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Financial Anxiety and the Adoption of Islamic Financial Services: A Behavioral Law and Psychology Perspective

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ABSTRACT

Introduction: The regulation and development of Islamic financial services have predominantly relied on normative rational assumptions that position consumers as fully rational and autonomous decision-makers, thereby overlooking psychological conditions such as financial anxiety arising from economic uncertainty, financial pressure, and social risk. This study aims to examine the influence of financial anxiety on the adoption of Islamic financial services and to assess how this condition challenges the rationality assumption embedded in Islamic economic law, while also developing a conceptual framework informed by behavioral law and mental well-being grounded in maqāṣid al-sharī'ah. Methods: This study employs a qualitative normative and analytical approach by examining Islamic legal sources, including the Qur'an, Hadith, fiqh al-mu'āmalāt, and relevant fatwas, complemented by a systematic review of literature in economic psychology, behavioral finance, and Islamic economic psychology. The data are analyzed using qualitative content and thematic analysis. Result: The findings indicate that financial anxiety significantly shapes individuals' intentions and behaviors in adopting Islamic financial services, thereby challenging purely rational and normative regulatory assumptions. Conclusion and suggestion: The study concludes that integrating behavioral and mental well-being perspectives is essential for developing a more contextual, empathetic, and human-centered framework of Islamic economic law, and suggests that policymakers incorporate psychological considerations into the design and regulation of Islamic financial services.

1. Introduction

The regulation and development of Islamic financial services have historically been grounded in normative and rational approaches, which position consumers as legal and economic subjects assumed to be capable of making financial decisions consciously, autonomously, and objectively (RV et al., 2024). Within the framework of Islamic economic law, individuals are conceptualized as rational actors who select Islamic financial services based on considerations of Sharia compliance, economic efficiency, and the conformity of contractual arrangements with Islamic legal principles (Andespa et al., 2024). This assumption is consistent with the modern legal paradigm, which emphasizes the rationality of legal subjects, information symmetry, and freedom of contract in economic activities.

However, such approaches have not fully accounted for the psychological conditions of individuals as economic agents who operate under financial uncertainty, economic pressure, and social risk. Empirical studies indicate that decisions to adopt or avoid financial services, including Islamic financial services, are rarely made under psychologically neutral conditions (Aftab et al.,

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2025). A growing body of research on consumer behavior in selecting Islamic financial services demonstrates that psychological factors play a significant role in shaping the intention to adopt such services. For instance, a study by Zulfaka and Kassim, employing an integrated Social Cognitive Theory framework, reveals that the intention to adopt Islamic financial products and services in Malaysia is influenced not only by normative considerations but also by cognitive factors, financial behavior, and Islamic financial literacy. These findings suggest that consumer decisions are the result of a complex interaction between religious values, cognitive capacity, and psychological conditions, rather than being purely driven by rational calculation (Zulfaka, 2025).

In this context, financial anxiety is operationally defined in this study as a psychological condition characterized by feelings of worry, fear, and insecurity regarding both current and future financial situations, which in turn influence risk perception, levels of trust, and individuals' capacity to make economic decisions (Feng et al., 2025). Meanwhile, the adoption of Islamic financial services is conceptualized as the intention and/or actual behavior of individuals in utilizing financial products and services based on Sharia principles, whether through formal institutions or digital platforms, as reflected in usage choices, continuity of use, and the level of trust in Islamic financial institutions.

Furthermore, studies in economic psychology and behavioral finance emphasize that financial anxiety has a significant impact on how individuals perceive risk, build trust, and make economic decisions (Feng et al., 2025). Research by Lestari et al. on micro, small, and medium enterprise (MSME) actors in Indonesia demonstrates that financial anxiety directly contributes to emotional exhaustion and significantly reduces financial performance. Notably, the study also finds that Islamic financial literacy functions as a protective factor that mitigates the negative effects of financial anxiety. These findings suggest that psychological pressure is not merely a matter of mental well-being, but also a key determinant of economic behavior and the sustainability of individuals' financial decisions (Lestari, Indyastuti, Alhamidi, et al., 2025).

