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Quantitative Research Article

Employee Behavior, Emotional Factors, and Financial Performance: The Moderating Role of Islamic Financial Literacy among Indonesian MSMEs

Sri Lestari^{1*}, Devani Laksmi Indyastuti¹, Alfin Faiz Alhamidi¹, and Eka Pariyanti²

Abstract

Background/ problem: The micro, small, medium enterprises (MSME) owners in Central Java, Indonesia, face financial challenges and emotional strain due to economic uncertainty and limited financial literacy. This increases the risk of burnout and reduces productivity, hindering business growth. Exploring how Islamic financial literacy could aid in managing these pressures may bridge a critical knowledge gap.

Objective/ purpose: This study examines the impact of financial anxiety, counter productive work behavior, and emotional exhaustion on the financial performance of MSMEs, with Islamic financial literacy as a moderating variable and emotional exhaustion as mediating variable.

Design and Methodology: This research was conducted in Central Java, Indonesia, among 287 MSME owners. Data were collected by distributing questionnaires online or face-to-face directly with respondents. Data were analyzed using structural equation modelling.

Results: Financial anxiety significantly affected emotional exhaustion ($\beta = .45, p = .01$). Counterproductive behavior significantly affected emotional exhaustion ($\beta = .38, p = .05$). Islamic financial literacy moderates the impact of financial anxiety on emotional exhaustion ($\beta = -.22, p = .03$). It also moderates the effect of financial pressure on emotional exhaustion ($\beta = -.30, p = .02$). Financial anxiety negatively impacts MSME financial performance ($\beta = -.50, p = .01$). Emotional exhaustion negatively affects MSME performance ($\beta = -.40, p = .04$)

Conclusion and Implications: Islamic financial literacy can reduce financial anxiety and emotional exhaustion among MSME owners, highlighting how culturally relevant financial knowledge supports resilience under economic pressure. Behavioral scientists can use these insights to develop values-aligned financial education and stress management interventions, strengthening MSME owners' financial resilience and decision-making in high-stress contexts, ultimately fostering long-term stability and growth.

Author Affiliation

¹ Faculty of Economics and Business, Jenderal Soedirman University, Indonesia.

² Faculty of Economics and Business, Universitas Terbuka, Indonesia

*Corresponding author e-mail:
cicimanajemen@gmail.com
<https://orcid.org/0000-0001-7416-0873>

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Micro, small, and medium enterprises (MSMEs) play a vital role in the economy, especially in developing countries, and are considered more resilient during crises when compared to larger corporations (Pariyanti et al., 2024). However, MSMEs face various challenges such as limited capital, restricted access to credit, and high employee turnover. In Central Java, Indonesia, the MSME actors are vulnerable to financial anxiety and emotional exhaustion due to market fluctuations, digital competition, and low levels of financial literacy (Mahmoud et al., 2023). External factors such as inflation and natural disasters further exacerbate these challenges. Moreover, with approximately 87% of Indonesia's population adhering to Islam (Intan, 2023), a lack of understanding of Islamic financial principles becomes a critical issue. Limited

access to Sharia-compliant funding options increases economic pressure, which may trigger emotional exhaustion and reduce the work effectiveness of business owners (Jawahar et al., 2022). Therefore, support in the form of access to financing, particularly Islamic financing, along with improved financial literacy and digital skills training is essential to enhance the resilience of MSMEs.

The MSME owners not only face business-related challenges but also emotional strain stemming from employee counterproductive behaviors such as procrastination, absenteeism, and task neglect (Pariyanti et al., 2022), which divert their focus from core operations. These issues increase the risk of emotional exhaustion a psychological state where individuals feel drained, overwhelmed, and emotionally depleted (Chen et al., 2020). This condition can impair owners' ability to manage daily tasks and make sound strategic decisions, leading to reduced productivity, poor financial choices, and strained customer relationships (Alola et al., 2021). Over time, emotional exhaustion may escalate into burnout, forcing business owners to take prolonged breaks or even halt operations temporarily, thereby threatening the long-term sustainability and profitability of the enterprise.

The Islamic financial literacy (IFL) as a moderating variable to reduce the negative effects of financial anxiety on emotional exhaustion and financial performance marking a novelty, as previous research has not explored IFL in this specific context. Islamic Financial Literacy (IFL) refers to the knowledge of Sharia-compliant financial principles, such as avoiding *riba* (usury) and engaging in halal (permissible) transactions, which enables individuals to manage their finances confidently while avoiding practices that are not in accordance with Islamic teachings (Bhatti, 2020). Sharia is a set of moral, ethical, and legal guidelines derived from the Qur'an and Hadith that governs various aspects of a Muslim's life, including financial behavior. Prior studies have shown the moderating role of IFL (Yusfiarto et al., 2023) emphasized its importance in adopting Islamic financial products and strengthening psychological resilience; Dinc et al. (2021) found that IFL promotes ethical behavior and financial well-being; and Wijaya et al. (2024) demonstrated that IFL helps manage social and psychological pressures in financial decision-making, particularly regarding Sharia investments.

