

REFORMULATING THE APPLICABLE STRATEGIES IN IMPROVING FINANCIAL LITERACY AND INCLUSION INDEX TOWARD ISLAMIC CAPITAL MARKET

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Abstract

Indonesia's financial inclusion and literacy index level in the Islamic capital market sector is quiet low at around 0.02% and 0.01%, although Indonesia known as a country with the largest Muslim population in the world with more than 85%. Furthermore, the fact of Indonesia is the 4th highest growth country in the capital market industry in Asia-Pacific throughout 2017. The potential for growth and development of the Islamic capital market in Indonesia is very high, but this fact is not followed by the growth rate of financial literacy and inclusion index especially in the capital market sector. The aim of this paper is to identify the new applicable strategic approach to improve Islamic financial literacy and inclusion in term of Islamic capital market sector. This research uses qualitative methods with a literature review from the article journal, government report, news report, and others in reviewing, identifying, and knowing the strategies that will be implemented. The results show there are six specific strategies used in improving Islamic capital market literacy and inclusion indexes namely, rebranding investment negative stereotype, building a sustainable promotion and campaign through offline and online platform, creating an online integrated marketplace for Islamic capital market products, improving corporate Sukuk and introducing a new SRI Sukuk product, forming agents & groups of Islamic capital market lovers, and monitoring & evaluating the applied strategy.

Keywords: *Financial literacy; Financial inclusion; Islamic capital market; Strategy*

Abstrak

Level indeks inklusi dan literasi keuangan Indonesia di sektor pasar modal syariah cukup rendah, sekitar 0,02% dan 0,01%, padahal Indonesia dikenal sebagai negara dengan populasi Muslim terbesar di dunia dengan lebih dari 85%. Selanjutnya, fakta menunjukkan bahwa Indonesia adalah negara dengan pertumbuhan tertinggi ke-4 di industri pasar modal di Asia-Pasifik sepanjang 2017. Potensi untuk pertumbuhan dan pengembangan pasar modal syariah di Indonesia sangat tinggi, tetapi fakta ini tidak diikuti oleh pertumbuhan tingkat literasi keuangan dan indeks inklusi terutama di sektor pasar modal. Tujuan dari makalah ini adalah untuk mengidentifikasi pendekatan strategis baru yang berlaku untuk meningkatkan literasi keuangan Islam dan inklusi dalam hal sektor pasar modal Islam. Penelitian ini menggunakan metode kualitatif dengan tinjauan pustaka dari artikel jurnal, laporan pemerintah, laporan berita, dan lainnya dalam mengkaji, mengidentifikasi, dan mengetahui strategi yang akan dilaksanakan. Hasil penelitian menunjukkan ada enam strategi spesifik yang digunakan dalam meningkatkan indeks literasi dan indeks inklusi pasar modal Islam yaitu, rebranding stereotip negatif investasi, membangun promosi dan kampanye berkelanjutan melalui platform offline dan online, menciptakan pasar online terintegrasi untuk produk-produk pasar modal

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syariah, meningkatkan korporasi Sukuk dan memperkenalkan produk Sukuk SRI baru, agen pembentuk & kelompok pecinta pasar modal syariah, dan memantau & mengevaluasi strategi yang diterapkan.

Kata kunci: Literasi keuangan; Inklusi keuangan; Pasar modal syariah; Strategi

مستخلص

مستوى الاندماج المالي ومؤشر محو الأمية في إندونيسيا في قطاع سوق رأس المال الإسلامي منخفض همدوء عند حوالي 0.02 % و 0.01 %. على الرغم من أن إندونيسيا معروفة كدولة بها أكبر عدد من المسلمين في العالم بنسبة تزيد عن 85 %. علاوة على ذلك ، فإن حقيقة إندونيسيا هي رابع أعلى دولة نموًا في صناعة سوق رأس المال في منطقة آسيا والمحيط الهادئ طوال عام 2017. إن إمكانات نمو وتطور سوق رأس المال الإسلامي في إندونيسيا عالية جدًا ، ولكن هذه الحقيقة لا يتبعها نمو معدل محو الأمية المالية ومؤشر الشمول وخاصة في قطاع سوق رأس المال. الهدف من هذه الورقة هو تحديد النهج الاستراتيجي الجديد المطبق لتحسين محو الأمية المالية الإسلامية وإدماجها من حيث قطاع سوق رأس المال الإسلامي. يستخدم هذا البحث أساليب نوعية مع مراجعة الأدبيات من مجلة المقالات ، وتقرير الحكومة ، وتقرير الأخبار ، وغيرها في مراجعة وتحديد ومعرفة الاستراتيجيات التي سيتم تنفيذها. تظهر النتائج أن هناك ست استراتيجيات محددة تستخدم في تحسين معرفة القراءة والكتابة في سوق رأس المال الإسلامي ، ومؤشرات الشمول ، وهي إعادة صياغة الصورة النمطية السلبية للاستثمار ، وبناء حملة ترويجية وحملة مستدامة من خلال منصة عبر الإنترنت وغير متصل ، وإنشاء سوق متكامل عبر الإنترنت لمنتجات سوق رأس المال الإسلامي ، وتحسين الشركات إصدار الصكوك وتقديم منتج SRI جديد للصكوك ، وتشكيل وكلاء ومجموعات من محبي سوق رأس المال الإسلامي ، ومراقبة وتقييم الاستراتيجية المطبقة.

