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Riba Avoidance, Naqd Principles, and Perceived Islamic Macroeconomic Stability

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ABSTRACT

Purpose – This study examines how Understanding of Naqd, Riba Avoidance Orientation, Perceived Monetary Justice, and the Role of Money as a Medium of Exchange are associated with perceived Islamic macroeconomic stability. It also tests the indirect relationship between Understanding of Naqd and perceived stability through the Role of Money as a Medium of Exchange.
Design/methodology/approach – A quantitative explanatory survey was conducted with 100 purposively selected respondents drawn from Islamic economics students, academics, Islamic finance practitioners, and Muslim community members with knowledge relevant to the study. The data were analyzed using PLS-SEM in SmartPLS through measurement-model and structural-model assessment, including direct and specific indirect effects.
Findings/Results – Understanding of Naqd ($\beta = 0.303$, $p < .001$), Riba Avoidance Orientation ($\beta = 0.260$, $p = .011$), and the Role of Money as a Medium of Exchange ($\beta = 0.327$, $p = .001$) were positively associated with perceived Islamic macroeconomic stability. Perceived Monetary Justice was not significant ($\beta = 0.054$, $p = .634$). The indirect path through the Role of Money as a Medium of Exchange was significant ($\beta = 0.250$, $p = .001$). Although reliability and convergent validity were acceptable, several HTMT ratios exceeded 0.90, so the structural findings require cautious interpretation.
Originality/Value – The study integrates monetary understanding, riba avoidance, monetary justice, and the exchange function of money in one individual-level model. It extends Islamic finance research from institutional stability and product adoption toward the cognitive and evaluative processes underlying perceived Islamic macroeconomic stability.

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Keywords:
Perceived Islamic Macroeconomic Stability, Monetary Justice, Naqd Principles, Riba Avoidance, Role of Money as Medium of Exchange.

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1. Introduction

Contemporary monetary systems rely heavily on interest-bearing credit, debt contracts, and policy rates to allocate capital and influence economic activity. From an Islamic economic perspective, this institutional arrangement raises a persistent question because riba is prohibited and financial returns are expected to remain connected to legitimate exchange, risk sharing, and productive activity. Recent research has nevertheless shown that the practical relationship between Islamic principles and financial stability is not straightforward: Islamic banks remain exposed to uncertainty, macroeconomic shocks, and crisis conditions even when their contracts differ from conventional banking arrangements (Bilgin et al., 2021; Ashraf et al., 2022; Bakhouche et al., 2022). Cross-country evidence during the COVID-19 period likewise shows heterogeneous resilience: Islamic financial institutions were relatively less exposed in several GCC settings, while Islamic stock markets did not uniformly outperform conventional markets and sukuk displayed stronger resilience in some comparisons (Akkas & Al Samman, 2022; Hasan et al., 2022). Evidence from Indonesia similarly indicates that Islamic and conventional banking can both contribute to financial stability while remaining vulnerable to changing economic conditions (Fakhrunnas et al., 2023; Mawardi et al., 2023). These findings make it necessary to distinguish normative claims about Islamic monetary principles from empirical assessments of how those principles are understood and evaluated by individuals.

One important part of this distinction concerns riba avoidance. Riba is central to Islamic financial discourse, but empirical evidence shows that Muslim respondents do not always interpret the relationship between riba and conventional bank interest in the same way. Harahap and Risfandy (2022), for example, documented variation in Indonesian Muslims' perceptions of whether bank interest should be treated as riba, showing that religious understanding does not automatically produce a uniform financial interpretation. Related behavioral studies have also found that religiosity, Islamic values, knowledge, and attitudes are associated with financial preferences and the adoption of Islamic financial services (Junaidi, 2022; Purwanto et al., 2022; Sudarsono et al., 2022). Riba avoidance should therefore be examined not only as a normative principle but also as an orientation that may shape how people evaluate the fairness and stability of an Islamic economic system.

A second issue concerns the concept of Naqd and the economic role assigned to money. In the present study, Understanding of Naqd refers to the view that money primarily facilitates exchange and provides a unit of value rather than independently generating returns through interest-based transactions. This orientation is consistent with Islamic monetary discussions that emphasize the circulation of money in relation to real economic activity and caution against treating money purely as a speculative commodity (Fitri, 2024). Empirical work on Islamic intermediation also indicates that the relationship between financing structures, risk sharing, and real economic activity depends on the type of contract and the institutional setting rather than following a uniform pattern (Danlami et al., 2022; Saleem et al., 2024). The distinctive structure of participatory deposits further illustrates that Islamic banking relationships cannot simply be interpreted through conventional creditor-depositor assumptions (Baldwin & Alhalboni, 2023). The practical relevance of Naqd is therefore connected to broader research on Islamic banking resilience, in which the structure of financing, risk exposure, financial inclusion, and macroeconomic conditions affect stability outcomes (Banna et al., 2021; Mabkhot, 2022; Setyawati, 2022). Yet these institutional studies

do not directly show whether individuals who understand Naqd in this way are more likely to perceive an Islamic monetary system as stable.

