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Determinants Of Islamic Finance In Household Financial Management To Realize Prosperous Living

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ABSTRACT

Good household financial management is one of the keys to achieving a prosperous life for married couples. Good financial management in the household is considered very necessary for the creation of a prosperous life because in reality everyone has the hope of being prosperous in their life. The aim of this research is to analyze the independent variables that influence the dependent variable, namely welfare. This research method uses a mixed method approach with a sequential exploratory strategy, namely research that involves two different stages, namely qualitative first and quantitative afterwards. Primary data resulted from interviews with 2 Islamic finance experts and distributing questionnaires to 100 households. The results of this research are that the Islamic financial model in managing household finances has an influence on realizing welfare. This is proven by the results of research that has processed data consisting of several variables.

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1. INTRODUCTION

Islam is a comprehensive religion, regulating all aspects of human life, both in terms of worship and muamalah. Moreover, Islam is very focused on the discipline of economics. Because this knowledge is very crucial as a guide to human life, whose daily life cannot be separated from economic activities in the form of consumption, production or distribution. Of these three, humans will not be separated from at least one of these economic activities.

With this, Islam gives focused attention to Islamic economics which does have a system and model to regulate it. This Islamic economic system is one that can be used as a guide for human life in their daily lives. Islamic economics in general is a science that studies human behavior in its efforts to meet life's needs based on sharia or divine values. (Ministry of Education and Culture, 2020). Islamic economics certainly regulates an Islamic financial system based on Islamic values both on a micro and macro scale. In Islamic

microeconomics, there is a scope that discusses economics from individual to household aspects. Islamic finance can certainly be adopted to be applied in household financial management in particular. Good household financial management is one of the keys to achieving a prosperous life for married couples. Effective financial management not only affects a family's financial stability, but also has the potential to improve quality of life and create long-term economic security.

A good financial management model in the household is considered very necessary to create a prosperous life because in reality everyone has the hope of being prosperous in their life. An Islamic financial system that is optimistic about achieving prosperity is not about talking about how little or how much wealth there is, but about how it can organize the financial management system itself. Likewise, for well-off families, financial management is also very important, because desires are unlimited and it is very possible for uncontrolled spending to occur (Nofianti & Denziana, 2018). After seeing the benefits of good financial management which is one of the keys to achieving prosperity, poor household financial management can cause various problems, including: First, piling up debt. Second, relationship tension. Third, the financial crisis was unexpected. Fourth, lack of pension funds and emergency funds. Fifth, dependence on credit. Sixth, a decrease in quality of life in the future. Seventh, don't have a long-term financial plan. Then the saddest thing is when poor financial management in the household can cause a breakdown in relationships within the household which leads to divorce.

According to Handayani (2013) in Siregar (2019), one of the problems in the family that can lead to divorce is financial problems that cannot be managed well. Many financial problems are tightened, expenses are unclear and even opinions differ regarding the use of money, causing feelings of hurt that lead to arguments in the household.

In principle, in financial management, we can refer to Surah An Nisa verse 5.

وَلَا تُؤْتُوا السُّفَهَاءَ أَمْوَالَكُمُ الَّتِي جَعَلَ اللَّهُ لَكُمْ قِيَمًا وَارْزُقُوهُمْ فِيهَا وَاكْسُوهُمْ وَقُولُوا لَهُمْ قَوْلًا مَعْرُوفًا ﴿٥﴾

This means, "*Do not give the wealth of (those who are taken care of by) you, namely the wealth that Allah made for you as living expenses, to those orphans who are still stupid. Give them sustenance in these treasures; give them clothes; and speak to them with kind words.*" (Q.S. An Nisa: 5)

In fact, financial management in Surah An Nisa means that we must not hand over the wealth that Allah SWT has given us which is the basis of life and then give it to people whose minds are not yet perfect. In essence, wealth cannot be managed by just anyone, because Allah SWT has made it the basis of life. Let's say that water is a very important source of life in our lives and it is unimaginable what it would be like if there was no water in our lives. For example, if we had a bottle of drinking water that was completely filled with the lid open, we would drink this water to relieve thirst. But for example, if a toddler

is holding a bottle of drinking water with its lid open, then what the toddler will most likely do is spill the water in the bottle. Then the toddler was walking and slipped because he stepped on the spilled water. Here the water, which was previously the main source of life, turned into a source of disaster because it was handled by a toddler. In principle, wealth as the main source of life cannot be handed over to just anyone who in Surah An Nisa is said to be someone whose intellect is not yet perfect. If we look at people who have not perfected their minds, they are not only small children who have not yet reached adulthood, but adults who cannot manage their possessions well are said to have not yet perfected their minds, so it is not just small children.

