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Strengthening Islamic Financial Literacy through Islamic Educational Institutions in Indonesia

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Abstract
This study examines the condition of Islamic financial literacy in Indonesia, where literacy levels remain substantially lower than those of conventional finance, despite the country's status as the world's largest Muslim-majority nation. Islamic financial education has not yet been systematically integrated into the national education framework. Using a qualitative research design, this study employs thematic analysis of policy documents, in-depth interviews, and selected case studies to explore the structural and socio-cultural factors influencing Islamic financial literacy. The findings reveal several interconnected challenges, including limited curricular integration across educational levels, insufficient instructional resources, minimal engagement from Islamic financial institutions, and the weak involvement of parents in early financial education. Empirical evidence indicates that Islamic financial literacy among high school and university students remains low, with a notable discrepancy between conceptual understanding and actual financial behavior. Pesantren and madrasah have not yet functioned optimally as centers for Islamic financial education and community-based economic empowerment. The study underscores that improving Islamic financial literacy requires not only educational reform but also the alignment of knowledge, institutional support, and everyday financial practices in accordance with Sharia principles.

Keywords:
Islamic financial literacy, Islamic education, Sharia-based education.

Abstrak
Penelitian ini mengkaji kondisi literasi keuangan syariah di Indonesia, di mana tingkat literasinya masih jauh lebih rendah dibandingkan dengan literasi keuangan konvensional, meskipun Indonesia merupakan negara dengan populasi Muslim terbesar di dunia. Menggunakan desain penelitian kualitatif, studi ini menerapkan analisis tematik terhadap dokumen kebijakan, wawancara mendalam, dan studi kasus terpilih untuk mengeksplorasi faktor-faktor struktural dan sosial-budaya yang memengaruhi literasi keuangan syariah. Hasil penelitian menunjukkan sejumlah tantangan yang saling berkaitan, antara lain keterbatasan integrasi kurikulum di berbagai jenjang pendidikan, kurangnya sumber daya pembelajaran yang memadai, minimnya keterlibatan lembaga keuangan syariah, serta lemahnya peran orang tua dalam memberikan pendidikan keuangan sejak dini. Temuan penelitian menunjukkan bahwa tingkat literasi keuangan syariah di kalangan siswa sekolah menengah dan mahasiswa masih relatif rendah, disertai adanya kesenjangan antara pemahaman konseptual dan perilaku keuangan aktual. Selain itu, pesantren dan madrasah, belum berfungsi secara optimal sebagai pusat pendidikan keuangan syariah dan pemberdayaan ekonomi berbasis komunitas. Penelitian ini menegaskan pentingnya pendekatan literasi keuangan syariah yang lebih terintegrasi dan berorientasi pada praktik, melalui penguatan kurikulum, kolaborasi kelembagaan, dan keterlibatan komunitas. Studi ini menekankan bahwa peningkatan literasi keuangan syariah tidak hanya memerlukan reformasi pendidikan, tetapi juga penyelarasan antara pengetahuan, dukungan institusional, dan praktik keuangan sehari-hari yang sesuai dengan prinsip-prinsip syariah.

Kata Kunci:
Literasi Keuangan Syariah, Pendidikan Islam, Pendidikan berbasis Syariah.

Introduction

Indonesia, as the country with the largest Muslim population in the world, holds significant potential to develop a globally competitive Islamic economy supported by its demographic advantage. In principle, this condition should stimulate the growth of the Islamic financial industry and enhance its contribution to national economic development (Wahyudi, 2025). Nevertheless, empirical evidence indicates that this potential has not yet been fully realized. Although Indonesia ranked third in the Global Islamic Economy Indicator (GIEI) Report 2023, its performance as a global Islamic economic hub remains suboptimal.

A key structural constraint is the persistently low level of Islamic financial literacy. Data from the National Survey on Financial Literacy and Inclusion (SNLIK) conducted by the Financial Services Authority (OJK) in 2025 show that Islamic financial literacy reached only 43.42%, far below conventional financial literacy at 66.45% (Firmansyah, 2025). Similarly, the Indonesia Stock Exchange (IDX) reported Islamic financial literacy at 39.11%, compared to 65.43% for conventional finance, identifying limited access to information, low levels of formal education, and weak understanding of Sharia-based investment as major barriers (Rahmadewi et al., 2024) .These findings indicate a structural gap between the rapid development of conventional finance and the slower progress of Islamic finance in Indonesia.

