



THE ROLE OF ISLAMIC BANKING IN IMPROVING FINANCIAL LITERACY IN KINDERGARTEN MALAYSIA

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Abstract

This study aims to examine the role of Islamic banking in enhancing financial literacy among Malaysian preschoolers. The qualitative method was employed, with data collection conducted through direct observations. Findings revealed the significant contribution of Islamic banking to improving financial literacy among young children. Through educational and training programs organized by students in Islamic banking programs, children are introduced to fundamental financial concepts such as savings, expenditure, and investment tailored to their level of comprehension. This research contributes to understanding the importance of early financial education in nurturing financial literacy skills among children.

Keywords: Preschool Education, Islamic Finance, Childhood Financial Education

INTRODUCTION

In today's and ages, financial literacy is becoming increasingly important in our society. The ability to understand basic concepts in managing finances such as savings, loans and investments is invaluable especially in the modern era where smart financial decisions can help individuals and families achieve financial stability and long-term sustainability. Learning is an order from Allah SWT. that starts from birth until death. In Islam, the importance of ethics in the interaction between learners and teachers should not be ignored to achieve glory in the learning process. (Pandemi et al., 2021).

Kindergarten is an early stage of formal education that is very important in the development of children in Malaysia. This is where children are taught various basic skills, such as reading, writing and arithmetic. However, in addition to academic skills, it is also important to introduce children to financial concepts and financial literacy early on. One approach that can be used is to involve the role of Islamic banking in the education of

children in kindergartens. This article will discuss the role of Islamic banking in improving financial literacy in Malaysian kindergartens.

Islamic banking is a banking sector that focuses on principles that are in accordance with Islamic law. Within the Islamic banking framework, principles such as the prohibition of usury (interest) and speculation are used to provide financial services that are in accordance with Islamic principles. (Shandy Utama, 2020). In the context of this research, Islamic banking can play an important role in introducing children to basic financial concepts that are in accordance with Islamic principles, as well as creating awareness about the importance of financial literacy at an early age.

The Importance of Financial Literacy in Kindergarten

Financial literacy among children in kindergarten has significant benefits. First, financial education that starts early can help children develop a positive attitude towards money and manage their finances wisely. This can help avoid them from wasteful behavior or financial problem later in life. Secondly, financial literacy can help children understand the value of hard work and savings, and prepare them for a more financially stable future. In the long run, financial literacy acquired in kindergarten can help children become more independent and responsible individuals in managing their own finances. (Hanifah et al., 2022).

However, the role of Islamic banking in improving financial literacy in kindergarten has not received adequate attention. Most financial literacy programs in kindergartens still focus on general concepts. Therefore, this study aims to examine and analyze the role of Islamic banking in improving financial literacy in Malaysian kindergartens.

It is expected that this research can provide a better understanding of the role of Islamic banking in improving financial literacy in kindergarten. The results of this study are expected to provide a basis for the development of more effective financial literacy programs in kindergarten, which can help children understand basic financial concepts well from an early age. In addition, this study is expected to contribute to our understanding of the importance of financial literacy in the early education stage as an important first step to build healthy financial habits and proper awareness of the importance of financial literacy in achieving financial stability in the future.

Theoretical Review

The fundamentals and principles of Islamic finance are based on Islamic principles and syariah law. Here are some of the basic principles and concepts in Islamic finance:

1. Prohibition of Usury : Usury is a taboo in Islamic finance, which includes the prohibition of earning or paying interest or usury. Transactions based on interest or profit remain prohibited.
2. Profit Sharing (Mudharabah): This principle refers to the concept of sharing profits and losses between the parties to the transaction. The party providing the capital (shahib al-maal) and the party managing the capital (mudarib) share the results according to the agreement.
3. Fair Sale (Murabahah): Murabahah is a sale and purchase transaction with a clearly disclosed price markup, with no hidden

interest. The price must be fair and transparent.

4. Prohibition of Speculation (Maisir): This principle prohibits gambling and speculation in financial transactions. All parties must commit to sharing the risk.
5. Syariah Compliance: All financial transactions and products must comply with syariah principles and Islamic law. This includes adherence to Islamic ethics and morals in financial management.
6. Zakat : Zakat is the obligation to give a portion of income to the needy. In the context of Islamic finance, zakat is an important part of proper financial management.
7. Will (Waqaf): Waqaf is the concept of trust and sharing of assets for social and humanitarian purposes. It involves donating a portion of wealth for charitable purposes.
8. Cleanliness and Ethics in Transactions: The principles of cleanliness, transparency, and ethics in financial transactions are essential in Islamic finance.
9. Prudent Risk Management: Islamic finance emphasizes prudent risk management, including the principle of risk sharing between the parties involved in the transaction.
10. Justice and Balance: The principles of Islamic finance aim to create justice and balance in wealth distribution and sustainable economic development.

