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Exploring the Role of Sharia-Based Approaches in Promoting Household Financial Literacy

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Abstract
This study seeks to clarify the concept and role of a sharia-based approach in improving financial literacy among Muslim households. The background of this research is based on the low level of financial literacy among Muslims in Indonesia, despite having fairly broad access to financial services. A sharia-based approach offers an alternative paradigm that emphasizes the balance between material and spiritual aspects, based on the values of justice, honesty, and social responsibility. This study uses qualitative methods with a phenomenological approach to understand the subjective experiences of five housewives in Palopo City in managing family finances based on sharia principles. The results show that sharia-based financial literacy contributes significantly to the development of ethical and sustainable financial understanding, attitudes, and behavior. The informants apply the principles of halal (permissible) and haram (forbidden), avoid usury (riba), invest in halal (lawful) ways, and pay zakat (alms) and sadaqah (charity) as a form of spiritual responsibility. This approach not only improves technical financial management skills but also strengthens the moral and spiritual awareness of Muslim families. Thus, sharia-based financial literacy is an important foundation for creating family economic resilience and social welfare that is just and blessed.

Keywords: Islamic_Financial_Literacy; Muslim_Households; Financial_Behavior; Family_Welfare; Islamic_Ethics

1. Introduction

The next few years will see the nation enter a crucial phase in its social and economic journey, where they will begin to assume strategic leadership roles in various sectors. Therefore, a profound understanding of financial behavior and decision-making is crucial to supporting sustainable economic development. Recognizing this importance, the Financial Services Authority (OJK) has designated several key target groups in the Indonesian National Financial Literacy Strategy (SNLKI).[1]. The concept of Sharia-based financial literacy integrates financial management skills with Islamic values that govern human relationships with wealth, fellow human beings, and God. In Islam, wealth is not merely a means to meet needs but also a trust that must be managed responsibly. This principle is emphasized in various verses of the Qur'an, such as in Surah Al-Baqarah verse 261, which emphasizes the importance of almsgiving and the use of wealth for the benefit, as well as the prohibition against harmful usury practices. Therefore, a Sharia-based approach to financial literacy emphasizes not only financial skills but also fosters ethical awareness in every financial decision [2]. And As financial planners, women have a challenging task, as managing family finances is akin to regulating the heartbeat of married life, making financial literacy and management essential skills to possess [3].

Unfortunately, despite the world's vast Muslim population of over 1.9 billion, various studies indicate that the level of financial literacy among Muslims, particularly in developing countries like Indonesia, remains relatively low. A 2022 survey by the Financial Services Authority (OJK), for example, showed that the national financial literacy index only reached 49.68%, while the financial inclusion index reached 85.10%. This data demonstrates a gap between access to financial services and the public's understanding of how to manage finances effectively. This disparity indicates that many individuals and families have access to financial institutions but lack the appropriate knowledge and attitudes to manage them in accordance with Sharia principles[4]. And Implications: Recipients of the Family Hope Program assistance must improve their financial literacy and work motivation to create a financially prosperous family, which will help them fulfill their needs for clothing, shelter (residence), education, and prepare for old age through investment. Achieving these goals requires not only individual effort but also community support and access to resources that facilitate learning and growth. By fostering a culture of continuous improvement and collaboration, these families can build a sustainable future for themselves and their children [5].

In the context of Muslim households, low financial literacy can lead to various social and psychological problems. Consumer debt, unplanned credit card use, and an inability to save and invest productively trap many families. This situation not only disrupts household economic stability but can also diminish the quality of family relationships and cause emotional stress. Therefore, building Sharia-compliant household financial literacy is a crucial strategy for strengthening the social and spiritual well-being of the Muslim community[6]

