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## The Role of Islamic Financial Literacy and Local Wisdom in Decisions to Use Sharia Banking Products: A Systematic Literature Review

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### ABSTRACT

This qualitative research aims to identify the role of Islamic financial literacy and local wisdom in using Sharia banking products. The study employs a qualitative method through a systematic literature review, sourcing data from credible journals with national and international indexes. The collected data is analyzed using the VOSviewer tool, which systematically maps trends and bibliometric networks and visualizes overlay maps and research density levels. The findings indicate that Islamic financial literacy and local wisdom significantly influence financial decisions to use Sharia banking products wherever these banks operate. In addition, local values have fundamental values that are integrated with the operational principles of Sharia banking so that it becomes a meeting point between Sharia banking and local wisdom that is owned by the community so that people in choosing Sharia banking products as a financial decision are not only driven by values. Sharia is also greatly influenced by culture.

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## 1. INTRODUCTION

There are Muslims in Indonesia, the nation with the biggest Muslim population worldwide of 86.88%, according to a report by the Indonesian Central Bureau of Statistics in June 2021 (BPS West Java Province, 2021). The existence of this majority not only has a cultural dimension but also axiologically for the future of Indonesia's Sharia economy. In this case, the Indonesian Muslim community has great potential as a market share, creating opportunities for Indonesia to become a significant Sharia economic and financial center, both at regional and global levels (KNKS, 2019).

However, the primary obstacle that needs to be addressed is the inadequate knowledge of sharia finance, which is a fundamental obstacle in building a sharia economic and financial ecosystem. The uneven distribution of financial literacy in Indonesia could impact the degree of financial knowledge and abilities the population possesses. (OJK, 2021).

The Financial Services Authority provided empirical data (OJK). Shows that sharia financial literacy among the Indonesian Muslim community only reaches 8.93%. This fact underscores the low level of public literacy, presenting an epistemological challenge that could impede the advancement of Sharia economics and finance in Indonesia, particularly in the banking sector. Addressing this issue often necessitates additional efforts to enhance Sharia financial literacy across different segments of society. This aim is to serve as a strategic measure to promote more inclusive growth in Sharia economics and finance.

Financial literacy assesses individuals' understanding of financial concepts and their skills and confidence in managing personal finances. It involves making prudent financial decisions in the short term and engaging in long-term financial planning, taking into account life events and changing economic circumstances.

According to Remund (2010), Financial literacy can be categorized into five areas: understanding financial concepts, effectively communicating about financial concepts, managing personal finances, making sound financial decisions, and having self-confidence or positive attitudes toward effective financial planning. (Remund, 2010).

Sharia financial literacy can be assessed by examining how well Indonesians understand the products, services, and operations of Sharia financial institutions, particularly within the Sharia banking industry in Indonesia. A low Sharia financial literacy index indicates that this understanding is limited, which can affect people's decisions when selecting financial institutions as service providers (Eliza & Susanti, 2020).

Ajzen's theory of planned behavior (TPB) supports this view, highlighting that decision-making behavior is significantly influenced by perceived knowledge, beliefs, attitudes, and norms (Ajzen, 1991). An empirical study by Baihaqqy (2020) on the effect of financial literacy on investment decisions reveals that many Indonesian Muslims opt for conventional banks due to a lack of understanding of Sharia banking products and services, particularly because of the difficulty in comprehending Arabic terms (Baihaqqy, 2020).

The Financial Services Authority reports that the market share of Sharia banking only reached 9.9% (OJK, 2021). This figure is relatively small compared to the potential market share of Sharia banks, supported by Indonesia's large Muslim population. Therefore, increasing Sharia financial literacy is very important to encourage the contribution of Sharia economics to national

economic growth, which is in line with the vision of making Indonesia the center of the global Islamic economy by 2024 (Hanafi, 2021).

Another factor that can influence a customer's decision to use Sharia banking products, aside from Sharia financial literacy, is local wisdom. According to Ayif Fathurrahman (2023), local wisdom is the intelligence of certain ethnic groups derived from communal experiences. This cultural knowledge is a life guide for understanding their environment, including decisions about banking products (Fathurrahman, 2023).

In its relationship with banking products, society will be based on local wisdom values, which have become traditions and a vital part of culture in everyday life. Therefore, Sharia banking needs to understand the cultural values inherent in society in its operational processes in the field (Akbar Sabani & Ishak, 2023).

The relationship between community economic activities based on local wisdom values and Sharia economics can be a source of energy and inspiration in developing the Sharia economic and financial climate. However, in the development of business institutions today, there is often a problem of low understanding of the culture of the surrounding community, including Sharia banking (Yudiana, 2018).

