

Islamic Financial Literacy in Islamic Boarding Schools and Its Implications for the Preference of Islamic Financial Institutions

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Abstract

This study aims to measure the level of financial literacy, analyze the influence of Islamic financial literacy levels on the preferences of Islamic financial institutions and estimate the impact of Islamic financial literacy among Islamic Boarding Schools on preferences and implications for Islamic Financial Institutions in Region III Cirebon. The method used is quantitative with multinomial logistic regression analysis techniques. The data was collected using questionnaires from the population, and the sample was among Islamic boarding schools, both managers and students. The results of this study show that personal financial management literacy and Islamic economic literacy have an effect of 45% on Islamic banking preferences, 33% on sharia insurance preferences, and 29% on Islamic capital market preferences. This condition is in line with the results of measurements of Islamic financial literacy of Islamic boarding school managers and students in the category of good literacy (well literate) in personal financial management and sufficient literacy in the Islamic economy. The lowest is their literacy regarding sharia insurance of 25% and 29% (less literate) for the Islamic capital market.

Keywords: Islamic Financial Literacy, Islamic Boarding Schools, Islamic Financial Institutions

Introduction

In recent times, especially since the start of the *boom* in the use of social media and the internet, there have been several interesting economic phenomena related to rampant fraud in the field of investment. Whether legal or illegal or commonly referred to as a fraudulent investment, some cases of fraudulent investment disguise their business with various products such as Cooperatives, Multi-Level Marketing (MLM), Forex Trading, *Cryptocurrencies*, and Venture Capital. However, one main characteristic of such fraudulent investments is always using Ponzi Schemes by offering unreasonable profits in a short time (Harrison, 2016; Silalahi et al., 2022).

Several direct and indirect factors cause the rise of fraudulent investments. However, the factor of the low level of financial literacy of the Indonesian people can be suspected to be one of the main factors why our society is very easy to be deceived by irresponsible parties, thus causing such a significant loss to the community (Tambunan & Hendarsih, 2022).

Financial literacy is critical because it provides excellent benefits: (1) Choosing and utilizing financial products and services that suit your needs. Have the ability to carry out financial planning better, (2) Avoid investment activities in unclear financial instruments, and (3) Gain an understanding of the benefits and risks of financial products and services. Gaining an understanding of the benefits and risks of the financial products and services (Rahmawati & Nurkhin, 2022; Remund, 2010).

This allegation seems indisputable when looking at a survey conducted by the Financial Services Authorization (OJK) in 2021, showing the financial literacy rate of the Indonesian people at 29.7%, with the financial inclusion rate at 67.8%. Suppose you look closely at the level of community literacy per province in Java Island as the primary reference. In that case, it can be seen that West Java occupies the lowest position in literacy rate with 33%, especially in the aspect of Islamic financial literacy, which is at 4.7%, quite far when compared to Jakarta, which is at 39% and Yogyakarta 38% (<http://www.ojk.go.id>, 2021).

Financial literacy is a very important element of knowledge for a country's economic progress because the higher its population's financial literacy level, the easier it is for the financial system to be implemented and contribute to economic growth. Because the higher the level of financial literacy, the easier it is for financial institutions to provide financial access to the public (Fisher & Yao, 2017; Lusardi & Mitchell, 2023).

Still, based on the OJK Survey, the lowest level of financial literacy in West Java Province is the Cirebon area, with a financial literacy rate of 18.7%, below Bandung at 49.2% and Tasikmalaya at 30.0%. This is ironic because Region III Cirebon is geographically an urban area. After all, it is the main transportation route from significant cities along the North Coast route. In addition, Cirebon is also the center of education in the east of West Java which has several prominent universities and Islamic boarding schools, so it is dubbed as the Mayor City.

Pondok Pesantren is the oldest Islamic educational institution in Indonesia, consisting of many elements such as Kyai, Ustadz, Ustadzah, staff, and students. The Pesantren environment has its peculiarities, where Pesantren residents live their daily lives based on Islamic religious values because every day, the teachers and students study Islam (Nasution et al., 2021). The primary function of the Pesantren is a place to study Islam students. Usually, these students live in the Pesantren environment, so many activities occur in the Pesantren, not only the teaching and learning process but also economic activities because the Pesantren must meet the daily needs of Pesantren residents (Jamaluddin, 2012).