The distinction between institutional stability and perceived macroeconomic stability is especially important for the present research. Bank-level studies typically assess outcomes such as Z-scores, insolvency risk, non-performing financing, profitability, credit growth, or responses to macroeconomic shocks (Nasir, 2022; Neifar, 2023; Khammassi, 2024). Evidence from GCC countries shows that Islamic-bank credit growth can remain procyclical, even though profit-and-loss-sharing features may help sustain credit under adverse conditions, while Indonesian evidence indicates that Islamic and conventional banks differed in liquidity creation during the pandemic (Albaity et al., 2022; Viverita et al., 2023). More recent research further shows that banking stability can vary with external capital exposure, competitive conditions, and the intensity of diversification, reinforcing the view that institutional stability is shaped by multiple interacting factors (Alzarooni et al., 2024; Widarjono et al., 2025; Haddou & Boughrara, 2025). Other work has extended this agenda to digital financial inclusion, Islamicity performance, ESG-related factors, FinTech, and the resilience of Islamic banks under uncertainty (Amaroh et al., 2024; Meero, 2025; Srairi, 2025; Faizulayev, 2026). Those studies provide evidence about institutions, but the dependent construct in this study is different: it captures respondents' perceptions that Islamic monetary arrangements can support economic stability. Accordingly, the findings should be interpreted as perceptual evidence rather than as direct measurement of inflation, output stability, financial-system resilience, or other observed macroeconomic outcomes.

The growing literature on Islamic financial literacy provides a useful behavioral foundation for examining such perceptions. Cross-country and country-specific studies show that knowledge of Islamic financial principles can shape attitudes, adoption intentions, and engagement with Islamic banking or capital-market services (Dinç et al., 2023; Yusfiarto et al., 2023; Pala et al., 2024). Studies of Islamic consumer behavior also suggest that personal, social, religious, and knowledge-related factors influence the demand for Sharia-compliant financial services (Puteri et al., 2022; Falih, 2025). However, the dominant outcome in this literature is usually behavioral intention, service adoption, loyalty, or product preference. Less attention has been given to whether cognitive understanding of Islamic monetary concepts is associated with broader perceptions of macroeconomic stability.

A related gap concerns the way Islamic monetary constructs are combined within one empirical model. Research on banking stability increasingly examines institutional and macroeconomic determinants, including uncertainty, risk, financing conditions, and resilience (Majid, 2025; Mawardi, 2025; Iqbal, 2026; Mubarok, 2026). Research on individual behavior, by contrast, tends to emphasize literacy, religiosity, attitudes, and adoption. These two literatures rarely meet at the level of individual perceptions of the monetary system. The present study addresses this separation by examining Understanding of Naqd, Riba Avoidance Orientation, Perceived Monetary Justice, and the Role of Money as a Medium of Exchange together as predictors of perceived Islamic macroeconomic stability, while also testing the indirect pathway from Understanding of Naqd through the Role of Money as a Medium of Exchange.

Accordingly, this study aims to examine the associations of Understanding of Naqd, Riba Avoidance Orientation, Perceived Monetary Justice, and the Role of Money as a Medium of Exchange with perceived Islamic macroeconomic stability, and to test whether the Role of Money as a Medium of Exchange mediates the relationship between Understanding of Naqd

and the outcome construct. The study contributes theoretically by translating several Islamic monetary principles into an individual-level empirical model rather than treating them solely as normative or institutional concepts. It also contributes empirically by separating direct relationships from the proposed indirect mechanism involving the perceived function of money. Practically, the results may inform Islamic economic and financial literacy initiatives by identifying which dimensions of monetary understanding are most closely associated with respondents' perceptions of system stability. Because the evidence is based on a purposively selected survey sample, these contributions are interpreted within the context of the respondents rather than generalized to actual macroeconomic performance.

2. Literature Review & Hypothesis Development

Concept of Naqd in Islamic Economics

Naqd in this study refers to an understanding of money as an instrument that facilitates exchange and provides a measure of value. The construct emphasizes that money performs an economic function through transactions rather than generating an independent return simply because it is held or lent. This interpretation is consistent with contemporary Islamic monetary discussions that connect money demand and monetary organization with the real economy (Fitri, 2024). At the individual level, Understanding of Naqd therefore represents cognitive recognition of the role assigned to money within Islamic economic reasoning. The construct is conceptually related to, but distinct from, the Role of Money as a Medium of Exchange, which captures respondents' evaluation of how that function operates in supporting transactions and limiting speculation.

Riba Avoidance Orientation and Monetary Stability

Riba Avoidance Orientation reflects respondents' commitment to avoiding interest-based gains that they regard as inconsistent with Islamic economic principles. Empirical research indicates that perceptions of riba and the religious acceptability of bank interest are not uniform even within Muslim populations (Harahap & Risfandy, 2022). Behavioral studies further show that religiosity and Islamic values can shape attitudes and intentions toward Islamic financial products, although the strength and direction of those relationships depend on context and the specific outcome being studied (Junaidi, 2022; Purwanto et al., 2022; Sudarsono et al., 2022). In the present model, riba avoidance is therefore treated as a value-based orientation that may be associated with more favorable evaluations of an economic system perceived to rely less on interest-bearing finance. This interpretation concerns respondents' perceptions of stability and does not imply that riba avoidance by itself establishes observed macroeconomic stability.

