

## The Influence of Sharia Financial Literacy on Financial Behavior

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**Abstract:** The issue of sharia financial literacy is closely related to one's ability to know and understand Islamic financial products and services based on sharia principles. The purpose of sharia financial literacy is expected not only to know and understand sharia financial services institutions and sharia financial products and services but also how to be able to change and improve people's behavior in sharia financial management so as to improve public welfare. This study aims to analyze the level of Shariah financial literacy and the influence of the level of Sharia financial literacy on the financial behavior of the people guided by the Al-Manar Muhammadiyah Boarding School in Ogan Komering Ilir. Data analysis uses descriptive statistical analysis and multiple linear regression analysis. Cumulatively, all sharia financial literacy variables have a positive effect on people's financial behavior. Partially, each variable has a positive effect.

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**Keywords:** Sharia Financial, Sharia Financial Literacy, Financial Behavior.

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### A. INTRODUCTION

Indonesia is known as the country with the largest Muslim population in the world, where more than 87% of the population is Muslim (Monica Anderson & Jingjing Jiang, 2018). This condition provides great potential for the development of various sharia-based sectors, including in the field of sharia finance. However, the level of sharia financial literacy in Indonesia is still relatively low. Based on a survey by the Financial Services Authority (OJK) in 2016, the level of sharia financial literacy of the Indonesian people only reached 8.11%, far behind conventional financial literacy of 29.66% (Asmiyanti et al., 2021).

Indonesia is a country that still has poverty problems, based on BPS data, the number of poor people in Indonesia tends to decrease every year. In 2017, the total number of poor people and the percentage of poor people were at their lowest in the last 6 years, which was 26.58 million people with a composition of 10.27 million poor people in cities and 16.31 million poor people in villages. With a percentage of poor people reaching 7.26% for poor people in cities, and 13.47% for poor people in villages. Although it continues to decline, the number of poor people is still quite high. Poverty occurs due to various factors, one of which is the low financial literacy of the community (Puspita et al., 2021).

Sharia financial literacy is the ability to understand the basic concepts of sharia finance, sharia financial products and services, and to be able to manage finances responsibly according to Islamic principles that avoid usury, gharar, and maysir (Aprilia, 2023). This low literacy has an impact on people's financial behavior which is less than optimal and not in line

with sharia principles, thus potentially hampering the growth of the national sharia financial sector.

Several previous studies such as Saputra et al. (2023) showed that the level of Islamic financial literacy has a positive correlation with good financial behavior. Likewise, research by Hidayah et al. (2023) found that Islamic financial literacy has a significant effect on the financial behavior of the community fostered by Islamic boarding schools. Islamic boarding schools, as traditional Islamic educational institutions, have a strategic role in fostering and educating the community, both in the fields of religion and socio-economic aspects. The Al-Manar Muhammadiyah Modern Islamic Boarding School is one of the modern Islamic boarding schools that integrates religious and general education. With a modern approach and based on Islamic values, this Islamic boarding school is expected to be a driving force in increasing Islamic financial literacy in the community.

Referring to the potential and strategic role of the Islamic boarding school, this study aims to analyze the level of Islamic financial literacy and its influence on the financial behavior of the community fostered by the Al-Manar Muhammadiyah Modern Islamic Boarding School. It is hoped that this study can provide a real contribution to the development of Islamic economics through strengthening financial literacy among the Islamic boarding school community. This study aims to measure and analyze the level of Islamic financial literacy of the community fostered by the Al-Manar Muhammadiyah Modern Islamic Boarding School and to analyze the influence of Islamic financial literacy on the financial behavior of the community fostered by the Al-Manar Muhammadiyah Modern Islamic Boarding School.

## **B. METHOD**

This study uses a quantitative approach with an associative research type. The quantitative approach was chosen because this study focuses on hypothesis testing based on numerical data and statistical analysis. The associative approach is used to examine the relationship between the level of Islamic financial literacy and the financial behavior of the community fostered by the Al-Manar Muhammadiyah Modern Islamic Boarding School. The population in this study were all fostered communities who participated in the economic and social development program at the Al-Manar Muhammadiyah Modern Islamic Boarding School, with a population of 150 people. The sampling technique used was purposive sampling, which is a sampling technique based on certain criteria. The types of data used in this study consist of primary and secondary data. The data analysis technique used in this study used descriptive analysis, validity and reliability tests, classical assumption tests, multiple linear regression analysis and hypothesis testing.

## **C. RESULTS AND DISCUSSION**

### **1. Overview of Research Location**

Al-Manar Muhammadiyah Modern Islamic Boarding School was established in 1995 under the auspices of the Muhammadiyah organization. This Islamic boarding school is located in Ogan Komering Ilir Regency, South Sumatra Province, in the midst of a predominantly Muslim community. This boarding school carries the concept of integrated

education, namely combining general and religious education curricula in one learning system. In addition, this Islamic boarding school has a community economic empowerment program through sharia entrepreneurship training, sharia financial education, and sharia cooperative development.

