

ANALYSIS OF THE LEVEL OF SHARIA FINANCIAL LITERACY IN BUSINESS PLAYERS IN THE CIKURUBUK MARKET

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Abstract

The problem arising from this research is the need for sharia finance users in the market. business actors in the Cikurubuk Market, besides that, some traders with pesantren graduates who graduates of Islamic boarding schools, who, in fact, already know about Islamic finance, still use conventional finance. The emergence of Islamic Banks in Tasikmalaya has yet to attract public sympathy and empathy to become customers among traders in the Cikurubuk Market. To become customers among traders in the Cikurubuk Market, even though traders are closely related to financial transactions. Very closely related to financial transactions. Even their lack of knowledge about Sharia institutions will have an impact on misperceptions that are not yet appropriate to the existence of Islamic financial institutions. The existence of Islamic financial institutions. Customer knowledge about Islamic financial institutions itself is still very minimal. There are still customers who still need to learn about the actual types of Islamic financial institutions. One example is that there are still customers who equate Islamic banks with conventional banks. Islamic banks with conventional banks. This is due to several factors that make customers still need to treat Islamic banks in total fully.

The purpose of this study was to determine the level of Islamic financial literacy in business actors in the Cikurubuk Market, Tasikmalaya City, using quantitative descriptive analysis techniques. Business actors in Cikurubuk Market, Tasikmalaya City, using

quantitative descriptive analysis techniques. This research includes indicators of basic Sharia financial knowledge, Sharia savings & loans, Sharia insurance and Sharia investment. The type of data used is primary data by distributing questionnaires to all respondents.

The results of this study indicate that the level of Islamic financial literacy in business actors in Tasikmalaya Cikurubuk Market is 50.72% and classified into the low category (<60%). Cikurubuk Market Tasikmalaya amounted to 50.72% and was classified into the low category (<60%). The study This study uses 4 indicators, namely basic knowledge of Sharia finance, Sharia savings, Sharia insurance and Sharia investment, with average results in each aspect, namely: basic knowledge of Islamic finance 62.66%, Islamic savings and loans 50.43%, Islamic insurance 48.33% and Islamic investment 41.45%. Sharia investment of 41.45%.

Research paper

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ICCEIS: INTERNATIONAL COLLABORATION CONFERENCE ON ISLAMIC ECONOMICS INTERNATIONAL CONFERENCE AND CALL FOR PAPER

Introduction

Currently, the level of Islamic financial literacy in Indonesia regarding Islamic financial service products is an important factor in encouraging Islamic financial literacy. From the Sharia Financial Literacy Index released by the Financial Services Authority (OJK) in 2022, it shows that Indonesia is at a score of 9.14%. Meanwhile, the Sharia Economic Literacy Index from Bank Indonesia is at the right score of 20.1 percent. This shows the urgency of increasing public understanding of various sectors of the Islamic economy, without exception in the financial sector. This literacy rate is still low, so it is necessary to continue to improve education and outreach. This literacy rate also shows that the most important determinant of the low market share of the Islamic finance industry in Indonesia is an understanding of Islamic economic and financial transactions.

Islamic financial literacy is expected to be a solution for financial practices that lead to usury, maysir and gharar. The fact is that until now, Islamic finance in Indonesia has a low market share, the majority of which are Muslims. Islam is a religion that regulates all aspects of life providing directions in earning income, consuming it, saving, investing, managing assets and all aspects related to finance according to Islamic law. The author conducted a preliminary study by distributing questionnaires and interviewing 100 business people in the Cikurubuk Tasikmalaya Market. From the results of the preliminary study, only 23 traders used Islamic financial institutions, the rest had never. This is because their knowledge of Islamic financial institutions is minimal, even though Islamic banks themselves routinely conduct outreach to traders at the Cikurubuk Market.

