

Analysis of Sharia Financial Literacy in Increasing the Use of Sharia Financial Institution Investment Products in Lhokseumawe City

Naizatul Afni¹ and Ali Muhayatsyah²

^{1,2} *Sultanah Nabrasiyah State Islamic University Lhokseumawe, Aceh, Indonesia*

naizatulafni6@gmail.com

Sharia
Financial
Literacy

44

Received 14 May 2026

Revised 18 May 2026

5 June 2026

Accepted 10 June 2026

ABSTRACT

Purpose – This study aims to analyze the level of Islamic financial literacy among the people of Lhokseumawe City and its influence on the use of Islamic investment products.

Design/methodology/approach – This study employs a quantitative method with a logistic regression approach. Data were collected from 400 residents of Lhokseumawe City across four sub-districts—Blang Mangat, Muara Dua, Muara Satu, and Banda Sakti—determined using the Slovin formula.

Findings – The results indicate that: (1) the level of Islamic financial literacy among the community is categorized as moderate, with variations in knowledge, attitudes, and behavior related to Islamic finance; (2) Islamic financial literacy has a significant effect on the use of Islamic investment products in Lhokseumawe City.

Research limitations/implications – This study is limited to respondents within Lhokseumawe City and focuses on quantitative analysis. Future research is recommended to expand the geographical scope and incorporate qualitative approaches to gain deeper insights into behavioral aspects of Islamic financial literacy.

Practical implications – The findings highlight the need to enhance education and socialization programs related to Islamic finance in order to promote broader financial inclusion and encourage greater use of Islamic investment products.

Originality/value – This study contributes to the literature by providing empirical evidence on the role of Islamic financial literacy in influencing investment behavior at the local level, particularly in Lhokseumawe City, offering insights for policymakers and financial institutions in developing targeted literacy programs.

Keywords: Islamic Financial Literacy; Islamic Investment Products; Financial Inclusion; Logistic Regression.

Paper type: Research paper.

I. INTRODUCTION

The Islamic finance industry in Indonesia has experienced rapid growth in recent decades. With the world's largest Muslim population, Indonesia has enormous potential to develop an Islamic financial system, particularly in the banking and investment sectors (Rafiuddin et al., 2024). However, the level of Islamic financial literacy among Indonesians remains relatively low compared to conventional financial literacy, resulting in low public participation in Islamic investment products such as mudharabah deposits, sukuk, and Islamic mutual funds (Tulwaidah et al., 2023).

As a country with a Muslim majority, Islamic financial literacy is an interesting topic to study, where logically, with a high population density, the level of Islamic financial literacy should show good figures (Solikin et al., 2022). Aceh Province is known as the only region in Indonesia that implements Sharia law in various aspects of life. Among Aceh's cities, Lhokseumawe has significant potential for developing the Sharia financial industry. This is supported by the presence of various Sharia financial institutions, both banks and non-banks, such as Sharia cooperatives, Sharia insurance, and Sharia microfinance institutions. The presence of these institutions provides.



Meuseuraya Journal Of
Islamic And Sustainable
Development
Vol.1 No.4, 2026
pp.44-57
UIN Sultanah
Nabrasiyah Publishing
DOI:xxx.xxx

alternative financial services that align with Islamic principles, particularly in the investment sector. For example, with the existence of Bank Syariah Indonesia (BSI) and Bank Aceh Syariah, the public should have easier access to various sharia investment products. However, to date, there has been no academic research specifically examining the level of sharia financial literacy in the Lhokseumawe community, particularly regarding the use of sharia investment products such as mudharabah deposits, sukuk, or sharia mutual funds (Jannah et al., 2024).

The importance of Islamic financial literacy is not only an individual need but has also become part of national policy. This is evident in the implementation of the Indonesian National Financial Literacy Strategy (SNLKI) 2021-2025 issued by the Financial Services Authority (OJK), which aims to improve public financial literacy, including Islamic finance. Furthermore, Law No. 21 of 2011 concerning the OJK mandates the OJK to protect financial services consumers through education and literacy development. Therefore, improving Islamic financial literacy is a crucial part of promoting Islamic financial inclusion nationally and regionally (Izzany, 2025).

