Islamic Financial Literacy Index of Students: Bridging SDGs of Islamic Finance

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Abstract

This research aims to measure the level of Islamic financial literacy among students by reviewing 2 dimensions, 8 variables, and 33 indicators obtained from literature studies and experts. This study applied a mix method to qualitative and quantitative data with a total sample of 273 respondents. The data were obtained from interview and online FGD and then processed by word similarity analysis as well as validity and reliability tests, the results of which are used as reference and conclusion. The analysis shows that the level of understanding of financial literacy among students remains significantly low, proven by the value of the interpretation of respondents reaching below 40% despite valid and reliable variables and indicators. Meanwhile, the analysis of the relationship between each variable that consists of supporting indicators shows that each variable affects one another. This study generates a financial literacy index serving as a measuring tool in bridging the SDGs of Islamic Finance. It implies the necessity of increasing the understanding of Islamic finance with the concept of literacy for students as an agenda to achieve a demographic bonus.

Keywords: Islamic financial literacy; SDGs of Islamic finance; students

JEL classifications: A1; D8; N2; O1

1. Introduction

Indonesia is one of the countries with the world's largest Islamic population. The data in 2017 show that 12.9% of the Islamic community in the world lives in Indonesia (Istiqomah & Asrori 2019). However, it remains relatively rare to look for studies on how to assess Muslims' financial literacy. Moreover, the level of Islamic financial literacy in Indonesia remains in a low category (Hayati 2019). Meanwhile, research by Nidar & Bestari (2012) has stated that if the financial system is well understood by the public, the national economy will not be harmed by a global financial catastrophe.

Abdullah et al. (2017) have outlined a number of reasons why financial knowledge is critical, partic-ularly on how to evaluate financial services that are increasingly complex due to uncertainty and to evaluate sound decision making with existing understanding of financial literacy that have not been properly adapted to Muslims due to differences in financial principles. Dhandayuthapani & Vinothkumar (2020) have explained that the efforts to understand the application of financial literacy are necessary for the fields of economy, finance, and social environment to obtain the right financial decisions.

Abdullah & Chong (2014) said that the global focus has switched to Islamic finance as a result of the financial crisis. Therefore, The Islamic financial industry has become saturated with numerous financial instruments and asset possibilities, not just for Muslims but also for non-Muslims. Furthermore, Kayed (2008) has questioned efforts to assess Muslims' degree of Islamic financial literacy, underlining the importance of promoting Islamic fi-

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nance education. In fact, the existence of a measuring tool for Islamic economic and financial literacy can be a reference to the efforts to accelerate the development and application of Islamic business ethics and economic system in Indonesia (Nasution, Lubis & Fachrudin 2019).

The lack of comprehension of Islamic finance, on the other hand, is due to a lack of education for students studying the subject. In fact, in the upcoming vulnerable years of 2030 to 2040, it is predicted that Indonesia will experience a demographic bonus. In that era, the population of productive age is estimated to reach 64% of the total population, estimated at 265 million people. It is known that the total millennial generation aged 20–35 years is 24%, or approximately 63.4 million of the total 179.1 million people of productive age (14–64 years) (Statistics Indonesia 2019). Supposing the productive age has been provided with an understanding of the importance of Islamic financial literacy from the very beginning, financial difficulties in any future decision-making skills will be overcome (Antara, Musa & Hassan 2016).

Referring to this figure, it is not wrong to assume that students will be one of the determinants of the future of Indonesia. The success of a country in managing the productive age group depends on the ability of the country to prepare its generation to take advantage of the window of opportunities to increase the awareness and understanding of Islamic financial literacy in order to achieve equitable economic distribution in the face of the demographic bonus phase (Lusardi & Oggero 2017).

Internal considerations in the Muslim community, such as a need to follow Islamic principles, are driving the need for Islamic financial literacy education. It is also due to external factors, such as education that teaches complex financial instruments to increase the understanding of Muslims to be able to make financial decisions based on the principles of Islamic finance (Janor et al. 2016). It is therefore aiming to empower individuals help identify cost-effective Islamic financial products that satisfy their requirements. Individuals who understand

Islamic finance may accurately comprehend its benefits and risks, as well as the characteristics of its products and how they differ from non-Islamic financial goods, as well as the rights and obligations based on financial instruments to promote welfare (Sardiana 2016).

This research aims to evaluate the educational programs that have been carried out by various institutions, including educational, financial, and banking institutions as well as organizations in developing measuring instruments to determine the level of awareness and to measure the extent of literacy among the community, especially students in all regions of Indonesia. The measurement index of Islamic financial literacy is expected to be the finding to overcome the gap for Islamic financial institutions making proper regulatory instruments. The gap in this research can be overcome by the results of previous findings and field observations.

The finding obtained can also be a reference in policymaking to face unprecedented global economic challenges as it presents a new face to economic interactions with looming uncertainty in the future and realizes financial inclusion programs in facing the demographic bonus by bridging the SDGs of Islamic finance. The Islamic financial system is believed to contain values that strongly support justice in socioeconomic development, sustainable economic growth, and human welfare. The results of this measurement also aim to achieve financial application by following the principles of sharia (Islamic law) based on the results of the literature review.

2. Literature Review

2.1. Background Theory

Financial literacy is critical for promoting access to finance and fostering an atmosphere conducive to desired financial behaviors, including saving, financial budgeting, and prudent credit use (Santos 2017). Huston (2010) has stated that having extensive knowledge of financial literacy can help individuals to be more informative about economic

issues. Making educated decisions, knowing where and how to take effective action, and boosting financial well-being require a combination of financial product and idea awareness, competence, and confidence in recognizing financial risks and opportunities (Adomako & Danso 2014).

One of Indonesia's financial systems is Islamic finance, which includes a variety of financial instruments based on Islamic teachings from the *Quran* and *Sunnah* (Nugroho et al. 2017). To review Islamic financial literacy, every Muslim is required to understand financial matters; as a result, every Muslim's success can be ensured in accordance with Sharia principles (Albaity & Rahman 2019). The balance between increasing profits and upholding Islamic standards is the foundation for Islamic finance's operational activities, according to the characteristics of Islamic financial principles (Franzoni & Ait Allali 2018). In addition, Zaman et al. (2017) have confirmed the importance of Islamic financial literacy, namely as an alternative financial instrument compared to conventional financial instruments.

