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Enhancing Islamic Financial Literacy Among Highschoolers in Malaysia

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Abstract

Islamic financial literacy in particular, part of financial literacy, is crucial for adolescents facing a complex financial world, as studies show high school students globally have low financial knowledge. Targeted education is needed to improve understanding, with well-structured programs enhancing financial behaviors. Concerns about financial literacy in Malaysia are evident, with many high schoolers lacking knowledge, impacting future financial decisions. Global reports emphasize the significance of financial education to improve public literacy levels. Islamic financial literacy is crucial for Muslim youth, aligning with cultural principles. The purpose of the international engagement program is to enhance the Islamic Financial Literacy level of the highschoolers in Nilai, Malaysia. The method used is Community-Based Research (CBR), starting from problem identification, discussions with partners then offering solutions, socializing them followed by evaluation and ends with the report. The program accomplishment, measured by increased knowledge, community participation, and positive feedback, highlighting the increase of understanding on saving, investment, credits, financing, and Islamic Banking and the importance of ongoing financial education efforts.

Introduction

Financial literacy is an essential life skill, particularly for adolescent who are facing an increasingly complex financial environment. Despite its importance, global studies shown that high school students generally have alarmingly low levels of financial literacy. PISA assessment reveals significant deficiencies in financial knowledge and decision making abilities among 15-year olds, who struggle to grasp basic financial concept like saving, budgeting, and

the risk associated with debt (OECD, 2014). These shortcomings highlight the urgent need for targeted financial education to prepare young people for the economic challenges of adult life. Well-structured financial literacy programs can improve students' financial understanding and behaviours (Frisancho, 2023). However, the curriculum design and the socioeconomic context affects the success of program (Hammer & Zureck, 2022). Thus, it is crucial to develop financially capable future generations through appropriate programs.

Nilai, located in Negeri Sembilan, Malaysia, is undergoing significant development and transformation. The area is rapidly advancing with improvements in infrastructure, housing, transportation, and educational facilities. The local government's effective policies support educational growth, aligning with their motto "Clean, Harmonious, and Prosperous. These developments contribute to creating a conducive learning environment for high schoolers in Nilai. In addition to high schools, Nilai is also home to several tuition institutions and private education centers. These institutions offer a range of programs, from primary education to higher education, catering to various academic needs and interests. House of Mind Excellence (HOME) is a brand of Mind Enrichment Centre that runs a centralized program called Mathematics Therapy to prepares students facing the school's latest Mathematics Syllabus and Examination.

The lack of financial literacy becomes great concern in developing countries, including Malaysia (Wee & Goy, 2022). Moreover, through situational analysis and initial assessments, it was identified that the financial literacy levels of high school students in Malaysia are currently a major concern, as recent studies reveal that many students have only low to moderate financial knowledge. This lack of understanding can have serious implications for their future financial decision-making. A survey by the Financial Industry Collective Outreach (FINCO) found that 75% of upper secondary school students in Malaysia have low to medium financial knowledge (Ravimalar, 2024).

Moreover, global reports and studies have since highlighted the importance of using financial education to alleviate financial literacy of the public in general, and youth generation in particular (Brown et al., 2018). The curriculum for Highschooler Students at HOME Terapi Matematik, include the financial math which part of financial literacy. Thus, the education and outreach initiative were designed as an international community engagement program to enhance the financial literacy knowledge of the student at HOME Terapi Matematik. Through this program, participants are expected to gain a deeper understanding of the financial literacy to develop financially capable future generations.

Literature Review

Financial literacy encompasses a range of skills and knowledge that enable individuals to understand and manage their financial resources effectively. It reflects the degree of understanding on financial issues, the skill acquired, and willingness to act upon it (Balasubramnian & Sargent, 2020). According to the OECD, it is defined as a combination of awareness, knowledge, skills, attitudes, and behaviors necessary for making sound financial decisions and achieving individual financial well-being (OECD, 2020). Lusardi (2019) defined financial literacy as the ability to utilize financial data analysis skills to make informed decisions about financial management and planning annuities and liabilities, and wealth accumulations. Furthermore, it is described as ability to comprehend and use a variety of financial skills, such as investing, budgeting, and personal financial management (Garg & Singh, 2018).