Financial anxiety may arise from various factors, including income instability, debt burden, job insecurity, inflation, and experiences of economic crises (Simonse et al., 2024). This condition not only affects individuals' mental well-being but also shapes economic behavior that tends to be defensive, risk-averse, or, in some cases, impulsive (Simonse et al., 2024). In the context of financial services, individuals experiencing financial anxiety often face difficulties in understanding contractual terms, feel pressured by long-term obligations, and exhibit lower levels of trust in financial institutions (Van der Cruijsen, De Haan, and Roerink 2023). Therefore, the process of adopting financial services cannot be understood solely as a legal and economic process, but must also be recognized as a psychological process characterized by significant emotional pressure.

In contemporary Muslim societies, this complexity is further intensified by the rapid development of digital-based Islamic financial services. A study by Muttaqien et al. indicates that preferences for digital Islamic financial services in Indonesia are influenced by Islamic financial literacy, perceived advantages, and initial trust, with religiosity serving as a moderating variable. Nevertheless, negative emotional dimensions, such as financial anxiety, have not been a primary focus, even though digital financial services are often utilized by individuals facing vulnerable economic and psychological conditions.(Muttaqien et al., 2025)

To date, studies on the adoption of Islamic financial services can generally be categorized into three main approaches: normative regulatory, rational cognitive, and a relatively limited behavioral approach. Consequently, Islamic financial regulations and policies have largely been grounded in the assumption that improving financial literacy and normative compliance is sufficient to encourage service adoption. However, as highlighted by the behavioral law approach, legal frameworks built upon assumptions of rationality tend to be less effective when applied to individuals experiencing psychological pressure.

Addressing this gap, this study positions consumers of Islamic financial services not merely as rational actors, but as individuals whose decisions are also shaped by specific psychological conditions. Accordingly, this research focuses on examining how financial anxiety affects the adoption of Islamic financial services, how consumer protection within Islamic economic law can be understood from a psychological perspective, and how a behavioral law and mental well-being–oriented framework of Islamic economic law can be developed.

In line with these objectives, this study specifically aims to: (1) analyze the impact of financial anxiety on the adoption of Islamic financial services; (2) evaluate the concept of consumer protection in Islamic economic law from a psychological perspective; and (3) formulate a framework of Islamic economic law grounded in behavioral law and mental well-being.

With this positioning, the study is expected not only to complement existing scholarship in Islamic economic law and Islamic finance but also to provide both theoretical and practical contributions toward the development of a more empathetic, inclusive, and human-centered Islamic financial system that promotes holistic well-being.

2. Literature Review

Normative Approach in Islamic Finance

The normative approach in Islamic finance constitutes a foundational framework in early scholarly literature, emphasizing the importance of adherence to Islamic legal principles in all economic activities. Within this perspective, financial practices must comply with Sharia provisions, including the prohibition of *riba* (interest), *gharar* (uncertainty), and *tadlis* (fraudulent misrepresentation), while ensuring that all transactions conform to valid principles of *fiqh al-mu'āmalāt*. Accordingly, the Islamic financial system is understood as a rule-based system grounded in authoritative normative sources, such as the Qur'an, Hadith, and juristic reasoning (*ijtihād*) (Widayanti et al., 2025).

Within this framework, consumers are assumed to be rational and legally conscious individuals who are capable of making objective economic decisions based on available information and adherence to Sharia values. Furthermore, this approach is reinforced by the concept of *maqāṣid al-sharī'ah*, which places the protection of wealth (*ḥifẓ al-māl*) and the protection of intellect (*ḥifẓ al-'aql*) as central objectives of the Islamic economic system. These objectives indicate that financial regulations are not solely oriented toward formal compliance but also toward achieving *maṣlaḥah* (public interest) and overall human well-being (Rahmi et al., 2025).

As such, Islamic finance is often portrayed as an ideal, rational, and equitable system. Nevertheless, this normative approach has been subject to criticism for oversimplifying the realities of human behavior. The assumption of full rationality does not always reflect actual conditions, particularly when individuals operate under economic uncertainty, social pressures, and complex psychological constraints.