Previous studies have highlighted the role of religiosity and Muslim identity in shaping Islamic financial literacy. Individuals who consistently practice religious obligations tend to demonstrate higher levels of financial literacy and financial well-being (Yunus, 2020). However, in the Indonesian context, this relationship does not fully explain the persistent disparity between Islamic and conventional financial literacy. Evidence suggests that many Indonesian Muslims have not directly experienced the tangible benefits of Islamic economic and financial systems, which limits public engagement and literacy despite strong religious affiliation (Nursjanti et al., 2023).

This gap is particularly pronounced among Millennials and Generation Z, who together constitute more than half of Indonesia's population. While Islamic financial literacy has been shown to positively influence young people's interest in using Islamic banking products (Sugiarti, 2023), existing educational initiatives remain largely product-oriented and institution-centered. They tend to emphasize Islamic banking services while underemphasizing the ethical, social, and spiritual foundations of Islamic finance, such as halal income, responsible consumption, and wealth redistribution through zakat, *infaq,* and *sadaqah* (Dinc et al., 202; Masrizal et al., 2024). As a result, a disconnect persists between conceptual understanding and everyday financial behavior.

From an educational perspective, the implementation of Islamic financial literacy within formal schooling remains limited. Studies indicate that Islamic financial education has not been systematically integrated into the national curriculum and is often delivered through sporadic programs or promotional activities by Islamic financial institutions rather than through structured learning processes (Mahardhiko & Rahmayati, 2025). Although some schools have introduced curriculum integration, Sharia-based transaction simulations, and digital learning approaches, these initiatives are largely confined to well-resourced or elite institutions and have not been widely adopted. This situation reflects a substantial gap between policy aspirations and on-the-ground implementation (Setyowati & Lailatullailia, 2020).

Beyond schools, family and community environments play a crucial yet underdeveloped role in Islamic financial education. Research shows that many parents underestimate the importance of early financial literacy, resulting in consumptive behavior and weak financial management skills among children (Wulandari et al., 2024). While several early childhood education initiatives have successfully integrated financial literacy with Islamic values such as teaching saving, sharing, and responsible spending these practices remain fragmented and limited in scale (Ariyani, 2018; Noor et al., 2023; Lestari et al., 2024).

The existing literature remains fragmented. Prior studies tend to examine Islamic financial literacy through isolated lenses, focusing separately on religiosity, financial products, educational institutions, or specific age groups. There is a lack of integrative research that simultaneously examines the roles of schools, families, and Muslim communities in addressing the gap between Islamic and conventional financial literacy, particularly among Generation Z. This gap in the literature limits a comprehensive understanding of how Islamic financial literacy can be developed in a sustainable and practice-oriented manner.

Accordingly, this study aims to analyze the gap between Islamic and conventional financial literacy in Indonesia with a specific focus on Generation Z, while examining the strategic role of education across multiple levels formal schooling, family, and Muslim communities. By positioning Islamic education as a foundational framework that links cognitive, ethical, and spiritual dimensions, this study seeks to contribute a more integrative model of Islamic financial literacy that extends beyond product awareness toward sustainable Sharia-compliant financial practices.

Methods

This study employs a library research method (Chu, 2015), with a descriptive qualitative approach. This method was chosen because the issue of Islamic financial literacy in Indonesia has been extensively discussed in official institutional reports, previous studies, and academic publications, which can serve as the basis for conducting critical analysis and conceptual synthesis. Through library research, this study seeks to explore and integrate various perspectives on the gap between Islamic and conventional financial literacy, particularly by highlighting the role of Generation Z, schools, Pesantren and Madrasah, Universities, families, and Muslim communities in the process of enhancing financial understanding based on Islamic principles.

The data sources in this study consist of two types, primary and secondary sources (Safarudin et al., 2023). Primary sources include relevant previous research findings, such as scientific journals, academic books, and reports from official institutions such as the Financial Services Authority (OJK), the Indonesia Stock Exchange (IDX), and the Global Islamic Economy Indicator (GIEI). Secondary sources consist of articles, news, annual reports of Islamic financial institutions, as well as government policies related to financial literacy. The selection of sources was carried out purposively, considering their direct relevance to the topic of Islamic financial literacy, the development of the Islamic finance industry, and the challenges faced by young Muslims in the digital era.

