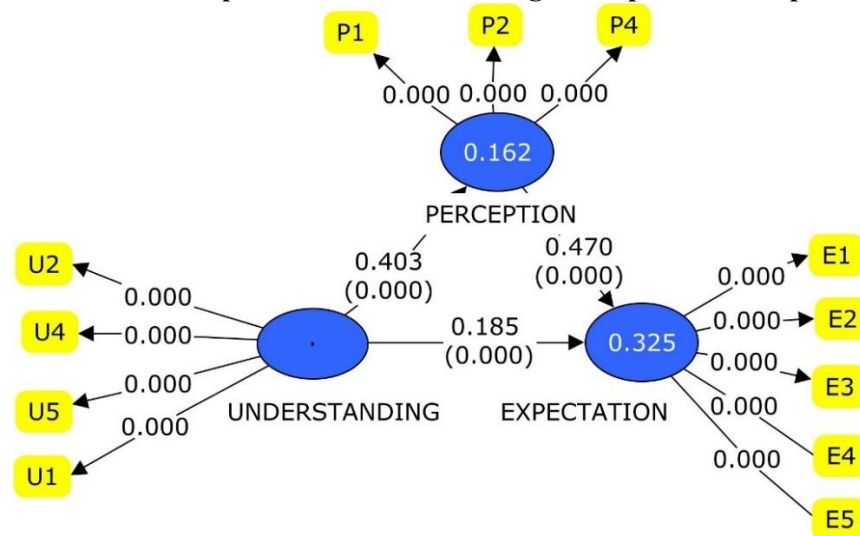
These findings empirically validate the theoretical model derived from Social Cognitive Theory and Expectation-Confirmation Theory. Students with a stronger understanding of Islamic economics are more likely to perceive it as fair and effective, which, in turn, shapes higher expectations of its role in reducing social disparities. The mediation of perception confirms its role as a cognitive-affective conduit through which knowledge translates into future-oriented behavioral inclinations.

The moderate  $R^2$  values suggest that while understanding and perception are meaningful predictors, future models could incorporate additional contextual factors (e.g., religious commitment, digital literacy, trust in Islamic institutions) to enhance predictive accuracy (See Figure 2).

### Student Perceptions of Islamic Economics in Reducing Social Inequality

An essential aspect of this study was assessing students' views on the efficacy of Islamic economics in addressing social inequality. Results reveal that 93.5% of respondents view Islamic economics as a fairer system compared to conventional finance, while 89.2% believe it is effective in reducing social disparities. However, only 67.6% feel that the current implementation of Islamic economic principles is optimal, underscoring a gap between perceived potential and practical application (Jaenudin & Herianingrum, 2022). Among Islamic economic instruments, zakat (29.5%) and Islamic microfinance (25.3%) were cited as the most effective tools for redistributing wealth and fostering social justice, followed by sukuk for infrastructure (22%) and waqf (8.6%). This prioritization indicates strong support for zakat and microfinance as practical solutions for inequality reduction. (See Table 10.)

**Figure 2. Relationship between Understanding, Perception and Expectation**



Source: Processed primary data

**Table 10. Effectiveness of Islamic Economics**

Category	Variables	Percentage (%)
<b>Understanding Islamic Economics</b>	Understand the basic principles of Islamic economics	87.0
	Can differentiate between sharia and conventional products	84.5
	Know the prohibition of usury in sharia	97.2
	Understand the concept of profit sharing	79.7
	Know the instruments of zakat and waqf	84.9
<b>Perception of Islamic Economics</b>	Sharia economy is fairer	93.5
	Sharia economy can reduce social inequality	89.2
	Optimal implementation of Islamic economics	67.6
<b>Effective Instruments to Reduce Inequality</b>	Zakat	29.5
	Islamic microfinance	25.3
	Sukuk for infrastructure	22.0
	Endowment	8.6
<b>Hopes and Challenges</b>	Easy financing for MSMEs	52.5
	Optimize zakat collection and distribution	15.5
	Challenge: Lack of public understanding	49.0
	Challenges: Limited products & services	18.8
	Challenge: Regulations are not yet supportive	15.5

Source: Processed primary data

### **Gaps Between Expectations and Realities of Islamic Economics**

The study identified several gaps between students' expectations of Islamic economic principles and observed outcomes. While 93.5% of students regard Islamic economics as a fairer system, only 67.6% view its implementation as optimal, indicating an unmet expectation for fairer application in reducing social inequality. Accessibility of sharia products also presents a gap; 96.4% hope for greater access, yet 29.9% face information barriers, and 3.4% encounter procedural challenges (Nurfadilah & Samidi, 2021). Additionally, 89.2% expect Islamic economics to play a significant role in addressing inequality, but implementation remains hindered by limited access and awareness, impeding its perceived effectiveness.

