Determinants of Islamic Financial Literacy Index: Comparison Based on Ethnographic Studies in Yogyakarta, Indonesia

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ABSTRACT

This paper aims to determine the level of Islamic financial literacy (IFL) and identify factors that have a relationship and influence on the level of IFL in various communities. The research was conducted because there have been inconsistencies in previous studies regarding the factors that influence the level of financial literacy, both general and Islamic financial literacy. Demographic factors such as gender, education level, and income level are often used in this type of research. This paper is compiled in two steps with mixed method. The first calculates the IFL index level, and the second analyzes the factors affecting the IFL index level using ethnographic studies. Islamic financial literacy indicators consist of knowledge, skills, beliefs, attitudes, and behavior based on the aspects of religiosity and Maqasid al-Shari'ah. The factors that influence the Islamic financial literacy index are determined using ethnographic studies. The result is the education level affects the financial literacy index in one community. But the results will be different when different communities

are compared. One of the influencing factors is the financial socialization agent, and this is very closely related to the political socialization theory. In this case, the Bank or Islamic financial institution acts as a potential agent.

Keywords: Determinants, Islamic Financial Literacy, Financial Socialization Agent, Ethnographic Studies.

INTRODUCTION

Today humans are faced with a choice of complex and diverse financial instruments, so that a Muslim needs to be careful and have good knowledge of halal financial instruments in financial decision-making based on Islamic financial literacy.[1] The general lack of financial literacy levels can lead to low access to financial institutions and hamper prosperity.[2] As a country with the fourth-largest population in the world, Indonesia still records a large number of people who do not understand and use financial institutions less.[3,4,5] The Indonesian government seeks to open the broadest possible access to the public to utilize financial services.[6] The ease of accessing financial services is an essential requirement for the involvement of the wider community in the economic system.

The level of Islamic financial literacy (IFL) can be defined as knowledge, awareness, ability, which influences attitudes and behavior in managing finances and making financial decisions by Islamic rules. Knowledge is an absolute and vital condition in literacy. Financial knowledge can be obtained from the results of learning both informally and formally within the scope of formal education.[7] The ability to absorb knowledge, besides depending on the individual itself, also depends on who teaches the knowledge so that many things can influence the level of financial literacy. Studies that have researched factors that influence the Islamic financial literacy index and financial literacy, in general, have been widely carried out. Factors that are often examined are demographic factors. From the research that has been done, no one can prove that demographic variables can influence the financial literacy index consistently.[8,9,10]

Research conducted by Amaliyah and Witiastuti (2015) finds that men MSME entrepreneurs with an education level above mandatory schooling have a higher literacy rate than women with education levels below

compulsory education, the income level does not contribute to the financial literacy level of the city of *Tegal* MSMEs (micro, small, and medium enterprises) entrepreneurs.[11]

Hasibuan and Winaro (2018) conduct a different test based on gender, age, education, and level of expenditure. They suggest that gender and the level of expense do not affect Islamic financial literacy, while age and education levels have the influence. It is in line with the research by Setyawati and Suroso (2016), which shows that gender has no difference in the level of literacy of Islamic finance in the case of female and male lecturers. Similarly, Atkinson and Messy's (2012) research on the OECD reveals no difference in the level of financial knowledge between men and women in Germany and Hungary. In addition to these two studies, Shaari and Hasan's (2013) research proves that gender does not significantly affect the level of financial literacy. Setyawati and Suroso (2016) state that there are differences in the level of Islamic financial literacy among lecturers in Indonesia investigated based on age. Besides, Almenberg and Säve-Söderbergh (2011) find that in Sweden, a high level of financial literacy is identified between the ages of 35 to 50 years old. Whereas in Atkinson and Messy's (2012) study on the OECD, the ages between 30 and 60 years old have a higher level of financial literacy. Lusardi and Mitchell (2011), Almenberg and Säve-Söderbergh (2011), and Cole et al. (2009) also find that higher education has a higher level of financial literacy than low-level knowledge. Likewise, Atkinson and Messy's (2012) study on the OECD reveals a positive and significant relationship between education and financial literacy, i.e., the higher one's education, the higher the level of knowledge, attitudes, and financial behavior.

