

## PUBLIC PREFERENCE FOR MICRO WAQF BANKS: AN EFFORT TO INCREASE COMMUNITY BUSINESS

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### ARTICLE HISTORY

**Received:**

23 March 2022

**Revised**

26 October 2023

**Accepted:**

05 November 2023

**Online available:**

01 December 2023

**Keywords:**

Preference,  
Business,  
Micro Waqf Bank,  
Community.

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### ABSTRACT

This study aims to test whether the variables of preference, business motivation, and level of education or knowledge affect Islamic financial literacy through a study on micro waqf banks (BWM) in Aceh. This study uses quantitative methods with multiple regression analysis techniques. The primary source of the data obtained from this research is a questionnaire collected from 250 respondents spread throughout Aceh. The variables used in this study are literacy index, preferences, Education level, and business motivation. Methods of data analysis using Multiple Linear Regression analyses. The results of this study indicate that the preference variable has a positive and significant effect on the probit value.  $0.00 < \alpha = 0.05$ . The variable of business motivation has a positive and significant effect with a prob value.  $0.00 = 0.05$ , and the variable of business motivation has a positive and significant effect with a prob value.  $0.00 = 0.05$  on Islamic financial literacy. The coefficient of determination obtains a value of 0.811, or 81.10%, indicating that all X variables have a significant effect on Y variables, while the rest are influenced by other variables. The implications of this research include the importance of choosing micro waqf banks as an alternative to sharia microfinance and empowering businesses owned by the community. Then also, the people who are customers at micro waqf bank institutions have good motivation because they are always accompanied by these institutions in improving their businesses.

### INTRODUCTION

Islamic finance has rapidly expanded globally as a result of its promotion of moral and just financial practices that are founded on Islamic principles. The Waqf, a charity bequest designed to benefit society, is one of the most well-known financial vehicles in Islamic finance. Waqf has only rarely been utilized for business endeavors, nevertheless. As a fresh method of leveraging waqf for economic

development, the idea of the Micro Waqf Bank (MWB) has recently come into existence. Examining preferences for MWB as a tool to improve local business is the goal of this research report.

In this study, the researcher uses financial literacy as a benchmark to assess whether someone is capable, skilled, and understands financial institutions and the products and services offered. as well as one's ability to understand financial management independently ([Tirta Segara, 2019](#)). Therefore, financial literacy leads people to be literate about Islamic financial institutions, so that the public will be more interested in choosing financial institutions that can be trusted ([Winarsih et al., 2019](#)).

Besides that, the Micro Waqf Bank is one of the Islamic microfinance institutions that aims to provide financing and capital to people who are not yet connected with other formal financial institutions. Therefore, literacy toward Micro Waqf Banks is one of the positive benchmarks for society. previous research that has been done by [Ali et al., \(2020\)](#) shows that the level of literacy in the city of Banda Aceh is still relatively low. This means that people who are literate about Islamic finance in terms of indicators of savings, financing, Islamic insurance, and Islamic investment are still low. Then, with an increase in public preference for sharia financing or capital at micro waqf banks, it can encourage higher sharia financial literacy. If we look at OJK data in 2019, the national literacy index for Islamic finance is only around 8.93%, while the Islamic financial literacy index in Aceh in 2019 is only 20.21% on average, still far from conventional.

This study aims to look at people's preferences for utilizing microwaqf banks in Aceh. Based on people's literacy skills, do they choose a microwaqf bank because they understand the product or promotion aspects? Therefore, the higher the literacy that is owned by the community about microwaqf banks, the higher the people's choice of this institution. In terms of business needs, do people tend to choose micro-waqf banks as funding institutions or prefer cooperatives or other Islamic banks? This is the significance of this research: to look further at people's preferences in developing their businesses.

Because realistically there are more than 3,535 functioning cooperatives in Aceh ([Hamsa & Ramly, 2022](#)) not all of which are sharia-based; others are still in the conversion process. For the time being, cooperatives that will transition to the sharia system can learn best practices by researching sharia microfinance organizations like micro-waqf banks. Theoretically, all financial institutions, both banks and non-banks, are required to conduct sharia-based operations in accordance with Qanun Number 11 of 2018 about sharia financial institutions in Aceh, since this also facilitates the acceleration of sharia financial inclusion in Aceh.

So after the author observes the need for a more in-depth analysis of this issue. Where micro-Waqf banks that are directly supported by the Indonesian government have the potential to develop in the community. This can have a positive impact on the government's economic performance. Then several studies related to micro Waqf Banks that have been carried out have not yet touched the community's preferences for

community economic empowerment through micro Waqf bank institutions. Some of the writings include ([Ahmad & Rahman, 2018](#)); ([Choudhury et al., 2019](#); [Mahat et al., 2015](#); [Mauluddin & Rahman, 2018](#)).

