

## **The Role of Arabic in Islamic Financial Literacy Development In Indonesia**

Heni Verawati ✉

Islamic Economics and Business Faculty  
UIN Raden Intan Lampung  
Indonesia

<b>Article Information</b>  Received: February 13, 2024 Revised: February 20, 2024 Accepted: March 1, 2024	<b>Abstract</b>  Islamic financial literacy in Indonesia is rapidly increasing, as is the Islamic banking industry. Arabic is important in developing Islamic financial literacy because it is the primary language in Islamic legal texts and daily banking practices. The use of Arabic in Indonesia's Islamic banking industry serves as a communication tool and an important factor in the development of Islamic financial literacy. This study investigates how Arabic helps Indonesians understand and adhere to Sharia principles, particularly in Islamic banking. This study employs a qualitative methodology with a literature review approach to determine the impact of the Arabic language on Islamic banking practices. The main findings focused on the use of Arabic terms such as <i>mudarabah</i> , <i>murabahah</i> , and <i>ijarah</i> in Islamic banking documents, as well as challenges such as a lack of Arabic-speaking human resources in Islamic banking and customers' difficulty understanding these terms. The proposed solutions include increasing contextualized Arabic language training for Islamic banking employees and providing simple educational materials for customers. The study concludes that Arabic language proficiency is important in promoting Islamic financial literacy in Indonesia through the Islamic banking industry.  Keywords: Financial literacy; Development; Arabic
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### **Introduction**

The introduction of Islamic financial literacy in Indonesia has become a major focus, as has the growing awareness of the importance of financial services based on Islamic principles. As the

Corresponding author: [heniverawati@radenintan.ac.id](mailto:heniverawati@radenintan.ac.id)

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primary language in Islamic legal texts, Arabic is critical for understanding and implementing Sharia principles in the Islamic banking industry.

The Islamic banking industry in Indonesia has grown significantly in recent years, indicating that the general public is becoming more aware of Islamic finance. As an essential component of the Islamic financial system, Islamic banking operates on Islamic law (sharia) principles. It employs Arabic as the primary language in documentation and daily practice. Arabic is critical in understanding and implementing Sharia principles, both among the Islamic banking workforce and the customers who use their services. This article seeks to investigate the role of the Arabic language in improving people's understanding of Islamic banking products and services, as well as the challenges associated with their implementation (Wilson, 2010). As such, understanding the role of Arabic in this context is important not only for the Indonesian Islamic banking industry but also for the global development of Islamic finance.

Indonesia, with the world's largest Muslim-majority population, has seen significant growth in the Islamic banking industry. Islamic banking has become the first choice for Muslims seeking financial services based on Islamic principles and has emerged as an important component of the national financial ecosystem (Furqani). However, using Arabic in Islamic banking documents and practices is critical for ensuring compliance with Sharia principles.

Arabic is not only the legal language in Islamic financial transactions but also the key to understanding and interpreting the underlying principles (Ayub, 2007). Terms like *mudharabah* (profit sharing) and *musharakah* (cooperation) distinguish Islamic banking products and services from the traditional system while also ensuring compliance with sharia principles that prohibit usury and speculation (Siddiqi, 1985). These terms not only serve as the foundation for Islamic economics, but they also guide economic decision-making based on religious values.

Developing Islamic financial literacy in Indonesia is a significant challenge in light of increasingly complex global economic dynamics. Islamic financial literacy entails understanding sharia-compliant financial products and practices and a thorough understanding of the primary sources of these principles, namely the Quran and Arabic Hadith (Ayub, 2007).

However, in Indonesia, a thorough understanding of Arabic is frequently a barrier to developing Islamic financial literacy (Usmani 2002). The primary challenges to overcome are a lack of access to Arabic literature and resources and a lack of adequate educational facilities for teaching Arabic (Siddiqi, 1985).

Despite its importance, Arabic in Islamic banking in Indonesia faces significant challenges, such as a lack of an Arabic-speaking workforce and customers' difficulty understanding the terminology used in banking documents. These challenges highlight the need for additional efforts to improve Islamic financial literacy through education, training, and distribution of appropriate educational materials to all stakeholders. (Ayub, 2007).