Along with the development of the function of Pesantren, and current developments in both traditional and modern Islamic boarding schools, there are many economic facilities such as canteens, washers, cooperatives, laundry, and others. This certainly encourages the

development of commerce in Islamic boarding schools so that the leaders of Islamic boarding schools are expected to manage the economy of Islamic boarding schools appropriately and adequately and following the teachings of Islam (Lestari & Mukaromah, 2019).

Generally, in Islamic Boarding Schools, students are focused on studying religious sciences, such as the study of Aqidah, Akhlak, Qur'an and Hadith Interpretation, *fiqh*, and *ushul fiqh* as well as linguistic science, especially in this case Arabic. Especially in the field of *fiqh*, the study is not only about the *fiqh* of worship but also the *fiqh muamalah*. One part of the discussion examines economic problems from an Islamic perspective (Zuhirsyan & Nurlinda, 2018).

Ideally, Islamic boarding schools should have higher knowledge and understanding than society. However, several studies on the level of Islamic financial literacy at Pondok Pesantren show the opposite. Akhyar's research (2018) shows that the level of Islamic financial literacy of teachers or *ustadz/ustadzah* in Islamic Boarding Schools is low (*less literate*) and directly proportional to its Islamic financial inclusion rate of only 16%. In line with these results, research from Lestari and Mukaromah (2019) also shows the same conclusions related to the low level of Islamic financial literacy from managers Kopontren Ponpes An-Nawawi Purworejo. Another study that made students as respondents showed similar results, where students' financial literacy level at the Syaichona Kholil Bangkalan Madura Islamic Boarding School was still relatively low (Qomaro, 2019).

According to Rasyid (2012), this phenomenon is motivated by several factors, including (1) the irrelevance of the study sources used by Islamic boarding schools, because some of them the large number of books used as references is a classic book that is hundreds of years old, while the phenomenon of muamalah in this case the economy continues to develop all the time, (2) no the factual economic theories studied in the yellow book, so that the understanding of current economic conditions becomes no longer relevant and challenging to apply, (3) The learning process in pesantren is still based on materials and materials, not on vision and goals, so the results are still far from expectations, (4) the learning method is still monotonous and tends to be doctrinal, so it does not provide an opportunity for more in-depth criticism and analysis and (5) students are not introduced first to economic theories conventional, so they will have difficulty in understanding such a complex economic phenomenon today (Misnatun, 2022; Rasyid, 2012).

In addition, of course, the quality of human resources of teachers, in this case, *ustadz* and *ustadzah* in Islamic boarding schools, still needs to improve in understanding and knowledge in the field of sciences contemporary and modern economics. So it cannot *transfer knowledge* to students following advances in information, innovation, and technology in the economics (Kurniawati & Baroroh, 2016).

Region III Cirebon, which includes the Regency of Cirebon, Kuningan Regency, Majalengka Regency, and Indramayu Regency and City, has many Islamic boarding schools, both with traditional and modern patterns. The management of Islamic boarding schools from one certainly varies, depending on the perception and understanding of the leaders of each Islamic boarding school, including in terms of financial management of Pesantren, such as the financial resources of Pesantren and the use of Pesantren finances. Therefore, the purpose of this study is first to measure the level of Islamic financial literacy among Islamic Boarding Schools. The second is to analyze the effect of Islamic financial literacy level's effect on Islamic boarding schools' financial preferences. Third, to estimate the impact of Islamic financial literacy among Islamic Boarding Schools on Preferences and Implications for Islamic Financial Institutions in Region III Cirebon.

Methods

The research method used is a quantitative approach with descriptive survey analysis. The object of study is the variables to be studied in this case: the level of financial literacy and the variables that affect it. The population in this study were managers, teachers, and students in Islamic boarding schools in Region III Cirebon, whose number of samples was determined using *cluster sampling*.

The data used were primary data resulting from the distribution of questionnaires to 100 research respondents. The verification model used in this study used the *Multinomial Logistic Regression* technique to see the influence of the number of independent variables X_1, X_2, \dots, X_k to the dependent variable Y which is a binary response variable that has only two values or also predicts the value of a dependent variable Y with $\alpha = 0.1$ as the tolerable error level (Ghozali, 2016).