The data collection technique was carried out through documentation study, by tracing, reading, and recording key ideas found in various literatures. The collected data were then organized based on main themes, such as the level of Islamic financial literacy in Indonesia, the influencing factors, the role of educational institutions, the contribution of parents, and technology-based strategies. The collected data were analyzed using content analysis (Chu, 2015). The analysis process began with data reduction to filter relevant literature, followed by categorization according to themes, and then conceptual synthesis to generate new insights. The results of the analysis were presented in a descriptive-analytical form, not only summarizing previous research findings but also providing a critical perspective and offering strategic solutions to address the low level of Islamic financial literacy in Indonesia.

The validity of the data in this library research was maintained through source triangulation (Safarudin et al., 2023), by comparing various literatures from different authors, years, and institutions to ensure that the information obtained was more objective and unbiased. In addition, this study emphasizes scientific principles by ensuring that all sources used come from reliable and up-to-date references. With this library research approach, the study is expected to provide a comprehensive analysis of the gap in Islamic financial literacy, while also formulating conceptual strategies through school curriculum integration, the utilization of digital technology, and the strengthening of the role of families and Muslim communities in developing a financially literate young generation in accordance with Sharia principles.

Results

The study by Alamsa Alamsa et al., (2025) on the case of SMA Negeri 1 Tarakan reported that only 21% of students stated that they understood well what an Islamic financial institution is, 18% said they were uncertain, and 61% of students said they had little understanding. This indicates that students do not fully comprehend Islamic financial institutions as organizations that apply an economic system based on Islamic principles. They may not fully understand the differences between Islamic and conventional financial institutions in terms of fundamental principles and objectives. For most students, institutions such as Bank Syariah Indonesia (BSI), Bank Muamalat, BPRS, Islamic cooperatives, and Islamic microfinance institutions such as BMT may be newly recognized or only known by name, without a real understanding of their roles and functions in society.

This demonstrates that discussions of Islamic finance in the Indonesian context are often narrowly confined to the dichotomy between conventional and Islamic banking services. In reality, Islamic financial education encompasses a much broader spectrum, beginning with fundamental principles and values, of which banking represents only a small component. Therefore, this study seeks to move beyond the prevailing tendency to reduce Islamic finance to mere banking practices for instance, the notion that being Sharia-compliant simply means saving in an Islamic bank. Such a perspective risks commodifying Sharia as a tool to promote banking products rather than appreciating its wider ethical, educational, and social dimensions. This research, by contrast, aims to reposition Islamic finance as a comprehensive framework of financial literacy that extends well beyond financial institutions and banking services.

Table. 1. Students' Understanding of Islamic Financial Institutions at SMA Negeri 1 Tarakan

Level of Understanding	Percentage	Description
Well-Understood	21%	Students who clearly understand Islamic financial institutions such as Islamic banks, BMTs, and cooperatives.
Uncertain	18%	Students who are unsure or have partial knowledge of Islamic finance institutions.
Poorly Understood	61%	Students with little to no understanding, often only recognizing names without deeper knowledge of their roles and principles.

Students have a slightly better understanding of the products of Islamic financial institutions than of the institutions themselves. While 57% of students stated that they did not understand Islamic financial products, 43% said they did understand them. No students were uncertain in this regard, which indicates that some students may have heard of or even directly used Islamic financial products (Alamsa Alamsa et al., 2025)

Table 2. Students' Understanding of Islamic Financial Products

Category	Percentage	Explanation
Well-Understood	43%	Students who have a good understanding of Islamic financial products such as savings, financing, and investment schemes.
Poorly Understood	57%	Students with limited or no understanding of Islamic financial products, often unfamiliar with their features or differences from conventional products.

The study by Dzulhijrah et al.(, n.d.) indicates that while students demonstrate a relatively good level of literacy and strong interest in the Islamic financial system, this has not yet translated into consistent application in daily life. These findings highlight the importance of enhancing educational initiatives, leveraging digital media more effectively, and improving the accessibility of Islamic financial services for the younger generation.

Table 3. Comparison of Islamic and Conventional Financial Literacy and Inclusion in Indonesia (SNLIK 2024)

Category	Financial Literacy (%)	Financial Inclusion (%)
Islamic Finance	39.11%	12.88%
Conventional Finance	65.43%	75.02%

The table highlights a significant gap between Islamic and conventional finance in Indonesia. While conventional financial literacy (65.43%) and inclusion (75.02%) are relatively high, Islamic finance lags behind with literacy at 39.11% and inclusion at only 12.88%, indicating the urgent need for broader education and access to Islamic financial services.(Dzulhijrah et al., n.d.)