Besides that, based on the latest statistical data from the Central Bureau of Statistics, the poverty depth index in Aceh province in 2019 was around 2.64 and in 2020 it was 2.72 percent. An increase of about 0.08 percent in 2020. Then the index of the poor in Aceh in 2019 was around 15.01 percent while in 2020 it was around 15.43 percent. This means that from the index into poverty and the index of the poor, we can see that the poverty rate has increased significantly ([Statistik, 2017](#))

The authors are becoming more and more certain, based on the statistics above, that microwaqf banks have been effective in reducing poverty in Aceh. According to the report, one of the Islamic microfinance institutions with a large customer base is Islamic microfinance. Initial customer data observations at BWM Babul Maghfirah showed 374 individuals in 37 groups in Aceh Besar, which increased over time to 660 individuals in 45 groups this year. Based on the foregoing context, the authors decided to focus their analysis on Aceh's microwaqf banks because they are interested in this topic.

## LITERATURE REVIEW

According to the Financial Services Authority (2019), financial literacy is a series of processes or activities to increase the knowledge, confidence and skills of consumers and the general public so that they are able to manage finances better. Meanwhile, according to Mason & Wilson, financial literacy is a person's ability to obtain, understand, and evaluate relevant information to make decisions by understanding the financial consequences it causes. But conceptually, literacy in Islamic finance is "*a person's ability to use financial knowledge, skills, and attitudes in managing financial resources in accordance with Islamic teachings*". ([E. Sungkawaningrum et al., 2022](#))

Micro Waqf Bank (BWM) is a sharia microfinance institution registered with OJK that aims to provide access to capital for small communities that do not yet have access to formal financial institutions. Micro-waqf banks are formed in the spirit of enlivening small community businesses. There are unique differences between microwaqf banks and other formal financial institutions. First, microwaqf banks have capital from donors or endowments; the source of these funds comes from laznas, which are collected from donors and then given to Micro Waqf Banks in the amount of 2.5%. These two Microfinance Institutions are managed by Islamic boarding schools because they are the basis of the community economy in rural areas. ([BWM, 2018](#))

Third, the funds distributed to customers are carried out on a revolving basis, and customers are required to attend training or weekly meetings before the funds are distributed. Fourth, terms and easier access compared to banks; also, the yields obtained are low. The five schemes are carried out based on sharia principles, and the use of funds is monitored at any time by the micro waqf bank so that these funds can be utilized optimally. Furthermore, this micro waqf bank adheres to a system of joint responsibility among members, and the community is required to have a business before becoming a customer at a micro waqf bank. Because the financing is done through a group system that is then accompanied by assistance and training, the financing is without grace, and the aim is to empower the poor who have businesses in the Islamic traditional school area and its surroundings.

The study of preferences and literacy in this paper then makes use of empirical data that has been subjected to regression testing ([Yimga, 2018](#)) and makes a partial causal comparison analysis of people's preferences. Operational variables in this study refer to earlier studies like ([Fauzia, 2018](#); [Yimga, 2018](#); [Zayanie et al., 2019](#)) and the variables used are the community's transactional interest, motivation, level of trust, religiosity, and education level. Indicators of productive people's inclinations or tendencies in using Islamic microfinance institutions to manage their businesses include transaction interest and motivation. While measures of public awareness of institutions like micro waqf banks include variables like education level, level of trust, and religion.

According to research [Suci & Hardi, \(2020\)](#) that details literacy tests between non-Muslim and Muslim clients using Islamic microfinance institutions, the literacy level of people who choose to transact with microfinance institutions is also rising. The community still does not understand micro waqf banks (BWM), which indicates that public awareness of Islamic microfinance institutions is still poor, Micro Waqf Banks formed in Islamic boarding schools are a wonderful development. Then, a wider-reaching and more successful socialization stage is required to ascertain the preferences of clients who are micro waqf bank members.

Then, research was done [Winarsih et al., \(2019\)](#) on how to empower the underprivileged by giving them access to microwaqf banks through Islamic boarding schools. toward management and business development. also explores how the idea of microwaqf banks is used to promote poverty reduction. the outcomes produced by Islamic Microfinance Institutions (LKMS), which support productive poor individuals through mentoring and microloans without collateral using cash waqf money with a non-deposit method.

Further research was done by ([Fatin et al., 2020](#)), was research found that was applied ANP Strategies forward micro waqf bank in Indonesia. the result studies has shown that potential bank waqf micro to be strengthen towards spread up instrument business empowerment to women and citizen around Islamic traditional school. then the opportunity object toward up-grading management and SOP bank waqf micro has mostly

important, seeing that bank waqf micro could be available grow rapidly financing for citizenship.

[Ali et al., \(2020\)](#) examines the level of Islamic financial literacy in a case study in the people of the city of Banda Aceh. This study uses a qualitative approach with a low, medium and high literacy level measurement model from the theory of Chen and Volpe (1998). The results obtained in this study. The results of this study, the level of Islamic financial literacy of the people of Banda Aceh City is 71.99% and belongs to the medium category (60%-79%).

