

# Sharia Finance Literacy and Determinants on Creative Economy

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## ABSTRACT

This study was aimed to discover the literacy rate of sharia finance and the determinants on Creative Economy actors, case study in Yogyakarta Special Region. This was a quantitative study with descriptive statistics as the analysis method. The sample of data was taken in November 2018-January 2019 toward creative economy actors in small and medium enterprises level (SME). The independent variables that were used include gender, age, education level, and length of business, while the dependent variable was literacy rate of sharia finance. The results of this study have indicated that the creative economy actors in Yogyakarta Special Region were categorized as sufficient literate, and there are many of them who included in less literate category. The variables of gender, age, education level, and the length of business have significant impact toward the literacy rate of sharia finance on creative economy at the scale of SME in Yogyakarta Special Region.

**Keywords:** *Sharia financial literacy, Creative economy, Small and medium enterprises.*

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## 1. INTRODUCTION

Financial literacy is the combination of knowledge, awareness, skills, attitude, and behavior of individuals in taking financial decision with a purpose to achieve prosperity (Fraczek and Klimontowicz, 2015). The improvement of financial literacy becomes the crucial thing in creating a quality community. The objective of this comprehension is to avoid mistakes in financial management and decision making which expected to be able of providing positive impacts for economic cycle. Financial literacy is considered as an essential part to suppress the financial crisis which currently becomes a serious concern. This condition cannot be separated from the concern of the population growth as well as the emerging development of financial market. The lack of financial literacy is admitted as one of the factors that contributing to the minimum information of financial decision, therefore, this condition could emerge negative impacts (OECD, 2009). The concept of financial literacy includes knowledge regarding financial concept, the capability in understanding the communication regarding financial concept, the proficiency in managing personal/company finance, and the capability of implementing financial decision in a specific situation.

In the literature of business and entrepreneurship, the lack of knowledge and access toward financial resources has been associated with the incapability of companies to achieve their goals (Beck *et al.*, 2005; Hutchinson and Xavier, 2006; Malo and Norus, 2009; Coad and Tamvada, 2012) and the limited freedom of managers in taking strategical actions (Wiklund *et al.*, 2009). Other literatures also affirmed that financial literacy and inclusion will be able of improving the company growth (Cooper *et al.*, 1994; Storey, 1994; Forbes Insights, 2011). Along with the rapid development of financial market, sharia-based financial market was emerged besides the conventional financial market. Muslims are the majority of citizen in Indonesia. This condition is aimed to encourage the community to shift toward sharia financial market industry in which the applied system is referring to the sharia laws. Sharia financial literacy is the capability of someone to use the financial knowledge, skill, and attitude in managing financial resources based on the teachings of Islam (OECD, 2012) wherein financial aspects lie within it such as financial and property management, allocation and the method of investment, social aspects which include waqf, infaq, sadaqah, and zakat. Islamic financial activities are mostly organized by Islamic Bank. Islamic Bank is the part of Islamic Finance. This Islamic Bank is the sharia-based Bank which commonly mentioned as fiqh muamalah (the rule of conducting transaction in Islam). The rule and regulation of fiqh muamalah are based on the sources of Islamic Law, including Quran, the Sunnah, ijma, qiyas, and ijtihad (Purnomo, 2016).

The occurrence of creative economy in the world economy was actually initiated from the shift of west world orientation, namely from agriculture to industrialization era which then followed by the information era that accompanied by various new discoveries in the sector of information and communication technology as well as the economic globalization. The emergence of creative economy in the world economy was actually began from the availability of participants in the globalization of economy (Sidauruk, 2013). Developed countries continue to realize that they can no longer rely on the supremacy in industrial sector, they have to depend more on creative human resources, therefore, new era of economy was beginning in 1990s which intensified information with creativity that popularly known as the creative economy droved by the industrial sector which being called as the creative industry. In principle, creative economy is the manifestation and effort of finding the sustainable development through creativity in which the meaning of sustainable development is an economic climate that competitive and has the supply of renewable resources (The Ministry of Trade, 2017). Specifically, the sector of creative economy is believed as capable of providing contribution on poverty eradication effort through the provision of employment (Carrer and Klomp, 1996; Adomako *et al.*, 2016).