In the same report Dzulhijrah et al.,(n.d.) cite the findings of Nur (2023) and Azkia (2023), which reveal that a higher level of Islamic financial literacy does not automatically translate into greater use of Islamic financial products. These results underline the necessity of linking financial literacy with behavioral transformation strategies, especially within the context of university students.

Table 4. Findings on Islamic Financial Literacy and Behavior among University Students

Study	Context/ Location	Key Findings	Implication
Nur (2023)	Universitas Muslim Indonesia	75.1% of students demonstrate high Islamic financial literacy, yet 62% still prefer conventional banking products.	Indicates a mismatch between knowledge and actual financial behavior.
Azkia (2023)	Universitas Jambi	45.35% of respondents are categorized as *Less Literate* in Islamic financial literacy, and only 30.23% have ever used Islamic financial services.	Highlights the gap between literacy levels and the actual use of Islamic finance.

The results of the study indicate that university students possess a fairly good level of knowledge in Islamic finance, with an average score of 75.48%. The ZISWAF aspect achieved the highest level of knowledge (82.82%, categorized as very good), while the Takaful aspect recorded the lowest level (65.64%, categorized as fairly good). These findings suggest that more effective educational efforts are needed to enhance students' understanding of the more complex aspects of Islamic finance. This study is expected to serve as a reference for the development of Islamic financial literacy programs that will encourage students in the Jabodetabek region to gain a deeper understanding of Islamic finance (Fikri et al., 2024).

The findings of Fikri et al., (2024) indicate that while students excel in the area of ZISWAF, their comprehension of more complex aspects such as Takaful is relatively weaker. This suggests the importance of targeted educational initiatives to strengthen understanding across all dimensions of Islamic finance, thereby supporting greater financial inclusion among university students in Jabodetabek.

Table 5. Islamic Financial Literacy Levels among University Students in Jabodetabek

Aspect	Average Score (%)	Category	Description
ZISWAF (Zakat, Infaq, Sadaqah, Waqf)	82.82%	Very Good	Students show strong understanding of charitable-based Islamic financial instruments.
Takaful (Islamic Insurance)	65.64%	Fairly Good	Students demonstrate only moderate understanding of Islamic insurance concepts.
Overall Literacy Level	75.48%	Good	Students possess a generally good level of Islamic financial literacy, though gaps remain in more complex areas.

The table below summarizes various studies on Islamic financial literacy in Indonesia. At the high school level (SMA), most students have poor understanding of Islamic financial institutions and products. Nationally, there is a significant gap between Islamic and conventional finance in terms of both literacy and inclusion, with Islamic finance lagging far behind. Among university students, although literacy levels are relatively high, many still prefer conventional financial products, showing a mismatch between knowledge and behavior. Moreover, students tend to understand social instruments like ZISWAF better than more complex aspects such as Takaful.

Table 6. Summary of Research Findings on Islamic Financial Literacy

Researcher / Case	Subject	Key Findings	Implications
Alamsa Alamsa et al. (2025), SMA Negeri 1 Tarakan	High school students	- Only 21% understand Islamic financial institutions well. - 61% have poor understanding and only recognize the names. - Understanding of Islamic financial products: 43% good, 57% poor.	Understanding remains low → education is needed from secondary school level.
Dzulhijrah et al. (n.d.), SNLIK 2024 data	National (Indonesia)	- Literacy: Islamic 39.11% vs Conventional 65.43%. - Inclusion: Islamic 12.88% vs Conventional 75.02%.	Significant gap → access and education on Islamic finance must be improved.
Nur (2023), Universitas Muslim Indonesia	University students	- High literacy (75.1%), but 62% still prefer conventional products.	A gap exists between knowledge and behavior.
Azkia (2023), Universitas Jambi	University students	- 45.35% less literate. - Only 30.23% have ever used Islamic financial services.	Low utilization despite some level of exposure to literacy.
Fikri et al. (2024), Jabodetabek	University students	- Average literacy 75.48% (good). - ZISWAF 82.82% (very good). - Takaful 65.64% (fairly good).	Students better understand social aspects (ZISWAF) than complex aspects (takaful).