## Methods

This study takes a qualitative approach, focusing on literature studies, to investigate the role of Arabic in developing Islamic financial literacy in Indonesia via the Islamic banking industry. The qualitative approach was chosen because it allows for a thorough examination of the use of Arabic in the context of Islamic law and banking practices.

The data for this study was gathered through document review, specifically an examination of Islamic legal texts, academic literature on Islamic banking, and official documentation from Islamic financial institutions and Islamic legal authorities in Indonesia. The primary sources used were works by scholars such as Usmani (2002) and Chapra (2000), as well as fatwas and legal guidelines issued by the National Sharia Council (DSN) and the Indonesian Ulema Council (MUI).

The data was analyzed to determine the use of Arabic in Islamic banking product and service definitions, as well as its impact on Indonesian society's understanding and adherence to sharia principles.

## Findings and Discussion

The Arabic language has a significant impact on Islamic banking in Indonesia. Arabic terms like *mudarabah*, *murabahah*, and *ijarah* define Islamic banking products and services while also ensuring adherence to Sharia principles. Key challenges include a lack of a well-versed Arabic-speaking workforce and customers' difficulty understanding the terminology used in Islamic banking contracts and documents (Al-Qaradawi 2005).

The use of Arabic in the context of Islamic financial literacy entails linguistic skills and access to the knowledge, culture, and values underpinning Islamic economic principles. By improving their command of this language, Indonesians hope to improve their understanding and adherence to Shariah principles in their financial practices.

The development of Islamic financial literacy in Indonesia necessitates a comprehensive approach that combines Arabic language instruction and a thorough understanding of Islamic economic principles. With these measures, it is hoped that the public and Islamic finance practitioners will be more effective in implementing financial principles that are consistent with Islamic values in the local context.

Arabic is important in the development of Islamic financial literacy in Indonesia, which is evolving in tandem with economic growth and the need for a more in-depth understanding of Islamic economic principles. Arabic is important for understanding Islamic economic principles such as *riba* (interest), *zakat* (compulsory donations), and other financial principles that underpin Islamic economics (Usmani, 2002). The table below contains examples of Arabic terms used in Islamic financial literacy and explanations for them.

Table 1. Arabic Terms in Islamic Financial Literacy

No	Arabic Terms	Explanation
1	<b>Riba</b>	Riba is the taking of additional or interest on a loan that exceeds the principal amount of the loan (debt) when the funds are returned.
2	<b>Zakat</b>	Zakat is a compulsory donation made by Muslims on their wealth to help the poor and for other charitable purposes.
3	<b>Mudarabah</b>	Mudarabah is a cooperative contract in which one party provides the capital and the other provides the skills or management.
4	<b>Musharakah</b>	Musharakah is a form of cooperation where both parties provide capital and share the profits in proportion to the agreement.
5	<b>Murabahah</b>	Murabahah is a sale and purchase transaction where the seller discloses the profit made on the price he paid.
6	<b>Ijarah</b>	Ijarah is a lease or rental contract where one party leases goods or services to another party for a specific rental fee.
7	<b>Sukuk</b>	Sukuk is a certificate of ownership in an asset or project by Sharia principles, avoiding fixed interest and speculative investments.
8	<b>Halal</b>	Halal means permitted or legal according to Islamic law, including in the context of finance and investment.
9	<b>Haram</b>	Haram means something forbidden or not permitted according to Islamic law, including finance and investment.
10	<b>Takaful</b>	Takaful is a Sharia-compliant insurance system in which risks are shared between participants through contributions to a common fund.
11	<b>Wakalah</b>	Wakalah is an agency contract in which one party authorizes another party to perform certain actions on its behalf for a fee.
12	<b>Kafalah</b>	Kafalah is a guarantee or coverage provided by one party to fulfill the obligations or debts of another party in the event of failure.
13	<b>Qard al-Hasan</b>	Qard al-Hasan is an interest-free loan given voluntarily to help people in need in an emergency or crisis.
14	<b>Gharar</b>	Gharar refers to significant uncertainty or vagueness in a transaction, which can be considered invalid in Islamic finance.

