

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **A. Theoretical Framework**

##### **1. History of Islamic Economic In Indonesia**

Indonesia Financial System divided into two, financial system and Non-bank financial institution. Non-bank financial institution is financial that based on the legislation law which collected the fund from the society in term of depository financial institution and distribute in term of credit or in others and give the services for the payment way, such as public bank and society bank for credits. Non-bank financial institution is financial institution which the activities not in order to collect the direct fund from the society in term of saving, such as: pension fund, insurance, venture fund, and pawn shop. Historically the Indonesia financial legislation system has some changing which at first is 27 October 1988 change since 1992, those are:

- a. Law No 7 Year 1992 About Finance
- b. Law No 2 Year 1992 About Insurance
- c. Law No 11 Year 1992 About Pension
- d. Law No 8 Year 1995 About Funding Market
- e. Law No 10 Year 1998 About Changing of Law No 7 Year 92 about Finance
- f. Law No 23 Year 1999 Related to Bank Indonesia.

## **2. Financial Literacy**

Financial literacy is an active process in which communicating information is only the beginning and empowering consumers to take action to improve their financial well-being is the ultimate goal (Abdullah and Chong 2014). Financial literacy according to (Miller et.al. 2009 in Chong 2014) is the combination of consumers or investors understanding of financial product, concept, their ability and confidence to appreciate financial risk and opportunities to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

Financial literacy is process or activities for improving the knowledge, confidence and skill in whole society than they can manage their financial needs (OJK). Financial literacy defined as the ability to understand finance according to (Mason and Wilson (2000) in Anna Sardiana (2016) financial literacy meant as the ability of a person to get, to understand and to evaluate relevant information on decision-making for understanding its consequences.

Nevertheless, studies on financial literacy have not come up with a consensus definition of financial literacy. However, (Remund, 2010 in Ma'ruf, 2015) was able to pin point that many conceptual definitions of financial literacy fall into five categories:

- 1) Knowledge of financial concept
- 2) Ability to communicate about financial concept
- 3) Aptitude in managing personal finance

- 4) Skill in making appropriate financial decisions
- 5) Confidence in planning effectively

In addition according to Remund 2010 in Ma'ruf, 2015, financial literacy is a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short term decision making and sound, long range financial planning, while mindful of life events and changing economic condition.

### **3. Shari'ah Financial Literacy**

Shari'ah financial literacy is related to knowing product and financial services able to differ between shari'ah and conventional bank also can influence manner of the people in order to take economic decision according to shari'ah. Shari'ah finance is kind of finance based on shari'ah or Islamic principles. Shari'ah which mean "road to the water springs", filled with moral goals and tough of truth. Therefore shari'ah is more than the role of law. The fact, shari'ah represented the argument that every people and governance obey to the justice under the law (Rahmawati, 2012).

Abdul Hamid and Bordin, (2001) in Azmi and Anderson, (2015) state a study conducted in Malaysia in 1994, regarding knowledge in Islamic banking showed that almost 100 percent Muslim population was aware of the Islamic bank , however out of this 27,3 percent completely understood the differences between Islamic bank and conventional banks and only 38,7 percent patronize the Islamic bank strictly because of religion.

#### **4. Shari'ah Financial Institution**

Financial institution is a business entity which the wealth basically such as financial asset or financial claims compared to the non-financial assets or real assets, financial institution give the credits to the costumers and plant their fund in term of securities (Siamat, 2001). Shari'ah finance is a financial form based on shari'ah or Islamic law principles. Indeed, shari'ah represented an idea that all of people and governance is submissive under the justice of law. This is one of term which summarized the way of life that Allah's tough to his creature include all of things related to business contract until worship, term of "suitable with the shari'ah" in picturing all allowed things in Islam (Abdullah and Chee, 2012). In general, shari'ah bank is financial institution which the basic business is give the people credits and other services in line of payment and the operation of cash flow suited with the shari'ah principles Sudarsono (2008).