As a result, the author is curious to find out what the people of Aceh think about using micro waqf banks. The majority of Acehnese are solely interested in financing via banks, according to prior BPS research and survey data, despite the fact that access to banking financing is exceedingly challenging for regular people. Low-income Acehnese people have access to micro waqf banks as a solution. A unified banking system has also been introduced in Aceh as of late thanks to the passage of Qanun Number 11 of 2018 Concerning Financial Institutions. The uniqueness of the research that is constructed is that every financial institution in Aceh, both banks and non-banks, functions according to sharia principles.

However, the research conducted by the author is to analyze the level of literacy and the tendency of the community to choose microwaqf banks as business partners by analyzing indicators of educational level ([F. Sungkawaningrum et al., 2022](#)), preference indicators ([Adisti, 2021](#)), business motivation ([Ramly et al., n.d.](#)), and literacy ([Soemitra et al., 2022](#)). To see community preferences, financial literacy indicators are used, which refer to research [Ali et al., \(2020\)](#)

## RESEARCH METHODS

This study is based on a quantitative survey that was carried out in parts of countries with a significant Muslim population. 250 respondents, chosen by stratified random sampling, took the survey based on slovin's theorem. Descriptive statistics, factor analysis, and regression analysis were all used in data analysis. Because the data was heterogeneous and the respondents had a specific level of education, the sample was chosen at random ([Saiti et al., 2022](#); [Suci & Hardi, 2020](#))

The data used in this research is cross section data, because the data was obtained at a certain time, involving data from the field collected by researchers within six months. collected data from some region in aceh province such as ACEH BARAT DISTRICT, BANDA ACEH, LHOKSEUMAWE, and ACEH BESAR DISTRICT. delivering surveys to clients or local populations near microwaqf bank establishments in Aceh Besar district. This took place when the sample, which was calculated using the Slovin theory, was mapped to the population of all customers at Aceh's micro-waqf banks. Using four research variables in multiple linear regression with the following equation;

$$Y = a_1X_1 + a_2X_2 + a_3X_3 + e \dots \dots \dots \quad (1)$$

Y= financial literacy Index

X1= Preferences

X2= Business Motivation

X3= Education Level

n= amount of data

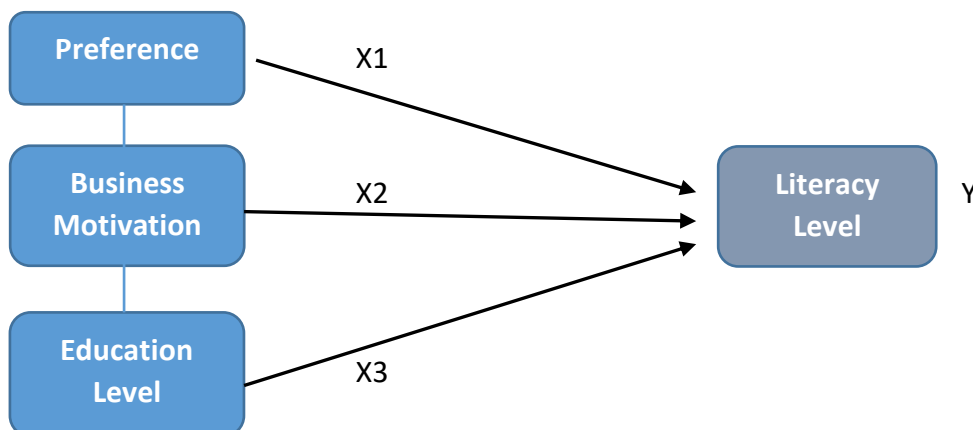
e= error term

Researchers also undertook direct observations at microwaqf banks in Aceh where they observed customer group activities as they conducted business. The variables employed in this study are dependent variables, namely the Financial Literacy Index (Y). Preferences (X1), Business Motivation (X2), and Education Level (X3) are the independent variables. Next, we can observe the operating variables as follows:

Table 1. Operational Variable

Variable	Definition	Reference	Indicator	Interval
Literacy (Y)	Cash waqf literacy is interpreted as basic knowledge related to Micro Waqf Banks and the operations of Sharia Microfinance Institutions	(Adisti, 2021) (Tirta Segara, 2019)	Education Level, Knowledge And Faith	1-5 (likert)
Preferences (X1)	Preference is an individual's behavior in making choices that can be influenced by personality, psychology, social and culture and religious identity.	(Adisti, 2021) and (Fauzul Hakim Hasibuan et al., n.d.)	Religious identity, masalah, individual psychology and culture	1-5 (Likert)
Business Motivation (X2)	The willingness of the community and customers to take advantage of opportunities for entrepreneurship	(Ramly et al., n.d.) and (Soemitra et al., 2022)	Opportunities, capital requirements, and outside influence	1-5 (likert)
Education Level	The level reached by the community in understanding something.	(Adisti, 2021) and (Zayanie et al., 2019)	Knowledge Education acquired	1-5 (likert)

