

Improving Sharia Financial Literature and Inclusion Through Sharia Bank Digital Services

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Abstract

The presence of digital banking and financial technology has proven the importance of offering easy, simple, and convenient digital banking services. The development of digital technology has changed the way people use banking services, and Islamic banking is no exception. This can be seen from the increasing number of Islamic bank products offered through digital services to provide the best service for the community. However, in Indonesia itself, the level of literacy and inclusion of Islamic finance in society is still relatively low. The low literacy and inclusion of Islamic finance are indicators that the Islamic financial services industry is still unable to educate the Islamic economy. The purpose of this study is to analyze the strategy of Islamic banks in improving Islamic financial literacy through digital services. The research method used is descriptive qualitative. The data source is secondary data obtained through literature reviews such as books, articles, official websites, and other sources relevant to the research title. The results of this study indicate that Indonesia still has a low level of Islamic financial literacy and inclusion. This causes industry penetration to be less than optimal. Therefore, efforts are needed to develop more competitive Islamic banking products, so as to increase Islamic financial literacy and inclusion in Indonesia. These efforts are by implementing digital account administration banking services, transaction authorization banking digital services, and financial management banking digital services.

Keywords; *Islamic financial literacy and inclusion, digitalization service, and Islamic banks.*

Introduction

In order to support the implementation of sustainable national development, banking in Indonesia has shown rapid development in line with the increasing public demand for modern banking services (Achsien & Purnamasari, 2016). With the increasing public demand for modern banking services, regulations regarding banking must be adjusted to banking management based on the use of information and communication technology. The presence of digital banking and financial technology.

Indonesia is one of the countries with the largest population in the world as well as being one of the countries with the most people using internet services (Fahlevi et al., 2019). Therefore, digital banking is a very potential business opportunity and an inevitable necessity in the banking sector in the digital era. Besides being able to increase the efficiency of bank operations, digital banking can improve the quality of conventional bank and Islamic bank services to customers in transactions. In line with that, Budi Agus Riswandi stated that the presence of the digital banking concept is very beneficial for banks in expanding market reach, improving the quality of bank services to customers, and being the key to winning the business competition in the digital era (Wijoyo, 2021).

The banking sector is a field that cannot escape the wave of digitalization, one of which is Islamic banking (Sharia Banking). Based on a survey conducted by the Islamic Financial Services Board (IFSB), 77% of Islamic Banking indicated that the digital transformation process of their banking system was progressing and only 3% were planning to start digitalization (Setiawan & Dkk, 2022). Islamic banking tends to carry out digital transformation due to disruption from new entrants and competition from other Islamic banks. The existence of competition and disruption causes Islamic banking to make changes to adapt to existing conditions. This is also supported by indicators of increased customer value and satisfaction which are important reasons for Islamic banking to transform towards digital.

The existence of digital innovation carried out by Islamic banking is of course accompanied by digital risks for banks. Adaptation of technological innovation is an ecosystem that changes very quickly and Islamic banking is not immune to these changes. Digitalization carried out by Islamic banking has also had an impact on the financial stability of the Islamic Finance Services Industry (Khaira Sihotang & Hasanah, 2021). Regulators also need to be aware of the potential for new risks that pose a threat to digital Islamic banking, such as data privacy, cyber security, consumer protection, and the like.

The Financial Services Authority (OJK) stated that currently, the Islamic financial industry is still lagging behind compared to conventional finance (Purnama & Yuliafitri, 2019). To compete in the future, digitalization services must be carried out by Islamic banking. Islamic banking is starting to be self-aware of making changes in terms of technology and digitalization aspects. This is a strategy to survive and have a sustainable business. Islamic banking is often considered to be lagging behind because technological developments in the Islamic banking sector are slower than conventional banks even though Islamic products are very competitive with conventional ones. But overall, the digitization and technology of Islamic banks have increased. This is where the role of digital marketing for Islamic banks becomes very important.

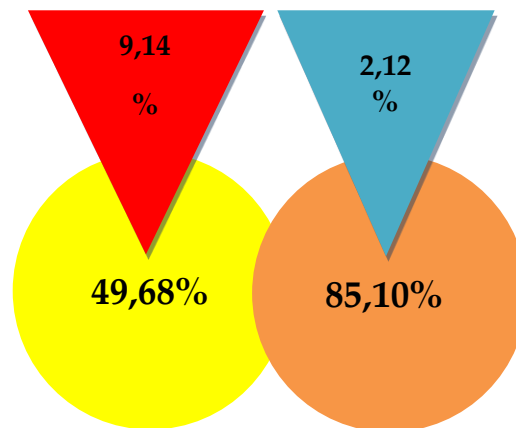


Figure 1. Index of Islamic Financial Literacy and Inclusion in Indonesia 2022

Source: Financial Services Authority 2022



The data proves that the level of literacy and the level of inclusion in Islamic finance is still very low, therefore there is a need for a special approach so that people are aware of

Islamic financial products and services (Fawaid & Utama, 2022). One approach that can be taken by companies and practitioners of Islamic finance is to utilize digital technology as a means to increase public access to Islamic financial products and services.