This article argues that the factors mentioned above do not necessarily affect both the level of public financial literacy and Islamic financial literacy consistently. This study identifies factors other than demographic factors that might influence the level of Islamic financial literacy. The differences in patterns in the community, interactions between users and commercial service providers, beliefs and religiosity, and socio-cultural influences between regions are thought to influence the level of Islamic financial literacy.

As discussed above, this study aims to determine the level of Islamic financial literacy and identify factors that have a relationship and influence on the level of Islamic financial literacy in various communities. It is hoped that this research can be a reference to improve Islamic financial literacy and can indirectly realize a financial inclusion program.

In this study, the communities studied are the Street Vendor Community in *Malioboro,* Indonesia, and the State Civil Apparatus Community (ASN=means civil servant) in *Gunung Kidul, Indonesia*. The two communities have different characteristics. In the Community of Street, Vendors in *Malioboro* have the characteristics of erratic income, free working hours, binding rules, different social environments, and different levels of education. Meanwhile, the ASN community is the opposite; they have a regular income every month, spend on working hours, and on average have a high level of education.

Research Method
The level of Islamic Financial Literacy

The measurement of the Islamic financial literacy index was carried out by a quantitative method. The primary data is obtained using survey and interview methods. The survey method is done by distributing questionnaires. The data was obtained through a survey method on the level of Islamic financial literacy in the street vendor community in *Malioboro* and the ASN community in *Wonosari*, both of which are in the Special Province of Yogyakarta (DIY, Indonesia). Each community involves 100 respondents' data as the sample in calculating the level of Islamic financial literacy.

Malioboro is a tourist area in the city of Yogyakarta, while *Wonosari* is the capital of the *Gunungkidul* district in DIY Province. Gunungkidul is one of the districts in the Special Region of Yogyakarta, Indonesia. The government centers are in *Wonosari* District. This district is relatively low in population density compared to other districts. Most of the Regency is in the hills and limestone mountains which are parts of the *Sewu* Mountains. *Gunungkidul* is known as a barren area and often experiences droughts in the dry season. It holds unique historical peculiarities, as well

as tourism, cultural, and culinary potential. There are fewer formal and non-formal institutions, such as Islamic banks, conventional banks, BPR, BMT, pawnshops, and insurance companies in *Gunungkidul* compared to other districts in the province.

In this study, the implemented sampling technique was non-random sampling of a purposive sampling category with the criteria of a street vendor at *Malioboro* and the State Civil Apparatus (ASN) in Wonosari. There were 100 samples taken based on the Slovin concept. The questionnaire model of the Guttman scale was distributed to 100 respondents. The questions raised in this technique are more structured because they are directly related to the indicators used in determining the level of Islamic financial literacy. The data were tested using validity and reliability testing. A validity test is a statistical test used to determine the validity of a question item to measure the variables studied. In this study, the validity test was carried out using the Corrected item-total Correlation Test. To determine the validity level, the numbers on Corrected item-total Correlation, which is a correlation between item scores and total item scores (r count value) compared to r table values. If the value of the R count is greater than the value of the R table, then the item is valid using a distribution (The R Table) for alpha = 0.05.

Meanwhile, the reliability test is a statistical test used to determine the reliability of a series of question items in their reliability to measure a variable. The test was done using the Alpha Cronbach test. The alpha value of >0.7 means that it has sufficient reliability, while the value of >0.80 suggests that all items are reliable, and as a result, all tests are internally consistent due to strong reliability.[15]

Determinants Factor of Islamic Financial Literacy

The determinant of the factors was carried out by ethnographic studies. The primary data is obtained using direct observation and interview methods. Interviews were conducted using the Contextual In-Depth Interview method. In this study, the researcher analyzed the data on the circumstances, attitudes, behaviors, responses, and views of respondents obtained through in-depth contextual interviews and other

supporting data. Then the data were grouped based on the themes and similarities of ideas to analyze and interpret and associated with the problem formulation and theoretical reference of this study. This study uses the recommended principles in the ethnography method, which combines several research techniques (multiple techniques) and combines findings from various respondents.