Perceived Monetary Justice

Perceived Monetary Justice captures respondents' beliefs that a monetary arrangement distributes economic benefits fairly and reduces exploitative financial relationships. The construct is included because Islamic finance is commonly evaluated not only in terms of contractual compliance but also in terms of fairness, risk sharing, and social welfare. However, empirical research on Islamic banking shows that adherence to Islamic principles does not always translate directly into stronger stability outcomes, and institutional context can weaken assumed relationships between Islamicity and resilience (Bakhouche et al., 2022; Ashraf et al., 2022). This makes monetary justice an empirically testable dimension rather than an outcome that can be assumed from the normative framework. Within the model, its

contribution is assessed after accounting for the other monetary cognition and orientation variables.

Perceived Islamic Macroeconomic Stability

The outcome construct represents respondents' perceptions that an Islamic monetary system can support stable economic conditions. It should not be read as a direct measure of inflation, GDP growth, systemic risk, or bank solvency. The distinction is important because recent stability research has generally used observed bank-level or macro-financial indicators, including Z-scores, financial distress, non-performing financing, and sensitivity to uncertainty or macroeconomic conditions (Bilgin et al., 2021; Nurtjahjo et al., 2022; Fakhrunnas et al., 2023; Mawardi et al., 2023). Other studies have shown that financial inclusion, governance, credit risk, and technological change can also shape institutional stability (Banna et al., 2021; Kamarudin, 2022; Othman, 2024; Meero, 2025). The present study instead examines how respondents translate Islamic monetary principles into an evaluative perception of stability.

Conceptual Framework

The conceptual framework proposes that Understanding of Naqd, Riba Avoidance Orientation, Perceived Monetary Justice, and the Role of Money as a Medium of Exchange are associated with perceived Islamic macroeconomic stability. Understanding of Naqd is also expected to be associated with the Role of Money as a Medium of Exchange because both constructs concern how respondents conceptualize the economic function of money, although the former emphasizes understanding and the latter emphasizes the perceived operational role. This relationship provides the basis for the proposed indirect pathway. The framework is consistent with evidence that Islamic financial knowledge and value-based evaluations can shape attitudes and perceptions toward Islamic financial arrangements (Dinç et al., 2023; Yusfiarto et al., 2023; Pala et al., 2024). Figure 1 summarizes the tested relationships.

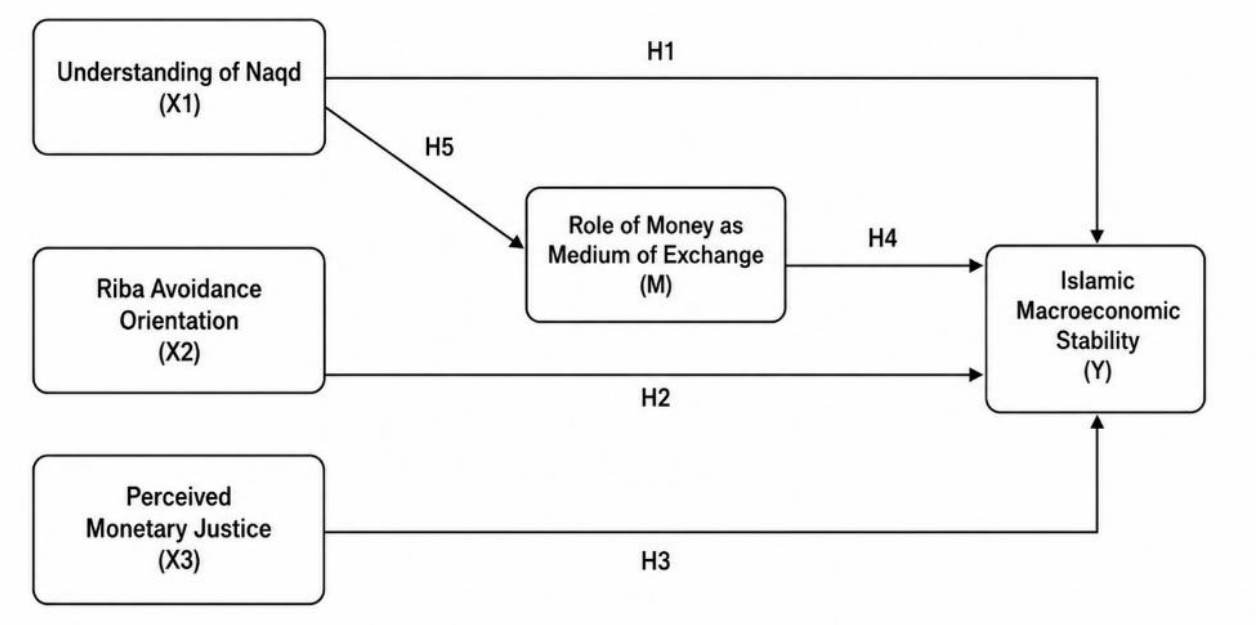


Figure 1. Proposed Research Model

Hypothesis Development

H1: Understanding of Naqd and Perceived Islamic Macroeconomic Stability

Individuals who understand Naqd as a monetary concept centered on exchange and value measurement may evaluate an Islamic monetary system more favorably because they connect monetary circulation with real economic activity rather than independent interest-based returns. Islamic financial literacy research has shown that knowledge of Islamic financial principles is associated with attitudes and behavioral evaluations in several settings (Dinç et al., 2023; Yusfiarto et al., 2023; Pala et al., 2024). In the present study, the proposed relationship concerns perceived stability rather than observed macroeconomic performance. H1: Understanding of Naqd is positively associated with perceived Islamic macroeconomic stability.

