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The Role of Islamic Financial Literacy and Social Environment in Influencing Interest in Saving in Islamic Banking

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Abstract

The Purpose of this study was to determine whether Islamic Financial Literacy and Social Environment have an influence on students' interest in saving in Islamic Banks. The population in the study were students of the Faculty of Economics and Business, University of North Sumatra with a sample size of 100 students. This research is an quantitative study using data collection techniques, namely a questionnaire which is analyzed using the SEM-PLS test with SmartPLS software. The results of this study indicate that (1) There is a positive and significant influence of Islamic financial literacy on interest in saving in Islamic banks in students of the Faculty of Economics and Business University of North Sumatra; (2) There is a positive and significant social environment in the interest in saving in Islamic banks for students of the Faculty of Economics and Business, University of North Sumatra.

Keywords: Islamic Financial Literacy; Social Environment; Interest in Saving

1. Introduction

Islamic banking is experiencing positive growth in Indonesia, as evidenced by the increase in Third Party Funds and total Islamic banking assets over the past five years. As of December 2023, the Islamic banking industry's total assets reached Rp868.98 trillion, accounting for a 7.38 percent market share. Meanwhile, total banking assets nationally amounted to IDR 11,984 trillion. With a market share of 7.38%, it means that the interest of the Indonesian people is still low in using Islamic banks. Education and knowledge play a crucial role in generating interest in saving through Islamic banking. Knowledge can also be called literacy, in this study it is Islamic financial literacy.

The National Survey of Financial Literacy and Inclusion in 2022 [1] revealed that Indonesian people's financial literacy index was 49.68%, while the Islamic financial literacy index increased from 8.93 percent in 2019 to 9.14 percent in 2022. Hence, increasing public knowledge of various aspects of Islamic economics, including finance, is crucial. Moreover, a person's social environment also plays a role in shaping their interest in saving at an Islamic bank. In addition to Islamic financial literacy, the social environment can also affect a person's interest in saving at an Islamic bank where the social environment has a very significant impact on a person in making a choice [2].

Students are the right target for Islamic banking to increase savings growth because many students need savings to save money for future use. Students of the Faculty of Economics and Business are the focus of this study because they are believed to have better financial understanding and knowledge than other faculties. An initial survey of 30 students showed that more than half of them have used Islamic banking products. Judging from the number of students who have used Islamic banks, this study aims to see whether Islamic financial literacy and social environment affect the interest in saving of students of the Faculty of Economics and Business, University of North Sumatra in Islamic banking.

Table 1. Total Third Party Funds and Total Assets of Islamic Banking (in trillion rupiah)

Tahun	Dana Pihak Ketiga	Total Aset	Total
2019	416.558	524.564	941.122
2020	465.977	593.948	1.059.925
2021	536.993	676.735	1.213.728
2022	606.063	782.100	1.388.163
2023	669.249	868.986	1.538.235

Source: OJK (2023) data processed by researchers

2. Literature Review

2.1. Islamic Financial Literacy

Islamic financial literacy can be interpreted as Islamic financial literacy, which is clearly knowing Islamic financial products and services, can distinguish between conventional banks and Islamic banks and can influence one's attitude in making economic decisions in accordance with sharia [3]. According to [4] in his research concluded that Islamic financial literacy is one of the biggest reasons people are interested in using Islamic banking products and services. Measurement of the level of Islamic financial literacy can be measured based on basic knowledge of Islamic finance and understanding of Islamic financial methods in Islamic Banking, namely mudharabah, ijarah, murabahah, and istishna [5].

2.2. Social Environment

The social environment is a place where interactions occur between individuals where these individuals influence each other's behavior and development of traits. The existence of interest in a person is inseparable from the influence of the social environment. External factors that encourage a person to have an interest in saving are family and social environment including culture and association. [6] in his research on the influence of parents on children's savings, found that the importance of saving socialization in childhood will affect children's economic behavior in adulthood. In addition, his research also examines social comparison in saving, where a person will tend to compare his level of savings or consumption with the level of savings or consumption in certain groups. A person will be motivated to save when the level of saving in a particular group is higher than the person himself. Measurement of the level of social environment according to [7] can be measured based on the family environment, educational environment, and community environment.

2.3. Interest in Saving

Interest in saving according to [8] is a desire that encourages someone to carry out activities to save money at the bank to meet future needs which are carried out consciously, not forced and with a feeling of pleasure. To increase interest in saving, a person needs to have knowledge and skills in managing finances. Therefore, it is advisable for someone to increase knowledge and skills in managing finances by reading books or attending financial training. The measurement indicators of saving interest according to [8] are: Attention, Interest, Desire, and Conviction.

