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Religiosity, financial literacy, and frugal living: A holistic pathway to sustainable wealth among young Muslim entrepreneurs

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ABSTRACT

In recent years, a growing trend among young entrepreneurs to showcase their achievements through hedonistic displays of wealth has emerged, contradicting the core Islamic values of moderation and humility. While most studies have explored the influence of religious values on consumer behavior, research focusing specifically on Muslim entrepreneurs' behavior remains scarce. This study investigates the roles of religiosity, financial literacy, and frugal living intention in building sustainable wealth among young Muslim entrepreneurs in Indonesia. The study collected data from 200 respondents, consisting of Muslim entrepreneurs aged 20–35 years who owned and managed small to medium-sized enterprises in Indonesia. The relationships among these variables were analyzed using path analysis, supported by the bootstrapping technique through Hayes Process. The findings reveal that religiosity plays a significant role in shaping frugal living intentions, driven by Islamic teachings that advocate for simplicity, self-discipline, and ethical accountability. This means that the higher the level of religiosity, the stronger the inclination toward adopting a frugal lifestyle, as individuals are guided by spiritual principles to prioritize mindful and ethical financial behaviors. Financial literacy further reinforces this relationship by equipping young entrepreneurs with the necessary skills and knowledge to align their financial decisions with their spiritual values.

Keywords: Religiosity; Financial Literacy; Frugal Living; Financial Management; Sustainable Wealth

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Introduction

The rise of social media has significantly influenced the behavior and self-presentation of young entrepreneurs, creating a culture of visibility where personal success is measured by material symbols of achievement (Issock Issock et al., 2024; Utami, 2019). Platforms like Instagram, TikTok, and YouTube have become arenas for showcasing luxurious lifestyles, expensive possessions, and exclusive experiences, turning these visible markers into a form of social currency. Young entrepreneurs, in particular, are increasingly adopting this trend as a way to gain recognition, build personal brands, and signal their accomplishments or status. Having social status offers numerous advantages, while its absence can be profoundly disconcerting (Anderson et al., 2015; Desmichel et al., 2020). A high-status appearance significantly enhances credibility (Blue et al., 2020) and facilitates access to strategic partnerships and potential clients due to the extensive social networks it often entails (Cao & Smith, 2021; Blease, 2015).

High-status individuals within closed networks often exhibit a preference for connecting only with others who possess a similar level of perceived status. Lee (2017) further explained that these individuals, typically characterized by reputation advantages, tenure, expertise, titles, and resource ownership, act as gatekeepers, selectively granting access to their networks. For technical-professional entrepreneurial newcomers pursuing high-potential and innovative start-ups, bridging ties with such high-status individuals is essential, as these connections provide critical resources and opportunities for innovation (Berger et al., 2002; Thye, 2000). However, the exclusivity of these networks means that newcomers must demonstrate comparable status cues, such as accomplishments and reputation, to gain entry. This exclusivity has driven many young entrepreneurs to curate their social image on many social media platforms, projecting a high-status persona through displays of wealth, success, and professional accomplishments. By maintaining such a high bar for their social image, they aim to gain recognition and acknowledgment from these exclusive networks, including influential and genuinely wealthy individuals (Yuan et al., 2022; Han et al, 2010).

The emphasis on projecting high-status personas and achieving visibility on social media creates a paradox when compared to the growing importance of frugal living for sustainable wealth. While the drive to display wealth and success aims to gain recognition, credibility, and access to exclusive networks, it often results in excessive spending and financial instability. In contrast, frugal living promotes long-term stability through self-discipline, mindful consumption, and financial literacy—values that align with traits admired in high-status networks, such as credibility and resourcefulness. By adopting frugality, young entrepreneurs can position themselves as responsible and forward-thinking, enhancing both their social standing and professional success while ensuring financial sustainability (Dabić et al., 2022; Hossain, 2018; Onsongo & Knorringa, 2020).

This paradox becomes even more evident when comparing the behavior of young, status-driven entrepreneurs with that of highly successful figures who exemplify frugal living despite their immense wealth. Prominent examples include Bill Gates, Warren Buffett, and Mark Zuckerberg, who consistently prioritize simplicity and practicality in their personal lives. Gates, despite his extraordinary wealth, is renowned for his modest spending habits and focus on philanthropy. Similarly, Buffett famously resides in the same home he purchased decades ago, and Zuckerberg's simple attire emphasizes functionality over luxury. These individuals demonstrate that wealth does not have to equate to excessive consumption; instead, it can be leveraged for sustainable impact and generational success. Their choices embody the principles of frugal entrepreneurship, a mindset centered on resource efficiency, financial discipline, and strategic decision-making in both personal and business contexts, highlighting an alternative path to achieving lasting credibility and wealth.