Meanwhile, digital transformation in Indonesia has now penetrated all industrial sectors including the banking industry. Sukma, states that the increasing use of information technology in the banking sector has forced banks to enter the era of digital banking. This fairly rapid digital development cannot be separated from the role of internet use in Indonesia (Sukma, 2019). Kinsey, states that in line with the development of information technology that has entered the banking industry, services from banks have changed to digital-based banking services, namely services that focus on meeting customer needs by utilizing digital technology through the provision of devices or applications that are part of from the bank's distribution channel (Aripin et al., 2022). Digital-based banking services can be accessed anytime (any time) and anywhere (anywhere), as well as minimizing direct physical interaction between customers and banks. This bank operations can be carried out efficiently and service to customers can be maintained.

Islamic banking has a very important role as reflected in the market share of Islamic financial inclusion which occupies the highest position with a composition of 9.06% that digitization of Islamic bank products is believed to be able to increase the number of Islamic bank customers and will directly contribute to increasing the financial literacy and inclusion index sharia (Aripin et al., 2022).

Putra et al stated that the use of technology for transaction purposes also needs attention because now is the time when the manual banking system is no longer the main option for making transactions (Putra & Thamrin, 2022). High mobility, lifestyle, and necessity factors make banking transactions possible anywhere, banks must automatically be able to adjust to this rhythm. In terms of improving this service, Islamic banks must be adaptive to customer needs and be more innovative in making new breakthroughs to pamper customers.

However, the implementation of digitization in Islamic banking products still has several obstacles, including the not yet widespread information that Islamic banks have digital products due to limited promotion and outreach, limited availability of human resources in Islamic banks who fully understand digital bank business processes, and doubts about compliance with the application of sharia principles to digital contracts and the reliability of other supporting infrastructure.

Digital banking-based banking services have very high benefits and can help improve Islamic bank services to customers, but have several problems such as high costs, limited infrastructure, and security factors because all transactions are carried out by customers (DZ, 2018). However, this problem should not be used as a threat but should be interpreted as a challenge in order to generate innovation in order to face competition in the banking world.

Banking services that use electronic or digital media are one of the efforts made by banks to expand access to finance in society (Muchlis, 2018). One of the efforts to expand public financial access includes the initiation of opening bank accounts that can be carried out directly by customers, commonly known as Customer on Boarding.

Digital technology is currently developing quite rapidly, this is marked by the industrial revolution 4.0 where the industry develops and utilizes technology to help simplify its operations. Industrial sectors that develop digital technology in their business are mostly initiated by e-commerce companies, Financial Technology (fintech) start-ups, be it peer-to-peer lending or crowdfunding (Wahyuddin & Dkk, 2022).

The growth in public consumption of the internet and smartphones is a good indicator in developing digital-based sharia financial services and products so that they can reach all regions in Indonesia. Utilization of this technology must be carried out immediately in order to create more equitable and comprehensive financial inclusion, especially for sharia financial products and services. Data in Figure 2 shows that there is an increase in internet and smartphone use in Indonesia every year. The prediction is that by 2025 there will be at least 89.2% of the population in Indonesia who will take advantage of various features on smart phones. This figure refers to predictions within six years (2019-2025) regarding the penetration of the cellphone market in the country which will grow 25.9% (Ammalia, 2022).

This growth is an opportunity and challenge for Islamic financial companies to immediately switch to digital services. Based on a survey conducted by Sharing Vision in 2015 regarding payment instruments that are often used by the public in online transactions, namely online transfers via ATMs by 42%, internet banking by 28%, and direct transfers to accounts by 25% (Nurfalah & Rusydiana, 2019). This survey proves that the public's potential to switch from offline transactions to online transactions is quite large and this is also supported by the growth of digital application-based financial start-up companies in Indonesia.