The movement of modern Islamic financial institution started with a local saving bank non-interest that operated in Mit Ghamir village, bank of Nil river Egypt at 1696 by Dr. Hamid An-nagar in Muhammad (2011).

The need of Islamic private bank in rural and international, followed by the existence of other supporting institution such as insurance, pawn shop and *baitul mal wa tamwil*. That based on Islamic principles and lately Dow Jones came out what we called by Islamic Index which cover the stock index that sold with the Islamic way (Muhammad, 2011)

## **5. Factors of Financial Literacy**

The social research center, (2011) in Sari, (2015) factors which describe the differences of financial literacy level:

- a. Age, there are positive affect on the attitude as an indicator of financial literacy at 25-34 years old which at 18-24 there is no influence. This is in line with the more knowledge of financial products they have the more financial transaction used for their needs.
- b. Financial knowledge have a positive relation to mathematics ability, people who has the knowledge will be able to control their financial expenses. This show with the general financial knowledge and mathematics ability people able to choose the suitable financial products, watching the financial condition, and know the latest condition of financial situation.
- c. Financial attitude has the positive and negative relation to the finance indicators.
- d. House hold income, has the positive significant relation to financial control which mean more income lead to the better financial control.
- e. Education and work field has a relation with some of the financial indicators, because in some point that education and work field is important and other is not.

Bushan and Medhury, (2013) in Margaretha and sari, (2105) found financial literacy level influenced by gender, education level, income, kind of job or nature of employment, and work field, where not influenced by geography and age (Margaretha and Sari, 2015)

**a. Financial literacy and income**

Financial literacy increases trough with the income increases (Scheresbergh, 2013) in Margaretha (2015). There is a significant influence between financial literacy and the income of people (Margaretha and Sari, 2015). Amount of income has the significant influence with the level of shari'ah financial literacy (Rahmawati, 2016).

**b. Financial literacy and education**

More the education of people will influence to the more understanding of financial literacy (Nidar and Bestari, (2012) in Margaretha and Sari (2015). Financial literacy and education have the significant relationship (Margaretha and Sari, 2015). Variable of education level positively affect on financial literacy (Amaliyah and Witiastuti, 2015). The Educational background has the significant influences with the shari'ah financial literacy (Rahmawati, 2016).

**c. Financial literacy and work field**

Financial literacy level is influenced by work field (Bushan and Medhury, 2013) in Sari (2015). Education and work field has a relation with some of the financial indicators, because in some point it is suggest the important things and some doesn't the social research center (2011).

**d. Financial literacy and financial institution relationship**

The respondent relationship through financial institution has the significant influences to the shari'ah financial literacy (Rahmawati, 2016).

**6. Shari'ah Financial Products**

For the sufficient of capital and financing, shari'ah bank has the different requirement with a conventional bank. In general, the devices of shari'ah bank consist of three categories:

- a. Financing products
- b. Funding products
- c. Services products

Financing products:

- a. *Wadi'ah* (giro).
- b. *Mudarabah* (saving and deposit).

Funding products:

- a. Profit sharing (*mudarabah dan musarakah*).
- b. Buy and sell (*murabahah, istisna', salam, dan ijarah*).
- c. Services (*rahn, wakalah, kafalah, hawalah, qard*)

Non- Bank (services) products:

- a. Islamic insurance/ *Takaful*
- b. Islamic stock

Islamic banks have the purposes those are, guide the society economic activities for interaction in term of Islamic value, to build the balance and justice system in term of economic investment, to develop the social living standard with the easiness for poor people, poverty alleviation, to maintain the economic stability and become savior of the society from konventional bank dependency (Sudarsono, 2008).

## **7. Financial Institution and Financial Literacy Classification**

### **a. Depository financial institution or depository intermediary.**

Financial institution collecting the fund directly from the society in term of deposits such as giro, saving, or time deposit which accepted from depositor or unit of surplus such as: Corporation, Government and household with the surplus income after the consumption expenses.

