

## Analysis of Islamic financial literacy and demographics on saving decisions in Islamic banks

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### ABSTRACT

When the level of Islamic financial literacy in society is high, it will lead to the growth of development financing, this is based on public awareness to save and invest in Islamic financial institutions. Apart from the Islamic financial literacy factor, demographic factors include age, gender, income, and education level. This research uses a mixed-method approach: quantitative methods in bibliometric studies and qualitative methods in literature review studies. The object of research is Islamic financial literacy and demographics. The type of data used is secondary data. The scope of the data used is research journal articles on Islamic Financial Literacy and Demographics on Saving Decisions in Islamic Banks. In 2023, Islamic financial literacy showed significant progress, the highest level in the last five years. Wibowo (2023) reported that of 1800 respondents, 65% had sufficient knowledge of Islamic financial products. Financial literacy programs supported by the government, an increase in the number of Islamic financial institutions, and the development of Islamic financial technology are the main drivers of this progress. The increase in Islamic financial literacy from 2019 to 2023 shows a positive development in public acceptance and understanding of the Islamic financial system. This directly impacts the increase in saving decisions in Islamic banks. The research results from 2019 to 2023 show that demographic factors such as age, gender, education level, income, and marital status significantly influence the decision to save in Islamic banks.

Keywords : Islamic Banks; Sharia Financial Literacy; Demographics; Saving Decisions.

## 1. INTRODUCTION

In modern times, banking institutions have played many roles in daily life. The public is familiar with the word bank both in urban and rural communities because almost all community activities related to finance have never been separated from these banking services. The existence of banks plays a very important role in the country's economy. Banking financial institutions are divided into two fields, namely commercial banks and Islamic banks.

In Law Number 10 of 1998 concerning Banking, banks are mentioned as business entities that collect funds from the public in the form of deposits and distribute them to the public in the form of credit and or other forms in order to improve people's living standards. Commercial banks are banks that carry out business activities conventionally and/or based on sharia principles, which in their activities provide services in payment traffic. Meanwhile, a Sharia Bank is a financial institution in the banking sector whose operational activities use sharia principles using the basis of the Quran and Hadith. Based on Law no. 21 of 2008 concerning Sharia Banking, Sharia Bank is a bank that in the implementation of business activities based on the concept of sharia or Islamic legal guidelines which are directly bound by the fatwa of the Indonesian Ulema Council with the guidelines of justice and balance, benefit, universalism and also those that do not contain elements of *Gharar*, *Maysir*, usury, tyranny and haram things.

Basically, the characteristics of the Islamic banking system operating on the principle of profit sharing have provided an alternative banking system that is mutually beneficial for the community and banks, as well as highlighting aspects of fairness in transactions, ethical investment, prioritizing the values of togetherness and brotherhood in production, and avoiding speculative activities in financial transactions. By providing a variety of diverse banking products and services with more varied financial schemes, Islamic banking is an alternative banking system that is credible and can be observed by all groups of Indonesian people without exception ([www.bi.go.id](http://www.bi.go.id)). It can be concluded that Islamic banks as financial intermediary institutions are expected to present themselves better than conventional banks.

The opportunity for the development of Islamic banks in Indonesia is very large, considering that the majority of Indonesian people are Muslims. However, if the introduction of Islamic banks is more comprehensive and there is education about Islamic banking products is improved, it is not impossible that Islamic Banks can compete with conventional banks. In the future, it is hoped that Islamic banks can outperform conventional banks in Indonesia. This can certainly be realized and developed if the public understands *muamalah* literacy or Islamic financial literacy.

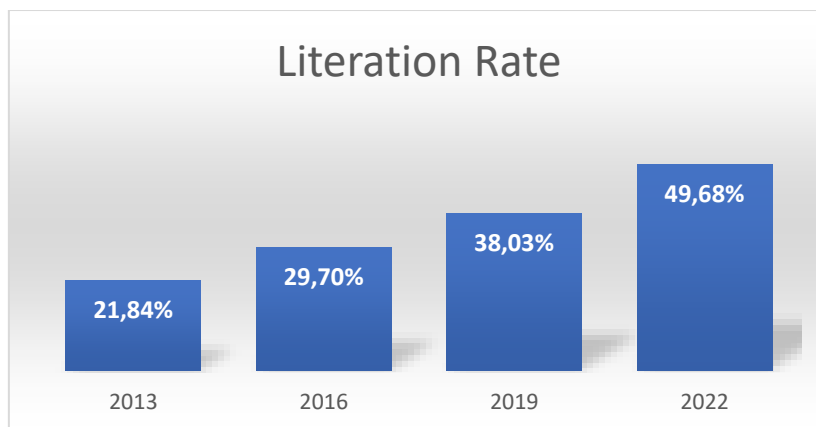
Financial institutions play an important role in the life of a country, especially in developing countries such as Indonesia. Financial institutions have a strategic role because the main function of financial institutions is to collect funds from the community and distribute funds to the community effectively and efficiently. With this role, it is hoped that the existence of financial institutions will bring more benefits to the community and provide flexibility for the public to choose between Islamic and non-sharia financial institutions. For people who are afraid of bank interest (exchange rate), Islamic financial institutions can be used as an alternative to avoid interest as a means of borrowing or investing.