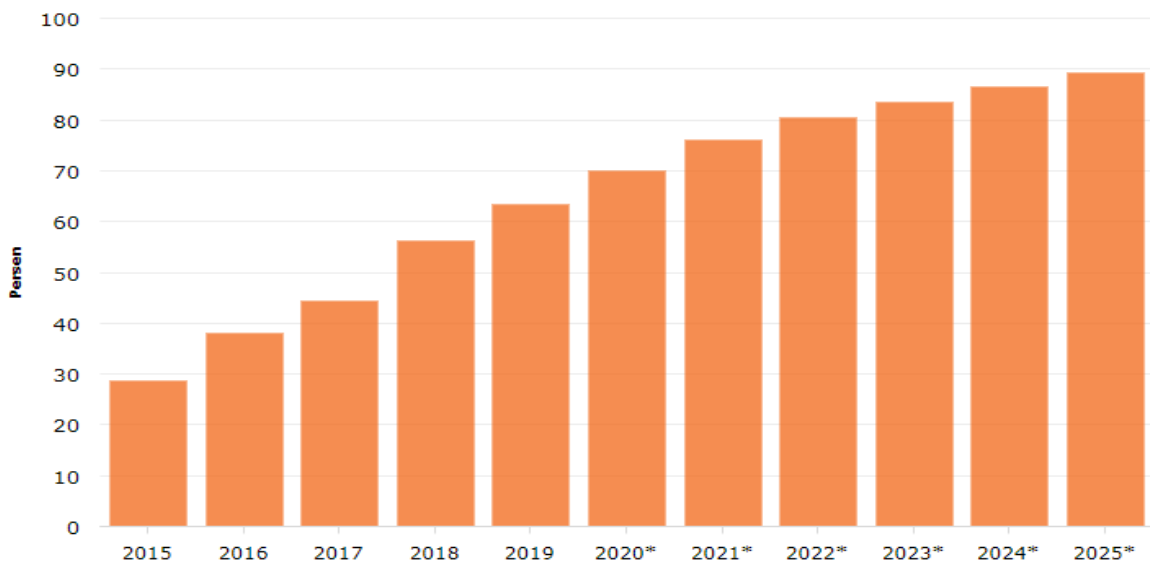


Figure 2. Prediction of Smartphone Usage

Source: Statista, July 2020

As we know, currently the potential for the development of the Islamic finance industry based on fintech or financial technology companies in Indonesia is quite open and has potential. Although according to research conducted by There are still several obstacles to be faced such as the lack of policy instruments that maintain the fintech work process from upstream to downstream, as well as the availability of qualified human resources for fintech (Rusydia, 2019). Meanwhile, according to Webster and Pizzalla (2015) competition between fintech and traditional financial services is relatively more intense every year due to the continued development of information technology (Agarwal et al., 2020).

Based on OJK data, fintech companies in Indonesia are divided into several sectors, namely: 1) financial planning, 2) Crowdfunding, 3) Lending, 4) Aggregator, 5) Payment, and 6) other fintech. Hadad (2017) explains that fintech companies in Indonesia are dominated by the payment sector at 42.22%, the lending sector at 17.78%, the aggregator sector at 12.59%, the financial planning sector at 8.15%, the crowdfunding sector at 8.15 % and other fintech sectors at 11.11% (Rusydia, 2019).

The Islamic financial system combined with technology must be in accordance with the standardization of Islamic financial contracts because the concept of Islamic finance is different from conventional financial concepts, in the concept of Islamic finance transactions containing *maysir*, *gharar*, *tadlis*, *ikhhtikar* and usury are not allowed (Sarker, 2006).

From this background, the more open public information and the easier public access to the internet, the more potential opportunities to develop innovative digital-based Islamic financial products and services, and this development can also increase the level of literacy and inclusion of Islamic finance, especially for people in remote areas. The author is interested in researching the problems of Islamic financial literacy and inclusion and their solutions by developing innovative Islamic products and services digitally.

Material and Methods

This research is a type of descriptive research with a qualitative approach, namely writing procedures that produce descriptive data (a description of an event or problem) in the form of written words from people and behaviors that are not directly observed, or a single case study and in one location only. The qualitative paradigm emphasizes an understanding of the problems in social life based on the conditions of reality or natural settings that are holistic, complex, and detailed (Agung & Yuesti, 2019).

The type of data used in this writing is secondary data, secondary data is the source of writing data obtained indirectly through intermediary media or obtained and recorded by other parties. Secondary data is generally in the form of evidence, records, or historical reports that have been compiled in archives (documentary data), both published and unpublished (Vidiyastutik & Rahayu, 2021).

The techniques used to collect data in this study are (Kulbi et al., 2021): 1) Literature study, which is a series of activities related to methods of collecting library data, reading and recording and processing research materials, 2) Documentary, documentation study is carried out by reading previous written reports as well as articles accessed from the internet, books, and journals that are appropriate to the problem. In this method, the author only transfers relevant data from a source or required document.

Result and Discussion

Islamic Banking Problems

Islamic banks or Islamic banks are banks that operate without relying on interest. Islamic banks or commonly referred to as interest-free banks, are financial/banking institutions whose operations and products are developed based on the Al-Qur'an and Hadith of the Prophet Muhammad. Or in other words, Islamic banks are financial institutions whose main business is providing financing and other services in payment traffic and money circulation and whose operations are adjusted to Islamic sharia principles (Adinugraha, 2021).