### **b. Non-Depository financial institution or non-bank financial institution.**

Financial institution included of this category is financial institution which the business activity where characteristically has a contract or contractual institution which is collecting the fund from the society with offering the contract for consumers protection from the uncertainty risk such as insurance and pension program than called by insurance company and pension company (Siamat, 2001).



According to Chen and Volpe (1998) in Farah and Sari (2015) financial literacy categorized into three groups bellow:

- a. < 60% which is those people who have the low financial literacy.
- b. 60%–79%, which mean people who have the medium financial literacy.
- c. 80% which mean those are people who have the high financial literacy.

Based on the Indonesia financial literacy national strategy, people financial literacy are classified into 4, those are:

- a. Well Literate, Those who have knowledge and believe related financial institution products and services include advantages and risk, right and obligation related to financial products and services, and capable to use financial product and services.
- b. Sufficient Literate, Those who have knowledge and believe related financial institution products and services include advantages and risk, right and obligation related to financial products and services.
- c. Less Literate, Those who only have the knowledge related financial institution products and services.
- d. Not Literate, Those who does not have knowledge and believe related financial institution products and services include advantages and risk, right and obligation related to financial products and services.

## **8. Financial Literacy Consumer Attitude**

The consumer attitude toward a products or services, according to the theory of three component attitude model determined by three attitude components:

- a. Cognitive
- b. Affective
- c. Conative

From the three components that can affect the attitude are confident and feelings. Engel (1995) in Anna (2016) said on some product or services attitudes only depend on the confidence while other products or services attitude depend on evaluation of product or services. Meanwhile, the relationship between attitude or conative or interest can be described as a cause and effect relationship where the attitude of person can affect to certain moralities (Mardiana, 2016).

An attention describes the conative attitude components that related to some preferences to perform regarding specific attitude. Based on some interpretations, conative components can be included the attitude (real) behavior itself.

## **9. Financial Literacy of Islamic Consumption Theory**

In Islamic consumption analysis that people manner of consumption not only to fulfill their body needs but also for fulfill their spirit needs. So in term of manner of consumption a Muslim always pay their attention to the Islamic principles for an example the goods that will be consumed it was halal or not,

what is the purposes behind the consumption, how is the moral and manner as a Muslim when they consume something and how is the consumption of a Muslim is related to their society.

Islamic economy aims to realize the long term of economic growth and maximizing the welfare or *falah*. *Falah* mean the personal needs of people is fulfilled trough the company of social balance and concern at the family values also attitude (Chapra, 2000) in Sudarsono, (2008). For the consequences some of basic attitude is needed in the economy to achieve the concept of *falah* (Naqwi, 1994) in Sudarsono, (2008), those are first, the existence of god (Allah) as the control center of the economic activities because of the limited knowledge of people in contrary with god. Second, balances in term do not very excessive, balance of distribution nor the individual and social needs. Third, in term of freedom of choices but it is bordered with the obligation of each people (Sudarsono, 2008).

## **10. Rural Area**

The 1996 census defines “rural areas” as sparsely populated lands lying outside urban areas which urban have the minimum populations of 1.000 and population densities of 400 or more people per square kilometer (Statistic Canada, 1999) in Canada Statistic, (2002).Rural and small town refers to the population living outside the commuting zones of larger urban center specifically outside census metropolitan area (Medelson and Bollman, (1998) in Canada Statistic, (2002).

Law number 2 year 1999, Rural area is the unity of society law which have an authority to manage and organize society needs based on the origin custom that recognized by the national governance system and include in the area.

Law number 6 year 2014, Rural is rural and custom rural or called by another name next called by rural, is unity of society law which has the limit of area obligated to manage and organize the government jobs, society needs according to society initiative, origin right, and or traditional right which recognized and be respected by the governance national system of republic of Indonesia.

