

Sharia Financial Literacy for Generation Z

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ABSTRACT

The service activities comprised various stages, starting with the initial initiation and coordination with the leader, followed by observation, socialization, and the implementation of community service. This included conducting a pre-test, delivering the material in a classical format, facilitating a question and answer session, administering a post-test, as well as concluding with an evaluation and reporting phase. During the evaluation, the difference in values was assessed using the Wilcoxon test, with the statistical software Jamovi employed for this purpose. The results showed a significant increase in the Sharia financial literacy of students after completing the program. This successful service was a potential model for the government and other organizations to replicate, aiming to increase Sharia financial literacy and foster financial inclusion and economic development.

INTRODUCTION

Various generation categories exist based on birth years, including the Veteran Generation, Baby Boomer, Generation X, Generation Y, Generation Z, and Generation A born between 1925 - 1946, 1946 - 1960, 1960 - 1980, 1980 - 1995, 1995 - 2010, as well as 2010 and beyond, respectively (Bencsik et al., 2016). While there is no strict separation between these generations, each has its distinct characteristics. Generation Z, in particular, stands out as the first actual internet generation. Unlike Generation Y, who witnessed the transition to technology leading up to the Internet era, Generation Z was born into a world where mature and readily available technology already existed, a key factor that sets them apart from Generation Y (Christiani & Ikasari, 2020). Generation Z is known for exhibiting good networking behavior, displaying higher tolerance towards cultural differences in society, being highly familiar with and reliant on technology, and showing financial sufficiency while adopting a conservative approach to finance (Grail-Research, 2010).

Generation Z is often considered as the most extravagant in financial management and faces limitations in financial literacy, leading to challenges in effectively managing their finances (Kharisma, 2022). A survey conducted by Katadata Indonesia in 2021 revealed that Generation Z tended to allocate savings less frequently in their financial management and rarely kept detailed records of their expenditures (Katadata, 2021). Financial literacy can be defined as the knowledge and management of finance by an individual, crucial for achieving financial well-being (Lusardi & Mitchell, 2014). For Muslims, financial literacy, particularly in Sharia finance, is important to avoid financial issues. This is because financial problems for Muslims encompass not only the amount and sources of income but also the adherence to Islamic principles in the management (Gunawan et al., 2022; Rastati, 2018).

In 2022, the Financial Services Authority (OJK) conducted the National Survey on Financial Inclusion and Literacy (SNLIK) to assess the financial literacy and inclusion level, specifically focusing on Sharia financial literacy among the Indonesian population. According to the SNLIK 2022 findings, the index of Sharia financial literacy in the Indonesian population increased from 8.93% in 2019 to 9.14% in 2022. Additionally, the level of Sharia financial inclusion also increased to 12.12%, compared to 9.10% in the previous survey (<https://keuangan.kontan.co.id/news/ojk-targetkan-peningkatan-literasi-di-daerah-3t-dan-umkm-tahun-2023>). These statistics indicate that there is still room for improvement in terms of Sharia financial literacy and inclusion, considering their crucial role in making informed economic decisions (Lusardi & Mitchell, 2014).

The results of SNLIK 2022 provide valuable insights for the OJK and other stakeholders to take a proactive approach in formulating policies, strategies, and the development of Sharia financial products and services that cater to the needs of the community. OJK has identified priority targets for enhancing financial literacy in 2023, including students, individuals in frontier, remote, and underdeveloped areas, micro, small, and medium enterprises (MSMEs), as well as people with disabilities. The Department of Islamic Studies, as part of a community-oriented university, is committed to contributing to the implementation of Sharia financial education and literacy. They actively participate in community service activities, including guiding Sharia financial planning to students at the Integrated Islamic Vocational School (SMKIT) Smart Informatika Solo Peduli in Surakarta, Central Java.

SMKIT Smart Informatika is established by the Solo Peduli Ummat Foundation in 2009 as part of their social programs in the education sector. The school offers free education, covering tuition fees, books, uniforms, and boarding expenses at Pesantren Pelajar Insan Muda Cendekia. In the academic year 2022/2023, the school has 163 active students aged between 15 and 17. While students receive free education, preliminary interviews with the management of the Solo Peduli Ummat Foundation indicate that they usually still receive pocket money from their families. Recognizing the importance of equipping students with financial knowledge, management, and planning, especially as they approach graduation, the Chairman of the Solo Peduli Ummat Foundation emphasized the need to prepare students for their plans, such as pursuing higher education, entering the job market, or aspiring to become entrepreneurs.

IMPLEMENTATION AND METHODS

The community service program was conducted on Saturday, November 26, 2022, at SMKIT Smart Informatika in Surakarta, Central Java. Lecturers from the Islamic Economics Program at the Faculty of Islamic Studies, Islamic University of Indonesia, facilitated the program. A total of 61 female students from different majors, including computer, networking, and telecommunications, participated in the program, representing grades X, XI, and XII. The community service activities commenced with an introductory session, followed by coordination with the school leader, observation, socialization, and implementation of the community service program. The activities included a pre-test, a traditional delivery of materials, a question and answer session, a post-test, and concluded with an evaluation and reporting phase. The visual representation of the community service method conducted at SMKIT Smart Informatika is shown in Figure 1.

