The Role of Religiosity in Moderating the Influence of Materialism, Repayment Capacity, and Economic Conditions on Financing Quality

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ABSTRACT

This study aims to analyze the influence of materialism, repayment capacity, and economic conditions on financing quality, as well as to test the role of religiosity as a moderating variable. This study uses a quantitative approach with data obtained through direct questionnaire distribution by researchers to respondents. The data collection technique used Purposive Sampling technique with the target respondents being BSI KCP Pangkalan Brandan financing customers. The analysis technique used is Moderated Regression Analysis (MRA). The results of the study indicate that materialism partially has a negative and significant effect on financing quality, while repayment capacity and economic conditions partially have a significant positive effect. The influence of materialism, repayment capacity, and economic conditions simultaneously also affect financing quality. Furthermore, the results of the moderation test indicate that religiosity is able to moderate the relationship between materialism,repayment capacity, and economic conditions on financing quality. Religiosity is proven to weaken the negative influence of materialism and strengthen the positive influence of repayment capacity and economic conditions. The results of this study provide a more comprehensive understanding to the public while enriching insight regarding various factors that influence financing quality, especially in Islamic banking such as Bank BSI KCP Pangkalan Brandan. This research fills this gap by examining how religiosity plays a role in strengthening or weakening the influence of these three variables on financing quality, thus providing a new, more holistic and relevant perspective for managing financing based on Sharia values.

Keywords: materialism, repayment capacity, economic conditions, religiosity, financing quality.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh materialisme, kemampuan membayar, dan kondisi ekonomi terhadap kualitas pembiayaan, serta menguji peran religiusitas sebagai variabel moderasi. Penelitian ini menggunakan pendekatan kuantitatif dengan data yang diperoleh melalui penyebaran kuesioner langsung oleh peneliti kepada responden. Teknik pengumpulan data menggunakan teknik Purposive Sampling dengan target responden adalah nasabah pembiayaan BSI KCP Pangkalan Brandan. Teknik analisis yang digunakan adalah Moderated Regression Analysis (MRA).

Hasil penelitian menunjukkan bahwa materialisme secara parsial berpengaruh negatif dan signifikan terhadap kualitas pembiayaan sedangkan kemampuan membayar, dan kondisi ekonomi secara parsial berpengaruh signifikan positif. Pengaruh materialisme, kemampuan membayar, dan kondisi ekonomi secara simultan juga berpengaruh terhadap kualitas pembiayaan. Selanjutnya, hasil pengujian moderasi menunjukkan bahwa religiusitas mampu memoderasi hubungan antara materialisme, kemampuan membayar, dan kondisi ekonomi terhadap kualitas pembiayaan. Religiusitas terbukti melemahkan pengaruh negatif materialisme serta memperkuat pengaruh positif kemampuan membayar, dan kondisi ekonomi. Hasil Penelitian ini memberikan pemahaman yang lebih komprehensif kepada masyarakat sekaligus memperkaya wawasan terkait berbagai faktor yang memengaruhi kualitas pembiayaan, khususnya pada perbankan syariah seperti Bank BSI KCP Pangkalan Brandan. Penelitian ini mengisi gap dengan mengkaji bagaimana religiusitas berperan dalam memperkuat atau memperlemah pengaruh 3 variabel tersebut terhadap kualitas pembiayaan, sehingga memberikan perspektif baru yang lebih holistik dan relevan bagi pengelolaan pembiayaan berbasis nilai-nilai syariah.

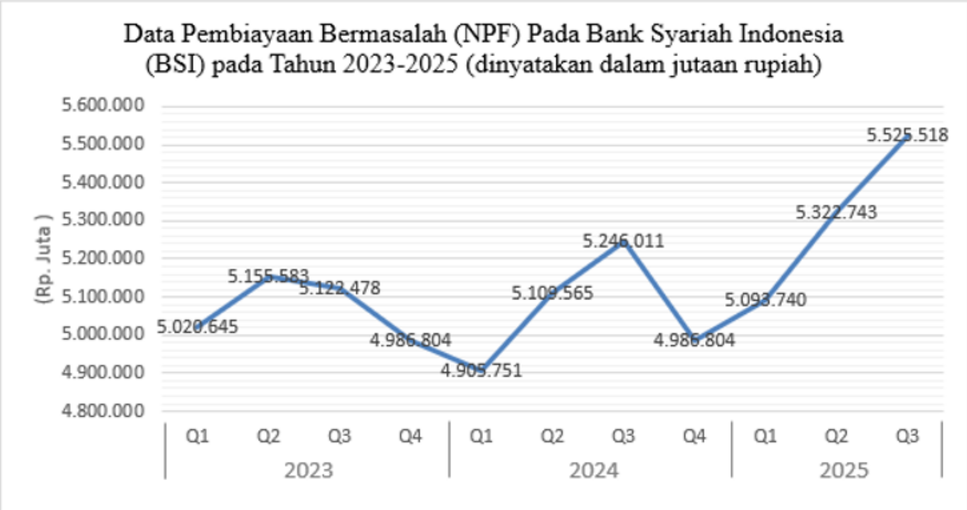
Kata Kunci: *materialisme, kemampuan membayar, kondisi ekonomi, religiusitas, kualitas pembiayaan.*