Rational Cognitive Approach and Financial Literacy

The rational cognitive approach in Islamic finance studies emphasizes that individuals' decisions to adopt Islamic financial services are influenced by knowledge, perceptions, and belief systems that are fundamentally rational in nature. One of the key variables within this approach is Islamic financial literacy, which plays a crucial role in enhancing individuals' understanding of financial products, contractual structures (*ʿaqd*), and the foundational principles of Islamic finance. Empirical studies indicate that higher levels of Islamic financial literacy are associated with a greater intention to use Sharia-based financial services, as individuals are better equipped to objectively evaluate their benefits and risks (Gunawan et al., 2025);(Lajuni et al., 2020).

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In addition to literacy, religiosity constitutes another important determinant in shaping consumer attitudes and behavioral intentions. Within the framework of the Theory of Planned Behavior, religiosity and individuals' normative orientations contribute to the formation of intentions to use Islamic financial services by influencing attitudes, subjective norms, and perceived behavioral control (Rasheed & Siddiqui, 2022). Accordingly, this approach continues to conceptualize economic decision-making as a rational process grounded in information, knowledge, and belief systems that guide individuals in making conscious and deliberate financial choices.

Behavioral Finance and Behavioral Law Approach

The behavioral finance and behavioral law approach represents a recent development in the study of finance and economic law, challenging the classical assumption of individual rationality. Within the perspective of behavioral finance, economic decisions are no longer understood solely as the outcome of rational calculations, but rather as the product of complex interactions among cognitive, psychological, social, and emotional factors. Individuals are often influenced by cognitive biases such as overconfidence, framing effects, and loss aversion, which lead to deviations from fully rational decision-making (Aftab et al., 2025). Consequently, economic behavior more accurately reflects the bounded rationality of individuals rather than the idealized notion of perfectly rational economic agents.

In the legal domain, the behavioral law approach has emerged as a critical lens to challenge regulatory assumptions that individuals always act rationally and possess perfect information. In practice, however, compliance with economic law including Islamic economic law is also shaped by perceptions, trust, and normative beliefs embedded within individuals (Zamir & Teichman, 2018). This suggests that the effectiveness of regulation depends not only on its normative strength but also on how it is perceived, interpreted, and internalized by society.

Nevertheless, behavioral studies in Islamic finance remain limited in scope. Most existing research focuses primarily on cognitive biases such as risk perception, overconfidence, and herd behavior, while negative emotional dimensions particularly financial anxiety have not been sufficiently explored, despite their significant influence on economic decision-making.

Behavioral Finance and Behavioral Law Approach

The behavioral finance and behavioral law approach represents a significant advancement in the study of finance and economic law, challenging the classical assumption of individual rationality (Baddeley, 2018). From the perspective of behavioral finance, economic decision-making is no longer understood merely as the outcome of rational calculation, but rather as the result of complex interactions among cognitive, psychological, social, and emotional factors. Individuals are frequently influenced by cognitive biases such as overconfidence, framing effects, and loss aversion, which lead to systematic deviations from fully rational decision-making (A. M. Khan, 2024). Consequently, economic behavior more accurately reflects the bounded rationality of human agents rather than the idealized assumption of perfectly rational actors.

Within the legal domain, the behavioral law approach has emerged as a critical framework for reassessing the foundational assumptions of regulation, particularly the notion that individuals consistently act rationally and possess perfect information. In practice, however, compliance with economic law including Islamic economic law is shaped not only by legal norms but also by individuals' perceptions, trust, and embedded normative beliefs (Farooq, 2022). This indicates that the effectiveness of legal regulation depends not solely on its normative authority, but also on how it is perceived, interpreted, and internalized by society.

Despite these developments, behavioral studies in Islamic finance remain relatively limited in scope. Existing research has predominantly focused on cognitive biases such as risk perception, overconfidence, and herd behavior, while the role of negative emotional factors particularly financial anxiety has not been sufficiently explored. This gap is significant, given that such emotional conditions may substantially influence economic decision-making processes and, ultimately, the adoption of financial services.