H2: Riba Avoidance Orientation and Perceived Islamic Macroeconomic Stability

A stronger orientation toward avoiding riba may be associated with more positive perceptions of an Islamic monetary system because respondents who reject interest-based gains are more likely to evaluate risk-sharing and Sharia-consistent arrangements favorably. Evidence from Indonesia shows that perceptions of riba vary among Muslims, while other studies indicate that religious and value-based considerations shape attitudes toward Islamic financial services (Harahap & Risfandy, 2022; Junaidi, 2022; Sudarsono et al., 2022). This provides a behavioral basis for testing, rather than assuming, the relationship. H2: Riba Avoidance Orientation is positively associated with perceived Islamic macroeconomic stability.

H3: Perceived Monetary Justice and Perceived Islamic Macroeconomic Stability

Perceived Monetary Justice represents the belief that monetary arrangements distribute benefits fairly and reduce exploitative relationships. Respondents who perceive greater fairness may also evaluate the broader economic system as more stable because justice can influence confidence in the sustainability and legitimacy of financial arrangements. At the same time, evidence that Islamicity does not automatically produce higher institutional stability shows that this relationship must remain an empirical question (Bakhouche et al., 2022). H3: Perceived Monetary Justice is positively associated with perceived Islamic macroeconomic stability.

H4: Role of Money as a Medium of Exchange and Perceived Islamic Macroeconomic Stability

The Role of Money as a Medium of Exchange captures respondents' evaluation that money should facilitate transactions and support real economic activity rather than operate primarily as an object of speculative gain. Contemporary work on Islamic monetary and banking systems links financial structure, real-sector activity, and stability, although the evidence also shows sensitivity to risk and macroeconomic conditions (Fitri, 2024; Iqbal, 2026). Respondents who more strongly endorse the exchange function of money may therefore perceive an Islamic monetary system as more stable. H4: The Role of Money as a Medium of Exchange is positively associated with perceived Islamic macroeconomic stability.

H5: Mediating Role of Money as a Medium of Exchange

Understanding of Naqd may be related to perceived Islamic macroeconomic stability partly because that understanding shapes how respondents evaluate the practical role of money. In this mechanism, knowledge of the Naqd concept is translated into a stronger belief that

money should facilitate exchange and real economic transactions, which may then be associated with a more favorable perception of system stability. The proposed pathway is conceptually consistent with Islamic financial literacy research in which knowledge influences subsequent attitudes or evaluations (Yusfiarto et al., 2023; Pala et al., 2024). H5: The Role of Money as a Medium of Exchange mediates the relationship between Understanding of Naqd and perceived Islamic macroeconomic stability.

3. Methodology

Research Design

This study employed a quantitative explanatory survey design to examine the relationships among Understanding of Naqd, Riba Avoidance Orientation, Perceived Monetary Justice, the Role of Money as a Medium of Exchange, and Islamic Macroeconomic Stability. The design was appropriate for estimating a model of direct and indirect associations among latent constructs measured through questionnaire responses. Because the data were collected through a non-experimental survey, the path coefficients are interpreted as statistical associations or predictive relationships rather than as evidence of causal effects.

Population and Sample

The target population comprised Islamic economics students, academics, Islamic finance practitioners, and members of Muslim communities who had an understanding of Islamic finance principles. A total of 100 respondents were included in the analysis. Respondents were selected through purposive sampling based on their relevance to the research topic, particularly their familiarity with riba, the Islamic function of money, and the stability of the Islamic economy. Because the sampling procedure was non-probabilistic, the sample should be treated as a purposively selected study group rather than as statistically representative of the broader Muslim population.

Instrument and Measurement

Data were collected using a structured questionnaire. Understanding of Naqd was measured through indicators concerning the function of money as a medium of exchange and the rejection of trading money for interest-based gain. Riba Avoidance Orientation was measured through perceptions of interest and preference for profit-sharing arrangements; Perceived Monetary Justice captured perceptions of equitable wealth distribution and reduced economic exploitation; the Role of Money as a Medium of Exchange measured views about money supporting real-sector transactions and limiting speculation; and Islamic Macroeconomic Stability measured perceptions of the capacity of an Islamic monetary system to support stability and reduce financial-crisis risk. All items used a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Data Collection Procedure

The research process began with questionnaire development based on relevant Islamic economics literature. The questionnaire was distributed to respondents who met the purposive sampling criteria through online and offline channels. Returned questionnaires were checked for completeness and suitability for analysis, after which the responses were coded and organized into the dataset used in SmartPLS. No additional recruitment,

screening, or data-cleaning procedures are reported in the source manuscript and therefore none are added in this revision.

