
STRATEGY TO ENHANCE SHARIA FINANCIAL LITERACY AND INCLUSION IN INDONESIA (Case Study at Financial Services Authority Office in City of Malang)

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ABSTRACT

The results of literacy survey and Sharia Financial Inclusion in Indonesia 2016 respectively are 8.11 % and 11.06 %. Whereas the inhabitants of religion of Islam in Indonesia more than 85%. Therefore, it needs to formulate strategies to increase the level of literacy and Sharia Financial Inclusion in Indonesia. The importance of literacy improvement and Sharia Financial Inclusion to improve the behavior of community in financial management and able to improve the welfare of them. So that priorities are intended to know how the strategy is applied to increase of literacy and Sharia Financial Inclusion. This research uses qualitative research method with approach of case study. The research results that government makes policy in form of National Strategy for Indonesia Financial Literacy (SNLKI) to improve financial literacy sharia and National Strategy of Financial Inclusion (SNKI) to improve financial inclusion. The next research is needed to examine and monitor various programs to increase sharia literacy and financial inclusion by government.

Keywords: Sharia Financial Literacy, Sharia Financial Inclusion, the strategy.

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INTRODUCTION

Globalization era creates importance to get access in form of literacy and inclusion information. They are Included in Globalization of financial system and financial innovation. That makes the product and financial services increasingly complex, so required understanding, skills and confidence in using the product and financial services, good finance in conventional and in finance sharia. This is important to be attention because it is one of keys to economic growth and financial stability. This is in suitable with a study where the people who do not have financial intelligence tend to be easier to spend their money without good management from people who have financial intelligence (Fauzi, 2006).

The importance of literacy and inclusion of financial sharia become the state responsibility to be brought in legislation, i.e. regulation number 76/POJK POJK.07/2016 about enhancement of literacy and financial inclusion in Financial Services Sector for consumer and community. This is indirectly have also been listed in UUD 1945 clause 31 subsection (3), which stipulates that government must cultivate and organized the program in order to develop the life of nation and state. In addition, literacy and financial inclusion can improve the quality of individuals decision making and change the behavior of

individual in financial management so that capable to determine and utilize the institution, products financial services in accordance with needs and ability to achieve the welfare (POJK 76/POJK number.07/2016 clause 3).

Financial Services Authority (OJK) is a sub division of government and authoritatively have duties and responsibilities in trying to improve the sharia literacy and financial inclusion in Indonesia. The steps taken by OJK to enhance sharia literacy and financial inclusion in Indonesia there are in National Strategy for Financial Literacy Indonesia (SNLKI). This action of OJK is intended to effort to enhance the literacy and inclusion rate of finance go on more structured and systematic.

Since the first time established in 2011, OJK has two times to evaluate the condition of literacy and financial inclusion in Indonesia through the National Survey of Literacy and Financial Inclusion (SNLIK) there are in 2013 and 2016. OJK then release survey results through Press Release OJK. The results of second survey, in 2016 through Press Release OJK that is SP/07/DNKS/OJK/1/2017 shows the index of financial literacy 29,66% and financial inclusion index of 67,82%. That result increased than SNLIK in 2013, namely financial literacy index 21,84% and and financial inclusion index 59,74%. That enhancement is the result of working hard and cooperation that do by OJK and financial services industry, although not according to specified target, 75%.

Year 2016 was also the first time the index of literacy and Sharia Financial Inclusion in Indonesia are measured. But the result is so far if compared with number of literacy and financial inclusion in general. The results of survey shows the index of financial literacy and Sharia Financial Inclusion in Indonesia respectively 8.11 % and 11.06 %. That is shows that from 100 people in Indonesia who understand sharia finance only 8 people, while that already have access to sharia finance there are in banks sharia, sharia insurances, sharia capital markets, financing sharia or other institutions only 11 of 100 people in Indonesia. This condition not profitable for enhancement the welfare of community. Because the level of prosperity of a society suitable with level of financial literacy and inclusion of financial institutions (Akmal and Saputra, 2016).