The literacy rate is calculated based on the mean or average of each survey question and groups them into two categories. Managers and students with scores higher than the mean (average value) are classified as managers with higher knowledge of Islamic finances, while managers and students with scores equal to or below the mean (average value) are classified as managers and students with low knowledge of Islamic finances.

Results and Discussion

Islamic financial literacy of Islamic boarding school managers is measured by paying attention to knowledge, *behavior*, and attitude (Lusardi & Mitchell, 2011). A financial literacy analysis focuses on personal financial management, understanding of the Islamic economy, understanding of Islamic banking, understanding of sharia insurance, and understanding of the Islamic capital market.

Personal Financial Management

Financial management literacy is measured by several indicators, including good management of personal finances to avoid *mudharat*, the certainty of products purchased halal and practical, financial planning, saving behavior, and financial management. Based on the results of the study, it was shown that the state with the most significant average value was "Understanding financial management well is part of the effort to avoid *mudharat* both in fraud and eating non-halal property" of 4.64 and the statement *with* the lowest average value of "I am used to making expenditure plans both daily, weekly and monthly to keep unnecessary expenses from occurring." of 4.19. It can be concluded that daily planning to maintain shortages or unnecessary expenses is reasonable. Although the value is the smallest, it is above the value of 4, which means it is considered good. Thus, respondents fully understood the importance of financial management and applied it to managing daily personal finances every month.

In general, it can be concluded that the average Islamic boarding school manager already knows personal financial planning. They can manage their daily life well and avoid unnecessary transactions. Based on financial planning literacy research results, the most miniature score was obtained, but even so, it was above the value of 4, which means it was considered good. Thus, the managers of Islamic boarding schools have fully understood the importance of financial management and have even applied it in managing personal finances every month. If measured using a quantitative approach, it can be concluded that the managers of Islamic boarding schools, in terms of personal financial management ability, fall into the category of good literacy (*well literate*).

Literacy the Sharia Economy Concept

Literacy about the concept of the Islamic economy is measured by several indicators that include aspects; The main objectives of the Islamic economic system, the Islamic financial

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system is different from conventional finance, the principles of Islamic finance, the allowance of income to pay zakat, and the blessings of the Islamic financial system. (Rinaldi & Devi, 2022).

This study informed that Islamic boarding school managers' understanding of the systems imposed on the Islamic economy still needs to be higher. Although the number is close to four, many respondents still need to be educated about the systems that apply to the Islamic economy. Quantitatively, it can be concluded that the managers of Islamic boarding schools, in terms of understanding the concept of the Sharia economy, are included in the category of *sufficient literacy*.

Sharia Bank Products Perception

The literacy of Islamic boarding school managers and students about Islamic banking is measured by several indicators, which include aspects of Islamic bank deposit and financing products, competitive Islamic banking products, profit sharing ratio of Islamic banks, use of deposit and financing service products, and guarantees of sharia conformity of Islamic bank products (Adiyanto et al., 2021).

Based on the study's results, it can be concluded that all Islamic boarding school managers have sufficient knowledge about Islamic banking. Respondents are familiar with Islamic banks with various products and contracts according to the community's needs. Otherwise, they are yet to be inclusive; many still have not used them to fulfill daily needs. This can be due to many things, including the location of Islamic banks that have not been spread in various regions, and there are still limitations supporting media transactions through Islamic banks such as ATMs, which can only be used in shared ATMs or prime ATMs. Quantitatively, it can be concluded that the managers of Islamic boarding schools, in terms of understanding Islamic banking, are included in the category of *sufficient literacy*.

Literacy of Sharia Insurance

Meanwhile, the literacy of Islamic boarding school managers about Sharia insurance is measured using several indicators that include aspects; Sharia accounting system uses takaful and *tabarru* principles, understanding of Sharia insurance products, benefits, and risks, Sharia insurance premiums are managed into *tabarru* investments and funds, the accuracy of paying premiums and convenience of sharia insurance with easy and halal claim (Sari et al., 2020).

