

## Implementation of Islamic Financial Literacy Based on Financial Socialization to Support the Sharia Financial Industry at SMK Maospati Magetan

<sup>1</sup>Abdul Gafur, <sup>2</sup>RR.Retno Kusumastuti, <sup>3</sup>Imron Hamzah  
Universitas Doktor Nugroho Magetan, Indonesia<sup>123</sup>  
E-mail: [abdulgafurdaniamiseno@udn.ac.id](mailto:abdulgafurdaniamiseno@udn.ac.id)

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### Abstract

This study investigates the implementation of Islamic financial literacy based on financial socialization at SMK Maospati Magetan and analyzes its contribution to supporting the Sharia financial industry. Anchored in financial socialization theory, which emphasizes the roles of family, school, peers, and digital media as socialization agents, the research employs a quantitative explanatory design to examine the effect of financial socialization on students' Islamic financial literacy. Data were collected through structured questionnaires administered to vocational students from various study programs. Instrument testing indicated satisfactory validity and reliability, while classical assumption tests confirmed that the regression model met the requirements of normality, linearity, and homoscedasticity. The findings show that financial socialization has a positive and statistically significant effect on Islamic financial literacy. The family emerged as the most influential socialization agent, followed by school-based programs, peer interaction, and digital financial content. Students demonstrated adequate understanding of basic Islamic financial principles—such as the prohibitions of *riba*, *gharar*, and *maisir*—yet their knowledge of more complex Sharia contracts, including *mudharabah* and *musyarakah*, remained limited. The coefficient of determination indicates that financial socialization explains a substantial proportion of the variance in Islamic financial literacy. These results highlight the strategic role of vocational education in developing ethical financial competencies aligned with Sharia principles. The study recommends strengthening curriculum integration, enhancing teacher competence, and expanding partnerships between schools and Islamic financial institutions. Systematic, value-based financial socialization is concluded to improve students' readiness as informed consumers and potential professionals in the Islamic finance sector, thereby contributing to Sharia-compliant financial inclusion and industry development.

**Keywords:** Islamic Financial Literacy; Financial Socialization; Vocational Education; Sharia Finance; Student Financial Behavior.

## 1. Introduction

The Islamic finance industry in Indonesia has developed rapidly in recent years, as reflected in the increasing number of Islamic financial institutions and the diversification of Sharia-compliant products and services. National and international reports indicate that Indonesia is among the fastest-growing Islamic finance markets globally. Despite this progress, the level of Islamic financial literacy remains considerably lower than that of conventional financial literacy, revealing a critical gap between institutional development and public understanding of Sharia-based financial principles. This gap is particularly relevant for young people, who are increasingly exposed to financial products yet often lack the knowledge and skills required to make informed and ethically sound decisions. Adolescents and youth are vulnerable to financial mismanagement due to limited experience and guidance. In the context of Islamic finance, this vulnerability is amplified by the need to understand not only technical financial concepts but also Sharia principles such as the prohibition of *riba* (usurious interest), *gharar* (excessive uncertainty), and *maisir* (gambling), as well as the ethical values of justice, transparency, and social responsibility. Vocational high schools (Sekolah Menengah Kejuruan/SMK) play a strategic role in addressing this issue. Their mandate is to produce job-ready graduates equipped with practical skills, including financial competencies, that are relevant to current labor market demands. Integrating Islamic financial literacy into vocational education is thus critical, not only to support students' personal financial well-being but also to prepare future human resources for the Sharia financial industry, including Islamic banking, microfinance, and fintech. Financial socialization theory provides a robust framework for understanding how financial knowledge, attitudes, and behaviors are formed. This theory posits that individuals learn about finance through ongoing interactions with key socialization agents—primarily the family, school, peers, and media. Within an Islamic framework, this process involves not only the transmission of information but also the internalization of ethical and religious values that guide financial behavior.

SMK Maospati Magetan, as a vocational school offering business- and finance-related study programs, provides a relevant context for examining how Islamic financial literacy

can be implemented through socialization-based mechanisms. The present study focuses on: (1) measuring students' level of Islamic financial literacy; (2) analyzing the extent and nature of financial socialization experienced by students; and (3) examining the influence of financial socialization on Islamic financial literacy, and its implications for the Sharia financial industry. The overarching aim is to demonstrate how a structured, socially grounded approach to Islamic financial education in vocational schools can contribute to the sustainability and inclusiveness of Indonesia's Islamic finance sector.