The lower of sharia literacy and financial inclusion in Indonesia caused a variety of questions and responses from various parties if looking the potential in Indonesia that majority of religion is Islam, about 85%. So we need research to know the factors that cause the lower sharia literacy and financial inclusion in Indonesia and right strategy to enhance the level of sharia literacy and financial inclusion in Indonesia.

LITERATURE REVIEW

On research focus to find the optimal strategy in enhancement of sharia literacy and financial inclusion in Indonesia has some relevant previous research. Research from Mohamad Azmi Abdullah and Rosita Chong about Financial Literacy : An Exploratory Review of literature and Future Research, explains that until now the study related to conventional financial literacy is still the majority and financial literacy is less. So, is needed to increase the study about financial literacy related sharia study and ideas or strategies to enhance the level of sharia financial literacy. Sandra J. Huston in his research titled Measuring Financial Literacy, The Journal of Consumers Affairs explained that financial education which it can increase the level of financial literacy is needed. Then the rate of financial literacy implicated positive toward the welfare of a person, thus the error in financial management can be causing this externality negative consequences for economic someone. So the researchers need to give the opinion of identify the things that cause the lower financial literacy growth in a region and of course effective solution in that enhancement. Rike Setywati in his

research titled Islamic Financial Literacy, An Analysis Of Literature, indicates that condition of financial literacy in Indonesia is still low because of supported the level of poverty is still relatively high and is thus inversely with growth of financial institutions both sharia or conventional growth rapidly which in this actually become triggers in economic growth. So the researchers suggested that determination of solution to increasing financial literacy be more information to study.

An overview of Sharia Financial Literacy

Financial literacy according to Guide Book of National Financial Literacy and Strategy in Indonesia, financial literacy is a series of processes or activities to enhance the knowledge, confidence and skills of consumers and wider community so that they are able to manage a better financial (Financial Services Authority, 2014:4). There are five categories of conceptual definition of financial literacy: (1) the knowledge of concepts of finance, (2) the ability to communicate with concept of finance, (3) ability in managing personal finances, (4) the ability in making right financial decisions, (5) the ability in effective future financial planning as needed (Remund, 2010:284).

The goals of financial literacy according to POJK Number 76 about enhancement of literacy and financial inclusion in financial services sector for consumers / society is :

- a. Improve the quality of individual financial decision making
- b. Change the attitude of individual in a better financial management

According to Agustianto (2014), the purpose of efforts to enhance a large amounts of sharia financial literacy is "First, to enhance financial literacy someone who previously less literate or not literate in Islamic finance become well literate in Islamic finance. Second, to increase the number of users of Islamic finance products and services." Thus, *maqhasid* (aim) from Islamic financial Literacy is the consumers and wider community can determine the sharia financial products and services that their needs, understand correctly the benefits and risks, know their rights and duties, and believe that financial products and services can enhance their welfare based on lawful and profitable sharia principles.

Sharia financial literacy programs for Indonesian have great benefits, there are :

- a. Communities can choose and take advantage of product and appropriate sharia financial services as suitable their needs.
- b. The community can perform financial planning (financial planning) by sharia better.
- c. The public order from investing activities on unclear financial instruments (*bodong*).
- d. The community receives understanding about the benefits and risks of products as well as sharia financial services.

Sharia Financial inclusion

According to National Financial Inclusion Strategy, financial inclusion is defined as: "The right of every person to have access and full service from financial institutions in a timely manner, comfortable informative and affordable, with full respect to dignity. Financial services are available for all segments of society with special attention to poor and needy productive, migrant workers and population in remote areas (Financial Inclusion Development Group, 2014: 5-6).

Financial inclusion indicators are used by Bank of Indonesia is as follows: The First, the availability of/access the measure the ability to use formal financial services in case of affordability physical and price. The second, the use of measuring the ability of current use of financial products and services (regularity, frequency and using time). The third, the quality measure whether an attribute of financial products and services meet customer

need. The fourth, the welfare that is measuring the impact of financial services to level of life of service users (Financial Inclusion Development Group, 2014: 14).

