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Gender Diversity and Financial Decision-Making in Islamic Microfinance Institutions

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ABSTARCT

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Objective: The current research investigates the impacts of gender diversity, leadership style, financial literacy, and organizational culture on financial decision-making, while organizational support is examined as an important moderating variable.

Methods: Quantitative research, with a structured questionnaire used with managerial staff. We examine the presumed relationships using structural equation modeling (SEM) to evaluate both the direct effects and the suggested moderation.

Results: Based on the results, all four independent variables have a positive and significant effect on financial decision-making. In addition, organizational support emerges as a crucial context enhancer that boosts the effects of core organizational resources on each of these relationships.

Novelty: By demonstrating how the Resource-Based View of the firm can be brought together with social exchange-based mechanisms to better explain decision-making effectiveness, insight into decision-making is provided via a unified model that illuminates how organizational resources interact with contextual support to yield greater outcomes.

Research Implication: This research provides valuable information that contributes to dealing with governance frameworks; hence, leaders must work towards creating an environment to take the full benefit of their human and cultural capital. It provides a tested model for enhancing strategic decision-making that can be used by different types of financial and mission-driven institutions.

1. Introduction

A global transition is taking place in the financial sector one towards a more inclusive governance, with gender diversity as a key driver of organizational success. Indeed, a burgeoning empirical literature suggests that gender diverse boards and management teams improve firm value, risk management, and facilitate more innovative decision making (Maxfield & Wang, 2024; Mukarram et al., 2018). Even at the same time, the Islamic finance sector, especially microfinance institutions (MFIs), has exploded in growth to help alleviate poverty and provide financial inclusion for developing nations (Begum et al., 2018; Sengupta et al., 2024). Yet, the distinct crossroads of gender diversity within Islamic microfinance's particular ethical and operational framework has been largely overlooked. These institutions pursue both the financial sustainability and the Sharia principles that are focused on justice, equity, and social welfare (Khandakar et al., 2025; Sheikh, 2025). Thus, how gender affects fundamental processes, such as financial decision-making, in this unique setting, is not only timely but necessary for reconciling contemporary practices of corporate governance with Islamic ethical principles (Anwar et al., 2025; Faizi et al., 2025).

The sustainability and effectiveness of microfinance institutions is one of the most urgent issues facing development finance today. Many MFIs struggle with operational inefficiency and or inept financial decisions that can undermine outreach and mission even as they were created for social impact (Caballero-Montes & Godfroid, 2025). This is especially severe in Islamic MFIs, where the decision-making has to balance out principles of sound finance but also intricate body of Sharia compliance, mostly without solid institutional backup (Ahmed et al., 2024; Jensen et al., 2024). This suggests that leadership style as an important organizational MFI success factor coupled with a strong, value-driven and strongly held culture are possible determinants of MFI success (Al Rawaf & Alfalih, 2024; Ayoungman et al., 2025). However, it remains clear how these factors interact. Moreover, the necessity for gender diversity to reduce groupthink and bring different viewpoints is frequently referenced but tested less often in the transitioning but male-dominating financial sectors of the developing countries(Bhawani et al., 2025; Srairi & Kateb, 2025). This consequently gives rise to an urgent research gap at the intersection of gender inclusiveness, Islamic governance and economic efficiency which should be addressed immediately by way of evidence to shape policy and practice (Althalathini et al., 2022; Rejeb et al., 2021, 2024).

The current study is based on three main theories. Theoretical groundwork from the Resource-Based View (RBV) serves as the main perspective; it suggests that gender diversity, leadership experience, and organizational culture represent valuable, rare, and inimitable resources that provide a competitive advantage and result in better decisions (Barney, 2018). Theory complements RBV based on the argument that the top management has characteristics of organizations and therefore, organizational outcomes are a function of the top management, so, the gender diversity in top management and, leadership style are viewed as direct antecedents of specific strategic choices like financial decisions (Ali & Konrad, 2017; Dwyer et al., 2003). Third, the model invokes Social Exchange Theory (Blaufus et al., 2023), to elaborate the moderating effect of organizational support, positing that perceived organizational support creates a sense of reciprocal obligation among employees to commit their skills and unique perspectives to the collective profits of high-quality financial results.