## **2. Respondent Characteristics**

In this study, the author conducted a study on the community fostered by the Al-Manar Muhammadiyah modern Islamic boarding school in Ogan Komering Ilir Regency. The objects of this study were spread across several sub-districts in Ogan Komering Ilir Regency. In this section, the author analyzes the collected data, the data that has been collected is in the form of respondent answers to determine the effect of the level of Islamic financial literacy on the behavior of the community fostered by the Al-Manar Muhammadiyah modern Islamic boarding school. The study was conducted with a sample of 45 respondents. In taking the 45 respondents, the probability sampling technique was used, so each community was taken randomly and all residents had the same opportunity to be selected as a sample in this study.

The characteristics of respondents identified as samples in this study are divided into several groups, namely according to gender, education level, age, occupation, income and Islamic financial institution services that have been used. The division of these groups aims to obtain more objective results from each answer. The data is summarized using Ms Excel 2016, all of this data will be used by researchers to present in more detail and will be explained through pie charts according to their respective categories.

## **3. Data Analysis Techniques**

### **a. Validity Test**

The validity test of the questionnaire is carried out to measure whether or not the statements in the questionnaire are valid. The validity test is carried out to show the extent to which a measuring instrument is able to measure what will be measured.

### **b. Reliability Test**

Reliability test was conducted for the level of consistency of answers from respondents. The results of the reliability test on the variables of Sharia Financial Literacy, Sharia Savings Literacy, Sharia Insurance Literacy, Literacy about Sharia investment on the financial behavior of the community fostered by the Al-Manar Muhammadiyah modern Islamic boarding school in Ogan Komering Ilir Regency.

## **4. Hypothesis Testing**

Hypothesis testing is used to explain the strength and direction of the influence of several independent variables on a dependent variable. This study uses simple linear regression analysis and multiple regression to test the hypothesis. Data analysis was carried out using the SPSS 25 program. The hypothesis testing methods used are the Individual Significance test (t-test), the Simultaneous Significance test (Ftest), and the Determination Coefficient test (R<sup>2</sup>). In this hypothesis test,  $X = 0$  will not be possible, because the total value of the questionnaire statements does not have a value of 0.

## a. T-test

Individual Significance Test (t-test) In this study, the t-test was used to determine how much influence each independent variable, namely, Literacy about basic knowledge of Islamic finance, Literacy about Islamic savings, Literacy about Islamic insurance and Literacy about Islamic investment on the financial behavior of the community fostered by the Daarut Tauhid Islamic boarding school in Bogor Regency. The t-test criteria can be done by comparing the calculated t value and the t table. If the calculated  $t > t_{table}$ , then  $H_0$  is rejected and  $H_1$  is accepted. Meanwhile, if the calculated  $t < t_{table}$ , then  $H_0$  is accepted and  $H_1$  is rejected. In addition to looking at the t table, the t test can also be done by looking at the Sig. value, where if the Sig. value  $< 0.1$  then the independent variable has a significant effect on the dependent variable, but if the Sig. value  $> 0.1$  then the independent variable does not have a significant effect on the dependent variable. To compare the calculated t value with the t table, the t table value must first be known.

Table 1. T- test

Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	33.194	10,384		3.197	.003
	Basic Knowledge of Islamic Finance (X1)	.220	.051	.317	4.312	.025
	Sharia Savings (X2)	.270	.064	.307	4.250	.034
	Sharia Insurance (X3)	.206	.042	.363	4,860	.002
	Sharia Investment (X4)	.454	.080	.427	5,682	.078

a. Dependent Variable: Financial Behavior

Based on the table above, it is known that the t-value of the Sharia financial literacy variable is 4.312 and the significance level is 0.025. So the t-count is smaller than the t-table and the significance is less than 0.1 so it can be concluded that the Sharia financial literacy variable influences the financial behavior of the community fostered by the Al-Manar Muhammadiyah modern Islamic boarding school and the Sharia financial literacy variable is one of the factors that influences the financial behavior of the Al-Manar Muhammadiyah modern Islamic boarding school. This shows that if it is carried out with good Sharia financial literacy, it will have an effect on improving the financial behavior of the fostered community.

The variable of sharia savings literacy shows that the t-value is 4,250 and the level of significance is 0.034. This shows that the t-count is greater than the t-table and the level of significance is less than 0.1 so that it can be concluded that there is an influence between the variable of sharia savings literacy on the financial behavior of the

community fostered by the Al-Manar Muhammadiyah modern Islamic boarding school. This shows that if the process is carried out properly, it will have an effect on improving the financial behavior of the fostered community.