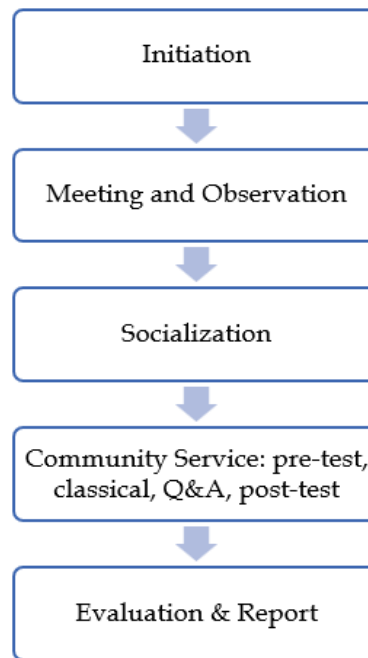


Figure.1 Community Service's Methods

The community service material was titled "Sharia Financial Planning for Teenagers." It covered a range of topics, including (1) understanding the basic principles of Islamic economics, (2) setting financial goals, (3) exploring the concept of halal and *thayyib* income, (4) learning effective financial management techniques, and (5) an introduction to investment. During the community service, participants were assessed through pre and post-tests to evaluate their comprehension of the material. The pre-test was conducted without revealing the subsequent post-test. Both tests consisted of nine questions with multiple-select answers. The scores from the post-test and pre-test were considered paired data. Initially, a paired t-test was planned to examine the significance of the score difference. A normality test revealed that the difference in scores was not normally distributed. Therefore, the Wilcoxon test was used to analyze the score difference. The statistical analysis was performed using the software Jamovi.

Hypotheses:

- Ho: There was no difference in the post and pre-test median values
- H1: There was an increase in the post and pre-test median values

RESULTS AND DISCUSSION

The community service program at SMKIT Smart Informatika commenced with an initiation phase. This initiation was conducted by the Department of Islamic Studies, driven by several fundamental reasons. These reasons included acknowledging the commitment of academics to engage in community service, recognizing the importance of developing Sharia financial literacy, particularly among Generation Z, and addressing the high level of economic disruption and uncertainty that necessitated individuals, households, and institutions to possess effective financial management skills.

Furthermore, initial coordination with the management of the Solo Peduli Ummat Foundation took place on October 26, 2022. During this coordination, it was discovered that despite receiving free educational facilities from the foundation, the students still received pocket money from their families. The Chairman of Solo Peduli Ummat Foundation emphasized the importance of equipping students with financial management and planning knowledge, as these skills are crucial for their future endeavors, including pursuing higher education, entering the workforce, or venturing into entrepreneurship. Based on the information gathered during the initial coordination, the team prepared the necessary materials and schedule for the community service program. The implementation details were then shared with students through their teachers, who allocated dedicated time in accordance with the proposed schedule. The community service activity took place on November 26, 2022, and teachers and students of SMKIT Smart Informatika warmly received the team from Yogyakarta.



Figure.2 The Service Team, together with the Foundation Management

Furthermore, students were divided into classrooms based on their grade levels. The classical activities started with attendance and the completion of a pre-test. During the material presentation, students attentively listened and took notes. They were not informed about the post-test that would be administered at the end of the session. Following the material presentation, a question and answer session took place, which proceeded smoothly and interactively. Students exhibited great enthusiasm as the service team posed questions, and many eagerly raised their hands to provide answers.



Figure.3 Implementation of Pre-Test and Presentation of Material

Students at SMKIT Smart Informatika acquired a wealth of new knowledge regarding Sharia financial planning. In addition to asking questions about the material, they also showed interest in discussing their future study plans for university. Based on the completed questionnaires, it was evident that students found the provided material highly beneficial, and some even expressed a keen desire to learn more about financial planning and investment strategies.

Analysis of Pre- and Post-Test Scores

In order to assess the impact of the financial literacy socialization conducted by the community service team on students, pre- and post-tests were implemented. The hypothesis for this analysis proposed an increase in the median values of the post-test compared to the pre-test. Descriptive statistics were then conducted in this phase, as shown in Table 2.

Table.1 Descriptive Statistics

| | N | Mean | Median | SD |
|------------------|----|------|--------|-------|
| Post-Test | 61 | 4.90 | 5 | 1.091 |
| Pre-Test | 61 | 2.66 | 3 | 0.911 |
| Increase | | 2.24 | 2 | |

Based on the data in Table.1 , the descriptive analysis shows that the post-test scores have higher mean and median values than the pre-test scores. The maximum attainable score for each test is 10, with a mean difference of 2.5 points between the post- and pre-test scores. Furthermore, the distribution of the post- and pre-test scores is shown in Figure 4.