Table 1.1
Comparison of
Sharia and
Conventional
Financial
Literacy and
Inclusion Levels

Region	Types of Finance	Literacy (%)	Inclusion (%)
National (2022)	Conventional Finance	49.68%	85.10%
	Islamic Finance	9.14%	12.12%
National (2025)	Conventional Finance	66.45%	79.71%
	Islamic Finance	43.42%	13.41%
Aceh (2019)	Islamic Finance	18.64%	41.45%

Source: Financial Services Authority

According to the 2022 National Survey on Financial Literacy and Inclusion (SNLIK) by the Financial Services Authority (OJK), the national Sharia financial literacy rate is only 9.14%, with inclusion at 12.12%. Even by 2025, despite an increase in literacy to 43.42%, the inclusion rate will only rise to 13.41%, far behind conventional finance, which achieved 66.45% literacy and 79.71% inclusion. (Otoritas Jasa Keuangan, 2022). In Aceh, the only province to formally implement Sharia law, the Sharia financial literacy rate in 2019 reached 18.64% with an inclusion rate of 41.45%. These figures further demonstrate the need for increased public education and understanding regarding Sharia finance (Badan Pusat Statistik, 2025).

Limited Islamic financial literacy prevents the public from fully utilizing Islamic investment products optimally. Many individuals still struggle to differentiate between Islamic and conventional products, making them hesitant to invest in instruments such as mudharabah deposits, sukuk, or Islamic mutual funds. Consequently, despite increasing access to Islamic financial institutions, public participation in Islamic investment remains low. (Nuraini, 2019). In Lhokseumawe City, for example, financial institutions such as Bank Syariah Indonesia (BSI) and Bank Aceh Syariah already offer various Islamic-compliant investment instruments, but these are not yet fully utilized by the public due to limited understanding. Therefore, improving Islamic financial literacy is key to encouraging the public to be more confident and wise in making investment decisions in accordance with Islamic principles, so that the development of the Islamic financial industry can go hand in hand with increased public investment participation (Sa’adi, 2021).

II. LITERATURE REVIEW

2.1 Sharia Financial Literacy

Sharia financial literacy is a key concept in the study of modern Islamic economics. Generally, financial literacy can be understood as an individual's ability to understand, manage, and make appropriate decisions regarding their financial activities. Sharia financial literacy is defined as the understanding and use of financial concepts and products in everyday life (Safirah, 2022). From a financial perspective.

In Islam, Islamic financial literacy can be defined as an individual's ability to understand sharia-compliant financial principles and then apply them to financial management, both personally and institutionally. Therefore, Islamic financial literacy focuses not only on mastering financial knowledge but also on applying that knowledge in accordance with the guidance of the Quran, Hadith, and religious edicts. (Garbo et al., 2024) .

In Indonesia, the Financial Services Authority (OJK) defines financial literacy as the knowledge, skills, and beliefs that influence a person's attitudes and behaviors in improving decision-making and financial management to achieve well-being. Within the framework of sharia, these knowledge, skills, and beliefs must align with Islamic values, such as the prohibition of usury (riba), gharar (uncertainty), and maysir (speculation). Thus, sharia financial literacy can be understood as financial awareness that is oriented not only toward worldly gain but also toward blessings and adherence to sharia principles.(TP2S, 2021).

Sharia financial literacy encompasses several important dimensions. First, there is knowledge, which refers to the extent to which an individual understands the principles of Islamic finance, transaction contracts, and the characteristics of sharia products such as mudharabah deposits, sukuk, or sharia mutual funds. Second, there is understanding, which refers to the extent to which an individual understands financial principles, contracts, and investment characteristics. Third, there is attitude, which refers to a person's tendency or preference to choose sharia financial products over conventional ones, based on belief in the superiority of the sharia system. Third, there is behavior, which refers to concrete actions in managing finances in accordance with sharia, such as setting aside funds for zakat and selecting halal investment instruments. Thus, sharia financial literacy is a comprehensive concept, encompassing cognitive, affective, and conative aspects (Hidayah, 2021).

In practice, Islamic financial literacy is crucial amidst the growing Islamic financial industry, particularly in Indonesia, where the majority of the population is Muslim. Lack of understanding of Islamic financial concepts makes some people hesitant to utilize Islamic products, despite increasingly easy access. For example, many still don't understand the fundamental difference between conventional interest-based deposits and profit-sharing mudharabah deposits. This situation demonstrates that the definition of Islamic financial literacy should not be merely theoretical but must also be internalized in public awareness so they can choose financial products that align with religious values.(Pancarani, 2024).

Referring to the various definitions above, it can be concluded that Islamic financial literacy is a comprehensive capability encompassing knowledge, understanding, attitudes, and skills in managing finances based on Islamic principles. This literacy not only teaches how to manage finances more productively but also how to ensure that financial activities remain within the framework of Islamic law. Therefore, the concept of Islamic financial literacy is not simply synonymous with financial intelligence but also encompasses the integration of economic skills and religious devotion.