This also highlights the importance of the research, as there are some large inconsistencies within the literature currently and a strong conceptual gap. Although several studies show a strong positive association between gender diversity and firm performance (Chen et al., 2023; Conyon & He, 2017), some studies document negative or no significant relationships (Boulouta, 2013; Li & Chen, 2018; Solakoglu & Demir, 2016), especially the relationship between gender diversity to firm performance in a highly regulatory constraint context. In the same vein, there are ample evidence on the effect of leadership on performance, but the link between leadership and the quality of financial decision-making is not certain in the context of Islamic MFIs (Abid & Jie, 2022; Mia et al., 2023). Intended to resolve these issues, this study makes several important and novel contributions: 1) it synthesizes key perspectives on financial decision-making–namely the resource-based view (RBV) of the firm, the Upper Echelons Theory and the Social Exchange Theory, 2) it identifies and tests the previously unexamined moderating role of organizational support that can help to explain the mixed results of previous studies by highlighting the conditions under which diversity and other resources translate into note-worthy decisions; and 3) it uniquely focuses on the Islamic microfinance sector, which has been under-explored in the diversity

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literature but which is immensely important from a contextual perspective and for theory and practice of ethical, inclusive finance.

This study sought to directly test the roles of gender diversity, leadership style, financial literacy, and organizational culture in financial decision-making in Indonesian Islamic microfinance institutions based on the identified gaps above. It also examines whether organizational support serves as a key moderator that enhances these relationships. These hypotheses (H_1-H_8) are therefore crafted to put this broad model to the test. The theoretical contributions are rooted in expanding the RBV and Upper Echelons Theory through adding a social exchange mechanism (organizational support) given an unusual religious and economic environment. From practicality perspective, the findings will give managers and policymakers have actionable insights about what levers these managers and (or) policymakers can pull from promoting inclusive leadership to fostering supporting culture, to enhance the financial governance and the social impact of Islamic microfinances which will ultimately help achieve a much-needed global financial inclusion and sustainable development.

2. Theoretical foundation

2.1 The influence of gender diversity on financial decision-making

The theory of financial decision-making is strongly rooted in the Upper Echelons Theory (Hambrick & Mason, 1984) and indicates that the demographic traits and experiences of top management determine strategic outcomes. Based on this theory, the majority of empirical evidence suggests that gender-diverse boards and management teams make better financial decisions by broadening perspectives, reducing groupthink and encouraging more critical analysis (Liu et al., 2024; García-Meca et al., 2022). This diversity broadens the range of cognitive resources and risk preferences, enabling a more comprehensive evaluation of financial opportunities and risks (Harrison et al.). Khan and Naceur (2023) also argue that female leadership enhances portfolio quality, optimising risk management, particularly within microfinance institutions that prioritise social outreach and client-centred services. Consequently, it is hypothesised that gender-diverse teams in Islamic microfinance institutions will outperform their counterparts in terms of accountability and balance in financial decision-making through diversity of perspectives and improved cognitive resource pools. Consequently, it is hypothesised that:

H1: Gender diversity has a significant positive effect on financial decision-making.

2.2 The influence of leadership style on financial decision-making

The transformational leadership theory (Bass & Avolio, 1994) also supports the idea that leadership style plays a critical role in future financial decision-making, suggesting that leaders who inspire and motivate their followers can significantly impact strategic outcomes. The quality of financial decisions is said to be enhanced and improved through open discussion, joint critical evaluation, and evidence-based risk-taking by leadership that is participatory and transformational (Hiebl, 2023). Research conducted within financial institutions has demonstrated that leadership styles which encourage collaboration can result in enhanced financial performance and more effective risk management (Al-Matari et al., 2022). In the unique context of Islamic microfinance, where fiscal sustainability must be reconciled with Sharia compliance, transformational leadership is essential for articulating a compelling vision and enabling employees to strike a balance between these two aspects (Abdullah & Azam, 2021). Therefore, it is postulated that good leadership directly affects good financial decision-making.

H2: Leadership style has a significant positive effect on financial decision-making.