These principles guide the practice of Islamic finance, and they focus on ethics, fairness, and compliance with Islamic law. Islamic finance supports the understanding and management of finances in accordance with the values and principles of syariah.

The basic concepts of Islamic financial literacy in kindergarten include the introduction of Islamic financial principles to young children in a light and fun way. Here are some basic concepts of Islamic financial literacy that can be taught in kindergarten:

1. Prohibition of Usury (Riba): While young children may not understand the concept of interest or usury in the traditional sense, they can be told that in Islamic finance, people are not allowed to get money "for free" or "unfairly." This is the first step in understanding the deeper principles.
2. Savings and Shopping: Children can be taught about the importance of saving some of their money for the future, and about shopping wisely, avoiding waste.
3. Sharing and Giving: Teaching the concept of zakat and sharing with the needy can be instilled in the minds of children through stories, games, or concrete actions such as collecting food to donate to the needy.
4. Syariah contracts: Although at a basic level, children may not yet understand Islamic financial contracts in detail, simple concepts such as "profit sharing" and "cooperation" can be introduced.
5. This can help them understand the importance of wise financial decisions.
6. Ethics and Morality: Instilling values and ethics in financial management, such as honesty and kindness, can be taught to

children from an early age.

7. Insurance and Protection: While the concept may be simple, children can understand that insurance is about protecting themselves from unexpected "surprises", such as illness or accidents.

These concepts can be taught using age-appropriate methods such as stories, pictures, educational games and small examples from everyday life. The goal is to build an early understanding of Islamic financial principles and help children develop a positive relationship with money and finance from an early age.

METHODS

This study uses a qualitative method to analyze the role of Islamic banking in improving financial literacy in kindergartens in Malaysia. The qualitative method was chosen as it allows us to gain an in-depth understanding of the experiences and views of the research subjects involved in the Islamic banking financial literacy program in kindergartens.

Participants in this study consisted of kindergarten teachers involved in the Islamic financial literacy program organized by Islamic banking study program students who actively implement financial literacy programs. The selection process of participants was based on the criteria of demographic diversity and experience in teaching and involving children in financial literacy activities.

Data were collected through participant observation. Observations were conducted directly to obtain in-depth information about participants' experiences and views on implementing financial literacy programs in kindergartens. We used a structured observation guide that included careful recording of observational data related to their understanding of financial literacy, how the financial literacy program is integrated into the kindergarten curriculum, and its impact on children's financial knowledge and skills.

Data collected through observation was analyzed using a thematic analysis approach. Mapping the collected data, identifying thematic patterns and organizing the findings based on common themes emerged. These themes include children's financial literacy, experiences in teaching financial literacy, the effectiveness of financial literacy programs, and the role of Islamic banking study program students in improving financial literacy in kindergarten.

To ensure the validity and constraints of the data, the strategy used is to triangulate the data by comparing the results of observations with interviews conducted at the kindergarten. This aims to ensure a match between what is directly observed and what is stated by the teacher.

Based on the research results collected, Islamic banking has an important role in improving financial literacy among young children in kindergartens. Financial literacy programs that have been conducted by students of the Islamic banking study program in kindergartens have helped children understand basic financial concepts in an interactive and fun way. Through this program, children develop an understanding of the concepts of savings, spending, and investment in accordance with Islamic principles.

The qualitative method used in this study provides an in-depth



understanding of the experiences, views, and effectiveness of Islamic banking financial literacy programs in kindergartens. With this method, it is possible to describe in detail how the program is implemented in the real world, as well as its impact on children's financial understanding and skills. This research provides a strong theoretical and practical background for understanding the role of Islamic banking in improving financial literacy among young children in kindergartens.

RESULT AND DISCUSSION

In this discussion, the results of the research and analysis conducted on the role of Islamic banking in improving financial literacy in Malaysian kindergartens will be explained.

Financial literacy is the understanding and knowledge of financial concepts, including how to manage money, budget, and understand financial products. Having good financial literacy in adulthood can help individuals make wise financial decisions and avoid serious financial problems. (Zarkasyi, 2021). Therefore, it is important to introduce this concept early on to children in kindergarten. Proper understanding, will result in good and accurate delivery (Islam, 2020).

The financial literacy program was designed with a fun, creative and interactive approach. Children are taught about the importance of saving, differentiating between essential and non-essential expenses, and are introduced to simple investment concepts such as savings for long-term needs. In a fun atmosphere, children are actively involved in simulation activities and games that aim to teach basic financial concepts in a way that is interesting to them.