2.2 Levels and Indicators of Islamic Financial Literacy

This study also adopts the Islamic financial indicators from previous studies which were modified from Chen & Volpe (1998), namely: The Islamic financial literacy indicators function to assess the extent to which the community understands and practices appropriate financial principles.

with Islamic law. This thesis explains that there are four main indicators: knowledge, understanding, attitude, and behavior. These four indicators complement each other to provide a comprehensive picture of the community's level of Islamic financial literacy (Chen & Volpe, 1998). This study uses Islamic financial literacy indicators that have been adapted to the research context. Chen and Volpe (1998) proposed four indicators of financial literacy: knowledge, savings, investment, and insurance. However, in this study, these indicators were modified to include knowledge, understanding, attitude, and behavior. This change in indicators was made because the research focused on the community's Islamic financial literacy, so the aspects of understanding and attitude were deemed more relevant than the savings and insurance indicators.

The first indicator is knowledge , which reflects the extent to which an individual understands the basic concepts of Islamic finance. For example, knowledge of the difference between interest and profit sharing, an understanding of Islamic contracts such as *mudharabah*, *musyarakah*, or *murabahah*, and knowledge of Islamic investment products available at financial institutions. This knowledge is a crucial foundation because without adequate information, people tend to have difficulty distinguishing Islamic products from conventional ones (Asyifa, 2020). Second is understanding , namely the ability to interpret existing knowledge and relate it to real-world practice. A person may be aware of *mudharabah* deposit products, but understanding them is only considered to be complete if they understand the profit-sharing mechanism, the risks involved, and their advantages compared to conventional instruments. This understanding requires analytical skills so that individuals can make more rational financial decisions in accordance with Islamic principles.(AL-ADAWIYAH, 2022).

The third indicator is attitude , which describes an individual's value orientation and inclination toward Islamic financial products. A positive attitude is usually demonstrated by a preference for Islamic products because they are believed to be more in line with religious teachings, bring blessings, and provide a sense of moral and spiritual security. This attitude serves as a bridge between knowledge and behavior. (Rodoni & Djami, 2022).Finally, there is behavior , namely the concrete application of knowledge, understanding, and attitudes in daily life. Islamic financial literacy behavior can be reflected in the habit of saving in Islamic banks, investing in *sukuk*, or fulfilling *zakat* obligations. These behaviors are concrete forms that a person's literacy has been internalized in their financial activities. (Dzulhijrah et al., 2025). By measuring these four indicators, researchers can obtain a complete picture of the extent to which Islamic financial literacy is understood and implemented by the community, so that the results can be used as a basis for formulating strategies to improve literacy in the future.

2.3. Investment

Investment is essentially the activity of investing funds or assets with the expectation of future profits. Many experts define investment as a commitment to invest a certain amount of funds now with the aim of achieving a return in the future. In a general context, investment is not limited to the placement of capital in the form of money, but can also take the form of real assets such as land, gold, or property, which are expected to provide added value in the future. Investment is a crucial instrument in economic development because it encourages capital turnover, job creation, and the growth of social welfare (muna dahlia, 2020). In Islamic finance studies, the concept of investment has a broader meaning because it emphasizes not only material gain but also blessings and adherence to Islamic principles.

The goal is not only to gain worldly benefits, but also as a form of worship because it follows sharia rules. Thus, sharia investment emphasizes a balance between economic and spiritual aspects (Al-mustafa, 2023). Investments can be made by individuals, companies, and governments. For individuals, investment is a means to manage finances, prepare for the future, and maintain financial stability. Meanwhile, for companies, investment is related to business expansion or increasing production capacity. As for governments, investment is often realized in the form of infrastructure development and public projects that can stimulate economic growth. (Yuda Pratama, 2021). In practice, investment is divided into two main forms: short-term and long-term investments. Short-term investments generally have a high level of liquidity with low risk, for example deposits. Meanwhile, long-term investments such as bonds, stocks, or property require a longer time to generate profits. Both conventional and sharia investments have the same goal, namely to provide added value for capital owners, but the mechanisms differ according to the underlying principles (Sari et al., 2023).

2.4 Types of Sharia Investments

Sharia investment is a form of capital investment conducted in accordance with Islamic principles, thus avoiding elements of usury (riba), gharar (gharar), and maysir (gambling). Types of Sharia investment are quite diverse, including mudharabah deposits, where customers deposit funds and profits are shared according to an agreed-upon ratio; sukuk (Sharia bonds), which are securities based on real assets; Sharia mutual funds that manage investment portfolios in accordance with Sharia principles; and Sharia stocks issued by companies listed on the Sharia Securities List. Furthermore, there are Sharia-compliant gold and property, which are considered halal as real investment instruments (Lestari et al., 2025).

Sharia financial literacy plays a crucial role in determining the extent to which people are able to utilize sharia-compliant investment products. People with high levels of literacy generally have a better understanding of basic sharia principles, the types of products available, and the risks and benefits inherent in each instrument. With this knowledge, they are more confident in investing in halal products such as mudharabah deposits, sukuk, sharia mutual funds, or sharia-compliant stocks. This is in line with various studies showing a positive and significant relationship between sharia financial literacy and investment decisions (wahyu rahmaton, 2019).

