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“Entrepreneurship on Global Economics Development in the Era of Society 5.0”

The Urgency of Islamic Financial Literacy among the Community**Siti Mujiatun^{1*}, Frida Yanti Sirait²**¹Universitas Muhammadiyah Sumatera Utara

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² Universitas Islam Negeri Sumatera Utara***Email:** sitimujiatun@umsu.ac.id**ABSTRACT**

The study's objective is to demonstrate and explain Islamic financial literacy, which can help establish a sharia economy. The method in this research uses library research, namely electronic sources through accredited relevant journals and books. Research Results, Specifically, financial literacy education is always important for customers because it helps them budget and manage their income, save and invest effectively, and avoid fraud. To improve Islamic financial literacy, it is necessary to create an application called Connected, One Stop Solution which can facilitate the public with twenty Islamic financial literacy features, including saving features (ordinary tubes, gold tubes and Umrah and Hajj tubes, investing (sharia insurance), sharia mutual funds and sharia stocks), and features of fulfilling obligations and donating (zakat, infaq, alms and waqf).

Keywords: Urgency, Islamic, Financial Literacy

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INTRODUCTION

Financial literacy or financial "literacy" including 10 kinds of intelligence that humans must have. People who have no financial acumen, whether rich or lower-middle, their finances are directly exhausted to repay debts and expenses, so that nothing is saved. But it is different from the money flow of the rich, who are getting richer with their financial acumen. All their income is not spent, but is used to own assets so as to provide additional income, then manage expenses well, do not owe too much, and the result is that there is still some leftover to save. There is no point in someone who is smart in school days, has good emotions, but cannot manage his finances well. Without realizing it, the money that has been earned from his work is silent, due to mismanagement (Saputra, 2017).

The Financial Services Authority (OJK) reported that Indonesians had a financial literacy level of 38.03 percent in 2019. The level of financial literacy remains relatively low, despite improvements over previous years. According to the financial literacy index, which is 38.03 percent, only 38 people out of every 100 people understand financial institutions and products offered by financial services well. As a result, 62 additional residents lack financial literacy. Understanding the features, benefits, risks, rights, and obligations of financial products and services is the definition of financial literacy. Additionally, financial literacy measures the level of appropriate behavior, attitudes, and skills in utilizing financial products and services. (Otoritas Jasa Keuangan, 2019). As a result, 62 additional residents lack financial literacy. Understanding the features, benefits, risks, rights, and obligations of financial products and services is the definition of financial literacy. OCBC NISP Financial Fitness Index results indicate that the level of financial literacy of the Indonesian people in 2021 is at the level of 37.72 out of a total score of 100, which is still lower than Singapore's level of 61. Financial literacy also measures the level of skills, attitudes, and correct behavior in using financial products and services (Financial Services Authority, 2019). We can learn from this data on financial literacy level that Indonesia's level of financial literacy is still low, which could affect every public decision about how to manage its finances. In order for the general public to determine, manage, and select appropriate, effective, and efficient financial instruments, as well as in order to prevent future financial cases from repeating themselves, public financial knowledge and understanding—also known as financial literacy—must be enhanced. (Rochendi & Rita, 2022).

Stakeholders must put in a lot of effort in order to raise public awareness of financial service providers due to the low level of financial literacy (Khairiyati & Krisnawati, 2019). In addition, due to the rapid development of financial technology in the digital age, people must be educated on how to use financial services to their full potential to avoid becoming victims of fraud. Urban residents have a higher level of financial literacy than those in other regions, at 41.41 percent in 2019. In contrast, rural residents made up about 34.54 percent of the population in the same year. OJK conducts this financial inclusion and literacy survey every three years. The most recent survey, which took place in 2019, surveyed 12,773 people from 34 provinces and 67 regencies or cities that covered the entire financial services industry that was under the OJK's supervision.

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Figure 1. Conventional and Sharia Financial Literacy Index (OJK)

The obtained results indicate that the Indonesian population's Islamic financial literacy index has increased from 8.93 percent in 2019; this indicates that Islamic financial literacy is still insufficient and that the general public is still unaware of it. (Farliana et al., 2020).