Table I. Socio-Demographic Profile

Characteristics	PKL (%)	ASN (%)
Gender		
Male	45	65
Female	55	35
Age		
18-25	3	6
26-40	43	28
40-55	47	65
>56	7	1
Marital Status		
Single	19	12
Married	81	88
Educational Background		
primary school	13	0
Junior high school	51	0
Senior High School	36	12
Diploma	0	28
Bachelor (S1)	0	54
Master (S2)	0	6
Earnings (IDR)		
< 1.000.000,-	1	0
1.000.000,- to 3.000.000,-	42	14
3.000.000,- to 5.000.000,-	54	76
> 5.000.000,-	3	10
Spending (IDR)		
< 1.000.000,-	10	1
1.000.000,- to 3.000.000,-	60	51
3.000.000,- to 5.000.000,-	30	48
> Rp. 5.000.000,-	0	0
Conventional Bank Account Ownership		
Have	21	100
Do not have	79	0
Sharia Bank Account Ownership		
Have	100	15
Do not have	0	85

Source: Processed Research Data

Based on the socio-demographic profile at the education level, the ASN community in *Wonosari Gunungkidul* has a high level of education while the *Malioboro* street vendor community has an average level of education at the lower secondary level.

The calculation on the Islamic financial literacy index is carried out using five indicators, i.e., knowledge (which is divided into two: basic knowledge and advanced knowledge), skills, beliefs, attitudes, and behavior. Then it is calculated based on FSA calculations.16 The FSA-based Literacy Rate Calculation Method is done by calculating the percentage between the number of individuals who have a well-literate level and the total number of respondents in each cluster. Results Calculation of the level of Islamic financial literacy of each indicator is in the appendix.

Based on the literacy table on the five indicators above, the Islamic Financial Literacy Index in the Islamic banking sector and the Islamic Financial Literacy Index, in general, is calculated. The following are the results of the calculation in Table II.

Table II. Islamic Financial Literacy Index of Sharia Banks in DIY

Indicator	PKL Islamic Literacy Index (%)	ASN Islamic Literacy Index (%)
Basic Understanding	43.60	65.10
Advanced Understanding	64.00	50.50
Skills	60.67	58.00
Confidence	89.33	59.33
Attitudes towards Islamic Banks	88.00	42.33
Behavior	61.60	60.90
Islamic Financial Literacy Index	**64,51**	**55,62**

Source: Processed Research Data

The calculation of the level of Islamic financial literacy showed that the level of Islamic financial literacy among street vendors in Malioboro is 64.51%, while the level of Islamic financial literacy in the ASN/PNS community in *Wonosari* reaches 55.62%.

Chen and Volpe (1998) divide the level of financial literacy index into three categories:

1. 0% - <60% indicates that individuals have a low level of financial literacy

2. 60% - 79% indicates that individuals have moderate levels of financial literacy

3. > 80% indicates that individuals have a high level of financial literacy.

Referring to the literacy rate category of Chen and Volpe (1998), the Islamic financial literacy index/level of 64.51%, among street vendors in *Malioboro* is in the moderate category, while the level of ASN community financial literacy *Wonosari* is 55.62%, in the low category.

Results from The Primary Data Obtained in Ethnographic Research

From the surveys and interviews, it is clear that all street vendors in *Malioboro* have savings accounts in both informal and non-formal financial institutions. At the same time, the interviews showed that almost all traders have savings accounts in non-formal Islamic financial institutions (micro-finance incorporated as cooperative), such as BMT *Beringharjo* and BMT *Tamzis*. Furthermore, 21% of street vendors in Malioboro also have savings accounts in conventional banks.