The use of Arabic significantly impacts Indonesia's Islamic financial literacy. Here are some important points to consider in this regard:

1. **Access to Primary Sources:** Islamic economic principles are primarily based on the Quran and Hadith in Arabic. A good understanding of this language enables Islamic finance practitioners and academics to access classical and contemporary texts more easily, which is critical in developing Islamic economic thinking and applications.
2. **Arabic Literature:** Arabic is the primary language for authoritative and relevant Islamic finance research. This includes fatwas, academic research, textbooks, and other documents that serve as guidelines for Islamic finance. As a result, reading and comprehending these texts in Arabic is an essential skill.
3. **Teaching and Training:** Integrating Arabic language instruction into formal education curricula at Islamic financial institutions is crucial for increasing Islamic financial literacy. This includes teaching the language and using it to understand the specialized and complex context of Islamic economics.
4. **Effective Communication and Decision Making:** Arabic, including fatwas and legal documents, is used for formal communication. A good understanding of this language allows decision-makers to communicate clearly and precisely about Shariah-compliant financial issues.

Arabic is about more than just linguistic skills; it is also about access to knowledge and culture, which is critical for developing Islamic financial literacy in Indonesia. By improving education and language proficiency, Indonesia hopes to make significant progress in developing and implementing Islamic economic principles effectively and sustainably.

The development of Islamic financial literacy in Indonesia necessitates a thorough understanding of Islamic economic principles and a strong command of Arabic, which is the key language for understanding the primary sources of these principles. Indonesia can better apply Islamic financial principles in its economic practices if it improves Arabic language education and develops Islamic financial literacy holistically.

The development of Islamic financial literacy in Indonesia is heavily reliant on a precise and thorough understanding of financial principles derived from the Arabic language tradition, which is the primary language of the Quran and Hadith. Investing in Arabic language education is therefore critical in ensuring that future generations have a solid foundation for practicing and developing Islamic finance sustainably. Here are some important aspects of the role of the Arabic language in this context:

1. Arabic is the primary language of the Quran and Hadith, the primary sources of Sharia principles in Islam. Individuals who can read and understand these texts in their original language gain direct access to the values and principles that underpin Islamic economics (Kamali, 2000).
2. Arabic is the primary language for Islamic finance literature, fatwas, and academic research. A thorough understanding and mastery of the Arabic language enables individuals to better comprehend the principles of Islamic economics. This includes understanding fundamental Islamic financial principles such as *riba* (interest), *zakat* (compulsory contribution), *musharakah* (cooperation), and *mudharabah* (profit sharing) (El-Gamal, 2006).
3. **Education and Training:** Some Islamic finance educational institutions in Indonesia include Arabic language instruction in their independent curriculum. This enables students and finance professionals to comprehend classical and contemporary Islamic finance texts.

4. **Proper Communication:** Arabic is used for official communications in Islamic finance, including fatwas and legal documents. Mastery of this language allows scholars and financial practitioners to communicate clearly and accurately about Sharia-related issues, which is critical for adhering to Islamic principles (Iqbal, M., & Mirakhor, A., 2007).
5. **Cultural Context and Tradition:** Learning Arabic provides insight into the cultural context and traditions that shaped Sharia principles. These include the values of ethics, justice, and economic empowerment that underpin the application of Sharia principles in everyday life (Arif 2018).
6. **Application in Practice:** Understanding Arabic and Sharia principles helps individuals apply them to their daily financial practices, whether as consumers or managers. This contributes to developing an international financial system based on Islamic values (Siddiqi, M.N., 2006).

Developing Islamic financial literacy in Indonesia is difficult, especially in light of a thorough understanding of Islamic economic principles. Arabic, the primary language of the Quran and Hadith, is critical for understanding and applying these principles. However, there are some critical points to consider in the context of Islamic financial literacy in Indonesia, particularly about Islamic banking practices.

