

**The Effect Of Sharia Financial Inclusion And Sharia Financial Literature On Financial Behavior
(Case Study on Islamic Boarding School Community in Banten Province)**

Saeful Fachri¹, Heri Sapari Kahpi²

¹Program Study Accountan, School of Economy Banten, Indonesia

² Program Study Accountan, School of Economy Banten, Indonesia

Email: fachri@stiebanten.ac.id¹, heri.kahpi@stiebanten.ac.id²



This is an open access article distributed under the Creative Commons Attribution License
CC-BY-NC-4.0 ©2021 by author (<https://creativecommons.org/licenses/by-nc/4.0/>)

ABSTRACT

Financial behavior is a must-have ability that aims to manage and use financial resources in making financial decisions. Financial inclusion and Islamic financial literacy are variables that are thought to influence the financial behavior of Islamic boarding schools in Banten Province. This research leads to the type of causality research and quantitative research. Where based on the results of data analysis, the research results empirically prove that there is a positive and significant influence of the individual financial inclusion variable on financial behavior and proves that there is a positive and significant influence of the Islamic financial literacy variable on the financial behavior of Islamic boarding schools in BantenProvince.

Keywords: Financial Behavior; Financial Inclusion; Islamic Financial Literacy.

INTRODUCTION

The Consumer Survey conducted by Bank Indonesia (BI) in May 2021 states that 75.8% of public income is used for consumption, then the *saving to income ratio* is at 14.6% and the remaining 9.6% is for installment payments (Bank Indonesia, 2021). The high consumptive lifestyle of the community is influenced by behavior in managing finances which is closely related to knowledge of financial inclusion and financial literacy in the community (Carson et al., 2018; Enrico et al., 2014; ZAHRA & ANORAGA, 2021).

Table 1
Pre Survey Results Savings Activities During the Last Twelve Months

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Once	10	62.5	62.5	62.5
	Never	5	31.3	31.3	93.8
	3	1	6.3	6.3	100.0
	Total	16	100.0	100.0	

Source: The results of the survey are processed.

To see the financial behavior of the community, researchers conducted a *pre-survey* activity to 16 respondents from the pesantren community group to find out their activities in using one of the services of Islamic Financial Institutions (LKS), namely saving activities for the last twelve months, the results showed that 62.5 % have done saving activities at LKS for the last twelve months and 31.3% have never done savings activities at LKS.

Financial behavior is expertise in the aspects of managing, treating and using financial resources as an attitude in making financial decisions (de Bassa Scheresberg, 2013; Robb & Woodyard, 2011; Tang & Baker, 2016). Another opinion states that financial behavior is related to the management and use of income to meet consumption needs and plan it for future needs. Then stated that behavioral finance focuses on the application of psychological and economic principles to improve financial decision making (Zakaria et al., 2012). Based on some of the definitions above, it can be concluded that financial behavior is expertise in managing and using financial resources in making financial decisions (Pompian, 2011; Prince, 2017; Raveendra et al., 2018).

The first factor thought to influence financial behavior is financial inclusion. The financial inclusion program is of particular concern to the government considering that 51.1% of Indonesians are still categorized as *unbanked*. Over the last few years, the government through Bank Indonesia (BI) and the Financial Services Authority (OJK) has done many things to increase public participation in access to formal financial services. President Joko Widodo targets that by 2024 the financial inclusion rate is expected to reach 90 percent. Various programs are carried out by the government to achieve the targets set, including Digital Financial Services (LKD) and Laku Pandai (*branchless banking* financial services). In addition, periodically, OJK has a program to improve financial literacy by holding a Financial Inclusion Month (BIK) every October 1 to 31, including the launch of the PAUD financial literacy book, the One Account One Student (KEJAR) program and the *rebranding of the* Attitude Family.