"Ms. Juwariyah, a street vendor, says that she has three different savings accounts: two savings at BMT *Beringharjo* and BMT *Tamzis* while the other one is in the Cooperative *(Kospin Tri Dharma)* PKL *Malioboro*. She has no bank account. She states that it is very easy to start a savings account at BMT; she is not required to go to any branch office like every day."[17]

BMT staff/officers are visiting Malioboro to help street vendors manage their savings. If she needs any business funds, she relies on BMT-BMT through a straightforward process, without any collateral, and without having to go to the branch office. Installment payments have the exact mechanism with savings; it is taken by BMT officers every day. If payment incapacity occurs, the BMT will give a grace period. Through mutual trust and closeness, the relationship between the Malioboro street vendor and the BMT becomes very close.

"Ms. Fitri, another street vendor, and Ms. Juwariyah also state that BMT *Beringharjo* routinely holds meetings with members every Saturday afternoon. The conference is usually filled with joint recitation and related financial information. It is not mandatory. They admit that they rarely join the regular session."[18]

BMT *Beringharjo* provides education, with an emphasis on excellent and prudent financial planning, which is one of the added values of BMT *Beringharjo*. The phenomenon can be seen from the basic understanding of the *Malioboro* street vendors in which the saving products understanding level is very high, reaching 90% because they all have these savings products. Meanwhile, in regards to the understanding of Deposit and Current products is at a low level. BMT, as a non-formal financial institution, does not have a demand for deposit products. Thus, there are only a few sellers of Malioboro street vendors who have a Giro account. The basic understanding of *Malioboro* street vendors on transactions that contain usury is at a very low level of 3%, while the knowledge on the differences between Islamic banks and conventional banks and the knowledge on Islamic contracts used in funding and lending products in Islamic banks are also at a low level.

Further, regarding understanding indicators, street vendors of *Malioboro* have a higher level of financial literacy index. This is supported by a high understanding of the obligations and rights of the customers of Islamic banks and the ability to determine the type of financing chosen based on needs with a score of 82 %. Whereas the ASN in *GunungKidul* only has the score of 20% for knowledge on rights and obligations as sharia bank customers and only 57% feel that they can determine the type of financing chosen based on needs, it is found that the ASNs are closely related to banks because they are related to payroll. When they need to borrow money from the bank, they get information from peers or friends who serve as salary staff working a lot with banks.

Based on the results of in-depth interviews with Mr. Najmudin Imam and Mr. Burhanudin, the ASN in *GunungKidul,* it is found that their payroll is made through BRI and Bank Mandiri, which are not Islamic bank.[19] Meanwhile, the product offers and promotions are usually not

done directly. Promotions are usually only done through pamphlets and brochures given by colleagues taking care of finances or salary treasurers who are often in direct contact with the bank.

The ability to calculate profit sharing based on the customer's ratio is related to the skill indicator. 83% of street vendors in Malioboro answer that they can calculate profit sharing based on customer ratios, while 87% of ASNs in GunungKidul are unable to calculate profit sharing based on customer ratios. On the other hand, 84% of ASNs in GunungKidul can calculate the percentage of zakat to be paid out of their income. Contrastingly, 63% of street vendors in Malioboro are unable to calculate the percentage of zakat, which should be calculated from the amount of their income; the main is that because the street vendors in Malioboro cannot calculate exactly how much income they earn.

The income received by *Malioboro* street vendors is volatile and seasonal. When the holiday season arrives, usually they will get a high income and make a lot of profits. However, these benefits are not recorded in good financial accounting. Thus, they have difficulty deciding exactly how much income they get. Even though the Malioboro street vendors have difficulty in calculating the exact amount of *zakat* they have to spend, 97% state that they routinely issue *zakat fitrah, zakat maal, infak, waqf*, and almsgiving as the obligations of a Muslim, as it is also related to the factors of religiosity and spirituality of the street vendors who claim that profit and loss is a fortune from Allah SWT. The important thing is always to pray and work to get a fortune from God. Regarding the belief indicator, 92% of street vendors in Malioboro say that they have a sense of justice when using sharia financial services, while only 19% of ASNs in *Gunungkidul* have such sense when using sharia financial services. In terms of profit-sharing, only 20% state that profit-sharing in Islamic banking is competitive. In the aspect of religiosity, both the *Malioboro* street vendors and the ASN in *Gunungkidul* are very concerned about the halal and illicit aspects of the money they have, with a score of 95% and 93%, respectively.