الكلمات الرئيسية: محو الأمية المالية ؛ والشمول المالي ؛ وسوق رأس المال الإسلامي ؛ والاستراتيجية

A. INTRODUCTION

Financial literacy and inclusion are elements that complement each other. When an individual or household is well-literate about finances, they can understand and choose a suitable financial product or service for their financial goals properly. In addition, more higher the level of financial literacy, the more cunning and meticulous it in managing and investing money wisely in order to meet financial needs in the future.

Financial literacy and inclusion is a very important element for a country to assess the growth of public finances. Both are closely related to how people know, access, use the financial products properly. The high level of financial inclusion in one country proves that the level of users of financial services and products in the country is high. In other words, people have used a lot of financial products and services to meet their financial needs such as accessing education, health, saving, transacting, and investing.

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In addition, financial inclusion provides many benefits for each rank of the economic elements of a country, so that it ultimately contributes to economic growth¹. First of all financial inclusion helps in facilitating transactions for economic actors in each rank, starting from individuals, households, government, and institutions. For the middle-low class community, they can access financial products to improve the quality of their lives through access to health, education and other financial needs. For financial institutions it useful for financial stability. Employers, business owners or entrepreneurs use credit or funds to invest in productive assets in creating jobs for the people of a country to increase income and contributing to the government to increase tax revenues and reduce unemployment.

Besides that in Indonesia, the financial literacy and inclusion index level as surveyed by the Indonesia Financial Authority (OJK) shows that the level is still low when compared to other countries in Southeast Asia such as Malaysia, Thailand or Singapore. In 2016 was recorded at 29.66% for financial literacy index, while financial inclusion index was in the range of 67.82%. In addition, besides to these conventional indices, Indonesian Government in this context the Indonesia Financial Authority (OJK), the Finance Ministry, and Bank Indonesia are trying to enhance and boost the Islamic financial literacy and inclusion which is also far behind. The last survey OJK in 2016 stated that the value of Islamic financial literacy index was at 8.11% and 11.06% for Islamic financial inclusion. Concerning to Indonesia as a country with the largest Muslim population in the world, the growth of Islamic financial products and services is very potential to be developed further so that people can be well-literate in managing finance well and wisely to achieve the financial well-being.

However, there are other facts found by the Indonesia Financial Authority regarding indices data. From all sectors of financial industry surveyed, The capital market is the lowest index sector at around 1.25% & 0.01% for conventional & Islamic financial inclusion and 4.40% & 0.02% for conventional and Islamic financial literacy indexes. Even though Indonesia was ranked 4th in Asia-Pacific as a country with the highest capital market growth rate in 2017.² In addition, the achievement of Indonesia in the capital market industry is also proven by the highest number of listed companies in Asia throughout 2018³.

¹ Sarath Chandran, "Financial Inclusion Strategies for Inclusive Growth in India", *SSRN Electronic Journal-MPRA Paper*, No. 33569 (September 2011): 1, DOI: 10.2139/ssrn.1930980.

² "OJK: Pasar Modal Indonesia Tumbuh Tertinggi ke-4 di Asia-Pasifik," Yohana Artha Uly, last modified July 19, 2019, <https://economy.okezone.com/read/2018/01/02/278/1838762/ojk-pasar-modal-indonesia-tumbuh-tertinggi-ke-4-di-asia-pasifik>.