Islamic financial literacy not only teaches the management of Sharia-compliant transactions and the avoidance of non-compliance but also reinforces ethics and morality, aspects often overlooked in conventional economics (Widyastuti et al., 2021). Dinc et al. (2021) highlight the significance of ethics in economic and financial studies. Principles such as the prohibition of *riba* (usury) and *gharar* (uncertainty) aim to create a fair and transparent financial system, providing a strong foundation for trust in financial transactions (Norchaevna, 2024). For instance, the prohibition of *riba* (usury) ensures that profits are not derived from exploitation but rather from productive efforts that generate mutual benefits. Furthermore, the principle of risk-sharing in Islamic finance encourages economic actors to build relationships based on trust and shared responsibility, ultimately achieving greater efficiency compared to universal financial literacy, which lacks a spiritual foundation (Harahap et al., 2023).

Islamic financial literacy (IFL) uniquely integrates spiritual and material dimensions through principles like obligatory almsgiving (*zakat*) and voluntary charity (*sadaqa*), fostering social solidarity and ethical financial behavior. While global research highlights IFL's role in enhancing financial resilience and reducing stress, studies often overlook its impact on the emotional well-being of small business owners, particularly in developing countries like Indonesia. In Central Java, for instance, low IFL among MSMEs (only 36% comprehension) exacerbates financial anxiety and emotional exhaustion, as many still rely on conventional systems incompatible with Islamic principles. This study aimed to examine the role of IFL in reducing financial anxiety and emotional exhaustion, and the impact of counterproductive work behavior on the financial performance of MSME.

Literature Review

This section begins with a review of the context of MSMEs in Indonesia, the rational choice theory (RCT), and then reviews literature of on financial anxiety, emotional exhaustion, and counterproductive

work behavior and financial performance of MSMEs are examined. Islamic financial literacy is used as a moderating variable.

As of 2022, there are approximately 64.2 million MSMEs in Indonesia, contributing 61% to the country's Gross Domestic Product (GDP) and absorbing 97% of the national workforce (Kurniadi et al., 2024). Despite their significant role, many MSMEs face challenges such as limited access to financing, low financial literacy, and inadequate digital skills. The discussion then introduces rational choice theory as a theoretical framework, followed by a review of relevant literature on financial anxiety, emotional exhaustion, counterproductive work behavior, and financial performance. Islamic financial literacy is incorporated as a moderating variable to explore its potential in mitigating negative emotional and behavioral outcomes among MSME owners.

Rational Choice Theory

The rational choice theory (RCT) is a prominent theory in social sciences that assumes individuals make decisions based on rational considerations to maximize their personal benefits or satisfaction (Liebe & Preisendörfer, 2010). According to this theory, individuals are presumed to consider all available alternatives, evaluate the costs and benefits of each option, and select the one that yields the best outcome. The RCT posits that individual preferences are consistent and comparable, enabling them to make the most advantageous decisions. The RCT highlights that Islamic financial literacy (IFL) supports individuals in making rational financial decisions by prioritizing not only economic benefits but also spiritual well-being (Wijaya et al., 2024). By understanding *sharia principles*, individuals can alleviate financial anxiety often a trigger for emotional exhaustion through more stable and ethical financial choices. This literacy plays a crucial role in moderating the negative impacts of financial stress, fostering better emotional and financial balance.

The RCT assumes that individuals make decisions based on rational calculations to maximize their profits. In the context of Islamic finance, this rationality considers not only economic profits, but also compliance with *sharia principles*, such as the prohibition of *riba* (usury), *gharar* (uncertainty), and *maysir* (gambling). Therefore, a deeper understanding of how the RCT interacts with Islamic finance values can enrich the analysis, especially in understanding how individuals balance economic rationality with ethical and religious norms in financial decision making.

Financial Anxiety and Emotional Exhaustion

Financial anxiety refers to the constant worry related to a person's financial situation, which can stem from issues such as income, debt, savings, or the ability to meet daily financial obligations (Kersten et al., 2019). This phenomenon is influenced by psychological factors such as math anxiety and financial literacy (Karatepe et al., 2023). Individuals with high math anxiety tend to struggle with budgeting or understanding investments, which can lead to negative financial behaviors such as overspending and poor budget management. Demographic factors such as low education levels or unemployment status can also worsen financial anxiety (Ryu & Fan, 2023). This anxiety often disrupts financial understanding and self-confidence in making sound financial decisions and can be exacerbated by economic instability. Financial anxiety can manifest in the form of avoiding financial planning, an obsession with saving, or fear of losing control over money.

Meanwhile, emotional exhaustion is a condition in which a person feels emotionally drained and overwhelmed due to prolonged stress (Carpenter et al., 2021). This condition is often considered a major symptom of burnout, characterized by a lack of energy, motivation, and feelings of mental and physical depletion (Sheng et al., 2023). Emotional exhaustion can be caused by various factors, such as excessive workload, lack of social support, and difficulties in balancing personal and professional life (Sheng et al., 2023). The most common symptoms of emotional exhaustion include chronic fatigue, decreased performance, cynical attitudes toward work or colleagues, and physical problems such as headaches and digestive disorders (Jawahar et al., 2022). Individuals experiencing emotional exhaustion may feel disconnected from their work and struggle to manage daily tasks (Carpenter et al., 2021). This exhaustion

can worsen mental health issues such as anxiety and depression, and reduce work performance, negatively impacting employee productivity and satisfaction (Sun et al., 2022). Other effects include increased absenteeism, lower morale, and higher employee turnover rates.