Syariah financial literacy refers to a person's ability to understand and apply Islamic financial principles in daily activities. Children's ability to understand and apply Syariah financial principles in their daily lives is part of Syariah-based financial literacy (Chofipah & Rukiyati, 2023).

In the results of this study, it was found that the program was effective in improving financial literacy among children. Children demonstrated increased knowledge and understanding of financial concepts, including the concepts of saving, spending and investing. They also gained practical skills in managing their own money, such as budgeting, calculating money appropriately and practicing frugality.

In addition, the collaboration between students of the Islamic banking study program and kindergartens also provides a long-term effect in improving financial literacy in the community. Children who get good financial education at the kindergarten level are likely to bring those habits and knowledge into their homes and drive positive changes in overall financial attitudes and behaviors.

The results of a study by Karim (2017) showed that the syariah-based education approach has helped children in Malaysia to better understand the principles of Islamic economics and finance. In this study, Karim described how children involved in a syariah-based financial literacy program showed a significant improvement in their understanding of syariah-compliant financial aspects. The study strengthens the argument that Islamic banking has an important role to play in the financial literacy

education of children in kindergartens in Malaysia.

The Role of Islamic Banking in Improving Financial Literacy in Kindergartens

1. Teaching the concept of Islamic finance

One of the important roles of Islamic banking in improving financial literacy in kindergartens is to teach children the concept of Islamic finance. In their education, children can learn about the importance of sharing, charity, and avoiding usury. Islamic banking can organize interactive educational activities, such as games, to help children understand these concepts in a fun way.

2. Providing appropriate Islamic financial products and services

Islamic banking can also play an important role in providing appropriate Islamic financial products and services for children in kindergarten. For example, Islamic banks can offer special savings accounts for children with attractive features, such as cute passbooks or rewards for children who successfully save money. By introducing children to Syariah financial products and services early on, they can learn about the importance of saving money and how to manage it wisely.

3. Organizing a financial education program

Islamic banking can work with kindergartens to organize visits to kindergartens to give short lectures on the importance of financial literacy to children. In addition, Islamic banks can also organize other educational activities, such as simulation games or competitions on financial literacy to activate children's interest in learning about finance.

4. Encourage collaboration with parents

Islamic banking can also encourage collaboration with parents in improving financial literacy in kindergartens. For example, Islamic banks can organize events or seminars for parents on the importance of children's financial literacy. In the event, parents can learn about how to educate children about finance at home and how to work with Islamic banking in supporting children's financial education.

According to Hasan (2019), the role of Islamic banking in improving financial literacy in Malaysia is very important. The results showed that financial literacy education based on Islamic financial principles contributed positively to children's understanding of financial concepts.

In addition, Ibrahim and Abdullah (2021) conducted a comparative study on early financial literacy education between Islamic and conventional banking approaches in Malaysian kindergartens. They found that the syariah-based approach provides a strong foundation for a deeper understanding of finance.

Khalid and Rahim (2018) also highlighted how Islamic banking plays a role in improving children's financial literacy through a case study in Malaysian kindergartens. The results of this study underscore the significant contribution of Islamic banking in the formation of sound financial understanding in children."

Through the active and continuous role of Islamic banking in improving the financial literacy of children in Malaysian kindergartens, it is hoped that children can grow up with good financial understanding and skills. With a strong understanding of finance from an early age, children

can make wise financial decisions and better prepare for their future.

The challenges faced in implementing financial literacy programs in kindergartens are support and cooperation between schools and Islamic banking. It takes a strong commitment from both parties to implement the program consistently throughout the school year and provide sufficient resources. In addition, the need for ongoing training for kindergarten teachers to improve their understanding of financial literacy is also an important factor in the success of this program.

CONCLUSION

Islamic banking plays an important role in improving financial literacy in Malaysian kindergartens, by teaching Islamic financial concepts, providing appropriate Islamic financial products and services, organizing financial education programs, and encouraging collaboration with parents, Islamic banking can help children in kindergarten understand the importance of financial literacy early on. As such, they will have a solid foundation to manage their finances in adulthood and avoid serious financial problems.

The role of Islamic banking in improving financial literacy in Malaysian kindergartens is very important and effective. Through a specially designed financial literacy program, children can gain the knowledge, skills and attitudes necessary to manage their finances wisely, as well as understand the concept of financial concepts in accordance with Islamic principles. This program can provide a strong foundation for children to develop good financial habits and become financially independent individuals in the future.

For the extension of this research, a wider collaboration between Islamic banking, government, and educational institutions to integrate financial literacy programs into the national kindergarten curriculum is recommended. In addition, further research is also needed to gain a deeper understanding of the long-term effects of financial literacy programs in kindergartens and how it may affect the sustainability of financial literacy in the future.

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