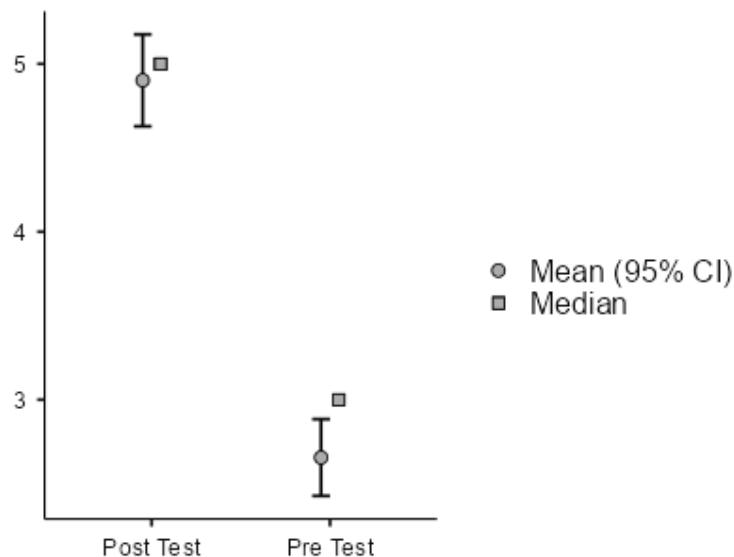


Figure.4 The Plot of Post- and Pre-Test Scores

Figure.4 shows a significant increase in the pre- and post-test scores. In the pre-test phase, the mean value was 2.66, which increased by 2.24 points to 4.90 in the post-test. Similarly, the median value in the pre-test was 3, and it increased by 2 points to 5 in the post-test.

A normality test was also conducted to assess the distribution of the pre and post-test scores. The Shapiro-Wilk test for normality revealed a p-value lower than the significance level (5%), indicating that the difference between the post and pre-test scores did not follow a normal distribution. A nonparametric test for paired data, specifically the Wilcoxon test, was then employed.

Table.2 Wilcoxon Test

| | Statistic | P |
|------------|-----------|--------|
| Wilcoxon W | 1647 | <0.001 |

The results of the Wilcoxon test indicate that the p-value is less than the alpha level (5%), thereby leading to the rejection of the null hypothesis (Ho). This implies that the post-test scores are significantly higher than the pre-test scores. Therefore, it can be concluded that the financial literacy socialization conducted by the community service team has successfully improved the financial literacy of students at SMKIT Smart Informatika. This service program supports and builds upon the findings of previous studies conducted by Gunawan et al. (2022), Saraswati, and Zidnia (2022), emphasizing the relatively low Sharia financial literacy level among the younger generation. This can be attributed to inadequate socialization and outreach efforts in Sharia financial literacy (Saraswati & Zidnia, 2022). Therefore, this service program serves as a step towards enhancing the socialization and development of Sharia financial literacy among the younger generation.

Improving Sharia financial literacy can increase the market share of Sharia financial products (Mukti et al., 2022; Yuneline et al., 2021; Adiyanto & Purnomo, 2021). This, in turn, promotes and educates the community about the importance of Sharia-based financial management in Sharia financial institutions (Firdausi & Kasri, 2022).

CONCLUSIONS AND RECOMMENDATIONS

In order to equip Generation Z with essential skills for a prosperous future, a service program focusing on Sharia financial planning socialization was conducted for students of SMKIT Smart Informatika Solo Peduli, located in Surakarta, Central Java. The program took place on Saturday, November 26, 2022. The community service activities commenced with an initial initiation, followed by coordination with the program leader, observation, socialization, and the implementation of various components such as pre-test, traditional delivery of material, question and answer session, post-test, as well as evaluation and reporting.



Figure.5 The Service Team, together with the Foundation Management and Participants

Based on the findings, the descriptive analysis shows that the mean and median values of the post-test scores are higher than the pre-test scores. Each test had a maximum possible score of 10, with an average difference of 2.5 points between the post-test and pre-test scores. The statistical analysis using the Wilcoxon test shows that the p-value is less than the selected alpha level of 5%, indicating a significant improvement in financial literacy after the financial literacy socialization program conducted by the service team. Therefore, it can be concluded that the program is successful in enhancing the financial literacy of students at SMKIT Smart Informatika. Sabri & MacDonald (2010) found that students who had higher financial knowledge test scores were more likely to report fewer financial problems.

These results underscore the importance of financial literacy in self-improvement and future preparation, particularly for Generation Z. Educational institutions, specifically SMKIT Smart Informatika, are promoted to continue offering consistent and regular socialization and instruction in Sharia financial literacy to students. Additionally, the involvement of teachers, guardians, and parents in supporting, supervising, and motivating students in their sound and Sharia-based financial management is strongly recommended.

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