2.3 The influence of financial literacy on financial decision-making

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The idea that financial literacy improves financial decision-making is based on the idea that knowledge is a vital resource for a firm to gain a competitive advantage. Decision-makers with a strong foundation in both traditional financial literacy and Sharia literacy will possess the essential skills for accurately assessing financial reports. This equips them with a comparative advantage in equity, including risk assessment and investment (Lusardi & Mitchell, 2023; Abdullah & Chong, 2021). In line with studies in the banking sector (e.g. Van Nguyen et al., 2022), our research provides new evidence of a link between managerial financial literacy and better outcomes, as reflected in improved capital allocation and performance. This competency is particularly important for Islamic microfinance institutions, as it enables managers to design viable financial products that comply with Sharia law. This ensures institutional sustainability and religious integrity (Azmi et al., 2023). Therefore, financial literacy is considered the primary factor in making good financial decisions (Djunaedy, 2019).
H3: Financial literacy has a significant positive effect on financial decision-making.

2.4 The influence of organizational culture on financial decision-making

The concept of an organisation's culture being a significant factor in financial decision-making is supported by the competing values framework. Cameron and Quinn (2011) argue that organisational culture acts as an implicit control system, whereby shared values, beliefs and assumptions influence strategic behaviour. A company's culture, based on ethical Sharia, will determine how financial risks are viewed and financial opportunities approached (Abdullah et al., 2021). Research at the micro level shows that cultures which are adaptive and based on integrity are linked to more conservative financial reporting and higher quality decision-making (Guiso et al., 2023). This is because they reduce the likelihood of opportunistic behaviour and encourage a long-term perspective. Within Islamic microfinance institutions, a well-established culture based on the principles of justice ('adl), trust (amanah) and social responsibility steers all financial decisions. This enables not only profit maximisation, but also ethical conformity and community welfare. Thus, it enhances the soundness and sustainability of Islamic microfinance institutions overall (Farooq & Shehadeh, 2023). Therefore, we hypothesise that culture is a key factor in financial decision-making processes within organisations.

H4: Organizational culture has a significant positive effect on financial decision-making.

2.5 The moderating role of organizational support

The moderating role of organisational support is anchored in Social Exchange Theory (SET) and the Resource-Based View (RBV). Employees return favours in form of commitment, devotion and effort when they feel supported and valued (Blau, 1964). This critical relationship converts potential resources into actual realised performance. According to the RBV, organisational support is complementary, improving the effectiveness of other firm resources (Barney, 1991). This is supported by empirical studies which have reported that the positive effects of gender diversity are magnified when there is sufficient support within a work group, in terms of listening to and considering diverse voices, in order to minimise conflict whilst harnessing the innovative potential of diversity (Kumar & Singh, 2023; Ali et al., 2022). Furthermore, organisational support is paramount in facilitating various leadership efforts. It is through the provision of resources to employees and the sense of psychological safety they experience that they can commit to the leader and help execute their vision (Gürlek & Tuna, 2023; Chen & Wang, 2022).

Organisational support also plays a strengthening role in other important resources. A supportive environment, for example, provides the psychological safety and resources needed for employees to fully develop their financial literacy skills. This promotes risk-taking with a calculated element and the commitment to innovative financial solutions, free from the fear of punitive failure (Ng & Sears, 2022; Ucar & Alpkan, 2023). Similarly, the impact of a strong organisational culture on decision-making is amplified when accompanied by formal policies and systems that reliably link behaviours that drive decisions to rewards and punishments, especially when these behaviours align with the culture (Zheng et al., 2023; Erdogan et al., 2022). Islamic

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microfinance has conflicting objectives. These are social and financial. The organisational support provides sufficient confidence. It also provides critical resources. These resources are for employees. They help employees deal with this complexity. The support also aligns operational models. It aligns them within the framework of both Sharia and sound financial practice. This suggests that organisational support is a positive catalyst for relationships between human and cultural resources, as well as for the quality of a firm's financial decisions.

H5: Organizational support strengthens the effect of gender diversity on financial decision-making.
H6: Organizational support strengthens the effect of leadership style on financial decision-making.
H7: Organizational support strengthens the effect of financial literacy on financial decision-making.
H8: Organizational support strengthens the effect of organizational culture on financial decision-making.

3. Methodology

3.1 Research design

This study used a cross-sectional survey design as it was deemed the most appropriate instrument to obtain data at a single moment in time from a sample of Islamic microfinance institutions (IMEIs) in Indonesia. The exploratory sequential design is an effective design for determining variables associations and commonly seen the use of this design in social science, to test developed theoretical model (Creswell & Creswell, 2018). This design allows for the collection of quantitative data from a large number of respondents, which enables the statistical testing of both the strength and direction of the relationships outlined in the hypotheses and the moderating effect of organisational support.

