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Millennial Muslim Behaviour towards Money during Covid-19 Pandemic Structural Equation Modelling Approach

Eva Misfah Bayuni¹

¹ Faculty of Sharia, Universitas Islam Bandung. (Email: evambayuni@gmail.com)

ABSTRACT

The millennial generation is a generation that is very reactive to environmental changes that occur around them, and also has more attention to money (wealth). This is no exception when the world is experiencing a crisis due to the Covid-19 pandemic. Millennial Muslims must adhere to ethical guidelines in accordance with Islamic sharia in any condition. This study aims to analyze millennial Muslims' behavior towards money during the Covid-19 pandemic. The research method used is Structural Equation Modelling (SEM). Data processing in this study used the Smart PLS 3.0 program. The results of data processing show that the R Square of Individual Behaviour is 0.401 or 40.1%. Furthermore, the results of the path coefficient can be concluded that of the 3 hypotheses made, 2 hypotheses are accepted and 1 hypothesis is rejected. The accepted hypotheses are money for precautionary needs and money for transaction needs. While the rejected hypothesis is money for speculative activities or contains gharar.

ARTICLE INFO

Keywords:

Millennial Muslims, Money, and Covid-19

INTRODUCTION

One form of property that is growing very rapidly today, is money. Money is a medium of exchange in the Islamic economy, not a commodity and money is also useful for buying goods, so that human needs can be met.(1). Thus, the function of money in Islamic economics as a means of transaction or medium of exchange and unit of value or store of value. According to Chapra(2)In the Islamic money demand function, each individual also has the obligation to set aside part of his income to be allocated to Zakat, Infaq, Shodaqah and Waqf. This form of distribution is evidence of the balance of the world and the hereafter.

How individual Muslims behave towards money can be influenced by the function of money itself, followed by the factors that influence it.(3). The Islamic norms in regulating the behaviour of Muslim individuals towards money include how to get it, the limits of its use, and its distribution.

Economic behaviour is basically motivated by motivation and motivation is influenced by religious knowledge and behaviour. Religion, as a set of beliefs and guidance of Muslim life should underlie and interpret the economic behaviour of a Muslim.(4). Meanwhile, financial behaviour can be interpreted as the application of psychology in the discipline of finance.



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Financial behaviour is an analysis of investing using psychology in finance, which is a clear approach to how humans make investments or those related to finance are influenced by psychological factors.(5).

Generation Y is known as the millennial or millennium generation. The phrase generation Y was first used in a major US newspaper editorial in August 1993. This generation uses instant communication technologies such as email, SMS, and social media such as Facebook, Twitter and Instagram. In other words, generation Y is the generation that grew up during the internet boom era (Lyons, 2004). Juhaz (2016) shows that generation Y is a person born in 1980 - 1995.

The characteristics of generation Y according to Lyons (2004) include: the characteristics of each individual are different depending on where he grew up, the economic and social strata of his family, communication patterns are also very open compared to previous generations, fanatical social media and their lives are very affected by technological developments, they are also more open to political and economic views, so they are also very reactive to environmental changes that occur around them, they also have more attention to wealth.

At the end of 2019, the world was shocked by a virus that was claimed to have first appeared in the Wuhan area, China. The virus became known as Coronavirus. Furthermore, the Coronavirus outbreak is also known as Covid-19 which means Coronavirus Disease. Indonesia, is the largest Muslim majority country in the world with more than 87% of its people adhering to Islam. With the covid-19 outbreak that has an impact on the Indonesian economic sector, it will also more or less affect the behaviour of individual Muslims.

How does motivation affect the economic behaviour of a Muslim? Based on this background, this research aims to analyse the behaviour of Muslim individuals towards money during the Covid-19 pandemic.