The role of creative industry in Indonesian economy has been quite significant, since 2010, the creative industry has contributed on the increasing number of company, in addition, the role is also seen from the increasing

number of annual contribution of creative economy sector toward Indonesian GDP, namely Rp. 784.82 trillion in 2014; 852.24 trillion in 2015, and 922.58 trillion in 2016. Reviewed from the export perspective, according to the estimation of subsector classification, thus, the contribution of creative economy toward the total average of export was amounted to 7.44% during 2014–2016 (The Ministry of Trade, 2017). The creative economy in Indonesia has a significant opportunity toward national economy, business establishment, and support on nation image and identity even though the confronted challenges have been realized. Big role offered by creative economy is not only the optimization of renewable and unlimited resources but also ideas, talents, and creativities. The direction of creative industry development is focused on the creative culture of business field, creative business filed or intellectual property right which emerges continuously along with the collaborations from governmental, entrepreneurs, communities and academics sector or what known as quad helix (British Council, 2010).

Yogyakarta Special Region is one of the regions in Indonesia with cultural and tourism diversities, this condition has made Yogyakarta Special Region as one of the tourist destination provinces, 400,673 visitors have been recorded which consist of 370,176 local tourists and 30,497 foreign tourists. In addition, 17,866 Small and Medium Enterprises (SMEs) have been established which spread among five regencies. These conditions of tourism sector can be utilized to develop Small and Medium Enterprises for several sectors, especially the creative industry sector. Even, some commodities as the products of industries are marketed toward the international market. In general, creative industry is frequently experiencing setback on its development. This condition is a result of various conventional issues that cannot be completely solved (closed loop problems), such as the issues of human resources capacity, ownership, funding, marketing, and other issues associated with business management, therefore, the creative industry find difficulties in competing with big companies (Abor and Quartey, 2010).

The creative industry tends to have short-term orientation in the decision making of the business. This condition can be seen from the absence of sustainable innovation concepts and inconsistent business core activities. Eventually, the development of long-term performances of creative industry tends to be stagnant and poorly directed (Manurung and Barlian, 2012). Due to that matter, strategic efforts are required to improve the performances and the sustainability of creative industry. One of the efforts that can be done is by enriching the knowledge of creative industry actors regarding financial knowledge, therefore, the management and accountability will be more accountable in similar to big companies. Literatures have confirmed that the capability of companies in recognizing and accessing financial resources will affect the growth rate (Binks and Ennew, 1996; Bygrave and A., 2008; Grande *et al.*, 2011). The importance of financial management conducted by the company's owner is really influential, starting from the acquisition of capital sources, financial management and the fulfillment of the responsibility are crucial in which these elements will affect the sustainability of the creative industry itself for the future. This research was aimed to analyze the literacy rate of sharia finance and the determinants on creative economy actors in Yogyakarta Special Region. This research is expected to provide inputs toward stakeholders regarding the importance of improving financial literacy for business actors, especially in creative industry.

## **2. METHOD**

This study was designed through mixed method as the research approach which combines or associates the forms of qualitative and quantitative (Creswell, 2009). The subject in this research as the creative economy actors in Yogyakarta Special Region which amounted to 54 respondents. The data that used were primary data obtained through interview, questionnaire, and observation. The data collecting technique in this research was through questionnaires which formulated with 1 to 5 Likert's scale. Descriptive analysis was used to interpret the data of respondents while the formulation model of multiple linear regression was used to test the hypothesis.

### 3. RESULTS AND DISCUSSION

#### 3.1. Financial Literacy Rate of Creative Industry Actors in Yogyakarta Special Region

The processing results of the questionnaire provided toward 54 respondents have produced the average number of sharia finance literacy rate of creative industry owners in Yogyakarta Special Region which categorized as sufficient literate, according to Financial Services Authority (OJK), the sufficient literate is only having knowledge regarding the financial service institution, financial product and service. The measurement of this literacy rate includes several aspects, namely: basic financial knowledge, saving and borrowing, investment, and insurance, and the financial literacy rate of someone is seen from the understanding.