In terms of regulatory support, 95.8% of students expect governmental backing to enhance Islamic economics, yet 15.5% of respondents noted that current regulations do not fully support its development. This gap indicates the need for policies that facilitate Islamic finance integration, focusing on regulatory adaptation and support (Muryanto, 2022). Furthermore, students identified insufficient education (49%) and limited collaboration among financial institutions as critical challenges, highlighting the necessity of comprehensive public education and streamlined processes to meet their expectations for Islamic economics' role in social equity. (See Table 11)

**Table 11. Gap Between Expectations and Actual**

<b>Category</b>	<b>Student Expectations</b>	<b>Actual Results Observed</b>	<b>The Gap</b>
<b>Economic Justice</b>	93.5% of students consider Islamic economics to be fairer	67.6% stated that the implementation of sharia economics was not optimal	Implementation that has not yet achieved the expectations of fairer Islamic economic justice
<b>Accessibility of Sharia Products</b>	96.4% hope sharia products will be more accessible	29.9% identified lack of information, 3.4% mentioned complicated procedures	Sharia products are not yet fully accessible, procedures are still considered complex
<b>Role in Reducing Inequality</b>	89.2% believe that sharia economy can reduce social inequality	Implementation and accessibility are still limited	The effectiveness of reducing social disparities is still hampered by limited access and understanding.
<b>Government Support</b>	95.8% hope the government will support the development of the sharia economy	15.5% said regulations were not yet supportive	Regulations and policies are not yet sufficiently supportive, hampering the development of the sharia economy.
<b>Education and Information</b>	Hope for more massive education	49.0% identified a lack of public understanding	A more effective and broader education strategy is needed to increase public understanding of sharia.
<b>The Role of Islamic Financial Institutions</b>	52.5% expect easy financing for MSMEs	Products and services are still limited, lack of collaboration	There is a need for increased collaboration between sharia institutions and the government for economic empowerment.

Source: Primary Data processed data

### **Key Challenges in Implementing Islamic Economics**

An in-depth analysis of barriers to Islamic economics implementation revealed several persistent challenges. Public awareness remains limited, with 49% of respondents identifying a lack of understanding as the primary obstacle. Although students demonstrate an adequate grasp of Islamic principles, this knowledge is not widely shared, limiting broader adoption. Furthermore, limited product



accessibility (18.8%), inadequate regulatory support (15.5%), and weak institutional collaboration (12.5%) were cited as significant obstacles. These challenges echo findings from [Putri \(2021\)](#) and [Nurfadilah & Samidi \(2021\)](#), who argue that regulatory adaptation and public education are essential for improving accessibility and understanding of Islamic financial products.

**Table 12. Obstacles to Islamic Economics**

Inhibiting Factors	Description	Percentage Data (%)
<b>Lack of Public Understanding</b>	Limited education about sharia principles and products, leading to low adoption	49.0
<b>Product and Service Accessibility</b>	Complicated procedures and limited products, uneven distribution of services	18.8
<b>Regulations that are not yet supportive</b>	Less adaptive and limited regulations, as well as lack of policy support	15.5
<b>Lack of Synergy between Institutions</b>	Lack of collaboration between Islamic financial institutions, government and the private sector	12.5
<b>Inadequate Infrastructure</b>	Limited network and physical access to Islamic financial services in some areas	4.2