Based on the 2019 report on the development of Islamic financial institutions, the type of product that has also increased is Savings products. Savings itself is one of the financial products that the majority of people are interested in. Savings are deposits of money in banks whose withdrawals can be carried out in accordance with certain requirements such as using withdrawal slips or using Automated Teller Machine (ATM) facilities. In psychology, saving is defined as an activity not to spend money immediately but to be used in future needs (Puji & Hakim, 2021).

Financial literacy is a process and activity in order to increase knowledge, awareness, belief, ability and skills in managing finances, so that people can take advantage of the services of 2 financial services (conventional and sharia) in order to prosper and be aware of financial conditions in the future (OJK, 2019)

In particular, low Islamic financial literacy will cause a lack of access to Islamic financial institutions and hinder economic growth. In fact, when the level of Islamic financial literacy in society is high, it will lead to the growth of development financing, this is based on public awareness to save and invest in Islamic financial institutions, so that the higher the financial potential that occurs in an effort to increase overall economic growth (OJK, Revisit 2017). Islamic financial literacy will directly increase when people have entrusted their finances to existing financial institutions and services.

The phenomenon that occurs at this time, there are still many people who do not know, understand and become customers in Islamic banks. This is indicated because some of the most important factors are the Islamic financial literacy factor. Financial literacy has a function to increase public sensitivity to the financial services sector, starting from knowing about financial services, believing, and being skilled so as to reach a society that has a high level of financial literacy in the financial services sector, especially Islamic banking.



**Figure 1. Level of Public Financial Literacy in Indonesia**

Source: *OJK Infographic National Survey on Financial Literacy and Inclusion* (OJK, 2022)

Based on the table above, it is found that the level of financial literacy in Indonesia shows that the data shows a consistent upward trend in the level of financial literacy in Indonesia from 2013 to 2022. Increase in the level of financial literacy from 21.84% in 2013 to 49.68% in 2022. The largest increase occurred between 2019 and 2022, with a jump of 11.65% where the lift stepped on from 38.03% to 49.68%. This increase in financial literacy can indicate effective efforts from various parties, including the government and financial institutions, in increasing financial awareness and education in the community.

Basically, there are several factors that can affect customers in planning, choosing, and deciding to become an Islamic banking customer. Apart from the Islamic financial literacy factor, there are also demographic factors consisting of age, gender, income, and education level. This refers to several studies conducted by Bayar, Sezgin, Öztürk, & Şaşmaz (2017), Faidah (2019), and Bhabha, Khan, Qureshi, Naeem, & Khan (2014). The researchers found that demographics, especially age, gender, income, and education level, have an influence on saving behavior. In addition, the public is also required to have intelligence in making decisions to save at Islamic banks or not even at other banks. So, to make a choice, prospective customers must have certain knowledge about Islamic banking called financial literacy.

According to Robb and Sharpe's theory, the difference in the characteristics of men and women causes differences in their traits, mindsets, and behaviors (Silaya & Persulesy, 2017). Men are considered to have a higher amount of savings than women and men are considered to have responsible financial management behavior. The age factor according to the theory in Ubaidillah & Asandimitra (2019), the older a person is, the greater the tendency on average to use their income to save rather than using it for consumption. The income factor states that the more the amount of income a person has, the higher the amount of savings a person has. Meanwhile, from the educational factor, the higher the level of education of a person/individual, the higher the level of saving.

Based on Candra, Afrilliana, & Ahdan (2020) research, Islamic financial literacy is proven to only be able to moderate the influence of demographics on the indicator of education level on public saving interest in Islamic banks in Palembang City. However, Islamic financial literacy does not moderate the influence of other demographic indicators, such as gender, age, and income, on saving interest.

## 2. METHOD

This research uses a mixed-method approach: quantitative methods in bibliometric studies and qualitative methods in literature review studies. The research object is Islamic financial literacy and demographics. The type of data used is secondary data. The scope of the data used is research journal articles on Islamic Financial Literacy and Demographics on Saving Decisions in Islamic Banks.

The source of data collection comes from searching Sinta-accredited national journals through the Perish/Harzing software website. Data analysis tools use Microsoft Excel software, Mendeley Dekstop, and VOSviewer. Data collection techniques included: (1) opening the Perish/Harzing software, then searching for journals based on the title words category said the key "Sharia Financial Literacy and Demographics" within five years; (2) collecting journal-title data in Microsoft Excel, and identifying multiple journal titles; (3) downloading RIS (Research Information Systems) and PDF (Portable Document Format) format files from all journals that have collected data; and (4) entering RIS data files into Mendeley Desktop software.

Data analysis techniques include (1) mapping the distribution of journal publications on Sharia Financial Literacy and Demography using Microsoft Excel and Mendeley Desktop based on the year of publication; (2) mapping the results of bibliometric network visualization and trends in journal publications on Sharia Financial Literacy and Demography using VOSviewer (Visualization of Similarities) algorithm software based on the number of clusters and items; and (3) mapping research topics on Sharia Financial Literacy and Demography using literature review studies (Budianto & Dewi, 2023).