Understanding community culture and local wisdom is a prerequisite for designing, harmonizing, and developing Sharia economics and finance, especially Sharia banking institutions. Therefore, Sharia banks not only focus on company profits but also have an orientation towards socio-cultural harmony so that they become a meeting point between Sharia financial institutions and local wisdom, which is the community's tradition in accepting the presence of Sharia banking (Kholidah, 2019).

Several previous studies in Indonesia have examined the role of Sharia financial literacy, including works (Panghayo & Musdholifah, 2018) (Handida & Sholeh, 2018), (Baihaqqy, 2020) (Ilfita & Sophisticated, 2021), (Rachmatulloh & Solekah, 2021) They have tested the impact of sharia financial literacy on people's decisions in using sharia banking products and services.

This research empirically demonstrates that financial literacy significantly influences people's decisions to use Sharia banking products and services (Khan & Arif, 2022). They emphasize that knowledge of Islamic banking products positively impacts customers' decisions to use these products. Public awareness of Sharia banking, its products, cultural values, and religiosity are crucial factors influencing people's choices to utilize Sharia banking services. Thus, financial literacy and local wisdom are essential in shaping decisions to recognize and use Sharia banking products and services. (Sofyan et al., 2021).

In general, internal and external factors can influence the Sharia banking market share (Hanafi, SM 2021). External factors, such as public openness to Sharia banking, can impact the growth of Sharia banking Third Party Funds (DPK). However, the potential market share is not in line with the reality on the ground, which shows that the number of Sharia banking customers is still very lagging, reflecting that the performance of Sharia banking is still not optimal when compared to conventional banks (Suryani, nd). This finding is strengthened by research by Misnen et al. (2014), which shows that the probability of growth of Sharia banking in Indonesia is still low, caused by various factors, including operational systems and Sharia banking assets that have not yet reached their maximum potential (Misnen Ardiansyah, 2014).

From the analysis of this problem, the results of the author's observations show that one of the problem factors is the low level of Sharia financial literacy in society, which is proven by our

national Sharia financial literacy rate, which is still below 10% in understanding financial institutions and sharia banking products. In addition, Sharia banking institutions have also not succeeded in adapting to local conditions and wisdom, so there is no synergy between Sharia banking institutions and local wisdom as a factor that influences people's financial decisions. Therefore, it is necessary to research "How Islamic Financial Literacy and Local Wisdom Influence the Decision to Use Sharia Banking Products.

## 2. METHODS

This qualitative research employs a descriptive analysis approach to identify the conditions, phenomena, and events through narrative and descriptive methods. Qualitative research focuses on deeply understanding symptoms, phenomena, and events rather than quantifying numerical data (Jonathan Sarwono, 2006). Then, the next method is a systematic literature review. This method systematically identifies, extracts, and analyzes research data based on the existing work system at Watase Uake (Xiao & Watson, 2019). The data used in this research are journal articles, which are previous literature studies whose discussion context is relevant to the topic and context of this research, where the data source was obtained through the Google Scholar database contained in the Publish or Perish Software and then processed using VOS viewer and Watase Uake.

## 3. RESULTS AND DISCUSSION

### 3.1. Search Results Using POP

Based on the results of data identification carried out by the author in this research using a series of systematic literature review methods, metadata was obtained by the author through the Google Scholar database, Publish or Perish Software from the keywords "Financial Literacy," "Local Wisdom" and "Islamic Banking "Starting from 2019 to 2023, there are 327 out of a total of 1000 targeted literature studies. Then, from the 327 journal articles, the author analyzed them one by one until arriving at 13 relevant articles based on the context of this research, which the author then created in the form of a prism diagram of the systematic literature review workflow as can be seen below:

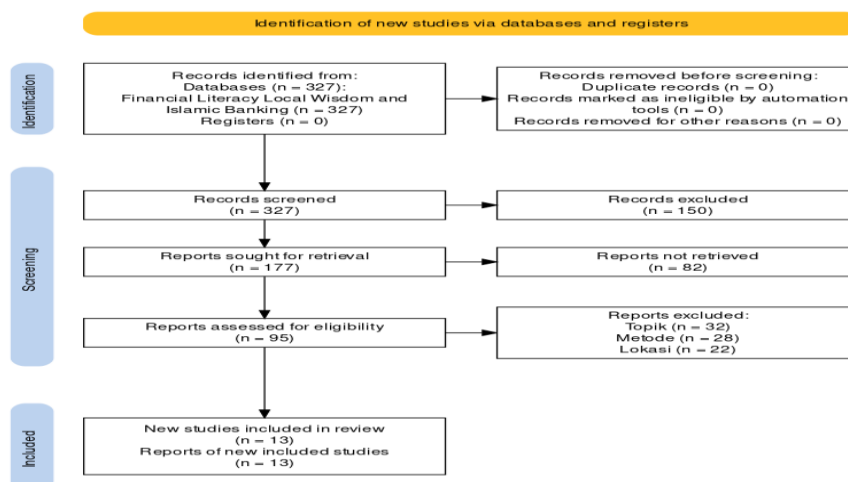


Figure 1. Systematic literature review prisma flow diagram (source, PRISMA processed by the author)