Furthermore, Hossain (2022) defines frugal entrepreneurship as a business approach that emphasizes cost-effective innovation while operating under significant resource limitations. Similarly, Ma et al. (2015) described it as the pursuit of unexploited opportunities despite extreme constraints. This entrepreneurial model is particularly vital in developing countries, where high costs often make conventional products inaccessible to a large portion of the population. At the grassroots level, frugal entrepreneurship offers a practical solution to pressing socio-economic challenges by providing affordable alternatives to expensive goods and services (Dabić et al., 2022). In highly constrained environments, it enables entrepreneurs to transform limitations into opportunities by developing innovative products tailored to the needs of underserved, low-income consumers (Vesci et al., 2021). Raitis et al. (2021) highlight that while frugality is often perceived as a deliberate financial strategy, for many, it is a necessity imposed by extreme poverty. Individuals who have faced severe financial hardship may adopt a modest lifestyle not as a conscious choice but as a means of survival. Their humility and restrained consumption stem from economic limitations rather than an intentional commitment to frugality. In such cases, financial constraints shape long-term behavioral patterns, embedding a deep-rooted sense of modesty that persists even when economic conditions improve. Moreover, humility is a moral attribute of social entrepreneurs, as it encourages empathy, ethical decision-making, and a commitment to creating positive social change (Roundy et al., 2022). Interestingly, Strobl et al. (2020) found that humility is positively associated with individual innovation behavior among subordinates, suggesting that a background of financial hardship and humility may enhance resilience, adaptability, and creative problem-solving in professional settings.

Frugality is often associated with a simple and disciplined lifestyle, sometimes resembling the austere practices of monks in various religious traditions (Westacott, 2024). In Indonesia, the largest Muslim-majority country, this concept plays a significant role in shaping entrepreneurship that aligns with global well-being (Fajri & Munawaroh, 2023). Given that religiosity influences financial habits and entrepreneurial mindsets, Islamic teachings promote frugal entrepreneurship through *zuhd* (asceticism) and *wasatiyyah* (moderation), which encourage balanced financial behavior. Unlike conventional wealth accumulation, Islam emphasizes *barakah* (blessings) in wealth, advocating for mindful spending, ethical business practices, and resource efficiency. Islamic consumption further reinforces these values through *qana'ah* (contentment) and a strong prohibition against *israf* (wastefulness), as highlighted in the Quran: "*Indeed, the wasteful are brothers of the devils*" (Quran 17:27). From an entrepreneurial perspective, this means prioritizing sustainability, reinvesting profits for long-term growth, and ensuring wealth circulation through *zakat* (charitable giving). While both frugal and Islamic consumption promote sustainability and reject material excess, a key difference lies in motivation. A recent study by Pusparini et al. (2024) explains that Islamic consumption is rooted in faith and devotion to Allah SWT, while frugality is primarily a personal financial strategy. Unlike the self-focused nature of frugal living, Islamic consumption integrates spiritual fulfillment with social responsibility, balancing personal needs with communal well-being in both this life and the hereafter. One defining feature of Islamic consumption is its emphasis on social solidarity, distinguishing it from the more individualistic goal of financial security in frugality. While frugality ensures personal financial stability, Islamic consumption extends this responsibility to the broader community, reinforcing the idea that wealth should benefit society as a whole.

Previous studies on frugal entrepreneurship have primarily focused on how entrepreneurs serve the needs of marginalized, low-income communities (Hossain & Sarkar, 2021; Hossain, 2022) and how they implement frugal innovation by effectively utilizing limited resources (Shahid et al., 2023; Albert, 2019; Hossain, 2018). However, studies exploring the entrepreneurial mindset in adopting a frugal lifestyle remains scarce. To the best of the authors' knowledge, this study is the first to establish a direct link between the intention to embrace frugality and Islamic religiosity. It emphasizes the need for Muslim entrepreneurs to develop a comprehensive understanding of frugality, challenging the common misconception that it is merely a strategy to counter materialism and consumerism. Instead, this study positions frugality as a comprehensive concept rooted in Islamic principles, encompassing mindful financial management, ethical entrepreneurship, and long-term sustainability. Additionally, this research introduces financial literacy as a mediating variable in the relationship between religiosity and frugal living intention. Previous studies have established that financial literacy plays a crucial role in shaping financial behaviors, enabling individuals to make informed decisions about managing their resources effectively (West et al., 2023; Sutini & Yuwono, 2022; Koe & Yeoh, 2021; Orhun & Palazzolo, 2019). By incorporating financial literacy as a mediator, this study provides a more subtlety understanding of how religiosity influences frugal living intention and offers practical insights for Muslim entrepreneurs striving to integrate financial wisdom with religious principles.

