

### ANALYSIS OF THE LEVEL OF PUBLIC UNDERSTANDING OF ISLAMIC FINANCIAL INSTITUTIONS IN INDONESIA

*Dinilah Ardia<sup>1</sup>, Tri Inda Fadhila Rahma<sup>2</sup>, Aqwa Naser Daulay<sup>3</sup>*

<sup>1,2,3</sup>State Islamic University of North Sumatra

<sup>1</sup>[dinilahardia410@gmail.com](mailto:dinilahardia410@gmail.com)

<sup>2</sup>[triindafadhila@uisu.ac.id](mailto:triindafadhila@uisu.ac.id)

<sup>3</sup>[aqwanaserdaulay@uisu.ac.id](mailto:aqwanaserdaulay@uisu.ac.id)

Info Artikel	Abstrak
Diterima Februari, 2024	Mereka yang memiliki literasi keuangan yang kuat akan terhindar dari masalah keuangan. Tidak hanya pendapatan rendah yang dapat menyebabkan masalah keuangan, tetapi praktik pengelolaan uang yang buruk termasuk penggunaan kartu kredit yang ceroboh, kurangnya tabungan, dan perencanaan keuangan yang buruk juga dapat menyebabkan kesulitan keuangan. Penelitian ini bertujuan untuk mengukur tingkat pemahaman masyarakat pada Lembaga keuangan syariah di Indonesia. Pendekatan yang digunakan dalam penelitian ini adalah pendekatan deskriptif kualitatif, instrumen penelitian yang digunakan adalah dengan menggunakan metode pre-test dan post-test dengan 30 responden. Hasil penelitian menunjukkan Rata-rata indeks literasi keuangan syariah masyarakat Indonesia berada di angka 15,61%. Meskipun setiap tahunnya mengalami peningkatan namun masih dikategorikan rendah, angka indeks literasi keuangan dikategorikan tinggi jika berada di posisi 80%. Sosialisasi yang peneliti lakukan di Kecamatan Kubu, Kabupaten Rokan Hilir, Riau memberikan dampak yang baik bagi masyarakat. Hal ini dibuktikan dengan persentase pemahaman dan pengetahuan tentang lembaga keuangan syariah mengalami peningkatan dari 25,97% menjadi 50,6%. Setelah melakukan kegiatan ini kita dapat menarik kesimpulan bahwa tingkat pemahaman masyarakat terhadap lembaga keuangan syariah di Indonesia masih tergolong rendah, walaupun mengalami peningkatan setiap tahunnya namun peningkatan tersebut masih tergolong kecil, hal ini disebabkan oleh banyak faktor, beberapa diantaranya adalah faktor pendidikan ekonomi dan pergaulan. Kurangnya edukasi pada masyarakat menjadi faktor utama dalam masalah ini. Berdasarkan data tersebut menunjukkan terjadinya peningkat pemahaman pada Masyarakat terhadap Lembaga keuangan syariah di Kecamatan Kubu Kab.Rokan Hilir, Riau.
Direvisi 1 Maret, 2024	
Dipublikasi Agustus 10, 2024	
<b>Kata Kunci:</b>  <i>Tingkat pemahaman, perbankan syariah,Keuangan</i>	

**Keywords :** *Level of understanding, Islamic banking, Finance*

### **Abstract**

*Those who have strong financial literacy will avoid financial problems. Not only low income can lead to financial problems, but poor money management practices including careless use of credit cards, lack of savings, and poor financial planning can also lead to financial difficulties. This study aims to measure the level of public understanding of Islamic financial institutions in Indonesia. The approach used in this research is a qualitative descriptive approach, the research instrument used is to use the pre-test and post-test method with 30 respondents. The results showed that the average Islamic financial literacy index of Indonesian society was at 15.61%. Although every year there is an increase but it is still categorized as low, the financial literacy index number is categorized as high if it is in the 80% position. The socialization that researchers conducted in Kubu District, Rokan Hilir Regency, Riau had a good impact on the community. This is evidenced by the percentage of understanding and knowledge about Islamic financial institutions has increased from 25.97% to 50.6%. After conducting this activity, we can conclude that the level of public understanding of Islamic financial institutions in Indonesia is still relatively low, although it has increased every year, the increase is still relatively small, this is due to many factors, some of which are economic education and social factors. Lack of education in the community is a major factor in this problem. Based on this data, it shows an increase in the understanding of the community towards Islamic financial institutions in Kubu District, Rokan Hilir Regency, Riau.*