Inclusive finance is defined as a condition where all levels of society have access to quality formal financial services in a timely, smooth, and safe manner at affordable costs according to their needs and abilities in order to improve people's welfare (Perpres Number 82 of 2016 concerning the National Strategy for Inclusive Finance, 2016). In addition, another definition states that financial inclusion is the process of providing appropriate financial services to individuals and providing understanding and access to financial services (Ferran, 2011; Tyrie, 2011). Financial inclusion provides room for financial intermediation such as payment transactions, selection of financial products for poor households, transfers, microcredit including insurance. Financial inclusion is defined as a process that ensures open access for the poor and marginalized to various financial system services. In financial inclusion there are things that become indicators, namely access, community groups and the financial system). In addition, the

indicators used to measure the level of financial inclusion are service quality, access costs, and service use.

Previous research that discusses the effect of financial inclusion on financial behavior, including research that proves empirically that the financial inclusion index has a significant positive linear effect on people's personal financial behavior. Then, the results of the research analysis that have been carried out show that financial inclusion has a positive and significant influence on the performance of MSMEs in Sidoarjo.

In addition to financial inclusion, the factor that is thought to influence financial behavior is financial literacy. *The Financial Literacy and Education Commission* (FLEC) defines financial literacy as the ability to use knowledge and skills to manage financial resources effectively for a future of good financial health (Commission, 2019; Wolfe-Hayes, 2010). OJK states that financial literacy is the ability to understand the knowledge and skills to manage financial resources to achieve prosperity.

In Islamic finance, Islamic financial literacy is a new concept in the world of financial literacy so that it will be related to the concept of financial literacy in general (Albaity & Rahman, 2019; Antara et al., 2016; Rahim et al., 2016). Financial literacy refers to the level of understanding, awareness, and knowledge people have about the use of financial instruments. Through increased financial literacy, Islamic banking customers can be empowered to make informed and more strategic financial decisions. From the several definitions of financial literacy above in the scope of Islamic finance, Islamic financial literacy is the ability, knowledge, and skills of various knowledge acquired in making decisions and managing financial resources effectively with the aim of achieving financial prosperity in accordance with the values and teachings Islam.

The influence of financial literacy on financial behavior can be seen from several previous studies such as research which states that financial literacy shows a significant positive influence on financial behavior in students in Padang City. Then another study from shows that financial literacy has a positive effect on financial behavior. Other studies also state that financial literacy has a significant positive effect on financial behavior. In contrast to the results of previous studies in their research, financial literacy does not affect financial behavior in saving.

The focus of this research is on target groups of Islamic boarding schools and areas that have low levels of financial inclusion. The relationship with the development of Islamic financial inclusion in Banten, can be seen from the existence of Islamic Financial Institutions (LKS) and the use of LKS services. In Banten Province for Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) consisting of the Operational Head Office (KPO)/Branch Offices (KC) there are 20 offices, Sub-Branch Offices (KCP)/Sharia Service Units (UPS) 61 offices, and the Cash Office (KK) there are 8 offices.

Taking into account the characteristics of the people of Banten in general, the population in Banten is spread across four districts and four cities, with 155 sub-districts, 1,238 villages and 313 regencies (BPS Banten Province, 2020). Consisting of 1,238 villages, shows the reality that most of the people of Banten still live in villages. As a province that has the motto of Faith and Piety, and 92.85% is Muslim and is known for its religious population. It is very necessary to deliver financial inclusion programs with a religious and cultural-based approach to the pesantren community.

In the culture of the people of Banten, where most of the population live in villages and are known to be religious, they still use the pesantren as a reference to determine and answer some

of the views of life of the surrounding community. There are 3,267 Islamic boarding schools both traditional and modern in Banten Province (Banten Provincial Statistics Agency, 2015). The strong influence of the pesantren makes any development of religious thought and interpretation that comes from outside the pesantren will not have a significant impact on the attitudes of the Islamic community in rural areas. This fact shows that every effort aimed at community development, especially in rural areas, needs to involve the world of Islamic boarding schools (Abd, 2006). There is one consideration that can be used by the government (policy makers) in the transformation of the role of pesantren, namely pesantren can be used as an instrument to achieve development goals, such as socializing ideas, mobilizing development resources, and so on.