Rahim, Rashid & Hamed (2016) have defined Islamic financial literacy as the ability, skills, and attitudes of individuals in understanding and analyzing financial information from sharia-based Islamic financial institutions. This is of concern to Muslims because it is their religious obligation to understand the Islamic financial system (Hamid & Nordin 2001). Furthermore, Antara, Musa & Hassan (2016) the extent to which a person has a set of knowledge and skills to comprehend the value of Islamic financial services connected to the desire to use Islamic finance has demonstrated that Islamic financial literacy is measured by the extent to which a person has a set of knowledge and skills to comprehend the importance of Islamic financial services connected to the intention to use Islamic finance.

Previous studies have found that religion and the level of religiosity have an impact on financial decision-making as well as the level of risk-taking (Schneider 2015; Nurul, Amrul Asraf, & Chan 2017). For example, previous research has found that risk avoidance is correlated with religiosity (Breuer, Riesener & Salzmann 2014). Therefore, the stability of a high level of Islamic financial literacy will encourage individuals to make wise decisions (Rajan & Santhakumar 2018).

This survey on Islamic banking knowledge found that while nearly all Muslims are only 27.3 percent of those who are aware of Islamic banks actually understand the differences between Islamic and conventional banks (Hamid & Nordin 2001; Bley & Kuehn 2004). Therefore, the concept of Islamic financial literacy is highly important for Muslims to understand in order to maintain their faith (Antara, Musa & Hassan 2016). In order to standardize Islamic financial products to a wider spectrum of investors, financial service actors, and the public, Islamic financial literacy needs to be enriched (Alam et al. 2015).

Various studies on Islamic financial literacy have been conducted thus far; academics that examine the topic in depth do not formally define it. The term halal literacy used by Salehudin (2010) describes the ability to distinguish between halal and haram based on sharia (Islamic law). Halal includes all parts of life; hence Islamic money must be adopted. Meanwhile, Abdullah & Razak (2015) have characterized Islamic financial literacy as encompassing financial management or wealth foundation (income, consumption, and savings), financial planning (*takaful*, pension schemes, and sharia-based investments), *zakat*, inheritance law (*faraid*) and *wasiyyah*, and alms (*waqf*).

2.2. Previous Studies

According to past studies, the determinants of Islamic financial literacy can be built from a variety of factors and expressed in a variety of measures. Atkinson & Messy (2012) based on the OECD survey, financial literacy has been measured in Ireland, Armenia, Estonia, Hungary, Albania, Germany, Norway, Peru, Czech Republic, and Malaysia. The research looks at financial knowledge, behavior, and attitudes in areas including

budgeting and money management, short- and long-term financial planning, and financial product options, among other things. They discovered low financial literacy among a significant section of the population, unimproved financial behavior, and a wide range of opinions.

Knowledge of Islamic finance can be defined as knowledge gained via education or experience in understanding the concept of Islamic finance (Abdullah & Chong 2014). Islamic financial literacy is determined by a person's understanding of Islamic financial principles and products (Antara, Musa & Hassan 2016). Nidar & Bestari (2012) have studied the financial literacy among students of Universitas Padjadjaran (Indonesia) and analyzed the influencing factors by using financial income and expenditure as research indicators. They discovered a link between financial literacy, educational attainment, faculty, personal income, parental knowledge, parental income, and insurance ownership.

Abdullah & Anderson (2015), also strengthened by Akbar, Shah & Kalmadi (2012), in terms of Islamic financial goods, the elements that influence bankers' financial literacy in Kuala Lumpur (Malaysia) have been studied. The variables revealed are views on banking products, opinions on Islamic banking products, parental effect on Islamic financial products and services, determinants of security investment, views on conventional banking goods, attitudes toward personal financial management, the effect of personal financial management, and comprehension of wealth planning and management.

Meanwhile, the study that was done by Antara, Musa & Hassan (2016) has investigated Islamic financial literacy and producer attitudes regarding Islamic financing in Malaysia. In other studies, examining constructs to see if Islamic financial literacy and its drivers, such as despair, religion, and student financial contentment, are credible and reliable in Malaysia. The highest variety is religiosity, followed by financial despair and satisfaction, according to exploratory factor analysis (Rahim, Rashid & Hamed 2016). Furthermore, In the regression analysis of the characteristics that the statistical

importance of attitudes toward personal financial management, gender, and educational level to indicate the level of Islamic financial literacy was discovered among Malaysian undergraduate students (Abdullah et al. 2017).

Meanwhile, Mohomed (2015) said that a study was conducted to determine the level of Islamic financial awareness among Qatari university students. The findings indicate the elements that influence Islamic financial literacy and services, as well as the disparities in Islamic financial literacy knowledge among major financial institutions. Moreover, Knowledge of Islamic finance words varies by faith, study years, and awareness of Islamic banking in Qatar. In order to improve financial inclusion in Islamic financial literacy. In addition to assessing the level of religious sensitivity among individuals, the relationship between Islamic finance and Islamic financial inclusion in Turkey measures the level of religious sensitivity among persons (Er & Mutlu 2017).

Setyawati & Suroso (2017) have investigated key socioeconomic characteristics that influence Indonesian academics are well-versed in Islamic finance. This research takes a descriptive approach with the goal of obtaining a picture of the subject's current reality. They discovered that socioeconomic characteristics influence financial knowledge, financial behavior, and financial attitudes. Furthermore, age, gender, educational level, residence, monthly expenditure, and marital status all influence one's financial understanding, behavior, and views.

In addition, to measure Islamic financial literacy, numerous research employ product opinions, parental influence, investment decisions, and knowledge and attitudes about Islamic financial goods (Abdullah & Anderson 2015). Other research has looked into the link between Islamic financial literacy and student socio-demographic factors. In fact, it has been demonstrated that students' education or experience in Islamic finance courses has a strong relation to Islamic financial knowledge. Islamic finance courses are viewed as more of a religious concern than a business issue (Outa & Waweru 2016).