The ASN in *Gunungkidul* also states that the services provided by Islamic banks are not good as only 8% state that the services in Islamic banks are better than others.[20] It should be a concern for Islamic banks

and other Islamic financial institutions that has the factor of religiosity alone is not enough to run a business. Professionalism in all fields should also be prioritized.

The summary results from the primary data obtained in ethnographic research are presented in Table III.

Table III. Summary of Primary Data Findings

	PKL	ASN
Level of education	The average Education level is low, but literacy rates are higher	The average level of higher education but literacy rates are lower
Financial Socialization Agent	Islamic Microfinance Institutions (BMT)	Co-worker / Working Friends (Usually serves as treasurer in the workplace because it is more often associated with financial institutions)
Relationship with the agent	Direct, very close, a higher level of trust	Indirect, not close
Religiosity is related to finance	Paying attention to halal and illicit aspects of the money earned	Paying attention to halal and illicit aspects of the money earned
	There is education from the Agent (BMT) to manage finance so that it is not wasteful and excessive	There is no education from the agent
Confidence in Islamic financial institutions	Islamic Financial Institutions are deemed fairer	Islamic Financial Institutions are unfair
	Good service quality	Service quality is not good
	Competitive profit sharing	Uncompetitive profit sharing
Income	Non-fixed income	Fixed salary income

Source: Processed Research Data

Discussion

The Influence of Education Level on Islamic Financial Literacy Index

Based on the socio-demographic profile at the education level, the ASN community in *Wonosari Gunungkidul* has a high level of education, yet the level of the ASN community Islamic financial literacy index is in a low category. The *Malioboro* street vendor community has an average level of education at the lower secondary level, yet it has a higher Islamic

financial literacy index level than the ASN community in *Wonosari.* Lusardi and Mitchell (2011), Almenberg and Säve-Söderbergh (2011), and Cole et al. (2009) state that higher education people have a higher level of financial literacy than the level of education of the low one. Likewise, Atkinson and Messy's (2012) study on the OECD find a positive and significant relationship between education and financial literacy, i.e., the higher one's education, the higher the level of knowledge, attitudes, and financial behavior. Based on several studies above, the level of education affects the financial literacy index in one community. However, the data might be different in the comparison of different communities.

Educated people have a different mindset than uneducated. Countries that include financial education in their curriculums may have a community with a high financial literacy index, especially if the financial education curriculum is provided at the basic education level. In Indonesia, the Education curriculum does not include financial education. Cole et al. (2009) State that financial education is still a big challenge in Indonesia. It is because personal finance education is not provided in formal schools. A study conducted by Tustin (2010) shows that financial literacy training forms the mindset and financial intelligence and motivates people to plan and manage their finances well. The Australian and New Zealand Banking Group Ltd ('ANZ') surveys on adult financial literacy in Australia have reported that age, financial knowledge, and financial attitudes have a positive relationship with financial literacy indicators. Meanwhile, household income, education, and employment have a positive relationship in a small percentage of financial literacy indicators. They also state that Education and Occupation have associations with some behavioural indicators of financial literacy.[21]

In several studies above, it can be seen that the level of education does not always influence the level of financial literacy index. The individual should be directly involved in obtaining financial knowledge, whether they are interested in increasing their financial knowledge. Reluctance to increase the financial knowledge of civil servants in *Padang* causes a low level of financial literacy, even though the majority of the respondents have high levels of educational background.[22]

The Influence of Financial Socialization Agent on Islamic Financial Literacy Index

In financial literacy, financial knowledge is a necessary and fundamental aspect. Knowledge is obtained through processes between people who know those who do not know about finance. This process is called the socialization process. Socialization is a process that is inherent and experienced by each individual to acquire knowledge, values, or skills to be able to adapt and interact with the environment. The socialization process is used by many social scientists to explain the transfer of values, knowledge, or skills from one individual to another. It can be said that in social interaction, each individual in the community will influence the other. Individuals can transfer information, values, thought patterns, norms, and beliefs to other individuals.