Previous studies have examined the relationship between financial anxiety and emotional exhaustion, particularly in the context of Indonesia. Research indicates that financial problems can lead to psychological stress and emotional exhaustion, which negatively affects employee performance. For example, a study conducted in Indonesia found that economic anxiety significantly predicted emotional exhaustion among employees, suggesting that financial concerns are strongly linked to exhaustion and decreased work performance (Jawahar et al., 2022). These findings underscore the importance of addressing financial well-being in managing employee stress, especially in small and medium enterprises (SMEs). Another study also highlighted the impact of financial anxiety on employees, revealing that this anxiety can impair their performance due to emotional exhaustion and stress (Jawahar et al., 2022). Additionally, financial problems have been shown to exacerbate psychological disorders, with a cyclical relationship to mental health issues such as anxiety and depression, which further contribute to emotional exhaustion (Jawahar et al., 2022). These findings collectively highlight the significant role of financial anxiety in triggering emotional exhaustion, both in personal and professional contexts. Based on existing references, it can be hypothesized:

H1: Financial anxiety positively affects emotional exhaustion.

Employee Counterproductive Work Behavior and Emotional Exhaustion

Counterproductive work behavior (CWB) refers to voluntary actions by employees that intentionally harm the goals and interests of the organization, negatively impacting productivity, morale, and workplace harmony (Bennett & Robinson, 2000). The CWB is characterized by its voluntary and deliberate nature, encompassing behaviors that violate organizational norms and threaten the well-being of the organization and its members. Types of CWB include production deviance (e.g., working slowly or taking excessive breaks), property deviance (e.g., theft or sabotage), political deviance (e.g., favoritism or gossip), and personal aggression (e.g., harassment or bullying) (Pariyanti et al., 2022). Common examples of CWB include lateness, absenteeism, substance abuse, and workplace bullying. The CWB can arise from factors such as environmental stress (e.g., high workload or poor management), perceptions of injustice, or certain personality traits (e.g., low agreeableness, high neuroticism) (Carpenter et al., 2021). Its impact is often significant, leading to decreased productivity, increased turnover, and financial losses due to fraud or inefficiency.

Previous research has found that CWB by employees can have an effect on the emotional exhaustion of business owners. One of the main consequences is an increased workload for the owner. When employees engage in counterproductive behavior, the owner often has to take on additional responsibilities to cover for the decreased productivity, which increases stress and accelerates their emotional exhaustion. Moreover, the psychological pressure of dealing with disruptive behaviors, such as defiance or lack of commitment to organizational goals, can mentally drain business owners as they must maintain business performance while managing issues related to morale and discipline (Chen et al., 2020), and facing the losses or additional costs caused by CWB. This financial burden triggers anxiety regarding business sustainability, further exacerbating emotional exhaustion.

H2: Employee counterproductive work behavior positively affects emotional exhaustion.

Islamic Financial Literacy, Financial Anxiety, and Emotional Exhaustion

Islamic financial literacy refers to an individual's ability to understand and apply financial concepts in accordance with Islamic principles, as outlined in the Qur'an and Hadith (Bhatti, 2020). This involves knowledge of financial products and services that comply with Sharia law, which prohibits activities such as *riba* (interest) and *maysir* (gambling) (Sari et al., 2024). Key areas include the ability to identify ethical financial practices, such as profit-sharing investments (*mudarabah*), financing with margins (*murabaha*), and Islamic bonds (*sukuk*) (Dinc et al., 2021). A person skilled in Islamic financial literacy can make sound decisions regarding investments, savings, and other financial activities that align with Islamic values

(Ganesan et al., 2020). This literacy is crucial for improving an individual's financial well-being, especially in majority Muslim communities, and encourages sustainable economic practices that promote fairness, transparency, and honesty in financial transactions.

Previous research has shown that financial literacy plays a critical role in enhancing individual financial behavior and psychological well-being. In the context of Micro, Small, and Medium Enterprises (MSMEs), financial literacy enables business owners to manage their resources more effectively, prepare for future financial needs, and navigate economic uncertainties. These capabilities contribute to reduced life anxiety and improved resilience during financial shocks (Sari & Sari, 2023). Building on this research, Islamic financial literacy is proposed as a moderating variable that plays a key role in moderating the relationship between financial anxiety and emotional exhaustion. When individuals have a strong understanding of Islamic financial principles, they are better equipped to manage financial stress. This knowledge gives them the ability to make better financial decisions, which in turn can reduce anxiety related to financial uncertainty (Rabbani et al., 2021). As a result, individuals may experience less emotional exhaustion because they feel more in control of their financial situation. Islamic financial literacy provides a framework for ethical financial practices, which can further reduce emotional pressure by promoting peace of mind through ethical money management, thus alleviating the psychological burden associated with financial worries. Therefore, it can be hypothesized:

H3: Islamic financial literacy moderates the relationship between financial anxiety and emotional exhaustion.