The phenomenon that occurs is as observed by researchers, the emergence of Islamic banks in Tasikmalaya does not attract the sympathy and empathy of the public to become customers among traders at Cikurubuk Market, even though traders are very closely related to financial transactions. In fact, their lack of knowledge about Islamic institutions will have an impact on incorrect perceptions of the existence of Islamic financial institutions. This fact is an irony. The formation of perceptions will have an impact on the progress of Islamic banks and will also influence customer behavior in investing and taking funds.

Customer knowledge about Islamic financial institutions themselves is still very minimal, there are still customers who do not know about the actual types of Islamic financial institutions, one example is that there are still customers who equate Islamic banks with conventional banks. This is because there are several factors that make customers not fully treat Islamic banks in total including; the first is the less widespread spread of Islamic banking compared to conventional banks so that people have not completely separated from conventional banking, the second is that people are still used to conventional banks because conventional banks are the first banks known to the public.

Judging from the number of business actors in this market who are still very minimal in using Islamic finance, this is likely to be low Islamic financial literacy among business actors in the Cikurubuk Market. Appointed from there, this research was conducted to measure the level of Islamic financial literacy of business actors in the Cikurubuk Market. To measure the level of Islamic financial literacy, researchers used indicators from previous research, namely Chen and Volpe, which can be used as a benchmark for Islamic financial literacy. These indicators are knowledge of personal Islamic financial literacy in general, Islamic savings and deposits, Islamic insurance, and Islamic investment. Then to find out the level of Islamic financial literacy of business actors in the Cikurubuk Tasikmalaya Market, the researchers looked at the level of financial literacy based on Chen and Volpe which classified the level of

financial literacy into three categories, namely: high, medium, and low.

Therefore, this research is very important to do because it is rarely researched, especially traders in the market which are very closely related to financial transactions. Besides that, judging from previous research, the dominance of their research is research on students and the public. Based on the description described above regarding the importance of understanding Islamic financial literacy that must be owned by everyone, especially business actors, the authors are interested in conducting further research, namely on "Analysis of Islamic Financial Literacy Levels in Business Actors in the Cikurubuk Market". Research methods

Methodology

This research uses a quantitative approach that is descriptive in nature, what is meant by descriptive research is research that describes the characteristics of a population about an observed phenomenon. Descriptive research aims to present a complete picture of social settings.

The descriptive analysis carried out in this study was to analyze and describe the results of the data from the answers to the questionnaires that had been distributed to the respondents to the questions. Then the correct answers would be counted and divided by all questions then multiplied by 100%.

$$\text{Literacy Level Category} = \frac{\text{Number of correct answer}}{\text{Whole question}} \times 100\%$$

The results of these calculations then use benchmarks to calculate the level of financial literacy according to Chen and Volpe

Results and Discussion

1. Validity Test

Validity Test				
No	Indicator	rHitung	rTabel	Information
1	Basic Sharia Financial Knowledge	0.545595	0.1249	Valid
2	Islamic Savings And Deposits	0.68292	0.1249	Valid
3	Sharia Insurance	0.670203	0.1249	Valid
4	Sharia Investment	0.626559	0.1249	Valid

This validity test was carried out using SPSS version 26, with a 5% confidence level. If $r_{table} < r_{count}$, then the instrument can be said to be valid and vice versa. For degree of freedom (df) = n-2, in this study the number of samples (n) was 247, then $df = 247 - 2 = 245$ with alpha or 5% confidence level, so that $r_{table} = 0.1249$. From the table above it can be seen that each indicator item has $r_{Count} > r_{Table}$, so the conclusion is that all question items are valid.

2. Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
0.602	21

From this study the reliability test was carried out using SPSS 26. From the results of the table above it can be seen that the Cronbach's alpha value of Islamic financial literacy is 0.602. So it can be concluded that Cronbach's alpha $0.602 > 0.60$ which is declared reliable.

3. Islamic Financial Literacy Analysis

Islamic financial analysis is measured based on the questions in the questionnaire that have been filled out by the respondents. How to calculate the level of financial literacy owned by respondents can be done with the formula:

$$\text{Literacy Level Category} = \frac{\text{Number of correct answer}}{\text{Whole question}} \times 100\%$$

According to Chen and Volpe categorize financial literacy into three groups, namely low, medium and high. The low category respondent group is the group of respondents who received a correct answer score of are respondents who get a score of correct answers > 80% of all questions related to the level of Islamic financial literacy.