³ "2018, Jumlah Penambahan Emiten di RI Tertinggi di Asia," Bawono Yadhika, last modified July 19, 2019, https://www.liputan6.com/bisnis/read/3938375/2018-jumlah-penambahan-emiten-di-ri-tertinggi-di-asia?utm_expnid=.9Z4i5ypGQeGiS7w9arwTvQ.0&utm_referrer=https%3A%2F%2Fwww.google.com%2F.

Achievements, potential, and growth of the capital market industry in Indonesia will be insignificant if not followed by the enhancement of financial literacy and inclusion indexes in the capital market sector. Therefore, strategies and efforts are needed from all stakeholders, government, policymakers, and involved institutions in creating a new strategy and ecosystem in order to improve the level of financial literacy and inclusion indexes on Islamic and conventional capital market sector. It aims to make Indonesian society are able to enjoy the growth of the capital market industry and support the country's economic growth through effectively and efficiently investment fund management. Eventually, it can create great benefits for the community, nation, and country.

B. LITERATURE REVIEW

1. Financial Inclusion

Many studies are conducted regarding strategies for enhancing financial inclusion. This study was also conducted at the government level in order to improve the index of financial management skills and also access to financial products and services by the community. To understand the financial inclusion concept, we must know first about the definition of it. Based on the definition of the concept, the World Bank (2013) has defined financial inclusion as the proportion of individuals and firms that use financial services. Accion International (2009) defines financial inclusion as a situation that people have access to quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. The Rangrajan Commite (2008) added that financial inclusion talked about the access to financial products and services for low-income groups with an affordable cost. From definitions above can be concluded that the financial inclusion is discussed about the individual, household, or firms have accessed to a quality financial product and services with affordable cost⁴.

Financial inclusion includes at least two main dimensions: (1) financial inclusion refers to an individual having access to financial products and services from the lowest level such as accessing credit services and saving to complex financial services such as insurance and pension fund; (2) financial inclusion shows that users can access more than one type of financial products or services in any different kind of providers. In addition, another dimension lies in the ease of accessing financial and low-cost services so that it can be

⁴ Rangjaran Commitee, "Report of the Committee on Financial Inclusion" (Government of India, 2008).

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accessed by middle-income communities⁵. Furthermore, to assess and measure the level of financial inclusion generally, at least three dimensions are required, namely; (1) *access* to financial services, (2) *usage* of financial services, and (3) the quality of financial products and delivery. In the context of Islamic financial inclusion, the main focus is the financial products and services provided must be in accordance with sharia principles⁶.

2. Financial Literacy

Financial literacy is strongly related to an individual's ability and capability in managing finances to merit with financial needs and wants. Because financial literacy incorporates skill, knowledge, competence, and confidence in deciding and managing the financial decision at the same time. Financial literacy is strongly pillared to enhance financial inclusion. To understanding the role of financial literacy in designing a strategy to improve financial inclusion index, for this reason, the definition of financial literacy is explained first. Australian Securities & Investment Commission (2011) defined financial literacy as knowing and understanding money and finance and be able to apply the knowledge confidently to make an effective financial decision⁷.

Moreover, the Financial Services Authority (2014) in the guide book of national financial literacy and strategy in Indonesia explain that financial literacy is a series of processes to elevate knowledge, ability, skill, dan confidence of the customer and community to manage a better financial⁸. Emmons (2005) explain that financial literacy is the ability to manage the situation of cash and payments, knowledge about opening a saving account and obtaining credit, a basic understanding of health and life insurance, ability to compare offers and plan for future financial needs⁹. The purpose of applied financial literacy among consumer and wider community is the enhancement of ability to decide a better financial decision making and to change the way of thinking in managing financial properly in order to achieve the financial wellbeing. Meanwhile, Remund (2010) add the time factor to his financial literacy definition where people can manage his own financial needs and wants

⁵ United Nations Capital Development Fund, *Building Inclusive Financial Sectors for Development* (United Nations Publications, 2006), 147.

⁶ International Monetary Fund, "Rethinking Financial Deepening: Stability and Growth in Emerging Markets," IMF Staff Discussion Note 15/08 (Washington, DC: IMF, 2015).

⁷ Australian Securities & Investment Commission (ASIC), "National Financial Literacy Strategy" (Australia, 2011).

⁸ Financial Services Authority, "Literacy, Education and Financial Inclusion." The Directorate of Literacy and Education (Jakarta: 2014).