Based on the results of the study, it can be informed that the result of the statement with the enormous average value is "like the sharia insurance system, the principle used is the principle of mutual bearing (*takaful*) and mutual help (*tabarru*) among fellow policyholders." of 4.07. The statement with the lowest average value is "In sharia insurance premiums paid every bu Lan will mostly be managed (investment) and part of it will be set aside in the joint fund account (*tabarru*)" of 3.87.

Thus, respondents already understand how the systems and principles used in financial management in Sharia insurance but still do not understand that some of the premiums paid will be managed in the form of investments and some are set aside in joint fund accounts to meet the principle of *tabarru* or the principle of mutual help between fellow sharia insurance policyholders.

Based on the study's results, it can be concluded that the average Islamic boarding school manager needs to gain more knowledge about Sharia insurance. Some Islamic boarding school managers already understand the systems and principles used in financial management in Sharia insurance but still need to understand that some of the premiums paid will be managed as investments. Some are set aside in joint fund accounts to meet the principle of *tabarru* or mutual help between fellow Sharia insurance policyholders. Quantitatively, it can be concluded that the managers and students of Islamic boarding schools, in terms of understanding Islamic banking, are included in the category of low literacy (*less literate*).

Literacy of the Islamic Capital Market

The literacy of Islamic boarding school managers about the Islamic capital market is measured by several indicators, which include aspects of understanding the Islamic capital market, investment options for Islamic stocks and bonds, the benefits and risks of investing in the Islamic capital market, investment options in the Islamic capital market and investment in the halal and profitable capital market (Kemu, 2016).

Based on the result off the study, it can be concluded that the average Islamic boarding school managers have low knowledge of the Islamic capital market. All Islamic boarding school managers have a good literacy regarding the Islamic capital market. The Islamic capital market is a market that offers Islamic financial products, incredibly unique Islamic financial investments that require accuracy and determination when "playing" in it, which not everyone wants to do. Quantitatively, it can be concluded that the managers of Islamic boarding schools do not understand the Islamic capital market and if measured the level of literacy is included in the category of low literacy (*less literate*).

Table 1. Partial Test X₁, X₂ and Y₁

Model	Unstandardized Coefficients		Standardized Coefficients		t	Itself.
	B	Std. Error	Beta			
(Constant)	3,661	1,270			2,882	0,004
X1	0,134	0,065	0,103		2,066	0,040
X2	0,622	0,050	0,614		12,355	0,000

a. Dependent Variable: Y1

Based on table 1, it is known that 2,066 results are then compared to determine using 5% significance, namely $(\alpha t_{hitung} t_{tabel} / 2; n - k - 1)$, (α is the value of precision or significance; n is the number of samples; and k is the number of variables). Based on these calculations, it can be known that the value is 1.971. t_{tabel}

In the results of the data analysis above, it can be seen $>$ namely $t_{hitung} t_{tabel} 2,066 > 1,971$. It is also known that the sig value < 0.05 is $0.040 < 0.05$. Thus the decision is that Ho is rejected and Ha is accepted, meaning that personal financial management affects Islamic Banking. And Islamic economic outcomes against Islamic banking known at 12,355 the result is then compared with termine using 5% significance, i.e. $(\alpha t_{hitung} t_{tabel} / 2; n - k - 1)$, (α is the value of precision or significance; n is the number of samples and k is the number of variables).

Based on these calculations, it can be known that the value is 1.971. In the results of the data analysis above, it can be seen $>$ namely $t_{tabel} t_{hitung} t_{tabel} 12,355 > 1,971$. It is also known that the sig value < 0.05 , which is $0.000 < 0.05$. The decision is that Ho is rejected and Ha is accepted, meaning that understanding the concept of Islamic economics affects Islamic Banking.