Data Analysis

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS. Measurement-model assessment included indicator loadings, Cronbach's alpha, rho_A, composite reliability, Average Variance Extracted (AVE), and the Heterotrait-Monotrait ratio (HTMT). The structural model was evaluated using R^2, adjusted R^2, f^2, Q^2, path coefficients, and the specific indirect effect. Hypothesis testing used bootstrapping to obtain t-statistics and p-values. Consistent with current PLS-SEM reporting guidance, values were interpreted in relation to measurement quality and the limits of the sample rather than treated as evidence of causality (Hair & Alamer, 2022; Sinkovics et al., 2023).

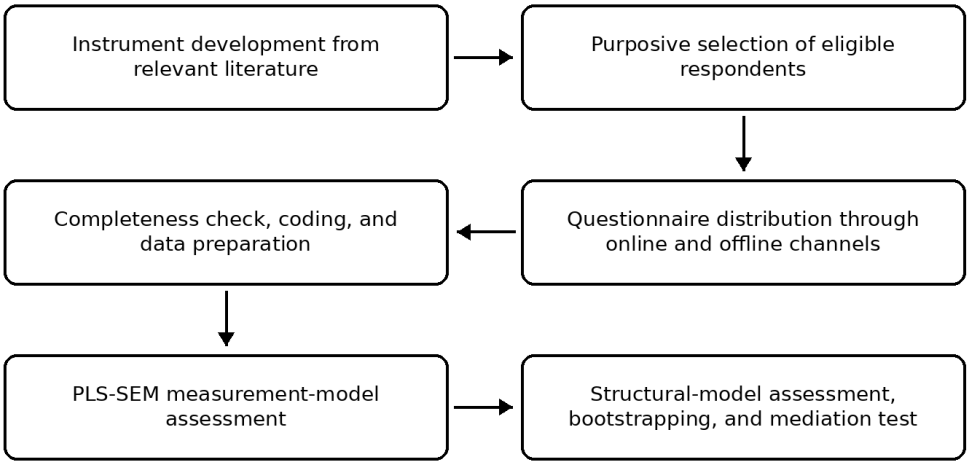


Figure 2. Research procedure based on the reposrted method

4. Result and Discussion

PLS-SEM analysis was conducted in SmartPLS and is reported in two stages. First, the measurement model was examined using indicator loadings, internal-consistency reliability, convergent validity, and discriminant validity. Second, the structural model was assessed using R^2, f^2, Q^2, direct path coefficients, and the specific indirect effect. The outcome construct is interpreted as respondents' perceived Islamic macroeconomic stability rather than as an observed macroeconomic indicator.

Table 1. Respondent Demographic Characteristics

Characteristics	Category	Frequency (n)	Percentage (%)
Gender	Male	49	49.0
	Female	51	51.0
Respondent Group	Academic	27	27.0
	Community	25	25.0
	Student	24	24.0
	Practitioner	24	24.0
Age	≤ 25 years	21	21.0
	26–35 years	27	27.0
	36–45 years	33	33.0
	> 45 years	19	19.0
Total		**100**	**100.0**

The sample consisted of 100 respondents. Women accounted for 51.0% of the sample and men for 49.0%. By respondent group, academics represented 27.0%, community respondents 25.0%, and students and practitioners 24.0% each. The largest age group was 36–45 years (33.0%), followed by 26–35 years (27.0%), respondents aged 25 years or younger (21.0%), and those older than 45 years (19.0%). These figures describe the composition of the purposively selected sample; they do not establish statistical representativeness of a wider population.

Table 2. Outer Loadings

Construct	Indicator	Loading
Islamic Macroeconomic Stability	IMS1	0.795
Islamic Macroeconomic Stability	IMS2	0.844
Islamic Macroeconomic Stability	IMS3	0.770
Perceived Monetary Justice	PMJ1	0.839
Perceived Monetary Justice	PMJ2	0.839
Perceived Monetary Justice	PMJ3	0.851
Riba Avoidance Orientation	RA1	0.887
Riba Avoidance Orientation	RA2	0.814
Riba Avoidance Orientation	RA3	0.813
Role of Money as Medium of Exchange	RMME1	0.863
Role of Money as Medium of Exchange	RMME2	0.868
Role of Money as Medium of Exchange	RMME3	0.829
Understanding of Naqd	UN1	0.807
Understanding of Naqd	UN2	0.821
Understanding of Naqd	UN3	0.801

All reported indicator loadings exceeded 0.70, ranging from 0.770 to 0.887. This pattern indicates that each retained indicator shared substantial variance with its intended construct. The highest loading was RA1 (0.887), while the three Role of Money as a Medium of Exchange indicators ranged from 0.829 to 0.868. On the basis of the reported loading criterion, no indicator was removed from the measurement model.