3. Research Method

The type of research used in this research is descriptive quantitative. To make measurements and analysis, the data collection technique in this study is to use primary data in the form of a questionnaire. The population in this study were students of the Faculty of Economics and Business, University of North Sumatra with sampling techniques based on purposive sampling techniques with criteria (1) Respondents are Active Students of the Faculty of Economics and Business, University of North Sumatra; (2) Respondents are customers at Islamic Banks. The sample measurement method is based on guidelines from Frankael, et al. where it is found that the sample used in this descriptive study is 100 samples. The test tool used in this study used SmartPLS 4. The data analysis techniques used in this study are:

3.1. Descriptive Statistical Analysis

Descriptive statistical analysis is used in this study to provide an overview or descriptive of the research variables, namely Sharia Financial Literacy (X1), Social Environment (X2) and Interest in Saving (Y) which can be seen from the average value, standard deviation, variance, maximum, minimum, sum, range, kurtosis, skewness (skewness of distribution) [8].

In determining the descriptive categories of variables, a category table is made with the following calculations:

1. Maximum Score = Maximum Score x Σ question

2. Minimum Score = Minimum Score x Σ questions
3. Range = Maximum Score - Minimum Score
4. Number of classes = 5
5. Interval = (Class range + 1) / Number of classes

Then the level of criteria between variables based on the above calculations is

Table 2. Criteria Level for each Variable

<i>Islamic Financial Literacy</i>		
<i>No</i>	<i>Interval</i>	<i>Kriteria</i>
1	46 – 50	Sangat Tinggi
2	37 – 45	Tinggi
3	28 – 36	Sedang
4	19 – 27	Rendah
5	10 – 18	Sangat Rendah
<i>Social Environment</i>		
<i>No</i>	<i>Interval</i>	<i>Kriteria</i>
1	52 - 60	Sangat Tinggi
2	42 - 51	Tinggi
3	32 - 41	Sedang
4	22 - 31	Rendah
5	12 - 21	Sangat Rendah
<i>Interest in Saving</i>		
<i>No</i>	<i>Interval</i>	<i>Kriteria</i>
1	52 - 60	Sangat Tinggi
2	42 - 51	Tinggi
3	32 - 41	Sedang
4	22 - 31	Rendah
5	12 - 21	Sangat Rendah

Source: Data processed by researchers (2024)

3.2. Evaluation of the Measurement Model (Outer Model)

The outer model (Outer relation or measurement model) defines how each indicator block relates to its latent variable. Blocks with reflexive indicators can be written as follows:

$$X = \lambda X\xi + \delta$$

$$Y = \lambda Y\eta + \varepsilon$$

Where:

X = Exogenous Variable

Y = Endogenous Variable

λ = Outer Loading

δ = Measurement Error of Exogenous Variable

ε = Endogenous Variable Measurement Error

The measurement model (Outer Model) is used to assess the validity and reliability of the questionnaire using Smart PLS. The measurement model (outer model) is further explained using the Convergent Validity, Discriminant Validity, and Composite Reliability tests. Convergent validity can be seen from the correlation between indicator scores and variable scores. Convergent validity can be known from the loading factor value. An instrument is said to fulfill convergent validity testing if it has a loading factor above 0.5 [9]. Discriminant validity can be seen using the cross loading value [10]. With the criteria that if the cross loading in the corresponding variable is greater than the correlation value of the Indicators in other variables, so that the Indicator is

declared valid in measuring the corresponding variable [11]. To test construct reliability, calculations that can be used are Cronbach's alpha and composite reliability. With the test criteria if the composite reliability is greater than 0.7.

3.3. Structural Model Evaluation (Inner Model)

The inner model is a model that describes the relationship between fellow latent variables to be evaluated. The inner model equation is as follows:

$$\eta = \gamma_1\xi_1 + \gamma_2\xi_2 + \zeta$$

Where:

ξ = Ksi, Exogenous Latent Variable

η = Eta, Endogenous Latent Variable

γ = Gamma (small), coefficient of influence of exogenous variables on endogenous variables

ζ = Zeta (small), galat mode

The structural model (inner model) is evaluated using the R-Square and the path coefficient value or P-Values for each path to test the significance between constructs in the structural model. The R-Square value is used to determine how much influence the exogenous latent variables have on the endogenous latent variables. The higher the R-Square value, the better the proposed research model. The criteria for the R-Square value are if the R-Square value of 0.67 is said to be a good model, if the R-Square value is 0.33 it is said to be a moderate model, and if the R-Square value is 0.19 it is said to be a weak model. The path coefficient value shows the level of significance in hypothesis testing.