Financial Well-Being and Literacy as Moderating Variables

Financial well-being and financial literacy are two critical variables that, in various studies, have been shown to play moderating roles in mitigating the negative effects of financial anxiety. Financial well-being refers to a condition in which individuals achieve financial stability, possess the ability to meet their needs, and experience a sense of security in facing future economic risks. In this context, Maulana et al. find that higher levels of financial well-being are positively associated with individuals’ propensity to adopt ethical finance, including the use of Islamic banking services (Maulana et al., 2026). This suggests that stable financial conditions can enhance individuals’ confidence and readiness to make economic decisions that align with Sharia values.

In addition, financial literacy plays an equally important role in shaping economic behavior. Wijaya et al. emphasize that financial literacy functions not only as a tool for improving technical understanding of financial products, but also as a mechanism for fostering psychological security (Widayanti et al., 2025). This sense of security enables individuals to reduce anxiety when facing complex financial decisions. Accordingly, Islamic financial literacy can be conceptualized as a bridge connecting individuals’ psychological conditions with their economic behavior, thereby strengthening the adoption of Islamic financial services in a more stable and sustainable manner.

Integration of Maqāṣid al-Sharīʻah, Behavioral Law, and Economic Psychology

The integration of *maqāṣid al-sharīʻah*, behavioral law, and economic psychology represents a significant development in contemporary Islamic economic law scholarship, aiming to bridge normative, behavioral, and psychological dimensions within a holistic analytical framework (Wibisono & Roeslan, 2025). *Maqāṣid al-sharīʻah* extends beyond the protection of material aspects such as wealth (*ḥifẓ al-māl*), encompassing also the protection of life (*ḥifẓ al-nafs*) and intellect (*ḥifẓ al-ʻaql*), which are directly linked to individuals’ mental well-being and psychological stability. From this perspective, the objectives of Islamic law are not limited to ensuring normative compliance, but also to achieving comprehensive *maṣlaḥah*, including inner peace and psychological security in economic activities.

On the other hand, behavioral law and economic psychology contribute by explaining how emotional factors, risk perceptions, and bounded rationality shape individuals’ economic behavior in real-world contexts (Umapathy, 2024). This integration becomes increasingly relevant when linked to Islamic financial instruments such as *sukuk* and *waqf*, which have been shown to support social stability, economic equity, and societal psychological resilience. These instruments function not only as financial tools but also as social mechanisms that enhance public trust and foster a sense of security.

3. Methodology

This study employs a qualitative approach with a normative–conceptual and analytical design to examine the relationship between the assumption of rationality in Islamic economic law and the psychological realities of individuals in making decisions regarding Islamic financial services

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(Ahmad et al., 2024). The focus of the study is directed at the tension between normative constructions that position individuals as rational and autonomous actors and the empirical reality of decision-making, which is often influenced by financial anxiety, risk perception, and economic uncertainty.

Normative analysis is conducted on the sources of Islamic economic law, including the Qur'an, hadith, classical and contemporary fiqh al-mu'āmalāt principles, fatwas issued by Islamic financial authorities, and maqāṣid al-sharī'ah literature relevant to economic regulation. This analysis aims to identify how the protection of wealth (ḥifẓ al-māl), protection of intellect (ḥifẓ al-'aql), and protection of life (ḥifẓ al-nafs) are constructed within Islamic economic legal norms, as well as the extent to which mental well-being is accommodated in the formulation of financial service regulations.

In addition, this study examines the regulatory framework and practices of Islamic financial services, including contract design, transparency principles, and consumer protection mechanisms, in order to reveal underlying normative assumptions regarding information symmetry, freedom of contract, and the rational capacity of consumers.

To explain the dynamics of economic behavior, this study employs a systematic literature review of works in economic psychology, behavioral finance, and Islamic economic psychology. The main theoretical framework incorporates concepts such as financial anxiety, risk perception, and decision-making under uncertainty, alongside the perspective of Islamic economic psychology, which positions mental well-being as an integral component of maqāṣid al-sharī'ah.