⁹ William R. Emmons, "Consumer-Finance Myths and Other Obstacles to Financial Literacy," Supervisory Policy Analysis Working Papers (Federal Reserve Bank of St. Louis, 2005), <https://ideas.repec.org/p/fip/fedlsp/2005-03.html>.

confidently in term of short and long time planning, taking into consideration the economic events and changing conditions¹⁰.

In nutshell, from definitions above can be concluded that financial literacy be grouped into four dimensions: (1) financial knowledge regarding financial product and services; (2) financial management's ability; (3) financial behavior to use any various kind of financial instrument; and (4) financial confidence in taking financial decision.

Furthermore, in the Islamic religion, sharia financial literacy means that someone might be able to understand well and correctly about Islamic financial products and services that are free of elements prohibited by Islam such as usury, gharar, masyir, and other elements. In addition, investors in the Islamic capital market are only allowed to invest in shariah-compliant business companies. Sharia-compliant means that the business does not contain elements of usury such as banks and conventional financing, companies that produce goods containing liquor or pork, pornographic businesses, and so forth. All of these include in financial literacy aspect ability to be well literate in the Islamic capital market¹¹.

3. Strategy for improving sharia financial inclusion and literacy in term of sharia capital market

In a previous study conducted by several researchers, it was found that there were several approaches and strategies used in enhancing the financial literacy and inclusion index in Islamic capital market sector. Mubarok (2018) explained that the inhabiting factors of individual's interest in investing in the Indonesia Islamic capital market are: (1) no money; (2) fear of loss; (3) do not know how and where it is; (4) doubt about the law. Meanwhile, other supporting factors are: (1) want to learn how to invest; (2) advancing the Indonesian capital market; (3) for future saving; (4) getting profit; and (5) inspired by capital market figures. In order to attract the interest of the younger generation to invest, socialization and education regarding the Islamic capital market in Indonesia must be synergized with the use of social media and formal educational institutions through capital market courses designed by Islamic capital market practitioners and experts themselves, which are then applied with investment simulations provided by securities companies that cooperate with educational institutions.

Meanwhile, a study conducted by Khotiawan (2017) found that the Indonesia financial authority (OJK) increased literacy and inclusion of Islamic finance by designing a strategic program called National Strategy for Indonesia Financial Literacy (SNLKI) and National

¹⁰ Remund D.L., "Financial Literacy Explicated: The Case for a Clearer Definition in an Increasingly Complex Economy," *The Journal of Consumer Affairs* 44, no. 2 (2010): 276.

¹¹ Usmani T.M., *An Introduction to Islamic Finance* (New Delhi: Idara Isha'at E-Diniyat, 1998).

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Strategy of Financial inclusion¹². The strategy consists of five main pillars including financial education, community property rights, Intermediation facility & financial distribution channel, financial services in government, and consumer protection. Furthermore, OJK designed these five main pillars in the five directions of the development of the Indonesian Islamic Capital Market specifically in order to gradually increase financial inclusion in this sector towards a better and more appropriate direction.

The main focus of this paper is reviewing the strategies and approaches used by OJK to improve financial literacy and inclusion in the Indonesian Islamic capital market sector. It is necessary for finding new approaches and strategies that are applicable in accordance with the current situation and conditions that occur in the midst of the Indonesian community. The gap taken in this study is to reconstruct the approaches and strategies used in order to increase the literacy and inclusion of Islamic finance in the Indonesian capital market sector so that the index increases gradually.

This study intended to be a reference for those who have an interest in improving the financial literacy and inclusion index, namely the OJK, in formulating strategies that are appropriate to the context, situation, and challenges facing the Indonesian community today. Including strategies that have not been approved by the OJK, but have a great opportunity to be applied. This research also contributing to the academic world in order to know what financial inclusion and literacy is and why it is important to study. In addition, this research is beneficial for the community as a source of information and publications regarding the strategies implemented in order to increase shariah financial inclusion and literacy, especially in the capital market sector.