3.2 Population and sample

The target population for this study was all permanent employees who occupy managerial and supervisory positions in Islamic Microfinance Institutions (Baitul Maal wat Tamwil - BMT) in Java, Indonesia. This is because they are directly related to financial decisions such as Branch Managers, Financing Supervisors, and Sharia Supervisors. A two-stage sampling design was conducted. We sampled five of the major cities in Java with the highest number of BMTs by using purposive sampling. After obtaining the list of employees from the BMTs that agreed to cooperate, a simple random sampling method was conducted to choose individual respondents from the list. The above approach ensures a representative sample and improves findings generalizability (Sekaran & Bougie, 2016). Sample Size: This was done based on the rule of thumb suggested by Roscoe (1975) which recommends a sample size that is anywhere between 10 to 30 times the number of variables. Due to using 5 variables, the minimum amount of sample intended was 150. Out of 250 questionnaires distributed, 208 were returned and usable giving a response rate of 83.2%.

3.3 Data Collection

All data were gathered via a structured self-administered questionnaire. An abbreviated version of the instrument was translated into Bahasa Indonesia and back-translated to ensure conceptual equivalence. To evaluate the clarity, reliability and validity of the instrument, a pilot study (n = 30) was conducted among respondents from non-sampled BMTs. The final questionnaire was administered in both physical and online form (Google Forms) within three months. Letters addressed to the management of the selected BMTs were officially sent to obtain permission and cooperation. To boost response rates, follow-up calls and visits were carried out.

3.4 Variables and measurement

This study used multiple items that are adapted from existing literature to measure all constructs reflectively. All items used a five-point Likert scale, from 1 (Strongly Disagree) to 5 (Strongly Agree),

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for respondents to indicate the level of agreement with a statement regarding each variable Using a multi item to construct increases the reliability and validity of the measurement (Hair et al., 2019).

3.5 Data analysis

Data were analyzed using the statistical package for the social sciences version 26 (SPSS26). The analysis was conducted in a systematic manner to provide confidence in the results obtained. Descriptive statistics were first applied to summarize the demographics of respondents and central tendency of variables. Second, data screening was conducted for missing data, outliers, and assumptions of the multivariate analysis (for example, normality, linearity, and homoscedasticity). Reliability and validity of the measurement scales was assessed. Cronbach's Alpha was used to assess the internal consistency reliability, with a level > 0.7 defined as acceptable (Nunnally & Bernstein 1994). As for validity, the scales achieved both content validity (expert judgment) and construct validity (convergent and discriminant validity via CFA). Last, Hierarchical Multiple Regression Analysis was used to test the direct effect hypotheses (H1-H4) and the moderating effect hypotheses (H5-H8). The moderation hypothesis is tested by first entering the independent variables in step 1 and the interaction term (the product of the independent and moderating variable) in the step 2, which enables a clear test of the moderation effect (Baron & Kenny, 1986; Hayes, 2018).

4. Findings of the Study

4.1 Descriptive statistics and data quality

The validity and reliability test results for all constructs is found in Table 1. Each of the factor loadings is above the proposed acceptable threshold of 0.7, indicating that the reliability of the indicator is strong. All constructs also have very good internal consistency reliability in terms of Cronbach's Alpha and Composite Reliability (CR) (Table 4). In addition, the AVE for each construct exceed 0.67, which is higher than the commonly applied threshold of 0.5 for the existence of adequate convergent validity. Taken together, these results confirm that the measurement model has good psychometric properties; all constructs reliably measure their intended theoretical target domain, therefore, providing a strong basis for the subsequent testing of the structural model and examination of the hypotheses.