Table 1. Key Measures of Islamic Financial Literacy

Variable	Indicators	Sources
Financial knowledge and Islamic financial concept	Budgeting and money management; short-term and long-term financial plans; and financial product options	Atkinson & Messy (2012), Abdullah & Chong (2014), Mohomed (2015)
Islamic financial products	Opinions on banking products; perspectives on Islamic banking products; parental impact on Islamic financial products and services; stock market investing drivers; traditional banking offerings perspectives Attitudes toward personal financial management; financial management impact; wealth planning and management expertise	Abdullah & Anderson (2015), Akbar, Shah & Kalmadi (2012)
The factors that influence Islamic financial literacy	Despair; religiosity; religious sensitivity; and financial satisfaction	Rahim, Rashid & Hamed (2016), Er & Mutlu (2017)
Social economy	Financial knowledge; financial behavior; and financial attitude	Antara, Musa & Hassan (2016), Setyawati & Suroso (2017)
Socio-demographics of students	Personal finance; gender; experience and education of students	Outa & Waweru (2016), Abdullah et al. (2017)
Income and financial expenses	Financial literacy, education level, faculty, personal income, parental knowledge, parental income, and insurance ownership are all factors to consider.	Nidar & Bestari (2012)

2.3. Conceptual Framework

Previous studies were used to construct the determinants for measuring the level of Islamic financial literacy. Knowledge, attitudes, behavior, views, and information regarding Islamic finance are all components of Islamic financial literacy (Abdullah et al. 2017). According to the literature, researchers can build an initial model of this study with several improvements by adding and ensuring compatibility according to the context of the studies of Islamic financial literacy (Widityani et al. 2020). The Islamic financial literacy measurement questions in this study are based on Islamic financial principles and procedures that focus on the main categories of Islamic financial procedures, namely *Mudarabah*, *Musharakah*, *Ijarah*, *Murabahah*, *Istisna* (Antara, Musa & Hassan 2016).

Islamic financial operations are founded on the idea that Islamic money is not a productive asset, a commodity, or a traded item. Answering the research questions in Khaled (2011), the basic principles of Islamic finance refer to financial services carried out according to Islamic law, namely prohibition of interest (usury), risk sharing, money as potential capital, prohibition of speculative behavior, chastity contracts, sharia-approved activities and ban on short selling. Various analytical reviews are used to reduce accuracy and bias as well as determine the appropriate variables to build the Islamic financial literacy index.

3. Method

3.1. Data

The method used in the preparation of the Islamic financial literacy index was a mixed method, namely a method that combines qualitative and quantitative methods. The qualitative method was applied by studying relevant literature from previous studies to obtain initial concepts to produce the indicators of Islamic financial literacy index. The content of the Islamic financial literacy index was afterwards debated in interviews and online Focus Group Discussion (FGD) forums using these indicators with the participants listed in Table 2, representing the elected chair of each leader. They were later measured using the Nvivo 12 application. The quantitative method was employed by utilizing the Pearson and the Cronbach Alpha tests to obtain the level of validity and reliability of each component of Islamic financial literacy index.

In reviewing the studies of the Islamic financial literacy index in order to focus on measuring the value
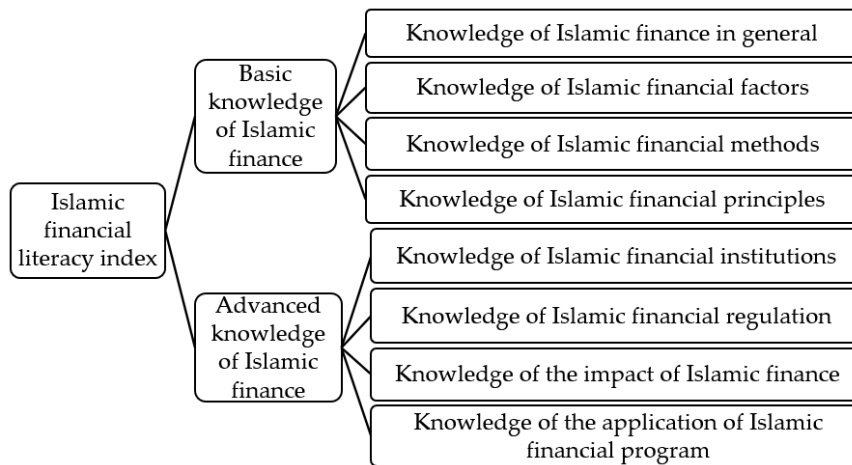
Figure 1. The Components of Islamic Financial Literacy Index

of the interpretation of respondents, this study applied a sampling technique (Sugiyono 2001, p. 56) to determine a sample whose number corresponds to the sample size that will be the actual data source. It also takes into account the characteristics and distribution of the population in order to obtain a representative sample (Margono 2004).

The sample of this research is students who are members of Bengkulu Student Association, consisting of Branch Leaders (BL) with 13 schools, Regional Leaders (RL) with 7 regions (Bengkulu City, Muko-muko, Kepahiang, Rejang Lebong, Lebong, Seluma, and South Bengkulu), while 3 regions (North Bengkulu, Kaur, Central Bengkulu) in Bengkulu province do not yet have a representative regional leadership management. Meanwhile, Provincial Leaders (PL) are at the similar level as student representatives throughout Bengkulu Province in a hierarchical structure.

Bengkulu Province is one of the smallest provinces in Indonesia producing a financial literacy index of only 34.12% with a national financial literacy index reaching 38.04% (OJK 2019). The sampling is based on judgment or purposive sampling, selected by certain criteria used by researchers, namely 13 people as a representative of each leader.

Therefore, the data in this study were collected through interviews and online FGDs. Furthermore, the data were managed using Nvivo plus 12 through word Similarity analysis to draw a conclusion. Nvivo is used to analyze qualitative data in order to produce more professional results (Hilal & Alabri 2013). Data collection was carried out with an overall sample consisting of PR = 169 students, PD = 91 students, and PW = 13 students with a total of 273 respondents.

3.2. Model Development

The Islamic financial literacy index research is in line with the financial literacy index study conducted by the Organization for Economic Cooperation and Development (OECD 2017), MasterCard Inc. (2016), and Financial Services Authority (OJK 2017) of members of the G-20 include the following countries.