Islamic Financial Literacy, Employee Counterproductive Work Behavior, and Emotional Exhaustion

Previous studies have shown a direct correlation between emotional exhaustion and counterproductive work behavior (CWB), indicating that employees experiencing emotional exhaustion are more likely to engage in behaviors that undermine organizational efficiency and morale. Emotional fatigue often leads individuals to withdraw, display deviant behavior, or reduce their work effort as a coping mechanism (Carpenter et al., 2021). These findings highlight the importance of addressing emotional well-being to mitigate the occurrence of CWB in organizational settings. The CWB, which includes actions by employees that deliberately harm the organization or its members, often increases the emotional stress of business owners who are directly involved in daily operations. This prolonged stress can lead to emotional exhaustion (Sardeshmukh et al., 2021), especially if the owner does not have adequate resources to address disruptions in the workplace. However, Islamic financial literacy can serve as a buffer against these challenges. By understanding Sharia financial principles, business owners can manage their resources ethically and efficiently (Aman, 2020), thus reducing emotional exhaustion caused by employee CWB. Furthermore, Islamic financial literacy encourages ethical practices that foster a work culture that values fairness and mutual respect, which can minimize workplace conflicts. This knowledge empowers business owners to face challenges with greater calmness and resilience, thus reducing the negative impact of CWB and creating a healthier work environment. Therefore, it can be hypothesized:

H4: Islamic financial literacy moderates the relationship between employee counterproductive work behavior and emotional exhaustion.

Financial Anxiety and Financial Performance

Financial performance is an important concept in assessing the financial health of a company and its ability to generate profit, encompassing the analysis of income, profitability, cash flow, as well as assets and liabilities (Rahiminezhad & Mokhtab, 2022). It reflects how well a company achieves its financial goals and can meet its financial obligations, while also creating value for shareholders (Abdel-Basset et al., 2020). Information from financial statements, such as income statements, balance sheets, and cash flow statements, is used by investors, creditors, and management to evaluate the stability and operational success of a company. Key indicators such as profit margin and liquidity are essential for monitoring performance and supporting strategic decision-making aimed at sustaining growth and business sustainability.

Regarding financial performance, financial anxiety can significantly reduce financial performance by draining the emotional resources necessary for effective decision-making and productivity (Grable et al., 2020). Individuals experiencing financial anxiety tend to feel emotionally exhausted, which hampers their ability to focus and make sound financial decisions (Ryu & Fan, 2023). This can also drive risk-averse or impulsive behavior, which undermines long-term financial planning. Additionally, financial anxiety can negatively impact both mental and physical health, further impairing a person's ability to manage personal and work-related finances. This cycle of stress reduces financial performance both personally and organizationally. Based on the argument it can be hypothesized:

H5: Financial anxiety negatively affects the financial performance of MSMEs.

Emotional Exhaustion and Financial Performance

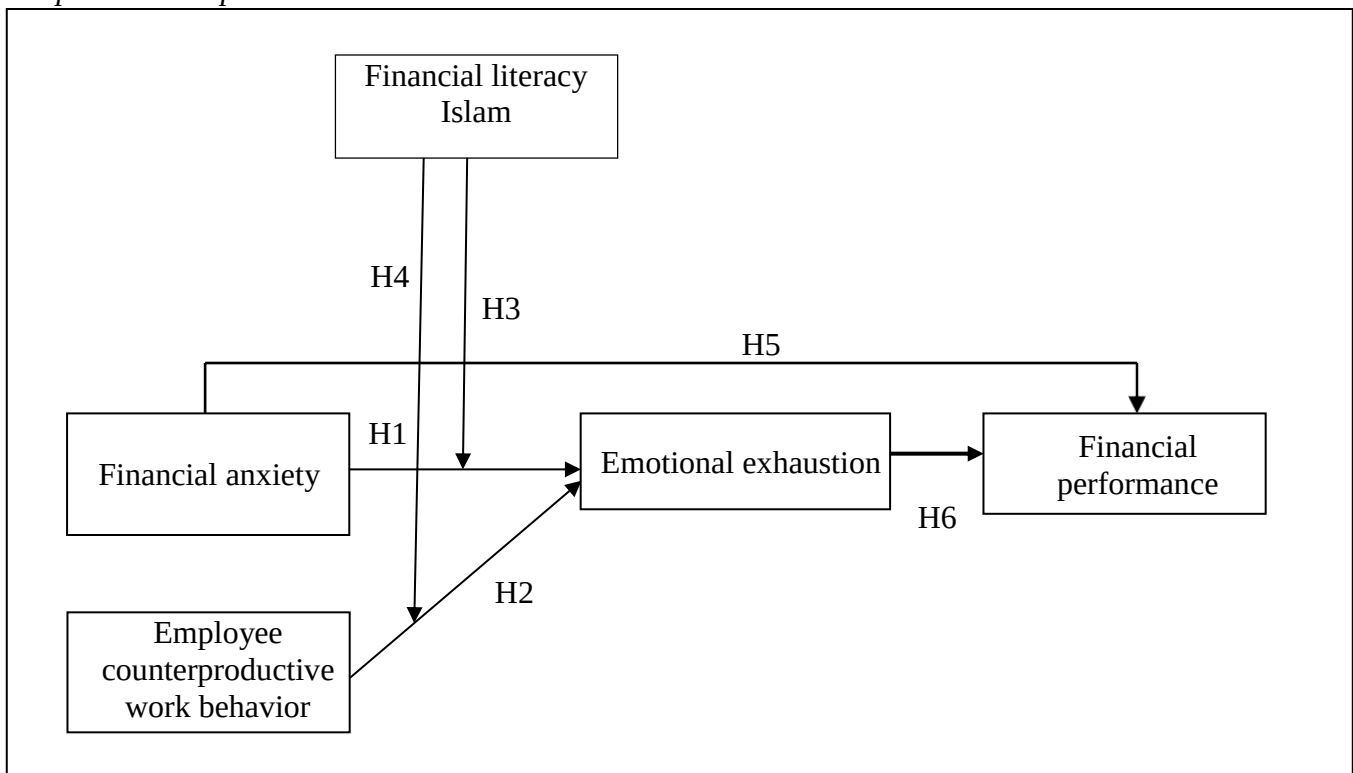
As entrepreneurs, they often face significant burdens, ranging from strategic decision-making, human resource management, to the endless problem-solving of operational issues. These conditions can trigger stress and emotional exhaustion, which not only reduce their motivation, energy, and resilience in running the business but also diminish their engagement and enthusiasm for the venture (Jawahar et al., 2022). As a result, the quality of decision-making declines, risking hindering innovation, productivity, and the business's financial performance (Neneh, 2024). This emotional exhaustion can also affect relationships with employees and customers, lowering morale, increasing turnover, and reducing service quality and communication, which ultimately negatively impacts the reputation, customer loyalty, and revenue, thereby threatening the sustainability of the business. Based on these references, the following hypothesis can be made:

H6: Emotional exhaustion negatively affects MSME performance.

Through an overview of the basic theories and the proposed hypotheses about the relationship Islamic financial literacy, employee counterproductive behavior, financial anxiety, emotional exhaustion, financial performance, the authors propose the conceptual research model as shown in Figure 1.

Figure 1

Proposed Conceptual Framework



Method

Participants

This research was conducted in Central Java, Indonesia, focusing on MSME owners in the districts of Banyumas, Banjarnegara, Cilacap, and Purbalingga. This study focuses on MSMEs in Banyumas, Banjarnegara, Cilacap, and Purbalingga because MSMEs are the backbone of the Indonesian economy, and these regions have diverse local economic dynamics, which allows the study to explore the influence of Islamic financial literacy on employee behavior and financial performance. Data collection targeted the entire population, but a representative sample size was determined using the Krejcie and Morgan (1970) formula. For a population of 16,140 MSME owners, with a 5% margin of error and a 50% sample proportion, the desired sample size was calculated as 375. The actual sample size gathered was 287 respondents, reflecting a nonresponse rate of approximately 23.5% from the minimum target. This study employed a quantitative method with a cross-sectional survey design. Self-administered questionnaires were distributed to achieve the research objectives. The sampling process utilized simple random sampling, and the questionnaire was distributed both offline (in person) and online to maximize participation. The distribution took place from July to August 2024. The self-reported data in this study are potentially biased. To address this potential bias, this study used a measurement scale designed to reduce bias, such as indirect questions or a more detailed Likert scale, which can help obtain more objective answers.

Measures

To collect data on the research concepts, the variables are measured using indicators from previous studies that have been adjusted to fit the specific context of this study. Islamic financial literacy is defined as the knowledge, attitudes, behaviors, and awareness related to financial activities conducted in accordance with Islamic principles. Adapting the questionnaire from English to Indonesian involves accurate translation and cultural relevance so that it can be understood well by respondents, especially MSMEs. This process also includes a trial to ensure understanding, followed by back-translation (Ozolins et al., 2020) to ensure that meaning and context remain consistent between the two languages.

Islamic financial literacy variable is measured with 4 indicators: Islamic financial behavior, knowledge, attitude, and awareness, using 20 questions adapted from Dinc et al. (2021). An example of a question is, 'People should help each other overcome difficulties, and I have no problem inviting others to become partners in my business'. The response format uses a Likert scale, with a range from 1 = strongly disagree to 5 = strongly agree.

Financial anxiety is defined as the stress and worry experienced by MSME owners regarding their financial situation, especially in facing uncertainty and the sustainability of their business financial resources. This variable is measured with 5 items adapted from Xiao and Meng (2024), one of which is, 'I worry that the financial resources of my MSME will not last long', with a Likert scale response format (1 = strongly disagree to 5 = strongly agree).

Employee counterproductive work behavior refers to actions by employees that harm the organization, such as deviant behaviors that violate organizational norms and rules. This variable is measured with 12 items developed by Bennett and Robinson (2000), one of which is, 'Arrived late to work without authorization'. The response format uses a Likert scale (1 = never to 5 = always).