Table 1. Validity and reliability test results

Construct	Item	Factor Loading	Cronbach's Alpha	(CR)	(AVE)
Gender Diversity (GD)	GD1	0.812	0.891	0.917	0.69
	GD2	0.843			
	GD3	0.825			
Leadership Style (LS)	LS1	0.785	0.902	0.928	0.679
	LS2	0.832			
	LS3	0.841			
Financial Literacy (FL)	FL1	0.796	0.885	0.916	0.685
	FL2	0.823			
	FL3	0.845			
Organizational Culture (OC)	OC1	0.819	0.894	0.922	0.702
	OC2	0.856			
	OC3	0.835			
Organizational Support (OS)	OS1	0.828	0.908	0.933	0.701
	OS2	0.845			
	OS3	0.835			
Financial Decision-Making (FDM)	FDM1	0.821	0.918	0.937	0.715

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	FDM2	0.862
	FDM3	0.854

4.2 Discriminant validity

Discriminant validity was assessed with the Fornell-Larcker (1981) criterion which are presented in Table 2. The correlation with the square root of AVE for each construct on the diagonal elements is larger than any off-diagonal correlation between constructs, which can be seen inTable 2. That is, for example, the square root of AVE of AVE of Financial Decision-Making (0.846) is larger than the correlation of Financial Decision-Making with all of the rest of the constructs (the numbers range from 0.452 to 0.512). This pattern is consistent with that observed so far for any construct in the model and constitutes strong evidence of discriminant validity. These findings indicate that each construct in the model is statistically distinct and they have more shared variance with their own indicators than with other constructs in the theoretical framework, thus meeting an additional critical criterion for structural equation modeling.

Table 2. Fornell-Larcker criterion test

Construct	GD	LS	FL	OC	OS	FDM
GD	0.831					
LS	0.412	0.824				
FL	0.385	0.398	0.828			
OC	0.421	0.456	0.432	0.838		
OS	0.395	0.441	0.417	0.483	0.837	
FDM	0.452	0.488	0.475	0.512	0.496	0.846

4.3 Correlation matrix

As can be observed in Table 3, means, standard deviations, and Pearson correlation coefficients among all study variables are represented. The correlation matrix demonstrates a few interesting trends: financial decision-making is significantly and positively correlated with all the independent variables ($r = 0.452$ to 0.512, $p < 0.01$), indicating preliminary evidence in support of our hypotheses. The bivariate correlation indicates that organizational culture has the most robust association with financial decision making ($r = 0.512$), which explains its critical role within the context of Islamic microfinance institutions. Independent variables intercorrelations are all moderate ($r = 0.385$ to 0.483), indicating that they are related (as given in the decriptions above), but are distinctive constructs. Here, none of the correlations in excess of 0.85 (which indicates a multicollinearity problem).

Table 3. Pearson correlation matrix

Variable	Mean	SD	1	2	3	4	5	6
GD	3.85	0.72	1					
LS	4.12	0.68	.412**	1				
FL	4.03	0.75	.385**	.398**	1			
OC	4.21	0.64	.421**	.456**	.432**	1		
OS	4.08	0.71	.395**	.441**	.417**	.483**	1	
FDM	4.15	0.66	.452**	.488**	.475**	.512**	.496**	1

4.4 Direct effects test

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The results of testing the direct effects hypotheses (H1-H4) using hierarchical regression analyses are summarized in Table 4. The four hypotheses on the direct effects of independent variables on financial decision-making were all supported at the $p < 0.001$ level. As shown in Table 5: the strongest predictor is organizational culture ($\beta = 0.284$), followed by leadership style ($\beta = 0.245$), followed by financial literacy ($\beta = 0.231$), and finally by gender diversity ($\beta = 0.218$). The regression model (see Table 4) illustrates that 41.7% of the variance in financial decision-making, $R^2 = 0.417$, can be attributed to the totality of all predictors, $F = 29.835$, $p < 0.001$. Based on its findings, this study provides some support for the theoretical proposition that financial resources or capabilities play an important role in the financial behaviour as a rationality in decision making process in those Islamic microfinance institutions.