C. METHODOLOGY

This study uses the sets of secondary data such as journals, books, newspapers, magazines, literature, editorials, internets, articles, chapter in the book, government surveys, and other library-based documents with the aim of obtaining information that related to the objectives of the research. Moreover, The analysis approach used in this study is qualitative analysis. Qualitative data analysis is a process of finding and understanding some information that comes from different sources in order to make sense a recent phenomenon, which all of them are interpreted into a complete picture that is able to explain the phenomenon. In sum, it

¹² Ma'rufa Khotiawan and Muhammad Luthfiansyah, "Strategy to Enhance Sharia Financial Literacy and Inclusion in Indonesia (Case Study at Financial Services Authority Office in City of Malang)," *Management and Economics Journal (MEC-J)* 1, no. 1 (2017).

is a process where the researcher takes descriptive information and offer interpretation or explanation. Besides that, this research is a case study that examines the real situation happened in the context of a strategic program in enhancing financial literacy and inclusion indexes in Indonesia. In order to get a complete framework of strategy that will design to improve both of indices, the first is to detail the developing and current situation regarding investment and Islamic capital market in Indonesia as generally. Secondly, reviewing strategy that applied by Indonesia Financial Authority in improving both of indices especially in Islamic capital market. Thirdly, constructing several new strategic approaches that are applicable to increase the value of the literacy and inclusion index of the Islamic capital market for the Indonesian community.

D. RESULTS AND DISCUSSION

1. Issues and challenges in Investing in Indonesia

Indonesia Financial Services Authority (OJK) has surveyed regarding financial literacy and inclusion index in 2016 and found that the level of both indices is far from expectation. The value of both indices is below the average value of several developing countries in ASEAN. In addition beside of two conventional indexes, another focus is on the Islamic financial literacy and inclusion index which is predicted to be the competitive value of Indonesia and is expected to become a new axis in supporting the economic growth of Indonesia as known as the country of the Muslim majority population. Islamic financial index is also very far from what is expected. Based on a survey conducted by OJK in 2016, results were found that the Islamic financial literacy index was at the level of 8.11% and the financial inclusion index was 11.06%. So the government, financial institutions, or Indonesia Financial Services Authority have a lot to do along with other stakeholders in order to improve both of these Islamic financial indices. Of course with this level, a comprehensive strategy is needed that involves all aspects to achieve the expected value in the future.

Among several Islamic finances sectors existed today, the Islamic capital market becomes a sector which has been a low level of literacy and inclusion indices, which is around 0.02% and 0.01%¹³. The lack of interest, awareness, and knowledge about investing in Islamic capital market causes Indonesian community not familiar to invest their fund to a paper asset such as stock, Sukuk or Islamic bonds, and any other instrument. Moreover, many factors that caused this conditions are found in the result of the Indonesian National Financial

¹³ National survey regarding financial literacy and inclusion by OJK, 2016.

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Literacy and Inclusion in 2016 as follows: (1) the lack of knowledge of Indonesia people toward Islamic financial institutions and Islamic financial products and services in capital market sector; (2) the lack of public understanding regarding the risk concept in capital market; (3) the mindset of Indonesia people is still dominated by short-term financial goals.

In addition, the investment image in Indonesia is a big matter. The word “investment” has a negative stereotype in Indonesia. This happened because there were a lot of fake investment cases that took many casualties among the Indonesian people. There are many fraudulent of investment motives that promise abnormal return, regardless of whether the company offering investment product is legally listed or registered at Indonesia Financial Authority Services (OJK) or not¹⁴. Data were collected by OJK starting from 2008-2018 shows that the estimated losses suffered by Indonesian people due to fake investment are at around Rp 88,8 trillion. Even the victims were also from highly educated communities. Not only the problem of the "investment" stereotype, but the Indonesian people are also afraid to invest in the capital market for fear of losing capital or doubting the practice is *halal* or not. There are few people think that investing in the capital market is the same as gambling because it plays on something that is not clear and depends on luck¹⁵.

2. National Strategy for Indonesia Sharia Financial Literacy and Inclusion

National strategy for Indonesia Financial Literacy and Inclusion is a vision that contains a strategy for Indonesian in managing finance properly, ability to understand financial risk and how to mitigate it, and ability to utilize existing financial products (both sharia and conventional financial products) to achieve financial well-being. Indonesia Financial Services Authority (OJK) has designed several strategies to improve sharia financial literacy and inclusion based on a conducted survey in 2016, namely will describe down below:

Table 1: National Strategy for Indonesia Financial Literacy and Inclusion 2017

Strategic Program	Initiative Program	Core Actions
Skilled Finance	1. Improve knowledge, skills, and trust of the financial services sector	<ul style="list-style-type: none"> • Synergizing financial education program with any government program • Improving the understanding of society regarding benefit, risk, ease, and safety transaction through financial service institution • Customer protection • Financial education regarding digital finance usage
	2. Develop	<ul style="list-style-type: none"> • Synergizing financial education material at every level of

¹⁴ Wulandari, “Pukau Investasi Bodong”, accessed July 14, 2019, <https://news.detik.com/kolom/d-4641763/pukau-investasi-bodong>.

