

Enhancing the financial stability of Muslim Families by promoting Islamic financial Planing

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ABSTRACT

The Covid-19 pandemic has brought attention to the importance of family resilience, particularly in economic aspects. Family financial planning plays a crucial role in establishing resilience during times of crisis. This community service program seeks to enhance financial literacy and promote Islamic financial planning among mothers who are responsible for managing family finances. The approach involves engaging in interactive discussions, Q&A sessions, and practical exercises. Topics covered include financial assessments, managing cash flow, creating emergency funds, handling social contributions, understanding the Islamic perspective on wealth, planning for education and healthcare expenses, and implementing ZISWAF (Zakat, Infaq, Sadaqah, and Waqf). The outcome of this service is to foster comprehension and application of Islamic financial planning within families.

INTRODUCTION

The topic of economic downturn has gained significant attention lately. While experts assert that the economy is in a favorable state, the concern surrounding recession has undeniably grown among various groups, including households. This apprehension has been exacerbated by the lingering effects of the post-pandemic period, particularly impacting middle and lower-income individuals. Furthermore, this issue becomes particularly urgent when considering family resilience. Family resilience serves as a reflection of a family's perseverance, resilience, and capacity to attain self-sufficiency, enabling them to grow and thrive harmoniously while enhancing their overall well-being and happiness, both in physical and spiritual aspects (Pusparini & Paramitha, 2021). In today's financial landscape, the popularity of various debt instruments, particularly online loans with paylater options, is on the rise. These instruments offer a convenient and speedy way to access funds without the need for complex collateral or extensive surveys, making debt accumulation more accessible for many individuals. However, it is important to recognize that this convenience is not without its risks. Unlike traditional direct loans, online loans often lack clear terms and conditions, making it challenging to establish proper agreements. Additionally, issues can arise due to debtors defaulting on payments or creditors resorting to unethical collection practices, further complicating the situation (Pradnyawati et al., 2021).

In the face of economic uncertainties, the role of wives is crucial in maintaining family resilience. Research indicates that in Indonesian society, traditional concepts of family financial management still prevail. Wives often take on the responsibility of being the family's "financial manager." However, the focus tends to be primarily on daily consumption expenses like food and beverages, or monthly bills such as electricity and telephone payments. Unfortunately, this limited approach neglects the importance of investing in assets or saving for future activities such as vacations or building a home (Pusparini & Paramitha, 2021). The combination of traditional family financial management and the temptation to purchase non-essential items has given rise to consumerism. This phenomenon is marked by an impulse to consume driven by advertising and societal influences, leading to increased consumption without full awareness of its consequences (Anggraini et al., 2017). Therefore, it is necessary to strengthen financial literacy in the community, especially in financial planning.

The target audience for this initiative is the Kenanga Group recitation congregation, specifically those residing in RT 03 Plosokuning, Minomartani, Ngemplak, Sleman. The congregation comprises around 20 individuals who primarily belong to the middle to upper economic class, working as traders, employees, and entrepreneurs. They engage in regular social gatherings and recitation sessions every Wednesday afternoon. Through an interview with one of the congregation members, Mrs. Ita, certain issues related to family finances have been identified:

Tabel.1 Problem Identification

No	Aspect	Problems
1.	Financial Planning	Mothers as family financial managers do not understand the concept of financial planning
2.	Consumption	Consumption is based on wants and needs, there is still a tendency towards impulsive buying behavior
3.	Saving	Savings in the form of residual income, it is not certain that there will be every month
4.	Debt	People are still tempted by paylaters and ribawi mortgage instruments
5.	Investment	Investment is still in the form of gold, there is no diversification
6.	Zakat, infaq Sadaqah	They still think that the obligatory zakat is only zakat Fitrah while zakat maal is not, they do not understand what assets must be zakat
7.	Financial Inclusion	Understanding about financial inclusion is still about banks and cooperatives, not knowing about pension funds, insurance, etc

The primary aims of organizing this service are: (1) Offering the general public a comprehensive understanding of Islamic finance and financial inclusion, enabling individuals to make informed choices about financial products and services that align with their requirements and capabilities; (2) Expanding insights into household financial planning and management, particularly in navigating economic fluctuations; (3) Enhancing literacy in areas such as debt, Islamic consumption, investments, insurance, and savings; (4) Facilitating hands-on learning for participants in calculating zakat, adopting effective saving practices, and diversifying investments.

IMPLEMENTATION AND METHODS

Preparatory Stage

Prior to initiating this service, we conducted a comprehensive analysis of the underlying causes by creating a fishbone diagram. This diagram was employed to provide a visual representation and a clear understanding of the identified issues.