1. **Formal Education Limitations:** While Indonesia has a growing number of Islamic finance institutions, such as banks and microfinance institutions, the lack of an adequate curriculum in Arabic language teaching remains challenging. As a result, many Islamic finance professionals cannot understand classical and contemporary Arabic texts (Hamzah, 2018).
2. **Literature Access Gap:** Indonesia has limited access to Arabic-language Islamic finance literature. This makes it difficult for academics, practitioners, and students to obtain the resources they need to study Islamic economic principles in depth (Khan, 2005).
3. **Misinterpreting Islamic finance principles** can occur due to a lack of in-depth understanding of Arabic. This misinterpretation may lead to the practice of Islamic economics inconsistent with the actual principles (El-Gamal, 2006).
4. **Inadequate Infrastructure and Human Resources:** Educational institutions face challenges in finding qualified Arabic and Islamic finance teachers, as well as adequate teaching and research facilities.

A thorough understanding of Arabic is essential for comprehending religious texts and developing a more holistic and contextual understanding of Islamic economic principles. By addressing these issues, Indonesia hopes to strengthen its knowledge base in Islamic financial literacy and raise a generation capable of contributing to advancing the economy through Islamic values.

### ***Challenges and Solutions for Islamic Financial Literacy***

In the practice of daily life that occurs in society, there are several challenges in terms of Islamic financial literacy, including:

1. **Limited Resources:** In Indonesian Islamic financial institutions, inadequate Arabic language teaching resources can hinder the development of Islamic financial literacy (Hamzah, 2018).

2. Difficulties with Access: Due to language barriers, Islamic finance practitioners in Indonesia may struggle to access classic texts and recent research in Arabic (Usmani, 2002).
3. Incorrect Interpretation: Misinterpretation of Islamic finance principles caused by a lack of understanding of the Arabic language and its cultural context. (Siddiqi, M.N., 2006).

From the challenges above, some solutions can be considered to improve the development of Islamic financial literacy in Indonesia, focusing on using Arabic.

1. Strengthening Islamic finance curricula through intensive Arabic language instruction will help students and finance professionals better understand classical and contemporary Islamic finance texts.
2. Provide intensive Arabic language training for Islamic finance practitioners. This can be done independently or in collaboration with international institutions specializing in teaching Arabic.
3. Utilizing digital technology, such as e-learning platforms and online databases, can improve access to Arabic resources. This will help overcome the lack of access to literature and improve information accessibility for Indonesian Islamic finance practitioners.
4. Increase collaboration with international institutions specializing in Islamic finance education and research. This collaboration can help exchange knowledge and experience while expanding access to Arabic literature and resources.
5. Investing in human resource development, including education and training in Arabic and Islamic finance, is crucial for improving Islamic financial literacy in Indonesia.

By implementing these recommendations, Indonesia hopes to strengthen its Islamic financial literacy foundation and produce a generation capable of making significant contributions to economic advancement based on authentic Islamic values.

## **Conclusion**

Arabic is critical to developing Islamic financial literacy in Indonesia, as it is the primary foundation for understanding and applying Islamic economic principles. In this context, Arabic serves not only as a medium for understanding the Quran and Hadith, which are the primary sources of Islamic financial principles but also as a means of accessing literature and fatwas that govern sharia-compliant financial practices. Collaborative efforts between the Islamic banking industry, educational institutions, and the general public are required to continually improve Arabic understanding and application in the context of Islamic financial literacy.

This article identifies some of the major challenges to the development of Islamic financial literacy, such as limited access to Arabic literature, a lack of adequate formal education in the teaching of this language, and the possibility of errors in the interpretation of financial principles due to a lack of in-depth understanding of Arabic. Proposed solutions include expanding the educational curriculum, using technology to improve access to resources, and increasing international collaboration in Islamic finance education and research.

By improving understanding and mastery of the Arabic language, Indonesia can strengthen its Islamic financial literacy foundation, ensure economic practices consistent with Islamic values, and produce a generation capable of leading the economy forward using financial principles derived from Islamic teachings. These steps will improve local understanding and practice of Islamic finance and increase its positive global impact.

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