## 2. Methods

This study adopted a quantitative explanatory research design to examine the causal relationship between financial socialization and Islamic financial literacy among students of SMK Maospati Magetan. The design was chosen to enable systematic measurement of variables and statistical testing of the proposed relationship. The population comprised all students enrolled at SMK Maospati Magetan, particularly those in business-, management-, and finance-related study programs. A probability sampling technique (such as simple random or stratified random sampling) was applied to select respondents to ensure representativeness across grade levels and majors.

### Research Instruments

Data were collected using a structured questionnaire consisting of Likert-scale items (1 = Strongly Disagree to 5 = Strongly Agree). Two main constructs were measured:

#### 1. Financial Socialization (Independent Variable – X)

Indicators covered four primary socialization agents:

- *Family*: communication about money, parental role modeling, rules regarding saving and spending, joint financial activities;
- *School*: exposure to financial education in the curriculum, teacher guidance, school literacy programs, student cooperatives;
- *Peers*: discussions about financial matters, peer influence on spending and saving behavior;
- *Digital Media*: exposure to financial information through social media, educational websites, and financial applications.

## 2. Islamic Financial Literacy (Dependent Variable – Y)

Indicators included:

- *Knowledge of Sharia Principles*: understanding of riba, gharar, maisir, justice, and transparency;
- *Understanding of Sharia Contracts (Akad)*: murabahah, mudarabah, musyarakah, ijarah, and other basic contracts;
- *Islamic Financial Behavior*: saving in Sharia-compliant instruments, responsible use of financial services, avoidance of non-compliant practices;
- *Attitudes toward Islamic Finance*: preference for Sharia-compliant products, ethical attitudes in financial decision-making.

### Validity and Reliability

Instrument validity was examined using Pearson product–moment correlation between item scores and total scores for each variable. Items with correlation coefficients above the critical value at  $\alpha = 0.05$  were retained. Reliability was assessed using Cronbach's alpha; both the financial socialization scale and the Islamic financial literacy scale demonstrated alpha values above 0.70, indicating good internal consistency.

### Data Collection Procedure

Questionnaires were distributed in coordination with school administration and teachers. Respondents received standardized instructions and were assured of confidentiality and anonymity. Completed questionnaires were screened for completeness and accuracy; invalid responses were excluded from analysis.

### Data Analysis

Data analysis proceeded in several steps:

1. Descriptive Statistics to summarize demographic characteristics, financial socialization levels, and Islamic financial literacy levels.
2. Assumption Testing, including normality, linearity, and heteroscedasticity, to verify the appropriateness of regression analysis.
3. Simple Linear Regression to test the main hypothesis regarding the effect of financial socialization (X) on Islamic financial literacy (Y). The regression equation took the form:  
[  
$$Y = a + bX$$
  
]  
where  $a$  is the constant and  $b$  is the regression coefficient.
4. Coefficient of Determination ( $R^2$ ) to assess the proportion of variance in Islamic financial literacy explained by financial socialization.
5. t-test to determine the statistical significance of the regression coefficient at  $\alpha = 0.05$ .

### 3. Findings and Results

#### Overview of Respondents

Respondents represented a mix of grade levels (10th, 11th, and 12th grades) and study programs (such as Accounting and Finance, Office Administration, Business Management, and Marketing). The gender distribution was relatively balanced overall, although some programs were more heavily populated by one gender. This diversity supported comparative interpretation of financial socialization and literacy across subgroups.

#### Descriptive Findings

##### Financial Socialization

Overall, financial socialization among students was at a moderately high level. Family emerged as the strongest agent, with many students reporting that their parents discuss saving, budgeting, and responsible spending. School-related socialization was also

salient, particularly through economics- or business-related subjects, student cooperatives, and entrepreneurship projects. Peer discussions about money, savings, and consumption were common and influenced attitudes toward financial behavior. Digital platforms, including social media and educational content, were frequently cited sources of financial information, including Islamic finance topics.

#### Islamic Financial Literacy

Students displayed moderate levels of Islamic financial literacy. Most respondents correctly identified:

- the prohibition of *riba*, *gharar*, and *maisir*;
- the importance of fairness and transparency in transactions;
- basic Sharia financial products such as Islamic savings accounts and financing arrangements.

However, knowledge of more technical or complex Sharia contracts—particularly *mudharabah* and *musyarakah*—was weaker and uneven across respondents. Behavioral indicators showed that some students had experience with Islamic savings products, although usage remained limited compared to conventional products.