RESEARCH METHODOLOGY

This research uses quantitative research methods by analysing data in the form of numbers using field research. The object of research in this case is the Muslim community of West Java. Respondents in this study were 328 people with convenience sampling technique. While the data source used in this research is primary data. Primary data obtained is data from questionnaires distributed to respondents in the field. The measurement scale used is Likert from 1 (strongly disagree) to 4 (strongly agree).

After the necessary data is collected, the next step is to process and analyse the data. The processing and analysis method used is SPSS 17 software for validity testing and Smart PLS 3.0 for model analysis. The validity test uses the Pearson correlations method. Smart PLS uses the Structural Equation Modeling (SEM) method. Evidence of questions on each indicator is said to be valid if it has an r table value. Meanwhile, the questionnaire is said to be reliable if it has a Cronbach's alpha value above 0.6.

The analysis tool uses variance-based SEM method or better known as alternative SEM method with Partial Least SEM (PLS SEM). PLS SEM is used because it is considered the most



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suitable for research that aims to develop theory at an early stage and can also be used to build a relationship that has no theoretical basis.(12).

The variables used in this study are endogenous latent variables, namely variables whose values are not influenced by other variables. So, each exogenous variable is an independent variable. The following variables are endogenous variables that are considered to be influenced by other variables (independent). The operational variables can be seen in the table below:

Table 1. Operational Variables

Endogenous Variable	No.	Exogenous Variables	Reference
Money for Transaction Needs	X1	Money as income	Chapra(5) Umam(6)
	X2	Allocation of money for goods and services	Chapra(5)
	X3	Money allocation for current account	Chapra(5) Ascarya(9)
	X4	Allocation of money for savings	Chapra(1) Ascarya(9)
	X5	Allocation of money for activities and buying luxuries	Chapra(1)
	X6	Allocation for non-beneficial expenditure	Chapra(1)
	X7	Allocation for other needs	Chapra(1)
	X8	Value for money perspective compared to Inflation	Chapra(1) Umam(3)
	X9	Allocation of money for zakat, infaq, shadaqah and Waqf activities	Chapra(1) Umam(3)
	X10	Allocation of money for accidents and calamities	Chapra(1)
	X11	Allocation of money for deposits (return)	Chapra(1) Ascarya(9)
	X12	Allocation of money for investment in real assets	Chapra(1)
	X13	Allocation of money for investment in financial assets	Chapra(1)
	Y1	How to earn money	Umam(3)
	Y2	Restrictions on the use of money (halal lifestyle)	Umam(3)
	Y3	Money distribution	Umam(3)
	Y4	Moderate, Productive and Stable	Umam(3)