become objects of the individual's actions. This theory suggests that the main reason for individual behavior in making a decision is based on the results of the reasoning process influenced by the existence of intentions, beliefs, attitudes, and norms for behavior (Achmat, 2019). The TPB scheme can be depicted in Figure 2.1

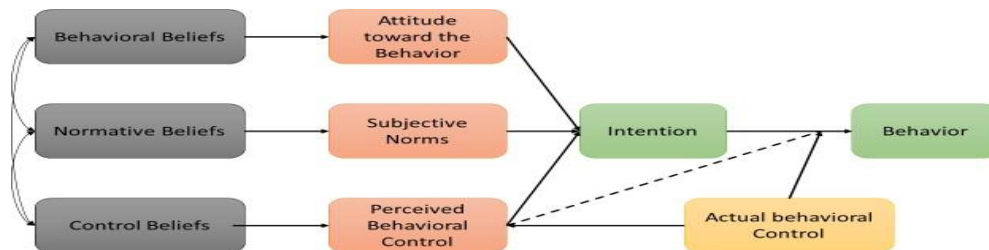


Figure 5. Scheme of the theory of planned behavior

TPB examines the relationship between various variables that ultimately influence the manifestation of a behavior. The intention to perform a behavior within TPB is a central factor, following behavioral variables. This intention reflects the strength of an individual's will or the effort they are willing to exert to act. The stronger the intention, the higher the likelihood that the action will be executed. (Ajzen, 1991). Behavioral intentions are shaped by three key variables: attitudes toward the behavior, subjective norms, and perceived behavioral control. Behavioral beliefs influence attitudes, subjective norms are determined by normative beliefs, and control beliefs shape perceived behavioral control. (Irawan et al. 2020).

If intention is the main factor that shapes attitudes towards behavior, then knowledge is the first antecedent to inform intention and attitude in behavior. In the context of this research, the higher the knowledge of financial literacy or the information a person has about Sharia banking products, the greater the intention and confidence to behave in making decisions using Sharia banking products. (Irawan et al. 2020).

Knowing the main factor that shapes individuals' intentions, attitudes, and behavior is also in line with research conducted by (Handida & Sholeh, 2018), which aims to investigate the influence of knowledge in controlling individual intention to make financial decisions. The research results show that the intention to make financial decisions will increase when consumers know about products and information as a social comparison (Handida & Sholeh, 2018). This is in the theory of planned behavior called different attention to social comparison information (ATSCI). As stated by the TPB, intention is not only influenced by attitudes and subjective norms but also the perception of knowledge possessed by the individual (Achmat, 2019). About this research, understanding Sharia financial literacy is very important in forming a person's knowledge, attitudes, and skills to make decisions using Sharia banking products.

As explained in previous research, the Theory of Planned Behavior is a framework that predicts human behavior based on knowledge, attitudes, and subjective norms. This theory is particularly relevant to this study, which aims to assess the influence of Islamic financial literacy on decisions to use Sharia banking products. The variables examined include financial knowledge, financial attitudes, financial skills, local wisdom, and religiosity, encompassing societal knowledge, traditions, and habits. The Theory of Planned Behavior is thus an appropriate model for exploring how financial literacy—comprising understanding, attitudes, behaviors, skills, and local wisdom—impacts the decision to use Sharia banking products.

### 3.5.2. Discourse on Sharia Financial Literacy Theory

Financial literacy significantly benefits individuals and families by enabling informed judgments and effective decisions based on accurate financial information. It assesses an individual's understanding of financial concepts and their ability and confidence to manage personal finances through prudent short-term choices and strategic long-term planning, taking into account different life stages and changing economic conditions (KNKS, 2019). According to the Financial Services Authority (OJK), financial literacy involves the knowledge, confidence, and skills that shape a person's attitudes and behaviors, thereby improving decision-making quality and financial management to achieve financial goals. (Armstrong, 2008).