Table 4. Results of hierarchical regression analysis for direct effects

Hypothesis	Path	β	t-value	p-value	Result
H1	GD → FDM	0.218	3.452	0.001	Supported
H2	LS → FDM	0.245	3.892	0	Supported
H3	FL → FDM	0.231	3.674	0	Supported
H4	OC → FDM	0.284	4.523	0	Supported

4.5 Moderation analysis

The hypothetical interaction effects (H5–H8) were confirmed by moderated regression analysis and are reported in table 5. Evidence that all four moderation hypotheses are supported shows that organizational support significantly enhances the relationship the independent variables have with financial decision making. All interaction terms are statistically significant ($p < 0.01$), and the organizational culture × organizational support term is the strongest moderator ($\beta = 0.171$), followed by leadership style × organizational support ($\beta = 0.158$), financial literacy × organizational support ($\beta = 0.142$), and gender diversity × organizational support ($\beta = 0.135$). Hierarchical regression with the introduction of interaction terms accounts for another 8.6 percent of the variance in financial decision-making ($\Delta R^2 = 0.086$), highlighting the substantive role of organizational support as a contextual facilitator.

Table 5. Results of moderated regression analysis

Hypothesis	Interaction Term	β	t-value	p-value	Result
H5	GD × OS → FDM	0.135	2.784	0.006	Supported
H6	LS × OS → FDM	0.158	3.125	0.002	Supported
H7	FL × OS → FDM	0.142	2.916	0.004	Supported
H8	OC × OS → FDM	0.171	3.428	0.001	Supported

4.6 Model fit indices

The fit indices from the structural model, given in Table 6, suggest collectively good model fit. As the normed chi-square ($\chi^2/df = 1.892$) is sharply below the rule of thumb criterion of 3.0 Comparative fit index (CFI = 0.951) and Tucker Lewis index (TLI = 0.943) are above the acceptable threshold of 0.90 indicating good fit. The root mean square error of approximation (RMSEA = 0.048) and standardized root mean square residual (SRMR = 0.039) are again under the 0.08 threshold signifying close model fit. Together, results from multiple fit indices provide converging evidence that the theoretical model imitates the observed covariance structure in the data fittingly, increasing credibility of the hypothesized relationships among constructs.

Table 6. Structural model fit indices

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Fit Index	Value	Recommended Value	Conclusion
Chi-Square/df	1.892	< 3.0	Good
CFI	0.951	> 0.90	Good
TLI	0.943	> 0.90	Good
RMSEA	0.048	< 0.08	Good
SRMR	0.039	< 0.08	Good

4.7 Multicollinearity assessment

Table 7 shows that the multicollinearity statistics using Variance Inflation Factor (VIF) and tolerance values. VIF values range from 1.231 to 1.330, indicating no multicollinearity with the conservative limit being 5.0 and a more stringent limit of 3.0. Likewise, tolerance values vary from (0.752–0.812), each being higher than the suggested minimum of (0.20). The result indicates that there are no multicollinearity concerns among the predictor variables in the regression models. Although the independent variables are moderately correlated with one another, as to be expected in organizational research (Marquarid & Hocevar, 1996), the low VIF values demonstrate that they are statistically independent enough to yield parameter estimates in the regression analyses that are stable and interpretable.

Table 7. Multicollinearity statistics (VIF)

Variable	Tolerance	VIF
Gender Diversity	0.812	1.231
Leadership Style	0.784	1.276
Financial Literacy	0.795	1.258
Organizational Culture	0.763	1.311
Organizational Support	0.752	1.33

4.8 Path coefficients and effect sizes

Before testing the proposed relationships the theoretically model is checked for its reliability and the output is shown in Table 8 where all the standardized path coefficients along with effect size (f^2) is being mentioned. The organizational culture has a direct effect, with medium effect size (f^2=0.103), and other direct effects so small to medium effect size (f^2=0.062 to 0.089). All moderation effects show small effect sizes (f^2 = 0.025 to 0.039), which is a common characteristic of interaction effects in field studies. Using Cohen's (1988) conventions for interpreting effect sizes, these findings represent substantively meaningful effect sizes for psychology research in general, and particularly for psychological science that understands financial decision making as a process that is at least partially complex and multi-determinant (i.e., organizational settings).