Emotional exhaustion is defined as the feeling of being emotionally drained due to stressors in the work environment, particularly related to financial issues in MSMEs. This variable is measured with 7 items adapted from Jawahar et al. (2022), such as, 'I feel emotionally drained because of my MSME's financial issues, and I feel like I'm on the brink', with a Likert scale (1 = strongly disagree to 5 = strongly agree).

Financial performance refers to the financial health and profitability of the MSME, including indicators such as revenue growth and increased sales. This variable is measured with 4 items developed

based on previous research by Lee (2021), one of which is, ‘Recently, my business has experienced an increase in sales’. The response format uses a Likert scale (1 = strongly disagree to 5 = strongly agree). With clear operational definitions and structured response formats, readers can more easily interpret the research results.

Results

Sample Description

Table 1 presents the demographic characteristics of the respondents who participated in this study. This table provides an overview of the profile of the respondents who contributed to this study, reflecting diversity in terms of gender, age, education, and business experience.

Table 1
Demographic Description of Respondents

Demographics	Category	Total	Percentage
Gender	Female	130	45.3
	Male	157	54.7
Age	15–25 years	100	34.8
	26–35 years	95	33.1
	36–45 years	60	20.9
	> 45 years	32	11.1
Education	Junior High School	30	10.4
	Senior High/Vocational School	70	24.4
	Diploma (D3)	75	26.1
	Bachelor's Degree (S1)	85	29.6
	Master's Degree (S2)	7	2.4
Length of MSME Experience	3–5 years	150	52.2
	> 5 years	137	47.8

The majority of respondents in this survey are male (54.7%), predominantly in the younger age groups, namely 15–35 years (67.9%). In terms of education, more than half (55.7%) have attained at least a diploma (D3) or a bachelor's degree (S1), indicating a relatively high level of education to support MSME management. Most MSME players have business experience ranging from 3–5 years (52.2%), while 47.8% have more than 5 years of experience.

Table 2
Validity and Reliability of Scales

Variable	Code	Factor loading	CR	Cronbach's alpha	AVE
Financial anxiety	3	.68 – .74	.83	.78	.62
Employee counterproductive work behavior	12	.75 – .85	.94	.70	.67
Emotional exhaustion	7	.73 – .85	.90	.87	.63
Financial performance	4	.77 – .81	.84	.80	.60
Islamic financial literacy	12	.71 – .82	.89	.88	.55

Each variable, including financial anxiety, financial stress, emotional exhaustion, financial performance, and Islamic financial literacy, has factor loading values that are mostly above .70, indicating that these items consistently measure the intended constructs (Hair et al., 2013). The SEM model encompasses all the proposed hypotheses simultaneously, with a complex relationship structure analyzed within a single integrated model framework. The results are presented in Table 2 to Table 4 were derived from the same model, which incorporates both the construct validity assessment and the hypothesis testing.

The analyzed model includes latent variables representing the constructs, which are measured through their corresponding observed variables (indicators). Although some factor loading values are slightly below .70, such as financial anxiety item 1 (.68), this value is still acceptable (Hair et al., 2013), especially when considering the overall reliability of the construct. The composite reliability (CR) values for all variables are above .83, indicating excellent internal consistency among the items within each construct. Similarly, the Cronbach's alpha values for all variables range from .78 to .88, further reinforcing the argument that the scale used has high reliability. This indicates that the measurements are consistent and dependable in measuring the intended concepts. Additionally, the average variance extracted (AVE) values for each variable are above .55, showing that most of the variance in the items is explained by the corresponding construct, reflecting good convergent validity. In other words, the measured constructs have successfully captured most of the variance from the relevant items.

Table 3
Comparison of the Measurement Model

No	Relevant statistics	Cut-off value	Results	Interpretation
1	Chi-square	Expected to be low	638.675	Moderate fit
2	CMIN/DF	< 3	2.7	Good fit
3	GFI/goodness of fit index	> .90	.91	Good fit
4	RMSEA/root mean square error of approximation	< .06	.05	Good fit
5	TLI (Tucker Lewis index)	≥ .90	.93	Good fit
6	NFI/normal fit index	> .90	.92	Good fit
7	AGFI/adjusted goodness of fit index	> .90	.90	Middle fit

Note. Cut-off values follow Hair et al. (2013)

The results of the analysis in Table 3 show that the model has a good fit based on most of the indices tested. Chi-square (638.675) indicates a *middle fit* due to the relatively high value. However, CMIN/DF (2.7), GFI (.91), RMSEA (0.05), TLI (.93), and NFI (.92) all indicate a *good fit*. Only AGFI (.90) is at the threshold, categorizing it as a *middle fit* (Hair et al., 2013). Overall, the model shows a good fit, although there are areas that can be improved.