### **INTRODUCTION**

Researchers will first define financial institutions before going into greater detail on Islamic financial institutions (Financial Institution). A corporation that provides financial services and is tasked with collecting public cash or other financial services is known as a financial institution. The Republic of Indonesia's Decree No. 792 of 1990, which was cited before, defines an Islamic financial institution as an organization that gathers and disburses monies to the community, particularly to those who truly require them (Handida & Sholeh, 2019). A corporation that provides financial services based on sharia principles, which omits aspects that are forbidden in Islam and substitutes them with conventional Islamic contracts or what is widely known as sharia principles, is known as an Islamic financial institution (Heykal, 2019).

In March 1973, in Benghazi, Libya, Muslims founded the Organization of Islamic Convergence (OIC), becoming the first pioneers in Islamic financial institutions. With an initial capital of two billion Islamic dinars, the Islamic Development Bank (IDB) was established within the organization. The Islamic Development Bank (IDB) was the primary driving force behind the establishment of Islamic banks and other Islamic financial institutions in Islamic countries. One of them is Indonesia, which opened Bank Muamalat Indonesia (BMI), an Islamic bank, in 1992.

Following BMI, numerous more sharia-compliant financial organizations have emerged (Putra, 2019).

Islamic financial institutions are primarily there to enable the Islamic community to engage in activities that are forbidden by Islam and to satisfy Allah's commands in the areas of economics and muamalat. Since employing a usury system is so dissimilar from the values of justice, the goal in Indonesia is to offer services to the Indonesian community as a whole, including Muslims and all other segments of the population (Sitanggang & Pratomo, 2019).

Those with strong financial literacy will stay out of financial trouble. Not only can low income contribute to financial issues, but poor money management practices including careless credit card use, a lack of savings, and poor financial planning can also generate financial difficulties (Rizal et al., 2019). Individuals' level of living will increase and their ability to manage personal financial planning will be aided by financial literacy (Nurrohmah & Purbayati, 2020).

In Indonesia, financial literacy only reaches 38.3% of the total population, which means that only about 40% of the 267 million population has a good understanding of digital financial products and services. This leaves people vulnerable to unproductive loans that can become a financial burden.

**Table 1: Sharia Financial Literacy Index**

No	Year	Literacy Index
1	2019	8,93%
2	2020	9,14%
3	2021	20,1%
4	2022	23,3%
5	2023	39%
Rata-rata		15,61%

Source: ojk Sharia Financial Literacy Index data 2023

Chen and Volpe (1998) divided financial literacy into three categories: less than 60% denotes a person's poor financial literacy, between 60 and 70% denotes a person's moderate financial literacy, and more than 80% denotes a person's high financial literacy. The aforementioned table indicates that although financial literacy has grown annually, the rate of improvement is still quite low, which is regrettable given that the majority of Indonesians are Muslims. Numerous issues, including unequal educational attainment, a lack of interest in financial products, ambiguous product legitimacy, and unequal infrastructure distribution, all have an impact on this.

It is known from observations that the majority of Indonesians are unaware of Islamic financial services and products, the distinctions between Islamic and conventional banking, and the advantages of doing business with Islamic financial organizations. It is expected that by setting high interest rates, which are effectively synonymous with usury and extremely harmful to the community, this condition will encourage people to use illicit financial services like loan sharks, sometimes known as mobile banks, and unlicensed cooperatives (Baihaki et al., 2023).

Individuals lacking in Islamic financial literacy run the risk of being victims of financial crimes and failing to obtain fahlah, or the benefits of both this world and the next. Because the general public knows very little about both official and unofficial financial services, the level of public financial literacy is a critical factor in predicting when the public may fall victim to fraudulent investments (umar burhan et al., 2022).

If people are more aware of financial institutions, it will minimize the losses that will be borne by the community, people will be wiser in managing finances, they have better control over their financial condition. A high level of awareness can be a motivation for the government,

financial institutions, and educational institutions to develop better financial literacy programs (Kahfi Hakim et al., 2023).