According to Law Number 21 of 2008 concerning Islamic banking, Islamic banking is everything related to Islamic banks and Islamic business units including institutions, business activities, and methods and processes in carrying out activities. Islamic banks have different operating systems from conventional banks (Cahyadin et al., 2020). Islamic banks provide interest-free services to their customers. In the operational system of Islamic banks, interest payments and withdrawals are prohibited in all forms of transactions. Islamic banks do not recognize the interest system, both interest earned from customers who borrow money or interest paid to depositors in Islamic banks.

Islamic banks as intermediary institutions between investors who invest their funds in banks and then Islamic banks channel their funds to other parties who need funds. Investors who place their funds will receive compensation from the bank in the form of profit sharing or other forms legalized in Islamic sharia. Islamic banks channel funds to those who need them in general in sales and purchase agreements and business cooperation. Rewards obtained in profit margins, profit sharing forms, or other forms in accordance with Islamic sharia.

Problems in terms of the development of Islamic banking in Indonesia can be divided into 4 aspects consisting of aspects of human resources (HR), technical, legal/structural and market/communal aspects. The clusters as a whole are grouped into problem clusters, solutions and strategies (Mubarok et al., 2020).

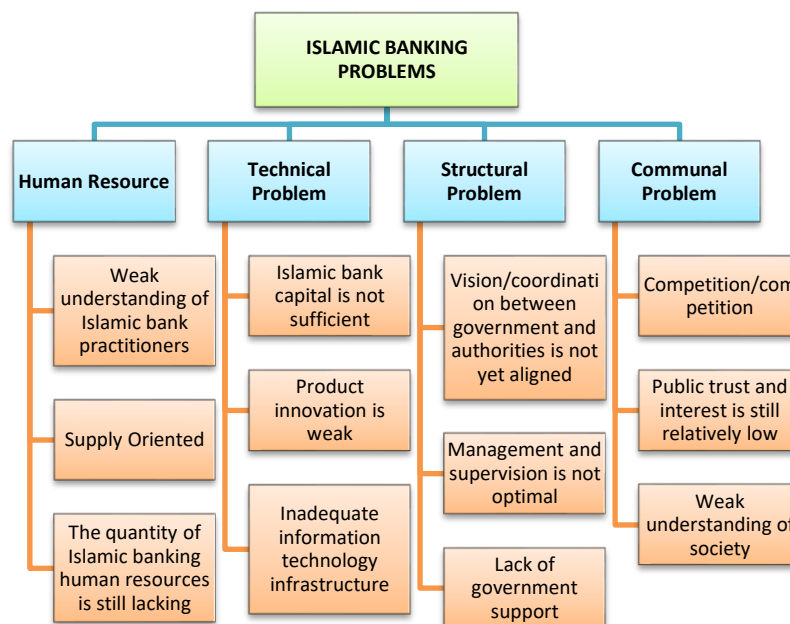


Figure 3 Chart of Islamic Bank problems

The first human resource (HR) problem is the weak understanding of sharia bank practitioners, both from the business development side and from the sharia side. In other words, there is not enough qualified human resources in the field of sharia economics, so that in practice, sharia banking often deviates from sharia principles. Second, supply oriented (Anggraini et al., 2021). Practitioners can only explain what they know but cannot answer what people ask. Third, inadequately educated and professional human resources, especially managerial techniques.

The first technical problem is that the capital (funds) of Islamic banks are still inadequate and the cost of funds is expensive which has an impact on the limitations of the financing segment. As a result, in general Islamic banks are not as efficient as conventional banks. Second, innovation in products and services, marketing and business development owned by Islamic banks is still weak, third, inadequate information technology facilities or infrastructure, even though this is an important prerequisite for the success of financial institutions (Masih, 2017).

The first legal/structural problem is the lack of alignment of vision and lack of coordination between the government and authorities in the development of Islamic banking (Talimonchik, 2021). Second, regulation and supervision are still not optimal. Third, the lack of government support and support for the development of Islamic banking, especially when compared to neighboring countries.

The first market/communal problem, one of the problems included in this section is the problem of competition, both competition between Islamic banks themselves and with other financial institutions (R. Izmailov & A. Baryshev, 2019). Second, the problem at the level of trust is the lack of public interest in saving funds in Islamic banks because of distrust of Islamic banks or because of the low returns compared to conventional banks. Third, the lack of public knowledge of the existence of Islamic banks, both in terms of the services provided, as well as the relatively more "complicated" contractual knowledge.