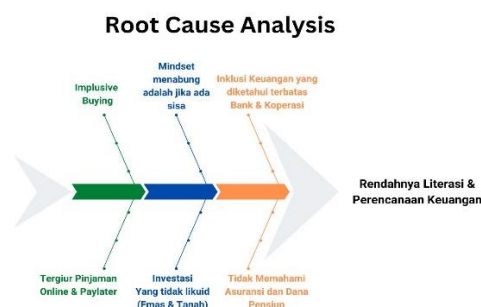


Figure.1 Root cause Analysis

To address the above issues, the proposed activities for this service are as follows:

1. Interactive Discussion: Engage in interactive discussions led by speakers from diverse fields, particularly those with expertise in counselling, financial literacy, and Islamic financial planning.
2. Practical Activities and Application Introduction: Facilitate practical exercises and introduce relevant financial planning applications to enhance participants' understanding and skills in financial planning.
3. Literacy Education and Support: Provide education and guidance to women in the recitation congregation, empowering them to develop household financial planning capabilities.

This program commences with the planning phase, followed by the preparation of instruments, implementation and evaluation, and ultimately the creation of output. The process of implementing community service is outlined as follows:

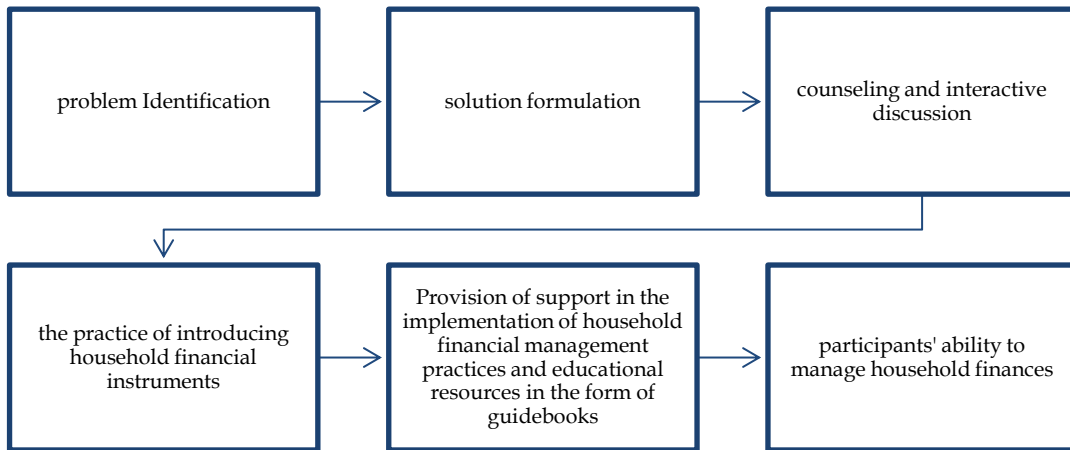


Figure.2 Stages of Community Service Activities Implementation Stage

The community service activities are divided into two stages: *First*, the General Financial Planning Stage. This stage encompasses activities such as conducting Financial Check-ups, managing Emergency Funds, and addressing Social Funding concerns. *Second*, the Specific Islamic Financial Planning Stage: In this stage, the focus is on Islamic financial planning topics, including managing Debt in accordance with Islamic principles, understanding the Concept of Living, and ensuring Health and Education Protection. Additionally, participants will be educated on Zakat, Infaq, and Sadaqah (ZIS). The program is held on December 18 and 25, 2022.

RESULTS AND DISCUSSION

• Participant Profiles

The participant profiles is described in the following table:

Table.2 Participants' Profiles

No	Name	Occupation	Dependents	Source of Income	Monthly Income
1	Nurjannah	Housewife	1	Non- Fixed	Less than IDR 2000000
2	Lala	Housewife	None	Fixed	Less than IDR 2000000
3	Fika	Housewife	1	Fixed and Non-Fixed	Less than IDR 2000000
4	Rubiyem	Housewife	3	Non- Fixed	IDR 2000000-5000000
5	Refa	Housewife	2	Non- Fixed	Less than IDR 2000000
6	Ponirah	Seller	2	Non- Fixed	Less than IDR 2000000
7	Syarifah	Housewife	2	Fixed	IDR 2000000-5000000
8	Sri Utami	Housewife	1	Non- Fixed	Less than IDR 2000000
9	Sri Haryati	Housewife	2	Fixed and Non-Fixed	Less than IDR 2000000
10	Andi	Retired	None	Fixed	IDR 5000000-10000000
11	Sukaesi	Businesswoman	2	Non- Fixed	IDR 5000000-10000000
12	Sari	Employee	2	Fixed	IDR 2000000-5000000
13	Kariniwati	Employee	2	Fixed	IDR 2000000-5000000
14	Ita	Employee	None	Fixed	IDR 5000000-10000000

Based on the data, the majority of recitation members are housewives (57.14%). In terms of income sources, 42.85% have a fixed income, while the same percentage have an unstable income. The remaining 14.28% have a combination of both fixed and unstable income sources. Regarding monthly income, 50% of respondents have a household income of less than IDR 2,000,000. Additionally, 28.57% earn between IDR 2-5 million, and 21.43% earn between IDR 5-10 million.