Discussion

Low Understanding at High School Level

Most high school students have limited understanding of Islamic financial institutions and their functions, though some are familiar with the products. According to Nurhafidzah & Busyro, (2024) this low level of literacy is paradoxical given that Indonesia, with the world's largest Muslim population, should be a leading center for Islamic banking. In reality, the market share remains only 6.59%, largely due to the lack of public knowledge and awareness of Islamic finance. Students' understanding of Islamic financial literacy is still low, mainly because such material is not included in school curricula and there is little outreach from Islamic banks to SMK, SMA, or pesantren students. To address this gap, the Islamic Banking Student Association (HIMA) of Universitas Muhammadiyah Riau has organized an annual program called *Perbankan Syariah Mengajar*. The program uses lectures, discussions, and pretest-posttest questionnaires to measure students' comprehension. Its aim is to enhance Islamic financial literacy in various MA and SMK schools in Pekanbaru, and the results show improved understanding of Islamic finance as well as better financial management and planning skills among students, helping them make more informed financial decisions.

This further illustrates that Islamic financial literacy is still predominantly perceived as limited to Islamic banking or financial services. Such a narrow understanding overlooks the broader principles, concepts, regulations, and best practices of Islamic finance that have been developed since the time of the Prophet Muhammad, his Companions, and throughout the era of the Islamic caliphates (Razak & Ab Rahman, 2021). A more comprehensive approach to Islamic financial literacy should draw upon these foundational values, while also considering contemporary applications in countries that have actively implemented Sharia-based financial principles. For example, nations such as Oman, Bahrain, and Malaysia provide useful models (Bechihi & Nafti, 2025), particularly when examined from the perspective of how Islamic financial education is integrated at both school and community levels. By expanding the scope in this way, Islamic financial literacy can be reframed not merely as a matter of engaging with banking services, but as a holistic framework that cultivates ethical, responsible, and socially conscious financial behavior.

The study reveals that the implementation of Islamic economics in schools remains limited and not systematically integrated into the curriculum. Key barriers include inadequate teaching materials, lack of teacher training, minimal school policy support, and low student interest. To address this, the research recommends thematic curriculum integration, continuous teacher training, innovative learning media, and partnerships with Islamic financial institutions. These findings highlight the importance of Islamic economics education from an early age to build character, financial ethics, and Islamic value-oriented financial literacy, offering insights for policymakers, educators, and Islamic education practitioners (Ronaldo & Maulini, 2025).

Findings of Wibowo, (2025) indicate that countries like Finland, Australia, Belgium, and the United States have integrated financial literacy systematically into their curricula through practice-oriented and technology-driven methods. In contrast, Indonesia faces major challenges, including limited resources, insufficient teacher training, and prevailing social norms that treat financial discussions as taboo. While some efforts such as embedding financial topics across different subjects have been introduced, their impact remains minimal. This highlights the need for more contextual learning models and stronger policy support to establish comprehensive financial literacy in schools. Embedding financial literacy in education will not only equip younger generations with essential economic competencies but also prepare them for the digital economy and strengthen the long-term stability of the national economy.

Then, the development of Islamic financial literacy should be structured across all educational levels, from kindergarten to higher education, with tailored modules for each stage. First, a comprehensive teacher training program is essential, ranging from national and provincial *Training of Trainers* (ToT) to district-level workshops, enabling Islamic studies or accounting teachers to effectively deliver the content. Second, these modules should be integrated into the national curriculum, either through Islamic Religious Education (PAI) subjects or specifically within madrasahs and pesantrens. Ideally, both pathways should be pursued, as many Muslim students are also enrolled in general schools outside the Islamic education system.(Yulianti et al., 2025)

As well The growth of Islamic financial literacy is constrained by the lack of Islamic finance content in formal education curricula and the limited availability of economic data. A Bank Indonesia survey in 2023 reported that the Islamic economic literacy index was only 28.01%. Through the National Strategy of Islamic Economic and Financial Literacy and Inclusion (SNLIEKS), the target is to raise this figure to 50% by 2025. Achieving this goal requires collaboration among multiple stakeholders to strengthen public understanding and maximize the use of Islamic financial services (Firmansyah et al., 2025)

Sopiansah, (2025) said that the improvement of Islamic financial literacy is strongly influenced by the intensity and quality of *dakwah* carried out by various societal actors, including students, lecturers, religious scholars, and Islamic organizations. *Dakwah* serves not only as a channel for disseminating Islamic teachings but also as an effective educational medium for introducing the principles and benefits of Islamic finance to the public. By utilizing diverse communication platforms—such as digital media, social networks, and direct community engagement—*dakwah* has been able to reach different segments of society, including youth, MSME actors, and rural communities. Nevertheless, *dakwah* in this field continues to face significant challenges, such as public misconceptions equating Islamic banks with conventional banks, limited educational and promotional resources, and geographical barriers. Therefore, *dakwah* strategies must be developed in a more inclusive manner and adapted to technological advances to effectively expand the reach of Islamic financial literacy.

