

# **The Influence Of Sharia Financial Literacy On Islamic Bank Consumers' Preference**

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## **Abstract**

This research aims to determine the level of sharia financial literacy, awareness and attitudes of the community regarding their interest or decision to save at Sharia Banks. The data source for this research is the general public in Palopo City. The data analysis method used in this research is a quantitative method which is measured using Structural Equation Modeling (SEM). The statistical software programs used in analyzing the data were AMS 22 and SPSS 22. The awareness and attitudes have a significant influence on the decision to save in Islamic banks, but Islamic financial literacy does not have a significant influence on the decision to save in Islamic banks. Theoretically this research contributes to the literature review which has a correlation with sharia financial literacy, awareness and attitudes towards people's decisions to save in sharia banks. In practice, this research can help various parties, especially educators, from school to university and various related companies.

**Keyword:** Sharia financial literacy; awareness; attitudes; savings decisions; SEM

## **1. Introduction**

A country needs financial institutions because economic development requires financing. Financial institutions are classified into two types, namely bank financial institutions and non-bank financial institutions. There are two types of banks operating in the economy, namely conventional banks and Islamic banks. Banking in Indonesia is experiencing development along with the development of people's thinking about a sharia system that does not use interest (riba). The public must of course have knowledge of financial information, in order to determine where someone should make a transaction. Financial literacy plays an important role in society because it influences decisions to use financial service products to meet society's needs. According to the Financial Services Authority in research (Marpaung, 2021) financial literacy is knowledge, confidence and skills, which influence attitudes and behavior to improve the quality of decision making and financial management in achieve prosperity.

Financial literacy refers to various basic concepts in the economic field that are needed to make wise saving decisions (Mulyaningtyas et al., 2020). The condition of financial literacy in Indonesia is very different from the condition of financial literacy abroad. Based on data from the Financial Services Authority in 2013, Indonesia is far behind Malaysia, which has a financial literacy level of 66%, Singapore 98%, and Thailand 73% (Pusporini, 2020). In 2016, OJK recorded a slight increase in the financial literacy level of the Indonesian people, which increased to 29.6%. Currently, Indonesia's population reaches more than 270 million people spread across more than 12 thousand islands and will still have a literacy rate of below 50% in 2022. This low financial literacy can have an impact on low financial management abilities, this of course has implications for decreased level of welfare.

Banks are financial institutions whose function is to collect and distribute public funds. Sharia Bank runs its business based on Islamic principles regulated in the fatwa of the Indonesian Ulema Council. Sharia banking is based on the guidelines and principles of Islamic Sharia which originate from the Holy Qur'an where interest transactions, whether receipt or payment, are prohibited (Prasetyo & Siwi, 2022). As in Indonesia, where the majority of the population is Muslim, sharia banks can be the safest place to save. However, what is seen and what happens in the field is that Indonesians are more dominant in saving in conventional banks. There are several factors that cause people's low interest in saving at Islamic banks, one of which is knowledge. Many customers do not understand sharia

banking and they think that sharia banking is only for worship, not for saving and investing (Maretha et al., 2022). This research has been carried out by several previous researchers. Faizah & Sa'diyah (2022), in their research found that sharia financial literacy has a positive influence on interest in saving. However, this research is inversely proportional to research by Zakaria (2020) which states that sharia financial literacy has a negative influence on interest in saving. Khairani & Alfarisi (2019) stated that financial attitude has a positive influence on a person's financial management. One way to manage finances is by saving. Awareness of saving for an individual or group is a phenomenon that needs to be appreciated, considering that many individuals or groups prefer not to interact with banks.

From the research above, there are still several weaknesses, including people's focus on saving decisions only on financial literacy. However, awareness and attitude are also very important factors in saving decisions. Apart from that, people are also less familiar with sharia savings products, so most people prefer to save at conventional banks. In this research, I will explain further about "the influence of sharia financial literacy, awareness and public attitudes on the decision to save in sharia banks".

## **2. Literature Review**

### **2.1 Financial Literacy**

Financial literacy is a translation of financial literacy which means financial literacy. According to Ariyani, (2018) financial literacy is various basic concepts in the economic field that are needed to make decisions about saving and investing wisely. Meanwhile, according to Akbar & Wahab (2021), sharia financial literacy can be conceptually defined as a person's ability to use financial knowledge, skills and attitudes in managing financial resources in accordance with Islamic teachings. Sharia financial literacy reflects an individual's insight, knowledge and cognitive ability to make decisions, recognize and apply concepts relevant to finance and finance (Nasution, 2019).

