

THE INFLUENCE OF ISLAMIC FINANCIAL LITERACY AND ORGANIZATIONAL COMMITMENT ON THE DECISION TO USE ISLAMIC BANKS SERVICES CASE STUDY AT MUHAMMADIYAH SCHOOL IN MEDAN CITY

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Abstract: The purpose of this study is to examine and analyze the influence of Islamic financial literacy on and organizational commitment to the decision to use Islamic banking services in Muhammadiyah schools or madrasahs in Medan City. The variable measurement scale used in this study is to use ordinal scales, the sample of this study is as many as 60 Muhammadiyah schools/madrasahs. In the city of Medan with respondents in this study 60 principals of Muhammadiyah Schools/Madrasah in the City of Medan. Islamic financial literacy influences not affect the decision to use Islamic banking services, while organizational commitment does not affect the decision to use Islamic banking.

Keyword: Financial Literacy, Organizational Commitment, Islamic Banking Services

Introduction

Islamic banks statistics in January 2023 in Indonesia there are 13 units of Sharia Commercial Banks (BUS), 20 Sharia Business Units (USS), and 169 units of Sharia People's Financing Banks (BPRS). The growth of Islamic banking assets increases significantly every year, the total assets of BUS and UUS in 2023 will be Rp. 765.36 trillion in January 2023. (OJK, 2023). This development is certainly supported by various parties, both the government and Islamic organizations that continue to encourage Muslims to run a financial system in accordance with Islamic law.

Muhammadiyah as an Islamic organization based on the Quran and Sunnah has a commitment to the development and application of Islamic economic principles, including support for Islamic bank operations. Muhammadiyah has played an active role in encouraging the development of Islamic banking in Indonesia through education and counseling programs to increase public understanding and awareness about Islamic banking. The Central Leadership of Muhammadiyah has issued a circular number 31/PER/1.0/A/2020 concerning Islamic Banking, that all charitable companies are required to use financial transactions through Islamic banks.

This provision applies to all educational institutions, schools, madrasahs and universities that are managed as charitable enterprises of the Muhammadiyah company. The Regional Leadership of Muhammadiyah Medan City currently manages 60 schools and madrasahs, but from the observations and information obtained that there are still many school managers who are not aware of the circular letter regarding the obligation to carry out financial transactions using Islamic

banking services. Salary and wage payments are still paid in cash, because wages are still low even less than Rp.1,000,000. This information is interesting to study, how the knowledge of Muhammadiyah school administrators in Medan City about Islamic finance, including how committed they are to the instructions of the Central Leadership of Muhammadiyah (PP Muhammadiyah) regarding the use of Islamic banks in financial transactions in schools.

According to some literature, the decision to use Islamic banking services is generally influenced by religiosity, perception, motivation (Zuhirsyan & Nurlinda, 2021), service quality, environment (Hastharita, 2020), and understanding of Islamic finance (Ariska, 2019). The commitment is believed to have an impact on compliance with the rules (Mangoting et al., 2020), so that with high commitment from school managers should comply with the decision of PP Muhammadiyah in using Islamic banks. Understanding and knowledge about Islamic banks can be obtained through financial literacy, and the results will affect a person's behavior and attitude to make financial decisions (Gunawan et al., 2019).

The low of financial literacy does not only occur in Indonesia, in several states in the United States, especially for young people and women with low education levels (Lusardi & Mitchel, 2011). OJK data reveals that Islamic financial literacy in Indonesia is still low (Asyhad & Handono, 2017), with a literacy index of 9.14% and inclusion of 12% (Untari, 2023), even though Indonesian people are Muslims. This low Islamic financial literacy will have an impact on people's decisions to use sharia bank services, however, good sharia financial literacy does not guarantee that someone will use sharia bank services (Hakim & Muttaqin, 2020).

Financial literacy is a fundamental need that is very important for everyone to have in order to avoid various financial problems (Nurmala et al., 2021). Islamic financial literacy is important for school financial managers because the provisions of PP Muhammadiyah for school management in the Muhammadiyah business charity environment are required to use the services of Islamic banks. It is hoped that with the existence of sharia financial literacy and the commitment of Muhammadiyah school managers in Medan City, it will be able to influence decisions in using Islamic banks services in school financial management. Good financial literacy will result in the ability to do good financial planning and will have an impact in making the right decisions in planning and managing finances.