The results of research on the level of Islamic financial literacy in business actors in the Cikurubuk Market as a whole can be seen in the table below:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
VAR00	2	15.00	100.00	50.72	14.76
001	47			87	356
Valid N (listwise)	2				
	47				

From the table above, from the data above the lowest value of the total respondents is 15% indicating that out of a total of 20 questions regarding Islamic financial literacy, some only answered 6 questions correctly. While the highest score is the respondent who can answer all questions correctly 100%. The average (mean) of respondents who answered the question correctly was 50.72% indicating that business actors in the Cikurubuk Market were classified as at a moderate level (60% -79%). And the standard deviation value of the average Islamic financial literacy is 14.76%.

The following percentage of respondents based on the category of Islamic financial literacy level can be seen in the table below:

Percentage of Respondents by Category Islamic Financial Literacy Level		
Category	Amount	Percentage
Low	170	68,82 %
Medium	68	27,54 %
High	9	3,64%
Total	247	100 %

Source: Processed Data, 2023

From the table above it can be concluded that of the 427 respondents to business actors in the Cikurubuk Market, 68.82% of the total respondents belong to the low category. While 27.54% of the total respondents belong to the medium category and 3.64% of the total respondents are classified as high. In the table above are the results of research related to the level of Islamic financial literacy of business actors in the Cikurubuk Market. The high and low levels of Islamic financial literacy in the table above can be seen from the number of respondents who answered correctly in each dimension of Islamic financial literacy level. There are 4 dimensions that determine the level of a person's level of financial literacy, namely the dimensions of basic knowledge of Islamic finance, Islamic savings and loans, Islamic insurance and Islamic investment.

4. Discussion

The results showed that the level of Islamic financial literacy of business actors in the Cikurubuk market was low, namely only 50.72% (<60%). Of the 247 respondents, only 12.55% of traders used Islamic financial products, from there we can see that interest in Islamic finance is still very low among traders. There are several factors that influence the low interest and low literacy of the community towards Islamic Banks, including:

1. Knowledge

Public ignorance of sharia institutions can be one reason which is significant enough not to use sharia products, due to the lack of public knowledge about sharia contracts. Public understanding of Islamic banks and profit sharing is still diverse, most people still lack knowledge about the differences between Islamic banks and conventional banks. Likewise the knowledge of the actors in the Cikurubuk Market, according to what is written above the literacy level is still very low, plus traders know conventional banks before Islamic banks.

2. The existence of Islamic Banks

The existence of Islamic banks is still difficult to find in the environment, when compared to conventional banks, this has an impact on conventional banks being more attractive to the public because of easy access. Less extensive spread of Islamic banks compared to conventional banks so that they have not been completely separated from conventional banking. The traders in the Cikurubuk market think that the Islamic banks in Tasikmalaya are too far from the market so traders prefer banks that are close to the market so that they can easily channel their income by just walking.

3. Lack of socialization carried out by Islamic Banks

Interest can arise if there is encouragement from outside the individual, if seen from Islamic banking it is very lacking in outreach to the community. The community is not interested due to the lack of understanding from the community about Islamic banking for each individual. Lack of promotion by Islamic banks for their products to the public, causing people to be less familiar with Islamic bank products. For Islamic Banks in Tasikmalaya, more precisely, BSI Kc. The Great Mosque of Tasikmalaya, has routinely promoted it in the last two years. They routinely once a week to carry out promotions, introducing products that are suitable for traders.

4. Perception differences in each individual

Beliefs and attitudes may be based on the knowledge and opinions contained in each individual containing the belief in forming an existing society to continue to apply for financing to Islamic banks and to shape society in their attitude not to apply for financing because they do not believe in or even do not need financing from Islamic banks to help their business activities and boost their economy. Likewise with traders in the Cikurubuk market, some of them think that Islamic banks and conventional banks are the same, they still equate all types of banks.