Table 2. Partial Test X₁, X₂ and Y₂

Model	Unstandardized Coefficients		Standardized Coefficients		t	Itself.
	B	Std. Error	Beta			
(Constant)	5,782	1,388			4,166	0,000
X1	0,146	0,071	0,112		2,050	0,041
X2	0,517	0,055	0,514		9,406	0,000

a. Dependent Variable: Y2

Based on table 2, it is known that 2,050 results are then compared with to determine using 5% significance, namely $= (\alpha t_{hitung} t_{tabel} t_{tabel} t_{tabel} / 2 ; n - k - 1)$, (α is the value of precision or significance; n is the number of samples; and k is the number of variables). Based on these calculations, it can be known that the value is 1.971. In the results of the data analysis above, it can be seen $>$ namely $t_{tabel} t_{count} t_{tabel} 2,050 > 1,971$. It is also known that the sig value < 0.05 is $0.041 < 0.05$, thus the decision is that H_0 is rejected and H_a is accepted, meaning that Personal Financial Management affects Sharia Insurance. And for sharia economic results against sharia insurance, it is known that 9,406 of these results are then compared with $t_{hitung} t_{tabel}$.

To determine using significance 5%, i.e. $= (\alpha t_{tabel} t_{tabel} / 2 ; n - k - 1)$, (α is the value of precision or significance; n is the number of samples; and k is the number of variables). Based on these calculations, it can be known that the value is 1.971. The data analysis results above can be seen $>$ namely $t_{hitung} t_{tabel} 9,406 > 1,971$. It is also known that the sig value < 0.05 is $0.000 < 0.05$. The decision is that H_0 is rejected and H_a is accepted, meaning that the Islamic economy affects Sharia Insurance.

Table 3. Partial Test X₁, X₂ and Y₃

Model	Unstandardized Coefficients		Standardized Coefficients		t	Itself.
	B	Std. Error	Beta			
(Constant)	6,757	1,388			4,868	0,000
X1	0,145	0,071	0,115		2,047	0,042
X2	0,461	0,055	0,473		8,380	0,000

a. Dependent Variable: Y3

Based on table 3, it is known that 2,047 results are then compared with To determine using 5% significance, namely $= (\alpha t_{hitung} t_{tabel} t_{tabel} t_{tabel} / 2 ; n - k - 1)$, (α is the value of precision or significance; n is the number of samples; and k is the number of variables). Based on these calculations, it can be known that the value is 1.971. In the results of the data analysis above, it can be seen $>$ namely $t_{tabel} t_{hitung} t_{tabel} 2,047 > 1,971$.

It is also known that the sig value < 0.05 , which is $0.042 < 0.05$, thus, the decision is that H_0 is rejected and H_a is accepted, meaning that personal financial management affects the Islamic Capital Market. And for Islamic financial results against the Islamic capital market, it is known that 8,380 results are then compared with to determine using 5% significance, namely $= (\alpha t_{hitung} t_{tabel} t_{tabel} t_{tabel} / 2 ; n - k - 1)$, (α is the value of precision or significance; n is the number of samples; and k is the number of variables).

Based on these calculations, it can be known that the value is 1.971. The data analysis results above can be seen $>$ namely $t_{tabel} t_{hitung} t_{tabel} 8,380 > 1,971$. It is also known that the sig value < 0.05 is $0.000 < 0.05$. Thus, the decision is that H_0 is rejected and H_a is accepted, meaning that the Islamic economy affects the Islamic Capital Market.

Table 4. Simultaneous Test X₁, X₂ and Y₁

Model	Sum of Squares	df	Mean Square	F	Itself.
Regression	1156,135	2	578,067	121,696	0,000 ^b
Residual	1410,782	297	4,750		
Total	2566,917	299			

a. Dependent Variable: Y1

b. Predictors: (Constant), X2, X1

Then the testing is carried out together, for the hypothesis is as follows:

H_0 No effect of Personal Financial Management and Sharia Economy on Islamic Banking

H_a There is an influence of Personal Financial Management and Sharia Economy on Islamic Banking

Based on the F test in Table 4, there are two hypotheses: H_0 , negative, and H_a , positive. The conclusion in the F test is produced by deciding whether H_0 is rejected or H_0 is accepted. When H_0 is rejected, then H_a is accepted, and vice versa. The terms of the hypothesis test are as follows:

H_0 is rejected if $F_{count} > F_{table}$ or if $Sig. < value 0.05$

H_0 is accepted if $F_{count} < F_{table}$ or if the value of $Sig. > 0.05$

The value is determined by looking at the significance of 5%, F_{table} i.e. = (k; n-1), (k is the sum of independent variables). Based on these calculations, it can be seen that the value is 2.41.