METHOD

The problem of Islamic financial literacy, which is still very low among the public, is the focus of this qualitative study, which supports the development of the Islamic economy. This research also uses descriptive analysis with various literature studies on financial literacy.

RESULT AND DISCUSSION

The Concept of Financial Literacy

Financial literacy and economic literacy have the potential to influence individuals' behavior and performance in managing their personal finances as well as the behavior and performance of communities and economic actors. They can also serve as an input for making efficient financial decisions. Digital literacy plays an essential role. because humans have found new patterns when disruptive technology is present so quickly in various aspects of life offering many opportunities, yet also bringing tremendous challenges (Soraya & Lutfiati, 2020). It is no stranger that the development of the financial technology (fintech) industry is becoming increasingly diverse, and not only in the application of banking services. The payment financial services, QR code (QR code site and dynamic) funding, banking (digital banking), capital market (capital market), insurance (insurtech), and other financial services support services sectors of the fintech industry in Indonesia are growing. (Dahmen & Rodríguez, 2014) .

According to Stolper & Walter (2017), the Jumpstart Coalition for Personal Financial Literacy introduced the concept of financial literacy (FL) in the United States in 1997. The term describes the ability to use knowledge and skills to effectively manage one's financial resources for lifelong financial security. Nevertheless, Hung et al., (2009), in which he examines the concept of competing financial literacy and finds that the literature has proposed a number of definitions and does not have a consensus on what financial literacy really means. They document a wide range of conceptual definitions and demonstrate that each emphasizes a distinct aspect of financial literacy, namely the individual's financial

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experience and even sound financial behavior, in addition to actual and perceived knowledge of financial issues and the capacity to apply that knowledge.

Islamic Financial Literacy Education

Consumers have always relied on financial literacy education to help them budget and manage their income, save and invest effectively, and avoid being scammed. However, as financial markets become more sophisticated and households take on more risk and responsibility for their financial decisions, financial education becomes increasingly important for individuals to ensure not only their own financial well-being but also the economy and financial markets' smooth operation (Rita & Santoso, 2017). Customers who are financially literate encourage providers to develop new products and services, which increases competition in the financial markets and leads to an increase in innovation and quality improvement. People create demand for products that are more responsive to their needs. Financial education is the process by which financial consumers and investors increase their understanding of financial products and concepts through objective information, instruction, and/or advice. It also develops skills and beliefs to become better aware of financial risks and opportunities. Efficiently operating and evolving financial markets will help drive economic growth (Rochendi & Rita, 2022), to make decisions based on information, to know where to get assistance, and to take other effective steps to improve one's financial situation, such as:

- 1) Information provides specific facts, data, and knowledge to inform individuals of financial choices and opportunities;
- 2) Instruction ensures that individuals acquire the skills and ability to comprehend financial terms and concepts by providing training and guidance;
- 3) Advice helps customers make the most of the financial information and instructions they have received by offering general guidance on financial topics and products.

Although there are some parallels between the two, financial literacy education and consumer protection must be distinguished (Ningtyas, 2019). Financial literacy education and consumer protection share some goals, but they approach them in slightly different ways. However, at their core, both aim to safeguard consumers from financial dangers and ensure their well-being. Both have a tendency to provide information regarding financial issues. While consumer protection emphasizes laws and regulations designed to enforce minimum standards, requires financial institutions to provide clients with appropriate information, strengthens consumer legal protection when something goes wrong, and provides an indemnity system, financial education complements this information with the provision of instruction and advice (Laturette et al., 2021).

To put it another way, consumer protection places a strain on the legal system and financial institutions, whereas financial education places a burden on individuals. The importance of financial education has increased in recent years as a result of the growth of financial markets and demographics, the economy, and changes in policy. New products are constantly being introduced to the financial market, which is becoming increasingly sophisticated. Customers now have greater access to a wide range of credit and savings instruments offered by a variety of organizations, including community-based organizations, online banking systems, and brokerage firms. Even for people with basic financial

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knowledge, the variety and complexity of financial products available in today's financial markets—whether for investment, savings, credit, or debt—can be challenging. For those with little or no financial knowledge, that can be a real challenge. However, in a lot of countries, people now have to make more financial decisions and take on more responsibility for them. In addition, many of them have not adequately prepared for the financial obligations they now face. As a result, it is absolutely necessary for customers to increase their financial literacy (Kusumadewi et al., 2019).