Financial literacy includes skills in budgeting, saving, investing, and managing debt, which are essential for personal and professional success (Amirtha, 2024). It is a multidimensional concept, and its determinants can be summarized into seven dimensions, namely demographic, socio-economic, psychological, financial, societal, Islamic, and

technological factors (Rehman & Mia, 2024). Financial literacy is associated with positive outcomes for individuals (Sebastião et al., 2024)

The low financial literacy level among youth across the most part of the world that has become a cause of concern (Garg & Singh, 2018). Early acquisition of financial literacy is essential for young people, as it lays the groundwork for future financial well-being and achievement. As the world becomes more complicated and connected with global financial systems, young individuals' ability to make informed and effective financial choices has never been more vital (Mancone et al., 2024).

Financial literacy has significant impact on for youth. First, it provides young people with the knowledge to handle their personal finances effectively. This includes knowing how to save and invest, which can lead to building wealth and financial stability. Secondly, financial literacy aids youth in avoiding debt and managing credit wisely. In a time when consumer culture prevails and credit is readily available, understanding how to deal with borrowing and spending can help prevent financial errors that can have lasting effects. Thirdly, financial literacy improves decision-making abilities by guiding young people to assess the risks and rewards of financial options. This is especially pertinent in a time of cryptocurrencies, stock market investments, and other intricate financial products (Garg & Singh, 2018; Mancone et al., 2024).

Moreover, financial literacy is connected to wider economic and social advantages. Financially knowledgeable youth are more likely to make positive contributions to the economy by becoming smart consumers, responsible individuals, and innovative entrepreneurs. They are better equipped to face economic difficulties, such as downturns or inflation, and help create a more stable financial environment overall. Essentially, promoting financial literacy among youth is not only about individual prosperity, but also about building a more educated and resilient society. Grasping and applying financial literacy at a young age builds a foundation for solid financial habits that can result in lifelong rewards. It is a strong tool that enables young individuals to reach their personal goals, enhances their overall sense of safety and independence, and ultimately supports a more economically strong community (Lusardi & Messy, 2023).

As for Islamic financial literacy, it is the comprehension and practical application of financial principles and practices that correspond with Islamic teachings and principles. (F. Rahman & Arsyianti, 2021). For young people, particularly those from Muslim backgrounds, grasping these principles at an early age is essential as it lays the groundwork for future financial stability and success within their faith. Islamic financial literacy encompasses knowledge of concepts like interest-free banking (Riba-free), profit and loss sharing (Mudarabah and Musharakah), and ethical investments (Halal) (S. A. Rahman et al., 2018).

Methodology

The community engagement utilized the Community-Based Research (CBR) method, a participatory approach to foster collaboration between researchers and community members, where the community is integrally involved throughout the process (Zeina et al., 2024). This method aims to empower the community by integrating local knowledge to tackle either social, economic, or environmental challenges. It is seen as a highly effective way for colleges and communities to work together, fostering stronger relationships (Strand et al., 2003). Practitioners and community members work together in planning, executing, and analyzing the results of the activities. This partnership ensures the community has a significant role in guiding the research agenda, selecting methodologies, and implementing intervention strategies. Such involvement enhances the relevance, sustainability, and overall effectiveness of the study.

The program is organized altogether with House of Mind Excellence (HOME) Terapi Matematik, a tutoring institute at Nilai, Negeri Sembilan. It aims to prepare students to face the the school's latest Mathematics Syllabus and Examination as early as 4 to 19 years old, includes the financial math. The program was carried out in several stages, starting with problem identification, following by class, and evaluation. Activities were conducted face-to-face in the classroom, with participation from approximately 20 students, equivalent to secondary education (high school level). The specific steps of the implementation process are outlined in Table 1.

Table 1. Implementation Stage of Financial Literacy Education at Home Terapi Matematik Malaysia

No.	Stages	Acitivities	Method	Parties Involved
1	Preparation	Coordination was carried out between the researcher team and the administrators of Home Terapi related to the implementation of activities	Online Focus Group Discussion	Researcher team Administrators of Home Terapi Matematik Nilai
2	Financial Literacy Class	Deliver the financial literacy material, particularly on Saving, Investment, Credit, and Financing in the form of material on Islamic entrepreneurship to the student	Training	Researcher team Student of Home Terapi Matematik Nilai Administrators of Home Terapi Matematik Nilai
3	Evaluation	Evaluation of the activity	Offline Focus Group Discussion	Researcher team Administrators of Home Terapi Matematik Nilai

Source: prepared by the author

Analysis community service is carried out through Data Reduction, Presentation, and Analysis, and Conclusion drawing.