Literature Review

Religiosity and Financial Literacy

Religion plays a fundamental role in the lives of many individuals worldwide (Kurt et al., 2018). Within religious teachings, there are ethical and moral guidelines, value hierarchies, and established prohibitions that emphasize the pursuit of collective well-being. At the same time, financial literacy is a key determinant of financial behavior, influencing how individuals manage their resources and make economic decisions (Goyal et al., 2023; Pandey & Utkarsh, 2023). Religion is commonly defined as "a system of beliefs that acknowledges a divine power (or powers) as the creator and ruler of the universe" (Engelland, 2014), while religious orientation pertains to "the way individuals engage with their religious beliefs and practices." Financial literacy, on the other hand, is recognized as an essential competency that allows individuals to enhance their quality of life by efficiently understanding, planning, and managing their financial resources (Soekarno & Pranoto, 2020). It has been found to significantly contribute to entrepreneurial success in both agricultural and non-agricultural sectors, particularly in rural households (Su et al., 2024). In the context of Islam, Islamic religiosity influences individuals' financial decision-making, promoting responsible financial behavior that aligns with ethical and religious principles. Additionally, financial literacy serves as a crucial mediating factor, strengthening the impact of religiosity on financial well-being. Empirical evidence suggests that while both Islamic religiosity and financial literacy influence financial management behavior, financial literacy has a more pronounced effect (Wijaya et al., 2024; Mulyadi et al., 2023). This highlights the importance of integrating

Islamic financial education into curricula, particularly for students and small and medium-sized enterprises (SMEs), to enhance financial awareness and decision-making (Alharbi et al., 2022).

H_1: Religiosity positively influences financial literacy.

Religiosity and Frugal Living Intention

Religion shapes various aspects of life, including economic behavior, by influencing both individual and collective beliefs and values (Primanto & Rachma, 2023; Alrasyid et al., 2023). It plays a crucial role in defining social and cultural orientations, guiding how individuals interact with their surroundings. Religiosity, which refers to the internalization of religious values in daily life, is reflected in speech, actions, and decision-making (Muzakkiyah & Suharnan, 2016). It is closely tied to an individual's spiritual connection with God, forming the foundation of faith and belief systems (Asih et al., 2020). More than just abstract principles, religiosity is actively practiced through behavior and can be understood through three dimensions: the cognitive dimension, which relates to religious knowledge and beliefs; the affective dimension, which involves emotional and spiritual experiences; and the behavioral dimension, which reflects how religious teachings are applied in everyday actions (Asih et al., 2020; Westacott, 2016). In addition to shaping personal values, religiosity also influences professional and entrepreneurial behavior. Mustikowati & Wilujeng (2020) emphasize that religious principles such as honesty, ethics, morals, and mutual respect contribute to improving an individual's performance, reinforcing the idea that strong religious adherence can positively impact both personal and professional success.

Religiosity is deeply connected to religion, as it involves applying religious values to different aspects of daily life, including economic, cultural, financial, and managerial activities. As a result, it is not surprising that religiosity plays a significant role in shaping human behavior, particularly among Muslims who follow the teachings of the Qur'an and Sunnah. Numerous studies have shown that religiosity has a strong influence on entrepreneurial characteristics and decision-making (Gursoy et al., 2017; Hoogendoorn et al., 2016). Gursoy et al. (2017) explored how religiosity influences the entrepreneurial behavior of Muslim business owners, comparing highly devout individuals with those who are less religiously observant. Their study found that devout Muslim entrepreneurs tend to respect and adapt to local customs and traditions, while those who are less devout are more focused on personal satisfaction and material success. Similarly, Hoogendoorn et al. (2016) identified two types of religiosity such as internal and external. Internal religiosity refers to personal beliefs and practices, such as faith in God and the importance of spirituality in daily life, while external religiosity relates to social belonging and community ties. Their findings suggest that internal religiosity has a positive impact on entrepreneurship, as strong personal faith motivates individuals to build businesses with a sense of purpose and ethical responsibility.

In the context of frugal living, the concept aligns closely with Islamic teachings that promote simplicity, the avoidance of wastefulness, and moderation in consumption. Islam encourages its followers to live modestly and manage wealth wisely, steering clear of extravagance and excessive spending. The principle of *israf* (wastefulness) is explicitly prohibited in the Qur'an, as excessive consumption not only depletes resources but also contradicts the individual's responsibility to manage wealth as a trust from Allah. As reinforced in Quran 17:26-27, "*And give the relative his right, and [also] the poor and the traveler, and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful.*" According to Tafsir Misbah, the phrase " *do not spend wastefully* " serves as a clear reminder to use financial resources wisely and only for beneficial purposes. The term "squandering" here encompasses all forms of excessive and misplaced spending, which goes against the broader Islamic principle of achieving collective well-being. This reinforces the idea that the values underlying frugal living have been embedded in Islamic teachings long before they became popularized in modern financial strategies.

Additionally, frugal living embodies the Islamic concept of *wasatiyyah* (moderation), advocating for a balanced approach that avoids both excess and deprivation. Saeful & Ramdhayanti (2020) explained that Islam emphasizes community empowerment as a means to achieve overall prosperity, particularly in the economic sector. Therefore, any practice that hinders societal well-being and economic balance should be avoided. This principle encourages Muslims to fulfill their material needs while maintaining spiritual well-being, aligning with the ultimate goal of attaining success in both this world and the hereafter. Practicing moderate consumption allows individuals to preserve their wealth for productive purposes, including charitable contributions such as *zakat*, *infaq*, and *sadaqah*, which promote social welfare and economic justice.