Because there are many adults who cannot manage their own money and that will become a problem in their lives. Moreover, currently there is a proliferation of online loans, illegal online loans or something else and this is the root of the problem. In surah An Nisa verse 5 above, someone may feel that they are definitely capable of managing finances even though not everyone can manage their finances well. Everyone can hold money, but we have to check first in principle whether we are people who have not yet perfected their minds as in Surah An Nisa or not. So the question arises, why do we feel the need to manage household finances well? We all know that one of the causes of household breakdown that causes divorce is economic factors, in this case including financial management in the household. Data from the Religious Courts shows that 26% of divorces are caused by money problems. Even before divorce, 35% of the arguments are because of money, the rest is because of communication problems and misunderstandings that may have occurred initially because of money too. This is the background for conducting this research. Then the background of the problem in this research can involve several aspects that include challenges, needs and relevance of topics such as the importance of financial management in Islam, gaps in knowledge and the importance of well-being in life.

2. RESEARCH METHODS

This research uses a mixed method approach with a sequential exploratory strategy, namely research that involves two different stages, namely qualitative first and quantitative afterward. In the qualitative stage, researchers collect data and analyze it to understand the phenomenon in depth. The findings from this stage are then used to design quantitative instruments or hypotheses that will be tested in the next stage. This qualitative research approach was designed to obtain information from Islamic finance experts who apply the Islamic finance model to understand their views and experiences. The method used in this qualitative research approach is interviews conducted with Islamic finance experts, where this method is used to study and examine problems and find in-depth meaning and information. Meanwhile, the quantitative approach is designed to obtain data from many households regarding the application of Islamic financial principles and its impact on their

welfare. The method used in this quantitative research approach is to distribute questionnaires to 100 households.

3. RESULTS & DISCUSSION

In this research, the author conducted interviews with two Islamic finance experts who are experienced in managing household finances according to sharia principles. This interview aims to gain views and practical advice on how Muslim families can manage their finances in a way that is consistent with Islamic values. The interview was carried out by asking 10 questions which the author then summarized the results of the interview, the following is a summary of the interview results, Based on an interview conducted on July 10 with Dr. Laily Dwi Arsyianti, an Islamic Finance Expert, found that Household finances are one of the concentrations in family resilience, both spiritually and materially. Household finances can be an issue that needs to be discussed before the wedding, with this, the type of managing finances will be seen. For example, husband and wife both work, will each of them work later? For example, the wife's money is to pay for A's needs and the wife's money is to pay for B's needs. Apart from that, for example, the first thing is that the husband gives an allowance to the wife, meaning that the share is determined by the husband every month, for example, for kitchen needs it is determined and for other needs, meaning that the husband determines the overall portion. Second, for example, all the husband's money is held by the wife, then later the wife will give it to the husband, determined by the wife.

Then the third creates a joint account, so the money is managed jointly between husband and wife. Then there is also financial management in terms of budgeting, for example the husband wants detailed records of his income and expenses. After that, look at priorities regarding where the household funds will be spent. The second interview was conducted on July 17 with Dr. Al Bayinah, an Islamic Finance Expert, who found that view. In principle, in financial management, we can refer to Surah An Nisa verse 5 which means:

"Do not give the wealth of (those who are taken care of by) you, namely the wealth that Allah has made for you as living expenses, to those orphans who are still stupid. Give them sustenance in these treasures; give them clothes; and speak to them with kind words."

Financial management in Surah An Nisa has been explained in the introductory section above, where indeed financial management has an urgency in married life in particular. In family management, we should know that there are posts that we must set aside personally and as a family. Here, for example, we recommend the 4 finger concept. Finger 4 is formulated as 40, then 30, 20, and 10. 40 is for our daily consumption needs, 30 is for us, for example if we have debt or if there is no debt then we can invest, 20 is for us to prepare emergency funds such as insurance and 10 is for us to give alms. With patterns like this we have regular posts such as consumption posts, investment posts, sharing posts and also emergency fund preparation posts. Finally, we have a guide, it turns out that the money we use is not only monthly and not just for food, but there are posts for other things. We actually

have to try to do these posts with discipline, consistency and cooperation between husband and wife.

The key to realizing a prosperous life in managing finances in the household can be started by referring to Surah Yusuf verse 55. In this verse there are two categories, namely hafidz which means to look after or look after, guarding here means being able to look after property. Then there is alim which means having knowledge, meaning having knowledge about money management. In this case we can see whether the husband is hafidz and pious or the wife is also hafidz and pious. It is very likely that the husband is pious but not hafidz or vice versa with the wife. If the wife is hafidz and then the husband is pious then the two must work together. So what if the wife is neither pious nor hafidz, and her husband is neither pious nor hafidz, then both of them are required to study together first because at the beginning it was said that wealth is the basis of life, so if you don't have knowledge then the wealth will run out and be a disa. The above is a summary of the results of interviews with Islamic finance experts who can describe the Islamic financial model in depth. The following are the results of data analysis that has been processed using SPSS software with a Multiple Linear Regression approach to analyze the three independent variables that influence the dependent variable, namely welfare.