According to researchers, the Sharia-based approach offers an alternative paradigm for financial literacy that differs from the conventional capitalist system. While the conventional system emphasizes solely profit, consumption, and material growth, the Sharia financial system emphasizes balance between worldly and hereafter aspects. Values such as justice (al-'adl), balance (al-tawazun), honesty (sidq), and welfare (maslahah) are key pillars in every financial decision. In the household context, these principles can be applied through lawful income management, financial planning based on needs (not desires), avoiding interest-bearing debt, and implementing zakat, infaq, and sadaqah as instruments of wealth distribution. Sharia-based financial literacy relates not only to the ability to manage money but also to developing a financial mindset and behavior in accordance with Islamic teachings. This includes awareness of seeking lawful sources of income, spending money wisely, saving for future needs, and investing in Sharia-compliant financial instruments. Thus, Sharia-based financial literacy is not only technical but also spiritual and moral, ultimately aiming to achieve falah (happiness in this world and the hereafter). Furthermore, Sharia-based financial literacy plays a crucial role in supporting national economic stability. People with a sound financial understanding are more likely to engage in long-term financial planning, avoid consumptive practices, and contribute to the formal financial sector, such as Islamic banking or zakat institutions. Such behavior can strengthen a just and sustainable Islamic economic ecosystem. Therefore, improving Sharia-based household financial literacy is a strategic priority in the development of the Muslim economy. However, implementing a Sharia-based approach to household financial literacy still faces several challenges. The first challenge is the public's limited comprehension of Islamic financial principles. Many people are unable to differentiate between conventional and Islamic financial products. Second, limited access to Islamic financial institutions in some regions is also a barrier. Third, there is a lack of teaching materials, training modules, and financial literacy media presented in language and approaches that are easily understood by the general public[7].

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Thus, research on the role of a Sharia-based approach in improving household financial literacy is relevant and urgent. This research has not only theoretical but also practical value. Theoretically, this research can enrich the relatively limited body of knowledge about financial literacy from an Islamic perspective. Practically, this research can provide strategic recommendations for educational institutions, Islamic financial institutions, and the government in designing more effective and contextual financial literacy programs. Furthermore, this study is expected to answer the fundamental question of how Islamic values can be implemented in the financial behavior of modern families.A Sharia-based approach is not merely a label or formality but a living value system that guides every aspect of life, including managing family finances. By understanding and applying Sharia principles in household financial literacy, Muslims are expected to become not only financially literate but also financially ethical, possessing financial capabilities accompanied by moral and spiritual awareness. Based on this background, the research problem can be formulated as follows:How can the basic concepts and principles of Sharia-based household financial literacy be understood and applied in the context of Muslim family life? What is the role of a Sharia-based approach in improving the financial understanding, attitudes, and behavior of Muslim families?

2. Methodology

This study uses a qualitative method with a phenomenological approach, which aims to deeply understand the subjective experiences of informants in managing household finances based on sharia principles. The phenomenological approach was chosen because it allows researchers to explore the meaning behind the real experiences of housewives in the context of financial literacy, rather than simply describing behavior that appears on the surface. The research subjects consisted of five informants who are housewives in Palopo City. The selection of informants was carried out purposively by considering several criteria, namely: (1) acting as active housewives, (2) being in the productive age range of 25–45 years, (3) having family responsibilities, and (4) having or not having an independent business. These criteria were established to ensure that informants have real experience in managing family finances, both those who depend on their husband's income and those who contribute through personal businesses. Data collection techniques were carried out through observation, in-depth interviews, and documentation. Observations were conducted to gain a contextual understanding of family economic life patterns, while interviews were used to explore views, values, and financial management strategies based on sharia principles. Documentation was used to complement and strengthen the results of observations and interviews, such as household financial records, photos of activities, or other supporting archives. Data analysis was conducted using the Miles and Huberman interactive analysis model, which includes data reduction, data presentation, and drawing and verifying conclusions. Data validity was ensured through triangulation of sources and methods, ensuring strong validity and reliability of the research results. This approach is expected to provide a comprehensive understanding of Sharia-based financial literacy practices in the lives of housewives in Palopo City.

3. Result and Discussion

3.1. In the context of Muslim family life, one can understand and apply the fundamental concepts and principles of sharia-based household financial literacy.