Moreover, frugal living in Islam extends beyond personal financial management to include sustainability and environmental responsibility. Islam advocates for the wise and efficient use of resources while ensuring environmental preservation for future generations. Frugality in this sense is not solely about reducing personal consumption but also about fostering equitable wealth distribution and supporting social justice. Thus, in the context of Islamic economics, frugal living is not merely a matter of personal financial efficiency but a broader moral and social obligation that emphasizes responsible wealth management, community empowerment, and environmental responsibility.

H_2: Religiosity has a positive influence on frugal living intention.

Religiosity, Financial Literacy and Frugal Living Intention

Financial literacy plays an important role in shaping how people manage their money, including their decision to live frugally. When individuals understand financial concepts such as budgeting, saving, and responsible spending, they are more likely to make informed choices that support long-term financial stability (Lusardi et al., 2014). People with higher financial literacy tend to be more disciplined in managing their expenses, avoiding unnecessary spending, and using their resources wisely (Goyal et al., 2023; Pandey & Utkarsh, 2023). Research also shows that financial literacy helps individuals adopt mindful consumption habits and make smarter financial decisions that align with the principles of frugality (Koe & Yeoh, 2021). By equipping individuals with the knowledge and skills needed to manage their finances effectively, financial literacy encourages a frugal lifestyle as a way to achieve financial security and well-being. Therefore, it is expected that financial literacy has a positive impact on a person's intention to adopt frugal living.

H_3: Financial literacy positively influences frugal living intention.

Religion is known to transform human behavior in various ways. Religious values such as simplicity, self-control in consumption, and social responsibility often inspire individuals to engage in wise financial management. By internalizing these principles, individuals tend to balance between needs and desires, prioritizing sustainable and ethical financial management in their daily lives (Weiss & Forstmann, 2024). Religiosity, in particular, encourages ethical financial behavior by promoting responsible wealth management and discouraging wastefulness (Wijaya et al., 2024; Alharbi et al., 2022). However, while religious teachings advocate for moderation and mindful consumption, their influence on frugal living largely depends on an individual's financial literacy and ability to apply these principles effectively.

Financial literacy provides individuals with the essential skills to budget, save, and make informed financial choices, reinforcing the frugal mindset encouraged by religious values (Goyal et al., 2023; Su et al., 2024). Without adequate financial literacy, individuals who hold strong religious values may struggle to implement frugal living practices due to a lack of practical financial management skills (West et al., 2023; Pandey & Utkarsh, 2023; Sutini &

Yuwono, 2022; Koe & Yeoh, 2021; Orhun & Palazzolo, 2019). On the other hand, those who are both religious and financially literate are more likely to integrate their spiritual beliefs with disciplined financial habits, making frugality a deliberate and well-informed choice. In this way, financial literacy acts as a bridge that strengthens the connection between religiosity and frugal living, ensuring that religious principles of moderation, simplicity, and mindful consumption are effectively translated into everyday financial behavior.

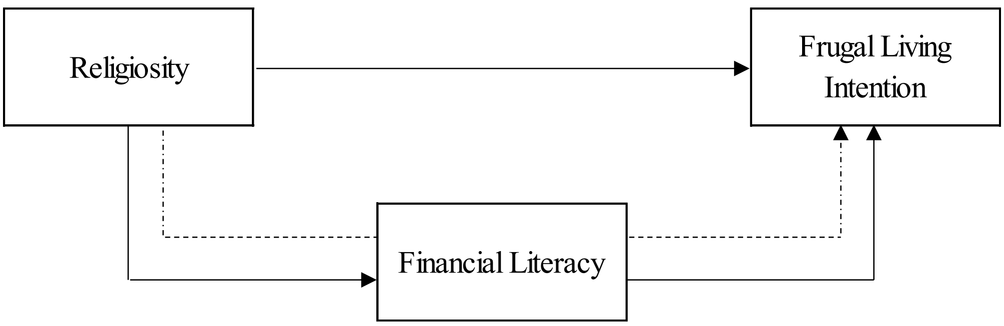
H_4: Financial literacy mediates the relationship between religiosity and frugal living intention.

Figure 1 presents the conceptual framework illustrating the relationship between religiosity, financial literacy, and frugal living intention. The model suggests that religiosity directly influences frugal living intention while also exerting an indirect effect through financial literacy as a mediating variable. The solid arrows represent direct relationships, indicating that individuals with higher religiosity are more likely to develop an intention toward frugal living. Meanwhile, the dotted arrows illustrate the mediating role of financial literacy, implying that religious individuals with higher financial literacy are better equipped to translate their values into practical frugal living behaviors. This framework highlights the connection between religious beliefs, financial literacy, and the adoption of a frugal lifestyle.