Conversely, low levels of Islamic financial literacy often discourage people from investing in Islamic products, even when they are available through financial institutions. Many still assume that interest is the same as profit sharing, or consider Islamic products to be more complicated and less profitable than conventional ones. This lack of understanding leads to low public participation in Islamic investments, hindering the optimal development of Islamic financial inclusion (wahyu rahmaton, 2019). Therefore, Islamic financial literacy can be seen as a prerequisite for increasing public participation in Islamic investments. The better a person's literacy, the more likely they are to choose products that comply with Islamic law. This increased literacy not only impacts individuals but also strengthens the Islamic financial industry nationally, as more public funds are allocated to halal and productive investments.

III. METHODS

3.1 Research Design

This study uses a quantitative method with a descriptive approach. This approach was chosen because the research aims to determine the relationship and influence between Islamic financial literacy as an independent variable and the use of Islamic investment products as a dependent variable. The quantitative approach allows researchers to obtain measurable data that can be analyzed statistically to answer the research questions and test the validity of the findings.

Hypothesis. The population in this study was the 191,396.00 people of Lhokseumawe City. The sample was determined using the Slovin formula, resulting in a sample size of 400 people. The sampling technique used was accidental sampling, which uses certain criteria. The collected data will be analyzed using descriptive statistics, with each correct answer divided by the total number of questions and then multiplied by 100%. Each correct answer is given a score of 1, and each incorrect answer is given a score of 0. The following formula is used to determine the classification or grouping of Islamic financial literacy:

distribution of Islamic financial literacy levels =
$$\frac{\text{Number of frequencies}}{\text{Total of all respondents}} \times 100\%$$

Percentage score for each indicator =
$$\frac{\text{Number of correct answers}}{\text{Number of samples} \times \text{Number of indicators}} \times 100$$

The calculation results are then grouped into 3 categories as in table 2:

Percentage Range	Sharia financial literacy category
0%-60%	Low
60%-80%	Medium
80%-100%	High

Table 2.1
Classification of
literacy levels

Table 2 shows the literacy levels classified by Chen and Volpe. Data analysis used logistic regression because the dependent variable was dichotomous (using or not using Islamic investment products). This analysis included validity tests, reliability tests, and logistic regression tests.

IV. RESULTS AND DISCUSSIONS

4.1 General Observation

Financial management plays a crucial role for every individual. Ideally, personal financial management requires careful planning and disciplined implementation to achieve financial goals. In practice, financial management can be supported by utilizing services offered by financial institutions, such as savings, investments, and other financial products. The need for financial products and services is increasingly unavoidable, as almost every aspect of life is closely related to financial activities. Therefore, users are required to have a good understanding of financial systems, products, and services to be able to manage their finances effectively. (Azri et al., 2024).

Good financial literacy skills can help people avoid various financial problems. Financial problems are not solely caused by low income, but also by limited knowledge in managing money, which ultimately often leads to errors in decision-making. Financial literacy encompasses aspects of an individual's knowledge, understanding, skills, and confidence in managing their financial needs. In practice, each person's preferences play a significant role in determining the type of financial services chosen to meet their needs. Based on the research that has been conducted, the results of descriptive statistics show that the lowest score is 5 and the highest is 16. The lowest score is for respondents who are only able to answer 5 of the 16 questions correctly, while the highest score is for respondents who are able to answer all questions correctly. Question items. The average number of correct answers given by respondents was 12.44, and the standard deviation was 2.087.

Before proceeding with the inferential statistical analysis, descriptive statistics were computed to summarize the main characteristics of the data collected from the respondents. This analysis provides information on the minimum and maximum values, mean, and standard deviation of the study variables, allowing an initial assessment of the central tendency and dispersion of the data.

The descriptive statistics for all variables included in this study are presented in Table 3. The following is a summary of the descriptive statistics table:

Standard deviation	Amount
Minimum	5
Maximum	16
Mean	12.44
Standard deviation	2,087

Table 4.1 Descriptive
Statistics Results

Source: processed primary data

This study had 400 respondents. The following is a profile of the respondents who were sampled in this study.