The Organization for Economic Cooperation and Development (OECD) describes financial literacy as a blend of awareness, knowledge, skills, attitudes, and behaviors needed to make informed and effective financial decisions, enhancing individual financial well-being. (Angraini Octavia, 2020). According to Kim 2001 in Baiq Fitrianti (2018) Financial literacy refers to the fundamental knowledge and principles necessary for individuals to navigate and thrive in society. This knowledge includes effectively understanding the intricate principles of spending, saving, and investing (Fitrianti, 2018). Whereas according to Lusardi & Mitchell Anton (2022) explain that financial literacy is the knowledge that a person has regarding financial instruments, which includes knowledge about savings, insurance, investment, and several other financial devices (Priyo Nugroho & Marisa Apriliana, 2022). In short, financial literacy can be defined as the knowledge, attitudes, and financial skills a person possesses to achieve prosperity (Kartini et al., 2020). Literacy finance in understanding leads to finances in a personal way with individual life stage. Financial literacy will provide opportunities for individuals to have good information and correct and have confidence in making decisions in all aspects of budgeting, spending, and saving (KNKS, 2019).

Generally, researchers can conclude that financial literacy pertains to individuals' understanding, knowledge, and skills in effectively managing their finances. However, specific theories regarding Sharia financial literacy remain scarce. To clarify the definition of Sharia financial literacy, researchers interpret it as the understanding, knowledge, and skills required to manage finances according to Sharia principles. This encompasses areas such as savings, investment, debt, insurance, financial institutions, products, and related aspects

The aim of Sharia financial literacy is not only to broaden horizons and increase knowledge, understanding, and community participation but also then must be able to change community attitudes and behavior in managing finances better in the center population issue that signals the identity of Indonesian society as a consumerist society.

Apart from that, Sharia financial literacy encourages people to have the ability and intelligence to choose halal and profitable investments, in the middle, incessant fraudulent investment practices contradictory with Sharia financial principles. Understanding Islamic financial services involves grasping their functions, benefits, products, risks, and the rights and obligations associated with these services, particularly banking products. This understanding can provide solutions to everyday financial challenges faced by individuals.

Sharia financial literacy is a concept that is designed to improve the knowledge, attitudes, and skills of individuals and the entire community to better manage finances based on Islamic financial principles. In this context, it can be said that public knowledge about Islamic finance enables everyone to manage their finances relating to income and expenditure wisely by the



principles and basic principles of Islamic economic teachings, namely to eliminate elements such as usury, gharar, and maysir as Allah confirmed in his firm:

يٰۤاَيُّهَا الَّذِيْنَ ءَامَنُوْا لَا تَاْكُلُوْا الرِّبَاۤ اَضْعٰفًا مُّضَاعَفَةًۗ وَاتَّقُوا اللّٰهَ لَعَلَّكُمْ تُفْلِحُوْنَ

Meaning: O you who believe, do not consume usury in doubles and fear Allah so that you may gain profit (QS Ali-Imran verse 130).

Apart from the verse above, in another verse, Allah also emphasizes the Islamic prohibition against usury.

رَّبِّۙ فَانْتَهَىٰ ۚ فَلَهُ مَا سَلَفَ ۚ وَأَمْرُهُ إِلَىٰ اللّٰهِ ۗ النَّارُ ۗ هُمْ فِيْهَا خٰلِدُوْنَ  
 above آءَهُ مَوْعِظَةً مِّنْ  
 الَّذِيْنَ يَأْكُلُوْنَ الرِّبَاۤ ا لَا يَقُوْمُوْنَ اِلَّا كَمَا يَقُوْمُ الَّذِيْ يَتَّبِعْۙ

It implies that those who engage in usury are likened to those possessed by demons because of their irrationality. This stems from their misconception that buying and selling are equivalent to usury despite Allah permitting trading and forbidding usury. Those who heed the warning from their Lord and refrain from usury will have what they earned lawfully, and their affairs are entrusted to Allah. However, those who persist in usury are destined for Hell, where they will remain eternally. (QS Al-Baqarah verse 275).

The paragraph above is an aspect that is a distinguishing criterion between Islamic financial literacy and traditionalist and conventionalist financial literacy, in addition to the model used in the profit sharing process in Islamic financial literacy not only in the profit aspect but also at the time when between parties individual customers with the bank experience losses, so they suffer losses covered together.

As elaborated in the aforementioned theory, for a more thorough investigation into Islamic financial literacy, we can categorize the variable into distinct components. Subsequently, we will scrutinize each component based on indicators of Islamic financial literacy, which include the following:

a. Financial Knowledge (Financial Knowledge)

Epistemologically, knowledge finance comes from two root words: knowledge and money. knowledge is everything that humans know as a result of the interconnection between humans as subjects and nature as objects, which later on is embedded with the word money. The knowledge researchers can then interpret finance as everything humans know about money.