In this case, an intermediary is needed between parties who know and those who have not been exposed to information and knowledge. The level of education and intelligence is, of course, influential in the pattern of thought and in the ability to receive a transfer of knowledge and information. So that each is different in his ability to absorb knowledge, the ability of agents to provide information and knowledge will also be different. So that in terms of knowledge and transfer of knowledge, many factors will influence. Isnurhadi (2013) found that individual factors, sharia bank promotion factors, and government influence literacy level. The factor of one's knowledge of fiqh muamalah in Islam and the ability of financial institutions and the government to provide information and promotion to the public simultaneously have a considerable influence on public financial literacy with a fairly good model fit.[23]

This research shows that it is not only the promotion factor of Islamic banks that influences the level of Islamic financial literacy, but the proximity to agent factor is also very influential. The role of this financial socialization agent is almost the same as that of a political socialization agent. This socialization of Islamic finance aims to transfer information, knowledge, values, beliefs, which will ultimately influence a person's behavior with financial decisions.

Research by Sohn et al. (2012); and Dewanty and Isbanah (2018) states that Agents of financial socialization influence financial literacy, and show positive effects on financial literacy. The influence of demographic factors and financial socialization agents was investigated by Dewanty and Isbanah (2018). Tests were carried out using the PLS method. The Adjusted R-Square value shows a value of 0.815, which can interpret that constructive financial literacy variables can be explained by demographic factors and financial socialization agents by 81.5%, and other factors by 18.5%.[24]

The research on financial literacy determinants will differ according to the adjusted R-Square value if the tested variables are only demographic factors. With the existence of a factor of financial socialization agent, the value of the R-Square adjusted becomes greater. The financial information agent has a parameter coefficient of 0.818 and a T-statistic of 10.342 96 1.96 (5%). It is showed that agents of financial socialization have a positive effect on financial literacy. The most influential social agents in the financial information of female workers in the financial sector are 78% families, then peers and media, respectively, at 72.4%.[25]

The most influential agents are parents because close relationship factors and have an impact on financial learning and individual understanding during their stages of development so that many studies have examined the impact of these financial information agents on young people.[26,27,28]

From this research, it can be concluded that the environment and community influence the level of acceptance of knowledge. Individuals who are members of communities that are directly related to financial institutions, both formal and non-formal, usually will be exposed to financial information. The information collected will be financial knowledge for the individual. This can be seen from the results of this research, which show that BMT, as a non-formal financial institution, significantly influences the level of financial literacy of street vendors in Malioboro. In this case, the BMT acts as an agent of financial socialization. The education level is closely related to knowledge indicators. In this research, knowledge is divided into two, i.e., basic and advanced understanding of Islamic finance.

The proximity of BMT Beringharjo and PKL in Malioboro is based on a high level of trust and close relations. If it is associated with the theory of psychological closeness, analogically, the theory of identification can be used to support psychological closeness. The concept of identification comes from psychoanalysis. Identification is related to the subconscious process that someone goes through by imitating other people's characteristics (attitudes, patterns, behavior, emotions). Related to individual factors, the character, attention, and interest of the community itself are likely to be relatively low. It might be caused by people's understanding of Islamic jurisprudence, which is generally still low, especially in particular related to fiqh muamalah.[29]

This approach is still lacking in Islamic banking. In Sadhana's study, it is concluded that the cause of customers' loyalty to Islamic banks is their adherence to sharia (religious motive), economic motive, trust, and commitment.[30] This shows that the assessment of the bad and the truth on the application of Islamic values in Islamic banking operation will significantly influence the loyalty of consumers (the public) towards Islamic banks. In other words, the quality of service and the application of Islamic values in Islamic banks is a guarantee of attractiveness as well as the binding capacity of consumer loyalty. Therefore, Islamic banking human resources should be able to implement sharia principles in banking practices and have a solid commitment to implement them consistently. This means that the service quality and values of religiosity are key factors in the success of Islamic banking. Emphasis on the values should be in line with the fundamental character of sharia economics, which is universal and inclusive, and a banking system that is fair, humane, reliable, and has spiritual values and high technology.