No	Subdistrict	Frequency	Percentage
1.	Muara Dua	113	28.2%
2.	Banda Sakti	112	28%
3.	Blang Mngat	81	20.3%
4.	Muara Satu	94	23.5%
No		Gender	
1.	Man	157	39.3%
2.	Woman	243	60.7%
1.	17-25 Years	171	42.8%
2.	26-35 Years	119	29.8%
3.	36-45 Years	81	20.3%
4.	46-55 Years	24	6%
5.	55 years and above	5	1.2%
No		Work	
1	Employees/laborers	154	38.5%
2	Civil servant/honorary	31	7.8%
3	Students	167	41.8%
4	Businessman	45	11.2%
5	Housewife	-	-
6	Etc	3	0.8%
No		Education	
1.	Elementary School	-	-
2.	Junior High School	3	0.8%
3.	Senior High School	167	41.8%
4.	D3	45	11.2%
5.	S1	154	38.5%
6.	S2	31	7.8%
No.		Income	
1.	<Rp. 1,000,000	96	23.9%
2.	Rp. 1,000,000 - Rp. 3,000,000	116	29.4%
3.	Rp. 3,000,000 - Rp. 5,000,000	101	25.1%
4.	> Rp. 5,000,000	87	21.6%
No.		Types of Sharia Institutions Used	
1	Islamic Bank	298	74.5%
2	Sharia Insurance	111	27.6%

Table 4.2

Sample Characteristic,
Continued Next Space

Table 4.2
Sample
Characteristic.

No.	Types of Sharia Institutions Used		
4	Sharia Capital Market	67	16.7%
5	Sharia Pawnshop	50	12.4%
6	Microfinance Institutions	25	6.2%
7	Venture Capital	0	0%
8	Pension Fund Institution	21	5.2%
9	Other	10	3%
No.	Types of Investment		
1.	Share	155	38.6%
2.	Sukuk	34	9%
3.	Sharia mutual funds	60	14.9%
4.	Deposit	77	19.2%
5.	Insurance	130	32.3%
6.	Forex	10	2.5%
7.	Crypto	23	5.7%
8.	Pension fund	32	8%
9.	Other	84	20.9%

Source: processed primary data

The research questionnaire was distributed using g-form. The questionnaires were distributed evenly to 400 respondents in four sub-districts in Lhokseumawe City, and all forms were returned.

Table 4.3
Distribution of
Sharia Financial
Literacy Levels

Literacy category	Frequency	Percentage
Low	25	6.25%
Currently	216	54%
Tall	159	39.75%
Total	400	100%

Source: processed primary data

Based on the distribution table of Islamic financial literacy levels, the majority of respondents had a moderate level of literacy, with a total of 216 respondents, or 54% of the total sample. Meanwhile, 159 respondents, or 39.75%, fell into the high literacy category, indicating that nearly 40% of respondents had a good understanding of Islamic finance. On the other hand, only 25 respondents, or approximately 6.25%, fell into the low literacy category, indicating that a small portion of the population still has limited understanding of Islamic finance. Overall, these results reflect that the level of Islamic financial literacy among respondents is at a low level, with a distribution of 0%-60% in the low category.

Table 4.4
Percentage Score
for Each
Indicator

Indicator	percentage
Knowledge	93.37%
Understanding	70%
Attitude	80.31%
Behavior	73.87%
Average	79.38%

Sources: processed primary data

Based on the Islamic financial literacy indicator, the level of respondents' knowledge regarding Islamic finance reached 93.37%, indicating that the majority of respondents have a fairly good understanding of the basic concepts in Islamic finance. However, the level of

Respondents' understanding was at 70%, which is lower than their knowledge level. This indicates that although many respondents are familiar with the concept of Islamic finance, not all of them truly understand it in depth or are able to apply this knowledge to their financial lives. Furthermore, the attitude indicator toward Islamic finance showed a figure of 80.31%, reflecting that the majority of respondents have a positive attitude toward the Islamic financial system. However, when looking at the behavioral aspect, the percentage obtained was 73.87%, indicating that some respondents may not have fully implemented Islamic financial principles in their financial practices.

From this data, it can be concluded that although respondents' Islamic financial literacy is quite high in terms of knowledge and attitudes, gaps in understanding and behavior remain. Therefore, further educational efforts are needed to improve understanding and encourage more optimal implementation of Islamic financial practices.

Based on the results of the logistic regression test, the level of Islamic financial literacy was proven to have a significant influence on the use of Islamic investment products. The Omnibus Test of Model Coefficients yielded a significance value of 0.000 ($p < 0.05$), indicating that the overall regression model is feasible and significant for use in explaining the relationship between the independent variable (Islamic financial literacy) and the dependent variable (use of Islamic investment products). This indicates that Islamic financial literacy makes a significant contribution in explaining the public's tendency to use Islamic investment products.

Furthermore, the Wald test results for the Islamic financial literacy variable showed a significance value of 0.019 ($p < 0.05$) and a regression coefficient of 0.748. This indicates a significant and positive relationship between the level of Islamic financial literacy and the use of Islamic investment products. This means that the higher a person's level of literacy regarding Islamic financial principles, the more likely they are to use Islamic-based investment products, such as mudharabah deposits, Islamic mutual funds, sukuk, and Islamic stocks.

