



# The Level Of Islamic Financial Literacy And Islamic Financial Inclusion Of Students In The Islamic Capital Market

Herlina Yustati <sup>1</sup>, Heri Junaidi <sup>2</sup>, Asnaini<sup>3</sup>

1) *Study Program of Sharia Economics Faculty Of Economics and Islamic Business, Universitas Islam Negeri (UIN) Fatmawati Sukarno, Bengkulu, Indonesia*

2) *Department of Management, Faculty Of Economics and Business, Raden Fatah State Islamic University, Palembang, Indonesia*

1) *Study Program of Sharia Economics Faculty Of Economics and Islamic Business, Universitas Islam Negeri (UIN) Fatmawati Sukarno, Bengkulu, Indonesia*

Email: <sup>1)</sup> [Herlina.Yustati@mail.uinfasbengkulu.ac.id](mailto:Herlina.Yustati@mail.uinfasbengkulu.ac.id), <sup>2)</sup> [heri\\_junaidi@radenfatah.ac.id](mailto:heri_junaidi@radenfatah.ac.id),

<sup>3)</sup> [asnaini@mail.uinfasbengkulu.ac.id](mailto:asnaini@mail.uinfasbengkulu.ac.id)

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## ABSTRACT

The purpose of this study was to determine the level of Islamic financial literacy and Islamic financial inclusion of students in Bengkulu Province, especially in Islamic capital market financial institutions. research methods with a quantitative approach survey method and data obtained through questionnaires given to 258 students in Bengkulu province who have a Sharia Investment Gallery. the results showed that the majority of Islamic financial literacy levels were at a moderate level (49%), as well as the Islamic financial inclusion level at a moderate level (45%).

## INTRODUCTION

Investment fraud under the guise of trading that occurred in 2022 is one case of investment fraud, the victims of this investment fraud reached 144 people, with a total loss of Rp83.3 billion (Ramadhan, n.d.). The Investment Alert Task Force (SWI), which is a task force formed by the Financial Services Authority, found that the number of victims of fraud under the guise of investment was 317 people and 121 people were IPB students with a loss of Rp2.3 billion (Bestari, n.d.). a random survey conducted by the campus of Universitas Muhammadiyah Yogyakarta (UMY) stated that as many as 58 students were entangled in pinjol from small nominal to tens of millions of rupiah, and UI students had the heart to kill their friends to steal with the motive to pay pinjol debt (Masyrafina, n.d.). This negative impact occurs among those whose financial literacy is not good. From the above cases, it can be seen that the victims are major campuses in Indonesia.

Low Islamic financial literacy can cause people to be easily deceived by people who organize illegal financial services to lose trust in financial services institutions. financial literacy is not enough to convey messages, but must continue to be done until awareness arises.

Financial literacy is a series of processes to improve knowledge, confidence and skills that can influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity, while in the current era the control of Indonesia's economic growth in various aspects is held by the millennial generation (Wardani et al., 2023).

Financial literacy has a positive relationship with financial inclusion, the higher the financial literacy, the higher the financial inclusion. Financial inclusion is a condition when every member of the community has access to various quality formal financial services in a timely, smooth, and safe manner at affordable costs tailored to their needs and abilities which aim to improve the welfare of the community (Zamharira et al., 2021).

A comparison of the level of financial literacy and Islamic financial literacy in Indonesia can be seen in the table below:

**Table 1 Financial Literacy and Financial Inclusion index comparison**

<i>Indeks</i>	<i>2019</i>	<i>2022</i>
<i>Literasi</i>	<i>38,03%</i>	<i>49,68%</i>
<i>Inklusi</i>	<i>76,19%</i>	<i>85,10%</i>

In table 1, the financial literacy index of the Indonesian people is 49.68 percent, an increase compared to 2019 which was only 38.03 percent. While this year's financial inclusion index reached 85.10 percent, an increase compared to the 2019 period of 76.19 percent. This shows that the gap between the level of literacy and the level of inclusion is decreasing, from 38.16 percent in 2019 to 35.42 percent in 2022.(OJK, 2022)

**Table 2 Comparison of Sharia Financial Literacy and Sharia Financial Inclusion indices**

<i>Indeks</i>	<i>2019</i>	<i>2022</i>
<i>Islamic Financial Literacy</i>	<i>8,93%</i>	<i>9,14%</i>
<i>Sharia financial inclusion</i>	<i>9,10%</i>	<i>12,12%</i>

The table above shows that the level of Islamic financial literacy and inclusion is increasing from 0.17 percent in 2019 to 2.98% in 2022. However, from the two tables above, the Islamic financial literacy index has only reached 9.14 percent, while the conventional financial literacy index has reached 49.68 percent. from the table above, it can also be seen that there is a gap between Islamic financial literacy and conventional financial literacy.