Then to analyze the data, the author builds a regression model that comes from various studies that can be used as references, including research ([Adisti, 2021](#); [Zayanie et al., 2019](#)); ([Ali et al., 2020](#)) ([Soemitra et al., 2022](#)) and ([F. Sungkawaningrum et al., 2022](#)), as for the research design as follows:



Then in this regression equation, the author transforms the data into log linear so that regression can be carried out. This approach refers to several reasons for using logs, firstly because there are parameters that can be interpreted as elasticities, secondly because there is a first variable which is considered as a change in proportion ([Gujarati, 1988](#)). Then there are also several advantages to why data is transformed into log form. because the log approach is simpler in interpretation and logs can eliminate common statistical problems such as heteroscedasticity ([Ramadani et al., 2016](#)) The test uses two sides with a significance threshold of 5% to examine the validity and reliability of the data that have been gathered, and the author's questionnaire instrument is then put to the test. Observe the model ([F. Sungkawaningrum et al., 2022](#)) by using the following formula:

$$\text{Log}Y = a + a_1\text{Log}X_1 + a_2\text{Log}X_2 + a_3\text{Log}X_3 + e_i \dots \dots \dots \quad (2)$$

LogY = Literacy level

LogX<sub>1</sub> = Preference

LogX<sub>2</sub> = Business Motivation

LogX<sub>3</sub> = Education Level

e = error term

i = cross section

a = constant a<sub>1</sub>,a<sub>2</sub>,a<sub>3</sub> = Regression Coefficient

The formula above uses logs after the author has transformed the data, because it was found that there were some data that deviated from the results of the validity test, so there were some data that were omitted and transformed, because there were variables that were not linear between the dependent variable and the independent (free) variable.

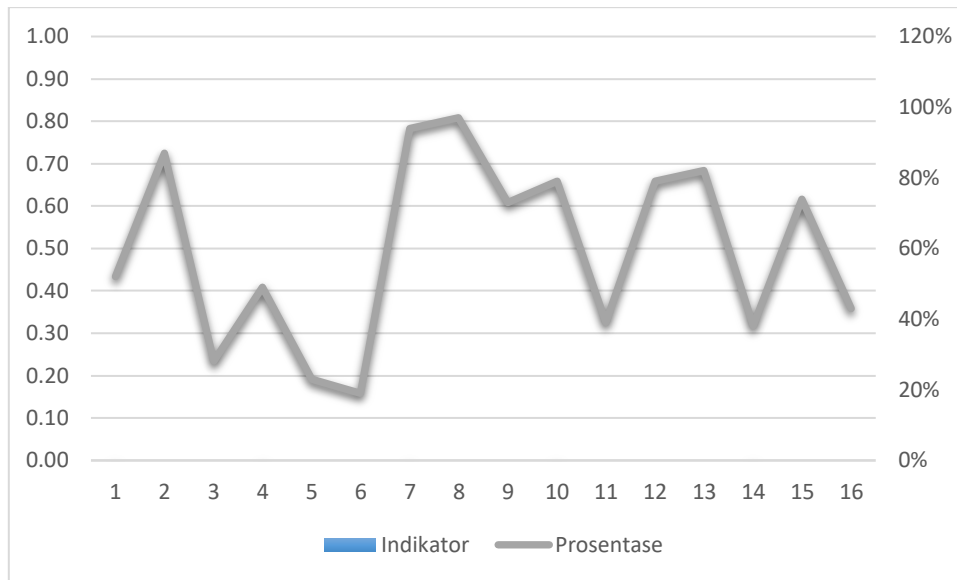


**RESULT AND ANALYSIS**

**1. Result**

**a. Overview of Respondents**

In this study, the survey results obtained were based on a summary of the questionnaire data collected as follows:



Source: processed data

figure 2. BWM Survey

Indicators of literacy, preferences, educational attainment, and entrepreneurial motivation are shown in the graph above, along with the percentage results of a survey conducted by a microwaqf bank. With an 87% percentage value, the graph displays the percentage of literacy indicators. Then, with an indication of business motivation of 82%, the indicators of education level achieved lower results by 19% and 23% because of the respondents' varied educational status. On the other hand, the government has also provided support through the issuance of regulations in the last three years regarding the operationalization of Islamic financial institutions in Aceh, which are governed by Qanun Number 11 of 2018 concerning Islamic Financial Institutions.

Additionally, the micro waqf banks in Aceh obtained a value of 87% in the community literacy survey findings, indicating that the majority of respondents support their presence. Then, with regard to the community's comprehension of microwaqf banks, just 52% indicates that there are still many individuals about 48% who do not comprehend the operationalization of these microfinance institutions.