Source: Processed primary data

Infrastructure deficiencies, particularly in technology, were also identified as limiting factors. Although digital platforms can streamline zakat and waqf management, ensuring transparency and efficiency, 4.2% of respondents noted inadequate infrastructure as a barrier. This finding aligns with [Dirie et al. \(2023\)](#), who emphasized the importance of technological advancements in expanding Islamic finance reach. Enhanced digital systems for fund management could increase accountability, accessibility, and public trust in Islamic economics, particularly for wealth redistribution efforts. (See Table 12)

### ***Insights into Structural Equation Modeling Results***

The SEM analysis provides a comprehensive view of the complex interactions between understanding, perception, and expectation of Islamic economics in reducing social inequality. As expected, understanding significantly influences perception and expectation, reinforcing the value of knowledge as a foundational element for public trust in Islamic finance. The model's results suggest that strengthening students' understanding of Islamic economic principles can foster positive perceptions and, subsequently, high expectations for the role of Islamic finance in reducing inequality. However, perception also emerged as a critical mediator, underscoring the need for initiatives that enhance public perception alongside education efforts.

### ***Factors Influencing Students' Expectations for Islamic Economics***

Student expectations for Islamic economics focus on its potential to reduce social inequality through mechanisms such as zakat, waqf, and microfinance. Results reveal that students' expectations are shaped by their understanding and perception of Islamic finance's fairness and effectiveness. The majority (93.5%) view Islamic economics as fairer than conventional finance, and 89.2% believe it can effectively address social disparities, indicating strong optimism regarding its role in promoting equity. However, expectations for implementation exceed current realities, reflecting unmet needs for regulatory support, public education, and expanded service access ([Jaenudin & Herianingrum, 2022](#)).

To bridge these gaps, students recommend improving the accessibility of Islamic products (96.4% support), simplifying regulatory processes, and enhancing education to increase public understanding.

By addressing these factors, policymakers and institutions can align real-world applications with student expectations, fostering a more inclusive Islamic finance framework that promotes social justice.

## **Discussion**

### ***Implications of Understanding and Perception in Islamic Economics***

This study confirms that understanding and perception are central to how Islamic economics is internalized and acted upon by university students. Drawing from Social Cognitive Theory (Bandura, 1986) and Expectation-Confirmation Theory (Oliver, 1980), the analysis reveals that understanding significantly influences perception, which, in turn, shapes expectation. This cognitive-affective-conative chain is empirically validated ( $\beta_{\text{understanding} \rightarrow \text{perception}} = 0.403$ ;  $\beta_{\text{perception} \rightarrow \text{expectation}} = 0.470$ ), with perception mediating the relationship between knowledge and anticipation ( $\beta = 0.189$ ). These findings echo Syukur (2022), who emphasizes that student comprehension strengthens trust in Islamic financial systems, and Marasabessy (2022), who links positive perception with broader acceptance of zakat and waqf.

Yet, academic debates persist about whether knowledge alone can drive systemic change. Some scholars argue that understanding Islamic principles is insufficient without institutional support and public transparency (Putri, 2021; Muryanto, 2022). Others highlight that positive perception can falter if marred by bureaucratic inefficiencies and technological inaccessibility (Dirie et al., 2023). This study bridges the debate by showing that perception, while rooted in knowledge, also depends on external enablers like regulatory trust and digital access.

Practically, embedding Islamic economics into university curricula with real-world case studies, coupled with digital zakat platforms and transparent waqf governance, can transform student understanding into engagement. Therefore, enhancing both cognitive understanding and affective perception is essential for sustaining Islamic economics as a credible solution to social inequality.

### ***Regulatory Challenges and Policy Recommendations***

Despite the promising theoretical framework of Islamic economics in addressing inequality, regulatory fragmentation remains a critical barrier to effective implementation. Empirical findings indicate that 15.5% of respondents identified inadequate regulatory support as a key impediment, aligning with previous literature that underscores inconsistent and fragmented governance as a systemic challenge (Putri, 2021; Muryanto, 2022). Islamic finance mechanisms, such as zakat and waqf, depend heavily on coordinated policy and institutional integration, yet inter-agency misalignment and lack of standardization hinder scalability and trust (Zouari et al., 2021).