## 3. RESULTS AND DISCUSSION

### 3.1 RESULT

#### 3.1.1 Sharia Financial Literacy Level in 2019

In 2019, Islamic Sharia Financial Literacy Analysis on Saving Decisions in Sharia Banks (2019-2023)

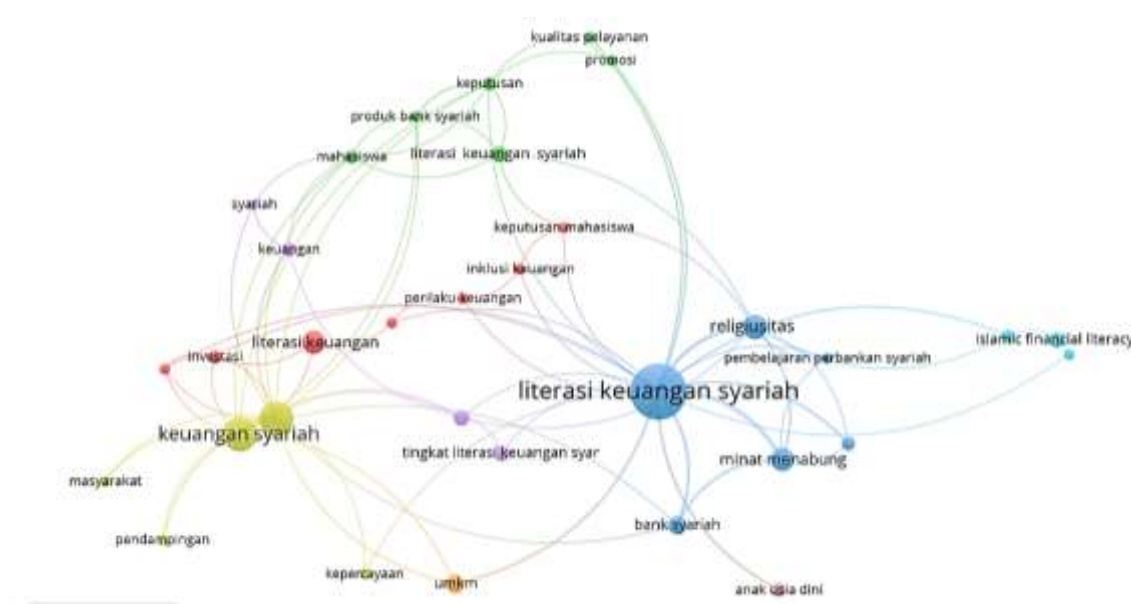


Figure 2. Visualization of the Sharia Financial Literacy Network on Savings Decisions for the 2019-2023 Period



In the research of Rachman, Kartaatmadja, Rasya, & Husniyyah (2023) stated that the Islamic financial literacy index in the millennial generation is still low, therefore it needs a strategy to improve it. Several strategies that can increase the Islamic financial literacy index, namely strategies to educate and socialize the importance of Islamic finance in financial management for the millennial generation through social media, strategies for government participation in improving Islamic financial literacy, strategies for collaboration between the government and educational institutions in providing easy access to Islamic finance with programs for the millennial generation, strategies to utilize influencer marketing in improving Islamic financial literacy, and strategies to improve Islamic financial literacy through programs for millennials, collaboration strategies between the government and educational institutions in providing easy access to Islamic finance with programs for millennials, strategies for utilizing influencer marketing in marketing Islamic banking products and services, and strategies to increase the Islamic financial literacy index through the participation of Islamic financial institutions by providing rewards for millennials who have utilized Islamic financial products and services.

In a different study, conducted by Firdausi & Kasri (2022) on university students, showed that the majority of students (50.1%) had a moderate level of Islamic financial literacy, 43.5% of students had low Islamic financial literacy, and 6.4% had a low level of Islamic financial literacy. His research also revealed a positive influence between field of study, income, and ownership of Islamic bank accounts on the level of Islamic financial literacy. In particular, students who come from the faculty of economics and business, have higher incomes, and have Islamic bank accounts tend to have higher Islamic financial literacy compared to other students. Based on these findings, relevant stakeholders in Indonesia are expected to continue to improve Islamic financial literacy through various strategies and massive educational programs, especially for groups with low and moderate Islamic financial literacy.

This is in line with research (Widityani, Faturohman, Rahadi, & Yulianti, 2020) which states that students are potential agents to promote Islamic financial literacy. The results showed that men have significantly higher literacy than women; students majoring in Business & Management have significantly higher literacy than non-Business & Management students; students in public institutions have significantly higher literacy than students in private institutions; students who have attended Islamic finance courses have significantly higher literacy than students who have not attended courses, and finally, students with a Master's degree have significantly higher literacy than students with a Bachelor's degree.

#### a. Sharia Financial Literacy Level in 2019

Based on the findings of (Pabbajah, Widyanti, & Widyatmoko, 2019), high knowledge about Islamic banks is one of the factors that influence customers' decisions to put their funds in Islamic banks. This knowledge includes an understanding of profit sharing that is free from usury, as well as knowledge about the halalness of Islamic bank products. In addition, an understanding of the image of Islamic banks also plays a role, including banking norms that are in accordance with Islamic law. From these findings, it can be concluded that Islamic financial literacy-which includes knowledge of the profit-sharing system, product halalness, and sharia principles-has a significant effect on customers' decision to save in Islamic banks.