Methods

This study aims to examine the influence of religiosity on the frugal living intention of young Muslim entrepreneurs in Indonesia, while also investigating the mediating role of financial literacy. A quantitative research approach is applied, utilizing a survey method to gather data from respondents. The collected data is then analyzed using path analysis to determine and test the causal relationships between the variables, utilizing the Preacher & Hayes MACRO Process Model 4 with 5,000 bootstrapping samples. This analytical approach

Figure 1. Framework



explores the role of mediating variable by assessing indirect effects through bootstrapped analysis. While the significance of these indirect effects is evaluated by examining confidence interval values—if the confidence interval does not include zero, it confirms a significant mediation effect (Hayes & Rockwood, 2017). The direct effects were considered significant if p-values were below 0.05 (Hayes, 2017).

The study focuses on Muslim entrepreneurs aged 20–35 years who owned and managed small to medium-sized enterprises in Indonesia. Furthermore, Indonesia was chosen as the study location because it has the largest Muslim population in the world (Nurlatifah et al., 2022), making it a relevant context for examining the relationship between religiosity, financial literacy, and frugal living intention. Additionally, Indonesia's growing entrepreneurial sector and increasing emphasis on financial literacy provide (Amalia & von Korflesch, 2021) an ideal setting to explore how young Muslim entrepreneurs integrate religious values into their financial and business practices.

An online field study was conducted from March 14 to May 22, 2024, using a purposive and snowball sampling method to test the hypotheses and research framework. Purposive sampling was chosen due to its ability to target specific individuals who meet the study criteria—young Muslim entrepreneurs managing SMEs—ensuring the relevance and accuracy of the collected data. Snowball sampling was used to address the challenge of directly identifying respondents, relying instead on referrals from initial participants to expand the sample size (Damanik, 2019). The survey was designed to be easily accessible to respondents, with an anonymous Google Forms URL distributed via WhatsApp based on their preferences. Respondents who completed the survey were encouraged to voluntarily share the survey link with their networks to increase participation. A total of 237 survey responses were collected, but after a thorough review, 37 responses were deemed ineligible for analysis. This resulted in 200 usable responses, yielding a response rate of 84.39%. Given the sufficient number of valid responses, non-response bias was not a concern in this study.

The study questionnaire is structured into two sections. The first section collects demographic information, while the second section focuses on measuring religiosity, financial literacy, and frugal living intention. To assess these variables, a 5-point Likert scale was used, ranging from strongly disagree (1) to strongly agree (5). Religiosity was measured using eight items adapted from Mohd Dali et al. (2019), Muhamad & Mizerski (2010), and France & Kaldor (2002). These indicators measured various aspects of religious commitment, including belief, frequency of attending *majlis taklim* (Islamic study gatherings), frequency of

Table 1. Pearson Correlation and Cronbach's Alpha

Variables	Items	Pearson Correlation
Religiosity (RELG) α = 0.813	I believe that everything happens according to Allah's will.	0.681
	I regularly attend *majlis taklim* to deepen my religious knowledge.	0.758
	I perform the five daily prayers consistently.	0.677
	I actively participate in religious activities organized by my local Muslim community.	0.602
	I understand the significance of Islamic moral teachings in my personal and professional life.	0.678
	My religiosity helps me remain optimistic in difficult times.	0.666
	I ensure that my actions align with Islamic teachings.	0.625
	I believe that Islamic principles should be applied in modern business practices.	0.595
Financial Literacy (FILI) α = 0.852	I regularly set aside money for my future retirement.	0.753
	I believe that starting to save early is essential for a secure retirement.	0.790
	I avoid taking unnecessary loans to maintain financial stability.	0.739
	I always make sure to pay my debts on time to avoid penalties.	0.750
	I set financial goals and make plans to achieve them.	0.766
	I keep track of my financial transactions to ensure financial stability.	0.627
	I consider investing as an essential strategy for building long-term financial security.	0.581
	I consider investing in stocks as a way to build long-term wealth.	0.651
Frugal Living Intention (FRIN) α = 0.875	I carefully plan my expenses to ensure I do not overspend.	0.831
	I prioritize buying items that serve a practical purpose rather than those that are just trendy.	0.834
	I often feel tempted to buy products just because they are on sale, even if I do not need them.	0.787
	I actively search for discounts and promotions before making a purchase.	0.794
	I feel a sense of achievement when I get a product at a lower price than its original value.	0.741
	I prefer to buy durable products, even if they are more expensive, to save money in the long run.	0.729

praying, religious affiliation, religious knowledge, religious consequences, religious commitment-practice, and attitudes toward contemporary Islamic issues. Similarly, financial literacy was evaluated based on eight dimensions adapted from Ouachani et al. (2021) and Dinc et al. (2021). These dimensions covered key financial management skills, such as retirement planning and saving, debt management, financial planning, and stock market participation. To measure frugal living intention, this study adopted a scale from Kusumawardhany (2022), which included six dimensions: spending control, perceived usefulness, temptation toward deals, bargain-hunting tendencies, satisfaction from securing a good deal, and preference for durable products.