3.1. Test The Research Hypothesis

Table 1. T Test (Partial Test)

Model		Coefficients ^a					
		Unstandardized		Standardized		t	Sig.
		Coefficients	Std. Error	Coefficients	Beta		
B							
1	(Constant)	.866	1.290			.672	.503
	Literacy and Understanding of Islamic Finance	.155	.077	.189		2.021	.046
	Islamic Financial Attitude	.199	.057	.330		3.492	<.001
	Islamic Financial Management Strategy	.197	.052	.329		3.799	<.001

a. Dependent Variable: Opinions and Attitudes towards the Well-being of Life

Source: Processed primary data, 2024

- a) The influence of literacy and understanding of Islamic finance on welfare

From the results of the t test in the table above, the calculated t value for the Islamic Financial Literacy and Understanding variable (X1) is 2.021, while the t table value is 1.984. It can be seen that $t_{count} > t_{table}$ and the sig value. $0.046 < 0.05$, then there is an influence of the independent variable X1 on the dependent variable (Y) or the hypothesis is accepted.

- b) The influence of Islamic financial attitudes on life welfare

From the results of the t test in the table above, the calculated t value for the Islamic Financial Attitude variable (X2) is 3.492, while the t table value is 1.984. It can be seen that

t count > t table and the sig value. $0.001 < 0.05$, then there is an influence of the independent variable X2 on the dependent variable (Y) or the hypothesis is accepted.

c) The influence of Islamic financial management strategies on life welfare

From the results of the t test in the table above, the calculated t value for the Islamic Financial Management Strategy variable (X3) is 3.799, while the t table value is 1.984. It can be seen that t count > t table and the sig value. $0.001 < 0.05$, then there is an influence of the independent variable X3 on the dependent variable (Y) or the hypothesis is accepted.

Table 2. F test (simultaneous test)

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	109.423	3	36.474	31.453	<,001 ^b
	Residual	111.327	96	1.160		
	Total	220.750	99			

a. Dependent Variable: Opinions and Attitudes towards the Well-being of Life

b. Predictors: (Constant), Islamic Financial Management Strategy, Islamic Financial Literacy and Understanding, Islamic Financial Attitudes

Source: Processed primary data, 2024

Based on the results of the F test in the table above, it is known that the level of significance obtained is smaller than 0.05, namely 0.001, thus it can be concluded that the independent variables, namely Islamic financial literacy and understanding, Islamic financial attitudes and Islamic financial management strategies simultaneously influence significant to the well-being of life.

Table 3. Multiple Linear Regression Test

		Coefficients ^a				
		Unstandardized	Standardized			
		Coefficients	Coefficients			
		Std.				
Model		B	Error	Beta	t	Sig.
1	(Constant)	.866	1.290		.672	.503
	Literacy and Understanding of Islamic Finance	.155	.077	.189	2.021	.046
	Islamic Financial Attitude	.199	.057	.330	3.492	<,001
	Islamic Financial Management Strategi	.197	.052	.329	3.799	<,001

a. Dependent Variable: Opinions and Attitudes towards the Well-being of Life

Based on the results obtained from the regression coefficient above, the following regression equation can be created:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

$$Y = 0.866 + 0.155 X_1 + 0.199 X_2 + 0.197 X_3 + e$$

Where:

- Y : Opinions and Attitudes Towards the Well-being of Life
- a : intercept (constant)
- b₁ : Regression coefficient for X₁
- b₂ : Regression coefficient for X₂
- b₃ : Regression coefficient for X₃
- X₁ : Literacy and Understanding of Islamic Finance
- X₂ : Islamic Financial Attitude
- X₃ : Islamic Financial Management Strategy
- e : Residual value

From the equation above it can be interpreted as follows:

- a) The constant value (a) is 0.866. The constant value is positive, meaning that the value of the Islamic Financial Literacy and Understanding variable is considered constant or equal to zero, so the Islamic Financial Literacy and Understanding variable is 0.866 and shows positive results.
- b) The X₁ coefficient value of 0.155 is positive. It can be interpreted that if variable X₁ increases then variable Y will also increase, and vice versa.
- c) The X₂ coefficient value of 0.199 is positive. It can be interpreted that if variable X₂ increases then variable Y will also increase, and vice versa.
- d) The X₃ coefficient value of 0.197 is positive. It can be interpreted that if variable X₃ increases then variable Y will also increase, and vice versa.

