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Sharia Financial Literacy and Inclusion in Advancing the Green Economy

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Abstract: This article examines Islamic financial literacy and inclusion in advancing the green economy. The purpose of this article is to find out how Islamic financial literacy and inclusion advance the green economy. The method of writing the article uses a qualitative approach, the type of article is a literature research, data sources are obtained from several books and other sources such as journals related to the study of this article. The results of this study are: Financial inclusion that is useful for increasing financial access for the Indonesian people is one way to overcome various causes of low financial literacy. This statement is in accordance with the plan of the Indonesian National Financial Survey which has included pillars regarding financial education with the aim of developing financial goods and services. Through the use of financial products, the availability of financial services, especially those on a micro scale, can help lower-middle-class people improve their quality of life.

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INTRODUCTION

In recent decades, Indonesia's environmental problems have experienced a significant impact, mainly due to increasing population density, urbanization, agricultural intensification, resource extraction, and manufacturing. Indonesia is currently experiencing severe environmental damage as it is home to the world's largest coral reef system, one of its largest expanses of rainforest, and some of the world's richest biodiversity areas. This issue has become a global concern to protect the environment from the negative impacts of sustainable development. All economic sectors around the world face significant challenges in dealing with environmental issues and the consequences they have in daily operations. Every company is now starting to make changes to protect natural resources and the environment. The financial sector, especially banking, can play a significant role in encouraging environmental preservation (Alfarizi, M., Kamila Hanum, R., Andriana Firmansyah, A., & Kurniasari, R., 2023).

The ability of a company to manage and control its resources is called financial performance. The aim is to determine the level of stability, solvency, liquidity and profitability It is very important to have financial literacy about Islamic financial institutions and products because several studies around the world show that a high financial literacy index will increase a country's economic growth. People who understand finance in all its aspects can improve their welfare, which in turn will encourage their economic growth. Research on financial literacy, or financial literacy, has so far focused on measuring financial literacy Financial literacy is not just knowledge, beliefs and skills about financial institutions, products and services. It also includes financial attitudes and behavior. The G20 believes that financial literacy is an important skill to support society, especially vulnerable and underserved communities, including MSMEs, and support financial inclusion, welfare and consumer protection (*Pangestuti, D. F. R., & Zahiroh, M. Y., 2023*).

Financial inclusion which is useful for increasing financial access for Indonesian people is one way to overcome various causes of low financial literacy. This statement is in accordance with the plan for the National Indonesian Financial Survey, which has included a pillar regarding financial education with the aim of developing financial goods and services (*Putri, E. B., & Wahjudi, E., 2022*).

People believe that it is impossible to save or invest because of the tough economy. It's as if people don't know much about finances because they are limited. However, access to financial goods and services is a basic right of every person and is an important component in improving people's quality of life. To enable the lower middle class to gain access to financial goods and services, the economy must develop. Through the use of financial products, the availability of financial services, especially those on a micro scale, can help lower middle economic communities improve their quality of life (Pangestuti, D. F. R., & Zahiroh, M. Y., 2023).

Degradation of natural resources, energy, environment and food resources is a problem faced by many countries. Due to human behavior that is not environmentally friendly, the exploitation of non-renewable natural resources increasingly worsens environmental conditions. However, the sustainability of the Earth to meet the needs and welfare of humans throughout the world is decreasing as a result of the threat of global warming and climate change. The concept of a green economy, also known as a green economy approach, is now developing

Research related to this article has been conducted previously, including research conducted by Krisna Rizqi Adi Hibatullah (Hibatullah et al., 2023), this research explains that the OJK assumes a critical role in overseeing and ensuring the compliance of financial institutions with Shariah principles, while also advocating for awareness and understanding of Shariah finance and its associated benefits through educational and training programs. This article highlights the significance of enhancing awareness and understanding of the Shariah-based financial system among Indonesian society, and proposes measures that can be undertaken by the OJK to promote this objective. It underscores the importance of public education and awareness programs aimed at increasing knowledge and appreciation of Shariah finance, thereby contributing to a more sustainable and inclusive economic landscape in Indonesia. Another study by Muhammad Rafi Siregar (Siregar et al., 2023), this study examines Green Economy And Islamic Finance: Crossing A Sustainable Path In Economic Development, by discussing the alignment of green economy principles and Islamic finance, this article provides a deep understanding of how this integration can form a sustainable path that not only benefits the economy, but also respects Islamic moral and ethical values. Findings reveal a significant positive impact on economic development, emphasizing environmental stewardship, long-term sustainability, community empowerment, and economic justice, all while respecting Islamic moral and ethical values. This integration not only benefits the economy but also enhances the overall stability and resilience of the financial system. This article presents a holistic view of the concept and integration between Green Economy and Islamic Finance in an effort to cross sustainable paths in economic development. The Green Economy, which focuses on sustainable and environmentally sound growth, meets Islamic Finance principles that prohibit exploitation and promote social justice. The article also discusses how this integration can support the financing of sustainable projects, especially in the development of green infrastructure and the empowerment of local communities.