Implications of Islamic Financial Literacy

The digitalization of Islamic banking services must be transformed. Media formats have shifted to online formats in the digital era, like today, because anyone who needs information can easily access them. Information about the Islamic economy and banking will also be readily accepted by the general public thanks to the ease with which they share it on their respective social media accounts. The evaluation's solution involves digitizing Islamic financial services and products. People can easily access all information about Islamic financial products and services without being limited by time or location thanks to this digitalization. The author has a digital innovation for Islamic financial products and services called "Connected, One Stop Solution". This application can make it easier for people to create Islamic bank accounts without the need to come to a branch office, then in addition to Islamic banking products, this application offers other Islamic financial products such as sharia asuransi, sharia pawns, sharia mutual funds and sharia stocks. In addition, for social purposes people can pay Zakat, Infaq, Shadaqah and Waqf in this application.

The "Connected" application is a technological innovation for Islamic finance that has a positive impact on the development of Islamic finance in Indonesia, both in the bank financial industry and the non-bank financial industry. As a result, the application provides even better development, including:

- 1) Supporting the Improvement of Islamic Financial Inclusion An effort to raise public awareness of Islamic finance's presence in Indonesia is the digitalization of Islamic financial services and products (Yanti, 2019). In addition, the technology that is currently in use through the Connected people app can be used to improve the quality of services and products provided to the security community in a way that is consistent with the fitur-fitur provided by the security community. As a result of the Connected application, there is a significant increase in the number of people who are affected by this regulation in Indonesia.
- 2) Digitizing Islamic Financial Services and Products to Increase Financial Literacy The ever-increasing use of smartphones and the internet is an opportunity that must be taken advantage of by all industries, including the Islamic financial sector (Seran & Pattipeilohy, 2021). The general public will be aware of Islamic financial services and products that can meet every need thanks to applications that make it easier for the general public to access Islamic finance (Connected) and information technology that is becoming more open.
- 3) Increase Islamic Financial Market Share Because the Connected app has so many different features, there are many different reasons to use Islamic financial products and services. It is hoped that the general public will have easy access to all information regarding Islamic finance due to this application's straightforward registration and use.

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- 4) Supporting the Government Program "Non-Cash National Movement" The government started a national cashless program in which people from all walks of life are encouraged to use less cash to buy and sell things. Connected in its development strongly supports this government program, where every community can use the QR and NFC scan features to make payments. In addition, Connected has also provided PLN, Credit and PDAM payment menus for the convenience of the community.
- 5) Support Halal needs Connected develops a system that is in accordance with halal and sharia transactions, in contrast to other crowdfunding and peer-to-peer applications that continue to use conventional interest-based systems. As a result, users need not be concerned about elements of gharar, maysir, tadlis, ikhtikar, or riba. (Ramadhani et al., 2021).

DISCUSSION**How to Educate the Public about Financial Savvy**

Financial savvy Education to the public can be done by the way the entire financial services industry implements financial literacy and digital literacy programs, starting from a society that is far from modern. One of them is the Minister of Communication and Information together with the Financial Services Authority (OJK) to improve people's financial literacy as well as supervision of digital financial platforms through the National Digital Literacy Movement Program (GNLD). Through this GNLD, it is hoped that the public can better understand financial literacy and avoid financial risks that can harm the community. The Financial Services Authority (OJK) also launched 3 financial literacy infrastructures, namely the Indonesian National Financial Literacy Strategy (SNLKI) 2021-2025, the Learning Management System (LMS) for Financial Education, and the Smart Pocket Book of Managing Finances for Brides-to-be.