Literature Review

Islamic Financial Literacy

Financial management in accordance with Islamic principles for Muhammadiyah business charity is very important for, so that all individuals who are part of the business charity manager must have knowledge about Islamic finance. Various ways are carried out to improve Islamic financial literacy, organized through formal education activities, as well as by self-study through literature and learning videos about Islamic finance. A thorough understanding of Islamic finance will help make the right financial decisions in utilizing available Islamic financial products (Juliana, 2018)

Organizational Commitment

Organizational commitment is a form of loyalty of every individual who exists in an organization and has a strong desire to remain a member of the organization, willing to carry out every rule and policy set, and make maximum efforts to achieve organizational goals (Maskudi, 2021; Meyer et al., 1993). Organizational commitment describes attitudes and behaviors, and becomes a measure and assessment of the strength of an organization from each individual who

carries out duties and obligations to the organization (Maskudi, 2021) to the relative strength of individuals in identifying their involvement in parts of the organization.

Decision-Making

Alternative selection decision making in determining a particular course of action for the future, (Astini & Pasek, 2022) both individually and in groups. Hasan et al., (2012) who examined consumer decision criteria in choosing Islamic banks in Karachi, Pakistan found that influencing factors are transaction convenience, quality of bank services, religious motives, ATM availability, privacy and confidentiality, bank reputation, variety of financing options, high profits, low service costs, and recommendations from friends or family, as well as responsiveness from employees. The decision to use Islamic bank services is also influenced by the level of education, religious understanding, and knowledge of the concept of Islamic bank operations (Abdul Aziz et al., 2012; Iqbal et al., 2019)

Conceptual Framework and Hypothesis Development

People who have an understanding of finance with all aspects can easily improve the welfare of life and thus can also improve people's decisions about their choices. Based on a literature review, it was found that financial literacy will affect financial planning (Gunawan et al., 2019; Lusardi & Mitchel, 2011), and Islamic financial literacy influence the decision to use Islamic bank services such as opening savings accounts, time deposits, financing and other service products at Islamic banks (Hakim & Muttaqin, 2020; Handida & Sholeh, 2018).

H1: Islamic financial literacy has a positive effect on the decision to use Islamic bank services

Organizational commitment has a strong role in decision making and to improve organizational performance (Maskudi, 2021). In this study, it is estimated that organizational commitment will be able to influence school managers in deciding to use Islamic banks in transactions. PP Muhammadiyah's instruction through a circular letter on the use of Islamic banks in carrying out financial transactions will encourage and provide recommendations to all individuals in Muhammadiyah schools to save at Islamic banks.

H2: organizational commitment has a positive influence on the decision to use Islamic bank services

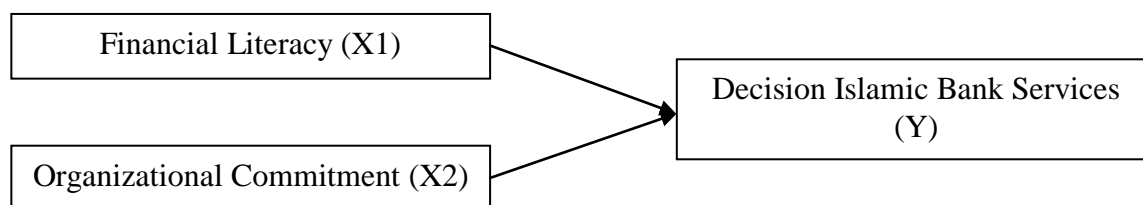


Figure 1. Thinking Framework

Method

The data collection was carried out by distributing questionnaires to school / madrasah managers within the scope of the Regional Leadership of Muhammadiyah Medan City including all school principals / madrasahs or treasurers and collected 60 respondents who filled out the questionnaire completely. Using ordinal scales and processed using the *SmartPLS program*.