Based on the above background, it can be concluded that the research problem formulation, firstly states whether financial inclusion has a significant effect on the financial behavior of the Islamic boarding school community in Banten Province, secondly whether Islamic financial literacy has a significant effect on the financial behavior of the Islamic boarding school community in Banten Province. And lastly, whether financial inclusion and Islamic financial literacy affect the financial behavior of Islamic boarding schools in Banten Province. The purpose of this research is to determine the effect of financial inclusion on financial behavior, to determine financial behavior and finally to determine the effect of financial inclusion and Islamic financial literacy on the financial behavior of Islamic boarding schools in Banten Province.

Furthermore, the researchers based on the discussion of theoretical studies and previous research made research hypotheses: (H1) Financial inclusion has a significant effect on the financial behavior of Islamic boarding schools in Banten Province, (H2) Islamic financial literacy has a significant effect on financial behavior of Islamic boarding schools in Banten Province, and (H3) Financial inclusion and Islamic financial literacy have a significant effect on the financial behavior of Islamic boarding schools in Banten Province.

METHOD

This type of research leads to the type of causality research and quantitative research. Causality research is research that wants to find an explanation in the form of a cause-effect relationship between several concepts or several variables or also several strategies developed in management. While quantitative research is research to find a new concept or thesis, the researcher first develops propositions and hypotheses and the next step is tested with quantitative data until finally arriving at the final findings in the form of a new thesis or tested hypothesis. The population in this study is the pesantren community in Banten Province with the determination of the sample using purposive sampling based on judgment sampling.

RESULT AND DISCUSSION

Outer Model Results

The SmartPLS SEM test analysis in this study was used to determine the relationship between financial inclusion variables, financial literacy, and financial behavior. The results of the SmartPLS SEM model analysis are as follows:

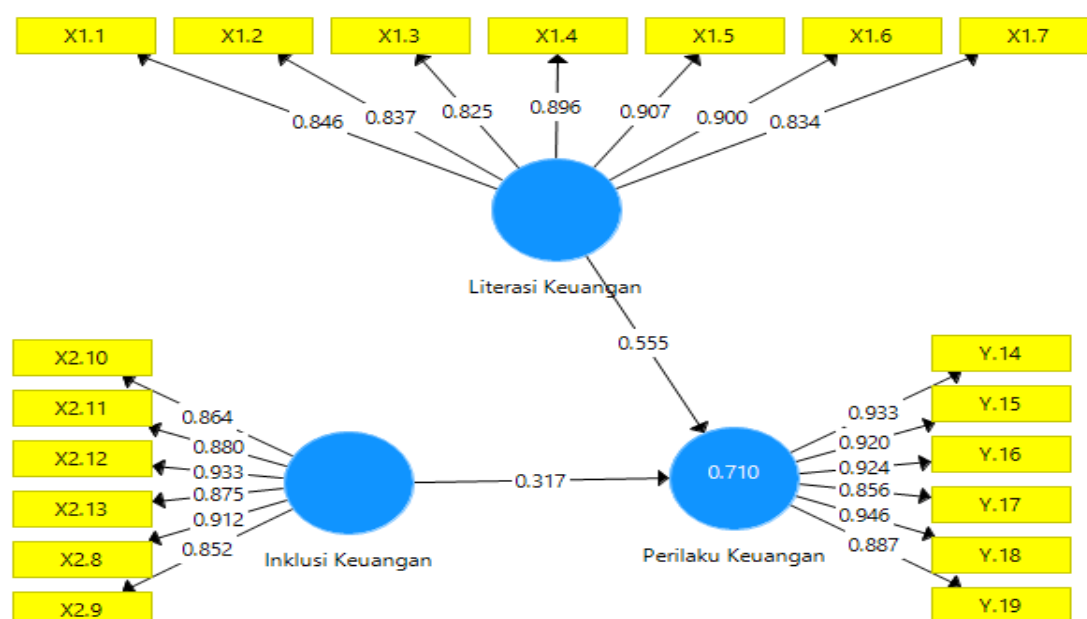


Figure. 1 Model Analysis Results

Based on Figure 1, the results of SmartPLS analysis show that the loading factors for the constructs of financial inclusion, Islamic financial literacy and financial behavior are above the required 0.5 to 0.6. Based on the results of the analysis, it is known that all items have a loading factor value greater than 0.5 so that all constructs of Financial Literacy, Financial Inclusion and Financial Behavior have good validity.