Islamic Financial Literacy

Financial literacy is a translation of financial literacy which means financial literacy (Mahaeni et al., 2020). According to the OJK Indonesia Financial Literacy National Strategy guidebook, what is meant by financial literacy is "a series of processes or activities to increase knowledge, confidence, and skills of consumers and the general public so that they are able to manage finances better". Based on this understanding, it can be concluded that consumers of financial products and services, as well as the general public, are expected not only to know and understand financial service institutions and financial products and services but also to be able to change or improve people's behavior in financial management so as to improve their welfare. In the context of developing Islamic financial literacy, it can be interpreted that consumers of Islamic financial products and services and the wider community are expected not only to know and understand Islamic financial service institutions and Islamic financial products and services but also to be able to change or improve people's behavior in Islamic financial management so that they are able to improve their welfare (Gahagho et al., 2021).

The aim of the Islamic financial literacy development program is to expand and increase knowledge, understanding, and community participation in the use of

Islamic financial products and services. Islamic financial literacy is expected to be able to increase public knowledge and change people's behavior in managing finances better, to be able and smart to choose halal and profitable investments and to be able to prevent people from following fraudulent investments (Ahmad et al., 2020).

Development of financial literacy in the long term aims to increase the literacy of someone who was previously less literate or not literate to become well literate, and increase the number of users of financial products and services (Kevser & Doğan, 2021). This goal certainly applies to the development of Islamic financial literacy. Thus, the purpose of Islamic financial literacy is for consumers and the general public to be able to determine Islamic financial products and services that suit their needs, correctly understand the benefits and risks, know their rights and obligations and believe that the selected financial products and services can improve their welfare. they are based on sharia principles which are lawful and profitable.

The Islamic financial literacy development program has considerable benefits, both for society, Islamic financial services and the government. The benefits that can be obtained by the community from the existence of an Islamic financial literacy development. program include: a. Communities are able to choose and utilize sharia financial products and services that suit their needs, b. Communities are able to better carry out financial planning (Financial Planning) according to sharia, c. Society avoids investment activities in financial instruments that are not clear (fake investment), d. The public gains an understanding of the benefits and risks of sharia financial products and services. Islamic financial literacy also provides great benefits for the Islamic financial services sector, considering that the public is a user of Islamic financial products and services (Daradkah et al., 2020).

Society and Islamic financial service institutions need each other, so that the higher the level of public Islamic financial literacy, the more people will utilize Islamic financial products and services. In this case, the profit potential to be obtained by Islamic financial service institutions is also getting bigger. Islamic financial literacy encourages the financial services industry to continue to develop and create financial products and services that are more innovative, varied and more affordable, according to the needs of all groups of people. However, according to the OJK, the goal of financial literacy cannot be achieved optimally if other external factors are not supportive (Khairunnisa, 2020). External factors that have the potential to influence the success of Financial Literacy include: 1. Economic Growth 2. Per capita income 3. Income Distribution 4. Community Poverty Level 5. Community education level 6. Composition of the productive age population.

Islamic Financial Inclusion

In a sharia perspective, sharia financial inclusion has its own meaning, namely seeking to increase public accessibility to sharia financial institutions so that the community is able to manage and distribute financial resources according to sharia principles (Kevser & Doğan, 2021). Islamic financial inclusion is a means to encourage higher involvement of the community in Islamic financial practices. Allah commands believers to embrace Islam kaffah, what is meant by kaffah is implementing all Islamic law as a whole (totality) without discriminating between one religious rule and another (Nurfalah & Rusydiana, 2019). As a

Muslim community, Indonesian people should not experience difficulties in accessing Islamic financial institutions to support their economic activities because Islamic financial institutions in Indonesia are very complex.

An inclusive financial system must have relatively more enthusiasts. Therefore, an inclusive financial system must reach out widely to the middle and lower classes of society. Kunt et.al states that the more inclusive financial institutions are, the greater the opportunity for the community to obtain financial services, such as getting benefits or guarantees for poor people and disadvantaged groups of people. Islamic finance with characteristics that support inclusiveness, equality, cooperation, and justice for all levels of society, can help reduce disparities among developing countries. The financial inclusion program itself is the main agenda for developing countries because it can be a catalyst for economic growth, job creation, and poverty reduction. For this reason, sharia financial principles that are in line with financial inclusion programs can work together to improve the welfare of society as a whole (Dan et al., 2022).

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According to the OJK several indicators for measuring Islamic financial inclusion: 1) Access Indicators: affordability of financial services, location, barriers for the public to access Islamic financial institutions due to costs, and information such as the number of office services, ATM machines and the number of financial service agents. 2) Usage: use of products and services offered by sharia products such as financing and savings. 3) Quality: fulfillment of needs by Islamic financial institutions for the public, such as education on products and services and the number of settlements of customer complaints (Nurfalah & Rusydiana, 2019).