5. Convoluted administration when applying for financing at Islamic banks

Convoluted administration and administrative processes that take a long time, make people impatient waiting for the administration process. There are even some traders in the cikurubuk market who choose to borrow money from moneylenders even though the interest paid is higher, they reason that in banking there are many requirements that must be taken care of when wanting to borrow money.

Therefore, to increase interest in society, we must inform and provide education about Islamic banking. The following is a strategy to increase financial literacy according to OJK.

Indonesia's national financial literacy strategy has 3 pillars where the pillars referred to are described in 5 strategic programs and 16 initiative programs. These three pillars are the basic framework for realizing a well literate Indonesian society. The framework for Indonesia's national financial literacy strategy is:

Pillar 1 is the National Financial Literacy Education and Campaign, which is supported by a strategic program, namely compiling a national financial literacy education and campaign program which includes initiative programs, namely:

- a. Develop financial literacy materials that cover the entire financial services sector for every level of formal education in order to increase understanding of financial products and services.
- b. Develop educational materials for the general public based on community and profession.
- c. Develop financial literacy campaign materials.
- d. Carry out financial literacy education and outreach
- e. Carry out socialization and education for the general public.
- f. Carry out financial literacy campaigns to increase the utility of financial products and services

Pillar 2 is Strengthening Financial Literacy Infrastructure, which is supported by a strategic program to develop material databases and financial literacy information systems and prepare other infrastructure to support financial literacy, which is supported by initiative programs such as:

- a. Compile a database of educational materials and other supporting materials to increase the effectiveness of education and financial literacy campaigns.
- b. Build a means of communication media.
- c. Preparing human resources to implement education and national financial literacy campaigns.
- d. Establish cooperation with various related parties.
- e. Forming supporting organizational devices for implementing financial literacy.
- f. encourage the formation of communities that care about financial literacy.

Pillar 3 is Development of Financial Products and Services, which is supported by strategic programs, namely developing and marketing financial service products according to the needs of society, and also supported by initiative programs such as:

- a. Encouraging the financial services sector to create products and services that are affordable to all groups.
- b. Creating bundling financial products and services (product and service synergies between financial sectors in order to increase the utilization of financial products and services).
- c. Encouraging the financial services sector to expand accessibility.
- d. Encouraging the financial services sector to improve service quality.

Researchers carried out one of the strategies to increase literacy for business actors in the Cikurubuk Market, namely inviting traders to a webinar event held by Bank Syariah Indonesia, Great Mosque of Tasikmalaya. This webinar is conducted to literate business actors in the Cikurubuk market so that they understand Islamic finance and so that business actors can make better financial decisions according to their needs.

It is also hoped that with this webinar invitation, business actors will have the ability to be able to understand and evaluate relevant information in making decisions by understanding the resulting financial consequences. Business actors as consumers and customers must also be given confidence and trust that Islamic financial institutions are supervised by regulators in carrying out activities and financial governance to protect the interests of consumers and customers.

Conclusion

Based on the research results, it can be concluded that the level of Islamic financial literacy for business actors in the Cikurubuk Tasikmalaya Market is 50.72% and belongs to the low category (<60%). This study uses 4 indicators, namely basic knowledge of Islamic finance, Islamic savings, Islamic insurance and Islamic investment, with the average results for each aspect, namely: basic knowledge of Islamic finance 62.66%, Islamic savings and loans 50.43%,

sharia insurance 48.33% and sharia investment 41.45%.

This low level of literacy is caused by several factors, namely a lack of knowledge about Islamic finance, the existence of Islamic banks which are located quite far from the market, the lack of socialization provided by institutions, differences in perceptions between individuals and convoluted administration when applying for financing at Islamic banks.

Therefore the level of Islamic financial literacy is very important for every individual, because with a high financial understanding individuals can manage finances well and can make financial decisions according to their abilities and life needs to obtain prosperity in the future.

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