Because people are not particularly familiar with these institutions, the indications of desire or tendency for people to choose Islamic microfinance organizations are still quite minimal. As a result, the general public is informed better about Islamic banks; 38%



of poll respondents agreed with this statement. Additionally, when comparing the preferences of the Acehese people for Islamic financial institutions and conventional financial institutions, the survey's results show a percentage level of 74% who concur that they are more at ease and prefer Islamic financial institutions to conduct transactions and other activities compared to conventional bank institutions.

Furthermore, to seems respondent characteristic has been following the table below:

<b>Characteristic</b>	<b>Object/Person</b>	<b>Percentage</b>
<b>Sex:</b>		
<b>Man</b>	90	36%
<b>Women</b>	160	64%
<b>Age Range:</b>		
<b>17-20</b>	6	2%
<b>21-25</b>	23	9%
<b>26-30</b>	49	19%
<b>31-39</b>	100	40%
<b>40-49</b>	50	20%
<b>50-up</b>	25	10%
<b>Respondent Education:</b>		
<b>Elementary Degree</b>	18	8%
<b>High School</b>	12	6%
<b>Senior High School</b>	45	19%
<b>Bachelor's Degree</b>	55	23%
<b>Master degree</b>	92	37%
<b>Doctor Degree</b>	29	12%
<b>Occupation:</b>		
<b>Farmer</b>	42	17.2%
<b>Student</b>	20	8%

<b>Salesman</b>	10	4%
<b>Fisherman</b>	5	2%
<b>Government Employee</b>	36	14.1%
<b>TNI/Police</b>	13	5%
<b>Employe</b>	27	11.1%
<b>Businessmen</b>	12	5%
<b>Housewife</b>	85	34.3%
<b>BWM Member:</b>		
<b>Man</b>	112	45%
<b>Women</b>	138	55%

source: data process

Based on the aforementioned statistics, it can be concluded that the response characteristics are diverse. The data was gathered in the field using a range of respondent objects; 40% of the dominant respondents, who were between the ages of 31 and 39, completed the questionnaire, while the remaining 2% of respondents, who were between the ages of 17 and 21, did not.

Afterwards, 55% of those who completed the questionnaire were microwaqf bank customers—all of whom were women—while 45% of men were not. Of the dominating group, 36% of respondents were men and 64% were women. However, a larger sample size of respondents is required to observe preferences for micro waqf banks. Next, according to employment, 34.3% are housewives and micro waqf bank clients; 17.2% have previous agricultural experience; and 14.1% are public employees. Fishermen make up the lowest occupation, at 2 percent.

Then, based on educational background, if individuals are categorized according to their level of education, roughly 45 people (19%) have a high school education, followed by 55 people (23%), 55 people with a bachelor's degree, and 92 people (37%), who have an additional education. But this feature focuses on education level, where we can observe variables related to literacy and choice depending on educational level features, together with business incentive. Lastly, based on the widely dispersed demographics of the respondents, it can be inferred that 55% of the customers of micro waqf banks are those who are thought to pay little to no attention to micro waqf banks. This is a test of the general public's literacy regarding this organization.

## b. Instrument Test

Table 2. Statistic Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
Log10 Y	250	16.87	79.00	64.334	67.8783
Lg10_X1	250	37.76	90.88	56.092	56.0198
Lg10_X2	250	30.75	92.11	64.244	17.9837
Lg10_X3	250	26.56	75.21	47.561	32,8719
Valid N (listwise)	250				

Data Source: processed by SPSS 26

We can characterize the distribution that the researchers found as follows, based on the outcomes of the descriptive test mentioned above:

1. The literacy level (log Y) has a minimum value of 16.87, a maximum value of 79.00, and an average value of 64.334, according to the descriptive statistics from the above table. The literacy data's standard deviation is 67.8783.
2. The preference (logX1) data exhibits a standard deviation of 56.0198, an average value of 56.092, and a maximum value of 90.88. The minimum result is 37.76.
3. subsequently, the lowest result in the business motivation data (LogX2) is 30.75, the highest value is 92.11, and the average value is 64,244. The data on business motivation has a standard deviation of 17.9837.
4. Ultimately, the education level data (logX3) had an average value of 47.561, a maximum value of 75.21, and a minimum value of 26.56. The education level standard deviation is 32.8719.

## Validity Test

Table 3. Validity Test

Correlations		Lg10_Y	Lg10_X1	Lg10_X2	Lg10_X3
<b>Lg10_Y</b>	Pearson Correlation	1	.740**	.281**	.753**
	Sig. (2-tailed)		.000	.000	.000
	N	250	250	250	250
<b>Lg10_X1</b>	Pearson Correlation	.740**	1	.022	.437**
	Sig. (2-tailed)	.000		.727	.000
	N	250	250	250	250
<b>Lg10_X2</b>	Pearson Correlation	.281**	.022	1	.143*
	Sig. (2-tailed)	.000	.727		.024

	N	250	250	250	250
<b>Lg10_X3</b>	Pearson Correlation	.753**	.437**	.143*	1
	Sig. (2-tailed)	.000	.000	.024	
	N	250	250	250	250
<b>** Correlation is significant at the 0.01 level (2-tailed).</b>					
<b>* Correlation is significant at the 0.05 level (2-tailed).</b>					

Data Source: processed by SPSS 26.