3.4. Hypothesis Test

The results of hypothesis testing are seen in Inner Model testing through the t-statistic which can show the level of significance in testing the hypothesis. With the criteria for accepting the hypothesis, the t-statistic is greater than the T-table 1.96 for hypothesis testing at 5% alpha or can be seen with a P-Value <0.05 which indicates that the variable is significant.

4. Results and Discussion

4.1. Descriptive Statistical Analysis

Table 3. Results of Descriptive Analysis of each Variable (Source: Primary Data Processed by Researchers (2024))

<i>Islamic Financial Literacy</i>			
<i>No</i>	<i>Interval</i>	<i>Frekuensi</i>	<i>Kriteria</i>
1	46 – 50	9	Sangat Tinggi
2	37 – 45	56	Tinggi
3	28 – 36	33	Sedang
4	19 – 27	2	Rendah
5	10 – 18	0	Sangat Rendah
<i>Social Environment</i>			
<i>No</i>	<i>Interval</i>	<i>Frekuensi</i>	<i>Kriteria</i>
1	52 – 60	8	Sangat Tinggi
2	42 – 51	46	Tinggi
3	32 – 41	40	Sedang
4	22 – 31	5	Rendah
5	12 – 21	1	Sangat Rendah
<i>Interest in Saving</i>			
<i>No</i>	<i>Interval</i>	<i>Frekuensi</i>	<i>Kriteria</i>
1	52 – 60	31	Sangat Tinggi
2	42 – 51	58	Tinggi
3	32 – 41	10	Sedang
4	22 – 31	1	Rendah
5	12 – 21	0	Sangat Rendah

Based on the results of descriptive analysis in table 3, shows that most respondents' assessment of Islamic financial literacy is included in the high criteria, namely 56 respondents. This shows that Islamic financial literacy has a sufficient influence on students' interest in saving. Table 3 also shows that most respondents' assessment of the Social Environment is included in the high criteria, namely 46 respondents. However, many respondents' assessments of the social environment were also in the moderate category, namely 40 respondents. Based on these results, it can be stated that the social environment has a sufficient influence on students' interest in saving. In table 3 it also shows that most of the respondents' assessments of saving interest are included in the high criteria, namely 58 respondents. Based on these results, it can be stated that students have a high interest in saving money.

4.2. Evaluation of the Measurement Model (Outer Model)

4.2.1. Convergent Validity

Table 4. Loading Factor Value of Construct

Islamic Financial Literacy												
Item Code	X1.1	X1.2	X1.3	X1.4	X1.5	X1.6	X1.7	X1.8	X1.9	X1.10		
Loading Factor	0.538	0.749	0.646	0.510	0.085	0.526	0.698	0.593	0.450	0.579		
Social Environment												
Item Code	X2.1	X2.2	X2.3	X2.4	X2.5	X2.6	X2.7	X2.8	X2.9	X2.10	X2.11	X2.12
Loading Factor	0.540	0.623	0.540	0.603	0.722	0.636	0.582	0.529	0.527	0.699	0.754	0.762
Interest in Saving												
Item Code	Y1.1	Y1.2	Y1.3	Y1.4	Y1.5	Y1.6	Y1.7	Y1.8	Y1.9	Y1.10	Y1.11	Y1.12
Loading Factor	0.651	0.701	0.660	0.683	0.681	0.755	0.676	0.796	0.739	0.514	0.598	0.709

Source: Primary Data Processed by Researchers (2024)

Based on the analysis results in table 4 shows that the loading factor value on the Islamic financial literacy variable which has a value above 0.5 as many as 8 items and 2 items below 0.5, namely X1.5 and X1.9. Then, deletion is carried out on items X1.5 and X1.9. while for social environment variables and interest in saving, all items are above 0.5.

After re-estimating by eliminating items X1.5 and X1.9, there is no longer a loading factor value that is below 0.5. The following are the results of the re-estimation of all constructs of Sharia Financial Literacy, Social Environment, and Interest in Saving.