INTRODUCTION

Islamic banking in Indonesia has shown significant growth, both in terms of assets and financing, as public awareness of Islamic financial principles increases. Bank Syariah Indonesia (BSI), one of the largest Islamic banks in Indonesia, recorded total assets of IDR 408.61 trillion at the end of 2024, an increase of approximately 15.55% compared to the previous year (BSI, 2024). By the third quarter of 2025, BSI's assets reached approximately IDR 417 trillion, demonstrating a sustained and consistent growth trend. BSI also demonstrated strong financing growth (BSI, 2025). Outstanding financing was recorded at approximately IDR 293.24 trillion in the second quarter of 2025, an increase of approximately 13.93% year-on-year. Sustainable financing reached IDR 72.8 trillion in the first half of 2025, a 19.3% increase compared to the same period the previous year (Bisnis, 2025).

However, this relatively high growth in assets and financing does not automatically guarantee optimal financing quality. Increasing financing volume actually has the potential to increase risk exposure if not balanced with an adequate understanding of customer financial behavior, repayment capacity, and the dynamics of economic conditions that affect customer income stability. Customer financial behavior is a critical factor in determining the quality of financing disbursed by financial institutions, particularly Islamic banking. Financing quality not only reflects the customer's technical ability to meet payment obligations but is also influenced by unstable economic conditions and ineffective risk management (Kalsom et al., 2025; Financial Services Authority, 2025). In the context of Islamic banking, financing quality is also reflected in aggregate financing performance, which can be observed through macro indicators such as Non-Performing Financing (NPF).

Figure 1. NPF Data of Indonesian Sharia Banks (2023-2025)



Source: BSI Financial Report Website (2025)

Based on Bank Syariah Indonesia's (BSI) Non-Performing Financing (NPF) data for the 2023–2025 period, the NPF value fluctuates but tends to show an upward trend, particularly in 2025. In 2023, BSI's NPF was around IDR 5.02 million in the first quarter, increasing in the second quarter, before declining until the fourth quarter. A similar fluctuating pattern also occurred in 2024, with the NPF reaching its highest point in the third quarter before declining again at the end of the year. However, entering 2025, the NPF showed a significant increase, from IDR 5.09 million in the first quarter to IDR 5.53 million in the third quarter. This indicates a decline in financing quality at BSI.

As a theoretical foundation, the researcher is interested in researching based on the concept of Behavioral Finance, which is the result of the interaction of various disciplines such as psychology, sociology, and finance to understand how individuals manage and make decisions regarding their financial resources. In this context, materialism represents a psychological factor reflecting an individual's consumption orientation (Richins & Dawson, 1992), while affordability indicates an individual's financial capability to meet financing obligations, and economic conditions act as an external factor influencing financial stability. Furthermore, religiosity is positioned as an internal value that functions as a self-control mechanism in financial behavior (Mahdzan et al., 2023), which can strengthen or weaken the influence of these three factors on individual financial behavior, ultimately reflected in financing quality.

Previous research findings indicate that materialistic consumers tend to borrow excessively and significantly influence loan default behavior (Thomas et al., 2022). In Firdaus's research, character and capacity significantly impacted financing quality (Firdaus, 2022). Other research also shows that economic conditions have a simultaneous influence on problem financing (Andriani et al., 2022). Arista's research suggests that factors such as the 5Cs assessment have a positive and significant impact on financing quality (Arista & Jayanto, 2019). However, these studies still have limitations because they focus on negative aspects of financing (non-performing loans, defaults), and have not comprehensively examined good financing quality from the perspective of individual customers. Furthermore, although the variables of materialism,repayment capacity, and economic conditions have been partially tested, no study has integrated these three variables into a single research model by including religiosity as a moderating variable, particularly in the context of Islamic banking, which upholds moral values, ethics, and Sharia compliance. Therefore, this study fills this gap by examining how religiosity plays a role in strengthening or weakening the influence of these three variables on financing quality, thus providing a new, more holistic and relevant perspective for managing financing based on Sharia values.