The Organization for Economic Co-operation and Development (OECD) defines financial literacy as the understanding of financial concepts and risks and the skills, motivation, and confidence to apply this knowledge effectively in financial decision-making. This competence enhances individual economic well-being and fosters societal prosperity by encouraging active participation in the economy. (Kusumawati et al., 2022).

According to Remund (2010), Financial knowledge refers to the depth of an individual's understanding of finance, encompassing their capacity and assurance in managing personal finances through prudent immediate choices and deliberate long-term financial strategies (Remund, 2010). Additionally, as Huston (2010) cited in Nanda (2019), financial knowledge encompasses comprehension of financial instruments and their practical application in business and social contexts.(Nanda et al., 2019).

From several theoretical bases, you can understand that the level of knowledge or understanding (financial knowledge) is related to information about the characteristics of financial institution products and services, behavior, attitudes, and even financial decisions. Next, as quoted from Teuku Syifa (2019), Chen and Volpe shared knowledge of finance into four indicators, including (1) knowledge of basic finance (basic financial knowledge) (2). Savings and loans (Saving and Borrowing), (3). Protection or (insurance) (4). Investment. According to Chen and Volpe, the four indicators above can be used to assess the financial knowledge capabilities possessed by an individual. Suppose someone understands the basics of finance, such as accounts, arranging expenditure and income, savings and loans, financial institutions, financial products, insurance, and investments. In that case, the individual can be seen as someone who has the ability to be knowledgeable about finances well (Nanda et al., 2019).

Then Carpena et al. (2011) show that financial knowledge has three dimensions: competency skills, basic financial understanding, and attitudes toward decision-making. According to him, background financial knowledge includes knowledge, education, and information about finance and its sources, such as banks and deposits, credit, insurance, taxation, and others.

According to Hilgert and Hogarth (2003), as quoted from Panghayo & Musdholifah, financial knowledge is the ability to have skills that make someone use money wisely, but it can also benefit the economy. (Panghayo & Musdholifah, 2018). Individuals with greater financial knowledge can make informed decisions that benefit their families. Moreover, they possess a deeper understanding of financial challenges and exhibit improved financial behavior. Therefore, enhanced financial knowledge correlates with better financial outcomes overall, meaning a person will better manage his finances. The following verses from the Qur'an also reinforce this:

**God bless you** وَلَا تَقْفُ مَا لَيْسَ لَكَ بِهِ عِلْمٌ إِنَّ السَّمْعَ وَالْبَصَرَ

Meaning: And do not follow something you do not know. Because of Isra's hearing, sight, and heart' Verse 36).

b. Financial Attitude (Financial Attitude)

According to Ajzen (1991), attitude is a positive or negative evaluation of a behavior. Financial attitude plays a crucial role in shaping consumer decisions, reflecting individuals' sentiments towards an object or their confidence in its various attributes and benefits. (Ruwaitdah, 2020).

According to the Tricomponent Attitude Model (Schiffman and Kanuk, 2010; Engel, Blackwell, and Miniard, 1995), as quoted by Asri Handayani, attitude consists of three components, namely cognitive, affective, conative (Handayani et al., 2019). Financial attitudes significantly influence how individuals approach their goals and develop personal plans. These attitudes encompass six key concepts:

Firstly, obsession refers to one's mindset and future orientation towards effectively managing money. Secondly, power involves using money as a tool for control and problem-solving. Thirdly, effort relates to feeling deserving of financial rewards based on personal contributions. Fourthly, inadequacy reflects a perpetual sense of financial insufficiency. Fifthly, retention signifies a tendency to avoid spending money

unnecessarily. Lastly, security represents a conservative perspective on money, preferring to keep it rather than saving or investing it elsewhere.

These attitudes collectively shape individuals' behaviors and decisions regarding money management and financial planning, influencing their overall economic well-being and future prospects. (Yayat Rahmat Hidayat & Pendidikan, 2019).

c. Financial Skills (Financial Skills)

Financial skills are individuals have to apply their financial knowledge for benefit. Ability is innate or normal in human nature, such as being self-potential. The potential in humans is the same, but many experts, one of whom is Muhammad Zain, believe that this potential can be honed and then developed according to talents and interests. This ability can be seen in the form of abilities and skills in financial skills. , the personal power of each individual to manage his finances well and effectively, which impacts the improvement of welfare. Financial skills relate to the ability to calculate financial institution products and services, such as interest, investment returns, fees, and penalties. The survey conducted by OJK used three components of financial literacy consisting of the level of knowledge and financial skills where the financial skills possessed by an individual will influence a person's financial attitudes and behavior while increasing knowledge will influence the individual's level of active participation in financial activities(Rozikin & Sholekhah, 2020).