Table 1 presents the results of reliability and correlation analyses for the three key variables in the study: Religiosity (RELG), Financial Literacy (FILI), and Frugal Living Intention (FRIN). The RELG variable demonstrates high reliability with a Cronbach's alpha of 0.813, exceeding the acceptable threshold of 0.60, indicating strong internal consistency among the items. The Pearson correlation values for RELG range from 0.595 to 0.758, suggesting a moderate to strong correlation between individual items and the overall construct. Similarly, Financial Literacy (FILI) exhibits high reliability, with a Cronbach's alpha of 0.852, confirming the consistency of the measurement. The Pearson correlation values for FILI items fall between 0.581 and 0.790, demonstrating strong associations between each item and the financial literacy construct. Lastly, Frugal Living Intention (FRIN) shows the highest reliability among the three variables, with a Cronbach's alpha of 0.875, indicating excellent internal consistency. The Pearson correlation values for FRIN items range from 0.729 to 0.834, signifying a strong relationship between the measured items and the frugal living construct.

The tolerance values for both X (0.468) and Z (0.468) are above the critical threshold of 0.1, indicating that multicollinearity is not a significant concern. Similarly, the Variance Inflation Factor (VIF) values for X (2.136) and Z (2.136) are well below the commonly accepted cutoff of 10, suggesting that there is no serious multicollinearity issue, ensuring that their effects on the dependent variable (Y) can be interpreted reliably without distortion due to multicollinearity. Moreover, the heteroscedasticity test results indicate that both independent variables, X and Z, have non-significant p-values (X = 0.349, Z = 0.662), which are greater than the standard threshold of 0.05. This suggests that heteroscedasticity is not present in the model, meaning that the variance of the residuals is constant across all levels of the independent variables, ensuring the reliability of the regression estimates. Lastly, the One-Sample Kolmogorov-Smirnov (K-S) test and Monte Carlo significance test indicate that the residuals follow an approximately normal distribution, as the p-values (0.052 and 0.054) are slightly above the conventional threshold of 0.05.

Result and Discussion

Table 2 presents the demographic profiles of the respondents, highlighting key characteristics such as gender, age, and education level. The majority of respondents were female (58%), while males accounted for 42%. In terms of age, the largest group fell within the 31–40 age range (48%), followed by 20–30 years old (27%), and those above 41 years old (25%). Educationally, most respondents held a bachelor's degree (33%), followed by diploma holders (22%), and a smaller proportion had master's degrees (16%), high school education (15%), or junior high school education (14%).

Table 2. Demographic Profiles

Profiles		**Frequency**	**Percentages (%)**
Gender	Male	85	42
	Female	115	58
Age	20 – 30 years old	54	27
	31 – 40 years old	96	48
	$\geq$ 41 years old	50	25
Education	Master	33	16
	Bachelor	65	33
	Diploma	45	22
	High School	30	15
	Junior High School	27	14

Table 3. PROCESS Macro Model 4 Result

Hypotheses	**Coefficient**	**t-Value**	**p-Value**	**Decision**
H_1: RELG -> FRIN	0.775	14.996	0.000	Accepted
H_2: RELG -> FILI	0.182	3.242	0.002	Accepted
H_3: FILI -> FRIN	0.492	5.155	0.000	Accepted
	Effect	**Boot-LLCI**	**Boot-ULCI**	
H_4: RELG -> FILI -> FRIN	0.368	0.278	0.464	Accepted

Table 3 demonstrates that the research hypothesis (H1), which posits that Religiosity (RELG) positively influences Frugal Living Intention (FRIN), is accepted. The results reveal a significant positive relationship with a coefficient value of 0.775, a t-value of 14.996, and a p-value of 0.000 ($p < 0.05$). This alignment indicates that as religiosity increases, the intention to live frugally also rises, reflecting a strong and direct positive influence. Therefore, the more religious an individual is, the higher their intention for frugal living. This finding corroborates the study by Hoogendoorn et al. (2016), which discovered that internal religiosity pertains to personal beliefs and practices, such as faith in God and the significance of spirituality in everyday life, while external religiosity relates to social belonging and community connections. Their research suggests that internal religiosity positively affects entrepreneurship, as robust personal faith inspires individuals to establish businesses with a sense of purpose and ethical responsibility. In the context of frugal living intention, this concept aligns with Islamic teachings, which advocate for simplicity, discourage wastefulness, and promote moderation in consumption. Islam encourages its followers to lead a simple life and manage wealth wisely, avoiding extravagance and excessive expenditure. Religion influences numerous aspects of life, including economic behavior, by shaping individual and collective beliefs and values (Primanto & Rachma, 2023; Alrasyid et al., 2023).