Therefore, this research is expected to provide empirical and theoretical contributions to the development of the literature on customer financial behavior and financing risk management in Islamic banking. This research is important to conduct because maintaining the quality of financing not only increases the opportunity for customers to obtain further financing by maintaining the level of trust of financial institutions in the ability and commitment of customers to pay, but also plays an important role in maintaining the sustainability of banks through controlling financing risks and the stability of Non-Performing Financing.

THEORITICAL REVIEW

Financing Quality

According to Fitria & Suhendi, financing quality is a comprehensive overview of the quality of financing disbursed to customers, reflecting the appropriateness of the customer's capabilities, the intended use of the funds, and the sustainability of the bank's economic benefits (Ayu Fitria & Suhendi, 2025). Financing quality is influenced by debtor factors, including character, repayment capacity, capital, and collateral, as explained in the 5C principles (Kasmir, 2017); bank factors, including the quality of financing analysis, supervision, and human resource competency (Rivai et al., 2019); and external factors, including economic conditions, industry conditions, and government policies, that influence the debtor's ability to meet their financing obligations (Siamat, 2019). In the context of Islamic banking, good quality financing is reflected in the proper implementation of contracts and its contribution to bank performance and customer satisfaction (Kaswia et al., 2025). In addition to the Non-Performing Loan (NPF), which serves as an indicator of financing quality (Rasyid & Muchlis, 2020), Rivai and Veithzal suggest that financing quality indicators are measured based on current financing, Special Attention Loans, Substandard Loans, Doubtful Loans, and Loss Loans.

Materialism

At the individual level, financing quality is influenced by various behavioral factors and financial capacity. One relevant behavioral factor is materialism. According to Setyawati, materialism is part of a personality trait that everyone possesses (Setyawati, 2018). Marsha L. Richins defines materialism as a life orientation that places possessions at the center of one's life. This means that everything one owns or desires to acquire becomes a priority, for example, the drive to own luxury items such as cars, houses, and classy clothing (Wahono & Pertiwi, 2020). Hamidah's research reveals that individuals high in materialism tend to be more impulsive and risky in their decision-making (Hamidah et al., 2025). In line with Altaf's research, a significant increase in credit usage is influenced by attitudes toward borrowing and levels of materialism, where individuals with a materialistic orientation tend to overuse credit beyond their financial means (Altaf & Shah, 2025). Richins (1992) proposed that materialism is measured using a "materialism value scale" consisting of three indicators: success, centrality, and happiness (Richins & Dawson, 1992; Watchravesringkan, 2012).

Repayment Capacity

In addition to behavioral factors, repaymrnt capacity is an important factor in measuring a customer'srepayment capacity a loan. According to Yunita (2021),repayment capacity is defined as a method for measuring a borrower'srepayment capacity the principal amount of a loan (Yunita, 2021).repayment capacity is used as a basis for banks' assessment of a customer'srepayment capacity a loan, which has been shown to significantly influence the effectiveness of lending (Mohchamad Aziz, 2020; Widyastuti et al., 2024). In the prudential principles of Islamic banking, repayment capacity is a crucial component of the 5C analysis to maintain financing quality (Firdaus, 2022). Empirical research shows that repayment capacity is crucial for effectively managing credit risk, in line with other research that states that the greater a debtor's repayment capacity, the lower the likelihood of loan delinquency (Hutabarat & Rachmina, 2012; Kentas, 2025). Assessment of repayment capacity can be influenced by several indicators, including turnover, business, age, household expenses, and length of business operation.

Economic Conditions

External factors such as economic conditions play a significant role in financing quality. According to Florentia, economic conditions are defined as an individual's ability to generate income to meet living expenses while repaying financing obligations. Poor economic conditions have the potential to hinder smooth payments and increase the risk of non-performing loans (NPF). Andriani's research states that economic conditions significantly influence non-performing financing, indicating that a less conducive economy increases customer financial stress and potentially reduces financing quality (Andriani et al., 2022). Based on the 5C principle, specifically the economic condition aspect, Islamic banks assess customers' economic conditions and future business prospects. In Florentia's research, economic conditions are reflected through indicators of job stability and education level, income conditions, and a residential environment that supports economic activity (Florentina & Lestari, 2023).