The Financial Literacy Index is organized into three primary dimensions by the OECD: financial knowledge, financial conduct, and financial attitude. The first dimension is divided to several indicators that represent basic knowledge of finance, such as the concept of time value of money, the basic concept of interest in finance, the concept of risk and return, inflation, and others. The next dimension, namely financial behavior, consists of the behavior in controlling financial activities, financial resilience, and the selection of financial products. Furthermore, the

Table 2. Respondent Composition

Geographical Characteristics n = 273 (100%)		
PL n = 13 (3.8%)	RL n = 91 (38.5%)	BL n = 169 (57.7%)
	RL BENGKULU CITY (n = 13) (3.85%)	• BL SMA Muhammadiyah 1 (n = 13) (3.84%) • BL SMA Muhammadiyah 2 (n = 13) (3.84%) • BL SMA Muhammadiyah 4 (n = 13) (3.84%) • BL MTS Muhammadiyah (n = 13) (3.84%) • BL SMK Muhammadiyah (n = 13) (3.84%) • BL MA Muhammadiyah (n = 13) (3.84%) • BL MA Almubarok (n = 13) (3.84%)
PL BENGKULU (n = 13) (3.8%)	RL KEPAHIANG (n = 13) (3.85%)	BL SMA MUHAMMADIYAH (n = 13) (3.84%)
	RL REJANG LEBONG (n = 13) (3.85%)	BL SMA MUHAMMADIYAH (n = 13) (3.84%)
	RL LEBONG (n = 13) (3.85%)	BL SMA MUHAMMADIYAH (n = 13) (3.84%)
	RL MUKO-MUKO (n = 13) (3.85%)	BL SMA MUHAMMADIYAH (n = 13) (3.84%)
	RL SELUMA (n = 13) (3.85%)	BL SMA MUHAMMADIYAH (n = 13) (3.84%)
	RL SOUTH OF BENGKULU (n = 13) (3.85%)	BL SMA MUHAMMADIYAH (n = 13) (3.84%)

Source: Secondary data is processed, 2020

third dimension, namely financial attitude, is implemented in managing daily finances such as saving as well as managing expenses.

The American multinational financial services company MasterCard Inc. (2016) has conducted research on financial literacy all throughout the world. The study of Financial Literacy Index conducted by MasterCard consists of three main dimensions, namely Basic Money Management, Financial Planning, and Investment, where the arrangement of dimensions and variables is shown on the MasterCard financial literacy index. Similar to OECD, MasterCard has also formed three dimensions in their financial literacy index. Basic Money Management includes how to manage finance such as a budget plan, payment arrangements, and saving for large purchases such as houses, cars, and others.

The second dimension of the financial literacy index by MasterCard also includes financial behavior, including making financial plans, saving regularly, as well as holding insurance and retirement savings. Knowledge about investment is the third dimension in the financial literacy index, including knowledge of financial statements, the concept of diversification, and inflation in investment activities.

OJK performed a poll to determine the level of financial literacy in Indonesia using a composite index. The financial literacy index by OJK has two main dimensions, namely basic knowledge and advanced knowledge of finance. In the dimension of basic knowledge of finance, the financial literacy index consists of variables that represent basic understanding of finance such as the technical matters required to open an account in banking, knowledge of the concept of interest and its calculation, inflation and others. In the next dimension, namely the advanced knowledge of finance, the financial literacy index includes knowledge about investments such as knowledge of capital market concept, risks and returns in the capital market, knowledge of

stock management, and the concept of investment diversification.

These three institutions conducted distinct financial literacy index studies. However, it can be inferred that the dimensions of financial literacy index may be split into three categories: fundamental understanding of finance, advanced understanding of financial management, and financial management behavior patterns. Thus, these three categories can be taken into consideration in compiling a financial literacy index including the Islamic financial literacy index.

In addition, previous research collected the elements identified by determining Islamic financial literacy among students and developing the variables of Islamic financial literacy as well as Islamic finance, including Abdullah & Anderson (2015), Mohomed (2015), Bashir et al. (2013), Antara, Musa & Hassan (2016), and Akbarr, Shah & Kalmadi (2012), as well as surveys by Atkinson & Messy (2012) and Bank Indonesia (2011). To meet the theme and subject of this study, several factors were used, including Islamic financial literacy among students. Special modifications to these variables were also carried out as adjustments to various occurring conditions.

Furthermore, in the stage of index calculation, the Simple Weighted Index (SWI) method was applied with the value of the interpretation of respondents of the Islamic financial literacy index ranging between 0 and 100%. The value of 0–40% was categorized as low literacy, 40.01%–70% was moderate literacy, while more than 71% was considered high literacy (Ferdinand 2011, p. 324).

3.3. Method

The Simple Weighted Index (SWI) was employed to calculate the Islamic Financial Literacy Index as follows:

$$
\begin{aligned}
IFLI \; = \; & (X\sum(i=1)^{\wedge}n(\text{Score}_{\text{ibsc}} \times \text{Smp bsc W}_i \\
& \times 100)) \times \text{Wvibsc} + +(X\sum(i=1)^{\wedge}n \\
& (\text{Score}_{\text{iadv}} \times \text{Smp Adv W}_i \times 100)) \\
& \times \text{W}_{\text{vi}}\text{Adv} \qquad\qquad\qquad (1)
\end{aligned}
$$

IFLI : Total Islamic Financial Literacy Index;

Score ibsc : The score obtained on indicator i in the dimension of basic knowledge;

Smp bsc Wi : Weighted value on indicator i in the dimension of basic knowledge of the Islamic Financial Literacy Index;

Score iadv : The score obtained on indicator i in the dimension of advanced knowledge;

Smp Adv Wi : Weighted value on indicator i on the dimension of advanced knowledge of the Islamic Financial Literacy Index;

Islam Wvi bsc : Weighted value on variable i in the dimension of basic knowledge;

Wvi Adv : Weighted value on variable i in the dimension of advanced knowledge.