The data in Table 2 shows that the level of Islamic financial literacy of the Indonesian population is still below 10%, namely 8.93% in 2019 and 9.14% in 2022. Meanwhile, the total Muslim population in Indonesia reaches 86.7%. This means that around 77.56% of Indonesia's Muslim population does not have good knowledge about Islamic finance. Indonesia's Islamic financial literacy level is seen to increase from 2019 to 2022, but the increase that occurred was only 0.21% in a period of 3 years. To increase Islamic financial literacy, it requires maximum and continuous socialization and education to potential and dominating communities (Sugiarti, 2023).

Indonesia is ranked fourth as the country with the best Islamic economic development in the world based on the State of the Global Islamic Economy Report 2020-2021 (Sugiarti, 2023), placing after the United Arab Emirates, Saudi Arabia and Malaysia. With a large Muslim-majority population, the potential for a large Islamic economy, Indonesia should be able to rank first. However, this potential is not supported by a high level of Islamic financial literacy and Islamic financial inclusion in the Muslim community in Indonesia. There is always a dichotomy between conventional and sharia in the community, even though in everyday life many activities related

to Islamic economics are carried out by the community, for example related to buying and selling which always begins with a contract.

In order to respond to globalization in the financial system and financial innovations that create a complexity of financial products and services, a generation that has the understanding, skills and confidence in using financial products and services is needed. This is important because empirical evidence shows that it is one of the keys to economic growth and financial system stability. (Financial Services Authority, 2017).

Students are one of the 10 priority targets of the national Sharia Financial Literacy strategy. Based on the Percentage of Sharia Financial Literacy Based on the Financial Services Sector, the capital market is only 0.02%, it is data in 2016. (Financial Services Authority, 2021)

Islamic financial literacy, especially the capital market in Bengkulu Province, has been carried out by the OJK in collaboration with the Indonesia Stock Exchange and the Sharia Investment Gallery in Bengkulu Province. However, there is no research that measures the level of financial literacy and Islamic financial inclusion in Bengkulu province, so it is necessary to know the level of Islamic financial literacy and Islamic financial inclusion in students who have a Sharia Investment Gallery.

## **LITERATURE REVIEW**

### **Sharia Financial Literacy**

In the financial domain knowledge, financial literacy is a relatively new concept, although the history of financial literacy has started since 1787 when John Adams wrote a letter to Thomas Jefferson about the urgency of financial literacy (Hidajat & Hamdani, 2017). Financial literacy is the ability of individuals to utilize the knowledge, beliefs, and skills of consumers and the wider community to better manage financial resources for future prosperity. Meanwhile, Islamic financial literacy is the ability to apply financial knowledge, skills, and attitudes to manage financial resources in accordance with sharia principles (Roemanasari et al., 2022).

The main difference between the philosophies of conventional financial literacy and Islamic Financial Literacy is the orientation of individuals or communities in their involvement in interest-based transactions. Apart from the concept of interest, what distinguishes the two is the scale of financial literacy (Dinc et al., 2021).

To measure the level of Islamic financial literacy, using the method of measuring the level of Islamic financial literacy Taofik Hidajat and Muliawan Hamdani. Some questionnaire items consist of questions about ribaa, salam, murabahah, istishna', ijarah, mudharabah and musyarakah. all questionnaire items have correct answers (Hidajat & Hamdani, 2017).

### **Sharia Financial Inclusion**

The House of Commons Treasury Committee offers a more operational definition, that financial inclusion is the ability of individuals to access various financial services and products that are affordable and in accordance with their needs (Puspitasari et al., 2020).

In some literature, it is mentioned that to measure Islamic financial inclusion, an index consisting of three dimensions is used: accessibility, availability, and usage (Andre Pupung Darmawan et al., 2023). In addition, to avoid correlation between dimensions, in Sarma (2008), 'accessibility' is similar to 'availability', which can cause multicollinearity in the calculation (Masrifah et al., 2020). So that in this study using 2 indicators, namely Accessibility and Use of Islamic Capital Market Products.