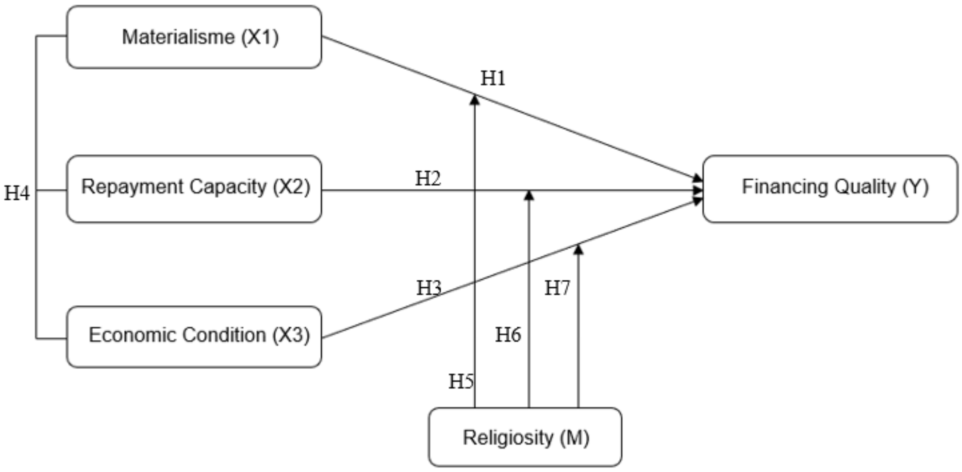
Religiosity

Among these factors, religiosity is seen as an internal factor that has the potential to moderate an individual's financial behavior. According to Yulianto in Moita's research, religiosity is the potential for religious belief or belief in God. In other words, belief in a power beyond oneself that governs life and the universe (Moita et al., 2025). Individuals with high levels of religiosity tend to balance needs and desires, prioritizing sustainable and ethical financial management in their daily lives in accordance with Sharia principles (Weiss & Forstmann, 2024). As stated in the Hadith of Bukhari, from Abu Hurairah (RA): ""Delaying the payment of debts by a wealthy person is injustice..."

This Hadith indicates that delaying payments is not only considered financial disobedience but also a violation of moral and spiritual values. In this context, religiosity acts as an internal control mechanism that encourages individuals to be more disciplined, responsible, and careful in managing their financial obligations. In line with Badria and Bhela's findings, high levels of religiosity have been shown to encourage more prudent financial management and suppress consumptive and opportunistic behavior, thus positively impacting financing quality (Badria et al., 2024; Bhela Hartiningsih & Panggah Setiyono, 2023). This is in line with other studies that state that religiosity encourages ethical financial behavior by emphasizing the importance of responsibility in financial management and preventing waste (Alharbi et al., 2022; Wijaya et al., 2024). El Menouar

(2014) developed five indicators of religiosity: faith, sharia compliance, spiritual experience, religious knowledge, and consequences.

Figure 2. Researce Framework



Data Source: Processed by Researchers (2026)

METHODS

The approach used in this study is a quantitative approach. A quantitative approach is a research method based on the philosophy of positivism and is used to study certain populations and samples (Ibrahim, 2018). This research is included in the associative quantitative category. It is called so because it aims to identify and analyze the influence between one variable and another variable in the study. The researcher conducted this research at BSI KCP Brandan located at Jalan Thamrin No. 57, Pangkalan Brandan, Langkat Regency, North Sumatra. The population in this study were financing customers at BSI KCP Pangkalan Brandan. Then the population known from BSI KCP Pangkalan Brandan, namely Mr. Taufik as BOSM, was 111 total customers who had financing. Therefore, based on the Slovin formula:

$$n = \frac{N}{1+N(e)^2} = \frac{111}{1+111(0,05)^2} = \frac{111}{1+0,2775} = 87$$

This research was conducted from December 2025 until completion. Data analysis in this study was conducted using the Moderated Regression Analysis (MRA) method with the religiosity variable tested for feasibility as a moderating variable with the help of SPSS 30 software. This method was used to test the direct effect of the independent variables (Materialism, repayment capacity, and economic conditions) on the dependent variable (Financing Quality) as well as the role of religiosity in moderating the relationship between these variables.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

This study uses primary data sources obtained from respondents' answers to all questions posed in the research questionnaire. The author distributed the questionnaires directly using a purposive sampling technique. The researcher directly approached respondents who met the research criteria. The researcher also utilized recommendations from respondents and the bank to reach out to other customers with similar characteristics. This step was taken to ensure that the respondents completing the questionnaire were truly financing customers. Therefore, the sample size gradually expanded, resulting in a total of 100 respondents, of which 87 met the criteria. According to Siregar (2017), a sample size of more than 50 is considered sufficiently representative of the respondents because it accurately reflects the population being analyzed (Siregar, 2017).