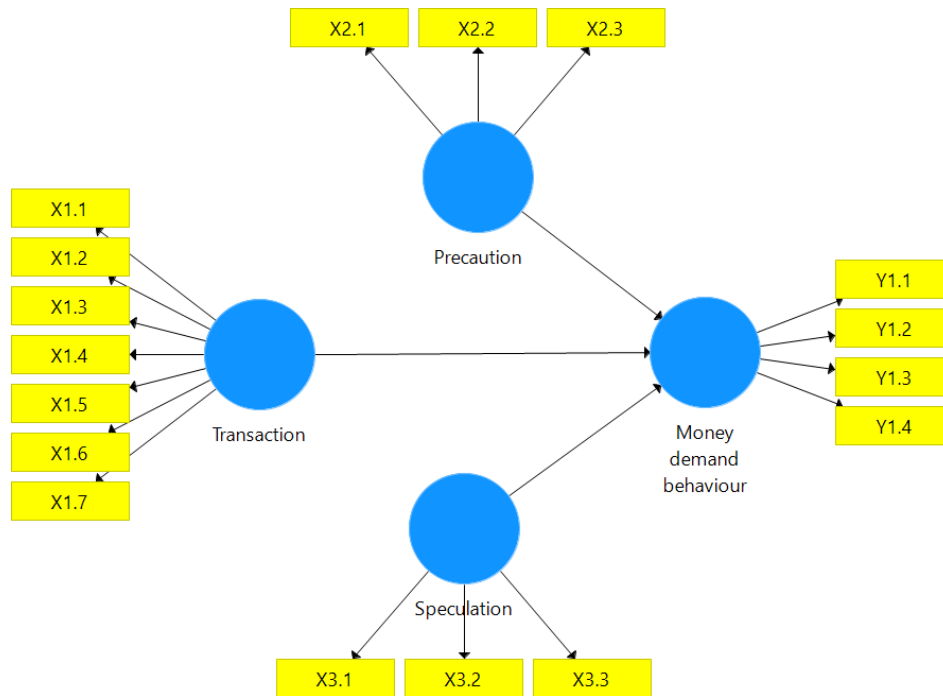


Figure 1. Research Framework

RESULT AND DISCUSSION

Respondent Characteristics

The results showed that there were more female respondents than male respondents. The ratio of female respondents was 63.3% and male respondents was 37.7%. The age of respondents is a millennial generation group, namely in the age range of 22 to 41 years. The majority of customers have an undergraduate education background, namely 55% and the dominance of work is as a private employee at 27.1% and then academics, housewives and entrepreneurs. As for income per month, it is dominated by respondents who have a middle income of 1-5 million per month at 45%.

Processing Results with SEM PLS

Table 1. Outer Loading

	Individual Behaviour	Money for Precautionary Needs	Money for Transaction Needs	Money for Speculative Activities
X1.1			0.648	
X1.2			0.621	
X1.3			-0.069	
X1.4			0.781	
X1.5			0.048	

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X1.6			0.185	
X1.7			0.649	
X2.1		0.740		
X2.2		0.820		
X2.3		0.763		
X3.1				0.663
X3.2				0.792
X3.3				0.670
Y1.1	0.860			
Y1.2	0.844			
Y1.3	0.895			
Y1.4	0.617			

Based on the analysis results, out of a total of 17 indicators, only 3 indicators have a loading factor value below 0.6, meaning that the model is feasible to proceed to the next stage.

The internal consistency of items was evaluated using composite reliability (CR), Cronbach's alpha (α) and AVE. The range of composite reliability values is between 0.615 and 0.883, and the range of Cronbach Alpha values is shown between 0.545 and 0.819. Meanwhile, the AVE value is acceptable if the value is greater than 0.50. The composite reliability (CR), Cronbach's alpha (α) and AVE values can be seen in Table 2.

Table 2. Construct Validity and Reliability

	Cronbach's Alpha	composite reliability (CR)	AVE
Individual Behaviour	0.819	0.883	0.659
Money for Precautionary Needs	0.669	0.818	0.601
Money for Transaction Needs	0.659	0.615	0.268
Money for Speculative Activities	0.545	0.753	0.505

The results of data calculations with SEM PLS software show that of the three motives for holding money, only two variables have a significant influence on the behaviour of Muslim individuals towards money, namely the need for money for transactions and the need for money for precautions. While the variable of money for speculation activities or activities that contain gharar has no effect on the behaviour of Muslim individuals. These results are in line with Islamic money demand theory where the motivation to hold money consists of only two motives, namely transactions and precautions.