Some many studies show the influence of knowledge of financial products and services on changes in people's financial behavior. Hilgert et. all (2003) stated that there is a significant relationship between knowledge and behavior in one's financial activities in proving financial cash flows, managing loans, savings, and investments.[31] A similar conclusion is also stated by Courchane & Zorn (2005), who found that behavior that has been supported by financial knowledge has a positive

direct relationship with loan management.[32] A study conducted by Tustin (2010) states that financial literacy training cultivates a mindset and financial intelligence and motivates people to plan and manage their finances.[33] With this, the financial attitudes and behaviors possessed by the community can encourage people to make good use of financial products and services, thereby breaking the positive relationship between financial literacy and financial inclusion.

Financial inclusion is an essential strategy in every country to achieve economic prosperity through equitable income distribution, reduction in poverty levels, and achievement of financial system stability. Islamic financial inclusion is an important indicator oriented in improving people's welfare, reducing poverty and income disparities, and creating a more just and equitable life order. In the Islamic view, the government is obliged to do economic equality and avoid income gaps. As indicated by the value of the low accessibility dimension in his research, Umar (2017) states that high availability tends not to be used optimally by the public to use formal financial services as the primary financing source.[34] Communities are more likely to use informal financial services than formal banking facilities. The role of non-formal financial institutions that are dominant in Indonesia, especially in remote areas, indicates that the Islamic finance market in Indonesia is not functioning properly. Various previous studies show that the concept of Islamic teachings strongly influences the public perception of the name of Islamic banks. The name of Islamic banks influences people's views on the existence and model/system of bank services while at the same time fostering hope and trust. Only a few understand the value of universalism and the inclusiveness of Islamic banks.

Knowledge of the management system and Islamic banking service products is also still low. The concept that is often discussed is "rejection of usury" and applying a revenue-sharing system. The limited public knowledge of Islamic banks results in a false perception and an impact on the low decision of the community to choose Islamic banks.[35] It hampers not only the expansion of the Islamic bank market but also the spread of universal values. Therefore, the continuous introduction should be carried

out and supported by a strong commitment from all Islamic bank human resources to implement sharia principles in all banking practices.

In the end, if people become customers at Islamic banks, the moral values in Maqashid Syariah will influence business activities among individuals, companies, and countries to create a society that upholds the values of justice, honesty, transparency, anti-corruption, and exploitation. Maqashid Syariah is the theory that concerns human well-being.[36]

CONCLUSION

This paper contributes towards determinant factors of Islamic Financial literacy. The study showed that BMT as Islamic Microfinance acts as Financial Socialization Agent. The role of the Financial Socialization Agent greatly influenced the level of Islamic financial literacy. Banks or Islamic financial institutions can act as potential agents too. The close relationship between banks or financial institutions and customers greatly affects the customer's Islamic financial knowledge. Banks or Islamic financial institutions, both formal and non-formal, must play an active, continuous role and build good relationships with customers so that Islamic financial information and knowledge can be easily obtained.

The level of education influences the financial literacy index in one community, but this situation will be different among the different communities. Formal information and knowledge on Islamic finance (financial education) will work on the level of financial literacy if it is provided at the level of basic education. However, information and knowledge do not always work well if given to highly educated communities with formed and attached strong opinions.

Religious rules become one of the reasons for the lack of community connection to formal financial institutions. Thus, Islamic finance is considered to help open this access for the community. Islamic microfinance plays an important role in the process of inclusion of Islamic finance. Poor people can be given *qard al-hasan* (good loans) without fees, and even if they fail to pay, they can be given easy installments. Here, marginalized groups need special education and capacity building. When they successfully rise again to the next level, then they can work

with the bank until they can be established and fully connected with commercial, financial institutions.

RECOMMENDATION

This paper suggests the government of Indonesia to pay attention to the education curriculum related to public financial education at the basic level of education. Furthermore, banks or financial institutions should establish good relationships and proximity to customers. If the theory of closeness is related to the agent of financial socialization, it can be one of the interesting researchers to be discussed.

ENDNOTES

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