Respondent Demographics

Table 1. Respondent Demographics

No	Characteristics	Category	Total	%
1	Gender	Male	34	34%
		Female	66	66%
		Total	**100**	**100%**
2	Age	21–25 Years	43	43%
		26–30 Years	28	28%
		31–35 Years	17	17%
		41–45 Years	12	12%
		Total	**100**	**100%**
3	Employment Status	Student	26	26%
		Employee	44	44%
		Entrepreneur	16	16%
		Business Owner	10	10%
		Others	4	4%
		Total	**100**	**100%**

Data Source: Processed by Researchers (2026)

Descriptive Statistics

Table 2. Descriptive Statistics

Descriptive Statistic					
Variable	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Financing Quality	87	11	22	17.43	3.183
Materialism	87	7	22	12.28	4.645
Repayment Capacity	87	10	22	17.69	3.775
Economic Condition	87	11	21	17.18	3.082
Religiosity	87	11	22	18	3.183
Valid N (listwise)	87				

Data Source: Processed by Researchers (2026)

Table 2 shows that the average respondent response for the financing quality variable was 17.43, which is considered high. The materialism variable had an average value of 12.28, which is considered moderate. The repayment capacity variable had an average value of 17.69, which is considered high, while the economic condition variable had an average value of 17.18, which is considered high. Furthermore, the religiosity variable had an average value of 18.00, which is considered very high.

Data Validity and Reliability Test

Based on the validity test results, all statement indicators for the financing quality, materialism, repayment capacity, economic condition, and religiosity variables showed values above 0.211 (r table). This indicates that all statement items were valid and suitable for use in the study.

Based on the reliability test results, the reliability coefficient (Cronbach's Alpha) for all variables financing quality, materialism, repayment capacity, economic condition, and religiosity was above 0.60. It can be concluded that all instruments used in this study met reliability standards.

Normality Test

Based on the results of the normality test using the P-P plot curve and the Kolmogorov-Smirnov test, which yielded a significance value of 0.200, which is greater than 0.05, it can be concluded that the data are normally distributed. Therefore, the assumption of normality has been met, allowing the data to be used in hypothesis testing.

Multicollinearity Test

Based on the calculations, all independent variables had VIF values <10 (VIF = 1.456-1.835) and tolerance values >0.10 (Tolerance = 0.545-0.687). Therefore, it can be concluded that the regression model used did not experience multicollinearity issues.

Heteroscedasticity Test

Based on the results of the heteroscedasticity test, all independent variables had significance values >0.05, with significance values ranging from 0.357 to 0.833. So that there are no symptoms of heteroscedasticity in the regression model.

Moderated Regression Test Results (Multiple Regression Analysis)

The multiple linear regression model used in this study can be formulated as the following equation:

Model 1:

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$

Model 2:

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4Z + \varepsilon$

Model 3:

$Y = \beta 0 + \beta 1X1i + \beta 2X2i + \beta 3X3i + \beta 4Mi + \beta 5 (X1i \times Mi) + \beta 6 (X2i \times Mi) + \beta 7 (X3i \times Mi) + \varepsilon$

Table 3. MRA Test

Coefficients[a]

Model	Variables	B	Std. Error	Beta	t	Sig.
1	(Constant)	9.451	1.904		4.963	0
	Materialism (X1)	-0.274	0.048	-0.4	-5.703	0
	Repayment Capcity (X2)	0.204	0.055	0.242	3.693	0
	Economic Condition (X3)	0.466	0.063	0.451	7.454	0

2	(Constant)	7.016	2.072		3.387	0.001
	Materialism (X1)	-0.239	0.049	-0.348	-4.919	0
	Repayment Capacity (X2)	0.176	0.055	0.209	3.231	0.002
	Economic Condition (X3)	0.404	0.065	0.391	6.204	0
	Religiosity (M)	0.196	0.076	0.177	2.574	0.012
3	(Constant)	51.343	11.863		4.328	0.001
	Materialism (X1)	-1.367	0.308	-1.995	-4.444	0
	Repayment Capacity (X2)	-0.571	0.334	-0.677	-1.708	0.091
	Economic Condition (X3)	-0.439	0.345	-0.425	-1.272	0.207
	Religiosity (M)	-2.225	0.644	-2.015	-3.457	0
	X1*M	0.061	0.016	1.34	3.701	0
	X2*M	0.04	0.018	1.224	2.163	0.034
	X3*M	0.048	0.019	1.315	4.457	0.016

Data Source: Processed by Researchers (2026)

When described in an equation, the results of the moderated regression analysis in model 1 are Y = 9.451 + (-0.274) + 0.204 + 0.466 + 1.904. Based on the test results, the materialism variable has a calculated t-value of -5.703 with a significance value <0.05, thus having a significant negative effect on financing quality. The repayment capacity variable has a calculated t-value of 3.693 with a significance value <0.05, indicating a significant positive effect. Meanwhile, economic conditions have a calculated t-value of 7.454 with a significance value <0.05, also indicating a significant partial positive effect on financing quality.