These results are also in line with the findings of (Luthfiani & Sari, 2019) that Sharia Financial Literacy has a positive effect on Student Interest in Becoming Customers in Islamic Financial Institutions. With higher Islamic financial literacy, students are not only more aware of the ethical and religious benefits of Islamic financial institutions, but also more confident in making financial decisions in line with these principles. Islamic financial literacy allows students to understand concepts such as the prohibition of usury, profit-sharing systems, and transparency offered by Islamic financial institutions, so they are more interested in participating as customers.

#### b. Sharia Financial Literacy Level in 2020

In Afriani & Asandimitra (2020) research, the results of respondents show that the level of financial

literacy of Islamic bank customers in Surabaya City is in the medium category. This level of literacy reflects a fairly high awareness among customers to manage finances wisely. Based on these findings, it is concluded that financial literacy affects the decision to save, where awareness of the importance of saving in financial or banking institutions tends to increase along with the high level of financial literacy.

Another study by Widityani et al. (2020) shows that students are potential agents to promote Islamic financial literacy. In addition, the findings revealed that men have a significantly higher level of financial literacy than women.

c. Sharia Financial Literacy Level in 2021

The findings of (Rachmatulloh & Solekah, 2021) in their research on the millennial generation (born between 1980-1990) show that financial literacy has a positive relationship with the decision to save in Islamic banks. This means that the higher a person's level of financial literacy, the more likely they are to choose to save at an Islamic bank. Thus, an increase in financial literacy will significantly affect the decision to save in Islamic financial institutions.

d. Sharia Financial Literacy Level in 2022

In research conducted by Firdausi & Kasri (2022) on university students, it shows that the majority of students (50.1%) have a moderate level of Islamic financial literacy, 43.5% of students have low Islamic financial literacy, and 6.4% have a low level of Islamic financial literacy. In particular, students who come from the faculty of economics and business, have higher incomes, and have Islamic bank accounts tend to have higher Islamic financial literacy compared to other students. Based on these findings, relevant stakeholders in Indonesia are expected to continue to improve Islamic financial literacy through various strategies and massive education programs, especially for groups with low and moderate Islamic financial literacy.

e. Sharia Financial Literacy Level in 2023

The results of Nuraini & Cheumar (2023) research show that Islamic financial literacy has a positive and significant influence on interest in using Islamic banking products. A high level of Islamic financial literacy in society can encourage the utilization of products and services offered by Islamic banking, which in turn can contribute to economic growth and community welfare. This is important because the community and Islamic financial institutions need each other. As the level of Islamic financial literacy increases, more people will utilize Islamic banking products. In addition, this will encourage the financial industry to continue to create and develop more innovative and affordable financial products and services, in accordance with the needs of the community.

3.1.2 Demographic Analysis of Savings Decisions in Sharia Banks (2019-2023)

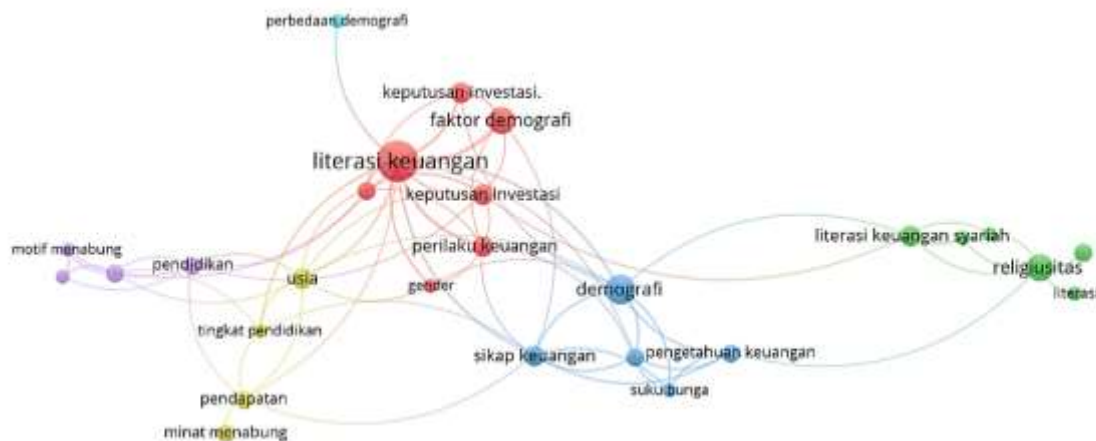


Figure 3. Visualization of Demographic Networks on Savings Decisions for the 2019-2023 Period

a. Demographic Factors on the Decision to Save in Sharia Banks in 2019

1) Age Factor

Study by Adityandani & Haryono (2019) shows that age has no significant effect on people's saving behavior in Surabaya City. This is because the wide variation in the age of respondents indicates that the tendency to save is not determined by age. Thus, age is not the main factor influencing saving behavior in Surabaya.