In general, financial inclusion has a vision of creating a financial system that can be accessed by all levels of society in encouraging economic growth, overcoming poverty, equalizing income, and creating financial system stability in Indonesia. This vision will be realized if the public has trust and confidence in the existence of sharia financial institutions that are free of usury and are able to improve the economic welfare of the community. The mission of financial inclusion is as follows: a. Increasing the opportunities and capabilities of the community in accessing and utilizing financial services in order to create prosperity at the middle and lower levels of society. b. Providing financial products and services that can meet the needs of society, so they are not entangled with non-formal practices. c. Increase the public's knowledge and sense of security in using financial services so as to create confidence that financial services exist in order to provide convenience for the community. d. Strengthen the synergy between stakeholders. e. Encouraging the development of financial inclusion to support the achievement of Sustainable Development Goals (SDGs) in Indonesia (Zaenal et al., 2019).

The objectives of financial inclusion are translated into several objectives as follows (Jones & Knaack, 2019): a. Making an inclusive financial strategy a part of a grand strategy for economic development, poverty alleviation, income distribution, and financial system stability. A marginalized poor group is a group that has limited access to financial services due to several constraints they face. Therefore, inclusive finance has the goal of creating a strategy to achieve broader economic development by reducing poverty and increasing people's welfare. Financial services are given greater access in order to be able to cover the poor who have limitations in their prosperous lives. b. Providing financial services and products according to the needs of society. The concept of inclusive finance must be able to meet all the different needs of different segments of the population through a comprehensive holistic range of services. c. Increasing public knowledge about financial services. The main barrier to financial inclusion is the low level of financial knowledge. This knowledge is important so that people feel safer interacting with financial institutions. One of the easiest efforts is to provide direct education to the community in collaboration with local government officials. d. Improving public access to financial services by making it easier to find financial institutions and ease of managing administrative requirements. Barriers for the poor to access financial services are generally in the form of geographical problems and administrative constraints. Resolving these problems will be a fundamental breakthrough in simplifying access to financial services. e. Strengthening synergies between banks, microfinance institutions, and non-bank financial institutions in order to achieve government development programs. The government must guarantee not only the empowerment of branch offices but also regulations that allow the expansion of formal financial services. Therefore, the synergy between Banks, Microfinance Institutions (LKM), and Non-Bank Financial Institutions is especially important in supporting the achievement of financial system stability. f. Optimizing the role of information and communication technology (ICT) to expand the scope of financial services so that they can be utilized more by the middle and lower classes. Technology can reduce transaction costs and expand the formal financial system beyond savings and credit services. However, clear guidelines and regulations need to be established to balance outreach and risks.

Digitalization of Islamic Bank

The development of Islamic finance in Indonesia began with the establishment of one of the Islamic banks in 1992, namely Bank Muamalat (Shabri et al., 2020). Then two years after that, in 1994 to be exact, the first Islamic insurance company was established, namely PT Asuransi Takaful Keluarga and in 1997 the first Islamic mutual funds in Indonesia were issued. Since then, the development of Islamic finance has begun to develop quite rapidly, especially in the Islamic banking sector where several conventional banks have Islamic subsidiaries or Islamic business units. Sharia banking statistics for 2009 show that the number of Islamic commercial banks (BUS) in Indonesia is 6 (BUS), in 2010 it increased to 10 BUS, and in 2018 shows that currently there is 14 BUS in operation in Indonesia. The latest data is that at the end of 2022 the Islamic banking industry in Indonesia consists of 15 Islamic Commercial Banks (BUS), 20 Islamic Business Units (UUS).

In addition, the total assets of Islamic banking each year have increased quite well (Nurfalah & Rusydiana, 2019). OJK data shows that in 2015 the total assets of

Islamic banking in Indonesia reached Rp. 296,262 billion or an increase of 9% from 2014 amounting to Rp. 272.343 billion. In 2016, the total assets of Islamic banking in Indonesia increased significantly to Rp. 356,504 billion or an increase of 20%, but in 2017 the growth of total sharia banking assets decreased from the previous year, recording a growth percentage of 19% or around Rp. 424.181 billion. The downward trend in total asset growth continued in 2018 which was only 13% of the total assets in 2017, but in nominal terms, the total assets of Islamic banking have increased to Rp. 477.327 billion. The Financial Services Authority (OJK) reports that the total assets owned by Islamic banks reach Rp. 661.022 trillion in January 2022. However, Islamic banking assets are still small when compared to the total banking assets nationally.

On the other hand, the level of market share for Islamic banking in Indonesia is still at the level of 7.03% as of August 2022 (Hasan & Nita Putri, 2022). The annual data announced by OJK shows that every year the market share of Islamic banking has increased but is not significant. In 2017, the level of market share for Islamic banking was only 5.74%. Seeing the tendency of the low ratio of Islamic banking assets to conventional banking and the low market share of Islamic banking and the low level of Islamic financial literacy and inclusion, a solution is needed to increase the value and ratio of these things. Nejatullah Siddiqi (2006) in his evaluation emphasized that there is a fundamental need that is felt urgent to evaluate what has happened over the last three decades in the field of Islamic banking and finance.