In model 2, when described in the regression equation, it is Y = 7.016 + (-0.239) + 0.176 + 0.404 + 0.196 + 2.072. Based on the test results, the materialism variable had a significance value <0.001 with a t-test of -4.919, repayment capacity 0.002 with a t-test of 3.231, economic condition <0.001 with a t-test of 6.204, and religiosity (M) 0.012 with a t-test of 2.574. All variables showed a significance value <0.05, thus it can be concluded that all independent variables and the religiosity variable have a significant partial effect on financing quality.

The equation for Model 3 is Y = 51.343 + (-1.367) + (-0.571) + (-0.439) + (-2.225) + 0.061 + 0.040 + 0.048 + 11.863. Based on the test results, it shows that the moderating interaction variables X1M, X2M, and X2M have a positive and significant influence on the dependent variable (Y), with a significance value of <0.05 for each. This indicates that the moderator variable is able to strengthen the relationship between the independent variables and financing quality.

Simultaneous Hypothesis Test Results (F-Test)

Table 4. F-Test

ANOVA^a

Model		Source	Sum of Squares	df	Mean Square	F
1	Regression	660.265	3	220.088	86.575	0.001

	Residual	210.999	83	2.542		
	Total	871.264	86			
2	Regression	676.043	4	169.011	70.991	0.001
	Residual	195.221	82	2.381		
	Total	871.264	86			
3	Regression	709.79	7	101.256	49.234	0.001
	Residual	162.474	79	2.057		
	Total	871.264	86			

Data Source: Processed by Researchers (2026)

Based on the F-test results, the F-value for model 1 (86.575), model 2 (70.991), and model 3 (49.234) is 2.127, with a significance level of p <0.001. This indicates that all independent variables and moderating interactions jointly influence financing quality.

Coefficient of Determination (R-Square) Test Results

Table 5. R-Square Test

Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df 1	df 2	Sig. F Change
1	.871[a]	0,758	0,749	1,594	0,758	86,575	3	83	0,000
2	.881[b]	0,776	0,765	1,543	0,018	6,628	1	82	0,012
3	.902[c]	0,814	0,797	1,434	0,038	5,308	3	79	0,002

Data Source: Processed by Researchers (2026)

The coefficient of determination increased from 0.758 in Model 1 to 0.776 in Model 2 and 0.814 in Model 3. This increase was significant based on the F-Change (<0.05), indicating that the addition of religiosity and interaction variables improved the model's ability to explain variations in financing quality.

Moderation Feasibility Test

Table 6. Categorization of Moderating Variables

Type of Moderation	Test Result
Pure Moderation	Direct effect of Z is not significant
	M*Z is significant
Quasi Moderation	Direct effect of Z is significant
	M*Z is significant
Homologiser Moderation	Direct effect of Z is not significant
	M*Z is not significant
Predictor Moderation	Direct effect of Z is significant
	M*Z is not significant

Source: Ghozali (2013)

Based on the results of the MRA test in Table 3, model 3, the moderation of this study is seen from the direct effect value between Religiosity (M) and Y, which is significant (p = 0.000). Furthermore, the interaction values for X1*M (p = 0.000), the interaction between X2*M (p = 0.034), and the interaction between X3*M (p = 0.016) are significant. Therefore, it is concluded that the moderating variable (religiosity) is a quasi-moderator variable. According to Ghozali (2011), quasi-moderation, or pseudo-moderator, is a moderator variable that moderates the relationship between the independent and dependent variables, while also acting as an independent variable (predictor) itself.

Hypothesis Test Results and Discussion

Table 7. Hypothesis Test Results

Hypothesis	Regression Coefficient	Significance	Hypothesis Result
H1: Materialism has a negative effect on financing quality	-0.274	0	Hypothesis accepted
H2:repayment capacity affects financing quality	0.204	0	Hypothesis accepted
H3: Economic condition has a negative effect on financing quality	0.466	0	Hypothesis rejected
H4: Materialism, repayment capacity, and Economic Condition simultaneously affect financing quality		0	Hypothesis accepted
H5: Religiosity moderates the effect of materialism on financing quality	0.061	0	Hypothesis accepted
H6: Religiosity moderates the effect of repayment capacity on financing quality	0.04	0.034	Hypothesis accepted
H7: Religiosity moderates the effect of Economic Condition on financing quality	0.048	0.016	Hypothesis accepted

Data Source: Author's Processing (2026)

The Influence of Materialism on Financing Quality

The results of this study indicate that the materialism variable has a regression coefficient of -0.274, a calculated t-value of -5.703, and a significance level of 0.000 (<0.05). This indicates that materialism has a negative and significant effect on financing quality. The regression coefficient value of -0.274 can be interpreted as meaning that every one-unit increase in materialism will cause a decrease in financing quality of 0.274 units, assuming other variables are held constant. Conversely, if the level of materialism decreases, financing quality tends to increase.