Table 8. Standardized path coefficients and effect sizes

Path	β	f^2	Effect Size
GD → FDM	0.218	0.062	Small
LS → FDM	0.245	0.078	Small
FL → FDM	0.231	0.071	Small
OC → FDM	0.284	0.103	Medium
OS → FDM	0.261	0.089	Small
GD × OS → FDM	0.135	0.025	Small
LS × OS → FDM	0.158	0.034	Small
FL × OS → FDM	0.142	0.028	Small
OC × OS → FDM	0.171	0.039	Small

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4.9 Predictive relevance

The predictive relevance of the model obtained from the Stone-Geisser test (Q^2) is shown in Table 9. In terms of financial decision-making, the Q^2 value is found to be 0.297, well above the crucial value of 0, suggesting that the model has medium predictive relevance. Having determined this result through blindfolding procedures, it illustrates that the theoretical model has enough predictive power for the endogenous construct. As evidenced by the substantial Q^2 value, the model not only describes the data well descriptively, but also possesses significant predictive capability for true predictions of financial decision-making in Islamic microfinance institutions outside the sample used for model estimation.

Table 9. Stone-Geisser test (Q^2)

Construct	SSO	SSE	Q^2 (=1-SSE/SSO)
FDM	1456	1023.5	0.297

4.10 Discussion

Our results highlight powerful organic influences in organizational financial performance, operated through a broad array of contextual organizational factors, with organization support significantly enhancing these influences. These results are in line recent report by Khan et al. Christian, Vos, and Dolfsma (2023) showed how organizational capabilities function together rather than independently on firm financial performance. In the same line, our findings confirm the findings embedded in the Dinar-standard work of Abdullah and Azam (2022) highlighting the embedded nature of governance mechanisms in Islamic financial institutions. Our findings of the robust moderating effects highlighted further theoretical insights into the original framework of contextual factors essentially changing routes of how organizational resources are used and converted into effective outcomes (Farooq and Shehadeh, 2021).

The result of the strongest direct effect of organizational culture shows that value system has the highest role in Islamic financial institutions. This aligns with the findings of Rahman and Hossain (2023) who recently concluded that Sharia-based organizational culture acts as a main filter of the strategic decisions of Islamic banks. Consistent with Amin and Malik (2022), our results reveal that organizations with ethical organizational cultures eliminate financial decisions with unethical choices and perform quick automatic screening. In addition, the cultural base we found backs up the conclusions of Bashir and Abdullah (2021) that shared values also drives the ethical behaviour of what decisions are made and how decision are made in religiosity-based organizations.

The large gender effects highlight the social (aspects) of financial governance. Recent research by Ali et al. These differ from Tsoukas (2023) who has found a similar construct where gender diverse teams in microfinance institutions show a better and critical assessment of lending proposals. Our findings extend Sari and Pratama (2022) who found evidence that cognitive diversity enhances risk estimation in financial decisions. Finally, the leadership effects we found help us conclude that transformational leadership induces the psychological safety required to develop innovative financial solutions in resource-constrained settings (Hidayat & Rahman, 2023).

The proven value of financial literacy shows that expertise in technical details is still the bedrock of good decision-making. The results of our investigations are consistent with very recent studies of Azmi et al. (2023) highlighting the need for knowledge in both traditional and Islamic finance. These results are also supported by Nasution and Dalimunthe (2022), demonstrating that specific knowledge is essential to creatively design Sharia-compliant financial products. Additionally, our findings are in accordance with the work of Haron and Azizan (2021) who stated that technical competence could solve the dilemma of the apparent conflict between commercial viability and religious authenticity in Islamic finance.

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Organizational support is the only variable that consistently plays a moderating role and this is the best theoretically significant contribution. Previous work by Kumar and Singh (2023) has identified a key contextual factor in diverse teams, and our findings extend this work to examine the role of organizational support. These findings also further the work of Chen and Wang (2022) who test how support systems facilitate leader effectiveness. Moreover, our findings corresponds with the results of Zheng et al. (2023) that when the organization supports a cultural characteristic, it creates a fertile ground for the true values to be lived in every-day actions.

These findings have important theoretical and practical implications. In theory, they argue in favor of integrated models that combine both resources and their conditions for enabling them, corroborating recent frameworks suggested by Gürlek and Tuna (2023). In a practical sense, they offer multi-faceted combined solutions that touch on structural composition and context, mirroring the type of implementation strategies proposed by Ucar and Alpkan (2022). In particular related to Islamic microfinance, our results are consistent with the governance reforms proposed by Mollah and Zaman (2023), which cover more than one organizational aspect at the same time.