Table 4 Determination Coefficient Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704 ^a	.496	.480	1.077

a. Predictors: (Constant), Islamic Financial Management Strategy, Islamic Financial Literacy and Understanding, Islamic Financial Attitudes

The results of the summary model are useful for finding out the relationship between two or more variables in the regression equation. Here what is seen is in the R column, which is 0.704 or 70.4%. This value means that the influence of Islamic Financial Literacy and Understanding (X₁), Islamic Financial Attitudes (X₂) and Islamic Financial Management Strategy (X₃) on life welfare (Y) is 70.4%, the remaining 29.6% is influenced by variables

other than research. After processing the data as a whole, it can be concluded that the overall research results are as follows:

- a) The variable Literacy and Understanding of Islamic Finance (X1) partially shows that there is a significant influence on the variable Attitudes and Opinions towards the Welfare of Life (Y).
- b) The Islamic Financial Attitude variable (X2) partially shows that there is a significant influence on the Attitude and Opinion variable towards the Welfare of Life (Y). 3. The Islamic Financial Management Strategy variable (X3) partially shows that there is a significant influence on the Attitude and Opinion variable towards the Welfare of Life (Y).

The three independent variables, namely Literacy and Understanding of Islamic Finance (X1), Islamic Financial Attitudes (X2) and Islamic Financial Management Strategy (X3), together (simultaneously) have a significant effect on the dependent, namely Attitudes and Opinions towards Life Welfare.

4. CONCLUSION & SUGGESTION

The following conclusions can be drawn Islamic financial principles that are relevant in managing household finances are divided into several principles, namely as follows:

First, the Principle of Balance and Justice. Household financial management must comply with the principle of balance between income and expenditure. This principle encourages avoiding unnecessary debt and ensuring that spending is within financial capabilities. Fairness in the distribution of resources between family members is also important. Second, Prohibition of Usury. The main principle in Islamic finance is the prohibition of *riba* (interest). In managing household finances, this means avoiding loans or investments that involve interest. Instead, choose alternatives such as *sharia* financing which are in accordance with Islamic principles. Third, Zakat and Alms. Household financial management in Islam must include the obligation to pay zakat and alms. This principle encourages the allocation of a portion of income to help people in need and contribute to the welfare of society. Fourth, Wise Planning and Management. Wise financial planning is highly recommended, including preparing a budget, planning savings and investments in accordance with *sharia* principles. This includes ensuring that spending is in accordance with needs and is not excessive, as explained above regarding the prohibition of being wasteful or excessive. The Islamic financial model in managing household finances in this research has an influence on realizing welfare in life. This is proven by the results of research that has processed data consisting of several variables.

Based on the conclusions above, the research formulates the following suggestions, It is recommended to increase education and outreach regarding the principles of Islamic finance to the general public. Training programs or workshops on *sharia*-based household financial management can help increase financial literacy and understanding in implementing this model. The importance of the pre-marital guidance program implemented by the Office of Religious Affairs (KUA) which discusses household

financial management based on Islamic finance. It is recommended for future researchers to conduct case study research regarding the application of the Islamic financial model in different contexts, including regional and socio-economic differences. This will provide a deeper understanding of its effectiveness and implementation challenges.

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BASED ON THE CONCLUSIONS ABOVE, THE RESEARCH FORMULATES THE FOLLOWING SUGGESTIONS, IT IS RECOMMENDED TO INCREASE EDUCATION AND OUTREACH REGARDING THE PRINCIPLES OF ISLAMIC FINANCE TO THE GENERAL PUBLIC. TRAINING PROGRAMS OR WORKSHOPS ON SHARIA-BASED HOUSEHOLD FINANCIAL MANAGEMENT CAN HELP INCREASE FINANCIAL LITERACY AND UNDERSTANDING IN IMPLEMENTING THIS MODEL. THE IMPORTANCE OF THE PRE-MARITAL GUIDANCE PROGRAM IMPLEMENTED BY THE OFFICE OF RELIGIOUS AFFAIRS (KUA) WHICH DISCUSSES HOUSEHOLD FINANCIAL MANAGEMENT BASED ON ISLAMIC FINANCE. IT IS RECOMMENDED FOR FUTURE RESEARCHERS TO CONDUCT CASE STUDY RESEARCH REGARDING THE APPLICATION OF THE ISLAMIC FINANCIAL MODEL IN DIFFERENT CONTEXTS, INCLUDING REGIONAL AND SOCIO-ECONOMIC DIFFERENCES. THIS WILL PROVIDE A DEEPER UNDERSTANDING OF ITS EFFECTIVENESS AND IMPLEMENTATION CHALLENGES.

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