Based on the research findings in the document, the basic concept and principles of Sharia-based household financial literacy emphasize the balance between wealth management and Islamic spiritual values. Financial literacy in the context of Muslim families aims not only to achieve material well-being but also to achieve blessings and social responsibility through wealth management in accordance with the principles of Maqashid Sharia, particularly hifdzul maal (protecting wealth). The concept of Sharia financial literacy refers to the five pillars of Islamic wealth management: wealth creation (creating wealth in a halal manner), wealth accumulation (managing and developing wealth wisely), wealth protection (protecting wealth through Sharia mechanisms such as emergency funds or Sharia insurance), wealth purification (purifying wealth through zakat, infaq, and sadaqah), and wealth distribution (distributing wealth through inheritance, gifts, and waqf). In its application, this principle is directed towards enabling families to manage their finances in a trustworthy, fair, and responsible manner towards God and others. Furthermore, the basic principles of Islamic financial management include planning, organizing, implementing, and controlling, all based on verses from the Quran. The application of Islamic financial literacy at the Muslim family level encourages ethical financial behavior, such as avoiding usury (riba), being frugal, investing in halal ways, and prioritizing zakat (alms) and sadaqah (charity). Thus, Islamic financial literacy plays a crucial role in fostering family economic resilience, creating a balance between worldly and afterlife needs, and fostering sustainable prosperity within the framework of Islamic values.

3.2. The role of a sharia-based approach in improving the financial understanding, attitudes, and behavior of Muslim families

The research findings indicate that a sharia-based approach plays a significant role in improving the financial understanding, attitudes, and behavior of Muslim families. Interviews and observations with five housewives in Palopo City revealed that sharia principles form the primary foundation for shaping family financial thinking and behavior. Understanding the concepts of halal (permissible) and haram (forbidden), zakat (alms), infaq (donation), and sedekah (charity) encourages mothers to be more careful in selecting sources of household income and expenses. In terms of attitudes, sharia values such as honesty, responsibility, and simplicity shape a wiser and more proportional financial orientation. The informants emphasized the importance of fairness and balance in managing finances, including distinguishing between needs and wants. This demonstrates that the sharia approach plays a role in instilling ethical and spiritual awareness that guides family economic decisions. Meanwhile, in terms of behavior, sharia principles encourage more disciplined and productive financial behavior. The informants are accustomed to developing financial plans, saving consistently, and avoiding interest-based debt. They also actively fulfill social obligations such as zakat (charity) and sedekah (charity) as a form of spiritual responsibility. Overall, a sharia-based approach not only improves technical skills in managing finances but also shapes financial behavior that is based on moral values and blessings.

4. Discussion

Sharia-based financial literacy plays a crucial role in Muslim family life, particularly in fostering economic awareness that aligns spiritual values and social responsibility. Based on field findings, the concept of Sharia financial literacy is understood not only as technical skills in managing finances but also as part of practicing Islamic values in safeguarding assets. This principle aligns with the objectives of the maqāṣid al-syarī'ah (the principles of Islamic law), particularly the safeguarding of wealth (ḥifẓ al-māl), which guides Muslims to manage, use, and distribute assets in a manner that is lawful, just, and full of blessings. Basic Concepts and Principles of Sharia-Based Household Financial Literacy. In the context of Muslim families, Sharia-based financial literacy emphasizes a balance between material and spiritual aspects. Furthermore, the use of financial technology does not influence financial satisfaction through financial behavior as an intermediary variable. These results have useful practical and theoretical implications. [10]. Financial management not only aims to improve economic well-being, but also to achieve inner peace and a blessed life. Research findings indicate that informants understand and apply the principles of Islamic wealth management, which encompass five main pillars: wealth creation through halal (lawful) businesses; wealth management and accumulation through planning and controlling expenditures; wealth protection by preparing emergency funds and avoiding excessive financial risks; wealth purification through zakat (alms), infaq (donation), and sadaqah (charity); and wealth distribution through inheritance, gifts, and waqf (endowments). These five pillars illustrate the integration between economic rationality and spiritual awareness. Informants stated that every financial decision is based on the principles of halal and haram (permissible) and responsibility to Allah SWT. This approach fosters prudence in managing finances and encourages ethical financial behavior. This principle is also aligned with the concepts of planning, organizing, actuating, and controlling in modern management, but the entire process is based on the values of the Qur'an and Sunnah. In practice, Islamic financial literacy at the family level encourages thrift, avoidance of usury, and awareness of investing and conducting transactions in a halal manner. Financial decisions are measured not only by efficiency and profit but also by their social benefits and blessings.