Table 4
Hypothesis Testing, Direct and Indirect Effects

	Hypothesis	Path coefficient	p-value	Conclusion
H1	Financial anxiety positively affects emotional exhaustion	.45	.01	Supported
H2	Employee counterproductive work behavior positively affects emotional exhaustion	.38	.05	Supported
H3	Islamic financial literacy moderates the relationship between financial anxiety and emotional exhaustion	-.22	.03	Supported
H4	Islamic financial literacy moderates the relationship between employee counterproductive work behavior and emotional exhaustion	-.30	.02	Supported
H5	Financial anxiety negatively affects the financial performance	-.50	.01	Supported
H6	Emotional exhaustion negatively affects the performance	-.40	.04	Supported

The results of the hypotheses testing in the Table 4 show that all the hypotheses proposed are supported by the data. The hypothesis H1, which states that financial anxiety is positively related to emotional exhaustion, is supported with $\beta = .45, p = .01$. This means that the higher the financial anxiety experienced, the greater the level of emotional exhaustion felt. The hypothesis H2, which tests the positive relationship between employee counterproductive work behavior and emotional exhaustion, is also supported with $\beta = .38, p = .05$. Thus, the higher the employee counterproductive work behavior performed by employees, the greater the emotional exhaustion felt by the MSME owners, potentially affecting their psychological health and performance.

Next, the hypothesis H3, which states that Islamic financial literacy moderates the relationship between financial anxiety and emotional exhaustion, is supported with $\beta = -.22, p = .03$. This indicates that Islamic financial literacy can reduce the negative impact of financial anxiety on emotional exhaustion, suggesting that individuals with a better understanding of Islamic finance are likely to manage financial anxiety more effectively and reduce the level of emotional exhaustion. H4, which tests the moderation of Islamic financial literacy in the relationship between financial pressure and emotional exhaustion, is also supported ($\beta = -.30, p = .02$). In other words, Islamic financial literacy can reduce the negative effects of financial pressure on emotional exhaustion, providing individuals with more effective ways to cope with financial stress.

The hypothesis H5, which states that financial anxiety is negatively related to the financial performance of MSMEs, is supported with $\beta = -.50, p = .01$. This means that the higher the financial anxiety experienced, the lower the financial performance of the MSMEs, as this anxiety may divert attention and energy away from more effective business management efforts. Similarly, H6, which states that emotional exhaustion is negatively related to MSME performance, is supported with $\beta = -.40, p = .04$. This shows that high emotional exhaustion can reduce the effectiveness and productivity of MSME owners or managers, which in turn impacts the decline in business performance.

Discussion and Conclusion

The findings of this research emphasize the importance of stress management and emotional well-being in MSMEs. Financial anxiety and employee counterproductive work behavior (CWB) impact the financial performance and overall business. Islamic financial literacy can help reduce these negative effects, suggesting that interventions to improve financial literacy and stress management are crucial for improving MSME financial performance. This is discussed in further details.

The first hypothesis (H1) was supported, meaning it is proven that financial anxiety is positively related to emotional exhaustion in MSME owners. For MSME owners, this anxiety can manifest in several detrimental ways, including sleep disturbances and cognitive difficulties, as financial stress often leads to challenges in concentration and decision-making. Social withdrawal can also occur, as the burden of financial worries causes entrepreneurs to distance themselves from social interactions, worsening feelings of alienation and depression. The results of this study reinforce previous research (Jawahar et al., 2022), which found that financial anxiety burdens individuals emotionally and reduces the resources available for tasks, creating a downward spiral where increasing financial worries worsen mental health, making it harder to manage finances effectively. This cycle can lead to poor decision-making, further financial instability, and increased emotional distress.

The second research hypothesis (H2) is supported, meaning it is proven that employee counterproductive work behavior is positively related to emotional exhaustion in MSME owners. CWB performed by employees often leads to an accumulation of stress for the owners. Repeated exposure to employee unproductive behavior, such as negligence or workplace conflicts, causes chronic stress that accumulates over time, eventually leading to emotional exhaustion. This exhaustion can also erode job satisfaction for MSME owners, as constantly dealing with issues caused by CWB reduces the enjoyment and satisfaction they gain from their work. Over time, emotional exhaustion due to ongoing CWB can lead

to various health problems, such as burnout, anxiety, and depression, which ultimately disrupt business performance. As owners become increasingly emotionally drained, their decision-making ability may be impaired, reducing their effectiveness in managing the business and creating a vicious cycle where employee behavior worsens alongside the owner's well-being.

Like the previous hypothesis, the third hypothesis (H3) is also supported. This finding means that Islamic financial literacy moderates the relationship between financial anxiety and emotional exhaustion in MSME owners. Islamic financial literacy equips MSME owners with knowledge of financial management practices according to Sharia, which emphasizes ethical investments, risk-sharing, and avoidance of *riba* (usury). This knowledge helps owners feel more in control of their financial decisions, thus reducing anxiety levels. For example, an understanding of Sharia-compliant financing options, such as *mudharabah* (profit sharing) and *musharakah* (joint venture), provides more ethical alternatives compared to conventional debt-based financing. These alternatives often include risk mitigation through joint investment structures, which can alleviate financial burdens and reduce stress. As a moderating factor, Sharia financial literacy allows MSME owners with higher financial literacy to be less affected by financial anxiety in terms of emotional exhaustion. By understanding and applying Sharia financial principles, business owners can feel that their business practices are more aligned with their personal beliefs, thereby reducing the mental burden from financial challenges and improving resilience in their business operations.