¹⁵ Sintia Astarina, “Pilih Investasi Saham atau Reksa Dana? Ini Pertimbangannya,” accessed February 14, 2019, <https://koinworks.com/blog/investasi-saham-atau-reksa-dana/>.

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	<p>infrastructure to Improve knowledge, skills, and trust of the financial services sector</p>	<p>formal education</p> <ul style="list-style-type: none"> • Synergizing financial education material at any institutions and community organizations • Arranging financial literacy material • National database • Supporting communities or financial institutions to contribute in providing financial literacy material • Facilitating the establishment of financial literacy and inclusion research center • Facilitating financial institution to establish an education center at any region or city level
The wise attitude and behavior of finance	1. Encouraging the community to have a financial planning	<ul style="list-style-type: none"> • Building public awareness about the importance of short and long term financial planning • the culture of financial planning from an early age
	2. Improving financial management capabilities	<ul style="list-style-type: none"> • Ability to arrange financial planning and management • Encourage the community to carry out the financial management are planned
Financial Access	1. Simplify and expand public access to financial service providers	<ul style="list-style-type: none"> • Collaboration with non-financial service institutions that have extensive networks • Joint product with other financial services institutions that have extensive networks
	2. Providing financial products and services in accordance with communities needs	<ul style="list-style-type: none"> • Simplify and affordable financial products and services • Financial products and services that can be reached by people in remote areas • Developing digital financial products and services

Source: Author from Indonesia Financial Service Authority report

The table above described how OJK design several strategies in enhancing financial literacy and inclusion as generally on the entire mainland of Indonesia.

Moreover, not only those strategies used by OJK but also the specific strategy especially to Islamic capital market in order to enhance the level of awareness, knowledge, and financial product and services so that it can be improving the rate of both indices. These applied strategies focus on: (1) strengthening regulations on Islamic capital market products, institutions and professions; (2) supply and demand Islamic capital market products; (3) the development of human resources and information technology in the Islamic capital market; (4) education and promotion campaign of Islamic capital market; (5) coordination with government and related regulators in order to create a synergy policy of Islamic capital market (OJK, 2015). From those strategies above, OJK just explains the general situation and strategy approached that will develop in the future to improve a better ecosystem for the Islamic capital market.

Many suggestions and inputs have not yet been developed in the Islamic capital market roadmap launched by OJK. The study of the Islamic capital market is importantly needed in responding to the needs and situations that are expected by Indonesia Financial Authority Services really happened. The growth of both supply and demand of the Islamic capital market products increases, the flexibility of capital market regulations to encourage the

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creation of variations of products and services, the participation of business actors to access a fund from the Islamic capital market, increasing the number of investors by building trust in the community regarding the Islamic capital market, continuing education and promotion of the Islamic capital market, risks, benefits, and so on must be studied more critical to gain insight and better knowledge to design an applicable strategy to enhance financial literacy and inclusion in Islamic capital market sector. These are examined in order to produce a new strategy that can foster interest, desire, and knowledge about the Islamic capital market so that it can ultimately increase the literacy and inclusion indices in Islamic capital market sector.

3. Reformulating a specific strategy approach in enhancing awareness among the Islamic capital market

3.1 Rebranding with The Islamic Capital Market

The current situation regarding investment and condition indexes through Islamic capital market in Indonesia has proven practically that a new strategic approach is needed to foster awareness among of Indonesian community about how to invest properly and correctly so a not to be pledged by promises of high investment returns and how to choose a legal financial products and services provided by a legitimate and registered financial services institutions in running their business. To harmonize with the problem, a rebranding strategy about the negative stereotype of investment connotes to fake investment must be implemented by Indonesia Financial Services Authority, government, stakeholders, and financial institutions as a company that provides financial products and services among communities. Rebranding strategies contains several information, campaign, risk and benefit regarding investment and its universe about the ability of communities to interpret how the investment should be done, the skills in determining an appropriate investment, the competency to recognize and understand the risks in investing, and what kind of financial products are available in the market and adjusted with the investing character of each individual in the community. On the other side, community understanding about the law of investing in capital market must be stated clearly as the activity which is lawful and free from speculation and depends on luck. The positive stereotype with islamic capital market branding is important to race the problem. The existence of the Islamic capital is able to answer the doubts of the community and foster trust to invest within, so that the public has capabilty and knowledge to avoid illegal investment practices that might be harmful for themselves.