The correlation coefficient value in the validity test is greater than the r table value for n = 250 with a significance level of 0.05, specifically with a value of 0.138. Consequently, it can be deduced from all of the tests that the X1 variable has a probability value of 0.740. Because they exceed the value of 0.138, the results are reliable. The variable X2 is therefore considered valid when its value of 0.281 exceeds that of 0.138. The final variable, X3, has a probability value of 0.753, which is higher than the significance value of 0.138, indicating that the findings are reliable. As a result, it is believed that all of the variables from the disseminated questionnaire are accurate.

### Reliability Test

Table 4. Reliability Test of Instrument

<b>Decision-making</b>		
<b>Set value</b>	Cronbach Alpha's Value	Conclusion
<b>0,60</b>	0,793265991	Reliable

Data Source: Processed

In this study, the provisions for determining the level of reliability are based on the following conditions:

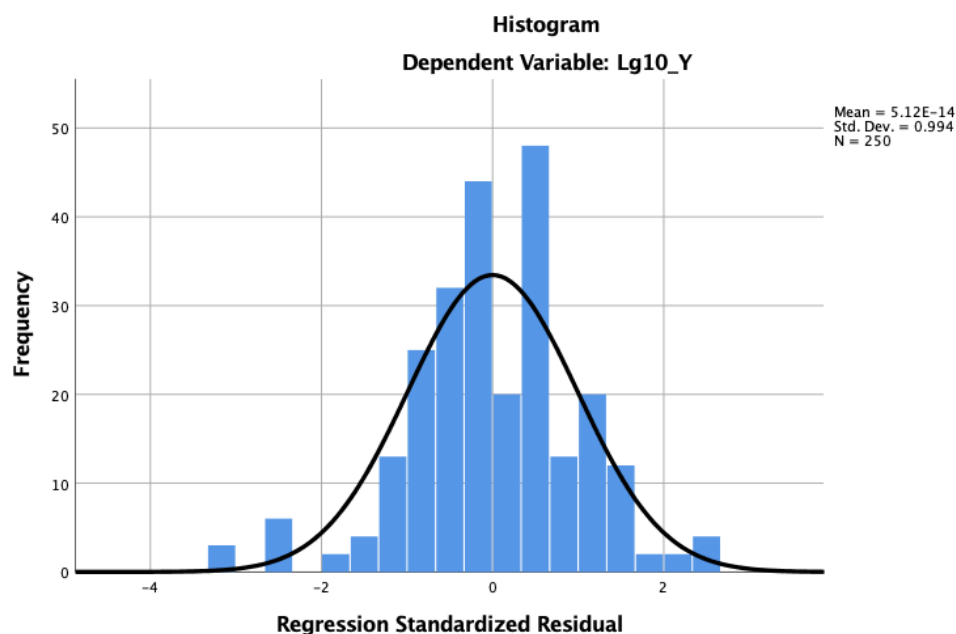
- a. Reliable if the value of Cronbach Alpha ( $\alpha$ ) > 0.60
- b. Not reliable if the value of Cronbach Alpha ( $\alpha$ ) < 0.60

Instrument reliability test results using MS excel. The results obtained that all variables from all questionnaires distributed got a test value of 0.792 > Cronbach Alpha ( $\alpha$ ) > 0.60. so that all variables are considered reliable.

### Classic assumption Test

#### Normality Test

Figure. 3 Normality Test



Data Source: processed by SPSS 26.

Tabel 5. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Predicted Value
N		250
Normal Parameters a,b	Mean	78.133.284
	Std. Deviation	.99457817
Most Extreme Differences	Absolute	.070
	Positive	.069
	Negative	-.070
Test Statistic		.070
Asymp. Sig. (2-tailed)		.164c
a Test distribution is Normal.		
b Calculated from data.		
c Lilliefors Significance Correction.		

Data Source: processed by SPSS 26.

In the Kolmogorov-Smirnov theory's normality test, we can assert the sample is not normally distributed if the sig value is 0.05. In contrast, if the sig value is more than 0.05, the sample is normal. We can infer from the above table that the samples are normally distributed because the probability value is  $0.164 > 0.05$ .