Based on the description above, it can be concluded that sharia financial literacy is the insight, information and knowledge that a person has regarding sharia finance and banking as well as the ability to make decisions to manage finances based on the literacy they have in order to achieve prosperity in this world and the hereafter. Apart from that, sharia financial literacy should be an obligation for every Muslim because knowledge about sharia finance can help the development of the sharia economy in Indonesia which can have an impact on increasing and progressing economic growth.

H1: Sharia financial literacy influences the decision to save at a sharia bank

## **2.2 Awareness**

Most Muslim communities today are less aware that they must carry out all their activities based on sharia principles, including carrying out economic benefits. In decision making, there is also a need for growing awareness so that people return to the path they should have taken to get a more meaningful life in accordance with Islamic religious law ( Sutrisno , 2019). Apart from that, as social creatures, society must uphold and change all individualistic directions, and turn them into the interests of society or groups towards the goals they want to achieve together (Wiratama & Chollisni, 2023).

Muslim communities must realize the importance of understanding sharia values, especially in the banking world. So that they can implement Islamic values in their daily lives, including in the economy. Sharia banks exist for everyone, especially Muslim communities so that they do not hesitate to maintain their economic finances without usury. (Sastrawinata 2018), understanding the sharia banking system can be one way to increase the Muslim community's interest in sharia banks. Because sharia banks already use an operational basis based on sharia law.

H2: Awareness influences the decision to save at a sharia bank

## **2.3 Community Attitudes**

According to Wardhani & Kusuma (2021), attitude from Latin, namely *aptus* which means appropriate or suitable and ready to do something. Attitude reflects how a person feels about something or the tendency to respond to something, be it regarding other people's behavior, events, events or activities where he directs himself to carry out the action being addressed ( Sinta Wulandari, 2022). As a Muslim, attitude is the main thing in determining decisions, especially when it comes to saving. According to research by Gautama and Deyola (2014), people's savings attitudes do not have a significant influence on financial attitudes on savings decisions. This finding is not in line with research (Agustin, 2019) which states that individuals with good financial attitudes can explain attitudes towards saving plans and attitudes towards financial opportunities in the future. Hatmawan & Widiasmara (2017) in their research stated that the influence of attitudes on saving behavior in Islamic banks tends to be higher among followers of the Islamic religion.

From the definitions and explanations above, the author can conclude that the attitude an individual has has a big influence in responding to something. Attitudes also have a significant impact on individual decisions in saving or making transactions at the bank. And as a Muslim, attitude has a positive influence on the decision to save at a sharia bank.

H3: Attitude influences the decision to save at a sharia bank

## **2.4 Decision**

A decision is a choice of action from two or more alternatives. When someone is faced with the choice of whether to buy or not, then buys, then he is in a position to make a decision. Ningsih & Kurniawati (2021) Information about a bank is very necessary for prospective customers, whether it comes from the bank itself or other people's experiences before deciding to save at a bank. Customers tend to choose a place to save that has a low risk of loss, so that what they get will be in accordance with the customer's needs and desires. Customer satisfaction is considered achieved if there is a repeat purchase of the product. However, if the customer feels dissatisfied, he will carry out the information gathering stage again to get a product that really suits his needs or desires (Andespa et al., 2019). As a Muslim, saving in a sharia bank is the right decision because you can avoid usury. From the explanation above, it can be concluded that bank financial information is very necessary for customers in making decisions to save at the bank, so that they can minimize the risk of losses.

## **3. Material and Method**

### **3.1 Questionnaire design**

The objects studied in this research are Islamic financial literacy (X1), Attitude (X2), Awareness (X3) as independent variables, while the dependent variable is the decision to save (Y). The unit that will be researched and become the subject of respondents in this research is Indonesian society. This research is quantitative research using a questionnaire survey method with Likert 1-5. A questionnaire is a data collection technique that is carried out by giving a set of questions or written questions to respondents to answer (Sugiyono, 2016). Data collection using a questionnaire is structured according to the problems and objectives to be achieved. Before the questionnaire is used as a data collector, validation and reliability testing of the questionnaire is carried out. After ensuring that it meets the requirements, the questionnaire is then distributed or distributed to the sample as respondents.

### **3.2 Sample and Data Collection**

The population in this research is Indonesian people. The sampling technique used was purposeful sampling with a sample size of 100 respondents. Data collection was carried out online using Google Form. Control of respondent data is anonymous and statements for all

constructs are random to avoid bias and increase validity.

### 3.3 Measurement

The items used during the measurement are listed in the appendix on respondent demographics, including gender and age. The questionnaire includes five five-point Likert scales anchored from 1 (“strongly disagree”) to 5 (“strongly agree”) for all scale items.