### 3.5.3. Local Wisdom

Culture emerges from the foundation of noble values, attitudes, and enduring societal traditions deeply rooted within a community. In civilized societies, culture evolves through the consensus of local wisdom values. Local wisdom encompasses a spectrum of facts, concepts, beliefs, and perceptions individuals hold about their environment. It guides how communities observe and interact with their natural surroundings, solve problems, and validate information. According to Keraf (2002), Local wisdom encompasses a comprehensive array of knowledge, beliefs, understandings, insights, customs, and ethical values that guide behaviors within ecological communities. (Nova & Laras, 2016).

According to Hunaepi et al. (2016), local wisdom refers to local ideas, values, and wise perspectives, rich with wisdom and positive values, which are deeply ingrained and adhered to by community members. Essentially, local wisdom encompasses how knowledge is generated, preserved, applied, and managed for future transmission and inheritance. (Nova & Laras, 2016). Local wisdom possesses several distinct characteristics: it is rooted in experiential knowledge, tested over centuries of use, adaptable to contemporary cultural developments, integrated into everyday societal and institutional practices, commonly employed by individuals and the community at large, dynamic and evolving, and closely intertwined with belief systems. These traits collectively define local wisdom as a flexible and enduring community knowledge and values repository. (Nova & Laras, 2016). A notable characteristic of local wisdom is its emphasis on strong community solidarity towards the environment. In Islamic sociology, this principle is encapsulated in the theory of Ashabiyah (group solidarity theory), which embodies the concept of harmony akin to "al-jasad al-Wahid" — the practice of mutual protection, development of potential, mutual complementarity, and assistance among fellow community members. (Sofyan et al., 2021).

In a society rich in cultural diversity and values, the use of Sharia banking products is not only a financial choice but also reflects the strength of group solidarity and the cultural values adhered to. The concept of *asabiyah* introduced by Ibnu Khaldun provides valuable insight into understanding how these factors can influence individual decisions in choosing Islamic banking products.

In strong cultural groups, *asabiyah* becomes a social glue that binds individuals in a spirit of togetherness. In the context of Sharia banking, individuals who feel close to Islamic values and a culture that respects Sharia-compliant financial principles often feel compelled to choose banking products that are in line with their beliefs.

When we look at the decision to use Sharia banking products, we see a reflection of cultural identity. Individuals tend to choose products that reflect the values they hold dear. For example, someone who grew up in a culture that values fairness, sustainability, and adherence to Islamic principles may be more likely to choose Islamic banking to support and maintain those values.

The importance of environment and education in forming *asabiyah* and understanding sharia banking products cannot be ignored. The environment in which individuals grow up, along with the level of education they receive, can shape their perceptions of financial products. Support from the government and society for Sharia banking can also strengthen *ashabiyah*, creating a climate where these products are valued and considered relevant.

In marketing, a deep understanding of *asabiyah* and cultural influences is key. Marketing strategies that consider cultural values adapt messages to local cultural uniqueness, and infuse elements of togetherness in campaigns can be the key to success in attracting individuals to Islamic banking products. Thus, the use of Sharia banking products reflects rational financial decisions and expresses the cultural identity and spirit of togetherness that shapes and strengthens *asabiyah* in our society.

#### 3.5.4. The Role of Islamic Financial Literacy and Local Wisdom in the Decision to Use Sharia Banking Products

This section further discusses the results of the systematic literature review analysis data above, which the author has classified based on the literature review matrix related to the role of Sharia financial literacy and reviewed from financial knowledge, financial attitudes, financial skills, and local community wisdom to the decision to use sharia banking products. Of course, in this elaboration process, the author refers to the TPB theory and financial literacy both from the perspective of the OJK, OECD, and later, in this case, Remund and Huston, who argue that financial literacy consists of aspects of knowledge, attitudes, and skills possessed by society as follows.

##### a. The Role of Financial Literacy in the Decision to Use Sharia Banking Products

This research focuses on financial knowledge as a pivotal aspect of financial literacy theory concerning adopting Sharia banking products. According to a study conducted by Hermanita and Suci Hayati (2021) titled "Analysis of the Effect of Service Quality, Knowledge Level, and Islamic Financial Literacy Level on Muslim Community Decisions to Use Islamic Bank Services," the findings underscore that the financial knowledge variable significantly impacts decisions to utilize Sharia banking products. (Hermanita & Hayati, 2021).

Before interpreting the results of the hypothesis test mentioned earlier, it is crucial to re-examine the theory of financial literacy as an analytical framework. As Remund (2010) described, financial knowledge involves an individual's grasp of financial concepts and their ability and confidence in managing personal finances through prudent short-term decisions and strategic long-term financial planning. Furthermore, Huston (2010) expands on this by stating that financial knowledge also includes understanding financial instruments and their practical applications in business and social contexts. These definitions provide a foundation for analyzing the findings of the study conducted by Hermanita and Suci Hayati (2021) regarding the influence of financial knowledge on decisions to use Islamic bank services (Remund, 2010).