2) Gender Factor

Adityandani & Haryono (2019) research found that gender has no effect on saving behavior. This means that both men and women have a similar level of concern for their personal finances. Thus, it can be concluded that gender is not a factor that influences people's saving behavior in Surabaya City.

3) Education Level Factor

Kemala, Hasyim, & Rifanto (2019) research findings show that the educational background of teachers at MA Miftahul has a significant influence on interest in saving at Islamic banks. The significance of the influence of this educational background can be interpreted that teachers who have a better understanding of the Islamic banking system tend to have a stronger interest in becoming active customers. This is evidenced by 28 out of 30 teachers actively saving in Islamic banks.

4) Income Factor

Research by Luthfiani & Sari (2019) revealed that income has a positive influence on student interest in becoming customers in Islamic financial institutions. Students get income from various sources, such as parental gifts, scholarships, or personal businesses, which allows them to have autonomy in financial management. One of the choices that can be taken in this management is to become a customer in an Islamic financial institution. Therefore, income plays a significant role in increasing students' interest in participating in the services of Islamic financial institutions.

b. Demographic Factors on the Decision to Save in Sharia Banks in 2020

1) Age Factor

Research Afriani & Asandimitra (2020) found that age does not affect the decision to save. This finding shows that as long as respondents have income, both young and old, they have the same opportunity to manage their finances well. Younger respondents tend to start preparing for their retirement needs through saving habits. Meanwhile, older respondents are more focused on financial preparation to meet family needs, such as children's needs, old age savings, or even inheritance.

2) Gender Factor

According to research Afriani & Asandimitra (2020), gender does not influence the decision to save at an Islamic Bank. Both men and women have the same opportunity to save. Currently, women also play an active role in the world of work, which can be seen from the number of female respondents reaching 56.5%. Therefore, the decision to save is not only dominated by men, but also by women. In addition, if customers are able to manage finances well, the opportunity to save will be greater than consumption.

3) Education Level Factor

The results of the study Afriani & Asandimitra (2020) show that the level of education does not affect the decision to save. This finding indicates that high or low education is not directly related to respondents' decisions to save at financial institutions or banks. Saving is seen as a basic need that is not only influenced by formal education, but can also be learned through informal

education, such as influence from parents or the surrounding environment.

#### 4) Income Factor

Based on the results of research Afriani & Asandimitra (2020), the income variable has no effect on saving decisions at Islamic banks. This means that the customer's income level is not the main factor for respondents in deciding to save. The majority of respondents, 53.9%, were in the income category of less than IDR 2,500,000, while the lowest percentage, 2.6%, was in the income category above IDR 7,500,000. Most of the respondents were under 25 years old, around 135 respondents, which contributed to the high number of respondents with incomes below IDR 2,500,000. The average respondent is a student who relies on pocket money from parents, as well as an employee at a shopping center with a salary below the regional minimum wage. Therefore, the theory that high income influences saving decisions does not apply in Afriani and Asandimitra's research, because the majority of respondents have low income with a score of 1, which is less than IDR 2,500,000.

### c. Demographic Factors on the Decision to Save in Sharia Banks in 2021

#### 1) Age Factor

Indraswari & Rumi (2021) research shows that age partially has a significant negative effect on customer decisions in choosing Islamic banks. This means that the older the customer's age, the lower their tendency to choose an Islamic bank. However, when age is combined with education, income, and employment, simultaneously these variables have a positive and significant effect on the decision to choose an Islamic bank. This result indicates that while age alone can reduce preference for Islamic banks, the impact becomes positive when reinforced by education, income, and employment factors. In other words, preference for Islamic banks is not just the result of one demographic factor, but a combination of factors that interact to shape customers' understanding and trust in Islamic banking services.

#### 2) Gender Factor

Suprapti, Chaidir, & Arini (2021) research shows that demographic factors, such as gender and age, play a significant role in influencing the saving decisions of lecturers at FEB Unram. The results of this study reveal that demographic characteristics are proven to be important determinants in saving decisions for FEB Unram lecturers.

#### 3) Education Level Factor

Nurudin, Arifin, & Ma'ruf (2021) findings show that education level has a positive but insignificant influence on interest in saving in Islamic banking. That is, although those with higher education tend to have a greater interest in saving in Islamic banking, this influence is not strong or consistent enough to be considered statistically significant. In general, this positive effect indicates that the higher a person's education, the greater their interest in Islamic banking products. However, the insignificance indicates that education alone is not enough to drive real interest in saving. Other factors, such as income, religious preference, previous experience, or access to information about Islamic financial products, likely play a greater role in shaping such interest.

#### 4) Income Factor

The results of Indraswari & Rumi (2021) research show that income has a significant positive effect on customer decisions in choosing Islamic banks in Palopo City. This means that the higher the customer's income level, the more likely they are to choose an Islamic bank as a financial service provider. Customers with higher incomes tend to have a preference for Islamic banking products because these products offer advantages in terms of financial ethics and stability through a profit-sharing system. They are also more aware of sharia principles in finance and are more interested in Islamic banks that are in line with Islamic values. In addition, higher incomes allow customers to utilize Islamic banking services that require larger investment or savings funds.