This study contributes to the literature by highlighting an alternative model of financial education that combines practical skills with character building, offering insights for Islamic educational institutions seeking to enhance their students' economic and moral competencies (Maskur & Ansori, 2025). The study therefore highlights the urgency of enhancing youth capacity through targeted training, mentorship programs, and financial literacy initiatives. At the same time, greater cross-sector collaboration—among government bodies, educational institutions, Islamic financial institutions, and community organizations—is essential to fully harness the potential of the younger generation. Such measures are expected to foster a more inclusive, equitable, and technology-driven Islamic economic system (Priatna, 2025).

Socialization activities are not only effective in improving knowledge but also in shaping attitudes and behaviors. By targeting youth organizations, the program creates agents of change who can transfer literacy to their peers and the broader community. This strengthens the role of millennials as drivers of ethical and Sharia-compliant economic practices. As well The youth organization in Bunder Village is now better equipped not only to practice Sharia-based financial principles but also to disseminate this knowledge within the wider community, encouraging people to avoid non-Sharia practices that could cause social and economic harm (*adindamas*, n.d.). Phase of socialization indicates encouraging progress following the mentoring activities, as reflected in the questionnaire responses(Haryanti et al., 2020).

The Islamic Financial Literacy Gap in Indonesia

In a study conducted in Ethiopia, Shıbu, (2024) outlines strategies to address the large national gap between Islamic financial literacy and conventional finance. Shıbu, (2024) findings suggest that Islamic microfinance can play a significant role by identifying the factors that influence financial inclusion and the adoption of Islamic microfinance services. Using the Theory of Planned Behavior and the concept of financial literacy, Shıbu, (2024) emphasizes the importance of financial awareness, knowledge, uncertainty, behavioral change, and income level in driving financial inclusion. The relationship between financial awareness and financial inclusion is positive, whereas financial uncertainty has a negative impact, thereby hindering the adoption of Islamic microfinance services. Therefore, Islamic financial institutions, particularly Islamic microfinance providers, need to prioritize enhancing financial literacy in society in order to foster healthy financial attitudes and expand the utilization of Islamic financial products and services (Shıbu, 2024).

Reconstructing the Islamic microfinance model by making *maqāṣid al-sharīʿah* the ethical and normative foundation is essential for developing a more just, sustainable, and contextual Islamic financial system that responds to modern socio-economic dynamics. The findings of Muzaki et al., (2025) emphasize that integrating *maqāṣid* into Islamic microfinance practices strengthens the role of Islamic financial institutions in supporting MSME empowerment, poverty alleviation, and the achievement of the Sustainable Development Goals (SDGs). The proposed alternative model focuses on the principles of justice, both material and spiritual well-being, the protection of fundamental human rights, and the reinforcement of inter-institutional synergy grounded in Islamic values.

In the Indonesian context, there is still a need for stronger synergy, government regulatory support, and the provision of products that are relevant to Sharia principles in order to expand financial inclusion. Therefore, Islamic banks need to take more aggressive steps in reaching communities in rural and remote areas while continuously promoting innovation in financial services. Such efforts are believed to be capable of creating a sustainable Islamic financial inclusion system while at the same time strengthening the sector's contribution to the national economy (Midu & Yusuf, 2024).

By improving Sharia financial literacy, community enterprises can be further supported. For example, a study in Jambi by Mutiara, (2025) examined the role of Pegadaian Syariah in Jambi City in enhancing Islamic financial literacy and inclusion to support the sustainability of MSMEs. Pegadaian Syariah plays a strategic role in providing loan and savings services for the community. This effort contributes significantly to the development of Pegadaian Syariah's strategies in strengthening literacy while expanding Islamic financial inclusion for MSME actors in Jambi City.

The growth of Islamic banks in Indonesia has made a tangible contribution to increasing public financial awareness. According to Ainolyaqin, (2024) the presence of Islamic banks provides alternative financial services that are in line with Islamic principles, enabling more people to understand the importance of Sharia-based financial management. However, limited infrastructure, low public understanding of Sharia financial products, and regulations that have not yet comprehensively addressed societal needs remain significant obstacles. These barriers have hindered the optimal role of Islamic banks in promoting financial inclusion (Ainolyaqin, 2024).