The Organization for Economic Co-operation and Development (OECD) defines financial knowledge as the understanding of financial concepts and risks and the skills, motivation, and confidence to apply this knowledge effectively in making informed financial decisions. This capability enhances economic prosperity for individuals and society as a whole, promoting active participation in the economy. (Kusumawati et al., 2022).

Based on the theoretical foundation outlined above, it becomes evident that one of the critical aspects of financial literacy is understanding and knowledge. Positively, higher levels of Sharia financial knowledge among the community correlate with stronger inclinations to use Sharia banking products. Conversely, lower levels of financial literacy in the Bima area diminish the likelihood of choosing Sharia banking products. This aligns with findings by Rachmatulloh, Dhepril Puradi, and Nihayatu Aslamatis Solekah (2021) in their study titled "Antecedents of Saving Decision at Sharia Banks: Islamic Financial Literacy, Religiosity, and Service Quality (Studies on Millennial Generation)," which demonstrates that Sharia financial literacy and service quality significantly influence decisions to save at Sharia banks. (Rachmatulloh & Solekah, 2021).

Sharia financial literacy plays a multifaceted role in using Sharia banking products that extends beyond technical knowledge. It involves a profound grasp of Sharia principles, such as the prohibition of usury, and assists individuals in selecting products aligned with ethical values. Financial literacy also aids in choosing products tailored to individual needs, facilitating informed investment decisions. Moreover, it addresses critical aspects like risk management. Individuals well-versed in financial matters can effectively identify and mitigate risks associated with Islamic banking products, encompassing investment and market risks.

With this knowledge, they can make more informed decisions. The importance of financial literacy is also seen in the active participation of individuals in the Islamic financial market. With a good understanding, individuals can contribute to the growth of the Islamic finance sector. In addition, financial literacy protects consumers by providing an understanding of their rights and obligations in using Sharia banking products. Financial literacy helps individuals make smart financial decisions that comply with sharia principles. By increasing financial literacy in society, it is hoped that a more financially conscious society will be created and contribute to the positive development of the Sharia financial sector.



Then, apart from the knowledge and understanding aspect of financial literacy theory, there is also the financial attitude aspect, which is also an indicator of a person's financial literacy. Empirical testing results using analysis structural equation modeling – partial least squares SEM-PLS in a study conducted by Salim, Fajriah, Suyudi Arif, and Abrista Devi (2022) with the topic Influence of Sharia Financial Literacy, Islamic Branding, and Religiosity on Students' Decisions to Use Sharia Banking Services shows that the financial literacy variable in the financial attitude aspect has a significant effect on the decision to use sharia banking products, the t-statistical data show this that the value of the financial attitude variable is 2.157 which her greater than 1.96 ( $2.157 > 1.96$ ) then the p-value is 0.031 so it is smaller than 0.05 ( $0.031 < 0.05$ ), which means that in this case, the individual's financial attitude has a significant influence on the decision to use banking products sharia, in another sense, the stronger the individual's financial attitude, the stronger the decision to use sharia banking products. Conversely, the weaker the individual's attitude towards Sharia banking products, the lower the decision to use Sharia banking products (Salim et al., 2021).

The role of attitude as part of financial literacy in the decision to use Sharia banking products is referred to in the context of this research. It has been explained by researchers based on previous theory by referring to the argument of Ajzen (2010) that Attitude is a positive or negative perception that a person has towards sharia banking products, while the positive or negative perception in question can be shown by feelings of liking or disliking, interested or not interested towards sharia banking products. This research shows that if someone feels that using Sharia banking products is positive, they will have a strong tendency to use them. compared to using conventional banking products, this is the cause the existence of something assessed positive attitudes towards Sharia banking which does not conflict with a person's internal condition of subjectivity or feelings, such as that the Sharia banking system operates based on Sharia principles, on the other hand, if someone has negative feelings towards sharia banking products, this will have implications for a low tendency to make decisions using sharia banking products, this argument is also strengthened by (Ida Royani Pasi, 2017) (Handida & Sholeh, 2018), (Rachmatulloh & Solekah, 2021).

The argument above is also supported by the theory of planned behavior, in which Ajzen states that a person will tend to do something that is considered positive and will not have a tendency to do something negative Ajzen (2012)(Mahyarni, 2013). Apart from that, the results of this research are also strengthened by the theory of consumer behavior expressed by Kotler & Keller (2016) that personality factors such as attitudes will influence a person's behavior in making a decision, the decision-making referred to in the context of this research is using sharia banking products (Keller, 2007).