This is in line with previous research suggesting that materialism has a negative effect because materialistic individuals tend to spend beyond their means and lack good financial management skills (Altaf & Shah, 2025), and that consumer materialism has a significant positive effect on the tendency to incur debt (Syaech & Iramani, 2024). This is in line with other research that found that materialism significantly influences loan default behavior, with materialistic individuals being more susceptible to default (Thomas et al., 2022).

Although some previous research has focused more on problem financing or default, conceptually, this condition reflects low financing quality. Therefore, this finding strengthens the theory of consumer behavior, which states that a materialistic orientation can impair individual financial management and, in turn, worsen financing quality.

The Effect of repayment capacity on Financing Quality

The results showed a coefficient of 0.204 with a significance level of 0.000 (<0.05). This means that repayment capacity has a positive and significant effect on financing quality. This indicates that the higher a customer's repayment capacity, the better the financing quality.

This is in line with Firdaus' research, which showed a regression coefficient of 0.365 for the Capacity variable and a significance level of 0.000 (Firdaus, 2022). This value indicates that capacity has a positive and significant effect on financing quality. This means that the higher a customer's repayment capacity, the better the quality of the resulting financing. Conceptually, repayment capacity is a key indicator in financing feasibility analysis, particularly within the prudential principle, in line with research by Yunita (2021), which revealed a significant influence of repayment capacity on the provision of financing to customers.

These results support credit risk management theory, which emphasizes the importance of repayment capacity in minimizing problem financing. Thus, repayment capacity serves not only as an indicator of financing feasibility but also as a key determinant in maintaining sustainable financing quality.

Economic Conditions on Financing Quality

The results show a coefficient of 0.466 with a significance level of 0.000 (<0.05). This indicates a positive and significant effect on financing quality. This contradicts the initial hypothesis that assumed a negative relationship between economic conditions and financing quality.

These findings also expand on previous research that generally linked economic conditions to problem financing. Andriani's research found a significant relationship between economic conditions and problem financing (Andriani et al., 2022), and Florentia's research found a regression coefficient of 0.681 with a p-value of 0.000, indicating that customer economic conditions significantly influence problem financing (Florentina & Lestari, 2023).

This difference in the direction of the relationship indicates that, in the context of the study, better economic conditions actually increase customers' ability to meet their obligations, resulting in better financing quality. Conversely, unstable economic conditions can increase the risk of problem financing. This may be due to the characteristics of respondents, the majority of whom are in relatively stable economic conditions, so that increased income and job stability contribute directly to improving financing quality.

This means that good economic conditions reflect the customer's ability to meet payment obligations, thereby reducing the risk of non-performing loans and improving financing quality. In this study, economic conditions not only play a role in reducing risk but also directly improve financing quality when the individual's economic conditions are favorable.

The Influence of Materialism, Repayment Capacity, and Economic Conditions on Financing Quality

Based on the results of the F-test, a significance value of 0.000 (<0.05) was obtained, indicating that the variables Materialism, repayment capacity, and economic conditions simultaneously have a significant effect on financing quality (Y). This indicates that financing quality is influenced by a combination of various factors, including psychological aspects, financial capacity, and economic conditions, which simultaneously shape individual financial behavior.

This finding aligns with Behavioral Finance theory, which is the result of the interaction of various disciplines such as psychology, sociology, and finance in understanding how individuals manage and make decisions regarding their financial resources (Ricciardi, 2000). According to Gitman (2002), financing quality is related to how individuals manage their financial resources, including controlling expenses and meeting financial obligations in a timely manner. Therefore, financing quality is not solely determined by financial capability but is also influenced by the individual's attitude and external conditions.

Furthermore, the results of this study are supported by research by Firdaus (2022), which shows that the assessment of financing quality at the individual level in Islamic banking is conducted through a financing feasibility analysis. One commonly used approach is the 5C principle, which implements the prudential principle to maintain financing quality. Similarly, Arista's research also found that the factors in the 5C analysis have a positive and significant effect on financing quality (Arista & Jayanto, 2019).

Therefore, this research confirms that financing quality is not influenced by a single factor, but rather by a combination of psychological factors, financial capability, and economic conditions that simultaneously shape an individual's financial behavior. Therefore, it is important for financial institutions to consider all three aspects in the financing analysis process.