There is an ongoing academic debate about whether structural reform or grassroots education should take precedence in policy strategy. Some scholars emphasize the need for top-down legal harmonization to ensure policy coherence across institutions (Medias et al., 2021). Others argue that regulatory change without concurrent societal awareness risks institutional inefficiency (Nurfadilah & Samidi, 2021). This study supports a dual approach: while sound regulatory infrastructure is indispensable, it must be reinforced by public understanding and institutional credibility to foster engagement and compliance.

Practical policy recommendations include the establishment of a centralized regulatory authority for Islamic social finance to oversee zakat, waqf, and Islamic microfinance, with clear accountability mechanisms. Additionally, integrating blockchain technology in waqf management—as proposed by Mohaiyadin et al., (2022)—can enhance transparency and stakeholder confidence. Public campaigns should also focus on regulatory literacy to bridge the gap between policy design and community expectations. Thus, regulatory transformation must be strategic, technology-driven, and participatory to realize the equitable aspirations of Islamic economic justice.

### ***Role of Technology in Enhancing Islamic Economics***

Technology plays a transformative role in addressing inefficiencies that limit the operationalization of Islamic economic instruments. Digital platforms—particularly those involving mobile-based

applications and blockchain—are increasingly seen as tools to enhance transparency, accountability, and access in zakat and waqf management (Mohaiyadin et al., 2022; Kanwal, 2023). Empirical findings from this study affirm that student perceptions of technological adequacy significantly influence their expectations of Islamic economic instruments, in line with Expectation-Confirmation Theory (Oliver, 1980). However, only 4.2% of respondents identified inadequate infrastructure, suggesting latent challenges that may not be immediately visible but could escalate as digital implementation expands.

A central academic debate concerns whether digital transformation alone can resolve structural deficiencies in Islamic finance. Some scholars argue that fintech innovation can bypass bureaucratic hurdles and build direct engagement with beneficiaries (Dirie et al., 2023). Conversely, others caution that technology without institutional integration risks creating fragmented ecosystems and limited scalability (Putri, 2021). This study aligns with a hybrid position: while technology is a powerful enabler, it must be embedded within a robust regulatory and educational framework to be effective.

Practical solutions include developing national digital zakat and waqf platforms with real-time tracking features to build public trust. Furthermore, as students are digital natives, integrating fintech training into Islamic economics curricula can enhance both literacy and participation. Finally, collaboration between Islamic financial institutions, regulators, and tech developers is critical to ensure that digital systems align with sharia principles and societal needs. In this way, technology serves not merely as a tool but as an ethical infrastructure for inclusive Islamic economic development.

### ***Addressing Gaps in Public Awareness and Education***

The study highlights a substantial gap in public awareness as a critical barrier to Islamic economics adoption, with 49% of respondents citing limited understanding as a primary obstacle. This finding reinforces previous research indicating that low literacy levels hinder optimal utilization of zakat, waqf, and Islamic microfinance instruments (Syukur, 2022; Nurfadilah & Samidi, 2021). Despite students demonstrating relatively high levels of understanding, their concerns about broader societal awareness suggest a disconnect between academic knowledge and community-level financial literacy.

A key academic debate centers on whether educational interventions should be institutionalized through formal curricula or disseminated via community outreach. Gutiérrez-Romero & Ahamed (2021) emphasize the role of higher education in cultivating economic ethics among youth, while Dirie et al. (2023) advocate for community-based education to ensure inclusive financial participation. This study finds that both approaches are complementary and essential for sustainable awareness-building.

Practical recommendations include embedding Islamic economic education into university syllabi across disciplines—not limited to economics or Islamic studies. This strategy broadens exposure and creates inter-disciplinary relevance. Additionally, public campaigns via social media and collaboration with mosques and community centers can address grassroots literacy deficits. The integration of gamified fintech tools for zakat and waqf education also presents an innovative method to increase engagement among younger demographics.

Ultimately, raising awareness is not only about knowledge dissemination but also shaping perception and behavior. A dual-track approach—formal education and community engagement—can significantly enhance public understanding, enabling Islamic economics to function as a participatory and just socio-economic system.

### ***Bridging the Expectation-Reality Gap in Islamic Economics***

The study identifies a persistent gap between students' expectations and the actual implementation of Islamic economic instruments. While 93.5% perceive Islamic economics as a fairer system, only 67.6% believe its application is currently optimal. This discrepancy mirrors broader concerns in the literature that, while Islamic finance holds strong normative promise, its practical performance is frequently restrained by institutional, regulatory, and infrastructural shortcomings (Putri, 2021; Muryanto, 2022).