These findings also indicate that individuals with a strong sense of intrinsic religiosity are more likely to uphold ethical principles, including the avoidance of excessive or wasteful expenditures. Consequently, their religious values may serve as a motivating factor in fostering frugal living intentions (Jannah, 2023). Furthermore, the impact of religiosity extends beyond individual behavior and has broader economic implications. Nugroho et al. (2017) provide empirical evidence supporting the idea that individuals with higher levels of intrinsic religiosity are more inclined to engage in ethical financial practices, including prudent saving habits and the avoidance of unnecessary expenditures. These findings emphasize the role of religiosity in shaping responsible financial decision-making and promoting economic sustainability (Nugroho et al., 2017).

Moreover, religious values significantly influence entrepreneurial decision-making by promoting ethical business practices. Entrepreneurs guided by religious principles tend to prioritise social responsibility, such as reducing waste, supporting fair trade, and ensuring transparency. This approach strengthens business credibility, builds consumer trust, and supports long-term sustainability. Research also shows that religious beliefs shape individual attitudes and behaviours, which impact entrepreneurial choices. Mahadewi et al. (2022)

highlight that entrepreneurs' religious values guide their decisions, influencing their financial practices and overall business performance. These findings emphasize the role of religiosity in fostering ethical and sustainable entrepreneurship.

Furthermore, the influence of religiosity in promoting pro-environmental behaviors (Karimi et al., 2022) further bolsters the argument for sustainable entrepreneurship. Entrepreneurs who weave religiously inspired frugality and environmental stewardship into their business models are more likely to create sustainable enterprises that align with broader societal and environmental objectives. By merging frugality with innovation, religious entrepreneurs can establish value-driven businesses that contribute to both economic growth and environmental conservation. Therefore, religiosity not only affects individual financial behaviors but also plays a crucial role in shaping ethical and sustainable entrepreneurial practices. Entrepreneurs who uphold religious values may be better equipped to navigate financial challenges, promote ethical business conduct, and support a more sustainable economic ecosystem.

Meanwhile, the hypothesis (H_2) stating that Religiosity (RELG) positively influences Financial Literacy (FILI) is also accepted. The results show a significant positive relationship with a coefficient value of 0.182, a t-value of 3.242, and a p-value of 0.002 ($p < 0.05$). This alignment indicates that as religiosity increases, financial literacy also increases, reflecting a strong and direct positive influence. Therefore, the more religious a person is, the higher their financial literacy. The findings of this study support empirical evidence showing that although Islamic religiosity and financial literacy influence financial management behavior, financial literacy has a more pronounced effect (Wijaya et al., 2024; Mulyadi et al., 2023). Religious teachings provide ethical and moral guidelines, a hierarchy of values, and prohibitions emphasizing efforts to achieve collective well-being. At the same time, financial literacy is a key determinant of financial behavior, influencing how individuals manage resources and make economic decisions (Goyal et al., 2023; Pandey & Utkarsh, 2023).

From the perspective of young Muslim entrepreneurs, financial literacy is essential as it empowers them to make informed decisions regarding resource allocation, investment strategies, and risk management. Entrepreneurs with higher financial literacy tend to make fewer errors in their financial decision-making, which is crucial for the success of small businesses (Culebro-Martínez, 2024). Moreover, the relationship between religiosity and financial literacy can foster a more ethical approach to entrepreneurship. As highlighted by Nawi et al. (2022), both Islamic financial knowledge and religiosity significantly influence financial behaviors, indicating that religious principles can enhance financial literacy and, consequently, promote ethical business practices (Nawi et al., 2022). This ethical dimension is vital for entrepreneur intent on establishing sustainable businesses that contribute positively to society.

Similarly, Financial Literacy (FILI) positively influences Frugal Living Intention (FRIN), and hypothesis (H_3) is accepted. The results indicate a significant positive relationship with a coefficient value of 0.492, a t-value of 5.155, and a p-value of 0.000 ($p < 0.05$). This alignment suggests that as financial literacy increases, frugal living intention also rises, reflecting a strong and direct positive influence. Therefore, individuals with higher financial literacy are more likely to embrace frugality. This finding supports previous research stating that financial literacy is crucial in shaping how people manage their money, including their decisions to live frugally. When individuals, including young Muslim entrepreneurs, understand financial concepts such as budgeting, saving, and responsible spending, they are more likely to make informed choices that support long-term financial stability (Lusardi et al., 2014). For young Muslim entrepreneurs, financial literacy is particularly essential as it aligns with Islamic principles of ethical wealth management, prudent spending, and avoiding extravagance. People with higher financial literacy tend to be more disciplined in managing their expenses, avoiding unnecessary spending, and using their resources wisely (Goyal et al., 2023; Pandey & Utkarsh, 2023). Research also shows that financial literacy helps individuals, especially entrepreneurs, adopt careful consumption habits and make smarter financial decisions that align with frugal living principles and sustainable business practices (Koe & Yeoh, 2021).