This is in accordance with the opinion [6] which emphasizes that Islamic economics places morality and spirituality as the primary foundation of every economic activity. Therefore, the application of Islamic financial literacy can foster financial ethics oriented toward justice, balance, and social responsibility. Furthermore, this study found that families who apply Islamic principles in their financial management tend to have greater levels of economic stability. They are able to refrain from consumptive behavior, focus on primary needs, and develop wise saving and investment habits. Values such as simplicity (zuhud), gratitude, and trustworthiness serve as moral guidelines in maintaining a balance between worldly and hereafter needs.The Role of a Sharia-Based Approach in Financial Understanding, Attitudes, and Behavior:The study's results indicate that a Sharia-based approach plays a significant role in improving the financial understanding, attitudes, and behavior of Muslim families. In terms of understanding, Islamic values serve as a source of knowledge and guidance for families in managing their assets. The housewives who served as informants demonstrated a fairly good understanding of the importance of maintaining halal sustenance, paying zakat, and avoiding usury and wasteful practices. This awareness stems from a strong religious understanding and the influence of a social environment steeped in Islamic values. Attitudinally, the sharia approach fosters a wiser, more realistic, and more proportional financial orientation. Honesty (ṣidq), responsibility (amanah), and balance (tawazun) are key principles in financial decision-making. Informants stated that every household expense must consider justice and the needs of family members in a balanced manner. This attitude reinforces the role of housewives as the primary financial managers and guardians of the family's moral values. Meanwhile, behaviorally, the application of sharia principles fosters disciplined and sustainable financial habits. Other research presents a map of the level of digital financial literacy among millennials in Indonesia. Furthermore, given the limited research related to digital financial literacy, this study contributes to the growing literature, particularly on digital financial literacy[11].

Informants are accustomed to planning expenses, saving a portion of their income, and allocating a portion of their assets for zakat, infaq, and sadaqah. They also tend to avoid interest-based debt and choose a simple consumption pattern. This pattern indicates the internalization of spiritual values into daily economic activities. Sharia financial literacy has a positive correlation with the financial behavior of Muslim households. Understanding Islamic values has been shown to shape more responsible and ethical financial behavior. In this context, a sharia-based approach serves not only as a normative guideline but also as a self-control mechanism in managing finances. Furthermore, a sharia-based approach also fosters social awareness through the practice of sharing and caring for others. Zakat, infaq, and sadaqah serve not only as religious obligations but also as instruments of economic redistribution that strengthen social solidarity and reduce economic inequality. Thus, sharia-based financial literacy has a multidimensional impact not only on improving family welfare but also on the social development of society at large. Overall, the results of this study confirm that a sharia-based approach makes a significant contribution to shaping the financial understanding, attitudes, and behavior of Muslim families that balance material and spiritual aspects. This study provides valuable recommendations for policymakers to improve financial inclusion in developing country contexts. Comprehensive and long-term education programs need to be widely implemented in rural populations to achieve significant progress in financial inclusion, which is a key driver of poverty reduction and improved well-being [12]. Sharia-based financial literacy not only builds financial capabilities but also fosters moral awareness and social responsibility that is oriented towards blessings and the common good.

5. Conclusion

This study concludes that Sharia-based financial literacy plays a strategic role in shaping the mindset, attitudes, and financial behavior of Muslim families. A Sharia-based approach emphasizes not only technical skills in financial management but also instills moral, spiritual, and social values that serve as the foundation for every economic decision. The results indicate that the application of Islamic principles such as justice, trustworthiness, the lawfulness of sustenance, and social responsibility through zakat, infaq, and sadaqah (charity) can create a balance between the material and spiritual aspects of family life. Families that apply Sharia-based financial principles tend to be wiser in managing expenses, avoiding usury (riba), investing lawfully, and saving and giving consciously. This investigation demonstrates that Sharia-based financial literacy not only improves economic well-being but also brings inner peace and blessings to life. Therefore, we must continuously strengthen Sharia-based financial literacy through education, training, and supportive public policies. Strengthening Sharia-based financial literacy at the household level will be a crucial foundation for creating family economic resilience and equitable and sustainable social development in Muslim societies.

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