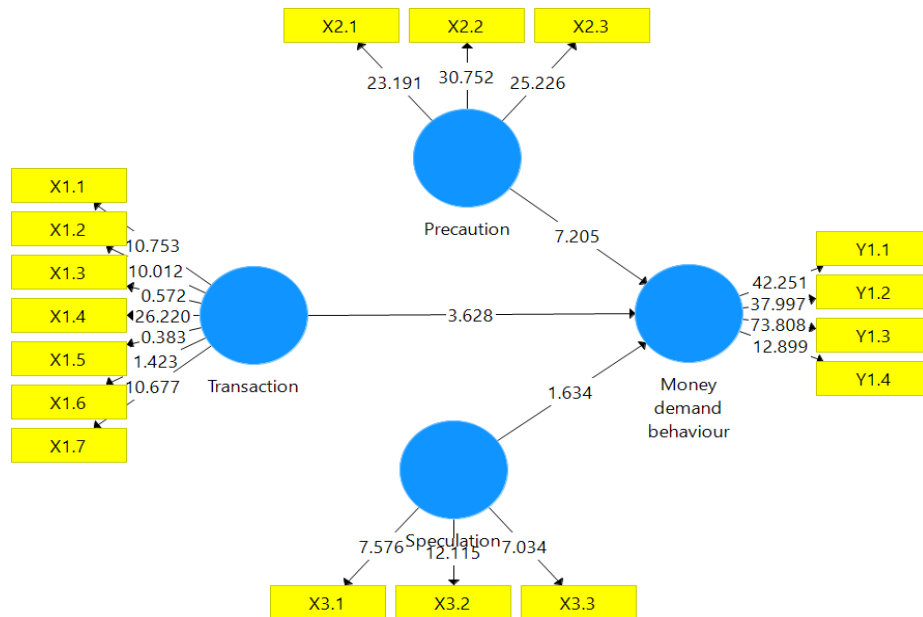


Figure 2. Outer Loading

In assessing a research model, SEM PLS needs to pay attention to several assessment criteria that must be met. The loading factor criteria show that there are three indicators that are declared invalid, namely with a value below 0.6. In the model built in this study, there are only 3 indicators that are declared invalid, meaning that the model is feasible to continue.

Analysis of Millennial Muslim Behaviour towards Money SEM Approach

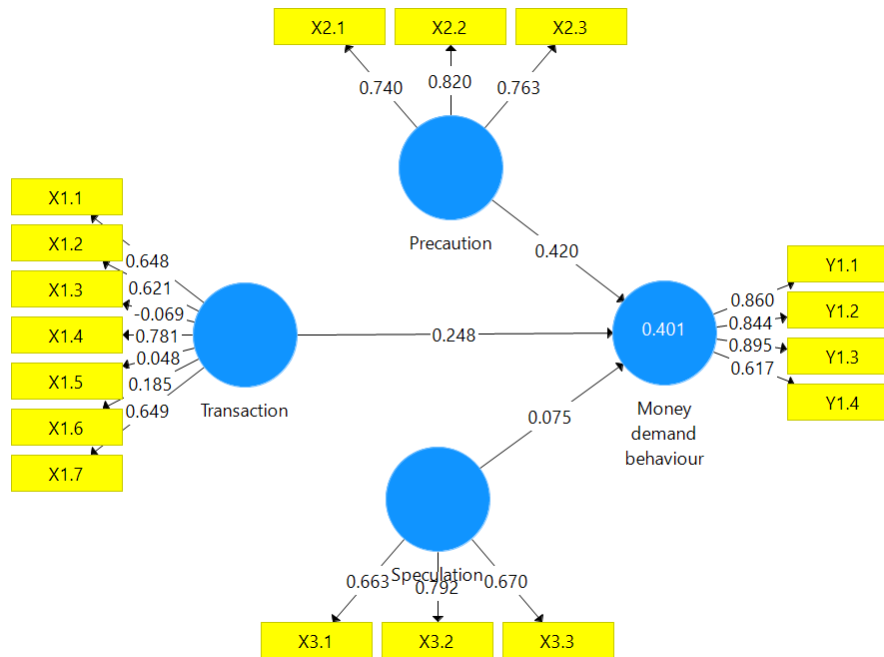


Figure 3. R Square Result

The R square value of the endogenous variable is 41%, the remaining 59% is explained by other variables. The value of the R square of the endogenous variable calculates the structural model as a moderate model. It can be said that all goodness of fit criteria have been met in this study (Table 2). According to Chin (1998) in Ghozali and Latan (2015) the value of R square above 0.30 can be said that the influence of exogenous latent variables on endogenous variables is moderate.