Table 5. Loading Factor Value of All Constructs after Re-estimation

Islamic Financial Literacy												
Kode Item	X1.1	X1.2	X1.3	X1.4	X1.6	X1.7	X1.8	X1.10				
Loading Factor	0.538	0.749	0.646	0.510	0.526	0.698	0.593	0.579				
Social Environment												
Kode Item	X2.1	X2.2	X2.3	X2.4	X2.5	X2.6	X2.7	X2.8	X2.9	X2.10	X2.11	X2.12
Loading Factor	0.540	0.623	0.540	0.603	0.722	0.636	0.582	0.529	0.527	0.699	0.754	0.762
Interest in Saving												
Kode Item	Y1.1	Y1.2	Y1.3	Y1.4	Y1.5	Y1.6	Y1.7	Y1.8	Y1.9	Y1.10	Y1.11	Y1.12
Loading Factor	0.651	0.701	0.660	0.683	0.681	0.755	0.676	0.796	0.739	0.514	0.598	0.709

Source: Primary Data Processed by Researchers (2024)

Based on the results of re-estimating the loading factor in table 5, the item values generated by the constructs of Islamic financial literacy, social environment and interest in saving have met the convergent validity standards because all items are worth more than 0.5. Thus, it can be concluded that all constructs are valid.

4.2.2. Discriminant Validity

Table 6. Cross Loading Value

Islamic Financial Literacy												
Kode Item	X1.1	X1.2	X1.3	X1.4	X1.6	X1.7	X1.8	X1.10				
X1	0.534	0.773	0.638	0.535	0.505	0.694	0.624	0.580				
X2	0.238	0.106	0.229	0.167	0.106	0.385	0.149	0.143				
Y	0.197	0.336	0.223	0.217	0.274	0.430	0.223	0.147				
Social Environment												
Kode Item	X2.1	X2.2	X2.3	X2.4	X2.5	X2.6	X2.7	X2.8	X2.9	X2.10	X2.11	X2.12
X1	0.104	0.334	0.255	0.277	0.244	0.194	0.164	0.204	0.055	0.227	0.186	0.172
X2	0.540	0.622	0.539	0.603	0.722	0.636	0.582	0.529	0.527	0.699	0.754	0.763
Y	0.491	0.451	0.340	0.574	0.556	0.409	0.420	0.337	0.310	0.408	0.429	0.434
Interest in Saving												
Kode Item	Y1.1	Y1.2	Y1.3	Y1.4	Y1.5	Y1.6	Y1.7	Y1.8	Y1.9	Y1.10	Y1.11	Y1.12
X1	0.553	0.471	0.611	0.311	0.374	0.457	0.460	0.523	0.593	0.292	0.361	0.563
X2	0.257	0.338	0.305	0.289	0.399	0.393	0.203	0.367	0.386	0.118	0.297	0.275
Y	0.651	0.700	0.661	0.681	0.679	0.754	0.676	0.796	0.741	0.516	0.598	0.710

Source: Primary Data Processed by Researchers (2024)

Based on table 6 it shows that the loading value on one construct of each indicator is greater than the other constructs. Therefore, this shows that all indicators of all variables used in this study are declared valid.

4.2.3. Composite Reliability

Table 7. Variable Reliability Value

	<i>Cronbach's alpha</i>	<i>Composite reliability (rho_a)</i>	<i>Composite reliability (rho_c)</i>	<i>Average variance extracted (AVE)</i>
<i>Islamic Financial Literacy (X1)</i>	0.770	0.795	0.828	0.380
<i>Social Environment (X2)</i>	0.860	0.867	0.887	0.400
<i>Interest in Saving (Y)</i>	0.896	0.903	0.912	0.468

Source: Primary Data Processed by Researchers (2024)

In table 7 above, all variable values in reliability testing using both Cronbach's Alpha and Composite Reliability have values above 0.7, so it can be concluded that the variables tested are reliable so that structural model testing can be carried out.

In general, the recommended AVE value is above 0.5. However, table 7 shows that each variable has an AVE value of less than 0.5. Although the AVE value of each variable has an AVE value of less than 0.5, it has a Composite Reliability value above 0.7. This condition is still considered adequate for the fulfilment of convergent validity criteria, [12].

4.3. Structural Model Evaluation (Inner Model)

Table 8. R- Square Value

<i>Item</i>	<i>R-square</i>	<i>R-square adjusted</i>
<i>Minat Menabung (Y)</i>	0.548	0.539

Source: Primary Data Processed by Researchers (2024)

Based on the results of data processing in table 8, the research obtained an R2 value of 0.548 or 54.8%. This value indicates that the variables of Islamic financial literacy and social environment affect the interest in saving students by 54.8% and the rest

is influenced by other variables outside the variables in this study.