This evaluation is more important than growth rates, commercial performance, and market share is an evaluation of the contribution of Islamic banking and finance to introduce and promote an understanding of the economic and financial aspects of the Islamic way of life as a whole. A survey of the state of the art in Islamic banking and finance in theory and practice is expected to meet that need. Because in practice the problems still faced by the Islamic financial sector include a limited supply of Islamic products; limited access to sharia financial products; the level of Islamic financial literacy and the utility level of Islamic financial products is still not optimal; limited human resources; the need to optimize coordination with stakeholders; as well as the need for financial services policies that are aligned and can mutually support the development of the entire sharia financial sector (Nurfalah & Rusydiana, 2019).

The digital transformation of Islamic banking services is a necessity. In this digital era, media forms have shifted to online formats because they are easily accessible to anyone who needs information. Communities also easily share information (share) with their respective social accounts so that information and knowledge about economics and Islamic banking will be easily accepted by the public (Amrani & Najab, 2020).

Digital Banking Services (LPD) types of Account Administration that can be implemented in Islamic banks include (Bankuoru Egala et al., 2021): a. The customer opens a savings account through the bank's application on the customer's cellphone. Customers utilize facilities such as fingerprint scanners, identity scanners and cameras to complete data entry to meet the identity requirements provided by the bank. Banks can utilize data from third parties they work with when validating customer data. b. The bank publishes an application installed on the customer's cellphone which is equipped with various features and menus such as updating customer data which can be verified online and in real time by the bank. c. The customer can close an account at the facilities provided by the bank online through

an ATM machine which is usually equipped with fingerprint scanner facilities and the customer's identity, then the bank will verify the request for closing the account from the customer directly.

The implementation of Digital Banking Services (LPD) with the type of transaction authorization includes the following example (Dan et al., 2022): a. The customer uses his voice to open and enter the mobile banking application and the bank has verified the voice beforehand. b. The customer pays for purchase transactions at a location that works with the bank by scanning a Quick Response (QR) code or Near Field Communication (NFC) on a reader machine provided by the bank's partner for debiting according to the nominal transaction automatically.

Types of financial management include financial management planning, implementation and authorization of financial transactions, and consulting in the field of finance related to bank services (Dan et al., 2022). Examples of financial management for individual customers include: a. Banks issue services with financial management services in terms of savings products in order to plan the need for funds for children's education. b. The bank provides advice that matches the customer's profile so that the product issued can be a financial management solution for the customer so that when a customer is about to make a transaction beyond their financial capabilities, the bank's application will automatically provide another alternative for the customer. c. The Bank provides financial management services that can be accessed via internet banking in order to provide custom business information.

National Strategy for Financial Literacy and Inclusion for 2021-2021 in the Welfare of Society

Improving the quality and quantity of Islamic financial education must continue to be carried out as an effort to increase public knowledge and understanding of Islamic financial products and services in Indonesia through various policy mixes by utilizing technology and establishing strategic partnerships (Dan et al., 2022). The merger of Islamic banks is the right time to consolidate Islamic banking in order to present Islamic banks that are strong in capital and able to compete in the national banking industry. In addition, Islamic banks resulting from the merger have the opportunity to enlarge economies of scale so that they can contribute significantly to the national economy.

Public understanding of sharia financial products and services is still considered low, which is reflected in understanding regarding benefits, which is the highest at only 52.44%, while understanding regarding the features of sharia financial products and services is 44.86%, and rights and obligations are 35.84%-35.66%. The understanding that there is a risk in using financial products and services reached 35.42%. On the other hand, the national digital literacy index is at 3.47, which means it is in the middle range (Dan et al., 2022).

This digital literacy index is often related to young age, male gender, highly educated, able to recognize hoaxes, uses the internet not intensively, and does not live on the island of Java. Some examples of digital financial services are digital payment systems, peer to peer landing, and branchless banking (Dan et al., 2022). These digital financial services are encouraged to be able to accelerate the increase in Indonesia's Islamic financial inclusion,

which will directly have an impact on increasing the welfare of people who use digital-based Islamic financial products and services. All activities in the form of updating business processes, business models and financial instruments that provide new added value in financial services are urgently needed so that the transformation of digital financial services is able to play its role as a catalyst for increasing financial inclusion in Indonesia.

The Financial Services Authority (OJK) has conducted sharia financial education through digital media on an ongoing basis. The Financial Services Authority (OJK) has also worked with several influencers to promote programs to increase financial literacy through social media. The Financial Services Authority (OJK) also conducts outreach and education on the theme of finance to the community in accordance with the priority targets in the direction of the Indonesian National Financial Literacy Strategy (SNLKI) (Dan et al., 2022).