### **Islamic Capital Market**

Islamic capital markets are universal, can be utilized by anyone regardless of their ethnic, religious, and racial backgrounds. Capital market securities buying and selling transactions are

carried out on the Stock Exchange, which is a party that organizes and provides systems and facilities to bring together the securities buying and selling offers of other parties with the aim of trading securities between them (Yustati, 2017).

Based on Indonesian Law No.8 of 1955, the Islamic capital market is an activity related to public offerings and securities trading, public companies related to the securities they issue, as well as institutions and professions related to securities. The Islamic capital market is a capital market activity that does not conflict with sharia principles in the Capital Market.

## METHODS

This research was conducted with a quantitative approach, survey method, data obtained through questionnaires. Data analysis was done with descriptive statistics. The population in this study were students from campuses that had Sharia Investment Galleries in Bengkulu Province as many as 1099. The sampling technique is Probability sampling with a sample size using the Krejcie formula (Amin et al., 2023) based on an error of 5%. So the sample obtained has 95% confidence in the population. From the Krecjie table, it can be seen that the population is 1100, so the sample is 258.

The data collected will be given a score, for a "correct" answer is 1 and the score for a "wrong" or "don't know" answer is 0. Then, the construct validity for the scores obtained is analyzed by Confirmatory Factor Analysis (CFA) through the Weighted Least Square method (Hidajat & Hamdani, 2017).

Literacy/inclusion level category =  $\frac{\text{Number of Correct Answers}}{\text{Number of Questions}} \times 100\%$

**Table 3 Sharia Financial Literacy/inclusion Level**

Category	Score Interval
High	>80%
Medium	60%-79%
Low	>80%

## RESULTS

Data collection through questionnaires on Bengkulu Province students obtained the results shown in Table 2 below:

**Table 4 Respondent Data**

No	Characteristics	Frequency	Percentage	Level Literacy	Level Inclusion
<b>Gender</b>					
1	Male	65	25%	73%	75%
2	Female	193	75%	68%	63%
<b>Sharia Investment Gallery</b>					
1	IAIN Curup	61	24%	69%	65%
2	UIN FAS Bengkulu	197	76%	69%	66%
<b>Have a job</b>					
1	Work	14	5%	74%	66%
2	Not Working	244	95%	69%	66%

When viewed from the table above, the data obtained from male respondents as many as 65 people and 193 women, with a moderate literacy level of 73% and 68%, a moderate inclusion rate of 75% and 63%. Respondents from IAIN Curup as many as 61 people, from UIN FAS Bengkulu as many as 197 people with a moderate literacy rate of 69% and a moderate inclusion rate of 65% and 66%. When viewed from the category of working and not working, the literacy level is also in the moderate category, namely 74% and 69% and the inclusion rate of 66%.

**Table 5 Literacy Level by Indicator**

<i>Indicator</i>	<i>Number of Statement Items</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
<i>Usury</i>	3	2%	20%	79%
<i>Greetings</i>	4	44%	24%	33%
<i>Murabahah</i>	2	64%	0%	36%
<i>Isthisna</i>	2	79%	0%	21%
<i>Ijarah</i>	4	38%	32%	30%
<i>Mudharabah</i>	4	52%	20%	28%
<i>Musyarakah</i>	3	2%	20%	79%

From the table above it can be seen that in the Usury Literacy indicator 2% are at a high level, 20% are at a medium level and 79% are at a low level. In the Salam Literacy indicator 44% were at a high level, 24% were at a medium level and 33% were at a low level. In the Murabahah Literacy Indicator 64% were at a high level, 0% were moderate, and 36% were low. In the Isthisna Literacy Indicator 79% are at a high level, 0% are medium, and 21% are low. In the Ijarah Literacy Indicator 38% were at a high level, 32% were moderate, and 30% were low. In the Mudarabah Literacy Indicator 52% are at a high level, 20% are moderate, and 28% are low. In the Musyarakah Literacy Indicator 2% are at a high level, 20% are moderate, and 79% are low.

**Table 6 Level of Financial Inclusion Based on Indicators**

<i>Indicator</i>	<i>Number of Statement Items</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
<i>Accessibility</i>	5	70%	0%	30%
<i>Usage</i>	5	37%	0%	63%

In the table above, it can be seen from the accessibility inclusion indicator that 70% are at a high level, 0% are moderate and 30% are low. In the Usage indicator 37% are at a high level, 0% are medium and 63% are low.