**Multicollinearity Test**

Tabel 6. Multicollinearity Test

<b>Coefficients</b>								
<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>	<b>Collinearity Statistics</b>	
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>			<b>Tolerance</b>	<b>VIF</b>
<b>1</b>	(Constant)	.915	.029		31.446	.000		
	Lg10_X1	.291	.017	.518	16.899	.000	.807	1.239
	Lg10_X2	.063	.009	.198	7.126	.000	.978	1.023
	Lg10_X3	.432	.027	.498	16.079	.000	.791	1.264

**a**  
**Dependent Variable:**  
**Lg10\_Y**

Data Source: Processed by SPSS 26

Multicollinearity does not exist in the variable X1 since the coefficient of variance in the multicollinearity test on the preference variable (X1) is 1,239, which is less than 10.00. Furthermore, multicollinearity does not exist for the Business Motivation variable (X2) because the VIF value of 1.023 is less than 10.00. Thus, the judgments made in the regression model do not display multicollinearity because the education level variable (X3), with a VIF value of 1,264, is less than 10.00. The regression model of choice, business motivation, and educational attainment's effects on financial institution literacy thus does not demonstrate multicollinearity, according to the finding.

**c. Multiple Regression Test**

Table 7. T Test

<b>Coefficients</b>						
<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
<b>1</b>	(Constant)	.915	.029		31.446	.000
	Lg10_X1	.291	.017	.518	16.899	.000
	Lg10_X2	.063	.009	.198	7.126	.000
	Lg10_X3	.432	.027	.498	16.079	.000

**a** **Dependent Variable: Lg10\_Y**

Data Source: Processed by SPSS 26.

The regression coefficient value for variable X1 (preference) is known to be positive at 0.518. therefore, the community's literacy improves along with its preference value. The preference variable significantly and positively influences Islamic financial literacy, as indicated by the p-value of 0.00, which is less than 0.05. Business motivation

variable X2 thus has a positive regression coefficient value of 0.198, indicating that as business motivation grows, so does community literacy. Since the p-value for the business incentive variable is less than 0.05, it is significant and has a positive impact on literacy. Then, the regression coefficient value for variable X3 (Level of Education) is 0.498, which is positive, which indicates.

Table 8. F Test

ANOVA <sup>a</sup>		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.753	3	.251	357.817	.000
	Residual	.172	246	.001		
	Total	.925	.249			

**a Dependent Variable: Lg10\_Y**

**b Predictors: (Constant), Lg10\_X3, Lg10\_X2, Lg10\_X1**

Data Source: Processed by SPSS 26.

In the table above it can be seen that the third variable has a significant effect on the dependent variable. where the independent variables financial literacy, community business motivation, and education level have a strong influence in this F test. This means that the three independent variables simultaneously or at the same time have a strong relationship.

Table 9. Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.902	.814	.811	.02648

**a Predictors: (Constant), Lg10\_X3, Lg10\_X2, Lg10\_X1**

**b Dependent Variable: Lg10\_Y**

Data Source: Processed by SPSS 26.

The corrected R square value (coefficient of determination) for the regression findings is then 0.811, which implies an 81.1% effect of the independent variable (X) on the dependent variable (Y). i.e., 81 percent of the study's factors had an impact on the degree of financial literacy.

## 2. Discussion

The results of the aforementioned regression test demonstrate that the independent variable does, in fact, influence the dependent variable, with a value of 0.00



being smaller than a 0.05 alpha. Some research indicates that people's preferences for Islamic financial institutions have a significant impact, which is compatible with the premise put forth here ([Soemitra et al., 2022](#)). As a result, it can be said that interest in and understanding of Islamic financial institutions, such as Islamic banks, is growing. especially in Aceh where the Islamic Financial Institution Qanun has been passed instructing people to exclusively transact with Islamic financial institutions. In addition, the public's desire for sharia microfinance organizations, such as micro waqf banks, has raised literacy levels among Acehnese citizens today. Because, in terms of both product understanding and the risks, rights, and obligations associated with financial products and services, the Financial Services Authority claims that the more literate a community is, the better their behavior when utilizing Islamic financial services (OJK, 2019).

The findings of the researchers' fieldwork then reveal that clients at microwaqf banks are given preference for those who already run their own business; this reveals a person who is serious and motivated to pursue entrepreneurship. Most of the customers of this micro waqf bank are from low-income backgrounds and reside close to Islamic boarding schools. Because of their precarious financial situation, these housewives operate small companies to support their family's economy. compared to obtaining finance from banks whose terms they are unable to meet. As a result, they favor micro waqf banks as financial backers of their venture. In addition, the goal of this micro waqf bank is to enable effective poor people through community businesses groups, around Indonesian Islamic boarding schools ([Hamsa & Ramly, 2022](#)).

Despite the fact that Aceh still has a very high potential for the growth of micro waqf banks, study ([Fauzul Hakim Hasibuan et al., 2021](#)) claim that public awareness of these institutions is still poor. According to research, just 18.23% of Aceh residents are financially literate enough to use Islamic financial institutions. However, a survey revealed that there had been a 52% rise in public awareness of micro waqf banks. This is further supported by the research's presumptions, which hold that the degree of choice and religiosity significantly affect micro waqf banks. Then, study was undertaken dilakukan ([E. Sungkawaningrum et al., 2022](#)), which strengthened this research as well.