Results and Discussion

The community engagement program conducted at House of Mind Excellence (HOME) Terapi Matematik, Nilai Malaysia, focusing on enhancing the knowledge and understanding in Financial Literacy, successfully achieved its intended objectives. Through series of educational and interactive sessions, the highschoolers gained a deeper understanding of financial literacy concept. The materials presented emphasized on Saving, Investment, Credit, and Financing.

Around 20 highschoolers attended the sessions and they demonstrated a high level of enthusiasm throughout the program, as reflected in their active participation in each session. They showed significant interest in discussed about financial literacy related to their daily life. This outcome highlights that the program not only enhanced their knowledge but also fostered their confidence to manage their personal finance

To measure the understanding about financial literacy, the highschoolers are given series of questions asking about saving, investment, credit, financing, as well as Islamic banking. The

questions are given prior to activities to check the student initial understanding about financial literacy. After the session, the students are given the question back to measure the increasing level of understanding on financial literacy following the workshop and seminar. The answer then reviewed and assessed to determine the financial literacy level by referring to the following scoring in table 2 below:

Table 1. Assessment Scores	
Scores	Index
0-20	Very low
20,01-40	Low
40,01-60	Moderate
60,01-80	High
80,01-100	Very high

Source: prepared by the author

The pre-session student answer result showed in Figure 1.

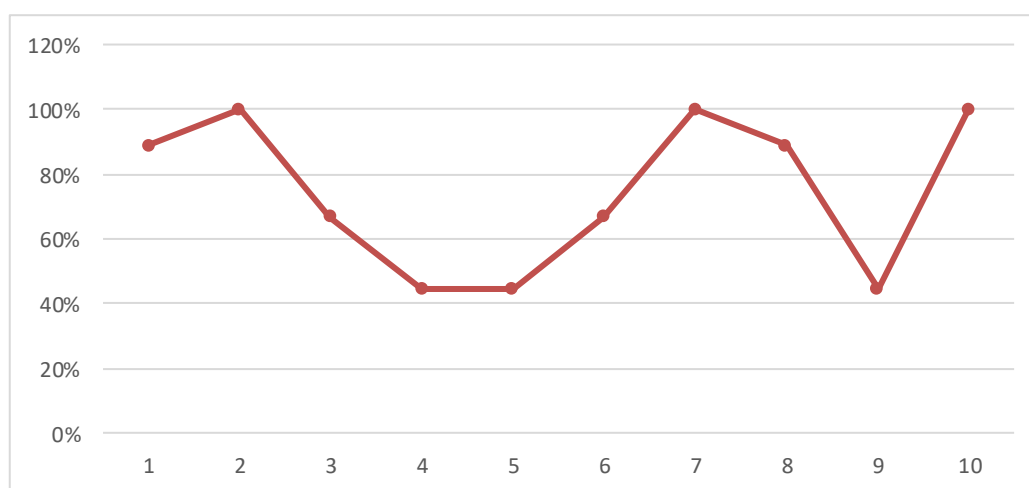


Figure 1. Pre-Session Correct Answer

Based on the Figure 1, it shows the understanding level of students are relatively low on several question. The lowest points are on the question 4, 5, and 9 that asked about credit and financing. The next question that has relatively low understanding is question 3 and 6 Islamic Banking and the profit margin of sale contract. Figure 2 shows the literacy level following the student answer over the questionnaire about saving, investment, credit, financing, as well as Islamic banking prior (pre-test) and after (post-test) the session. The result shows there is shifting of understanding of the students in answering the question. Prior the session, the majority understanding of the students are within the moderate level, moreover there is very low and low understanding about saving, investment, credit, financing, as well as Islamic banking. However, after the session, there is significance increase in understanding, where the understanding is shifting within high level and there is none of very low level.