The degree of public awareness or literacy regarding Islamic financial services is a critical component in promoting the growth of Islamic finance in Indonesia. This is due to the fact that public awareness about the types, purposes, and attributes of Islamic financial services has a significant impact on the public's use of these services (Nanda et al., 2019).

This means that in order to maximize public trust in banks, the success of Islamic banking depends on the degree of Islamic financial literacy, which makes socialization efforts to raise people's Islamic financial literacy essential. It is envisaged that as a result of this socialization, public awareness of Islamic finance will grow and alter societal norms, enabling people to make more informed financial decisions in their daily lives. Every level of society, including kindergarten, elementary school, junior high school, high school, universities, and others, can implement this financial literacy instruction. The expectation is that someone who has received this instruction from a young age will be able to handle money well. One can discern someone's financial intelligence from their level of financial literacy.

### **Sharia Financial Literacy**

The knowledge and abilities a person possesses in a subject or area of competence that eventually intends to bring them riches is what is meant to be considered literacy. Islamic financial literacy, according to Hambali, is the ability to distinguish between conventional and Islamic bank systems and to have knowledge of Islamic financial products and services. Having this knowledge will ultimately affect how one feels about making financial decisions that are consistent with Islamic principles (Lintang Utami et al., 2023).

The ability to manage financial resources in conformity with Islamic ideals through knowledge, skills, and attitude is the conceptual definition of Islamic financial literacy. Furthermore, because it can have further ramifications for the achievement of Al-Falah (real success) in this world and the hereafter, Islamic financial literacy is a religious requirement for every Muslim. Islamic finance is based on the following principles: faith in divine demands; avoidance of ribawi transactions; haram investments; and avoidance of gharar and maysir transactions (Nanda et al., 2019).

### **Financial Literacy Indicator**

Indicators used to determine a policy or Islamic financial product, in accordance with sharia.

1. Fundamental understanding of Islamic finance, or insight and understanding of the fundamentals of financial management principles that a person needs to support decision-making and the implementation of various financial policies in line with sharia principles.
2. Islamic loans and savings. Generally speaking, savings are portions of income that are stored aside for future usage or other pressing requirements. In the context of Islamic finance, savings refer to an arrangement wherein funds are invested through a wadi'ah contract, mudharabah contract, or other contracts that do not violate sharia principles. Withdrawals are restricted to specific terms and conditions and cannot be made via checks, bilyet giro, or other methods. Although loans provide a variety of finances for consumptive and productive fulfillment, handling these loans correctly requires a certain level of knowledge and skill. Islamic financial institutions refer to loans as

financing, which is the Islamic bank's method of providing capital to clients in accordance with sharia law.

The degree of Islamic financial literacy is assessed in this study. Basic understanding of Islamic finance and issues with Islamic savings and loans are among the indicators that are used. The two indicators are then operationalized into inquiries that are derived from earlier academics' ideas.

**Table 1 Operationalization of research indicators**

Indicator	Question
Basic knowledge of Islamic finance	<ol style="list-style-type: none"> <li>1. Understanding of usury</li> <li>2. Principles of Islamic financial transactions</li> <li>3. Principles of profit and cooperation</li> <li>4. Application of sharia principles in banking activities</li> </ol>
Islamic savings and loans	<ol style="list-style-type: none"> <li>1. Savings products in Islamic financial institutions</li> <li>2. Agreements in Islamic financing</li> <li>3. Knowledge of the principle of profit sharing</li> </ol>

### RESEARCH METHODS

Researchers employ qualitative research methods, such as observation, document examination, and interviewing, to describe the issues that arise. It is simpler for the researcher to adapt to the setting or subject under study while using this qualitative approach. This approach is more responsive and adaptable to the environment or the subject being investigated, and it clearly conveys the nature of the relationship between the researcher and the respondent (Rahina & Setiawan, 2024).

In order to facilitate the collection of objective data, a qualitative descriptive technique was taken in this study to ascertain or characterize the reality of the events being studied. The pre-test and post-test techniques are the research tool that is being used. Researchers have established criteria for research participants, which include participation in the study activities and knowledge and comprehension of research-related material.

Researchers employ a comprehensive analysis approach to oversee information gathered from observations and interviews. They subsequently provide the findings in the form of emperic material and data reduction, and ultimately make predictions (Muayyad et al., 2021).