Based on Table 4 above, it is known that the value of the F-table is 2.41. From these results, it is known that $F_{hitung} > F_{table}$ is $121.696 > 2.41$. It is also known that the significance value for Personal Financial Management and Sharia Economy is $0.000 < 0.05$, so it can be concluded that H_0 is rejected. H_a is accepted, meaning there is a significant influence between Personal Financial Management and Sharia Economy on Islamic Banking.

Table 5. Test Simultan X_1 , X_2 and Y_2

Model	Sum of Squares	df	Mean Square	F	Itself.
Regression	847,371	2	423,685	74,676	0,000 ^b
Residual	1685,066	297	5,674		
Total	2532,437	299			

a. Dependent Variable: Y_2

b. Predictors: (Constant), X_2 , X_1

Then simultaneous testing is carried out, as for the hypothesis is as follows:

H_0 No Effect of Personal Financial Management and Sharia Economy on Sharia Insurance

H_a There is an influence of Personal Financial Management and Sharia Economy on Sharia Insurance

In the F test, there are two hypotheses: H_0 , which is harmful, and H_a , which is positive. The conclusion in the F test is produced by deciding whether H_0 is rejected or H_0 is accepted. When H_0 is rejected, then H_a is accepted, and vice versa. The terms of the hypothesis test are as follows:

H_0 is rejected if $F_{count} > F_{table}$ or if $Sig. < value 0.05$

H_0 is accepted if $F_{count} < F_{table}$ or if the value of $Sig. > 0.05$

The value is determined by looking at the significance of 5%, F_{table} i.e. = (k; n-1), (k is the sum of independent variables). Based on these calculations, it can be seen that the value is 2.41. F_{table} .

Based on table 6, it is known that the value of F_{table} is 2.41. From these results, it is known that $F_{hitung} > F_{table}$ is $74,676 > 2.41$. It is also known that the significance value for Personal Financial Management and Sharia Economy is $0.000 < 0.05$, so it can be concluded that H_0 is rejected. H_a is accepted, meaning there is a significant influence between Personal Financial Management and Sharia Economy on Sharia Insurance.

Table 6. Simultaneous Test X_1 , X_2 and Y_3

Model	Sum of Squares	df	Mean Square	F	Itself.
Regression	693,372	2	346,686	61,080	0,000 ^b
Residual	1685,748	297	5,676		
Total	2379,120	299			

a. Dependent Variable: Y3

b. Predictors: (Constant), X2, X1

Then simultaneous testing is carried out for the hypothesis is as follows:

H_0 No Effect of Personal Financial Management and Sharia Economy on the Islamic Capital Market

H_a There is an influence of Personal Financial Management and Sharia Economy on the Islamic Capital Market

In the F test, there are two hypotheses: H_0 , which is harmful, and H_a , which is positive. The conclusion in the F test is produced by deciding whether H_0 is rejected or H_0 is accepted. When H_0 is rejected, then H_a is accepted, and vice versa. The terms of the hypothesis test are as follows:

H_0 is rejected if $F_{count} > F_{table}$ or if $Sig. < value 0.05$

H_0 is accepted if $F_{count} < F_{table}$ or if the value of $Sig. > 0.05$

The value is determined by looking at the significance of 5%, F_{table} F_{table} F_{table} i.e. = (k; n-1), (k is the sum of independent variables). Based on these calculations, it can be seen that the value is 2.41. F_{table}

Based on Table 6 above, it is known that the value of F_{table} is 2.41. From these results, it is known that $F_{hitung} > F_{table}$ is $61.080 > 2.41$. It is known, too, the value of significance. Personal Finance Management and Sharia Economy of $0.000 < 0.05$, it can be concluded that H_0 is rejected and H_a is accepted, meaning that there is a significant influence between Personal Financial Management and Sharia Economy together on the Islamic Capital Market.

Discussion

There is no denying that every study conducted will yield various implications. In this section, the implications related to the development of sharia institutions will be outlined.

Family financial management literacy patterns

When viewed from the research and data listed in the previous tables, it can be seen that the financial management literacy of the family managing Islamic Boarding can be said to be *good* (*well literate*). This good understanding of family financial management causes them to have a preference for transacting or cooperating with Islamic financial institutions.