In Contrast to the findings of Fielnanda & Wahyuningsih (2021) research which shows that a person's income level does not affect the decision to save at an Islamic bank. This study found that many customers with low income choose Islamic banks. Factors that drive this decision include more favorable Islamic bank policies, such as low administrative fees and low minimum balances. In addition, for wadiah savings, customers are not charged a monthly fee, making Islamic banks an attractive option for those with limited income.

d. Demographic Factors on the Decision to Save at Sharia Banks in 2022

1) Age Factor

Yolanda & Murniati (2022) research shows that age has a positive and significant effect on customer interest in saving at Islamic banks. This indicates that the older a person gets, the greater their interest in saving at an Islamic bank. Older individuals tend to have greater financial security needs and tend to look for savings solutions that are stable and in accordance with their values, including Islamic finance which emphasizes transparency and fairness.

2) Gender Factor

The results of research analysis Hariyanto & Nafi'ah (2022) show that gender does not affect the intention to save in Islamic banks. This shows that both men and women have the same opportunity to save in Islamic banks. In addition, although male-led households are often considered more skilled in managing finances, which has an impact on the tendency to save more than consume if financial management is done well, this role has now shifted. Today, the source of family income is no longer entirely dependent on men as the main breadwinner, as women, including housewives, can also work according to their interests to earn income. Thus, the difference in income earners between men and women is diminishing, reflecting equal opportunities in earning and managing finances.

3) Education Level Factor

The results of research Hariyanto & Nafi'ah (2022) show that education has an influence on the intention to save in Islamic banks. Individuals with higher levels of education tend to have access to more information, which can help them manage their finances better and encourage them to save. This finding is further strengthened by the fact that 94% of respondents have an Islamic-based educational background.

4) Income Factor

Furnawati, Ferawati, & Mubyarto (2022) research shows that income has a positive effect on the decision to save at Islamic banks. This means that the higher a person's income, the greater their interest in saving at an Islamic bank. Individuals with higher incomes have greater financial capacity, allowing them to save more significant amounts. This capacity may encourage them to choose Islamic banks because of their ethical values and sharia principles, such as profit-sharing system and sharia-compliant fund management. In addition, an increase in income makes them more likely to consider diversifying their savings, including Islamic banking products, which offer ethical and transparent investment options.

e. Demographic Factors on the Decision to Save in Sharia Banks in 2023

1) Age Factor

Research Marsasi & Barqiah (2023) shows that Generation Z consumers focus more on service quality, trust, and product conformity with sharia principles. This makes them feel that the characteristics of Islamic products are in accordance with their expectations, so it is the main reason for them to choose these products. On the other hand, Generation Y consumers do not prioritize the characteristics of Islamic products, assuming that all Islamic products do not have significant differences. They also tend to overlook the importance of these three factors in their decision-making.

## 2) Gender Factor

Research results Marsasi & Barqiah (2023) show that men tend to prefer Islamic banking. This is due to the fact that they are more active in gathering information regarding the correct Islamic banking system, including ensuring that there are no practices that fall under the category of usury and that the entire system is in accordance with sharia principles. Women, on the other hand, tend to be more passive in this regard; while they generally know that the savings accounts they choose are shariah-compliant, they do not seek further information on the system. However, women have an important role as influencers among their friends, where they are more effective in convincing and persuading others to choose Wadiah savings compared to men.

## 3) Education Level Factor

Research findings Marsasi & Barqiah (2023) show that most individuals with a diploma level of education and above tend to have greater influence in choosing Islamic products. This is because they find the benefits relevant to their culture or beliefs as Muslims, especially related to the implementation of the sharia system. In addition, consumers with higher education feel that their choice is in accordance with religious guidance. In contrast, individuals with high school education and below focus more on the economic impact when choosing financial products. The explanation is that Islamic products have not yet established cooperation with many institutions and have not fully met all the benefits they are looking for, so they do not prioritize their use. This finding confirms that education level influences the decision to save in an Islamic bank.

## 4) Income Factor

The results of Wahyuni (2023) research show that Islamic financial literacy has a significant influence on interest in saving in Islamic banking. This means that the higher a person's understanding of Islamic finance, the greater his interest in saving in Islamic banks. However, when income level is taken into account as a moderating variable, the effect of Islamic financial literacy on saving interest becomes insignificant. This finding indicates that although a person has good Islamic financial knowledge, income level does not strengthen or weaken their interest in saving in Islamic banks.

## 3.2 DISCUSSION

### 3.2.1 Analysis of Sharia Financial Literacy on Saving Decisions in Islamic Banks

The results showed that Islamic financial literacy has a significant influence on a person's decision to save at an Islamic bank. The high level of Islamic financial literacy, which includes an understanding of sharia principles such as usury-free profit-sharing systems and halal products, is the main driver of customers choosing Islamic banks as their financial institution (Pabbajah et al., 2019). This knowledge not only guides ethical financial decisions, but also increases trust in Islamic institutions that comply with Islamic law. This is in line with the findings of Luthfiani & Sari (2019), who found that a better understanding of Islamic financial literacy can increase students' interest in becoming customers of Islamic financial institutions. Students who understand sharia values, such as the prohibition of usury and transparency, tend to feel more confident in making financial decisions in accordance with these principles.