Furthermore, reliability measurement can be done by looking at the Composite Reliability and Average Variance Extracted (AVE) values. If the Composite Reliability value between constructs and their indicators gives good results, namely above 0.70 and AVE above 0.50. The results of composite reliability and AVE can be seen in table 2 below.

Table. 2
Composite Reliability and Average Variance Extracted (AVE)

Variable	Composite Reliability	AVE
Financial Inclusion (X1)	0.945	0.786
Financial Literacy (X2)	0.943	0.747
Financial Behavior (Y)	0.959	0.831

Source: Research results are processed

Table 2 above shows that the *composite reliability and AVE results* for each construct are good. This value refers to Chin's opinion, so the results of the *composite reliability* of each construct are good and can be used in the analysis process to show whether there is a relationship between each construct, because the results obtained have values > 0.70 and $AVE > 0.50$. From the results above, all variables have *composite reliability* values > 0.70 and *Average Variance Extracted* > 0.5 , meaning they have good reliability and *average variance extracted* values and can be used for further research processes.

Research Hypothesis

To answer the research hypothesis, the following *P values* can be seen :

Table. 3
Result For Inner Weights

Correlation			OriginalSample (O)	Sample Mean (M)	Standard Deviation	T. Statistics	P Values
Financial Inclusion	Behavioral Finance	–	0.317	0.325	0.104	3,040	0.002
Financial Literacy	Financial Behavior	-	0.555	0.545	0.104	5,355	0.000

Source: Research results are processed

Based on Table. 3 above regarding hypothesis testing can be explained that:

1. The results of hypothesis testing on the direction of the influence of the financial inclusion variable on financial behavior is 0.317 as shown by the path coefficient. Judging from the T. Statistics value of 3.040, it is greater than the t_{table} of 1.985 and the P. Values of 0.002 is smaller than the probability value of 0.05 or the value (0.002 $<$ 0.05) which means significant. This means that there is a positive and significant influence of the individual financial inclusion variable on financial behavior.
2. The results of hypothesis testing on the direction of the influence of the financial literacy variable on financial behavior is 0.555 as shown by the path coefficient. Judging from the value of T. Statistics of 5.355, which is greater than t_{table} of 1.985 and P. Values of 0.000, it is less than the probability value of 0.05 or the value (0.000 $<$ 0.05) means that it is significant. This means that there is a positive and significant influence of the financial literacy variable on financial behavior.

The Relationship between Financial Inclusion and Financial Behavior

The higher the Financial Inclusion Relationship, the higher the financial behavior. The test results show that the relationship between Financial Inclusion and financial behavior is positive and significant or this hypothesis can be accepted. This shows that the ease of financial processes will facilitate financial behavior in the daily activities of students at Islamic boarding schools. This is in line with and reinforced by the results of research conducted and research which states that financial inclusion affects financial behavior. Financial inclusion is a situation where every individual has access to quality, safe, convenient and timely services from financial institutions at affordable prices according to the needs of the community.

With the availability of financial inclusion, easy access to financial institutions and the ability of students to understand and utilize bank products. Easy access to financial institutions so

that people in the pesantren environment can transfer, pay and save through their gadgets, which can help them to use banking products and services.

Relationship between Financial Literacy and Financial Behavior

The relationship of high financial literacy, the higher the financial behavior. The test results show that the relationship between financial literacy and financial behavior has a positive and significant effect. This shows that financial literacy is the understanding, insight and fundamental financial skills needed for successful financial management needs to avoid financial problems in the future. These results are in line with research that has been carried out which say that someone with high financial literacy will be able to make a priority scale in managing finances and have the knowledge for good and correct financial planning so that someone will find it easier to save.