METHODS

This research uses a literature study research method (Library Research). In this literature study, they examine theories and examine literature related to this topic, especially those related to Islamic financial literacy and inclusion in advancing the green economy. Google Scholar and Mendeley were used to obtain all scientific articles (Ali, H., Sastrodiharjo, I., Saputra, F., Besar, G., Ekonomi, F., Bisnis, D., Bhayangkara, U., & Raya, J., 2022). Library research or literature review is a type of research that evaluates or critically reviews knowledge, ideas, or discoveries found in academic-oriented literature (or academic-oriented literature), as well as defining its theoretical and methodological contribution to a particular topic (Pusparani, M., 2021). In qualitative research, literature reviews must be used consistently with methodological assumptions; in other words, it should be used inductively so that it does not direct the researcher's questions. One of the main reasons for conducting qualitative research is that it is exploratory in nature (Julia, M., & Jiddal Masyruroh, A, 2022).

RESULTS AND DISCUSSION

Understanding Financial Literacy and Inclusion Financial literacy is defined as knowledge and understanding of financial concepts and risks and the skills, motivation, and confidence to apply this knowledge and understanding to make good decisions, improve one's and society's financial well-being, and participate in the economy. Not many people know about finances so they cannot choose the right savings or investment product for themselves and have the potential to be exposed to fraud (Wulandari, R, 2019).

Financial literacy is a person's level of knowledge about how to manage money in a way that will be profitable in the future. Students are given extensive financial knowledge in college, especially in the economics department. Therefore, students are considered to have a good understanding of finance because they are aware that saving is important to use as savings in the future. In this way, they learn how to manage their finances well

Three indicators of financial literacy, according to Kojo Oseifuah, are as follows: 1) Financial knowledge: knowledge of financial terms such as interest rates, credit cards, bankruptcy, etc. 2) Financial attitudes: attitudes that are interested in improving the financial year, planning financial programs such as employee retirement, implementing tax policies, etc. 3) Financial behavior (financial behavior): behavior such as saving, recording, and others. The objectives of financial literacy are as follows: 1. Improve the quality of individual financial decision making; and 2. Changes in individual attitudes and behavior regarding financial management so that they can determine and utilize financial institutions, products and services that suit the needs and abilities of society and consumers in a profitable way (Wulandari, R, 2019).

Financial inclusion means having access to a range of appropriate financial products, such as credit, savings, insurance and payments, and with attention to convenience, affordability and suitability. This access is also available to everyone. In a global perspective, financial inclusion is defined as when everyone aged at least fifteen years and over has a savings or electronic money account registered with a formal financial institution. The most important thing about inclusive finance is that formal financial services serve the entire community, so that everyone can take advantage of them to improve their needs and abilities The vision of inclusive finance aims to increase people's access to formal financial services by increasing people's understanding of financial systems, goods and services and ensuring high quality, timely and safe formal financial services at affordable costs in accordance with needs and capabilities to improve welfare Society

According to the Center for Financial Inclusion, financial inclusion is defined as access to financial products such as credit, savings, insurance, and payments, as well as the availability of access that has qualities such as convenience, availability, customer protection, and availability for everyone. Over time, efforts to increase financial inclusion will not only be limited to developing new products and services (Ferdi, M., Amri, M., & Zaenal, M., 2022).

According to Financial Services Authority Regulation no. 76/POJK.07/2017 To Increase Financial Literacy and Inclusion in the Financial Services Sector for Consumers and the Community, financial inclusion is the availability of access to various financial institutions, goods and services that suit the needs and abilities of the community in an effort to improve community welfare. Financial inclusion means giving people access to financial services with the aim of removing all barriers, both price and non-price (Malik, W., 2024).