• Pre-Test

Before the program was implemented, a pre-test was first carried out to determine the extent to which members understood Islamic financial planning. The pre-test results are as follows:

Tabel.3 Result of the Pre-Test

No	Questions	Yes	No
1.	Have you implemented financial planning in your current family financial management?	8	6
2.	Do you make it a habit to save regularly within a certain period?	11	3
3	As part of your family's financial management, do you maintain a consistent practice of recording all income and expenses?	3	11
4.	When you are already in debt, do you have a solution or way to get out or settle the debt?	13	1
5.	Can you determine the best way to invest according to your current condition and your future needs?	10	4
6.	Do you have certain investments? For example: gold, land, or stocks	9	5
7.	Do you know what assets are subject to zakat?	10	4
8.	Do you know the method or calculation of zakat on assets?	3	11
9.	Do you know the benefits of having health insurance?	10	4
10.	Do you also have a future education plan for you and your children?	10	4

According to the provided table, the study participants demonstrate a certain level of understanding regarding distinctions between wants and needs, savings, debt management, and insurance. However, their knowledge in these areas remains rudimentary and straightforward. Moreover, the members display limited familiarity with the concept of zakat on wealth (zakat maal) and the practice of fulfilling zakat obligations through zakat institutions. Additionally, a significant majority of mothers (78.57%) do not regularly maintain financial records, including both income and expenses.

- **Implementing The Proposed Actions**

This section briefly describes the various materials that were delivered during the community service.

- **Financial Check-up Presentation**

In this segment, the presenter delivers fundamental information on conducting a financial check-up for family finances using a straightforward approach. This involves calculating income, expenses, debts, and savings. Participants are then prompted to record their income, expenses, and other relevant details, which the presenter analyzes to assess their financial well-being. The outcome reveals that the majority of participants fall into the unhealthy financial category, characterized by substantial debt ratios and a lack of emergency funds.



Figure 1. Presentation of Financial Check-up and Cash-Flow Management

- **Management of Cash Flow**

Additionally, the presenters offer guidance on effectively managing cash flow. The content encompasses calculating total assets and liabilities, differentiating between needs and wants, allocating expenses across various categories, and providing tips on developing financial plans based on routine and non-routine expenses, as well as present and future needs.



Figure.3 The Speaker Demonstrating the Features of the Financial Planner Book



Figure. 4 The Participants Filling-Out the Financial Planner Book

- **Savings and Emergency Funds**

During this session, the focus was on emphasizing the importance of having emergency funds, distinguishing them from regular savings, and providing tips on how to establish and maintain emergency funds. It was observed that the majority of participants lacked an understanding of the significance of having emergency funds and did not possess such funds. However, following the completion of the community service program, a significant number of participants (72%) developed plans to allocate routine savings ranging from IDR 10,000 to IDR 500,000 per month.

- **Social Fund Management**

During this session, the speaker discussed the management of social funds, which are designated budgets or funds aimed at providing assistance and support in various forms to enhance individuals' economic and social well-being. The material emphasized the importance of having a "Pillars of Death" fund, which is sourced from community contributions ranging from approximately Rp. 10,000 to Rp. 25,000. These funds are intended for various expenses related to managing the deceased, including the provision of burial shrouds and grave digging services.

- **Islamic Perspective on Wealth: Livelihood and Inheritance**

To commence the second stages, the presenter addressed the Islamic viewpoint on wealth, specifically focusing on income and inheritance. The material covered various aspects, such as the legal foundation of property in Islam, the importance of regulating wealth, and the principles of maintenance and inheritance in Islam. The participants engaged in discussions with the presenters, exploring topics including the distinctions between maintenance and alms, the recipients of maintenance, and the principles of distributing inheritance.