Table 3. Construct Reliability and Convergent Validity

Construct	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Islamic Macroeconomic Stability	0.726	0.731	0.845	0.646
Perceived Monetary Justice	0.797	0.799	0.881	0.711
Riba Avoidance Orientation	0.790	0.803	0.877	0.704
Role of Money as Medium of Exchange	0.814	0.817	0.890	0.729
Understanding of Naqd	0.738	0.738	0.851	0.656

Internal-consistency and convergent-validity results were acceptable for the reported constructs. Cronbach's alpha ranged from 0.726 to 0.814, composite reliability ranged from 0.845 to 0.890, and all AVE values were above 0.50. The Role of Money as a Medium of Exchange had the highest AVE (0.729), while Islamic Macroeconomic Stability had an AVE of 0.646. These results support reliability and convergent validity, but they should be considered together with the discriminant-validity results reported next.

Table 4. Heterotrait-Monotrait Ratio (HTMT)

Construct	IMS	PMJ	RAO	RMME	UN
IMS	–				
PMJ	0.995	–			
RAO	1.030	1.013	–		
RMME	1.042	0.975	0.977	–	
UN	1.077	1.045	0.982	0.984	–

The HTMT matrix indicates a substantial discriminant-validity problem. Several ratios exceeded the commonly applied 0.90 criterion, including PMJ–IMS (0.995), RAO–IMS (1.030), RAO–PMJ (1.013), RMME–IMS (1.042), UN–IMS (1.077), and UN–PMJ (1.045); several additional values were close to 1.00. Because HTMT values at or above these levels indicate that some constructs may not be empirically distinct, discriminant validity cannot be considered established for the current measurement model (Hair & Alamer, 2022; Sinkovics et al., 2023). The structural coefficients are therefore reported as obtained, but their interpretation requires caution because conceptual overlap among constructs may inflate or obscure path relationships.

Table 5. R^2 Values

Endogenous Variables	R^2	R^2 Adjusted
Islamic Macroeconomic Stability	0.748	0.738
Role of Money as Medium of Exchange	0.586	0.582

Islamic Macroeconomic Stability had an R^2 of 0.748 and an adjusted R^2 of 0.738, indicating that the four predictor constructs jointly accounted for 74.8% of the variance in the outcome within this sample. The Role of Money as a Medium of Exchange had an R^2 of 0.586 and an adjusted R^2 of 0.582, indicating that Understanding of Naqd accounted for 58.6% of its variance. These values describe the explanatory performance of the estimated model in the analyzed data and should not be interpreted as evidence of causal determination.

Table 6. f^2 Values

Connection	f^2
PMJ→IMS	0.003
RAO→IMS	0.076
RMME→IMS	0.124
UN→IMS	0.109
UN→RMME	1.414

The f^2 values show uneven contributions across the modeled relationships. The effect of Perceived Monetary Justice on Islamic Macroeconomic Stability was negligible ($f^2 = 0.003$). The effects of Riba Avoidance Orientation (0.076), Understanding of Naqd (0.109), and the Role of Money as a Medium of Exchange (0.124) on Islamic Macroeconomic Stability fall within the small-effect range under commonly used PLS-SEM conventions. By contrast, the relationship from Understanding of Naqd to the Role of Money as a Medium of Exchange was very large ($f^2 = 1.414$), which is consistent with the close conceptual connection between these constructs and should also be considered alongside the high HTMT values.

Table 7. Q^2 Values

Endogenous Variables	Q^2
Islamic Macroeconomic Stability	0.297
Role of Money as Medium of Exchange	0.439

Both endogenous constructs had Q^2 values above zero: 0.297 for Islamic Macroeconomic Stability and 0.439 for the Role of Money as a Medium of Exchange. These results indicate predictive relevance for the model under the reported Q^2 procedure. Because the manuscript does not report an out-of-sample prediction procedure such as PLSpredict, the Q^2 results are interpreted as predictive relevance within the PLS-SEM assessment rather than as evidence of external predictive performance.

Table 8. Specific Indirect Effect

Mediation Path	Coefficient	t-statistic	p-value	Decision
Understanding of Naqd→Role of Money as Medium of Exchange→Islamic Macroeconomic Stability	0.250	3.218	0.001	Accepted

The specific indirect effect from Understanding of Naqd through the Role of Money as a Medium of Exchange to Islamic Macroeconomic Stability was positive and statistically significant ($\beta = 0.250$, $t = 3.218$, $p = 0.001$). This result supports the proposed indirect pathway. Because the direct relationship between Understanding of Naqd and Islamic Macroeconomic Stability was also positive and significant, the reported pattern is consistent with partial mediation: Understanding of Naqd was associated with the outcome both directly and indirectly through the perceived exchange role of money. This interpretation remains subject to the measurement-model limitation indicated by HTMT.