Islamic financial literacy at various income levels has a positive impact on the decision to save in Islamic banks. The level of Islamic financial literacy in the middle income category reflects a fairly high awareness of wise financial management, which has a positive effect on interest in saving (Afriani & Asandimitra, 2020). In addition, it was also found that male students have a higher level of financial literacy than women (Widityani et al., 2020). This highlights the need for more inclusive financial literacy programs to address the gender gap and increase financial awareness among youth.

Millennials, who have a good understanding of Islamic financial principles, are more likely to choose to save in Islamic banks (Rachmatulloh & Solekah, 2021). This shows that this generation not only has high financial awareness, but also a strong interest in practicing sharia principles in their daily

lives. Thus, strong Islamic financial literacy among the younger generation is an opportunity for Islamic banks to expand their market. This increase in Islamic financial literacy among the younger generation will not only increase the number of Islamic bank customers, but also strengthen their trust in Islamic products, thus supporting the growth of the Islamic-based economy in Indonesia.

Firdausi & Kasri (2022) emphasized the importance of active participation from stakeholders in Indonesia to continuously improve Islamic financial literacy through comprehensive and intensive educational programs. These programs are expected to reach community groups that have low to moderate literacy levels, so that every individual, regardless of their economic and social background, can access adequate knowledge about the Islamic financial system. This effective and massive education is also expected to encourage people to prefer Islamic banking products, which are in line with ethical, transparent, and usury-free financial values.

Furthermore, Nuraini & Cheumar (2023) asserted that Islamic financial literacy plays an important role in increasing interest and utilization of Islamic banking products. As literacy increases, more individuals will use Islamic banking products, thus encouraging economic growth and community welfare. This highlights the importance of collaboration between Islamic financial institutions and the community in creating innovative and tailored financial products that are accessible to a wider range of people.

Overall, the findings confirm that Islamic financial literacy not only increases people's awareness of the importance of prudent financial management, but also strengthens their interest in choosing Islamic banking as an ethical and Shariah-compliant alternative. This creates a huge opportunity for Islamic banking to increase its relevance and appeal in the community. Through an effective literacy approach, Islamic banks can expand their customer reach, especially among the younger generation who tend to be more responsive to Islamic financial values, and contribute to the sustainable growth of the Islamic economy in Indonesia.

### **3.2.2 Demographic Analysis of Saving Decisions at Islamic Banks**

From the literature, it is known that demographic factors have a role in making savings decisions in Islamic banks, but their influence is dynamic and can vary. Researchers have studied age, gender, education level, and income over the years, revealing complex dynamics in saving behavior, particularly within the context of Islamic banking.

#### **a. Age**

Regarding the age factor, several studies indicate that it does not significantly influence interest in saving at Islamic banks. Indraswari & Rumi (2021) research from 2021, for instance, demonstrates that age does not significantly influence saving decisions. This means that age is not a dominant factor, and people of different age ranges have the same tendency in terms of saving behavior in Islamic banks. On the other hand, Marsasi & Barqiah (2023) research shows a certain preference from the younger generation towards Islamic banks, which are considered more aligned with their principles. The perception of the values of transparency and economic stability offered by Islamic banks may influence the younger generation's awareness of the Islamic financial system. The younger generation is more sensitive to issues such as transparency, economic stability, and ethical values offered by Islamic banking compared to conventional banking. Islamic banks that emphasise financial ethics and transparency are perceived to be aligned with the principles and ideals of the younger generation, who tend to have a higher social awareness and concern for fairness and sustainability.

The younger generation's interest in Islamic banking is also related to their growing financial literacy, particularly literacy about a financial system based on social and ethical values. Younger generations are more often informed about the benefits of Islamic banking through social media, popular literature, and educational campaigns, which makes them more aware of the positive aspects of Islamic banking. This suggests that the younger generation has a tendency to choose financial institutions that are perceived to have higher integrity and stability. This finding provides a clue for Islamic banks that marketing approaches that emphasize the value of transparency,

stability, and financial ethics can attract the younger generation. Islamic banks can utilize digital platforms and social media to reach out to the younger generation with relevant messages, such as the financial security and stability they offer. On the other hand, for the more mature generation, the marketing approach could perhaps be focused on the practical and financial benefits of Islamic products that they need at their stage of life.

b. Gender

The gender factor also shows mixed results. In some studies, gender was not found to be a significant factor influencing savings decisions at Islamic banks. However, in contrast to Marsasi & Barqiah (2023), which states that men are more active in seeking information related to the Islamic banking system and ensuring compliance with sharia principles, while women act as influencers in their social environment. This suggests that gender roles in banking decision-making may not only be rooted in biological factors but also in social structures that influence access to information and interpersonal influence within the community. The different preferences and roles of men and women in choosing Islamic banking products could be rooted in the existing social structure, where men and women have different functions in the household economy and community. Men's role as information seekers and women's role as social influencers reflect the traditional division of roles, yet both contribute to building broader Islamic financial literacy in the community.