## **B. Literature Review**

Financial literacy is first and foremost about empowering and enlightening consumers so that they are knowledgeable about finance in a way that is relevant to their lives and enables them to use this knowledge to evaluate product and informed decisions. As the consequences of the changing product of economy, financial knowledge has become not just convenience but an essential survival tool. A lack of financial knowledge can contribute in making of poor financial choices that can be harmful to both individual communities. Mounting evidence shows that those who are less financially literate are more likely to have problems with debt, are less likely to save, are more likely to engage in high cost mortgages, and are less likely to plan for retirement. Without a certain level of financial literacy, consumers might not purchase the financial products and services they need and might be ill-equipped to fully appreciate their right and responsibilities as financial

consumers, and to understand and appropriately manage the variety of risk (Kefela, 2011:9) Financial literacy called as the ability of people to get, understand, and evaluate the relevant information for the decision making with the understanding of financial consequences that appear Krisna (2010), in Amaliyah and Witiastuti (2015).

Looking to the economic condition today, financial literacy contribution is important. People need the basic knowledge of finance and skill for processing the effective financial resources for the welfare of their life, especially for the entrepreneur which is commonly face with the financial decision making and more which related to the financial corporation. Less of access will lead to the low of access to the financial institution (Amaliyah and Witiastuti, 2015).

The research result shows that Islamic financial literacy significantly affected to the shari'ah financial services usage. At the more research, the knowledge indicators shows half of them are significant to the financial literacy preference usage, ability indicator and self not affect on shari'ah financial literacy preferences (Sardiana, 2016).

The financial crisis has also led to the renewed focus of the world to Islamic finance. The Islamic financial industry has been flooded with various different types of financial instruments and asset for not only Muslim investors but also the non-Muslim investors to choose from. Hence, an understanding of features and differences between these instruments and

assets are pertinent in order of investors irrespective of whether they are Muslim or non-Muslim to manage their portfolio. With respect to making these Islamic financial products acceptable to wider spectrum of investors and business people alike, the governor of central bank of Malaysia several years ago has pointed that enhanced financial literacy on Islamic financial products will facilitate transactions, with a clear understanding and appreciations of the unique characteristics and features of Islamic finance and its real economic value (Abdullah and Anderson, 2015).

Margaretha and Sari, (2015) said many people with the financial problem in one side just not because of the low of their income rather than because of the false in income allocation, the low of financial literacy cause unwise income allocation therefore with the financial ability will lead to the right choices. Financial literacy in term of understanding to the all aspect of finance is not burden or to tide people on doing their life but with the financial ability will lead people for the better life (Warsono, (2010) in Margaretha and Sari, (2015).

The financial literacy index of financial institution that exist in Indonesia at the FEB Unsoed students still low at only \$4.76 for student who are well literate and amounted to 95.24% in banking products and services and the cause of these is they do not get the financial education from the family as a child (80%), not taught in formal education as a child (77%), not to get the material and a deep understanding of the subject were obtained during the study (70%), and the limited funds received from parents and therefore can't

be used to invest in products and services of financial institutions (93%) (Lestari, 2015).

It was several years ago when the governor of central bank of Malaysia pointed out that in order to make Islamic financial acceptable to a wider spectrum of investors and business people alike, financial literacy on Islamic financial products need to be enhanced, This is in order to facilitate transactions, with a clear understanding and appreciation of the unique characteristics and features of Islamic finance and its real economic value (Abdullah and Chong, 2014).

Financial education is important to both the security of individuals and the security of nation. Enlightened societies today strive to ensure social cohesion as an integral part of economic progress, Interesting and well-paid jobs are central pillars of social cohesion, but so are savings and the building of capital to provide individuals with financial security, especially for their retirement. That cohesion can be seriously undermined by major imbalanced of wealth within nations. Major inequalities between elements of society, especially along ethnic or racial lines, can be recipe for disaster. One way to avoid that catastrophic scenario is to ensure that everyone participated in wealth, both in its creation and distribution. Along with good employment prospect, financial education can play a key role in helping individuals and families build their assets. Just as health education in primary and secondary schools helps children develop good life-long dietary and hygiene habits, necessary to enable them to participate sensibly in financial markets.