4. Result

The analysis attempts to find and review the financial literacy index based on the variables compiled through literature studies as well as the subsequent interviews and online Focus Group Discussions (FGD) involving various sources, both practitioners and academics, to discover information and apply expert judgment in the preparation of dimensions, variables, and indicators of the Islamic Financial Literacy Index. Then, they are measured based on the interpretation of the respondents of the Islamic financial literacy index, whose value ranges between 0 and 100%.

Table 3. The Measurement of the Level of Literacy

The Value of the Interpretation of respondents	Category
0–40%	Low
40.01%–70%	Moderate
>70%	High

Source: Ferdinand (2011, p. 324)

Table 4. The Components of the Measurement of Islamic Financial Literacy Index

Dimensions	Variables	Indicators
Basic knowledge of Islamic finance	Knowledge of Islamic finance in general (V1)	1. General definition of financial literacy (i_1);
		2. Islamic financial goals (i_2);
		3. Types of Islamic finance (i_3);
		4. The difference between Islamic and conventional finance (i_4).
	Knowledge of Islamic financial factors (V2)	1. Knowledge (i_5);
		2. Attitude (i_6);
		3. Behavior (i_7);
		4. Perception (i_8);
		5. Information about Islamic finance (i_9).
	Knowledge of Islamic financial methods (V3)	1. *Mudarabah* (i_{10});
		2. *Musharakah* (i_{11});
		3. *Ijarah* (i_{12});
		4. *Murabahah* (i_{13});
		5. *Istishna'* (i_{14}).
	Knowledge of Islamic financial principles (V4)	1. Prohibition of interest (usury) (i_{15});
		2. Risk sharing (i_{16});
		3. Money as potential capital (i_{17});
		4. Prohibition of speculative behavior (i_{18});
		5. Chastity contracts (i_{19});
		6. Sharia-approved activities (i_{20});
		7. Ban on short selling (i_{21}).
Advanced knowledge of Islamic finance	Knowledge of Islamic financial institutions (V5)	1. Types of financial management organizations (i_{22});
		2. Financial knowledge through institutions (i_{23}).
	Knowledge of Islamic financial regulation (V6)	1. The legal basis for the financial system in Indonesia (i_{24});
		2. Knowledge of Islamic finance as the economic system of Indonesia (i_{25});
		3. Knowledge of Islamic finance as the education system of Indonesia (i_{26})
	Knowledge of the impact of Islamic finance (V7)	1. Knowledge of the impact of Islamic finance in increasing productivity (i_{27});
		2. The impact of Islamic finance in reducing social inequality (i_{28});
		3. The impact of empowerment programs based on Islamic finance (i_{29});
		4. The impact of Islamic finance in reducing crime rate (i_{30});
		5. The impact of Islamic finance on economic stability (i_{31}).
	Knowledge of the application of Islamic financial program (V8)	1. Knowledge of the benefits of implementing Islamic finance through institutions (i_{32});
		2. Knowledge of programs of Islamic finance utilization (i_{33})

Source: Expert Judgement (processed)

4.1. Results

The results of the data processing conducted through interviews and online FGDs with 273 respondents are presented as follows.

As presented in Figure 3–9, there are two-dimensional approaches to determine the extent to which pupils comprehend financial literacy, namely basic knowledge and advanced knowledge of Islamic finance. Each dimension consists of 4 variables and each variable has 33 indicators. The results of the measurement will become an Islamic financial index and a bridge to apply Islamic finance to the community, especially students.

Referring to the findings of the study, there are no variables reaching a high understanding of Islamic finance (above 70%). Only a few variables have a moderate level of interpretation, one of which is V5, obtained by students from South Bengkulu (67%), Kepahiang (44%), Seluma (43%), Rejang Lebong
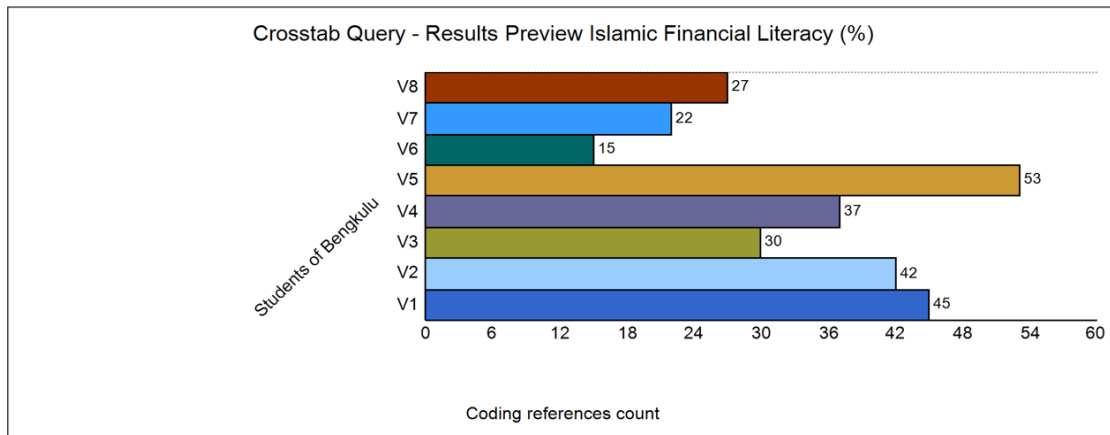
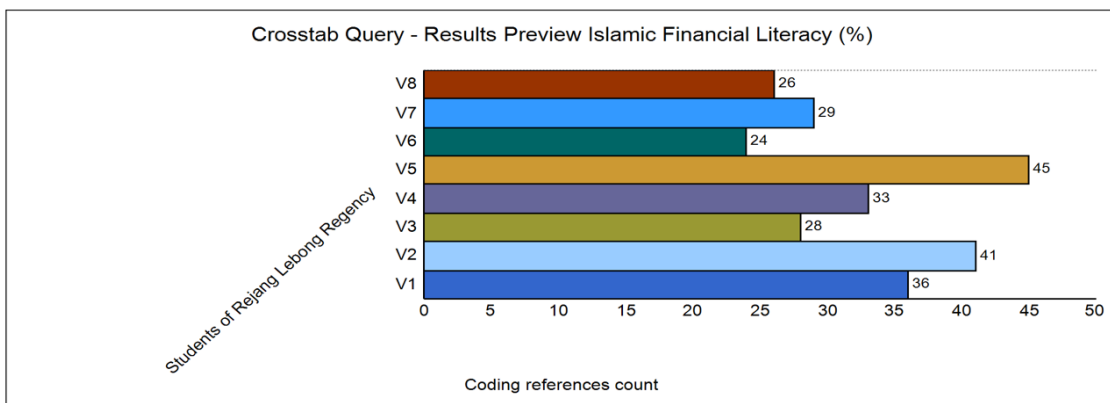**Figure 2. Islamic Finance Literacy among Students of Bengkulu**