Table 9. Hypothesis Testing

Hypothesis	Connection	β	t-statistic	p-value	Decision
H1	Understanding of Naqd→Islamic Macroeconomic Stability	0.303	3.531	0.000	Accepted
H2	Usury Avoidance Orientation→Islamic Macroeconomic Stability	0.260	2.549	0.011	Accepted
H3	Perceived Monetary Justice→Islamic Macroeconomic Stability	0.054	0.476	0.634	Rejected
H4	Role of Money as Medium of Exchange→Islamic Macroeconomic Stability	0.327	3.354	0.001	Accepted
H5	Understanding of Naqd→Role of Money as Medium of Exchange→Islamic Macroeconomic Stability	0.250	3.218	0.001	Accepted

Four of the five hypotheses were statistically supported. Understanding of Naqd was positively associated with Islamic Macroeconomic Stability ($\beta = 0.303$, $t = 3.531$, $p < .001$), Riba Avoidance Orientation was positively associated with the outcome ($\beta = 0.260$, $t = 2.549$, $p = .011$), and the Role of Money as a Medium of Exchange was positively associated with the outcome ($\beta = 0.327$, $t = 3.354$, $p = .001$). Perceived Monetary Justice was not significantly associated with Islamic Macroeconomic Stability ($\beta = 0.054$, $t = 0.476$, $p = .634$). The indirect path specified in H5 was significant ($\beta = 0.250$, $t = 3.218$, $p = .001$).

5. Discussion

The results indicate that respondents' understanding of Islamic monetary concepts was associated with how they evaluated Islamic macroeconomic stability. Understanding of

Naqd, Riba Avoidance Orientation, and the Role of Money as a Medium of Exchange all showed positive and statistically significant paths, whereas Perceived Monetary Justice did not. This pattern suggests that, within the analyzed sample, cognitive understanding of money and value-based rejection of riba were more closely related to perceived stability than a general evaluation of monetary fairness. The finding should not be interpreted as evidence that these orientations cause macroeconomic stability, because the study measures perceptions using cross-sectional survey data. It instead identifies the dimensions that were most strongly associated with respondents' evaluations of the Islamic monetary system.

The positive association between Understanding of Naqd and perceived Islamic macroeconomic stability is consistent with research showing that Islamic financial knowledge shapes attitudes and evaluations toward Sharia-compliant financial arrangements. Dinç et al. (2023) and Pala et al. (2024) show that Islamic financial literacy is a meaningful construct across settings, while Yusfiarto et al. (2023) demonstrate that literacy is connected to behavioral evaluation in the Islamic capital market. The present result extends that behavioral literature from product adoption and investment intention to a broader system-level perception. Respondents who understand money primarily through its exchange and value-measurement functions may be more likely to connect Islamic monetary principles with real economic activity and therefore evaluate the system as stable. Because the outcome is perceptual, the result reflects a cognitive association rather than a verified macroeconomic mechanism.

Riba Avoidance Orientation was also positively associated with perceived Islamic macroeconomic stability. This result is plausible in light of Harahap and Risfandy's (2022) evidence that beliefs about riba influence how Muslims interpret conventional banking practices, as well as studies showing that religiosity and Islamic values shape attitudes toward Islamic financial services (Junaidi, 2022; Purwanto et al., 2022; Sudarsono et al., 2022). In the present model, riba avoidance appears to function as an ethical orientation that is linked to respondents' confidence in an alternative monetary arrangement. Its effect size, however, was small, indicating that statistical significance should not be equated with a large independent contribution. This qualification is important because attitudes toward riba can coexist with practical financial considerations, institutional trust, and other factors that were not included in the model.

The Role of Money as a Medium of Exchange had the largest direct coefficient among the predictors of perceived Islamic macroeconomic stability, and it also transmitted part of the relationship between Understanding of Naqd and the outcome. The finding is consistent with the conceptual sequence proposed in the model: understanding a monetary principle may shape how respondents evaluate the practical role of money, which in turn is associated with their broader judgment of system stability. Contemporary Islamic monetary and banking research emphasizes that the organization of finance, links with real activity, and exposure to risk are relevant to stability, although empirical outcomes depend on institutional and macroeconomic conditions (Banna et al., 2021; Fitri, 2024; Iqbal, 2026). Studies of risk-sharing contracts and Islamic financial intermediation further show that the effects of financing structures on stability and real economic activity vary across contract types, institutional quality, and business-cycle conditions (Danlami et al., 2022; Albaity et al., 2022; Saleem et al., 2024). Research on participatory deposits also demonstrates that Islamic financial relationships have distinctive incentive and profit-sharing structures, supporting the need to interpret the function of money within its institutional setting rather than as an

isolated principle (Baldwin & Alhalboni, 2023). The significant indirect effect in the present study therefore provides evidence for a perceptual mechanism rather than proof that a particular monetary function produces macroeconomic stability. The very large f^2 for Understanding of Naqd on the Role of Money as a Medium of Exchange also suggests that these constructs are closely connected, which is substantively meaningful but methodologically consistent with the discriminant-validity concern.

Perceived Monetary Justice was not significantly associated with the outcome after the other predictors were included. This result is important because the theoretical expectation was positive, yet the data do not support an independent relationship in the estimated model. One possible interpretation is that respondents may regard justice as a broad normative feature of Islamic economics while relying more directly on riba avoidance and the function of money when evaluating stability. Another possibility is statistical overlap among the constructs, which is suggested by the high HTMT values involving Perceived Monetary Justice and other variables. The non-significant result is also compatible with wider evidence showing that Islamicity or Sharia-oriented institutional features do not automatically translate into superior stability under all conditions (Ashraf et al., 2022; Bakhouche et al., 2022). Crisis-based studies similarly report heterogeneous results across institutions and market segments: some Islamic financial institutions exhibited relative resilience, whereas Islamic equity markets did not consistently outperform conventional counterparts (Akkas & Al Samman, 2022; Hasan et al., 2022). Accordingly, the finding should be retained rather than rationalized away, and future measurement work should clarify whether monetary justice is empirically distinct from the other evaluative constructs.