- **Islamic Approach to Debt Management**

Debt holds significant importance in the realm of muamalah (financial transactions) within Islam. This section focuses on the etiquette and procedures of indebtedness according to Islamic teachings, including the detailed explanation of the longest verse in the Quran, Al-Baqarah 282, which outlines the procedures for borrowing. Individuals are encouraged to only incur debt for essential needs and not for the sake of indulging in prestige or desires. Additionally, it is essential to maintain proper records and witnesses when entering into debt to ensure transparency and trustworthiness. Debtors have an obligation to repay their debts without engaging in usury or any form of exploitation. The session also involves interactive discussions on appropriate debt collection methods, as well as the rights and responsibilities of both debtors and creditors.

- **Safeguarding Health and Education Savings**

The session commences with an elucidation of the concept of takaful (guarantee) in Islam, which has evolved into the modern notion of insurance. Furthermore, the allocation of funds for Education and Health in family financial planning is discussed, emphasizing its significance. The speaker clarifies the distinctions between conventional and Sharia-compliant insurance, as well as the functioning of takaful. Given the current Covid-19 situation and the associated uncertainties, it is deemed an opportune moment to raise awareness about the importance of health funds in financial planning.

- **Zakat, Charitable Giving, and Alms**

During this session, the speaker initiates by elucidating the incorporation of other people's assets into our own assets, encompassing both obligatory (zakat) and voluntary (alms, infaq, and waqf) forms. Furthermore, a comprehensive explanation of each Islamic philanthropic instrument is provided. With regards to zakat, the definition, conditions for zakatable assets, and the determination of zakatable assets, nisab, and haul are expounded upon. The speaker engages in an interactive dialogue, presenting case studies on calculating zakat assets, which the participants actively respond to. Various scenarios, such as zakat on mortgaged properties, zakat on savings, and zakat on branded goods, are also discussed during this session.

- **Post-Implementation Stage**

In the evaluation session, the speaker facilitated discussions by posing various questions, including the case study on zakat calculation mentioned earlier. Additionally, during the initial session, participants conducted a comprehensive financial check-up to assess the current financial status of their respective families. The speaker provided feedback by evaluating the financial well-being of each family based on the check-up. Furthermore, the speaker offered detailed guidance on utilizing a financial planning prototype and allocating income according to predetermined categories (such as routine expenses, savings, investments, debts, etc.).



Figure 2. The Participants Filled Out the Financial Planning Prototype Book

At the concluding session, participants were given the opportunity to complete a financial planning prototype for January 2023. This prototype, which follows Islamic financial principles, includes sections for recording income, expenses, emergency funds, debts (both productive and consumptive), investments, and zakat, infaq, and alms (ZIS). Out of the distributed prototypes, 17 participants filled them out, and 14 of them (82%) completed the form accurately, demonstrating the following indicators: (1) Achieving a balance between income and expenses; (2) Filling out all financial planning sections in accordance with their family's actual conditions; (3) The percentages allocated for living expenses, leisure activities, and savings (50%, 20%, and 30%) are reasonably close to the recommended proportions.

However, a small group of three participants encountered obstacles in accurately completing the financial planning prototype. These obstacles included: (1) Elderly participants who faced challenges with reading, writing, and numeracy skills; (2) Cases where income exceeded expenses due to existing debts; (3) Participants with uncertain income sources, relying solely on their child's support, resulting in difficulties in properly planning their finances.

CONCLUSIONS AND RECOMMENDATIONS

Discussing finances is inseparable from our endeavours to achieve a prosperous life and navigate through economic fluctuations without worries. Additionally, having good financial literacy empowers us to effectively manage our finances, benefiting both individuals and families (OJK, 2017). Moreover, it helps us steer clear of fraudulent investments and illicit online loans that can lead to future financial losses. The program holds significant importance and encompasses long-term objectives for all participants, which include:

1. Enhancing financial literacy for those with limited or no financial knowledge, enabling them to become well-informed individuals.
2. Increasing the utilization of financial products and services among participants.
3. Enabling participants to make informed decisions regarding financial products and services that align with their specific needs. It is crucial for the community to have a correct understanding of the associated benefits and risks, be aware of their rights and obligations, and trust that selected financial products and services can improve their well-being.
4. Discouraging investment in unclear financial instruments.



Figure.6 The Presenters and Participant of the Community Service

One of the participant, Bu Ita said, "Alhamdulillah, we are grateful to the activity organizing committee and the speakers who have taken the time to raise awareness for us residents of RT.08 about managing household finances. Hopefully through this service I can improve my discipline and that of other participants in managing household finances in a more efficient manner. Continued success to the committee and we are waiting for further service programs". Thus, a program such this community service has enabled participants to effectively apply Islamic financial planning within their households. Moreover, there is a pressing need for ongoing initiatives by academic institutions to promote financial literacy and planning. These efforts are particularly crucial in enhancing household resilience during times of crisis.

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