The data are analyzed using qualitative content analysis and thematic analysis. This study does not involve primary field data collection; rather, it aims to develop a conceptual framework of Islamic economic law grounded in behavioral law and mental well-being perspectives. Therefore, a key limitation of this study lies in the absence of empirical data, which restricts its ability to generalize findings or fully capture the complexity of real-world behavioral patterns. Consequently, the conclusions drawn should be understood as theoretical and conceptual in nature, and future research incorporating empirical approaches is necessary to validate and expand upon these findings.

4. Results And Discussion

The Impact of Financial Anxiety on the Adoption of Islamic Financial Services

Financial anxiety has emerged as a significant psychological factor receiving increasing attention in the fields of behavioral economics and Islamic finance, particularly in explaining individual behavior in the adoption of financial services. A growing body of empirical research demonstrates that financial anxiety not only affects individuals' mental well-being but also shapes patterns of economic decision-making, levels of trust in financial institutions, and individuals' readiness to engage with financial products and services, including those based on Sharia principles. Within this context, this study advances the argument that the assumption of rationality in Islamic economic law requires reconsideration by incorporating psychological dimensions particularly financial anxiety as a critical variable that substantively influences individual economic behavior.

Lestari et al. consistently demonstrate that financial anxiety has a significant effect on emotional exhaustion among MSME actors in Indonesia, which subsequently exerts a negative impact on business financial performance (Lestari, Indyastuti, Alhamidi, et al., 2025); (Lestari, Indyastuti, & Setyanto, 2025). This condition of emotional exhaustion reflects prolonged psychological pressure that diminishes individuals' cognitive capacity to manage finances and make rational economic decisions. In the context of financial services, such conditions may hinder individuals' willingness to adopt financial products perceived as complex, risky, or involving long-term commitments, including Islamic financial products. These findings reinforce the critique of the classical rationality paradigm in economic law, which tends to overlook individuals' cognitive and emotional limitations.

Another important finding from these studies is the role of Islamic financial literacy as a moderating variable. Islamic financial literacy has been shown to mitigate the negative effects of financial anxiety on emotional exhaustion and financial performance (Lestari, Indyastuti, & Setyanto, 2025). This suggests that a sufficient understanding of the principles, mechanisms, and values of Islamic finance functions not only as a cognitive tool, but also as a source of psychological reassurance that helps individuals cope with economic pressures. Within the framework of this study, Islamic financial literacy is conceptualized as a mediating psychological buffer that bridges the relationship between individuals' emotional conditions and their behavioral adoption of Islamic financial services.

The relationship between financial literacy, financial behavior, and well-being is further reinforced by the study of Gunawan et al., which finds that Islamic financial literacy has a positive effect on both financial behavior and financial well-being among students of Islamic higher education institutions in Indonesia (Gunawan et al., 2025). Individuals with higher levels of literacy tend to exhibit more planned financial behavior, lower levels of financial anxiety, and better financial well-being. These findings strengthen the proposition that mental well-being and cognitive capacity constitute essential prerequisites in shaping individuals' readiness to adopt Sharia-based financial services.

From the perspective of intention and adoption behavior, a number of studies indicate that financial literacy and psychological factors play a crucial role in shaping the intention to use Islamic financial services. Lajuni et al., as well as Rasheed and Siddiqui, argue that the intention to use Islamic financial products and services is influenced by a combination of attitudes, social norms, perceived behavioral control, and financial literacy (Lajuni et al., 2020);(Rasheed & Siddiqui, 2022). Within the framework of the Theory of Planned Behavior, psychological conditions such as financial anxiety have the potential to weaken positive attitudes and perceived behavioral control, thereby reducing the intention to adopt Islamic financial services. Based on this, the present study proposes that psychological variables should be explicitly integrated into the normative models of Islamic economic law, which have traditionally emphasized rational and normative dimensions.

Furthermore, Maulana et al. emphasize that financial well-being constitutes a key determinant in the adoption of ethical finance, including Islamic banking (Maulana et al., 2026). Individuals with higher levels of financial well-being typically supported by adequate financial literacy and sound financial behavior tend to exhibit a greater propensity to adopt Islamic financial services. These findings reinforce the conceptual model proposed in this study, which posits that the adoption of Islamic financial services is the result of the interaction among three primary dimensions: psychological conditions (financial anxiety), cognitive capacity (Islamic financial literacy), and well-being conditions (financial well-being).