Furthermore, for the Sharia insurance literacy variable, the calculated t value is 4,860 and the significance level is 0.002. So the calculated t is smaller than the t table and the significance level is greater than 0.1. It can be concluded that sharia insurance literacy has a significant influence on people's financial behavior. This shows that if the program is carried out properly, it will have an effect on improving people's behavior. The fourth variable is Sharia investment literacy, the t-value is known to be 5.682 and the significance level is 0.078. So the t-count is smaller than the t-table and the significance level is greater than 0.1 so it can be concluded that sharia investment literacy has an effect on people's financial behavior. This shows that if the program is carried out properly, it will have an effect on improving people's behavior.

b. Coefficient of Determination

The determination coefficient test to measure how much variation of the independent variables, namely Literacy about basic Sharia financial knowledge, Literacy about Sharia savings, Literacy about Sharia insurance and Literacy about Sharia investment can explain well the dependent variable, namely Factors that Influence the financial behavior of the Islamic boarding school community. The results of this test are listed in the following variables:

**Table 2.** Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.761 <sup>a</sup>	.579	.559	5,707
a. Predictors: (Constant), PD, TS, AS and IS				

Based on the results of the table above, it shows that the coefficient of determination (R<sup>2</sup>) is 0.579. This shows that the influence of the dependent variable is 57.9% while the remaining 42.1% is influenced by other variables not examined in this study.

The results of this study indicate that Islamic financial literacy has a positive and significant influence on the financial behavior of the fostered community. The literacy dimension of Islamic savings and Islamic investment has a fairly large influence compared to other dimensions. To understand the results of this study in more detail, the discussion will be divided into several parts as follows:

**1. The Influence of Basic Knowledge of Islamic Finance on Financial Behavior**

Basic knowledge of Islamic finance, including an understanding of the prohibition of usury, gharar, and maysir, is an important foundation in forming financial behavior that is in accordance with Islamic principles. Respondents who have a better understanding of these principles tend to be more careful in choosing financial products. They avoid financial practices that are contrary to Islamic law, such as high-interest loans or speculative

investments. This is in line with research (Tegar, 2024) which states that understanding the basic principles of sharia plays a very important role in individual financial decisions. Thus, increasing the understanding of basic sharia concepts can be an effective strategy in improving people's financial behavior.

## **2. The Influence of Literacy on Sharia Savings on Financial Behavior**

Sharia savings are one of the most well-known and used financial products by the fostered community. Respondents who understand the concept of mudharabah and wadiah are more likely to have regular savings habits. This shows that literacy about sharia savings has a positive correlation with good savings behavior. Research by (Rahmawati & Hamdan, 2021) supports this finding, where it is explained that understanding sharia savings increases the tendency of individuals to set aside their income consistently. This is important in building family financial resilience.

## **3. The Influence of Literacy on Sharia Insurance on Financial Behavior**

Literacy about sharia insurance, although influential, shows a smaller influence compared to other dimensions. Many respondents still have doubts about the concept of takaful due to the lack of socialization and understanding of the principles of mutual cooperation and mutual assistance in sharia insurance. Research (Ningrum et al., 2022) also revealed that public awareness of sharia insurance is still low, due to the lack of effective educational campaigns. Therefore, a more intensive educational program is needed to introduce the benefits of sharia insurance to the public.

## **4. The Influence of Literacy on Sharia Investment on Financial Behavior**

Sharia investment is starting to be widely known among the fostered community. Products such as sukuk, sharia mutual funds, and sharia stocks are alternative choices for developing funds. Respondents who understand the risks and benefits of sharia investment tend to have wiser investment behavior. Research by (Widyastuti & Afisa, 2022) found that sharia investment literacy is positively correlated with productive investment behavior. Thus, increasing sharia investment literacy can strengthen people's financial behavior in the long term.

## **D. CONCLUSIONS AND SUGGESTIONS**

Based on the results of research on the influence of Islamic financial literacy on the financial behavior of the community fostered by the Al-Manar Muhammadiyah Modern Islamic Boarding School, several things can be concluded as follows:

1. The level of literacy of sharia financial knowledge of the community fostered by the Al-Manar Muhammadiyah Modern Islamic Boarding School is generally in the moderate category. Most of the community has understood the basic concepts of sharia finance, sharia savings, sharia investment, and sharia insurance, although the level of understanding of the sharia insurance aspect is still relatively low.
2. Literacy of basic knowledge of Islamic finance, Islamic savings, Islamic insurance and Islamic investment have a significant effect on financial behavior. This means that

increasing Islamic financial literacy will contribute to improving people's financial behavior, especially in the aspects of financial planning, consumption management, saving, investing, and the use of Islamic financial products.

## SUGGESTION

Based on the conclusions above, the suggestions that can be conveyed by the author are:

1. For the public, this study can be used as information about financial behavior that has been set by the government. When distributing the questionnaire, many respondents did not know about the features, benefits and risks of financial products and services from Islamic financial service institutions. So with this study, it is hoped that the public will be more aware of information and knowledge about the importance of accountability in public sector organizations.
2. For Islamic boarding schools, the author provides suggestions, namely that for coaching on Sharia financial literacy, these materials should be more intensive and become something that is considered important together, so that the expectations of the role of Sharia financial literacy on the financial behavior of the community fostered by the Al-Manar Muhammadiyah modern Islamic boarding school can be in accordance with expectations.

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