Moreover, well-informed financial consumers ultimately lead to better financial markets, where rogue products are forced from the market place and confidence is raised (Johnston, 2005).

In this few of years, in the whole part of the world financial literacy issue is concerned to discuss. An exclusive attention to the financial literacy because of the willingness of such country for having the good quality people and financial good understanding, will affect to the finance and economic condition, this financial literacy is related to the ability of people at the management and doing the planning which related to the finance (Ma'ruf and Desiyana, 2015).

Halal literacy and Islamic literacy are two crucial concepts where it can lead to the behavior of person toward its decision especially in adopting the Islamic financing, literacy has been studied widely in many fields including in consumer behavior context. Literacy usually associated with knowledge and it shows that knowledge is one element things that lead to the behavior of a person in the Holy Qur'an in surah *Al-an'am* also states that knowledge or literacy is necessary to that a Muslim can differentiate what is lawful and prohibited in Islam "why should you not eat of (meats) on which Allah's name hath been pronounced, when he hath explain to you in detail what is forbidden to you – except under compulsion of necessity? but many do mislead (men) by their appetites unchecked by knowledge. Thy lord knoweth best those who transgress" (6:119) (Antara, et.al, 2016).



Consumptive life style influenced by many factors one of those is the easiness of transaction, industries development and life style which is adopted, these things make many people irrational in term of their consumption moreover today money is unnecessary when people want to buy any kind of product or services because the existence of credits card and it is popular in the society (Margaretha and Sari, 2015)

Lisa Xu and Bilal Zia (2012) in Lestari, (2015) said that term of financial literacy include the concept which is start from the awareness and understanding about financial products, financial institution, and concept of financial ability such ability to count compound interest payment and the general financial ability such as money management and financial planning. According to Lusardi and Mitchell (2000) in Ma'ruf (2015) that gender is one of factor in the financial literacy, they explain the gender differences in Sweden which female is rarely make any decision at the house hold. Kefela (2011) said financial literacy a broad concept that include both the information and behavior it is relevant for all consumers regardless of their wealth or income. Bank in the developing countries have to provide financial literacy to their consumers because of the positive direct impact this can have an access to finance and saving which in return support livelihood, economic growth, sound financial system and poverty reduction.

The understanding of individual finance is needed with this people able to decide any products and services that suitable with their current condition, also with the right understanding of financial product and services will not

lead them to the negative cash flow. Therefore knowledge and the good understanding is absolutely needed by the people in their daily life to maximize the uses of a financial instrument, financial product that and able to decide the correct decision in other word every people need to have the good financial literacy (Mendari and Kewal, (2013) in Margaretha and Sari (2015).

Financial literacy topic become important among expert because of 2008 crisis, the expert said that the main cause of the economy global crisis is the low of financial literacy. On that time people became more consumptive more than what they able to earn for income, they have much of credits with the high rate of credit card user because of this financial institution lost their liquidity and bankrupt (Lestari, 2015).

In every people daily life, there are 3 financial decision commonly used those are:

1. How much the amount they should consume in every period of time.
2. Is there any surplus of income and how to maintain this surplus for investment
3. How to earn for consumption and this investment.

In order to achieve the financial welfare, people have to have a knowledge and attitude through the healthy individual financial implementation. Knowledge, manner and individual financial implementation at the financial management is known by financial literacy Widayati (2012).

Term of Financial literacy is an ability of people for taking decision of their own finance. Remund (2010) in Ma'ruf (2015) explained five domain of financial literacy is:

1. Knowledge of financial concept.
2. Ability to communicate related to financial concept.
3. Ability to maintain the individual finance.
4. Ability to take any financial decision.
5. Believe in order to plan future finance (Margaretha and Pambudhi, 2015).