One of the most important components of the SNLKI's 2013 and 2017 revisions is the National Literacy Strategy for Indonesia from 2021 to 2025. SNLKI 2021–2025 will include a national committee appointed by OJK, the Pelaku Usaha Jasa Keuangan (PUJK), and other stakeholders in the development of a program for education and training in keuangan. This is because upaya training in keuangan for the Indonesian population will be carried out in a more systematic, structured, and coordinated manner (OJK, 2021). As part of the Forum Koordinasi Pembiayaan Pembangunan melalui Pasar Keuangan (FKPPPK), Kementerian Keuangan (Kemenkeu), Bank Indonesia (BI), Otoritas Jasa Keuangan (OJK), and Additional Penjamin Simpanan (LPS) menyelenggarakan acara Literasi Keuangan Indonesia Terdepan (Like It)

The preparation of the Indonesian National Financial Literacy Strategy for 2021-2025 is a form of improvement and refreshment of SNLKI in 2013 and Revisit 2017. SNLKI 2021-2025 will serve as a national guide for OJK, Financial Service Institutions (PUJK), and other stakeholders when it comes to the implementation of financial literacy and education programs. This will enable efforts to increase Indonesians' financial literacy to be carried out in a manner that is more methodical, structured, and well-coordinated (OJK, 2021). A virtual Like It event was organized by the Coordination Forum for Development Financing through Financial Markets (FKPPPK) in collaboration with the Ministry of Finance (Kemenkeu), Bank Indonesia (BI), the Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS) (Bank Indonesia, 2021).

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One of the joint efforts to improve public and young people's financial literacy is the implementation of Like It to expand Indonesia's retail investor base and develop the financial sector (Bank Indonesia, 2021). Through a more equitable distribution of income, the reduction of poverty, and the stability of the financial sector, financial inclusion can facilitate economic growth. It is urgently necessary to increase community financial literacy in order to realize an inclusive financial system.

Regarding the Islamic economy, Paristiyanti advised cultivating it from early childhood through elementary school, junior high, senior high, and higher education. Paristiyanti is of the opinion that the people of Indonesia are capable of constructing a civilization based on the Sharia economy.

Based on school level data from the Ministry of Education and Culture (Kemendikbud) 2020, the number of private kindergartens is 87,726 and public 3,363. Then, private elementary schools were 16,270 and public schools were 131,974. Middle school 15,733 and land 23,227. Then, there are 6,7663 private and 6,732 public high schools. Finally, there are 10,191 vocational schools for private and 3,519 for public. Meanwhile, data from the Ministry of Education and Culture 2018 the number of students based on the level of education, from early childhood, elementary, junior high, high school, higher education, community education, special education, religious education, courses and training, there are a total of 68,729,037 students. This can be a great opportunity to develop the Islamic economy.

Islam itself views the role of education as very important for life. In fact, Islam has regulated how to educate a person based on their age level, from early childhood to adulthood. For this reason, the role of parents in educating their children is vital. Parents should understand the stages of educating their child. Karim Consulting Indonesia founder Adiwarman Azwar Karim revealed in the book Islamic Education, explaining the role of parents in educating children. The first exclamation in the book is to ask parents to play games with their child at the child's first seven years of age. Second, parents must teach discipline to children in the second seven years. The third exclamation, the parents become good friends of the child in the third seven years. Fourth, parents should teach independence to the child in the fourth seven years. If you provide sharia education from an early age, the first thing to teach is adab. It is explained in the hadith that there is no gift from a father to his son that is more primary, than adab. Then, pass it on to the child in a fun way.

IMPLICATIONS

The results of this research can be used as a reference or basis for thinking as well as taking practical steps and evaluation for the Muslim community in particular. Early financial literacy education by the author and Islamic financial literacy is one of the foundations of society in deciding to use Islamic bank products and financial management information properly. The community involves religion in considering the use of products in Islamic banks, meaning that people will tend to choose products that do not conflict with Islam. This can trigger banking that does not conflict with Islamic law. Both in the end result, and in each process. so that people will believe that Islamic bank products are the best option for managing money and that they will feel safe knowing that they follow Islamic law.

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CONCLUSION

In this paper, it can be concluded that financial literacy education is always important for consumers in helping them budget and manage their income, save and invest efficiently, and avoid becoming a victim of fraud. Early financial literacy education by the author and Islamic financial literacy is one of the foundations of society in deciding to use sharia products.

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