### RESULTS AND DISCUSSION

Financial products and services are necessary in today's world; they are connected to practically every facet and aspect of existence. As a result, users need to have a thorough understanding of financial systems, goods, and services. This is a matter that the Financial Services Authority (OJK) has been particularly focused on. As the entity tasked with overseeing financial services, OJK keeps enhancing its offerings to raise community financial literacy and build an intelligent and high-quality financial management society (otoritas jasa keuangan, 2023).

### Appendix Graph of Sharia Financial Literacy Index

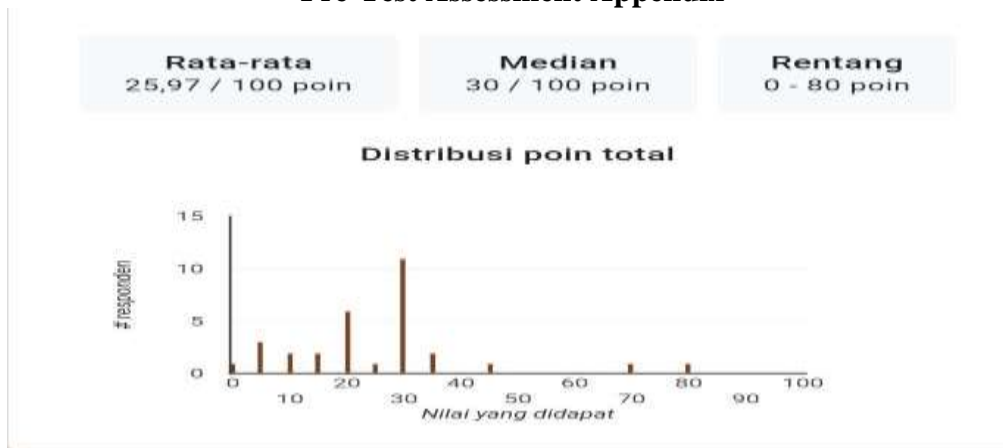


Source: financial literacy index data

Based on the graph above, it shows that the level of financial literacy has increased from year to year, but the increase is still relatively low, which is very unfortunate considering the majority of Indonesians are Muslim. In Indonesia, financial literacy only reaches 39% of the total population, which means only about 40% of the 267 million population has a good understanding of digital financial products and services. This leaves people vulnerable to unproductive loans and can become a burden on their finances.

With the existence of Islamic financial institutions, it is hoped that the community will have an interest in using Islamic financial institutions. The results of data analysis based on the knowledge of the Kubu sub-district community show from the arrangement before and after socialization based on the following figure:

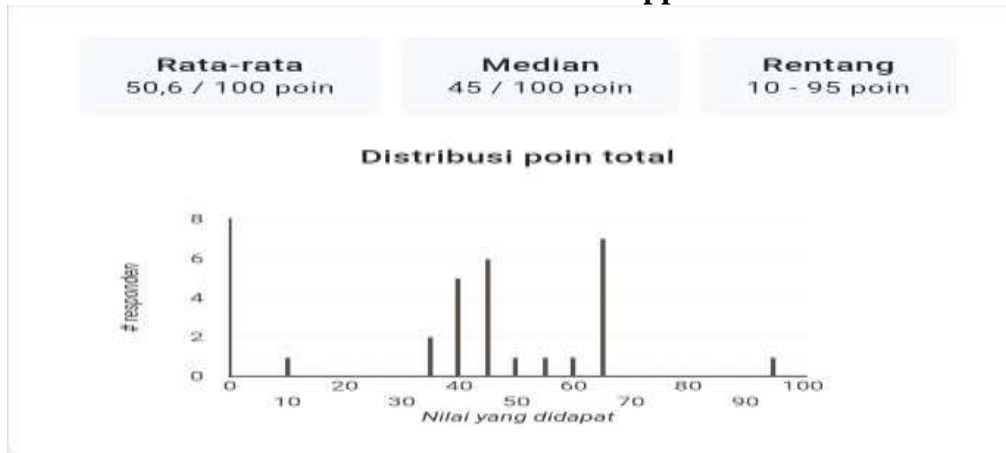
### Pre-Test Assessment Appendix



Based on the graph above, it shows that the average value of public understanding of

Islamic financial institutions at the pre-test stage has an average value of 25.97% with a median value of 30.00, this shows that public knowledge of Islamic financial institutions is still low.