The practical implications of these findings suggest that educational interventions aimed at enhancing Islamic financial literacy can serve a dual function: as instruments for improving knowledge and as mechanisms for reducing financial anxiety (Wijaya et al., 2024). In addition, public policies and institutional strategies within Islamic financial institutions should be directed toward strengthening awareness, socialization, and Sharia-based financial inclusion in order to foster psychological security and consumer trust (Mahmoud et al., 2025);(Majid et al., 2023). These insights indicate that regulatory approaches cannot rely solely on normative compliance, but must also incorporate psychological dimensions and considerations of societal mental well-being.

verall, this study proposes a conceptual proposition that the adoption of Islamic financial services cannot be understood merely as the outcome of legal rationality and normative compliance. Rather, it should be viewed as a multidimensional process involving the interaction between

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financial anxiety, Islamic financial literacy, and financial well-being. The framework advanced in this study differs from previous approaches that tend to position individuals as homogeneous rational actors, by integrating perspectives from behavioral law and economics and maqāṣid al-sharīʻah grounded in mental well-being. Accordingly, this research offers a novel conceptual model that positions psychological well-being as an integral element in the development of Islamic economic law and the regulation of financial services.

Consumer Protection in Islamic Economic Law from a Psychological Perspective

The concept of consumer protection in Islamic economic law cannot be understood solely from a normative–doctrinal perspective, but can be operationalized more comprehensively by incorporating psychological indicators that influence consumer behavior. From an Islamic perspective, consumer protection is firmly rooted in the principles of the Qur'an and Sunnah, which emphasize justice, honesty, and the prohibition of harmful economic practices such as *gharar* (uncertainty), *riba* (interest), and *tadlis* (fraudulent misrepresentation) in *muʻāmalāt* transactions. These principles establish an ethical framework aimed at protecting consumers from exploitation and information asymmetry, while ensuring transparency and fairness in economic exchanges (Alkhasawneh, 2015);(Ayob, 2017). In this context, *fiqh al-muʻāmalāt* functions as a normative instrument that not only regulates the legality of transactions but also safeguards the moral and psychological dimensions of the parties involved (Mayangsari, 2024).

The *maqāṣid al-sharīʻah* approach further strengthens this dimension by positioning the protection of wealth (*ḥifẓ al-māl*) and intellect (*ḥifẓ al-ʻaql*) as primary objectives of Sharia that are directly relevant to consumer protection. In this context, consumer protection is no longer understood merely as the prevention of material loss, but also as an effort to safeguard mental well-being, psychological security, and consumer trust in economic activities. This perspective opens avenues for integrating Islamic economic law with consumer behavior theory, in which psychological factors such as risk perception, trust, level of religiosity, and social norms play a significant role in shaping economic decision-making (Mahdi, 2024).

Furthermore, the operationalization of consumer protection within Islamic economic law requires a regulatory and institutional framework that is sensitive to consumers' psychological conditions. Contemporary reforms in Islamic economic law, particularly in the context of digital transactions and financial services, indicate that the protection of privacy, personal data, and consumers' sense of security constitutes an integral component of justice and *maṣlaḥah*. Several studies suggest that legal approaches which neglect the psychological dimensions of consumers may undermine the effectiveness of legal protection itself (Hasanuddin et al., 2024). In the Indonesian context, these principles are also reflected in ongoing efforts to harmonize national consumer protection law with Sharia values, particularly in mechanisms for dispute resolution and the provision of fair compensation (Holijah & Rizal, 2022).

Moreover, the institution of *ḥisbah* (moral oversight) as a supervisory mechanism in the Islamic tradition demonstrates that consumer protection has, from its inception, encompassed preventive and psychological dimensions namely, the prevention of fraudulent practices that could undermine public trust and generate anxiety within the market. Accordingly, the integration of psychological indicators such as consumer trust, perceived security, and perceptions of fairness into Islamic economic law is not only theoretically relevant but also practically essential for formulating policies, product designs, and consumer protection regulations oriented toward holistic well-being (M. A. Khan, 2012).