### 3.4 Data analysis

The statistical software programs used in analyzing the data were AMS 22 and SPSS 22. Structural Equation Modeling (SEM) was used to test the proposed model and research hypotheses. The main benefit of using SEM is that it can analyze different factors and regressions to test the model so that all path coefficients can be estimated simultaneously. There are three method features provided by SEM. First, it is used to determine the causal effects of observed variables, and the structural relationships between variables allow a clear description of the theory studied in this research. The comprehensive hypothesized model was used to validate all variables to determine consistency with the investigation. Both descriptive analyzes use valid frequency distributions. Third, CMV (common method variance) has been adopted as an anticipatory and post-detection procedure.

## 4. Discussion

### 4.1 Measurement Model

The results of the CFA model for the variables of interest have a good fit. Model fit and Cronbach's for all constructs showed excellent convergent validity and rehabilitation for all measurement items of the constructs. Fit statistics (N = 350)  $\chi^2/df = 2.854$ , Goodness-of-Fit Index (GFI) = 0.829, Nonnormed Fit Index (NFI) = 0.744, Comparative Fit Index (CFI) = 0.815, Incremental Fit Index (IFI) = 0.818, and Root Mean Square Error of Approximation (RMSEA) = 0.080. Furthermore, the results of the measurement model (CFA) show that all constructs have a good fit (Hair Jr et al., 2019). Table I. Shows the adequate discriminant validity of this study.

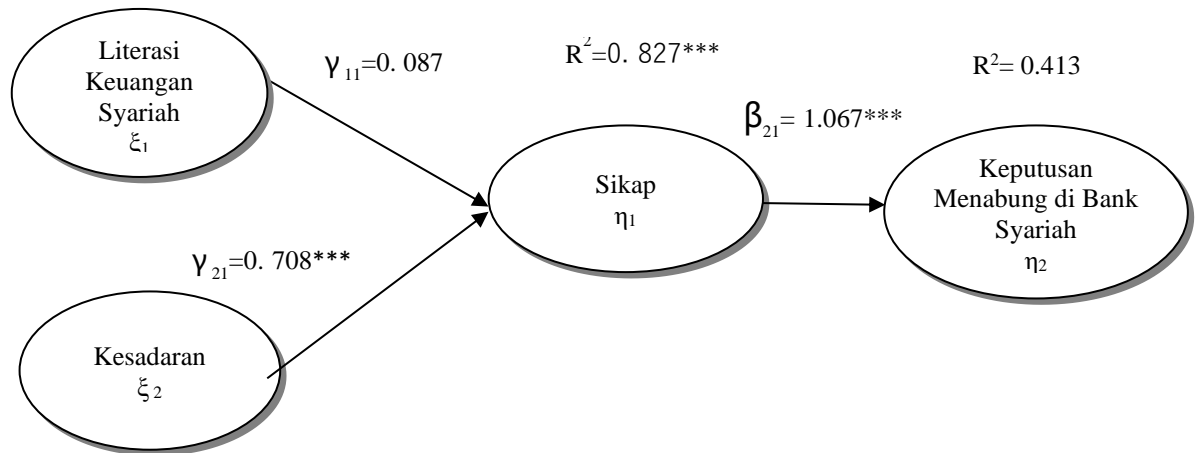
**Table I.** Measurement results

Constructs	MLE estimates factor loading/ measurement error	Squared multiple correlation (SMC)	Composite reliability (CR)	Average of variance extracted (AVE)	Cronbach's $\alpha$
Literasi Keuangan Syariah			0.673	0.342	0.585

X1.1	0.622	0.613	0.387			
X1.2	0.759	0.424	0.576			
X1.3	0.658	0.567	0.433			
X1.4	0.561	0.685	0.315			
Kesadaran				0.722	0.347	0.589
X2.1	0.47	0.779	0.221			
EB2						
X2.2	0.486	0.764	0.236			
X2.3	0.627	0.607	0.393			
X2.4	0.67	0.551	0.449			
X2.5	0.66	0.564	0.436			
Attitude				0.803	0.413	0.643
X3.1	0.409	0.833	0.167			
X3.2	0.516	0.734	0.266			
X3.3	0.725	0.474	0.526			
X3.4	0.668	0.554	0.446			
X3.5	0.689	0.525	0.475			
Decision Saving in Sharia Bank				0.779	0.4	0.632
Y1.1	0.621	0.614	0.386			
Y1.2	0.715	0.489	0.511			
Y1.3	0.615	0.622	0.378			
Y1.4	0.622	0.613	0.387			
Y1.5	0.143	0.98	0.02			
Source : Data processed researcher (2023)						

## 4.2 Structural Model

**Figure I.** Proposed model results



From the picture above, we can find out whether one variable is related or not related to another variable. First, the sharia financial literacy variable does not have a significant effect on attitude. Why is this so, one of the things that could possibly be the cause is because Indonesian society is not only Muslim but there are several other religions. Therefore, a person is free to act, especially when it comes to making savings decisions. Furthermore, awareness has a positive effect on people's attitudes. Why is that, because by being aware of saving in sharia banks, it means that we realize that when it comes to saving we must also be based on sharia principles which come from the Al-Qur'an. This then influences people's attitudes in choosing sharia banks, because they realize that sharia banks will maintain their economic finances without usury. That way we can return to the essence of the purpose of our creation in the world apart from worshipping Allah and also living a life in the world that is blessed by Allah.