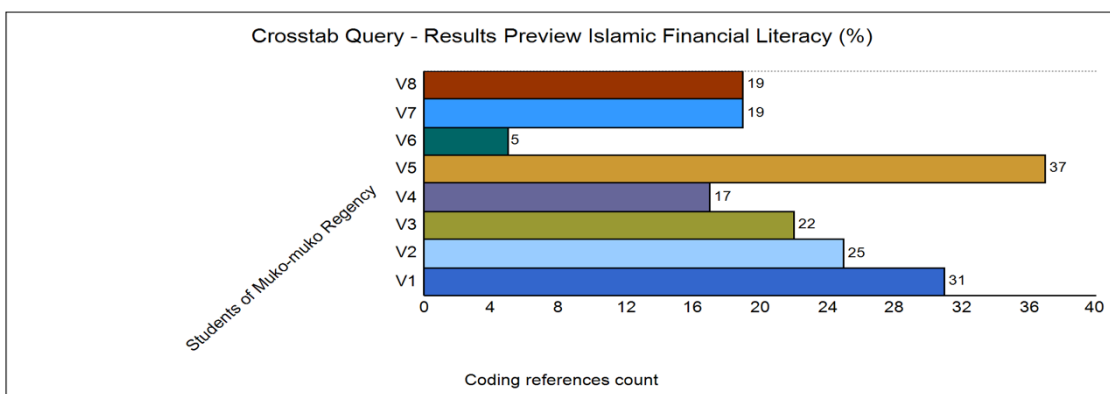**Figure 3. Islamic Finance Literacy among Students of Rejang Lebong District**

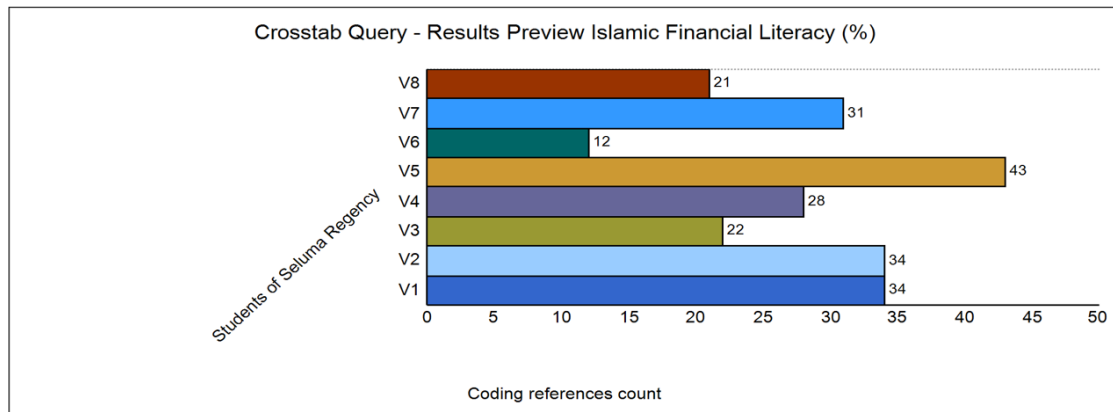**Figure 4. Islamic Finance Literacy among Students of Muko-muko District**

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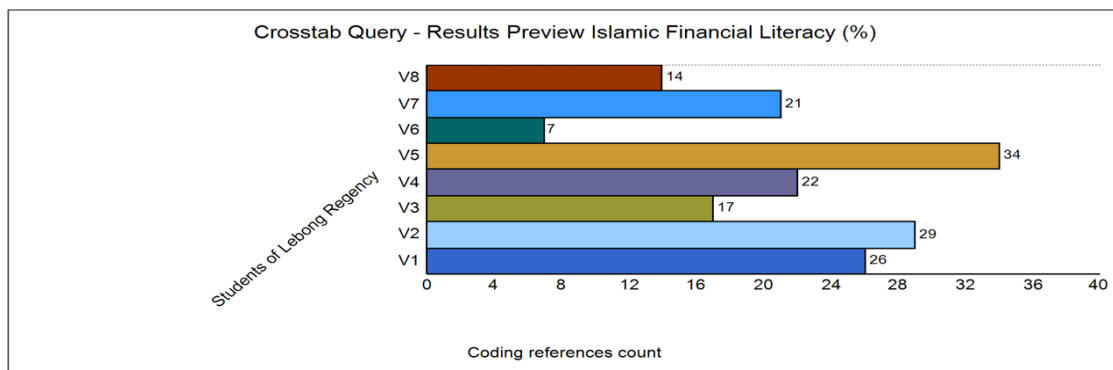**Figure 5. Islamic Finance Literacy among Students of Seluma District**