3.2 Sustainable Promotion and Campaign through Two Channel (Offline and Online)

Furthermore, after the rebranding strategy of investment has been done, the next level is building a sustainable promotion and campaign program regarding investment benefits, opportunities, and changes in the Indonesian Islamic capital market. This is done by creating a campaign material about the direct and indirect benefits of investing in the Islamic capital market. Educational material was also included in promotion and campaign programs. The strategy is carried out by working with several formal and non-formal educational institutions, the mainstream media, government agencies, Islamic financial institutions, and also companies who listed in Islamic securities board. No less important is by collaborating with the content creator on various social media platforms to target youth people or millennials to be more aware of the importance of investing in the Islamic capital market. This strategy has become a suitable strategy in introducing the benefits of investing in Islamic capital market among Indonesian people, especially young people, because the level of dependency on the internet among of them is quite high, as we see at figure one down below.



Figure 1: Internet User Based on Age Category (source: APJII 2016)

In addition, this momentum can be used as a strategic approach for Indonesia Financial Services Authority and Islamic financial services in promoting the Islamic capital market. Coupled with the situation where the level of awareness of Indonesian Muslim communities are more likely to seek sharia-based financial services to merit with their financial needs in the present and future.

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3.3 Integrated Online Marketplace for Islamic Capital Market Products and Services

Associated with the promotion of Islamic capital market throughout the internet to improve user access regarding the information of Islamic capital market products and services, an integrated innovation strategy is needed to reach the target market (young generations) of Islamic financial literacy and inclusion program. The integrated innovative approach that will be designed is by establishing a special marketplace containing the Islamic capital market products and services from various financial service providers which are initiated by government agencies or private companies. This platform is necessary to socialize Islamic financial product and services among communities who want to invest and knowing well about investment in Islamic capital market industry. The situation is similar to a community who can easily access products according to their need through e-commerce or online shopping sites. Moreover, the marketplace also contains educational material and direct introduction of all types, forms, and benefits of each product by Islamic capital market experts and Islamic financial services providers. The products that might be integrated into this marketplace such as Islamic mutual funds, corporate Sukuk, and government Sukuk. Meanwhile, the Islamic fintech companies in providing the innovative sharia financial products and services through a technology platform based on the internet are very important too in the situation described above. Therefore, the role of financial services institutions that have extensive operational networks throughout the country such as a bank is really needed in providing education about the Islamic capital market and its instruments. In a nutshell, the combination of online and offline networks can simultaneously create an integrated ecosystem so that literacy and financial inclusion in this sector can be improved.

3.4 Increasing Supply of Islamic Capital Market Products with SRI (Social Responsibility Investment), Sukuk Ihsan, And Corporate Sukuk

In addition, increasing supply and demand of Islamic capital market products are needed to improve community interest, product reference, demand, and availability of products in the market. One of strategy can be applied in order to increase the supply of Islamic capital market products in Indonesia is by encouraging the registered companies in the list of Islamic issuer (Daftar Efek Syariah) to issue affordable corporate Sukuk with a fairly *nisbah* and good rate of return. Moreover, other Sukuk products are worth trying to offer or issue is Sustainable and Responsible Investment (SRI) Sukuk. The SRI Sukuk is an investing platform of Sukuk that used for the preservation and protection of society. The SRI Sukuk is a similar mechanism to the normal Sukuk, where an investor

will receive coupon payment and issuer get capital from him. But the difference is about the purpose of Sukuk was for, where SRI Sukuk is intended for social impact projects such as education, green energy, or health program. The structure of SRI Sukuk is in accordance with the sharia principle of *wakalah bil istihmar* with at least 33% of Sukuk proceed is invested in tangible asset. Another interesting feature of the Sukuk Ihsan is that the Sukuk holder has the option to convert their investment in the Sukuk into a donation at any point in time during the Sukuk tenure. The SRI Sukuk is indeed a noble yet powerful concept that invites awareness and responsiveness of the corporate sector to participate in the development of the wellness of the society especially in several major areas such as education, environment, health, power energy, and more (Amanie, 2019)¹⁶.