Furthermore, attitudes have a positive influence on society. Why is that, because attitudes will influence a person's actions in determining decisions. Someone who has a good attitude certainly pays attention to all aspects before making a decision. And as a Muslim, one form of good attitude is that before acting or making a decision, they first examine the pros and cons of the decision they will choose. Finally, how does sharia financial literacy, awareness and attitudes influence people's decisions to save at sharia banks. A decision is a choice of action from two or more alternative options. An example is when we are faced with two choices between choosing to save at a conventional bank and a sharia bank, then we choose one of them, that choice becomes our decision. When we know about sharia financial literacy, and have realized that saving must be based on sharia principles, of course



we will act or behave in accordance with the knowledge and awareness we already have, such as deciding to save in a sharia bank to avoid usury and earn money. blessings of life in the world.

The results of this research are in line with and support the results of research conducted by Nurrohmah & Purbayati (2020) in their research which states that sharia financial literacy has a significant and positive influence on interest in saving. However, this research is inversely proportional to research by Zakaria (2020) which states that sharia financial literacy has a significant effect and has a negative direction on interest in saving. The connection and non-connection between sharia financial literacy and savings decisions depends on where a person makes transactions. Apart from sharia financial literacy, there are actually many other factors that have the potential to influence the decision to save at a sharia bank, such as public awareness and attitudes. When someone has awareness and attitude in saving at a sharia bank, that person's life will be better organized now and in the future and will not deviate from religious teachings.

## **5. Conclusion, Implication, and Recommendation**

The results of this research found that sharia financial literacy has a significant influence on the decision to save at sharia banks, especially for Muslims because sharia banks apply sharia principles which are based on the Al-Qur'an. This shows that someone who pays attention to the halal and haram aspects of the transactions they make will definitely tend to choose a sharia bank as a place to save to avoid usury. In the variables studied, regarding sharia financial literacy with attitude mediation, it does not have a significant influence, because attitude is each person's personality, so we cannot force everyone's will to understand sharia financial literacy. Apart from that, the Indonesian people are not only Muslim but consist of many religions, so they have the freedom to learn the financial literacy they want, be it sharia financial literacy or conventional financial literacy.

This research theoretically contributes to the literature review which has a correlation with sharia financial literacy, awareness and attitudes towards people's decisions to save in sharia banks. In practice, this research can help various parties, especially educators, from school to university and various related companies. Educators can use this research as a reference in developing learning patterns regarding the importance of understanding financial literacy from an early age. So that the output that will be produced is that Human Resources (HR) have knowledge about finance, namely how to manage finances well, and

know how to make transactions at the bank. This is very important for companies, where this research can be a reference for determining recruitment policies for prospective employees to emphasize aspects of sharia financial literacy knowledge, so as to minimize ignorance regarding financial information.

Just as humans are not created perfect, this research is no different. There are several limitations in this research, namely (1) this research has low internal validity. This is because this research uses quantitative methods by collecting data online using Google Form, so that future research can use survey or qualitative methods. (2) this research took samples from the community, so that future research can take more specific samples such as from students or directly from the accounting profession. (3) this research only uses a few variables, so that future research can add several more variables.

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## **7. Appendix**

### **Financial literacy**

1. I know that Islamic banks are different from conventional banks
2. I always compare conventional bank savings products with sharia banks
3. I know how to manage finances well and wisely
4. I know how to prepare a financial budget plan
5. I know exactly what the money I spend is used for

### **Awareness**

1. I really pay attention to the halal and haram aspects of the money I have
2. I always consider everything I want to buy
3. Financial records help me organize money management
4. I feel that saving makes it easier to meet future needs
5. I realize that banks are a safe place to save

### **Attitude**

1. I am able to manage finances well
2. I always record weekly/monthly income and expenses
3. I comply with savings procedures at conventional banks and sharia banks
4. Financial level influences a person's attitude towards saving
5. I always pay bills on time (such as credit cards, telephone, etc.)

### **Decision**

1. The level of financial literacy influences the decision to save at the bank
2. I prefer to save at a sharia bank because security is guaranteed
3. I save at a sharia bank because its activities are based on sharia principles
4. I consider the interest system applied by conventional banks to contain elements of usury
5. I feel that saving in a sharia bank can keep me away from usury