A Behavioral Law and Mental Well-Being–Based Framework for Islamic Economic Law

In this regard, a framework of Islamic economic law grounded in behavioral law and mental well-being can be developed by anchoring it in the fundamental objectives of *maqāṣid al-sharīʻah*, which place human welfare (*maṣlaḥah*) as the primary orientation of economic regulation. *Maqāṣid al-sharīʻah* emphasizes not only the protection of wealth (*ḥifẓ al-māl*), but also the protection of intellect (*ḥifẓ al-ʻaql*) and life (*ḥifẓ al-nafs*), which implicitly encompass the mental and psychological well-being of individuals in economic activities. This approach enables Islamic economic law to move beyond a purely formal compliance paradigm toward a regulatory framework that is responsive to the psychological impacts of economic policies and practices on individuals, including vulnerable groups (Rasool & Isa, 2020); (Akbar et al., 2025).

The integration of behavioral law into the framework of Islamic economic law becomes particularly relevant in light of the full rationality assumption that has long dominated the formulation of legal norms, where such norms often fail to reflect actual economic behavior in real-world contexts. Studies in Islamic economics demonstrate that individual behavior is shaped by factors such as ethics, beliefs, social norms, and moral preferences that are endogenous in nature, rather than being driven solely by considerations of material utility. Accordingly, Islamic economic law possesses a strong theoretical foundation for adopting a behavioral law perspective, as the ethical microfoundations of Islamic economics inherently acknowledge bounded rationality and the role of moral values in economic decision-making (Furqani et al., 2020). Experimental studies further confirm that compliance with Islamic economic and financial rules is significantly influenced by beliefs and normative perceptions, indicating that regulatory designs which neglect behavioral dimensions may undermine the effectiveness of the law itself (Mohamed et al., 2018).

Furthermore, the mainstreaming of mental well-being within Islamic economic law can be advanced by linking Islamic financial instruments and public policies to broader human development objectives. Instruments such as *sukuk* and *waqf* have been shown to contribute to the achievement of social justice, sustainable development, and improved quality of life, encompassing psychological dimensions such as a sense of security, trust, and social stability. In the case of *sukuk*, for instance, these instruments can be designed not only for financing efficiency but also to support social welfare objectives aligned with *maqāṣid al-sharīʻah*, including the reduction of mental vulnerability arising from economic uncertainty (Al Madani et al., 2020). Similarly, the institution of *waqf* demonstrates how Islamic economic law can be operationalized to sustain long-term well-being through ethical and sustainable governance (Qurrata et al., 2025); (Hassan et al., 2019).

Nevertheless, the development of a behavioral law and mental well-being based framework for Islamic economic law continues to face significant structural challenges, including regulatory uncertainty, limited levels of legal and Islamic financial literacy, and the gap between normative principles and contemporary economic practices. Therefore, an integrative legal reform is required one that not only aligns Sharīʿah values with modern legal systems but also internalizes behavioral insights and mental well-being considerations into the formulation of economic policies. Such an approach has the potential to position Islamic economic law as an alternative regulatory framework that is more ethical, adaptive, and oriented toward holistic human well-being within the dynamics of the global economy (Selim et al., 2023); (Maruf, 2025); (Karim, 2013).