**Table-1. The Sharia Financial Literacy Rate.**

Rate of Sharia Financial Literacy	Frequency	Percent
High	20	37.0
Medium	23	42.6
Low	6	11.1
Very Low	5	9.3
<b>Total</b>	<b>54</b>	<b>100.0</b>

Source: primary data, processed 2019.

According to Table 1, it can be expressed that there are 20 people who categorized as well literate with 37% rate, there are 23 people who categorized as sufficient literate with 42.6% rate, and then, there are 6 people who categorized as less literate with 11.1% rate, and 5 people who categorized as not literate with 9.3% rate. Supported by the survey results conducted by OJK in 2016, Yogyakarta Special Region has the third highest rate of financial literacy in Indonesia or amounted to 38.55%.

#### 3.2. Hypothesis Test

The regression which has more than one independent variable should apply t test. The regression analysis through t test is used for the examination toward the hypotheses which conducted by comparing the significance level (Sig t) of each independent variable with sig  $\alpha = 0.05$ . If the value of Sig t is smaller than  $\alpha = 0.05$ , thus, the hypothesis is accepted, it means that the independent variable has significant impact toward the dependent variable. Moreover, if the value of Sig t is bigger than  $\alpha = 0.05$ , thus, the hypothesis is rejected, it means that the independent variable has no significant impact toward the dependent variable.

**Table-2. The t-Test Analysis.**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	114.433	6.497		17.614	.000
Gender	2.640	2.220	.168	1.189	.040
Age	1.554	2.324	.160	.669	.007
Education	1.326	1.059	.178	1.253	.016
Length of Business	.038	2.101	.004	.018	.036

Source: primary data, processed 2019.

The t-test analysis in Table 2, shows the variables of gender, age, education, and the length of business toward literacy rate of sharia finance of creative industry owners in Yogyakarta Special Region. This condition can be seen from the sig t value in which each variable owns sig t value which smaller than 0.05. On the variable of gender, the significance t value is 0.040 which means that gender is having significant impact toward financial literacy. The variable of education has 0.016 of t-significance value which means that education has positive and significant

impact toward dependent variable. The length of business which has 0.036 significance value also means that the length of business has significant impact toward financial literacy.

### *3.3. The Understanding of Literacy Rate of Sharia Finance Based on the Types of Creative Industry*

Based on the hypothesis test through multiple linear regression method by using SPSS IBM Version 20 software, it is known that there are significant impacts of the variables of gender, age, education, and length of business toward the literacy rate of sharia finance of creative industry owners in Yogyakarta Special Region. This finding is inline with the results of research conducted by [Bünyamin and Mutlu \(2017\)](#) and [Abdullah and Wahab \(2017\)](#). The knowledge sharing to the creative industry is not merely emerging from the government, academics, or big business, however, knowledge sharing between creative industries could become the main key success of creative industry in developing amidst global trading era. It is crucial to realize the need of intra-cooperation between creative industries to achieve the capability of mutually completing each other. Creative industry has quite unique characteristics to face the changes in the environment of business and stakeholders. This business sector tends to be more cooperating than competing in the relationship among the business actors ([Kumar et al., 2012](#)). Based on the statistic analysis, the literacy rate of sharia finance is still categorized as sufficient literate, and there are many of them who included in less literate category for the creative industry owners in Yogyakarta Special Region. During the field data collecting, information was acquired in which the socialization of sharia financial institution is still lacking and the incomprehension of sharia financial system become the main reason of low literacy rate of sharia finance.

## **4. CONCLUSION**

According to this study, thus, there are several conclusions that can be taken, the literacy rate of sharia finance on creative industry owners in Yogyakarta Special Region is still categorized as sufficient literate, and there are many of them who included in less literate category. The independent variables such as gender, age, educational background, and length of business have significant impacts toward the literacy rate of sharia finance.

The attention from various actors including the government and Sharia Financial Institution to provide understanding with methods that compatible with the background of education is crucial to give knowledge regarding sharia finance literacy either in life or in business management, this condition will enhance the literacy rate of sharia finance on creative industry owners in Yogyakarta Special Region and will encourage the use of the available sharia finance institutions.

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