The green economy is a form of economic development concept that moves away from development that is centered on over-exploitation of natural resources and the environment. This is a big leap from economic practices that focus on short-term profits, which has left many important issues that need to be addressed, such as encouraging a low-carbon economy The concept of "green economy" refers to economic behavior that combines economic growth with the idea of preventing damage to the natural environment and reducing the quality of the communal environment to build a fair, inclusive and sustainable economic system. The result is a green economic system that can: generate wealth, ensure a good quality of life, and reduce environmental risks and ecological scarcity; creating jobs, and eliminating poverty by improving social welfare and justice (Soesanto, S., 2022).

The concept of a green economy or green economy requires innovation society as a new entrepreneur by looking at environmental conditions and taking advantage of the possibilities (Ardianingsih, A., & Feby Meliana, D., 2021).

A green economy is a system of economic activity that focuses on sustainability that includes production, distribution and consumption. A green economy is also a type of economy that improves welfare and social justice and reduces ecological risks and deficits. Green economic policies aim to restore the lost balance between humans and nature. To achieve this goal, policies are needed that challenge various stakeholders. Green economic growth is very good for inclusive social development and a sustainable environment. To overcome the global crisis, sustainable economic growth requires a balance that takes into account environmental impacts and the environment's assimilation capacity. This suggests that the green economy may contribute to economic recovery (Lumbanraja, P. C., & Lumbanraja, P. L, 2023).

The success of financial inclusion efforts is greatly influenced by people's financial literacy. Financial literacy, also called financial literacy, shows the level of people's understanding of how money works One of the benefits of the sharia economic system is that it combines moral values and spiritual values. In the modern economic system, the main priority is to increase utility and materialism, without considering the principles of spiritualism and societal morality. However, the two function together so there is a balance, especially during the transaction process. Because it is not bound by religious laws, ignoring these two things causes people's economic life to be uncontrolled and there are many abuses such as usury, monopoly, corruption, and so on

Due to environmental damage that has occurred to date, people living in rural areas are more interested in socializing and developing a green economy, which pays attention to the balance of nature (Susanti, D. D., & Wicaksono, A. M, 2019). Existing regulations in Indonesia help green economic growth and increase environmentally friendly human resources. Several green economic policies that have been made into law show how important these policies are, and several policies that have been made into ministerial regulations are very important to implement. There are not enough laws or government regulations to support the green economy and increase the number and quality of the workforce with green skills. Some areas of training have been considered successful, but do not yet have government regulation. This is usually related to global environmental issues that affect green workforce training

Currently, the green economy is a major concern because of environmental problems caused by poor communities, the lack of community roles, and institutional commitment to sustainable development. Social welfare is the main priority of the green economy, although economic welfare is only an addition to social welfare (Faried, A. I, 2020). When everyone has access to a variety of quality, smooth, timely and safe formal financial services at affordable prices according to their needs and abilities, this will help improve general welfare. The way a person views their financial situation, as well as making better strategic decisions about finances, is influenced by financial literacy (Hidayatullah, I, 2020).

The focus on the green economy is the policy steps that must be taken to support certain green industries, especially in rural areas, specifically green areas, areas that specialize in dirty industries, and metropolitan areas Development with low emissions can improve people's welfare without ignoring environmental conditions. The new pattern, known as Indonesia's transformation towards a green economy, encourages the implementation of development (Lumbanraja, P. C., & Lumbanraja, P. L, 2023.).

CONCLUSION

Currently, the green economy is a major concern because of environmental problems caused by poor communities, the lack of community roles, and institutional commitment to sustainable development. Social welfare is the main priority of the green economy, although economic welfare is only an addition to social welfare. Financial literacy is defined as knowledge and understanding of financial concepts and risks and the skills, motivation, and confidence to apply this knowledge and understanding to make good decisions, improve one's and society's financial well-being, and participate in the economy. Financial inclusion means having access to a range of appropriate financial products, such as credit, savings, insurance and payments, and with attention to convenience, affordability and suitability. This access is also available to everyone. Through the use of financial products, the availability of financial services, especially those on a micro scale, can help lower middle class economic communities improve their quality of life. Financial inclusion which is useful for increasing financial access for Indonesian people is one way to overcome the various causes of low financial literacy. This statement is in accordance with the plan for the National Survey of Indonesian Finance, which has included a pillar regarding financial education with the aim of developing financial goods and services.

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