Religiosity Moderates the Effect of Materialism on Financing Quality

The results of this study indicate that materialism initially had a significant negative effect on financing quality. However, after being moderated by religiosity, the relationship shifted to a significant positive one, with an interaction coefficient of 0.061 and a significance value of 0.000 (<0.05). This indicates that religiosity plays a role in weakening the negative influence of materialism on financing quality. The moderation coefficient of 0.061 means that each increase in the interaction between materialism and religiosity reduces the negative impact of materialism by 0.061 units, even leading to a positive relationship. In other words, religiosity not only mitigates the negative effects of materialism but also guides individuals towards more financially responsible behavior.

This suggests that religiosity functions as an internal control mechanism capable of restraining the consumerist impulse stemming from a materialistic orientation. Individuals with high levels of religiosity tend to consider moral values and prudential principles more carefully in financial management, so that even though they may have materialistic tendencies, these behaviors do not fully manifest in detrimental actions.

This finding aligns with previous research showing that religiosity encourages more prudent financial management and suppresses consumptive and materialistic behavior (Badria et al., 2024; Hartiningsih & Setiyono, 2023). This is supported by other research suggesting a relationship between materialism and consumptive behavior among UIN Malang students, with religiosity moderating the relationship (Himamie, 2025). Therefore, this study's findings reinforce the role of religiosity as a crucial factor in mitigating the negative impacts of materialism, particularly in the context of financing quality.

Religiosity Moderates the Effect of Repayment Capacity on Financing Quality

The results showed a coefficient of 0.040 and a significance level of 0.034 (<0.05). This indicates that religiosity acts as a significant moderator. The positive coefficient indicates that religiosity strengthens the positive effect ofrepayment capacity on financing quality. This means that individuals with highrepayment capacity and who are also religious tend to be more responsible in fulfilling their financial obligations. This confirms that religiosity can enhance moral commitment in economic behavior.

The results of this study are supported by research by Weiss et al. (2024), which suggests that individuals with high levels of religiosity tend to balance needs and desires, prioritizing sustainable and ethical financial management in their daily lives in accordance with Sharia principles (Weiss & Forstmann, 2024). This is in line with other research that states that religiosity encourages ethical financial behavior by emphasizing the importance of responsibility in financial management and preventing waste (Alharbi et al., 2022; Wijaya et al., 2024).

This opinion is also supported by the Hadith narrated by Bukhari from Abu Hurairah (RA), which states: "Delaying the payment of debts by a person who is able is injustice..." This Hadith indicates that delaying payments is not only considered financial disobedience but also a violation of moral and spiritual values. This indicates that payment behavior is influenced not only by financial ability but also by religious values that encourage responsibility and compliance in fulfilling obligations.

Religiosity Moderates the Effect of Economic Conditions on Financing Quality

The results showed a coefficient of 0.048 and a significance level of 0.016 (<0.05). This indicates that religiosity acts as a significant moderator. The positive coefficient indicates that religiosity strengthens the positive influence of economic conditions on financing quality. This means that in good economic conditions, individuals with high levels of religiosity tend to be wiser, more careful, and more responsible in managing their finances, thereby maintaining the quality of their financing.

Conceptually, religiosity acts as an internal control mechanism that shapes individual economic behavior. Religious values encourage individuals to consider not only financial capabilities but also moral and ethical aspects when making financial decisions. Thus, good economic conditions will have a more optimal impact on financing quality when supported by high levels of religiosity.

This is in line with the research findings of Wijaya (2024), which found that religiosity has been shown to significantly influence financial management behavior, where religious individuals tend to be wiser in managing their finances and improve their financial well-being (Wijaya et al., 2024). This is supported by other research examining religiosity as a moderating variable in financial behavior. The results of this study indicate that religiosity is an important factor influencing financial decision-making, although it does not always strengthen all relationships between variables. This suggests that religiosity plays a role in shaping individual economic behavior (Wulandari & Andraeny, 2024).

Thus, in this study, religiosity was shown to strengthen the influence of economic conditions on financing quality, further confirming that religious values can increase prudence and responsibility in financial activities.

CONCLUSIONS

This study analyzes the influence of materialism, repayment capacity, and economic conditions on financing quality, and examines the role of religiosity as a moderating variable. The findings reveal that materialism has a significant negative effect on financing quality, but repayment capacity and economic conditions have a significant positive effect on financing quality. All three variables simultaneously influence financing quality. Religiosity moderates the effects of materialism, repayment capacity, and economic conditions on financing quality. Religiosity weakens the negative effect of materialism, and religiosity strengthens the influence of repayment capacity and economic conditions. For future researchers, it is recommended to develop the research model by adding other variables such as financial literacy, self-control, or consumer behavior to enrich the analysis of factors influencing financing quality. In addition, the use of more comprehensive analysis methods such as Structural Equation Modeling (SEM) can also be considered.

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