The Exp(B) value, or odds ratio, of 2.113, also supports this finding. This figure indicates that respondents with good Islamic financial literacy are 2.113 times more likely to use Islamic investment products than those with low literacy. In other words, adequate literacy enables individuals to have the knowledge and confidence to manage their finances according to Islamic principles, thus increasing their confidence and courage to choose Islamic investment products deemed safe and in line with religious teachings.

Furthermore, the smaller -2 Log Likelihood value and the Nagelkerke R Square value of 0.258 indicate that the regression model has a good fit with the data. This R Square value indicates that approximately 25.8% of the variation in people's decisions to use Sharia investment products can be explained by the Sharia financial literacy variable. While this figure is not particularly large, it is significant enough to indicate that literacy is a key factor driving Sharia investment behavior. The remaining influence can be influenced by other factors such as income, experience, motivation, or ease of access to investment products.

DISCUSSION

The results of this study indicate that Islamic financial literacy has a significant influence on the use of Islamic investment products in Lhokseumawe City.

This confirms that the public's understanding of Islamic financial principles plays a crucial role in driving their investment decisions in accordance with Islamic values. The average level of Islamic financial literacy in Lhokseumawe is in the moderate to high category, indicating a relatively good awareness of the basic concepts of Islamic finance, although there is still a gap between theoretical knowledge and practical application in investment decision-making.

The novelty of this research lies in the use of logistic regression analysis to measure the influence of literacy level on the likelihood of using sharia investment products, where the Exp(B) value obtained was 1.721, meaning that every one-point increase in literacy level will increase a person's likelihood of using sharia investment products by 72.1%. This result provides an empirical contribution to the development of Chen and Volpe's (1998) theory which emphasizes the relationship between financial knowledge and decision-making behavior, and extends it in the context of sharia finance which is not only based on economic rationality but also moral and spiritual values.

These findings indicate that although public knowledge of Islamic finance is relatively good, a deeper understanding and financial behavior consistent with Islamic principles still need to be strengthened. Most respondents understand basic concepts such as the prohibition of usury and the importance of profit sharing, but have not yet fully applied these principles in their daily investment practices. This indicates that public Islamic financial literacy remains cognitive and not yet fully transformative. Therefore, efforts are needed to improve Islamic financial education, focusing not only on providing information but also on developing financial behaviors and attitudes consistent with Islamic values.

The results of this study align with the findings of Jumiyantri (2021) and Salma Lana Pancarani (2020), who stated that Islamic financial literacy positively influences investment decisions in Islamic financial institutions. However, these results differ from the research of Siwi Nugraheni (2021), which concluded that Islamic financial literacy had no significant effect on investment interest. This difference may be due to contextual factors such as education level, access to Islamic financial institutions, and community religious motivation. Therefore, it can be concluded that the influence of Islamic financial literacy on investment is contextual and is strongly influenced by the social environment and the community's level of understanding of Islamic principles.

Practically, the results of this study emphasize the important role of Islamic financial institutions, local governments, and educational institutions in improving public Islamic financial literacy. Integrated and sustainable literacy programs need to be developed to strengthen public understanding and trust in the Islamic financial system, particularly through educational activities, training, and community-based outreach. With comprehensive improvements in Islamic financial literacy, it is hoped that the public will not only understand the basic concepts of Islamic finance but also be able to apply them effectively in their daily economic and investment activities.

Overall, this study confirms that Islamic financial literacy serves not only as financial knowledge but also as a transformative force that can shape ethical, responsible, and sharia-compliant economic behavior. High levels of Islamic financial literacy will encourage broader Islamic financial inclusion, ultimately contributing to equitable and sustainable economic development in Lhokseumawe City.

V. CONCLUSION

Overall, the level of Islamic financial literacy is in the moderate category, at around 54%. This 54% figure indicates that the people of Lhokseumawe city have a higher literacy rate than the people of Aceh province, which is only 18.64%. This study adopts and modifies the measurement of financial literacy levels proposed by Chen and Volpe (1998), with the 0%-60% category being in the low category. Based on the Islamic financial literacy indicators, the knowledge aspect has the highest percentage of 93.37%. However, in the understanding aspect, the percentage is lower, at 70%. Meanwhile, the attitude aspect shows a percentage of 80.31%. However, the behavioral aspect, which is at 73.87%, indicates that there are still some people who have not fully implemented Islamic financial principles in their financial decisions.

Furthermore, it can be concluded that Islamic financial literacy has a positive and significant impact on the increasing use of investment products in the Lhokseumawe city community. It can be said that if Islamic financial literacy in the community increases, the use of Islamic investment products in the city will also increase.