Moreover, research indicates that financial literacy significantly influences entrepreneurial participation and performance. For instance, Koomson et al. highlight that financial literacy is correlated with increased entrepreneurship and financial inclusion, suggesting that individuals with a stronger understanding of financial principles are more likely to engage in entrepreneurial activities (Koomson et al., 2022). This is further supported by Li and Qian, who assert that micro-entrepreneurs often face challenges due to inadequate financial literacy, which hampers their ability to make sound financial decisions essential for business success (Li & Qian, 2019). In the context of Muslim entrepreneurs, this financial knowledge is vital, as it aligns with the principles of Islamic finance, which emphasize ethical financial practices and responsible resource management. Additionally, embracing Islamic financial literacy is crucial for improving personal financial management and savings intentions, particularly within Sharia-compliant banking systems. Research emphasizes that Islamic financial literacy positively impacts savings intentions in Islamic banks, indicating that a strong understanding of financial principles can lead to better financial behaviors among Muslim entrepreneurs (Rozikin & Sholekhah, 2020).

Furthermore, Financial Literacy (H_4) 's mediating role has been proven significant. The indirect effect of RELG on FRIN through FILI, with an effect value of 0.368 and a confidence interval (CI) ranging from 0.278 to 0.464, indicates that financial literacy is crucial in linking religiosity to frugal living behavior. Financial literacy equips individuals with essential skills for budgeting, saving, and making sound financial choices, reinforcing the frugal mindset driven by religious values (Goyal et al., 2023; Su et al., 2024). Without adequate financial literacy, individuals who uphold strong religious values may struggle to implement frugal living practices due to a lack of practical financial management skills (West et al., 2023; Pandey & Utkarsh, 2023; Sutini & Yuwono, 2022; Koe & Yeoh, 2021; Orhun & Palazzolo, 2019). On the other hand, those who are both religious and financially literate tend to integrate their spiritual beliefs with disciplined financial habits, making frugal living a deliberate choice based on well-informed decisions. In this way, financial literacy acts as a bridge that strengthens the relationship between religiosity and frugal living, ensuring that religious principles of moderation, simplicity, and mindful consumption are effectively translated into daily financial behavior.

The interplay between religiosity and financial literacy is particularly significant for Muslim entrepreneurs, as Islamic teachings advocate for ethical financial conduct. Prudent Resource management and avoiding extravagance are essential principles in both personal and business financial practices. A study highlights that Islamic financial literacy significantly influences financial management behavior and financial well-being among Indonesian Muslims, demonstrating that individuals with a strong understanding of Islamic finance are better equipped to manage their finances effectively (Wijaya, 2024). This relationship supports that religiosity shapes individuals' values and norms, thereby influencing their financial behaviors and investment decisions (Mahdzan et al., 2017). This indicates that Muslim entrepreneurs with a solid grounding in financial literacy are more adept at aligning their business practices with Islamic principles, fostering ethical decision-making and sustainable financial management.

Moreover, research indicates that financial literacy plays a mediating role in the relationship between Islamic religiosity and financial behavior, including frugal living intention. This suggests that individuals with higher financial literacy are more inclined to engage in prudent financial practices, such as saving (Mulyadi, 2023). Furthermore, Islamic financial literacy is crucial for promoting saving intentions within Sharia banks, reinforcing the notion that financial literacy significantly enhances financial decision-making among Muslims (Rozikin & Sholekhah, 2020).

Conclusion and Suggestion

This study highlights the significant role of religiosity in shaping frugal living intentions among young Muslim entrepreneurs in Indonesia. The findings confirm that individuals with higher religiosity exhibit stronger frugal living intentions. Additionally, financial literacy serves as a crucial mediating factor that strengthens the relationship between religiosity and frugal living intention. Financially literate individuals are more likely to translate religious values into practical financial behaviors, ensuring sustainable wealth management. The study also supports the notion that financial literacy positively influences frugal living intention by equipping individuals with the necessary knowledge and skills to make informed financial decisions.

Furthermore, the study provides empirical evidence that religiosity positively affects financial literacy. Religious teachings often emphasize ethical financial management, encouraging individuals to develop financial discipline. However, financial literacy has a more pronounced effect on financial decision-making, suggesting that while religiosity shapes moral perspectives on money, financial literacy provides the practical tools necessary for effective financial management. Although this study makes a significant contribution to the field, it has several limitations that need to be addressed by future researchers. First, this study was conducted only on young Muslim entrepreneurs in Indonesia. Therefore, future research could conduct comparative studies among different religious groups to determine whether the relationship between religiosity, financial literacy, and frugal living is universal. Second, the correlational research design cannot explain the causal effects between all research variables. Future studies should employ other designs, such as experimental or longitudinal studies, to establish causal effects. Finally, future researchers can investigate the role of religiosity and financial literacy in other economic behaviors, such as investment and philanthropy.

Disclosure The Use of AI Technologies

During the preparation of this work, the author(s) used Grammarly-AI to translate and correct the grammar, and ChatGPT Model 4o to paraphrase. After using these tools/services, the author(s) reviewed and edited the content as needed and take full responsibility for the final content of the publication.

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