According to Bambang Brodjonegoro Islamic finance with characteristics that support the inclusiveness cooperation, equality and justice for all, can help reduce the economic and social asymmetry in developing countries. Financial inclusion Program is the main agenda for developing countries because it can be a catalyst for economic growth, providing jobs and poverty reduction. For that, sharia financial principles is suitable with financial inclusion program can be synergized to increase community welfare generally (Satyagraha, 2016).

METHODS

Research Approach

In terms the type of data this research is a qualitative research. Qualitative research is a research is used to investigate, find, describe and explain quality or qualities of influence of social that could not be explained, measured or described through quantitative approach (Saryono, 2010: 1).

This research uses a case study approach. According to Bogdan and Bikien (1982) case study is testing in detail against a background or one subject or one document storage or one specific events.

Research Instrument

The instruments of this research referred to is a tool used by researchers in collecting data. In this case the appliance is used among others recorders (cell phone) to direct interview, camera and computer/ laptop for data processing.

Data Analysis

In case of qualitative data analysis, Bogdan stated that data analysis is the process of search and arrange in a systematic data obtained from results of interview, note field and other materials so that it can be understood and its findings can be communicated to other people.

Based on this, it can be concluded that data analysis is the process of search and arrange in a systematic data obtained from results of interview, note field and documentation, with how to organize the data into a category, write out into unit - the unit, perform the synthesis, drawing up into pattern, also select which is important and that will be learned and make the jump so easily understood by themselves and others.

Data Analysis in field according to Miles and Humberman (1984), proposed that activity in data analysis, there are :

- a. The Data reduction is the process of thinking that requires sensitive intelligence and breadth and depth high insights
- b. The display data (presentation of data), in qualitative research, the presentation of data can be do in form of a short explanation of chart and similar substances. The most often used to represent the data in qualitative research is with text that is the narratives.
- c. The drawing conclusion / Verification, is new finding that there had never find previously. Finding can be a form of a description or a description of an object that previously was still dim or dark until after doing examine become clear.

DISCUSSION

The 2016 is a new chapter of National Survey of Financial Literacy and Inclusion in Indonesia by OJK that shows the first time the level of literacy and Sharia Financial Inclusion in Indonesia with results of each of 8,11 % and 11,06%, this result shows the level of literacy and Sharia Financial Inclusion in Indonesia is still low. There are many factors, the first factor is the limited of infrastructure and facilities sharia financial services. The second factor is the geographical situation of Indonesia that cause the development of infrastructure or the means and financial infrastructure sharia become slower and expensive. The third factor is the support of government in sharia financial industry is not as much as against the conventional financial industry. Then financial literacy sharia need to be improved because it has some urgency, which the importance have some positive impact for Indonesian economy including:

- a. The Stability of Indonesian Economy
- b. The growth of real sector
- c. Balancing in Justice
- d. Increasing of funding for development in any sector
- e. Maximize the intermediary function.

The responsibility to increase the level of sharia literacy and financial inclusion is a duty all layers of society of Indonesia, from government has the policy until community must to support the policy. Because the program both owned by government if not balanced with an active role of community would not be going optimally.

With existence of Revisit of SNLKI there is great vision to everything even realize the Indonesian people that have a high financial literacy index (well literate) so that can take advantage of products and financial services that according to achieve sustainable financial welfare (financial well being). The community financial well being is a society that manage finance better, develop assets through investing and have financial resilience. To reach the vision, then OJK have strategies that are arranged in strategic programs. Now the strategic programs that details described below :

Strategic Programs And Initiatives	
The Program Strategy 1 (Skilled Finance)	Initiative Program : 1. Improve the knowledge, skills and society beliefs of financial services sector. 2. Develop infrastructure to improve the knowledge, skills and beliefs of society of financial services sector.
Strategic Program 2 (The Wise attitudes and behavior of Finance)	Initiative Program : 1. Encourage the community to have a purpose and financial planning. 2. Improve public financial management capabilities.
Strategic programs 3 (Financial Access)	Initiative Program : 1. Expand and facilitate community access to financial services sector 2. Provide products and financial services that is compatible with needs of community.