### Post-Test Assessment Appendix



Based on the graph above, it shows that the average value of community understanding of Islamic financial institutions at the post-test stage has an average value of 50.6%, an increase of 24.63% compared to the pre-test stage, and the median value has increased by 50% compared to the pre-test stage. Based on this data, it shows that there is an increase in public understanding of Islamic financial institutions in Kubu District, Rokan Hilir Regency, Riau. But unfortunately, this increase is still relatively low because it has not reached more than 80% to be categorized as having knowledge of high financial literacy.

Even though a small portion of the population has transacted in Islamic financial institutions, as the explanation above shows, there are still a lot of people who do not comprehend these kinds of institutions. The majority of the largest Muslim population in Asia does not preclude them from transacting with Islamic financial institutions, despite the fact that there are already a sizable number of them spread throughout Indonesia. However, because of their lack of socialization, the presence of Islamic financial institutions has little impact (indra mariana, 2023).

### CONCLUSIONS

The average Islamic financial literacy index of Indonesian society is at 15.61%. Although every year there is an increase but it is still categorized as low, the financial literacy index number is categorized as high if it is in the 80% position. The socialization that researchers conducted in Kubu District, Rokan Hilir Regency, Riau had a good impact on the community. This is evidenced by the percentage of understanding and knowledge about Islamic financial institutions has increased from 25.97% to 50.6%. After carrying out this activity we can draw the conclusion that the level of public understanding of Islamic financial institutions in Indonesia is still relatively low, although it has increased every year but the increase is still relatively small, this is caused by many factors, some of which are economic education factors and social relations. Lack of education in the community is a major factor in this problem.

Rata-rata indeks literasi keuangan syariah masyarakat Indonesia berada di angka 15,61%. Meskipun setiap tahunnya mengalami peningkatan namun masih dikategorikan rendah, angka indeks literasi keuangan dikategorikan tinggi jika berada di posisi 80%. Sosialisasi yang peneliti lakukan di Kecamatan Kubu, Kabupaten Rokan Hilir, Riau memberikan dampak yang baik bagi masyarakat. Hal ini dibuktikan dengan persentase pemahaman dan pengetahuan tentang lembaga keuangan syariah mengalami peningkatan dari 25,97% menjadi 50,6%. Setelah melakukan kegiatan ini kita dapat menarik kesimpulan bahwa tingkat pemahaman masyarakat terhadap lembaga keuangan syariah di Indonesia masih tergolong rendah, walaupun mengalami

peningkatan setiap tahunnya namun peningkatan tersebut masih tergolong kecil, hal ini disebabkan oleh banyak faktor, beberapa diantaranya adalah faktor pendidikan ekonomi dan pergaulan. Kurangnya edukasi pada masyarakat menjadi faktor utama dalam masalah ini.