ACKNOWLEDGEMENT

The authors would like to express their deepest gratitude to all parties who contributed to this research. Thanks are extended to our supervisor, Mr. Ali Mughayatsyah, MEI, for his valuable guidance, direction, and input throughout the preparation of this research. We also extend our gratitude to all respondents from the Lhokseumawe City community who took the time to provide much-needed information for this research.

The author also expresses his appreciation to the Lhokseumawe State Islamic Institute, particularly the Faculty of Islamic Economics and Business and the Department of Islamic Banking, for providing academic support and research facilities, enabling this research to be successfully implemented. He also extends his gratitude to his family, friends, and colleagues who have consistently provided encouragement, prayers, and motivation to complete this research. He hopes that all assistance, support, and prayers will be a continuous charity, rewarded by Allah SWT, and that the results of this research will benefit the development of Islamic financial knowledge and practice in Indonesia, particularly in increasing literacy and the use of Islamic investment products in Lhokseumawe City.

REFERENCES

- Abraham, H., Hibrian, M., Nudirwan, W., Fadila, Y., Triana, Y., & Kuning, UL (2024). The Role of Supervisory Authorities in the Development of Islamic Banking Law : Analysis of Islamic Bank Compliance with Sharia Principles. In *Innovative: Journal of Social Science Research* (Vol. 4).
- Al-Adawiyah, R. (2022). *Factors Influencing the Level of Public Understanding of Sharia Rural Financing Bank (Bprs) Bhakti Sumekar Products in Pandeman Village, Kangean Islands, Sumenep Regency*.
- Mustafa, M. (2023). Investment Concept According to Sharia Economics in the Millennial Era. *J-Sen: Journal of Sharia Millennial Economics and Islamic Business*, 2 (1), 1–2.

- Aquino, A., & Waldelmi, I. (2022). Analysis of Sharia Financial Literacy Regarding Usury Among Members of BMT/Sharia Cooperatives. *Scientific Journal of Economics* 8 (02), 1782–1791.
- Arrazaq, NA (2020). Sharia Investment in the Framework of Upholding Sharia Principles. *Journal of Islamic Law Studies* , 3 (1), 19.
- Asyifa, AN (2020). Analysis of Islamic Banking Literacy of Muhammadiyah University of Magelang Students. *Journal of Finance and Banking* .
- Azri, AD, Rezki, M., & Purwanto, MA (2024). The Influence of Sharia Financial Literacy on the Decision to Choose Sharia Insurance. *Dalwa Islamic Economic Studies* , 3 (1), 153–169. <https://Doi.org/10.38073/Dies.V3i1.1514>
- Central Statistics Agency. (2025). Joint Press Release: Increase in Public Financial Literacy and Inclusion Index. *Ojk.Go.Id* .
- Chen, H., & Volpe, R. P. (1998). An Analysis Of Personal Financial Literacy Among College Students. *Financial Services Review*, 7 (2), 107–128. [https://Doi.org/10.1016/S1057-0810\(99\)80006-7](https://Doi.org/10.1016/S1057-0810(99)80006-7)
- Dzulhijrah, A., Nur'azzah, D., Nursadiyah, M., Zaky, M., Rijal, K., Hasya, ZN, & Damayanti, W. (2025). *Analysis of Sharia Financial Literacy Levels of Generation Z Students* . 128–144.
- Fikriawan, S. (2011). Investment in the Perspective of Maqashid Al-Syariah. *Journal of Physics A: Mathematical and Theoretical* , 44 (8), 43. <https://Doi.Org/10.1088/1751-8113/44/8/085201>
- Garbo, A., Ichsan, M.N., Studi, P., Islam, E., & Indonesia, UI (2024). Evaluation of Sharia Financial Literacy and Its Influence on Interest in Using Sharia E-Banking Services. *Jurnal Masharif Al-Syariah: Jurnal Ekonomi dan Perbankan Syariah* , 9 (5), 3247–3263.
- Hidayah, N. (2021). Sharia Financial Literacy: Theory and Practice in Indonesia. In *Journal of Elementary School Teacher Education Research* (2021st Ed., Vol. 6, Issue August). Pt. Raja Grafindo Indonesia.
- Irdlon Sahil. (2020). Review of Islamic Law on Investment. *Al-Tsaman* , 155.
- Izzany, M. (2025). *Strategies for Improving Sharia Financial Literacy in the Community : The Role of Education and Campaigns - The Concept of Islamic Financial Literacy* . June , 184–195.
- Jannah, R., Faisal, F., & Yulia, Y. (2024). Implementation of Sharia-Based Financial Technology in Maintaining the Security of Customer Personal Data (Research Study at Bank Aceh Syariah Lhokseumawe). *Student Scientific Journal ...* , VII (April).
- Kahenni. (2019). *Analysis of Sharia Banking Literacy among Educational Staff at UIN Walisongo Semarang* . 1 , 21.
- Lestari, FP, Astuti, RP, Putri, AM, & Rohman, MAA (2025). Analysis of the Development of Sharia Investment Products in the Indonesian Banking System. *Multidisciplinary Journal of Technology and Architecture* , 3 (1), 32–48. <https://Doi.Org/10.57235/Motekar.V3i1.6017>
- Muna Dahlia. (2020). *The Influence of Sharia Financial Literacy Levels on Decisions to Use Sharia Financial Institutions (A Study of Lecturers at Ar-Raniry State Islamic University)* .