Family financial management that avoids transactions containing *mudharat* causes them to be very careful when deciding transactions in financial institutions. Information about the certainty of the products purchased is halal and has the benefit of being considered in deciding to transact in Islamic financial institutions. Another important aspect of financial management is the ability to plan financial expenditures. The ability to plan expenses has an impact on their choice to make savings or investments in Islamic financial institutions (Ramadhani & Cahyono, 2020).

On the other hand, their depository behavior in managing their finances whether they fit into a savings or savings portfolio will determine their portfolio choice whether they go to a bank or non-bank financial institution. In addition to the important aspects above, the ability to manage finances is no less important in considering options in managing financial assets. The implication of this finding is the need for policies and programs from the government

that are massive to the community, namely education about family financial management, especially education on family financial management among Islamic boarding school managers.

Islamic Economic Literacy Pattern.

Until 1992, few Indonesians were familiar with Islamic banking or the Islamic economy. The momentum of the opening of Bank Muamalat Indonesia in 1992 was an impetus for the public to find out what an Islamic bank is. And what is the Islamic economy? Over time studies of Islamic economics, Islamic banking, and others have emerged and even appeared Islamic economics study programs and the like have sprung up in universities in Indonesia (Ismanto, 2018).

Based on the study's results, if viewed from the data, the literacy of the managers of Islamic boarding towards the Islamic economy can be considered sufficient. A sufficient understanding of the Islamic economy is astonishing because the community considers an education manager in an Islamic education entity an expert.

Although literacy about the Islamic economy is only said to be sufficient, they still prefer transacting or cooperating with Islamic financial institutions. An understanding of the Islamic economy related to the objectives of the Islamic economic system causes them to be very careful when deciding transactions in financial institutions. Likewise, understanding the differences between the Islamic financial system and the conventional financial system is an essential factor in deciding to transact in Islamic financial institutions (Nurrohmah & Purbayati, n.d.).

Another critical aspect of the Islamic economic concept that needs to be known is understanding the principles of Islamic finance. The ability to understand the principles of Islamic finance impacts their choice when making transactions in Islamic financial institutions. Their financial behavior when making their portfolio choices and considering the obligation to pay taxes also pays attention to blessings in naming. These aspects are very important and become a consideration when making choices in managing their financial portfolio assets (Zokaityte, 2016)

This finding implies that continuous efforts are needed to educate the public about the Islamic economy, especially on essential naming principles, such as honesty, transparency, free *gharar*, no speculation, and no usury among Islamic boarding school managers. A *kaffah* understanding of Islamic economic principles will impact the development of Islamic financial institutions, both banks, and non-banks.

Sharia banking literacy patterns

From the data research, it can be seen that literacy about Islamic banking in the management of Pondok Pesantren can be considered sufficient (*sufficient literate*). This sufficient understanding of Islamic banking affects their preference for transacting or cooperating with Islamic banking.

The understanding of Islamic banking products in the form of deposit and financing products such as *wadiah*, *mudharabah*, *musyarakah*, *murabahah*, *ijarah*, etc. products is quite good. It will affect them when deciding on transactions in Islamic banking. There is also information about the ability of Islamic banking to launch its products to compete with conventional banking in terms of service and *return*.

Another important aspect regarding understanding Islamic banking is the return obtained in the form of a profit-sharing ratio. This aspect is also a consideration when transacting at Islamic banks. Customer preferences in conducting transactions in Islamic banking are also influenced by the availability of products offered by Islamic banks. These products can be collection or financing products (Rizal et al., 2022).

In addition to these aspects that respondents consider in transacting at Islamic banks is the certainty or guarantee of the conformity of Islamic bank products with Islamic economic principles (*maqasid syariah*).

This finding implies a need for more intensive and practical education to the public about Islamic banking and optimizing the role of Sharia supervisory boards in Islamic banks so that the activities and operationalization of Islamic banks remain under the principles of Islamic teachings while excluding creativity and product innovation.