According to the researchers INDEF Aviliani, the need for education to the community of financial products both banks and nonbank very urgent to people not be deceived by those who are not responsible. Research conducted Gonthor, et al (2006) from Bapepam-LK in terms of understanding the capital markets, 80% of respondents were familiar with capital markets, 50% of them knew the capital markets of the news media, 25% of the respondents knew and 50% claims to know enough about capital market products (Nidar and Bestari, (2012) in Margaretha and Sari (2015).

**Table 2.1**

## Summary of Literature Review

No	Books & Journals	Analysis Tool	Research Output
1	Juliana Rahmawati (2016) " <i>Faktor Yang Mempengaruhi Literasi Keuangan Syariah Pada Pelaku UMKM di Daerah Istimewa Yogyakarta</i> "	<i>Analysis data statistic descriptive quantitative method and regression ordinal logistic test</i>	<i>The financial literacy of SME in Yogyakarta is intermediate with 60%.Income and respondent relation to financial institution affect on shari'ah financial literacy SME of Yogyakarta.</i>
2	Irma and Sugeng Suroso (2016), " <i>Shari'ah Financial Literacy And Effect On Social Economic Factors.</i> "	Used primary data from questionnaire with descriptive statistic method	<i>Research shows social economy influence to the financial knowledge and people attitude in term of economic activity.</i>
3	Riski Amaliyah dan Rini Setyo Witiastuti (2015), " <i>Analisis Faktor yang Mempengaruhi Tingkat Literasi Keuangan di Kalangan UMKM Kota Tegal</i> ".	Survey and analysis of logistic biner regression method.	<i>Research shows financial literacy level of owner of SME in Tegal city include the high category with mean of 11,79. Gender and education affect on financial literacy level.</i>
4	Maria Rio Rita dan Benny Santoso (2015), " <i>Literasi Keuangan dan Perencanaan Keuangan pada Dana Pendidikan Anak</i> ".	Questionnaire with interview and Data analysis of descriptive statistic.	<i>Research shows financial literacy and management in educational fund of children in house wife is high.</i>

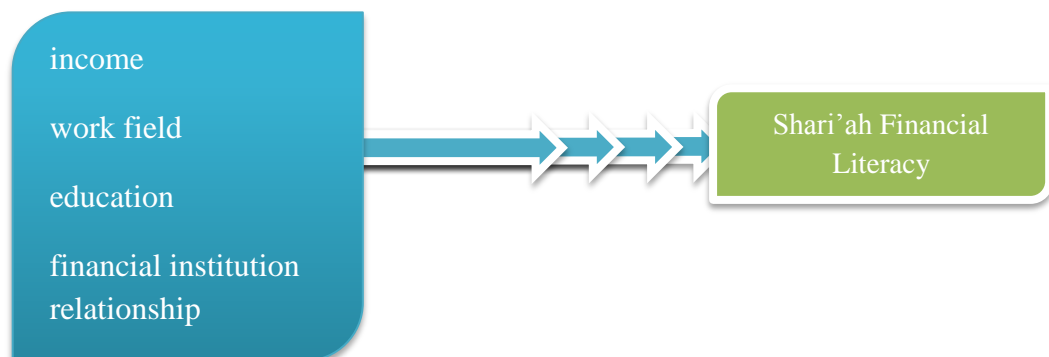
No	Book and Journal	Analysis Tool	Research Output
5	Ahmad Ma'ruf dan Tasya Desiyana (2015), " <i>Literasi Keuangan Pelaku Ekonomi Rakyat</i> ".	This research use the primary data from questionnaire with descriptive statistic and chi- square analysis.	<i>Research shows majority of SME has the intermediary financial literacy level with 73,8%. Beside of that the ability of SME has the intermediary level too with 57,5%.</i>
6	Farah Margaretha dan Reza Arief Pambudhi (2015) " <i>Tingkat Literasi Keuangan Pada Mahasiswa S-1 Fakultas Ekonomi</i> ".	This research use the primary data from questionnaire with descriptive statistic and chi- square analysis and ANOVA test.	<i>Research shows financial literacy level in category of low by 48,91% and influences between gender, age, cumulative score index and parent income.</i>
7	Sri Lestari (2015), " <i>Literasi Keuangan Serta Penggunaan Produk dan Jasa Lembaga Keuangan</i> ".	Qualitative method used descriptive statistic.	<i>Financial literacy of student FED Unsoed is low because well literate include 4,76 % and financial products knowledge 95,24%. Cause of it is they do not got the financial education from the child or their parent are no concern of it</i>
8	Yulia Indrawati (2014), " <i>Determinan dan Strategi Peningkatan Literasi Keuangan Masyarakat Perkotaan di Kabupaten Jember</i> ".	Quantitative method with data existing and table data.	Research show in term of aggregate financial literacy level of urban people in Jember is low whether basic financial literacy and advanced financial literacy.
9	Anastasia Sri Mendari & Suramaya Suci Kewal (2013), " <i>Tingkat Literasi Keuangan di Kalangan Mahasiswa STIE MUSI</i> ".	Statistic Descriptive	<i>The indication for financial decision in some cases show the low of knowledge of long investment term which give the high profit and risk from deposit and insurance</i>