Result and Discussion

Measurement Model Analysis (*Outer Model*)

A measurement model is a model that describes the relationship between construct variables and indicators to test the feasibility of construct validity and reliability. The loading factor value is said to meet the convergent validity requirement for a construct if the component or indicator correlates > 0.70 with the construct to be measured. The first outer model shows that the question items on LKS2 and LKS3 do not meet the requirements > 0.70 see figure (a), then retesting is carried out by issuing two question items that do not meet the requirements > 0.70 so that the validity such as figure (b) and question items can be declared to meet the criteria.

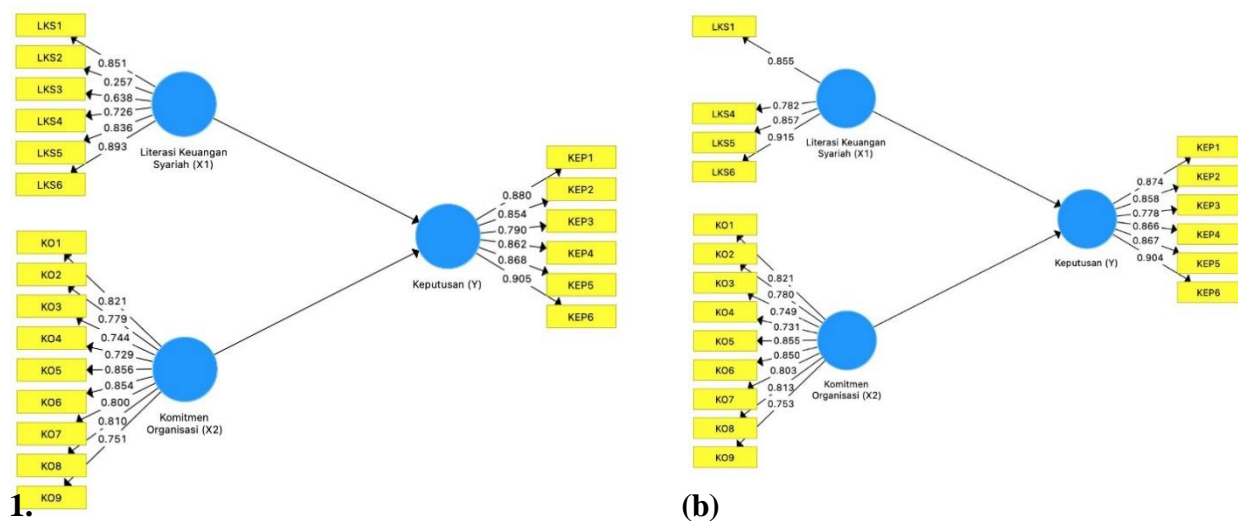


Figure 2. First Outer Model (a) and Outer Model After Meeting Convergent Validity Requirements (B)

Validity Test

The value of *the cross loading factor* to find out whether the construct has adequate discrimination is by comparing the loading value *on the construct must be greater than the loading value with other constructs*. This test can qualify if the correlation value of the variable with the variable itself is greater when compared to the correlation value of the variable with another variable called *Fornell-Larcker*. Table 1 shows that the correlation value of the three variables has a greater value when compared to itself than the correlation value with other variables, so that the *Fornell-Larcker Criterion* value has been qualified.

Table 1. Value of Loading Factor

	Results (Y)	Organizational Commitment (X2)	Sharia Financial Literacy (X1)
Results (Y)	0,859		
Organizational Commitment (X2)	-0,219	0,796	
Sharia Financial Literacy (X1)	0,094	-0,188	0,854

Reliability Test

Reliability tests are carried out as a measuring tool to measure a concept of respondent consistency in answering each question item in the research instrument. Table 2 informs that all *composite reliability values* > 0.70 then all variables have met the reliability requirements. Likewise, the results of reliability testing based on *Cronbach's alpha value* >0.70 and have met the reliability requirements

Tabel 2. Hasil Reliabilitas Konstruk

	Composite Reliability	Cronbach's Alpha
Keputusan (Y)	0,944	0,933
Literasi Keuangan Syariah (X1)	0,915	0,880
Komitmen Organisasi (X2)	0,939	0,933

Uji Structural Model (Inner Model)

Tabel 3 menunjukkan Nilai *R-Square* dari variabel Keputusan menggunakan layanan bank syariah (Y) adalah sebesar 0,051 yang artinya variabel Literasi Keuangan Syariah (X1) dan Komitmen Organisasi (X2) mampu mempengaruhi sebesar 0,51% termasuk dalam kategori lemah.