- Nafisah, A., Pembangunan, U., Veteran, N., Timur, J., Nisa, FL, Pembangunan, U., Veteran, N., & Timur, J. (2024). Exploration of the Development of Sharia Investment Products in Indonesian Banking. *Scientific Journal of Economics and Management* , 2 (6), 793–794.
- Nuraini, KR (2019). *Analysis of the Socialization of Sharia Financial Literacy by Bank Mandiri Syariah on the Use of Sharia Banking Services as an Effort to Increase Sharia Financial Inclusion* .
- OJK. (2022). Press Release of the 2022 National Survey on Financial Literacy and Inclusion. *Financial Services Authority* , November , 10–12.
- Financial Services Authority. (2022). Infographic of the Results of the 2022 National Survey on Financial Literacy and Inclusion. *Ojk.Go.Id* , Latest Info: News and Activities.
- Pancarani, SL (2024). *The Influence of Sharia Financial Literacy, Social Media Influencers, and Ease of Sharia Capital Transactions with Motivation as a Moderating Variable* .
- Puspitasari, VE, Yetty, F., & Nugraheni, S. (2021). The Influence of Sharia Financial Literacy, Perceived Returns, and Motivation on Investment Interest in the Sharia Capital Market. *Journal of Islamic Economics and Finance Studies* , 2 (2), 122. <https://Doi.Org/10.47700/Jiefes.V2i2.3292>
- Rafiuddin, M., Setyo Wibowo, E., & Fajar, A. (2024). The Future of Sharia Economics in Indonesia: A Critical Analysis of Challenges and Solutions. *Al-Musyarakah: Journal of Islamic Economics* , 4 (1), 29–44. <https://Doi.Org/10.71247/Rmryvt50>
- Rodoni, A., & Djami, F. (2022). Urban Community Preferences for Islamic Banking (Ib) Home Ownership Financing Products in Greater Tangerang. *Repository.Uinjt.Ac.Id* .
- Sa'adi, M. (2021). The Effectiveness of Mandatory Sharia Bank Regulations in Aceh and Their Benefits for the Public Welfare (A Study of the Implementation of Aceh Qanun Number 11 of 2018 Concerning Sharia Financial Institutions). *Repository.Uinjt.Ac.Id* , 1–251.
- Safirah, N. (2022). The Influence of Sharia Financial Literacy on the Financial Management Behavior of IAIN Parepare Students Febi. *The Influence of Sharia Financial Literacy on the Financial Management Behavior of Students* , 1–109.
- Saleh, HI (2021). Implementation of Stock Investment from a Sharia Economic Perspective in the Millennial Era. *Journal of Islamic Business Management Studies* , 2 (1), 1–21.
- Sari, AW, Purwanto, B., & Viana, ED (2023). Financial Literacy and Factors Influencing MSMEs' Interest in Investing in the Capital Market: A Theory of Planned Behavior Analysis. *Inobis: Indonesian Journal of Business Innovation and Management* , 6 (3), 314–327. <https://Doi.Org/10.31842/Jurnalinobis.V6i3.279>
- Solikin1, Romdhoni2, AH, & Sumadi3. (2022). The Role of Sharia Financial Literacy and Inclusion in the Development of MSMEs in Indonesia. *Scientific Journal of Islamic Economics* , 10 (1), 1–52. <https://Doi.Org/10.21608/Pshj.2022.250026>
- Tp2s. (2021). *National Strategy for Literacy and Inclusion of Sharia Economics and Finance in Indonesia* .
- Tulwaidah, R., Mubyarto, N., & Ismail, M. (2023). The Influence of Financial Literacy on Students' Interest in Saving at Islamic Banks at the Faculty of Economics and Islamic Business, UIN STS Jambi. *Journal : Journal of Management Research* , 1 (1), 158–171.

MISD

Wahyu Rahmaton. (2019). *Analysis of the Level of Sharia Financial Literacy of the Banda Aceh City Community* .

1,45

Yuda Pratama. (2021). *Analysis of the Influence of Sharia Financial Literacy on Customer Decisions to Use Sharia Banking Products (Study at BSI Bank in Kotabumi, North Lampung)* .