Academic debates diverge on how best to reconcile this gap. One perspective argues for structural reform—emphasizing regulatory coherence and institutional synergy—as the primary solution (Medias et al., 2021). Another school emphasizes the role of perception management and expectation alignment

through community engagement and education (Syukur, 2022). This study suggests a combined pathway: the expectation-reality divide is both systemic and perceptual, thus requiring interventions at multiple levels.

Genuine practical solutions include enhancing feedback mechanisms between stakeholders—students, policymakers, and Islamic financial institutions—to ensure that expectations inform policy design. Regulatory bodies should periodically publish performance audits of zakat and waqf institutions, increasing transparency and credibility. Moreover, participatory budgeting and digital dashboards for Islamic social funds can allow real-time tracking, aligning public perception with institutional reality (Mohaiyadin et al., 2022).

Finally, aligning expectations with feasible outcomes requires managing optimism through evidence-based education. By embedding realistic case studies and policy simulations into Islamic economics curricula, students can develop grounded expectations while still remaining engaged advocates of Islamic financial reform. Bridging this gap is not a one-time fix but a continuous process of mutual adaptation.

### ***Practical Implications and Future Research***

This study advances theoretical discourse by integrating Social Cognitive Theory and Expectation-Confirmation Theory into a cognitive-affective-conative model tailored to Islamic economics, emphasizing the mediating role of perception. For policymakers, the findings offer actionable insights to design youth-focused financial literacy programs and establish centralized, tech-enabled governance of zakat and waqf. Practically, universities should embed Islamic finance into interdisciplinary curricula, while regulators adopt participatory and transparent approaches. Future research should test this model in broader demographic settings, explore longitudinal behavioral impacts, and incorporate constructs such as religiosity and digital trust to enhance explanatory and predictive validity.

### **Conclusion**

This study provides robust empirical evidence on the cognitive-affective mechanisms in how university students in Jakarta engage with Islamic economic principles to address social inequality. First, the findings confirm that students possess a relatively high level of conceptual understanding regarding zakat, waqf, and Islamic microfinance, which significantly influences their perception and expectation formation (H1 and H3 supported). This validates the theoretical proposition that knowledge is foundational in shaping judgment within the Social Cognitive Theory (SCT) framework.

Second, perception emerges as a critical mediating variable, substantiating its role as an affective filter between understanding and expectation (H4 supported). Students who perceive Islamic financial instruments as fair and effective are more likely to develop strong expectations regarding their capacity to reduce inequality. This insight underscores the explanatory power of the Expectation-Confirmation Theory (ECT) in Islamic economic behavior among youth.

Third, despite recognizing the normative potential of Islamic economics, students identify persistent implementation barriers—namely limited regulatory support, inadequate technological infrastructure, and insufficient public literacy. These challenges indicate a misalignment between institutional readiness and student expectations, highlighting the need for systemic reform and strategic alignment.

Finally, the study offers actionable implications by advocating for the integration of Islamic economics into university curricula, the centralization of zakat–waqf governance through technology, and participatory policy designs that amplify student engagement. These measures are vital for translating theoretical understanding into sustained behavioral support for inclusive Islamic finance. Future research is encouraged to adopt longitudinal, multi-stakeholder models to assess behavioral outcomes over time and across diverse socio-economic environments.

### **Limitations and Research Constraints**

This study presents several limitations. First, social desirability bias may have influenced responses, as students might express favorable views toward Islamic economics due to cultural or normative

pressures. Second, the sample—limited to university students in Jabodetabek—does not fully represent the broader Indonesian population, limiting generalizability. Third, while perception was tested as a mediator, its theoretical construct could benefit from deeper integration with value-belief or normative frameworks. Fourth, contextual moderators such as organizational affiliation or prior exposure to Islamic finance were not examined. Lastly, the study would benefit from greater interdisciplinary theoretical integration to enhance interpretive depth. Future research should address these gaps through broader sampling, additional variables, and refined theoretical models for stronger external validity

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