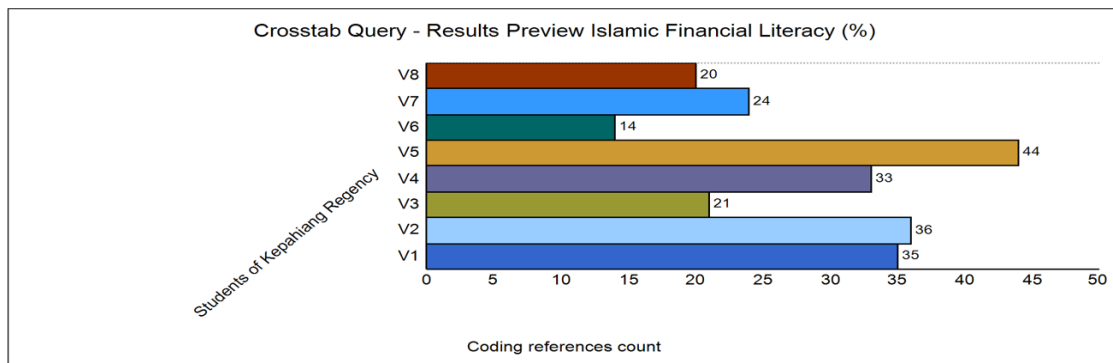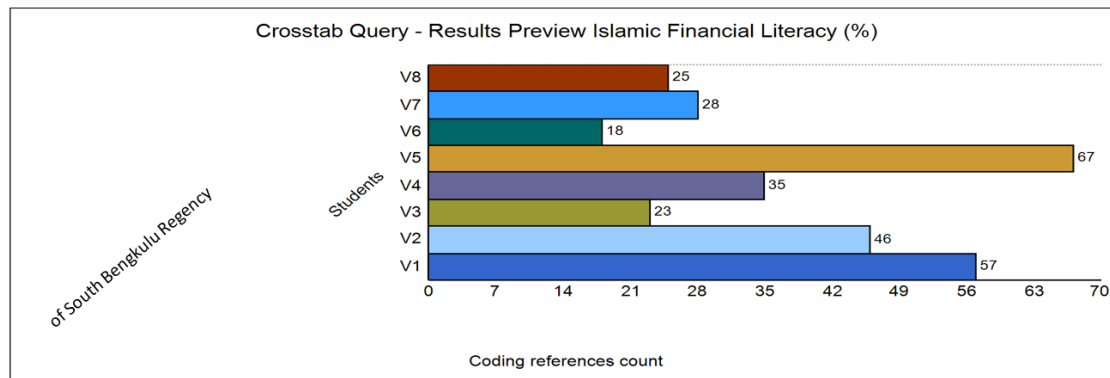**Figure 6. Islamic Finance Literacy among Students of Lebong District**

Figure 7. Islamic Finance Literacy among Students of Kepahiang District

(45%), and Bengkulu City (53%). A moderate level of interpretation in V1 and V2 variables is achieved by students from South Bengkulu (57% and 46%) and Bengkulu City (45% and 42%), while the students in Rejang Lebong obtain a moderate level of understanding in V2 only (41%).

V3, V4, V6, V7 and V8 variables reveal a low level of financial understanding (below 40.01%) with different value of each except the V7 and V8 variables by students from Muko-Muko (obtaining a similar value of 19%). Significantly, V6 is the variable with the lowest value in each figure (less than 25%).

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Figure 8. Islamic Finance Literacy among Students among South Bengkulu District
Source: Secondary data processed through the Nvivo 12 application

An analysis of word similarity based on Nvivo 12 (Figure 10) was carried out to obtain relevant and mutually supportive analytical relationships related to cluster analysis in producing a diagram to bridge the SDGs of Islamic Finance on each variable and classify the relationship between variables.

Figure 10 shows V1, V2, V3, V4, and V5 have a strong and mutually supportive relationship where V5 is the most significant variable and V6 is the least significant variable. V2 and V4 are strengthened by V3 that also has a relationship with V8 and V7. Meanwhile, V6 has no relationship with other variables. The percentage of the supportive relationship of each variable to V0 (SDGs of Islamic Finance) is obtained sequentially as follows: V5 (15.03%) - V2 (14.69%) - V1 (13.84%) - V4 (13.42%) - V3 (11.51%) - V8 (11.51%) - V7 (10.96%) - V6 (7.16%).

4.2. Robustness Test

The results of validity and reliability tests on the variables and indicators of the Islamic financial literacy index are highly important to further strengthen the category level of the components of the Islamic Financial Literacy Index in an academic perspective and bridge the SDGs of Islamic Finance in each analysis. Tables 5 and 6 summarize the findings.

The results in Table 3 show that the variables on the Islamic financial literacy index are valid with a
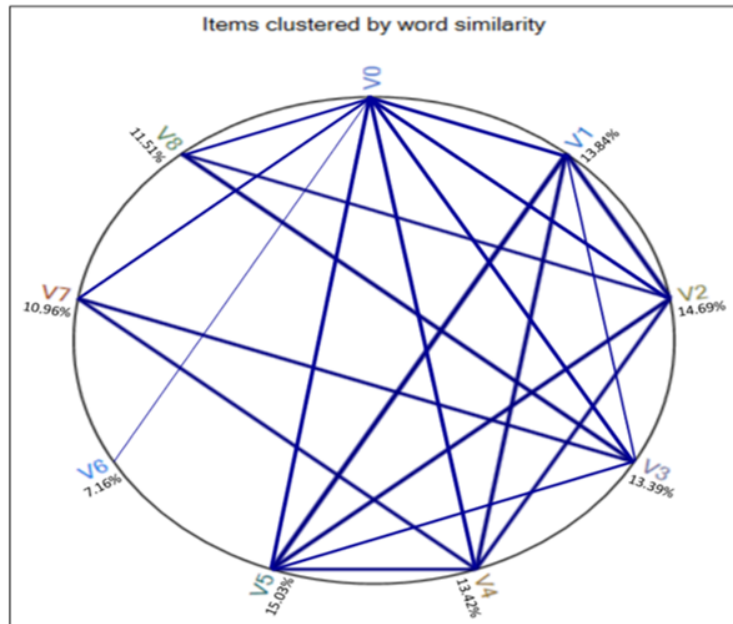
Table 5. The Results of Validity and Reliability Tests on Islamic Financial Literacy Index Variables

Variable	p-value
V1	0.001***
V2	0.003***
V3	0.067***
V4	0.026***
V5	0.000***
V6	0.181**
V7	0.083***
V8	0.049***
***Significant at 0.05, **significant at 0.10	

Cronbach's Alpha	N of Items
.872	8

Source: Processed data, 2020

significance level below 0.05. Furthermore, the results of statistical tests using the Cronbach's Alpha test show that the variables used in the zakat literacy index are reliable. This can be seen from the Cronbach's Alpha value that is greater than 0.60, which is 0.872.

The above tables show the results of validity and reliability tests on the indicators composing the variables of the Islamic financial literacy index. The validity test using the Pearson test shows that the indicators of the Islamic financial literacy index in general obtain a p-value below 0.05, indicating that all indicators are valid. The reliability test using Cronbach's Alpha shows that the indicators of the Islamic financial literacy index exhibit a value above 0.60, namely 0.925, indicating that all indicators are reliable.