**Table 7 Sharia Financial Literacy Level**

<i>Category</i>	<i>Total</i>	<i>Persentase</i>
<i>High</i>	77	30%
<i>Medium</i>	127	49%
<i>Low</i>	54	21%
<i>Total</i>	258	100%

In the table above, it can be seen that the level of financial literacy of students in Bengkulu Province is 30% at a high level, 49% moderate and 21% low.

**Table 8 Sharia Financial Inclusion Level**

<i>Category</i>	<i>Total</i>	<i>Persentase</i>
<i>High</i>	<i>94</i>	<i>36%</i>
<i>Medium</i>	<i>117</i>	<i>45%</i>
<i>Low</i>	<i>47</i>	<i>18%</i>
<i>Total</i>	<i>258</i>	<i>100%</i>

In the table above, it can be seen that the level of financial inclusion in the Student Sharia Capital Market in Bengkulu Province is 36% at a high level, 45% medium and 18% low.

## DISCUSSION

Islamic financial literacy on students includes students' understanding of usury and contracts consisting of salam, murabahah, istishna', ijarah, mudharabah and musyarakah contracts. The results showed some significant findings, namely varying levels of literacy: The study revealed variations in the level of Islamic financial literacy among university students. Male students have higher levels of literacy and inclusion than female students. This is in line with the results of the study Most students show a fairly good or moderate understanding of the basic principles of usury and Islamic financial contracts, but there are still some students who have a low level of literacy. Students who study while working have a higher level of literacy than students who only study, but for the level of financial inclusion there is no difference between the two.

Islamic financial literacy in students is also related to their level of awareness of the importance of Islamic finance in their daily lives. Students who are more aware of Islamic principles in finance tend to have better literacy. This awareness of literacy will certainly increase financial inclusion among students.

Islamic financial inclusion in students includes the extent to which students can access and use Islamic Capital Market products. Some of the research findings on Islamic financial inclusion in the Islamic Capital market of students are awareness of Islamic Financial products, the majority of students show awareness of Islamic financial products, especially Islamic capital market products. this can be seen that the majority of students are at high and medium levels of Islamic financial inclusion. however, there are still a number of students who do not know or lack access to these products or are said to be in the low category.

Students' readiness to use Islamic financial products, especially Islamic capital market products, correlates with the level of literacy. Students who are more literate tend to be more ready to use Islamic products. because for campuses that have a sharia Investment Gallery, literacy activities are given to students in semester 1 through Level 1 Capital Market School activities.

This study also shows a positive relationship between the level of Islamic financial literacy of students and Islamic financial inclusion of students. Students who have high literacy are more actively involved in using Islamic capital market products. A high level of literacy also increases student awareness of Islamic Capital Market products.

As research (Roemanasari et al., 2022), (Arifin & Rizaldy, 2022) whose results show that Islamic financial literacy affects investment intention. The intention to invest here can be interpreted as a form of Islamic financial inclusion. Other research (Ubaidillah & Hasanah, 2021), (Nanda et al., 2019) states that a high level of Islamic financial literacy will support good personal financial management as well, and become a determining factor in making good financial decisions to encourage welfare. Financial management is part of financial inclusion in the Islamic Capital market.

Although the majority of students are at a moderate level of Islamic financial literacy and Islamic financial inclusion, there are still opportunities to increase understanding and

participation in the Islamic capital market among Bengkulu Province students. For example, through increased education, promotion, and providing easier access to Islamic capital market products can help improve Islamic financial literacy and Islamic financial inclusion among students in Bengkulu Province.

## CONCLUSION

The majority of students in Bengkulu province have a moderate level of financial literacy, which is around 49%. This suggests that most students have a sufficient understanding of financial matters, however there may still be a need to improve student knowledge.

The majority of students in Bengkulu Province who are involved in the Sharia Capital Market have a moderate level of financial inclusion, around 45%. This indicates that most students are involved in the Islamic capital market and have sufficient access or understanding related to Islamic investment instruments.

## Suggestion

The level of Islamic Financial Literacy and Islamic Financial Inclusion is dynamic, so that the level of Islamic financial literacy and Islamic Financial Inclusion can change over time and the experiences faced by the object of research. This research provides a picture at the time the research was conducted, but does not consider developments or changes in the level of Islamic financial literacy and inclusion in the future.

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