### REFERENCES

- Baihaki, F. R., Rahma, T. I. F., & Nasution, J. (2023). Pengaruh Islamic Branding Dan Islamic Service Quality Terhadap Loyalitas Nasabah Bank Muamalat Indonesia Dengan Customers Satisfaction Sebagai Variabel Intervening. *Ekonomi Bisnis Manajemen Dan Akuntansi (EBMA)*, 4(1), 1528–1544.
- Handida, R. D., & Sholeh, M. (2019). Pengaruh Tingkat Pengetahuan, Kualitas Layanan, Dan Tingkat Literasi Keuangan Syariah Terhadap Pengambilan Keputusan Masyarakat Muslim Menggunakan Produk Perbankan Syariah Di Daerah Istimewa Yogyakarta. *Jurnal Ekonomi Dan Pendidikan*, 15(2), 84–90. <https://doi.org/10.21831/jep.v15i2.23743>
- Heykal, M. (2019). Analisis Tingkat Pemahaman KPR Syariah pada Bank Syariah di Indonesia: Studi Pendahuluan. *Binus Business Review*, 5(2), 519. <https://doi.org/10.21512/bbr.v5i2.1010>
- indra mariana, wiwik. (2023). analisis tingkat pemahaman masyarakat pada lembaga keuangan syariah (studi kasus dikelurahan kampung rempak kecamatan siak-kabupaten siak). *Al-Hasyimah; Jurnal Ekonomi Syariah*, 2(April).
- Kahfi Hakim, M., Indah Lestari Nasution, A., & Sumatera Utara ARTICLEINFO, U. (2023). ANALYSIS OF DIRECT EXPENDITURE BUDGET REALIZATION REPORTS IN ORDER TO MEASURE EFFECTIVENESS AND EFFICIENCY AT BKAD MEDAN CITY under a Creative Commons Attribution-NonCommercial 4.0 International License (CC BY-NC 4.0). *Jurnal Ekonomi*, 12(03), 2023. <http://ejournal.seaninstitute.or.id/index.php/Ekonomi>
- Lintang Utami, T., Maula Novendra, A., Riani, D., Politeknik Tri Mitra Karya Mandiri, A., & Ekonomi Fkip, P. (2023). Analisis Tingkat Pemahaman Masyarakat Terhadap Sosialisasi Ekonomi Syariah (Studi Kasus Desa Pangulah Selatan, Kotabaru-Karawang). *Oikos: Jurnal Kajian Pendidikan Ekonomi Dan Ilmu Ekonomi*, 7(1), 214–225.
- Muayyad, U., Halimi Al Mahdi, & Ahmad Wahidi. (2021). Analisis Tingkat Pemahaman Masyarakat Pada Lembaga Keuangan Syariah (Studi Kasus Di Desa Karduluk Kecamatan Pragaan Kabupaten Sumenep). *Al-Iqtishod: Jurnal Ekonomi Syariah*, 3(2), 75–85. <https://doi.org/10.51339/iqtis.v3i2.348>
- Nanda, T. S. F., Ayumiati, A., & Wahyu, R. (2019). Tingkat Literasi Keuangan Syariah: Studi Pada Masyarakat Kota Banda Aceh. *JIHBIZ: Global Journal of Islamic Banking and Finance.*, 1(2), 141. <https://doi.org/10.22373/jihbiz.v1i2.8573>
- Nurrohmah, R. F., & Purbayati, R. (2020). Pengaruh Tingkat Literasi Keuangan Syariah dan Kepercayaan Masyarakat terhadap Minat Menabung di Bank Syariah. *Jurnal Maps (Manajemen Perbankan Syariah)*, 3(2), 140–153. <https://doi.org/10.32627/maps.v3i2.135>
- otoritas jasa keuangan. (2023). SIARAN PERS TINGKATKAN LITERASI KEUANGAN DI DAERAH, OJK EDUKASI PEREMPUAN RIAU. *SIARAN PERS TINGKATKAN LITERASI KEUANGAN DI DAERAH, OJK EDUKASI PEREMPUAN RIAU Pekanbaru*, 021, 29600000.
- Putra, P. (2019). Analisis Tingkat Pemahaman Mahasiswa Terhadap Pernyataan Standar Akuntansi Keuangan PSAK-Syariah. *Jrak*, 6(1), 38–50.
- Rahina, K. S., & Setiawan, A. (2024). Analisis Tingkat Pemahaman Masyarakat di Desa Batu Bandung Kecamatan Pino Kabupaten Bengkulu Selatan Terhadap Lembaga Keuangan Mikro Syariah. *Al Maal : Journal of Islamic Economics and Banking*, 5(1), 1–10.
- Rizal, M., Mustapita, A. F., & Kartika Sari, A. F. (2019). Pelatihan Untuk Pengajuan Pembiayaan Mudharabah Perbankan Syariah Sebagai Peningkatan Kinerja UMKM. *JIPEMAS: Jurnal*



- Inovasi Hasil Pengabdian Masyarakat*, 3(1), 15. <https://doi.org/10.33474/jipemas.v3i1.2569>
- Sitanggang, A. K., & Pratomo, W. A. (2019). Analisi Tingkat Pemahaman Masyarakat terhadap Produk Keuangan di Deli Serdang. *Jurnal Ekonomi Dan Keuangan*, 2(7), 412–424.
- umar burhan, M., dandy alif wildana, M., & furaida, nila. (2022). *Peningkatan Literasi Keuangan Berbasis Syariah Sebagai Tata Kelola Keuangan Pemerintah Desa Sumberpasir Kecamatan Pakis Kabupaten Malang*. 01(November), 174–179.