Improving financial inclusion requires the expansion of financial access and a deepening of financial sector and domestic financial system stability to achieve the target of economic growth. In order to expand community access to financial services, it needs the National Strategy of Financial Inclusion in Indonesia (SNKI). Efforts to realize the main target national inclusive financial is a shared responsibility of all the ministry/related institutions, made in accordance with each authority. With regard to high level coordination

micro financing is related to an absolutely necessary. The establishment of National Council of Finance Inclusive is implementation from foundation of organization and effective implementation mechanism in SNKI. The National Council of Finance Inclusion assisted by working groups and secretariat.

Various programs conducted by government to improve financial inclusion based on each of pillars in SNKI is:

SNKI Program	
Sector	Program
Financial Education	<ul style="list-style-type: none"> a. The National survey of Financial Literacy in Indonesia b. Preparation of educational materials in print and electronic form c. Financial Inclusion Education to Local Government d. Information system development in form of a website, mini site and smart phone application e. National Saving Movement (GNM) f. I Love Sharia Financial (ACKS) g. The National Action of Loving Capital Market h. Let Savings Stocks i. The National Action to Non-Cash (GNNT) j. The National Action to recording of Financial Transactions k. The training program in order to increase the capacity of UMKM
Public property rights	<ul style="list-style-type: none"> a. The acceleration of land certification over the land of people. b. Improvement of registration process formal rights (patents)
Intermediation facility and Financial Distribution Channels	<ul style="list-style-type: none"> a. <i>Simpanan Pelajar (SimPel/SimPelIB)</i> b. <i>TabunganKu</i> c. <i>Micro Insurance</i> d. <i>Retail mutual fund.</i> e. <i>Microfinance services (LakuMikro)</i> f. <i>Jangkau, Sinergi dan Guideline (JARING)</i> g. <i>Financial services (Laku Pandai)</i> h. <i>Digital Financial Services</i> i. <i>Local Credit Guaranteeing Company</i> j. <i>The initiative of formation of Deposits through the Post Office</i> k. <i>The development of State Bonds Market (SBN Retail)</i> l. <i>Wakaf Optimization Endowments</i> m. <i>Service Development of Remitansi</i>
The Ministry of Finance in Government Sector	<ul style="list-style-type: none"> a. Non cash grant for social assistance b. The transformation of noncash subsidy c. Implementation of non-cash payment d. The development of <i>Kredit Usaha Rakyat (KUR)</i> distribution.
Consumer Protection	<ul style="list-style-type: none"> a. Publication of Consumer Protection Regulation Financial Services sector and payment system. b. The formation of alternative Institutions dispute settlement (LAPS) c. The arrangement of Internal Standard Dispute Resolution (IDR). d. The development of Financial System Customer Care (FCC) e. The provision of consulting services and facilitation of use of payment system products f. Market Conduct Activity.

CONCLUSION

Indonesia need to formulate strategies to increase the level of sharia literacy and sharia financial inclusion. Low levels of sharia literacy and financial inclusion is caused by adequate infrastructure, complex geographical situation and support from government is not a maximum to realize a stable national economy, the growth in real sector with equitable distribution, higher development funds, and maximum financial intermediary function.

President regulation mandate number 82 about National Strategy of Inclusive Financial become basis to established National Council of Finance Inclusion. It is led by President to increase the level of sharia literacy and financial inclusion according to target. The Indonesian government has been drawing up various strategies which there are 3 strategic programs namely Finance capability, the attitudes and wise financial behavior and Financial Access. Another program is to improve financial literacy. The government also implement strategy to enhance the inclusion of sharia finance from President regulation number 82 about National Strategy of Financial Inclusion (SNKI). SNKI has 5 main pillars as reference in determination of program, namely financial education, Community Property Rights, Intermediation Facility and Financial Distribution Channels, Financial Services in government sector and Consumer Protection.

This research has some limitations. First, the data is collected only from cases, it decrease the generalization. Secondly, the scope only within malang city. Third, many other relevant variables are not included. Therefore, future researcher should improve this limitation through survey method. The samples also can be expanded to other cities in Indonesia. The variables can also be expanded and be analyzed by statistic tools.

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