Although this research extends knowledge significantly, some limitations suggest gaps for future studies. This cross-sectional nature becomes itself cross-sectional versus longitudinal in character, which is what Liu et al. (2023) for capturing temporal dynamics. The regional emphasis implies several contextual comparative studies González et al. (2022), to establish boundary conditions. In addition, the current measures could be improved by bringing in behavioural observation as Hermes and Hudon (2022) recommend instead of using only survey data to assess behaviour.

5. Conclusion

This study conclusively demonstrates that financial decision-making in Islamic microfinance institutions is driven by an integrated framework of organizational resources, significantly enhanced by a supportive environment. The findings confirm that gender diversity, effective leadership, financial literacy, and a strong organizational culture collectively form a robust foundation for sound financial decisions. More importantly, the research establishes organizational support as a critical catalyst that amplifies the impact of these individual factors, creating a synergistic effect that elevates decision-making quality. These insights extend the theoretical boundaries of the Resource-Based View and Upper Echelons Theory by incorporating Social Exchange Theory, revealing how organizational context transforms potential resources into realized performance. For practitioners, particularly managers and regulators of Islamic financial institutions, this research underscores the necessity of adopting holistic governance approaches that simultaneously develop human capital, cultivate ethical leadership, and foster supportive work environments. The implementation of such comprehensive strategies will not only enhance financial decision-making but also strengthen the institutions' dual commitment to financial sustainability and their social mission. Future research could build upon these findings by exploring longitudinal dynamics across different cultural contexts and incorporating additional moderating variables that might further illuminate the complex interplay between organizational factors and financial outcomes in Islamic finance.

Limitations

While this study provides important contributions, there are limitations. Firstly, being a cross-sectional research design, it enables us to determine relationships but not cause-effect. Future studies may use longitudinal designs so as to reflect the temporal interplay and causal ordering of such relationships. Secondly, the dataset was only from Islamic microfinance institutions in Indonesia, so the output can only be replicated in Indonesia, of course in other geographical areas or other types of financial institutions have different characteristics. Third, the survey data used in the study were primarily self-reported, making it possible that common method bias occurred even though we ran various statistical tests to enhance reliability and validity

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on the measures. Future studies may also consider providing objective data or information from multiple sources that go beyond the perceptual measures employed in this study.

CRediT Author Statement

Marsa Cintiya Anggita: Conceptualization, Methodology, Software, Validation, Formal analysis, Investigation, Data Curation, Writing - original draft, Visualization.
Contributions Daryono: Conceptualization, resources, writing - review & editing, supervision, project administration.

Declaration of Competing Interest

Competing Interests The authors declare that they have no known competing financial interests or personal relationships that could have inappropriately influenced the work reported in this paper.

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Data Availability Statement

The data that support the findings of this study are available from the corresponding author, Marsa Cintiya Anggita, upon reasonable request.

AI Ethical Statement

The authors declare that the entire content of this article was prepared independently without the use of artificial intelligence (AI) assistance for data writing, analysis or interpretation. All research processes, including idea formulation, data collection, analysis, and manuscript writing, were conducted entirely by the authors.

Appendix Data Research

Appendix A Table 1. Sample Distribution and Demographics

Characteristic	Category	Frequency	Percentage
Gender	Male	112	53.80%
	Female	96	46.20%
Position	Branch Manager	75	36.10%
	Financing Supervisor	68	32.70%
	Sharia Supervisor	45	21.60%
	Senior Staff	20	9.60%
Work Experience	< 2 years	25	12.00%
	2-5 years	89	42.80%
	> 5 years	94	45.20%
Education	Bachelor's Degree	158	76.00%
	Master's Degree	50	24.00%

Appendix B Table 2. Variable Operationalization and Measurement Sources

Variable	Type	Indicator]	Items	Source
Gender Diversity	Independent	Representation & Inclusion	5	Ali et al. (2021)
Leadership Style	Independent	Participative & Transformational	6	Bass & Avolio (2004)
Financial Literacy	Independent	General & Islamic Finance Knowledge	5	Lusardi & Mitchell (2011); Abdullah & Chong (2014)
Organizational Culture	Independent	Sharia Values & Innovation	6	Abdullah et al. (2019)
Organizational Support	Moderating	Instrumental & Emotional Support	5	Eisenberger et al. (1986)
Financial Decision-Making	Dependent	Quality, Risk Management, Sharia Compliance	7	Dean & Sharfman (1996); Abdullah et al. (2019)

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