4.4. Hypothesis Test

The following hypotheses are proposed:

1. *Ho: There is no effect of Islamic financial literacy on the interest in saving of FEB USU students.*
Ha: There is an influence of Islamic financial literacy on the interest in saving of FEB USU students.
0. *Ho: There is no influence of the social environment on the interest in saving of FEB USU students.*
Ha: There is an influence of the social environment on the interest in saving USU FEB students.

Table 9. T-Statistic Result

	<i>Original sample (O)</i>	<i>Sample mean (M)</i>	<i>Standard deviation (STDEV)</i>	<i>T statistics (O/STDEV)</i>	<i>P values</i>
<i>Literasi Keuangan Syariah (X1) -> Minat Menabung (Y)</i>	0.249	0.261	0.081	3.087	0.002
<i>Lingkungan Sosial (X2) -> Minat Menabung (Y)</i>	0.621	0.628	0.061	10.164	0.000

Source: Primary Data Processed by Researchers (2024)

Based on the hypothesis determination table, it is explained as follows:

1. The construct of Islamic financial literacy has a t-statistic value of 3.087 greater than 1.96 and a p-value of 0.002 smaller than 0.05. So, the first hypothesis which states that there is an effect of Islamic financial literacy on the interest in saving of FEB USU students is proven.
2. The social environment construct has a t-statistic value of 10.164 greater than 1.96 and a p-value of 0.000 smaller than 0.05. So, the second hypothesis which states that there is an influence of the social environment on the interest in saving of FEB USU students is proven.

4.5. Discussion

1. The Effect of Islamic Financial Literacy on Saving Interest

The results of the t-test that have been carried out show that the exogenous construct of Islamic financial literacy has a significant positive effect ($O = 0.249$) with the saving interest construct. The t-statistic value on this construct relationship is 3.087 greater than 1.96 and the p-values of 0.002 are smaller than 0.05. Therefore, the first hypothesis which states that Islamic financial literacy has a positive influence on the interest in saving of FEB USU students is proven correct. This indicates that the higher the level of Islamic financial literacy, the higher the interest in saving students at Islamic Banks.

Islamic financial literacy is very important for students to have because with good Islamic financial literacy, students can find out the laws, contracts, rates, arrangements and benefits available at Islamic Banks. This is supported by previous research conducted by Anzal Yomas Navi'an which states that Islamic financial literacy has a positive effect on interest in saving at Islamic banks for SKI-UKKI UNY students. It can be concluded that Islamic Financial Literacy has a very important role in education about Islamic Banks and of course this role must be utilized by Bank Syariah Indonesia in marketing strategies in order to get customers and be able to compete with other banks.

2. The Effect of Social Environment on Saving Interest

The results of the t-test that have been carried out show that the exogenous construct of the social environment has a significant positive effect ($O = 0.621$) with the saving interest construct. The t-statistic value on this construct relationship is 10.164 greater than 1.96 and the p-values of 0.000 are smaller than 0.05. So, the second hypothesis which states that there is an influence of the social environment on the interest in saving of FEB USU students is proven correct. This means that the social environment variable has a significant effect on the interest in saving FEB USU students in Islamic banks.

This is supported by previous research conducted by Maghfiroh which states that the social environment affects the interest in saving at Islamic banks. This shows that students who have a good social environment will increase the chances of students being interested in saving at Islamic banks. If the social environment has positive habits such as saving money, then the person tends to have the same habit, and vice versa.

Based on table 9, the most dominant variable affecting the dependent variable, namely interest in saving in this study, is the Social Environment variable. This can be seen from the original sample value of each independent variable. The original sample value of the social environment variable is 0.621 which is greater than the original sample value of the Sharia Financial Literacy variable, which is 0.249.

5. Conclusions

Based on the research results, it can be concluded that:

1. The Independent Variable of Sharia Financial Literacy has a positive and significant effect on the Interest in Saving of FEB USU students in Islamic Banking. So it can be concluded that the higher the level of Islamic financial literacy, the higher the interest in saving FEB USU students in Islamic Banking.
2. The Independent Variable Social Environment has a positive and significant effect on the Interest in Saving of FEB USU students in Islamic Banking. So it can be concluded that the better the student's Social Environment, the more interest in saving FEB USU students in Islamic Banking will increase.
3. The Social Environment variable is a variable that has a greater impact on the Interest in Saving of FEB USU Students than the Sharia Financial Literacy Variable. So it can be concluded that, the Social Environment variable is more dominant in influencing Student Saving Interest compared to the Sharia Financial Literacy variable.

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