Figure 9. The Mutually Supportive Relationship between Variables
Source: Secondary data processed through the Nvivo 12 application

Table 6. The Results of the Validity and Reliability Tests on the Indicators of Islamic Financial Literacy Index

Indicators	p-value	Indicators	p-value
i_1	0.002***	i_{18}	0.037***
i_2	0.003***	i_{19}	0.061***
i_3	0.021***	i_{20}	0.118**
i_4	0.036***	i_{21}	0.103**
i_5	0.023***	i_{22}	0.068***
i_6	0.081**	i_{23}	0.062***
i_7	0.013***	i_{24}	0.139**
i_8	0.049***	i_{25}	0.214*
i_9	0.027***	i_{26}	0.186**
i_{10}	0.032***	i_{27}	0.095***
i_{11}	0.011***	i_{28}	0.087***
i_{12}	0.000***	i_{29}	0.116**
i_{13}	0.048***	i_{30}	0.125**
i_{14}	0.024***	i_{31}	0.078***
i_{15}	0.005***	i_{32}	0.112**
i_{16}	0.017***	i_{33}	0.084***
i_{17}	0.013***		

***Significant at 0.05, **significant at 0.10, *significant at 0.20

Cronbach's Alpha	N of Items
.925	33

Source: Processed data, 2020

4.3. Analysis

It can be concluded that because the study's findings suggest a level of interpretation below 40%, financial literacy among students in Bengkulu Province is low, similar to the finding of a study by Hayati (2019). There are only a few variables acquire a level of financial literacy that is considered moderate, namely V5 (Knowledge of Islamic financial institutions), V2 (Knowledge of Islamic financial factors) and V1 (Knowledge of Islamic finance in general). This conclusion is backed up by the findings of a prior study by Hamid & Nordin (2001). However, V6 (Knowledge of Islamic financial regulation) obtains the lowest level of understanding compared to other variables.

It is also closely related to the data obtained by considering gender, monthly income, and educational background since they have no beneficial effect on the level of financial literacy awareness, as proven by Rahmatia (2019) in a study of the community of Tanjung Putri Village as well as past experiences. Knowledge is necessary to distinguish financial literacy because there are two choices in conventional and Islamic financial systems. Ishak & Man (2011) have examined the integration of Halal and Islamic finance from a Sharia perspective, based on the Quran and Sunnah. On the other hand, Muhamed et al. (2014) have discussed the

integration between Islamic finance and the halal industry by directing a harmonious system that supports one another.

In this regard, there are two approaches to measure financial literacy, namely self-assessment and objective measurement. The self-assessment approach can be used by institutions to assess literacy skills in providing information about the attitudes of respondents towards financial decision, knowledge, and information. Jappelli (2010) has also used this approach to compare literacy rate in 55 countries based on the indicators of financial literacy. In fact, Kharchenko (2011) has conducted an objective measurement approach using objective tests to numerically assess financial terms, concepts, and capabilities.

In other studies, the measurement of financial literacy in the form of knowledge can be done based on the division of groups, used by Atkinson & Messy (2012). First, the group of respondents investigated answer questions related to general financial knowledge in personal financial recognition. Towards the second group, the financial knowledge is used as a proxy for financial literacy.

In financial literacy, revealing one's conduct is crucial. Atkinson & Messy (2012) have described empathy questions that empower people to provide more information and statements about behavior, including statements related to purchase considerations, timely obligations, analysis of financial records, and long-term plans. Financial attitudes can be considered as psychological tendencies. On the other hand, Rajna et al. (2011), studying the financial attitudes of Malaysians, have found that Malaysia has positive financial attitudes, yet they still do not have financial practices.

5. Conclusion

This study intends to examine students' Islamic financial literacy in order to assist them in achieving the Islamic Finance SDGs. The creation of validated Islamic financial literacy index instruments, as well as their determinant variables and indicators, is a scholarly and practical contribution to the literature on Islamic financial literacy among Indonesian students, with a focus on students in Bengkulu. The parameters that make up the Islamic financial literacy index are determined using information from numerous studies. The findings of this study suggest a more massive educational program for students based on the dimensions and indicators as the guidelines in increasing the understanding of Islamic financial literacy among students.

Based on 2 research dimensions with 8 variables and 33 indicators, basic knowledge will affect advanced knowledge of Islamic finance, eventually producing a financial literacy index that will be the reflection of each variable. The knowledge of Islamic financial institutions is highly significant to be applied in the measurement due to its stability compared to other variables. It is necessary for knowledge of Islamic financial regulation to be a reference in education since it obtains a lower interpretation compared to other variables. Meanwhile, other variables have a mutually supportive relationship in bridging the SDGs of Islamic Finance to students.

The results of measurement using the Islamic Financial Literacy Index can be a reference for academics to understand Islamic financial literacy among students as well as a reference for further studies. They can also serve as initial information and evaluation material for stakeholders of Islamic finance, especially the government and Islamic financial authorities, to determine the right regulatory instruments to increase public understanding or literacy more optimally, especially for students of Islamic finance.

The Islamic Financial Literacy Index should be able to serve as a precise standard assessment instrument for Islamic finance practitioners to assess community comprehension, particularly among students of the financial system, as well as a strategy for Islamic financial education. It can also be used to play a role in Islamic finance and determine the targets of Islamic financial education programs effectively and efficiently.

This study has limitations since it was only conducted in Bengkulu Province. However, for further studies, it can be used as a measurement through the Islamic Financial Literacy Index, enrich the database in Islamic financial system in regions and related areas, especially the distribution of Islamic finance literacy in all provinces in Indonesia. Thus, this database can be used by Islamic Finance stakeholders to develop Islamic finance in Indonesia towards a better and measurable direction. Overall, the findings are living documents regarding the concept of Islamic Financial Literacy Index, despite the limitations in time and space. Therefore, the concept of Islamic Financial Literacy Index can be adapted to various conditions of Islamic financial management in Indonesia in the future and continue to provide benefits in various situations and conditions.

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