The level of financial exclusivity in Indonesia is high, so new breakthroughs are needed in improving financial services. It was also noted that a number of Micro, Small and Medium Enterprises (MSMEs) employees were still unable to obtain adequate access to financial services even though these employees had enormous potential to reduce unemployment, increase inclusive finance and reduce poverty in the future. The role of financial institutions as intermediaries for the community plays a strategic role in supporting government programs. Islamic financial institutions with their characteristics have the potential for national finance in realizing inclusiveness for society. With inclusive finance, development programs planned by the government will be more optimal (Dan et al., 2022).

Bank Indonesia as the highest financial institution in Indonesia issued a strategy to increase financial inclusion because it saw the many benefits felt from financial inclusion. One of the benefits is that people's welfare is increasing and the country's economy is stable because every level of society is able to access financial institutions easily. The national financial inclusion strategy is the result of collaboration between Bank Indonesia, the national team for accelerating poverty reduction, and the Ministry of Finance. The National Financial Inclusion Strategy consists of 6 (six) main pillars namely financial education, public financial facilities, mapping of financial information, supporting regulatory policies, intermediation facilities, and educational channels, and consumer protection (Dan et al., 2022).

Financial education is providing education in the form of insight and knowledge about financial services, as well as awareness regarding products and the importance of financial services. Its scope includes education on a variety of financial products/services, education on the risks of using financial services, education on customer protection, and education on financial management skills (Widyastuti et al., 2020).

Public financial facilities are facilities provided by the government with the aim of encouraging community economic growth. Initiatives in this pillar are in the form of subsidies and social assistance, community empowerment, and MSME empowerment. Mapping financial information. Aims to increase the capacity of the community, especially those who are actually categorized as unfit to become eligible or from unbankable to bankable by normal financial institutions, especially the productive poor and micro-small businesses (Dan et al., 2022). The initiatives of this pillar include Capacity building through the provision of training and technical assistance, Alternative collateral systems, Provision of simpler credit services, and identification of potential customers.

Supporting regulatory policies are policies made by the government in order to encourage the dissemination of financial products or services while at the same time developing product schemes that suit the needs of the community, as well as making policies to encourage changes to regulations (Nurfalah & Rusydiana, 2019). Besides that, the government is also preparing a mechanism for channeling aid funds from banks, strengthening the legal basis for consumer protection, and compiling studies on financial inclusion to determine the direction of a country's economic policy.

Intermediation facilities and distribution channels. Aims to increase financial institutions' aware of the existence of potential segments in society and expand the reach of financial services by utilizing alternative distribution methods (Nurfalah & Rusydiana, 2019). Several aspects of this pillar include the facilitation of intermediation forums by bringing together financial institutions with productive groups of people (eligible and unbanked) to overcome information asymmetry problems, increasing cooperation between financial institutions to increase business scale, and exploring various possible products, services, and innovative distribution channels while paying attention to the prudential principle.

Consumer protection aims to provide a sense of security to the public when interacting with financial institutions and adheres to the principles of transparency, fair treatment, reliability, confidentiality, and security of consumer data/information, handling complaints, and resolving consumer disputes in a simple, fast and affordable way (Indonesia & Timur, 2017).

The five pillars of the SNKI must be supported by the following three foundations (Nurfalah & Rusydiana, 2019): a. Conducive policies and regulations The implementation of financial inclusion programs requires policy and regulatory support from the Government and authorities/regulators. b. Supporting financial information technology and infrastructure. This foundation is needed to minimize asymmetric information which is a barrier to accessing financial services. c. Organization and mechanism for effective implementation. The diversity of inclusive financial actors requires an organization and mechanism capable of encouraging the joint and integrated implementation of various activities.

The Inclusive Financial Strategy is not an isolated initiative, so involvement in Inclusive Finance is not only related to the duties of Bank Indonesia but also regulators, ministries, and other institutions in efforts to provide financial services to the wider community in order to achieve national prosperity. It is hoped that the existence of a national financial inclusion strategy will create collaboration between financial institutions and policymakers with the aim of improving the welfare of the community (Nurfalah & Rusydiana, 2019).

Conclusion

Islamic banks in Indonesia have started to develop. this is shown by the increase in assets owned and the market share of sharia banking. However, in Indonesia Islamic banks are still facing several problems, such as the level of literacy is still low and Islamic financial inclusion is still relatively low. This causes industry penetration to be less than optimal. Therefore, efforts are needed to develop more competitive Islamic banking products, so as to increase Islamic financial literacy and inclusion in Indonesia. This effort must

utilize digital technology, because currently people in their daily activities are inseparable from digital technology. Digitalization efforts that can be applied to other sharia banking services include implementing digital account administration banking services, transaction authorization digital banking services, and financial management digital banking services. besides that there is also a strategy carried out by the government which is contained in the National Strategy for Financial Literacy and Inclusion for 2021-2021 in the Welfare of Society.

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