Financial literacy can provide adequate and sufficient financial understanding for students in Islamic boarding schools and is useful for getting to know various financial service institutions and how to utilize financial products and services according to their needs as individuals who use financial services.

CONCLUSION

The purpose of this study was to determine the effect of financial inclusion and Islamic financial literacy on financial behavior either partially or simultaneously. Then, the results of the research empirically prove that there is a positive and significant effect of the individual financial inclusion variable on financial behavior and proves that there is a positive and significant influence of the Islamic financial literacy variable on the financial behavior of the Islamic boarding school community in Banten Province.

Therefore, the researcher concludes that the easier access to formal financial services will affect the improvement in aspects of management, treatment and use of financial resources. Furthermore, for the Islamic financial literacy variable, the increasing ability, knowledge, and skills of various Islamic financial knowledge obtained will further increase the ability that has an impacts on decision making and managing financial resources for the Islamic boarding school community in Banten Province.

REFERENCES

- Albaity, M., & Rahman, M. (2019). The intention to use Islamic banking: an exploratory study to measure Islamic financial literacy. *International Journal of Emerging Markets*.
- Antara, P. M., Musa, R., & Hassan, F. (2016). Bridging Islamic financial literacy and halal literacy: the way forward in halal ecosystem. *Procedia Economics and Finance*, 37, 196–202.
- Carson, D. A., Carson, D. B., & Eimmermann, M. (2018). International winter tourism entrepreneurs in northern Sweden: understanding migration, lifestyle, and business motivations. *Scandinavian Journal of Hospitality and Tourism*, 18(2), 183–198.
- Commission, E. (2019). *Best practices for financial literacy and education at institutions of higher education*.
- de Bassa Scheresberg, C. (2013). Financial literacy and financial behavior among young adults: Evidence and implications. *Numeracy*, 6(2), 5.

- Enrico, A., Aron, R., & Oktavia, W. (2014). The factors that influenced consumptive behavior: a survey of university students in Jakarta. *International Journal of Scientific and Research Publications*, 4(1), 1–6.
- Ferran, E. (2011). The break-up of the Financial Services Authority. *Oxford Journal of Legal Studies*, 31(3), 455–480.
- Pompian, M. M. (2011). *Behavioral finance and wealth management: how to build investment strategies that account for investor biases* (Vol. 667). John Wiley & Sons.
- Prince, T. E. (2017). *Behavioral finance and the business cycle*.
- Rahim, S. H. A., Rashid, R. A., & Hamed, A. B. (2016). Islamic financial literacy and its determinants among university students: An exploratory factor analysis. *International Journal of Economics and Financial Issues*, 6(7S).
- Raveendra, P. V, Singh, J. E., Singh, P., & Kumar, S. S. (2018). Behavioral finance and its impact on poor financial performance of SMEs: A review. *International Journal of Mechanical Engineering and Technology*, 9(5), 341–348.
- Robb, C. A., & Woodyard, A. S. (2011). Financial knowledge and best practice behavior. *Journal of Financial Counseling and Planning*, 22(1), 60–70.
- Tang, N., & Baker, A. (2016). Self-esteem, financial knowledge and financial behavior. *Journal of Economic Psychology*, 54, 164–176.
- Tyrie, A. (2011). *Financial Services Authority*.
- Wolfe-Hayes, M. A. (2010). Financial literacy and education: An environmental scan. *The International Information & Library Review*, 42(2), 105–110.
- ZAHRA, D. R., & ANORAGA, P. (2021). The Influence of Lifestyle, Financial Literacy, and Social Demographics on Consumptive Behavior. *The Journal of Asian Finance, Economics, and Business*, 8(2), 1033–1041.
- Zakaria, R. H., Jaafar, N. I. M., & Marican, S. (2012). Financial behavior and financial position: a structural equation modelling approach. *Middle-East Journal of Scientific Research*, 12(10), 1396–1402.