Table 3.R-Square Results

	Original Sample (The)	Sample Average (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Results (Y)	0,051	0,155	0,083	0,617	0,539

Analysis and Discussion of Hypothesis Test Results

The results of the hypothesis test in table 4 describe that the value of the regression coefficient of Islamic financial literacy shows a positive value of 0.055. It is assumed that if Islamic financial literacy increases by 1%, then the decision will increase by 0.055 assuming other independent variables are considered constant. The regression coefficient value in the organizational commitment variable of -0.209, shows the negative and opposite influence between organizational commitment to decisions. This means that if organizational commitment increases by 1%, decision making will decrease by 0.209 assuming that other variables are considered constant.

Table 4. Hypothesis Testing Results

	Original Sample (The)	Sample Average (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Shariah Financial Literacy (X1) -> Results (Y)	0,055	0,142	0,176	0,310	0,758
Organizational Commitment (X2) -> Results (Y)	-0,209	-0,217	0,198	1,055	0,296

Pengaruh Literasi Keuangan Syariah terhadap Keputusan Penggunaan Layanan Bank Syariah

The path coefficient value of 0.055 with probability value (p -values) = 0.758 > 0.05 and T -Statistics value of 0.310, and t count value smaller than t table (0.310 < 1.672) shows that this result does not succeed in proving the influence of Islamic financial literacy on decisions in using Islamic bank services. Islamic Financial Literacy does not have a significant effect on the decision to use Islamic bank services, this finding is in line with the results of Ilfita & Sophisticated, (2021) and Hakim & Muttaqin, (2020) Islamic financial literacy does not affect the decision to save at Islamic banks. Financial literacy is not the main factor for the public in using Islamic bank services, but rather the ease of transactions and access to services, including the value of religiosity (Zuhirsyah & Nurlinda, 2021). However, contrary to the findings of Jaelani & Mutaqin, (2023), Astini & Pasek, (2022), Iqbal et al., (2019) and Handida & Sholeh, (2018) who suggest that financial literacy and understanding of Islamic finance will affect the choice of transactions at Islamic banks.

Pengaruh Komitmen Organisasi Terhadap Keputusan

The findings of the hypothesis test results in table 4 are known that the value of the path coefficient is -0.209 and the P -Values value is 0.296 > 0.05 with a t -Statistics value of 1.055 and t count is smaller than t table (1.055 < 1.672). This research has also not succeeded in finding the influence of organizational commitment on the decision to use Islamic bank services. The reputation of banks and technological advances and their availability (Syafri et al., 2020), the online service system and facilities provided, more dominantly influence the decision to use Islamic bank services (Abdul Aziz et al., 2012)

Table 5. Hypothesis Testing Results

	Hipotesis	Result	Information
H1	Islamic financial literacy has no negative influence on decisions	Coefficient : 0,055 T-statistics : 0,310 P-value : 0,758	Rejected
H2	Organizational commitment has no negative effect on decisions	Coefficient : -0,209 T-statistics : 1,055 P-value : 0,296	Rejected

Conclusion

Overall, this study has not succeeded in finding the influence of financial literacy and organizational commitment on the decision to use Islamic bank services in schools and madrasahs managed by the Regional Leadership of Muhammadiyah in Medan City. Some factors that can be explained to support this result are on average because financial transactions managed by schools and madrasahs are still relatively small, so most schools still use cash transactions, teacher salaries are still low on average below the provincial minimum wage, so salary payments from the treasurer are also still given in cash. Other factors are also caused by the lack of knowledge or attention of individuals to the concept of Islamic finance or the principles underlying Islamic banking. On the other hand, related to school commitment to the rules and regulations of PP Muhammadiyah also cannot be stated as a form of non-compliance and non-commitment, but rather on conditions that are indeed the main obstacle. The school and madrasah management admits that all transactions

ranging from salary payments, purchases or receipts of tuition fees and other income are required to use Islamic bank services, even though the amount of transaction value only ranges from Rp 50000 to Rp 100000 will be very troublesome for the school management.

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