The structural model explained a substantial share of variance in both endogenous constructs, but the measurement results place an important boundary around that explanatory strength. Recent Islamic banking studies show that stability depends on multiple institutional and macroeconomic factors, including uncertainty, risk, financial inclusion, governance, financing quality, technological change, liquidity conditions, external capital exposure, competition, and diversification (Bilgin et al., 2021; Fakhrunnas et al., 2023; Khammassi, 2024; Majid, 2025; Meero, 2025; Srairi, 2025; Faizulayev, 2026). Empirical evidence also shows that Islamic-bank liquidity creation changed during the pandemic, foreign direct investment can interact with banking type and crisis conditions, competition is associated with risk-taking and stability in Indonesian Islamic banks, and diversification can have non-linear effects on Islamic-bank stability (Viverita et al., 2023; Alzarooni et al., 2024; Widarjono et al., 2025; Haddou & Boughrara, 2025). The present R^2 values therefore describe how well the selected perceptual predictors explain variation in this survey outcome, not how much of actual macroeconomic stability is explained by Islamic monetary principles. More importantly, HTMT values above 0.90 and, in several cases, above 1.00 indicate that the measurement model does not establish clear discriminant validity. Under current PLS-SEM guidance, this issue should be treated as a substantive measurement limitation rather than explained solely by theoretical similarity (Hair & Alamer, 2022; Sinkovics et al., 2023). The path estimates remain reportable, but stronger claims should wait for revised measurement scales that better separate the constructs.

Within these limits, the study contributes by connecting two streams of literature that are often examined separately. Institutional studies evaluate Islamic banking stability using bank-level and macro-financial indicators (Mabkhot, 2022; Neifar, 2023; Mawardi et al., 2023; Mubarok, 2026), whereas behavioral studies examine literacy, values, and adoption of

Islamic financial services (Puteri et al., 2022; Dinç et al., 2023; Pala et al., 2024). This study positions Islamic monetary cognition as an individual-level antecedent of perceived system stability and identifies the exchange role of money as a potential explanatory pathway. For educators, regulators, and Islamic financial institutions, the practical implication is appropriately limited to literacy and communication: programs can distinguish the concepts of Naqd, riba avoidance, monetary justice, and the transaction function of money rather than presenting them as interchangeable ideas. Any claim that such programs would improve actual macroeconomic stability would require different data and a design capable of testing macroeconomic outcomes.

5. Conclusion and Suggestion

This study examined how Understanding of Naqd, Riba Avoidance Orientation, Perceived Monetary Justice, and the Role of Money as a Medium of Exchange were associated with perceived Islamic macroeconomic stability among 100 purposively selected respondents. Understanding of Naqd, Riba Avoidance Orientation, and the Role of Money as a Medium of Exchange showed positive and statistically significant relationships with the outcome, whereas Perceived Monetary Justice did not. The indirect relationship from Understanding of Naqd through the Role of Money as a Medium of Exchange was also significant, indicating that the perceived transaction function of money partly accounted for the relationship between monetary understanding and perceived stability. These results support the relevance of Islamic monetary cognition and value orientation for explaining respondents' evaluations of an Islamic economic system, while remaining limited to perceptions rather than observed macroeconomic performance.

The study's main conceptual contribution is the integration of Naqd understanding, riba avoidance, monetary justice, and the function of money within a single individual-level model. The results also show why these constructs should not be treated as interchangeable: Perceived Monetary Justice did not independently predict the outcome, while the other three predictors did. At the same time, the high HTMT ratios indicate that the current operationalization does not yet separate several constructs sufficiently. The findings are therefore most useful as an initial empirical test that identifies promising relationships and measurement issues for subsequent research rather than as definitive evidence about the stability effects of an Islamic monetary system.

6. Limitations and Future Research

Several limitations should be considered. First, the study used a relatively small purposive sample of 100 respondents drawn from students, academics, practitioners, and community members with knowledge of Islamic finance; the results should therefore not be generalized statistically to the broader population. Second, the data were self-reported and cross-sectional, so common-method effects, response subjectivity, and temporal ordering cannot be ruled out. Third, the outcome represents perceived Islamic macroeconomic stability rather than observed macroeconomic indicators. Fourth, the HTMT results show that discriminant validity was not established for several construct pairs, creating a risk of conceptual and empirical overlap in the structural estimates. Fifth, the source manuscript does not provide the study location, data-collection period, exact questionnaire items, or pretesting and expert-validation procedures. Future research should use a larger and more diverse sample, refine the measurement scales before retesting the structural model, report complete

instrument-development procedures, and combine perceptual measures with objective macro-financial indicators where appropriate. Additional constructs such as religiosity, Islamic financial literacy, trust in Islamic financial institutions, and experience with Islamic financial products may also be examined, provided that their inclusion is theoretically justified and measurement distinctiveness is established.

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