Figure 2: Indonesia is The Most Generous Nations in The World (Sources: Charity Aid Foundation, 2018)

This new type of Sukuk is very compatible with the objectives of Islamic sharia in creating the goodness and welfare of the people. Coupled with the status of Indonesia, known as the most generous country in the world according to the Charity Aid Foundation (2018) as we see above at figure two, whose assessment is based on three main indicators including making contributions to others, donating money, and volunteering. With this fact, SRI Sukuk is one of the most suitable products to be marketed in Indonesia in order to increase financial inclusion in the Islamic capital market sector.

¹⁶ Amanie Webmaster, "Ainul Azura Zakiyudin on SRI Sukuk," *Amanie Islamic Finance & Shariah Advisor* (blog), October 30, 2017, <https://amanieadvisors.com/social-investment-sri-sukuk/>.

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3.5 Community Based Program and Agency System to Increase Product Demand

On the demand side, aside from promotions, campaigns and taglines that are designed to invite all levels of society to invest in the Islamic capital market, the community-based program of Islamic capital market lovers can be developed in various regions by cooperating with several influencers, content creators, and students in various regions that are trained and educated by Indonesia Financial Services Authority . Both communities or individuals who are trained also encouraged to become agents who facilitate potential investors to buy Islamic capital market products and services, for which they would get a commission from it. The scheme above is more effective because it is mutually beneficial to both parties. Furthermore, this program aims to foster public awareness of the importance of investment and to give a chance in public area in getting additional income and knowledge about Islamic capital market, so it is expected that demand for Islamic capital market products and services can increase properly. This scheme can be used by investment banks or security company by using *wakalah bil ujah* while they succeed in selling each islamic capital market product to potential investor.

3.6 Evaluation and Monitoring

Eventually, the final step from all of these is monitoring and evaluating the strategy applied in various ways in order to get response and measurements. This is done to assess the strengths and weaknesses of the programs that have been implemented, as well as to find out the extent to which the program has been successful or not. Finally, an in-depth review of programs and strategies that have been designed can be carried out simultaneously in order to find the most effective way to improve the literacy and inclusion index in the Islamic capital market sector.

E. CONCLUSION

This research is trying to review the strategies carried out by Indonesia Financial Services Authority in enhancing and improving the financial literacy and inclusion indices in the Islamic capital market sector. This strategy is very important to realize because the facts in the field prove that the capital market is the lowest level sector of literacy and inclusion compared to other financial sectors such as banks, insurance, pension funds, and so forth. All of these strategies are outlined in the National Strategy for Indonesia Financial Literacy (SNLKI), National Strategy of Financial inclusion, and Indonesia's Islamic capital market roadmap in 2015-2019. This study of strategies designed by OJK is intended to formulate a

new strategic approach that is more specific and applicable that can be applied to improve literacy and inclusion indexes in accordance with the targets set by OJK.

The results show that rebranding strategy is needed for the first time against the investment stereotype itself by providing education about what is healthy, legal, good and right investment, including on understanding investment risk. Secondly, by building a sustainable promotion and campaign program regarding investment benefits, opportunities, and changes in the Indonesian Islamic capital market from all lines both online and offline. This also includes involving content creators, public figures, and social media influencers to create sharia capital market content regularly on social media platforms to target young people and millennials who interact the most with the internet. Thirdly, by creating a special integrated marketplace that contains Islamic capital market products that can be easily accessed by users or potential investors. Fourthly, increasing the supply and availability of Islamic capital market products in Indonesia by encouraging companies to issue corporate Sukuk. In addition, by presenting SRI Sukuk products that are in line with the principles of sharia and maqashid shariah. Fifth, increasing product demand by forming a group of sharia capital market lovers consisting of influencers, content creators, students or community leaders who are also become as agents in marketing sharia capital market products and services. Finally, doing some monitoring and evaluating the strategies are applied.

This study has several limitations. First of all the data collected and analyzed comes from journal articles, books, government reports, or news related to financial inclusion and literacy in general. Second, not many specific scientific works have been found regarding financial literacy and inclusion in the Islamic capital market sector. This is a follow-up recommendation for further research to examine more deeply with a comprehensive approach and analysis. Future research might increase the scope or conduct several comparative studies in finding different strategies and approaches used by other countries to improve financial literacy and index inclusion in the Islamic capital market sector.

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