For MSME owners, employee counterproductive work behavior is highly detrimental because it can harm both individuals and organizations, burdening them with limited resources and often causing emotional strain. This emotional exhaustion can reduce their motivation and energy in managing the business (Shahid & Kundi, 2022). On the other hand, Islamic financial literacy provides an ethics-based understanding and low-risk principles, which help MSME owners deal with counterproductive behavior wisely and ethically, thereby reducing the potential for emotional exhaustion. Based on the research findings, the fourth hypothesis (H4) is supported, proving that Islamic financial literacy does indeed moderate the relationship between counterproductive behavior and emotional exhaustion in MSME owners. This literacy acts as an important moderation factor, providing a strategic framework that helps MSME owners become more resilient in facing challenges without being emotionally drained.

Financial anxiety can have a negative impact on the financial performance of MSMEs because it disrupts decision-making. Business owners who are anxious tend to be overly cautious or afraid to take risks, which may result in missed opportunities or delayed investments, thus hindering growth and profitability. Additionally, financial anxiety can decrease productivity and operational efficiency, both from the owner and employees, leading to poor service and low morale. This means that the fifth hypothesis (H5) is supported. This indicates that financial anxiety is negatively related to the financial performance of MSMEs. MSME owners may also be reluctant to seek external funding or manage cash flow effectively due to fear of debt, which further worsens the financial situation. Overall, financial anxiety hinders effective financial planning and can create a detrimental cycle for the business.

In situations where MSME actors face high work pressure, emotional burdens, and resource limitations, emotional exhaustion can cause them to lose motivation and enthusiasm, leading to decreased productivity and poor execution of important tasks related to sales, marketing, or customer service (De Clercq et al., 2022). Additionally, this condition tends to lower their ability to think clearly, leading to suboptimal business decisions, such as errors in fund allocation or market strategy. The quality of service to customers may also decline, and in MSMEs, where interactions with customers are often direct, this can affect customer satisfaction and impact business revenue. Emotional exhaustion also increases the risk of operational mistakes that could lead to wasted time and costs. Based on these findings, the sixth hypothesis (H6) is supported, meaning that emotional exhaustion is negatively related to the financial performance of MSMEs. Therefore, maintaining mental health and managing stress is essential for MSME actors to ensure optimal performance and sustain business financial stability.

Limitations

There are several limitations to consider in this study. One limitation is the potentially limited sample size, which may not fully represent the diverse characteristics of MSME owners across various industries or geographic regions, thus limiting the generalizability of the findings. Additionally, the cross-sectional design of the study prevents the establishment of causal relationships between the variables, which could affect the conclusions drawn from the data. A longitudinal study would offer a deeper understanding of how these factors evolve over time and influence MSME performance. Furthermore, emotional exhaustion was measured using a subjective method, which could be influenced by personal biases. Future research could integrate more objective methods, such as physiological indicators or observational assessments, to improve measurement accuracy. Moreover, the study assumes a cultural context related to Islamic finance, which may not be universally applicable. Future studies could compare the role of Islamic financial literacy in different cultural contexts or explore the impact of alternative financial systems on MSME outcomes (Dinc et al., 2021).

Implications for Behavioral Science

The implications of this study for behavioral science highlight how psychological factors such as financial anxiety and emotional exhaustion influence individual behavior, particularly among MSME owners. High financial anxiety can increase emotional exhaustion, which in turn can affect mental health and business performance. The study also shows that Islamic financial literacy plays an important role in reducing the negative impact of financial anxiety on emotional exhaustion, suggesting that improving financial knowledge can be an effective strategy for alleviating financial stress. Additionally, the findings that financial anxiety and emotional exhaustion reduce financial performance and productivity in MSMEs emphasize the importance of a more holistic approach to supporting mental well-being. In the context of behavioral science, these results encourage interventions based on financial education and stress management to improve both individual well-being and organizational performance (Dinc et al., 2021).

These findings emphasize the importance of Islamic financial literacy programs that not only educate MSME owners about Islamic finance but also equip them with practical skills and stress management strategies. Collaboration between financial institutions, the government, and the education sector is needed to create an ecosystem that supports financial resilience and psychological well-being of entrepreneurs. With this approach, MSMEs can be better prepared to face economic challenges and improve the sustainability of their businesses (Sari et al., 2024).

Conclusion

In conclusion, this study highlights the crucial role of Islamic financial literacy in mitigating financial anxiety and emotional exhaustion among MSME owners. By integrating culturally relevant financial knowledge, business owners can enhance their financial resilience and make more informed decisions under economic pressure. The findings emphasize that values-aligned financial education and stress management strategies can significantly improve financial well-being and sustainability for MSMEs. A deeper understanding of the behavioral mechanisms underlying financial decision-making can further enhance the effectiveness of these interventions. Strengthening the integration of Islamic financial principles with practical financial management skills may empower MSME owners to navigate economic challenges more effectively. Additionally, fostering collaboration between financial institutions, policymakers, and educational institutions can facilitate the development of comprehensive programs that address both financial literacy and psychological well-being.

Declarations

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