In the context of Islamic boarding schools (pesantren), the extent to which students (santri) understand Islamic finance has been examined by Sutarsih, (2023). In a study of student-managed MSMEs in Yogyakarta, Sutarsih found that although these MSMEs demonstrate a strong interest in Sharia principles, they still face challenges in terms of literacy and access to Islamic financial institutions. Special education and training on Islamic finance, along with collaboration between Islamic financial institutions and pesantren, are considered strategic solutions to enhance financial inclusion and improve the welfare of santri-run MSMEs in Yogyakarta.

Thus, based on this discussion, the implementation of Islamic economics materials in schools remains limited and has not yet been systematically integrated into the curriculum (Ronaldo & Maulini, 2025). The main obstacles include limited learning media, lack of teacher training, minimal school policy support, and low student interest in Islamic economics subjects. To address these issues, there must be educational strategies such as thematic curriculum integration, continuous teacher training, the development of innovative learning media, and the strengthening of partnerships between schools and Islamic financial institutions (Ronaldo & Maulini, 2025).

Overall, the various studies reviewed indicate that optimizing Islamic financial literacy and inclusion requires a multi-dimensional approach, ranging from strengthening regulations, reconstructing microfinance models based on *maqāṣid al-sharīʿah* (Shıbu, 2024), expanding access to financial services in remote areas, to integrating Islamic economics education into schools and pesantren (Maskur & Ansori, 2025). In this context, educational institutions hold a strategic role as part of the solution through curriculum strengthening, continuous teacher training, and systematic provision of Islamic financial literacy for both students and santri (Dinc et al., 2021). Synergy between Islamic financial institutions, the government, educational institutions, and society is key to building a sustainable, fair, and inclusive Islamic financial ecosystem. Thus, efforts to enhance Islamic financial literacy and inclusion not only support the growth of MSMEs and community economic empowerment, but also contribute to achieving sustainable development goals while reinforcing a national economy grounded in Islamic values (Ahyar, 2018).

Response of Islamic Educational Institutions to Islamic Financial Literacy

Islamic educational institutions, such as madrasahs and pesantrens, play a strategic role in addressing the gap in Islamic financial literacy in Indonesia (Masrizal et al., 2024), and As institutions that not only function as centers for the transmission of religious knowledge but also for the development of life skills, they serve as the most appropriate platforms for instilling Islamic financial literacy values from an early age.

In 2025, the number of Islamic boarding schools (*pesantren*) in Indonesia reached 41,220, with approximately 5 million students (*santri*) enrolled (BWI, 2025), and The number of madrasahs under the Ministry of Religious Affairs of the Republic of Indonesia in 2024 is 87.397 including private institutions (Gallery, n.d.). This indicates that Islamic educational institutions hold significant potential in supporting the advancement of Islamic financial literacy. However, the reality shows that financial literacy in pesantren remains relatively low. The low level of Islamic banking literacy is largely due to the lack of comprehensive socialization and in-depth education (Ahyar, 2018).

The study by Arfiansyah, (2024) on the influence of Islamic financial literacy on Islamic financial inclusion in 35 pesantren in Wonogiri demonstrates a positive relationship between the two. The correlation is notably strong, with Islamic financial literacy contributing 75% and directly influencing Islamic financial inclusion by 56.3%. These findings affirm that enhancing Islamic financial literacy will expand the realization of Islamic financial inclusion. Consequently, pesantren play a broader role, not only in the domains of education and da'wah but also in strengthening the welfare of pesantren communities and the wider society through the comprehensive development of Islamic financial literacy.

Thus, pesantren and masrasah as Islamic educational institutions are not only centers for religious instruction and *da'wah* (Ahyar, 2018), but must also serve as agents of economic empowerment for the Muslim community (Munhanif, 2024). The first step to achieve this is by integrating Islamic financial literacy into the pesantren curriculum. *Santri* need to be introduced from an early stage to the basic concepts of Islamic economics, ranging from banking products and microfinance institutions to the instruments of *zakat*, *infaq*, *sadaqah*, and *waqf*. In addition, pesantren can also establish Islamic financial laboratories that enable students to learn directly through practical experience (Ronaldo & Maulini, 2025).