This finding suggests that Islamic banks' marketing strategies should take into account the distinct roles of men and women. For men, Islamic banks can emphasize the importance of transparency and sharia compliance, as men may be more motivated to ensure that the financial products they choose are sharia-compliant. Meanwhile, approaches that include women as agents of social influence can be effective in strengthening positive perceptions of Islamic banking among families and communities. Community-based socialization programs involving women can be a strategic step to expand market reach. The findings also indicate that the role of gender in financial decisions can be stronger in the context of values that are considered socially and religiously relevant, such as in Islamic banking. In this case, gender not only influences individuals in decision-making but also in influencing others to understand and support financial choices that are in line with ethical and spiritual values.

c. Education

On the education aspect, although there are studies that state that education does not always have a significant effect on saving decisions (Afriani & Asandimitra, 2020), other studies show that those with higher education tend to be more interested in Islamic products, mainly due to the perception of the relevance of these products to culture and religious values (Hariyanto & Nafi'ah, 2022; Kemala et al., 2019; Marsasi & Barqiah, 2023; Nurudin et al., 2021). This indicates that access to financial knowledge or literacy, especially related to sharia, is greater among people with higher education, which then encourages their interest in Islamic banking.

Higher education can facilitate access to financial knowledge, including an understanding of Islamic financial products. Better financial literacy can make a person more aware of the added value or uniqueness of Islamic products compared to conventional products, such as the principle of prohibiting usury and compatibility with religious values. This suggests that education plays an indirect role in interest in Islamic products through increased literacy. Those with higher education tend to have better critical thinking skills and access to information, which enables them to evaluate financial products from a cultural and religious perspective. Education allows people to assess whether certain products, such as Islamic banking products, are in line with their values and beliefs, thus increasing the attractiveness of these products.

The findings also indicate that there is a gap in Islamic financial literacy between the highly educated and the less educated. The lack of understanding of the concepts and benefits of Islamic financial products among low-educated people can be one of the obstacles to increasing interest in Islamic banking at large. Therefore, increasing Islamic financial literacy at various levels of



society can be a strategic step to expand the market share of Islamic banking. This finding sheds light on the need for Islamic banking institutions to implement a more comprehensive education and socialization strategy, particularly targeting individuals with middle to lower education levels. By providing clear information about Islamic products and their benefits, Islamic banks can expand their market reach and increase their appeal among people who may not have a deep understanding.

#### d. Income

Some studies found a positive influence between income and interest in saving at Islamic banks, especially among those who have more awareness of Islamic financial ethics (Furnawati et al., 2022; Indraswari & Rumi, 2021; Luthfiani & Sari, 2019). However, other studies show that the effect of income is not always significant (Afriani & Asandimitra, 2020). This can be explained by differences in financial motivation and the availability of Islamic financial products that are suitable for low-income groups, such as low administration fees on wadiah savings products. This suggests that while higher income logically increases the ability to save, in reality many low-income customers also choose Islamic banks for their more affordable and fee-free financial aspects.

Higher income is often associated with greater savings ability, as it allows individuals or households to have residual income to allocate to financial products, including Islamic savings. However, for some customers, the motivation to save in an Islamic bank is not solely driven by income but by ethical awareness and religious values. Islamic banks also appeal to low-income earners, especially with products such as wadiah deposits that offer low or no administration fees. For these people, Islamic products can provide a more affordable solution compared to conventional products, which generally require higher administration fees. This makes Islamic banks a rational choice for those who want to save costs without ignoring sharia values.

This finding indicates the importance of Islamic banks to expand access and financial education for all levels of society, especially for those who are not familiar with Islamic products. Providing accessible and affordable products, along with education on the advantages of sharia products, can help increase Islamic financial inclusion more broadly. Islamic banks need to develop different strategies to attract customers from different income groups. For high-income earners, promotions can focus on the ethical benefits and values of sharia, while for low-income earners, Islamic banking can emphasize low-cost products and ease of access. In this way, Islamic banks can strengthen their position as an inclusive choice that offers added value to all segments of society.

## 4. CONCLUSION

The results show that Islamic financial literacy has a dual role of raising people's awareness of the importance of prudent financial management and strengthening their interest in Islamic banking as an ethical and sharia-compliant alternative. This opportunity paves the way for Islamic banking to increase its relevance and appeal in the community. Through an effective literacy approach, Islamic banks can expand their customer reach, especially among the younger generation, who are more responsive to Islamic financial values. This not only benefits Islamic banks but also contributes to the sustainable growth of the Islamic economy in Indonesia.

Demographic factors also play an important role in the decision to save in Islamic banks, although their influence is dynamic and diverse. Education and income, for example, are more related to the level of Islamic financial literacy. Meanwhile, age and gender are more related to perceptions of the values underlying the Islamic system and social influences. The combination of these factors suggests that the decision to save in an Islamic bank is the result of complex interactions between demographic characteristics, value perceptions, information access, and ethical preferences held by customers at different stages of life. An in-depth understanding of these interactions can help Islamic banks design more effective strategies to attract and retain customers from diverse backgrounds.



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