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THE BEHAVIORAL BIASES OF MUSLIMS IN ISLAMIC BANKING AND FINANCE: A SECOND-ORDER SELF-REPORTED RELIGIOSITY MEASUREMENT INVARIANCE

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Abstract

This study examines a measurement invariance of a second-order factor model of the behavioral biases in Islamic banking and finance activities among Muslims in Malaysia. Data elicited via a survey questionnaire was subjected to structural equation modeling analysis using the Amos 23.0 software. The study revealed that behavioral biases as a second-order factor is indicated by herding, cognitive dissonance, anchoring, regret aversion and overconfidence of first order factors. Measurement invariance was tested based on self-reported religiosity across a number of hierarchically structured invariance analysis models, including configural at the first-order level, metric, intercepts, and residuals at both the first-order and second-order levels. A significant variance was observed between the high and low self-reported religiosity groups. However, no difference was observed between the two groups and the 'moderate' self-reported religiosity groups. Furthermore, based on the critical ratio score of statistical significance at alpha of 0.001, the latent mean difference tests of the second-order model indicates statistical significance across groups based on a path-by-path analysis.

Keywords

Author Keywords: [psychological biases](#); [measurement invariance](#); [Islamic banking](#); [Islamic finance](#); [second-order factor](#)

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