After evaluating the measurement model, the next stage in the structural model is to find out whether the hypothesis can be accepted or rejected. This study uses a significance value of 0.05 or 5%. The relationship between variables will be significant if the P-value is smaller than the predetermined significant value ($P < 0.05$). The results of the path coefficient can be seen in Table 4. From Table 4, it can be concluded that of the 3 hypotheses made, 2 hypotheses are accepted and 1 hypothesis is rejected (H3). Both hypotheses are significant (H1 and H2) because the T-statistic value is > 1.97 (t-table) and the P-value has a value less than 0.05.

Table 4. Path Coefficient

	Hypothesis	β	St.Dev	T-stat	P-value	Hypothesis
H1	Money for Precautionary Needs→ Individual Behaviour	0.420	0.058	7.205	0.000	Accepted
H2	Money for Transaction Needs→ Individual Behaviour	0.248	0.068	3.628	0.000	Accepted



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H3	Money for Speculative Activities→ Individual Behaviour	0.075	0.046	1.634	0.103	Rejected
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From the explanation of the research results, statistically the research hypotheses that have been made in the previous section can be answered as follows:

H1: Money for Precautionary Needs variable has a positive effect on Muslim Individual Behaviour ☐ H1 accepted

H2: Money for Transaction Needs variable has a positive effect on Muslim Individual Behaviour ☐ H1 accepted

H3: Money for Speculative Activities variable has no effect on Muslim Individual Behaviour ☐ H0 accepted

Implications of Millennial Muslims' Behaviour towards Money

The two variables that have a positive effect on millennial Muslim behaviour are money for transaction needs and money for precautionary needs. The variable that has the highest path coefficient value is money for precautionary needs compared to money for daily needs.

From these results, the motives of millennial Muslims during the Covid-19 pandemic are mostly very concerned about incidental needs. This can be caused by the Covid-19 Pandemic which makes people more vigilant and more on guard against conditions that can occur at any time.

The indicator of the need for money for precautions that has the highest coefficient value is money for the allocation of zakat, Infaq, Shadaqah and waqf. This shows that the priorities of millennial Muslims during the Covid-19 pandemic remain hereafter- oriented. The second priority is the need for precautions if at any time a disaster occurs. Furthermore, money for precautions due to economic conditions or inflation which results in changes in the value of currency.

In the second variable, namely the need for money for transactions, each indicator has a high coefficient value except for the allocation for current accounts, luxury goods and useless expenditure. These three indicators also have very low loading factor values. Based on this data, it proves that the responses have a strong and consistent commitment to the distribution of money owned. This is also in line with the indicator on the need for precautionary money.

CONCLUSION

Conclusion

Based on the results of the path coefficient in table 4, it can be concluded that 2 of the 3 hypotheses made contribute significantly and are supported. However, the Money for Speculative Activities path does not contribute significantly to Individual Behaviour because the value ($\beta = 0.062$, $p < 0.135$). Therefore, Hypothesis 3 is rejected.

Variable money for precautionary needs each indicator has a high coefficient value. The



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first indicator is the allocation for zakat, Infaq, shadaqah and waqf. The second, third variable is money for precautions against calamities and as a result of economic conditions or inflation which results in changes in the value of currency.

In the second variable, namely the need for money for transactions, each indicator has a high coefficient value except for the allocation for checking accounts, luxury goods and useless expenditure.

The results of data processing show that the R Square of Individual Behaviour is 0.401 or 40.1%. Furthermore, the results of the path coefficient can be concluded that of the 3 hypotheses made, 2 hypotheses are accepted and 1 hypothesis is rejected. The accepted hypotheses are money for precautionary needs and money for transaction needs. While the rejected hypothesis is money for speculative activities or contains gharar.

Advice

For future research to further examine the variables of activities that contain gharar by Muslim individuals. The selection of respondents can be specialised to bank customers who have current accounts and or Islamic capital market investors, etc.

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