Sharia insurance literacy pattern

Based on the research, it can be seen that literacy about sharia insurance for Pondok Pesantren managers can be said to be **low** (*less literate*). This shared understanding of Sharia insurance affects their preference for transacting or cooperating with Sharia insurance. The understanding of Sharia insurance products in the form of *takaful* and *tabarru* products are not very well known. This condition affects them when they decide to buy Sharia insurance products. Likewise, information about the benefits and risks of the product still needs to be well understood (Remund, 2010).

Another important aspect concerns the understanding of the management of the *tabarru* fund insurance fund. This aspect is also a consideration when transacting in Sharia insurance. Customer preferences in making transactions in Sharia insurance are also influenced by the accuracy of Sharia insurance in paying customer claims. Finally, respondents consider another aspect of transacting in sharia insurance: the convenience and certainty or guarantee of the suitability of Sharia insurance products with Islamic economic principles (*maqasid syariah*) (Pramudya & Rahmi, 2022).

The implication of this finding is the need for more intensive and practical education to the public, especially among Islamic boarding schools, about Sharia insurance and optimizing the role of Sharia supervisory boards in Sharia insurance so that the activities and operationalization of Sharia insurance remain per the principles of Islamic teachings while excluding creativity and product innovation.

Islamic Capital Market Literacy Pattern

Based on research, it can be seen that literacy about the Islamic market managing Pondok Pesantren can be said to be **low** (*less literate*). This low understanding of the Islamic capital market affects their preference for transacting or cooperating with the Islamic capital market. Islamic boarding school managers' understanding of the Islamic capital market portfolio still needs to improve. This condition is their consideration when buying securities in the Islamic capital market. Because their understanding of the Islamic capital market is low, this also impacts their understanding of their investment options in the capital market. Information about the benefits and risks when investing in Islamic capital markets is lowly correlated with their financial portfolio choices (Auditya, 2019).

Another important aspect is understanding the management of investment funds in the Islamic capital market. This aspect is also a consideration when investing in the Islamic capital market. Customer preferences in conducting transactions in the Islamic capital market are also influenced by hybrid products launched by the Islamic capital market. Finally, another aspect that respondents consider in transacting in the Islamic capital market is the convenience and certainty or guarantee of the suitability of sharia insurance products with Islamic economic principles (*maqasid syariah*) (Rodiyah, 2019).

This finding implies that it is necessary to hold more intensive and practical education to the public, especially among Islamic boarding schools, about the Islamic capital market, investment products traded, risk o investment, and optimization of the role of the Sharia supervisory board in the Islamic capital market so that the activities and operationalization of the Islamic capital market remain under the principles of Islamic teachings while excluding

creativity and product innovation. adjusting to the development of financial markets that continue to change along with the massive advancement of information technology.

Conclusion

Based on the findings and analysis, it was found that the level of Islamic financial literacy among Islamic boarding schools in Region III Cirebon was seen from the aspect of improving the management of personal expenses in the *well-literate* category. Meanwhile, literacy from the aspect of Islamic economic concept is included in the good literate category, the literation Islamic banking products are included in the *sufficient literate* category, the literation regarding sharia insurance is included in the less literate category, and the literation regarding the Islamic capital market is included in the *less literate* category.

The results of statistical analysis informed that the literacy of personal financial management and the Islamic economy has an effect of 45% on the preference for Islamic banking. This condition is in line with the results of respondents' perceptions, who concluded that the literacy of Islamic boarding schools is in the category of *good literacy (well literate)* in personal financial management and the category of sufficient *literacy (sufficient literate)* in the Islamic economy so that Islamic banks have a role in managing the respondent's finances and economy.

Furthermore, the results of the statistical analysis of personal finance and the Islamic economy have an effect of 33% on the preference for Sharia insurance. In line with their understanding of Sharia insurance, still around 25% of respondents show their lack of understanding of it, so the desire to use an insurance policy could be better than those who have an understanding of it.

Meanwhile, statistical analysis results on personal financial management and the Islamic economy show an influence of 29% on the preference for the Islamic capital market. Like Sharia insurance, respondents are *less literate* in Islamic capital markets. The lack of understanding of the Islamic capital market makes many respondents not "play" in the capital market, especially since not everyone is diligent and painstakingly monitors the development of the rise and fall of instruments in the Islamic capital market.

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