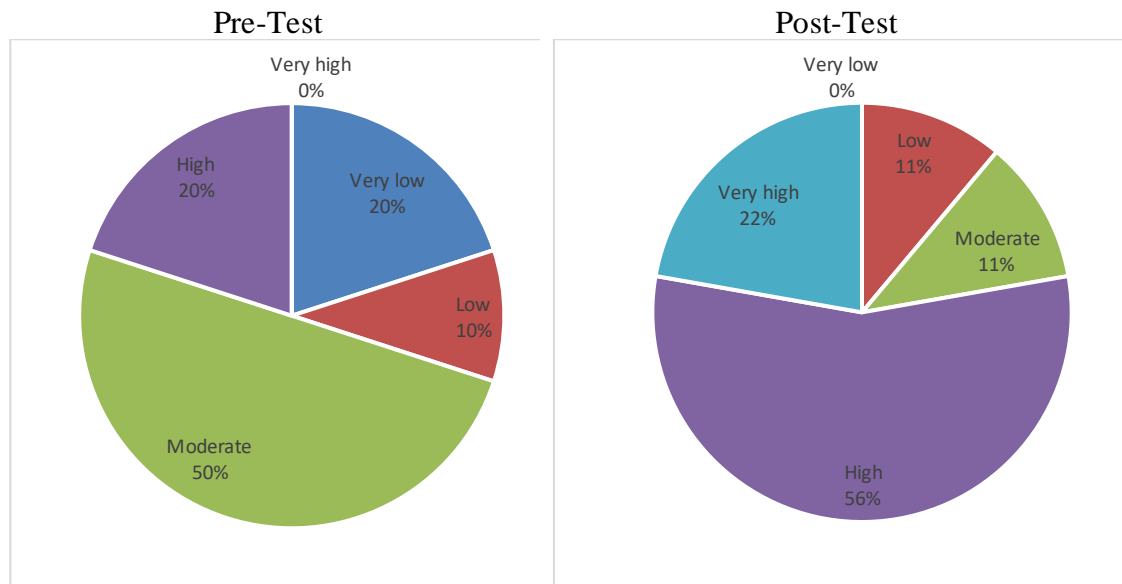


Figure 2. Literacy Level based on the Student Answer

The success of community engagement program in House of Mind Excellence (HOME) Terapi Matematik, Nilai Malaysia are measured by several factors i.e. community participation, increased knowledge and skill, and evaluation and feedback as following:

1. Community participation

A measure of success can also be seen from the level of participation of highschooler under House of Mind Excellence (HOME) Terapi Matematik, Nilai Malaysia. The more student attended and participated active in these activities, the greater the chances of success.

2. Increased knowledge and skills

Community service can also be measured by the extent to which the activity is able to increase the knowledge of mentoring participants which can be measured from the the pre-test and post-test question.

3. Evaluation and feedback

It is important to evaluate service activities and get feedback from the students. This can help ensure whether the students have financial literacy and have knowledge in saving, investment, credit, financing, and Islamic banking.

Based on the indicator above, the community participation was quite large, around 20 participants. The increase in knowledge and skills is proven by the pre-test and post-test results that describe the majority participants' understanding, which was initially at a moderate level then shifting into high level. Meanwhile, the evaluation and feedback obtained is the activities is important to increase financial literacy of highschoolers around the area.

Conclusion

The community engagement program conducted at House of Mind Excellence (HOME) Terapi Matematik, Nilai Malaysia successfully enhanced students' Islamic Financial Literacy. Through a series of workshops, seminars, and hands-on practice sessions, participants not only gained theoretical knowledge but also acquired practical skills on Islamic Financial Literacy. The increased enthusiasm and understanding of essential about saving, investment, credit, financing, and Islamic Banking. The program also fostered awareness of Islamic Financial Literacy as pathway to manage their personal finance. Therefore, to ensure the sustainability of

the program's positive impact, this study recommends the implementation of advanced training sessions focusing on more specific topics related to Islamic Financial Literacy.

Author's Contribution

First and second author: Creating and designing analyses, collecting data, and contributing data or analysis tools; Third and Fourth author: perform analysis; Writing paper. Fifth and Sixth: Editing; Proofread

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Declaration of Competing Interest

The authors declare that they have no conflict of interest.

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