No	Book and Journal	Analysis Tool	Research Output
10	Abdullah, M.A. and Anderson, A. 2015. Islamic Financial Literacy Among Bankers in Kuala Lumpur.	Quantitative method with questionnaire	<i>Some the determinant of financial literacy: View of banking and Islamic banking product, parent influence, factor on securities, views on conventional banking product, attitude on personal financial management, ability on wealth planning, management attitude Islamic product.</i>
11	Antara, P.M., Musa, R. and Hassan, F. 2016. Bridging Islamic Financial and Literacy Halal Literacy: The Way Forward in Halal Ecosystem.	Qualitative and qualitative methodology	The proposed measurement of halal financial literacy and Islamic financial literacy can help the policy maker in understanding the level of literacy among consumers, especially from halal business products perspective.
12	Sardiana, Anna. 2016. <i>The Impact of Literacy To Shari'ah Financial Literacy.</i>	Descriptive research	Research shows Islamic financial literacy significant influence preference use Islamic financial services.
13	Kefela, G. 2011. Implication of Financial Literacy in Developing Countries.		It is an essential element in enable people to manage their financial affair can make important contribution to the soundness and efficient the financial system and economy.

No	Book and Journal	Analysis Tool	Research Output
14	Johnston, Donald. 2005. <i>Important of Financial Literacy in The Global Economy</i> . Kuala Lumpur.		Financial education is important to both the security of individuals and the security of nations.
15	Abdullah, M.A. and Chong, Rosita. 2014. <i>Financial Literacy: An Exploratory Review of The Literature and Future Research</i> .		Much of the current works have been on the literacy on conventional financial knowledge. Since there is a renewed interest in in islamic finance, more studies should be undertaken in order to determine the level of people literacy of people

### C. Research Framework

This research aims for analyzing the shari'ah financial literacy at the rural people of Pekalongan, Central Java Province. The figure that describes how the framework of research would be conducted can be seen as below.



**Figure 2.2**  
Theoretical Frame Work

## **D. Hypothesis**

Based on the review and discussion related to the previous study, this study developed the hypothesis:

H1: There is positive and negative significant relationship between income and the shari'ah financial literacy.

H2: There is positive significant relationship between education and the shari'ah financial literacy.

H3: There is positive and negative relationship between work field and the shari'ah financial literacy.

H4: There is positive significant relationship between financial institution relationship and the shari'ah financial literacy.