Then the factor of business motivation develops into a factor with a big impact on financial literacy. As evidenced by their involvement in the weekly halaqah events (HALMI) hosted by micro waqf banks, the author's analyss findings demonstrate that the community surrounding the pesantren is highly motivated to do business. Customers who are KUMPI members attended halaqah ([Soemitra et al., 2022](#)). Twice a week, three business groups participate in events. If consumers of micro waqf banks choose to obtain loans from these Islamic microfinance organizations, the goal is to educate and advise them. There are currently 185 new members of the micro waqf bank, representing a variety of enterprises

According to a number of earlier research, education is one of the key determinants of financial literacy since it alters people's thought patterns and influences

their choices and judgments ([Zayanie et al., 2019](#)). The above-mentioned regression results revealed that the level of education, or variable X3, had a positive and significant impact on financial literacy. With help and training from micro waqf banks, which adhere to the empowerment principle, we also do this in the field, where the average level of education for business managers (MSMEs) is still low. Finally, the community is aware of and understands the services it receives (Fitri, 2021).

The Sig-F value of 0.00, which is less than  $= 0.05$ , indicates that, collectively or simultaneously, all the variables that have been examined together have a positive and significant influence. This indicates that the regression model used in the analysis is accurate, and it can be deduced that factors like desire, religion, and business incentive have a significant impact on how well-informed the community is about micro waqf banks. Then different research by [F. Sungkawaningrum et al., \(2022\)](#) and [Soemitra et al., \(2022\)](#) because Further. research was done by ([Fatin et al., 2020](#)), was research found that was applied ANP Strategies forward micro waqf bank in Indonesia. The result studies have shown that potential bank waqf micro to be strengthen towards spread up instrument business empowerment to women and citizen around Islamic traditional school. then the opportunity object toward up-grmilar findings from earlier study indicated that micro waqf banks were a funding option for. [Razak, \(2020\)](#) This has a significant effect on how the local economy is doing. In addition, the direction and assistance provided by this micro waqf bank is another reason why they are becoming more and more driven to operate MSME businesses.

## CONCLUSION

The authors draw the conclusion that a variety of factors can affect community preferences for using micro waqf banks from the discussion above. However, this study used preference indicators for the literacy index, business motivation, and education level. All indicators have a significant impact on one another, in part. Consequently, choosing micro waqf banks as an alternative to Islamic microfinance for the purpose of boosting locally held enterprises can be perceived as raising worries about the literacy of the Acehnese people regarding Islamic finance. Additionally, customers of micro waqf bank institutions are well-motivated because these organizations constantly work with them to expand their enterprises.

Finally, according this research has shown of that influence coefficient of determination variable through variable preference, motivation of business, and level education collectively have on the dependent variable. the preference variable has influence positive and significant to financial literacy, also some other variable like business motivation influenced positive and significant, because business women has committed to organized their business and also their involve into training up-grading such as halaqa meeting among the member micro waqf bank in Aceh. so that be impacted for business were organized by them. Furthermore, this research still relevant to gained

other research to same theme, cause this limitation of research to be new novelty for next agenda or discussion, such as limitation about literacy and preference we used three variables like motivation and other. some next discussion maybe any researcher used religiosity or other variable to tight this issued.

In the end issued has related with some research before like research ([Fatin et al., \(2020\)](#); [Fitri, \(2021\)](#)). Which that implication same variable their using and relevant issued about strategy and potential micro waqf bank in Indonesia. so that other variable level education has increasing influence with financial literacy, this means that having a higher education can stimulate to gain knowledge about managing own finances.

The researchers made a number of recommendations for micro waqf banks and other relevant organizations, including BI and OJK, based on the findings and findings of their study. One recommendation was to raise public awareness of microfinance services through more socialization. Then, in order to empower people to conduct business, it is vital to create and expand facilities for Islamic microfinance institutions in various parts of the community.

#### **ACKNOLEGDMENT**

This paper resulted from research activities funded by a research grant from the Ministry of Religion of the Republic of Indonesia. Research grants with an interdisciplinary basic research scheme. The authors would like to thank the Ministry of Religion who have provided grant funds for this research activity amounting to IDR 27.000.000. We also express our gratitude to the respondents and those involved in the implementation of this research, and also to the JEBIS Editorial Team who have allowed us to publish our research. We hope that this research article can bring benefits and goodness to all parties.

#### **AUTHOR CONTRIBUTIONS**

Also first Author Arroyan Ramly contributed for design research, data collected, managing literature and analysis data about preference micro waqf bank. second author Amrizal Hamsa contributed to resume, collected data and correcting manuscript. and also first author has a big role in writting this manuscript.

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