Then this research is also in line with the results of research conducted by Aglis Andhita (2018) with the title factors that influence savings options in Sharia banking with religiosity as a moderating variable, which shows that attitude has a significant positive effect on the choice of saving in sharia banking. Apart from that, the results of this research are also consistent with the careful findings by Ida Royani Pasi (2017), Dewi Rafiah (2017), Humaira and Sagoro (2018) that financial attitudes have a significant positive effect on financial management decisions.

**b. The Influence of Local Wisdom on the Decision to Use Sharia Banking Products**

Hypothesis testing results from research conducted by Deni Danial Kesa (2019) with the topic Realization of community financial literacy and local wisdom: a case study on financial inclusion in Teluk Jambe Village Karawang West Java shows that the influence of local wisdom variables on people's decisions to use sharia banking products shows a t-statistic value of 2.527 where this value is greater than 1.96 ( $2.527 > 1.96$ ) and the p-value is 0.012 where the value is smaller than 0.05 ( $0.012 < 0.05$ ) which means that the local wisdom of the community in Teluk Jambe Village, Karawang, West Java shows that there is a significant influence on the local community's decision to use sharia banking products (Kesa, 2019).

The findings in this research show that local wisdom has a significant influence on the decision to use Sharia banking products, where this is contextual to the condition and existence of the Jambe Bay community, which is still very strong and strong, with nuanced aspects of cultural tradition values and local wisdom which are used as a basic reference and spirit in every community activity and behavior in the context of this research is included in this case is financial decision making behavior to use sharia banking products. These findings are also strengthened by the theory expressed by Mujahidin (2016). Local wisdom is defined as all forms of knowledge, beliefs, understandings, insights, customs, and ethics that guide human behavior within ecological communities. (Mujahideen, 2017).

The theory above strongly supports the results of this research, where the existence of local wisdom by the people of Jambe Kerawang Bay is used as a standard and reference for values in behavior. In this way, the people of Jambe Bay use local wisdom as a basis for behavior, in this case, namely deciding to use Sharia banking products because both in terms of fundamental values and principles, they do not conflict and have the same basis as the cultural traditions and local wisdom of the local community. In the sense that Sharia banking products are present to modernize the values and principles contained in the local wisdom of the community, with these basic similarities, the local community has a high decision to use Sharia banking products (Keller, 2007).

In the context of its presence, Sharia banking has a close connection between local values and Islamic principles, which form the basis of Sharia banking products, making local wisdom a key factor in product acceptance and adoption. First, Islamic banking products are considered more in line with local values influenced by culture and religion. Sharia principles that emphasize justice and sustainability have a strong resonance in the context of local cultural values. Therefore, people tend to view Islamic banking products as a form of financial service more consistent with their norms (Putri et al., 2021).

The involvement of local communities also strengthens public trust in Sharia banking products. Local wisdom plays a role in building social bonds and trust between individuals, which in turn motivates people to actively use Sharia banking services as an integral part of everyday life. Aspects of social and economic resilience are also influenced by local wisdom. Sharia banking products are considered financial instruments that support justice and equitable distribution, reflecting local wisdom values that emphasize the importance of shared prosperity. In this context, people tend to choose Islamic banking products as a tool to achieve financial goals that are in line with their values (Yudiana, 2018).

Furthermore, local wisdom often includes the values of sustainability and environmental preservation. Sharia banking products promoting responsible investment and fair transactions can be more accepted by communities prioritizing these local wisdom values. The influence of religious institutions in shaping people's views on Sharia banking products is no less important. Support from religious institutions strengthens the credibility of Sharia banking products and creates synergy between local religious values and Sharia financial principles. Thus, overall, local wisdom is not only a trigger but also a solid basis for the acceptance and use of Sharia banking products by the community. In establishing relationships with the community, Islamic banking institutions need to understand and respect local wisdom to ensure that their products and services not only meet financial needs but are also in harmony with local values and culture.

## CONCLUSION

In closing, in this literature journey, we realize that Sharia financial literacy and local wisdom are not just theoretical concepts but also practical modalities as forces that shape individual choices in using Sharia banking products. Understanding both roles can help us understand Sharia banking products as financial decisions not only on technical matters but also on a deep understanding of the principles of Sharia finance, Sharia financial products, governance, and financial risks. In addition, local values have fundamental values that are integrated with the operational principles of Sharia banking so that it becomes a meeting point between Sharia banking and local wisdom that is owned by the community so that people in choosing Sharia banking products as a financial decision are not only driven by values. Sharia is also greatly influenced by culture, so in the context of this research, the author views that local wisdom has a strong authority role in determining community financial decisions.

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