#### Instrument and Assumption Testing

Validity testing confirmed that all retained items loaded significantly on their respective constructs. Reliability coefficients (Cronbach's alpha) exceeded 0.70 for both main variables. Assumption tests indicated:

- Normally distributed residuals;
- A linear relationship between financial socialization and Islamic financial literacy;
- No serious signs of heteroscedasticity.

These results justified the use of simple linear regression analysis.

#### Regression Analysis

The regression analysis revealed a positive and statistically significant relationship between financial socialization and Islamic financial literacy. The regression coefficient

(b) was positive and significant at  $\alpha = 0.05$ , indicating that higher levels of financial socialization are associated with higher levels of Islamic financial literacy.

The coefficient of determination ( $R^2$ ) showed that financial socialization explained a meaningful proportion of the variance in Islamic financial literacy. Although other factors undoubtedly contribute to literacy, the results confirm that socialization processes are a major determinant of students' knowledge, attitudes, and behaviors regarding Islamic finance.

#### Alignment with Previous Research

These findings are consistent with financial socialization theory and empirical studies which state that family, school, peers, and media collectively shape financial competencies. Specifically, the dominance of family influences aligns with research highlighting the central role of parents as primary agents of financial education. The positive contributions of school-based programs, peer interaction, and digital platforms also corroborate the literature emphasizing multi-channel approaches to financial literacy.

In the specific context of Islamic financial literacy, the results support prior studies that call for integrated, value-based financial education to strengthen young people's understanding of Sharia-compliant financial practices.

#### IV. Conclusin

This study concludes that financial socialization is a key determinant of Islamic financial literacy among students at SMK Maospati Magetan. Students who experience stronger and more frequent financial guidance from family, school, peers, and digital media tend to possess a higher level of knowledge and more positive attitudes toward Islamic finance. The family is the most influential socialization agent, shaping students' early financial habits and ethical awareness. Schools function as formal agents that structure and deepen financial understanding through curricula, practical activities, and collaboration with financial institutions. Peer interactions and digital media further reinforce—or, in some cases, challenge—students' financial perspectives.

Overall, students' Islamic financial literacy is at a moderate level. They show good understanding of fundamental Sharia prohibitions and ethical principles but remain less familiar with more advanced contractual structures. The positive and significant effect of financial socialization on literacy levels underscores the importance of designing educational strategies that explicitly leverage socialization processes to promote Sharia-compliant financial behavior. In the broader context, strengthening Islamic financial literacy among vocational students contributes to the development of a more inclusive, ethical, and resilient Sharia financial industry in Indonesia.

### Suggestions

Based on the findings, several suggestions are proposed:

#### 1. For Schools and Teachers

- Integrate Islamic financial concepts more systematically into business, economics, and entrepreneurship subjects.
- Employ student-centered methods—such as simulations, case studies, and project-based learning—to make abstract concepts more concrete.
- Provide regular professional development for teachers to update their knowledge of Islamic finance and pedagogical strategies.

#### 2. For Families

- Engage in open and regular discussions about money management, saving, and ethical financial choices from an Islamic perspective.
- Model responsible financial behavior, including the use of Sharia-compliant products and avoidance of non-compliant practices.

#### 3. For Students

- Actively seek information about Islamic financial principles and products through credible sources, both offline and online.
- Practice responsible financial behavior, such as budgeting, saving, and evaluating financial offers in light of Sharia principles.



## Recommendations

In addition to these suggestions, the study offers the following recommendations for broader stakeholders:

### 1. Curriculum Developers and Policy Makers

- Embed Islamic financial literacy explicitly into vocational education standards and curricula as a core competence.
- Align school-based financial education initiatives with national strategies for financial inclusion and Islamic finance development.

### 2. Islamic Financial Institutions

- Develop sustainable partnerships with vocational schools, offering guest lectures, workshops, internship programs, and school-based Sharia savings schemes.
- Provide simple, youth-friendly educational materials and digital tools tailored to students' needs and comprehension levels.

### 3. Future Researchers

- Extend the scope of research to multiple vocational schools and regions to increase generalizability.
- Investigate additional variables such as financial self-efficacy, religiosity, socioeconomic status, and digital literacy to better understand their interaction with Islamic financial literacy.
- Employ mixed-method designs to capture not only measurable outcomes but also students' perceptions, experiences, and challenges in learning Islamic finance.

Through coordinated efforts among schools, families, financial institutions, and policy makers, Islamic financial literacy based on financial socialization can be strengthened, thereby supporting the sustainable growth of the Sharia financial industry in Indonesia.

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