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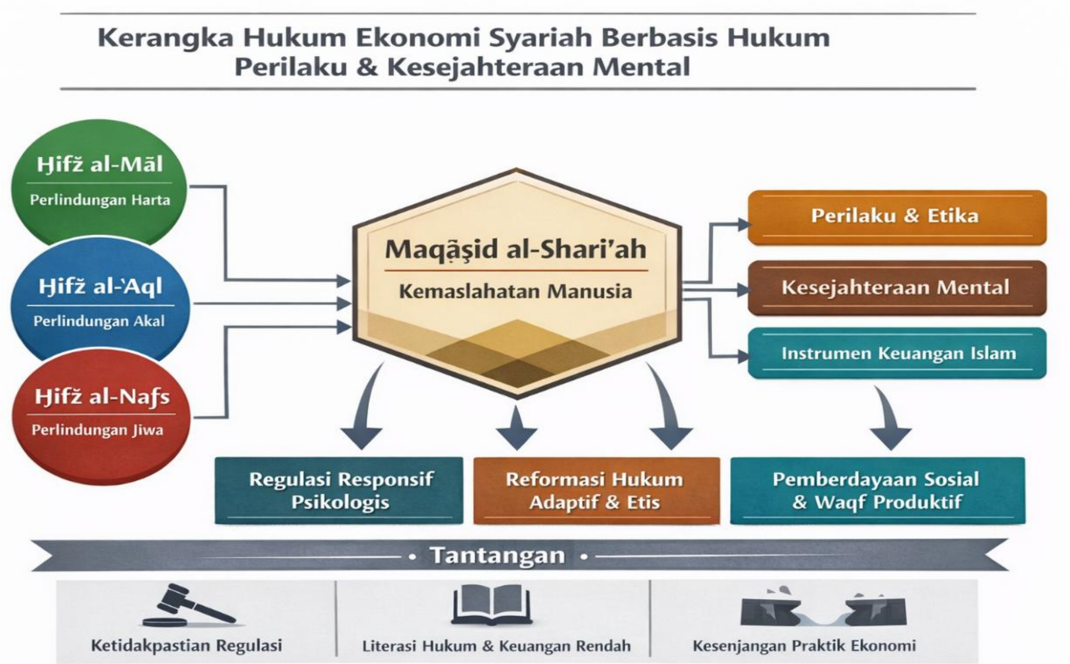

Figure 1 illustrates that *Maqāṣid al-Sharīʿah* is positioned as the primary normative foundation in the development of Islamic economic law, with a central orientation toward human welfare (*maṣlaḥah*) (Okumuş, 2024). The protection of wealth (*ḥifẓ al-māl*), intellect (*ḥifẓ al-ʿaql*), and life (*ḥifẓ al-nafs*) is conceptualized as an interrelated set of dimensions that underpin the integration of behavioral law and mental well-being perspectives within economic regulation (Karimullah, 2023). This framework emphasizes that Islamic economic law functions not merely as an instrument of normative compliance, but also as a regulatory mechanism that is responsive to actual economic behavior and the psychological impacts of policy on individuals and vulnerable groups. Furthermore, the integration of Islamic financial instruments, such as *sukuk* and *waqf*, is directed toward supporting human development, social justice, and psychological stability. However, the framework also identifies structural challenges, including regulatory uncertainty, low levels of legal and Islamic financial literacy, and the gap between normative principles and contemporary economic practices, which necessitate adaptive and ethically grounded legal reform.

5. Conclusion

This study confirms that financial anxiety is a crucial psychological factor that significantly influences individuals' economic decision-making, including the use of Islamic financial services. In conditions of economic uncertainty, decisions to adopt or avoid Islamic financial services cannot be understood merely as rational choices or indicators of normative compliance, but rather as adaptive responses to psychological pressure, risk perception, and the need for a sense of security. Financial anxiety affects cognitive capacity, levels of trust in financial institutions, and individuals' readiness to engage in long-term economic commitments, thereby challenging the rationality assumptions that have long dominated the construction of Islamic economic law and financial regulations.

These findings highlight the urgency of developing a framework of Islamic economic law that is oriented toward behavioral law and mental well-being. Grounded in maqāṣid al-sharī'ah particularly the protection of wealth (ḥifẓ al-māl), intellect (ḥifẓ al-'aql), and life (ḥifẓ al-nafs) Islamic economic law possesses normative legitimacy to move beyond the paradigm of pure rationality toward a more contextual, adaptive, and human-centered regulatory approach. The integration of economic psychology and behavioral finance perspectives enables Islamic economic law not only to safeguard material interests but also to respond to individuals' psychological dynamics in decision-making, thereby strengthening the orientation toward public welfare and holistic human well-being within the contemporary Islamic financial system.

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DK agree tp the final version of this article.

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