Furthermore, enhancing the capacity of *kiai*, teachers, and pesantren administrators is crucial. Specialized training in Islamic finance will strengthen their role as educators as well as facilitators of financial literacy for the surrounding community (Desky & Savitri, 2025). In addition, pesantren need to establish strategic partnerships with Islamic financial institutions such as Islamic banks, BMTs, Islamic pawnshops, and Islamic fintech companies, so that both *santri* and the wider community can gain direct access to financial services that comply with Islamic principles (Rahmadewi et al., 2024).

The utilization of digital technology is equally important (Haeri & Afriansyah, 2024). *Da'wah* and Islamic financial literacy education can be disseminated through digital platforms, whether in the form of applications, social media, or online learning systems, thereby extending their reach beyond the pesantren environment. For these efforts to be effective, more adaptive government regulations are required, particularly in facilitating pesantren-based Islamic financial literacy programs (Ahyar, 2018).

In addition, the response of Islamic educational institutions, particularly pesantren, must be manifested in the form of internal policies that support a sustainable culture of Islamic financial literacy (Maskur & Ansori, 2025).. Pesantren can develop a measurable roadmap for strengthening Islamic financial literacy, ranging from formal curricula and extracurricular programs to *santri*-based entrepreneurial practices grounded in Sharia principles. In this way, students will not only understand theoretical concepts but also gain direct experience in managing businesses in accordance with Islamic principles. Such efforts will further reinforce the position of pesantren as centers of education, *da'wah*, and economic empowerment aligned with the spirit of independence and the welfare of the Muslim community (Ratih & Zulfikri, 2024).

Furthermore, these initiatives should be enriched by adopting best practices of Islamic finance that already exist at the community level, such as Baitul Maal wat Tamwil (BMT), the Sidogiri Cooperative, and NU Mart. These institutions provide concrete models of Sharia-based financial management that can serve as educational platforms for students, moving beyond the narrow paradigm of merely promoting Islamic banks. Through collaboration and integration with such models, pesantren and madrasahs can demonstrate how Islamic financial literacy translates into real economic empowerment for the ummah. Expanding the role of educational institutions in this way ensures that Islamic finance is not confined to theory but becomes a lived practice that nurtures responsible entrepreneurship, strengthens community welfare, and deepens the alignment between education and socio-economic development.

Conclusion

This study demonstrates that Islamic financial literacy in Indonesia remains relatively low and lags far behind conventional financial literacy, whether among high school students, university students, or the general public. The lack of understanding regarding Islamic financial institutions, products, and principles is attributed to the limited integration of relevant materials in educational curricula, the scarcity of teaching resources, inadequate outreach from Islamic financial institutions, and the minimal role of parents in instilling financial intelligence from an early age. This underscores the need for literacy strategies that are not only cognitive but also capable of shaping attitudes and financial behaviors grounded in Sharia principles.

The study emphasizes the importance of a multidimensional approach involving schools, pesantren, madrasah, early childhood education institutions, universities, Muslim communities, Islamic financial institutions, and the government. The proposed strategies include: (1) integrating Islamic financial literacy into educational curricula from an early stage including PAUD, madrasah, and pesantren, (2) utilizing digital technology for learning and promoting Islamic financial products, (3) strengthening the role of parents and communities in instilling Islamic financial values, and (4) expanding financial inclusion through innovative products and services relevant to societal needs.

In addition, several specific recommendations can be highlighted. First, the Ministry of Religious Affairs and the Ministry of Education should develop standardized Islamic financial literacy modules tailored for each educational level, from early childhood education (RA/TK/PAUD) to madrasah, pesantren, and universities, ensuring their nationwide implementation. Second, teacher and ustadz training programs (ToT) should be prioritized to equip educators with the necessary competencies to teach Islamic financial concepts contextually. Third, pesantren and madrasah should collaborate with community-based Sharia financial institutions such as BMTs, Sidogiri Cooperative, and NU Mart, transforming them into practical learning laboratories for santri and students. Fourth, digital platforms and mobile applications should be optimized to provide engaging, age-appropriate, and easily accessible Islamic financial learning materials. Finally, parents and caregivers should be systematically involved through community-based training so that they can serve as role models in practicing and teaching Islamic financial values at home.Ultimately, strengthening Islamic financial literacy not only consolidates the foundation of the national economy but also ensures that the economic practices of the Muslim community align with the principles of justice, sustainability, and Islamic values.

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